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RESPONDACON II:

Second Inter-American Conference
on the Problems of Fraud
and Corruption in Government

Final Report

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Written by Wendy McFarren

RESPONDACON II:

**Second Inter-American Conference
on the Problems of Fraud
and Corruption in Government**

*Broadcast
Via Satellite from
Miami, Florida
Buenos Aires, Argentina
Panama City, Panama*

With the Participation of over 20 Countries

February 27-28, 1992

Final Report

GENERAL CONCLUSIONS OF THE CONFERENCE

Corruption increases poverty and leads to economic stagnation because it diverts resources that otherwise might have been used for a country's socio-economic development. It makes the state less efficient, reducing the scope and effectiveness of its social spending. Moreover, it erodes the public's faith in its government and public institutions, damaging emerging democratic processes in Latin America.

Corruption is becoming increasingly globalized, particularly in the financial system. Due to the heightened use of more sophisticated technology, corruption is also increasingly difficult to combat and control.

Corruption flourishes when the political will to fight it does not exist, because politicians profit from it economically and electorally. It is also exacerbated because public administration is not transparent and provides ample opportunities for profit-making through deception. Excessive bureaucracy, in particular, creates positions of power and privilege in which public officials are not accountable for their actions and take advantage of these inefficient administrations. The legal system is unable to combat this social illness since it is often corrupt itself.

Society at large is also unable to respond. The public greets corruption with apathy, feeling powerless to affect change. The press faces barriers in what it can publish, and often suffers from corruption within its own ranks.

The cause of corruption can be summarized by Robert Klitgaard's equation:

$$\text{corruption} = \text{monopoly} + \text{discretion} - \text{transparency}$$

Its solutions are encompassed by his Four Ps:

1. Publicity. The government can counteract impunity by "catching a big fish and frying it publicly to demonstrate that it is determined to fight corruption, even in its own ranks. It can also strengthen freedom of speech, and encourage the media to denounce corruption cases.

2. Positive incentives. Before implementing negative measures, first motivate people with positive incentives to fight corruption. It is important to stimulate a market-based and competitive economy and attack monopolies.

3. Prevention. Provide incentives for alternative behavior in order to minimize human, financial and material resource losses. This task involves establishing clearly defined sanctions for those who break the law and imposing financial discipline within institutions by implementing auditing and control mechanisms.

Harmonizing globally the standards of the accountancy profession, especially those relative to financial reporting and auditing, will prevent international corruption, such as that of the International Bank of Credit and Commerce (BCCI). This can be accomplished by developing international laws on financial corruption that will allow prosecutors to cross borders with the same ease as criminals do.

Another important preventative measure is to improve the quality of public servants while reducing their numbers. Their work must also be guided by a well-defined code of ethics.

4. People. To make the government accountable, it is key to raise the public's consciousness about corruption and encourage citizens to denounce cases without having to reveal their identities. For one, professional business associations must be involved in the fight and must be encouraged to uphold and enforce their code of ethics. Fighting corruption also means educating children at home and at school about its existence and mechanisms of control.

Corruption is essentially a political problem and the decision to fight it has to be taken by those who have the power to change it. It is the role of all social institutions to fight against it in order to lay the ethical foundations which will enable society's members to perform efficient, productive and honest work.

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I. EXECUTIVE SUMMARY

With over tens of thousands participants and television viewers estimated throughout the Americas, RESPONDACON II, the Second Inter-American Conference on the Problems of Fraud and Corruption in Government, broadcast its message via INTELSAT on February 27 - 28, 1992. For the first time, 20 countries in Latin America and the Caribbean discussed simultaneously and interacted with other countries the delicate issues of fraud and corruption in government. As its first major teleconference, the event provided a forecast of how the U.S. Agency for International Development's (USAID) will conduct such major events in the twenty-first century, permitting a greater number of participants to interact at a much lower cost and with easy accessibility.

The Conference called for public sector accountability and a strong, swift response against fraud and corruption (hence the name, RESPONDACON). Its principal conclusion was that if democracy is to be preserved, corruption must be energetically attacked by citizens, businesses and governments alike.

RESPONDACON II featured the national presidents of three countries, high public officials concerned about corruption, key investigators of the BCCI scandal, members of the press and leading personalities from important inter-American organizations. The Conference was produced and transmitted via satellite by Casals & Associates from studios in Miami with direct uplinks from Argentina and Panama. It reached hundreds of participants at various viewing sites in 20 countries and was broadcast on national television networks in Belize, Brazil, Colombia, Costa Rica, Paraguay, Peru, as well as cable channels in several other countries. At least fifteen other countries in Europe, Asia and Africa also downlinked the teleconference.

The Conference had the following goals:

- Educate the greatest number of citizens about the importance of honesty, transparency and integrity in government;
- Publicize the threat of the globalization of official corruption by disseminating case studies;
- Motivate citizens throughout the hemisphere to mobilize in support of efforts that combat corruption;
- Provide a forum for a free and open interchange on common issues and problems facing the governments of the hemisphere.

Concerned citizens and public officials at specially equipped viewing sites stepped forward to interface directly with the speakers and panelists in Miami, addressing key concerns of universal interest. Twenty dedicated phone lines afforded viewing participants the opportunity to ask on-the-air questions of the speakers and panelists. The four hour satellite sessions held during the two mornings were followed by live discussions by the participants in the afternoons at each organized viewing site. Some of the afternoon sessions were also televised locally.

A Word from the Presidents

In video presentations, three Latin American presidents, Alberto Fujimori of Peru, Carlos Saúl Menem of Argentina, and Violeta Chamorro of Nicaragua, emphasized the danger of corruption to democracy and their commitment to fighting it. President Fujimori set the tone in his opening remarks, prepared specially for the teleconference. Citing history, he described how the elite have acted with impunity in their own interest, protected by laws of their own crafting. He called on the electorate to take part in the public debate and on elected officials to set a high moral tone and act with total transparency. He proposed a three-pronged program of structural reforms and healthy competition in a market economy to put an end to monopoly and oligarchy.

President Menem likened corruption, money laundering and tax evasion to treason, stating that grotesque overstaffing and years of self-serving legislation had created a system which must be dismantled. He called for deregulation and government reform, together with the unflagging participation of the citizenry in halting the progress of this progressive disease which recently threatened the very health of the Argentine nation. He asked citizens to denounce all instances of fraud and corruption and to make full use of a free press which must be guaranteed by the government and without which his program could not reach its goals.

President Chamorro also called for transparency in government and equated reliable, accountable government with democracy and economic development. She congratulated the conference organizers and voiced her support for its objectives.

Words from Experts on Corruption

Following these presentations, key investigators discussed the case history of the International Bank of Credit and Commerce, better known as BCCI. The largest bank fraud in history, the BCCI case opened the eyes of the world to the threat of worldwide corruption.

Rubén Carles, the Comptroller General of Panama, spoke on the damage that military dictatorships inflicted on Panama's democracy. He also emphasized that international financial agencies promoting austerity measures and financial controls must not ignore the country's precarious economic condition.

The role of various elements of society in fighting corruption was the topic of several succeeding presentations. Luis Moreno Ocampo presented the example of Argentina's anti-corruption movement, Citizen Power, which works to mobilize private citizens and the press to combat this disease that pervades Argentine society. A. Carlos Correa, U.S. Department of the Treasury, identified strategies for fighting money laundering through strict financial controls, the freeing up of classified information and collaboration among countries.

A panel, which included Robert Jackson of the Los Angeles Times, debated the media's role. Robert Klitgaard, author of Controlling Corruption, pointedly identified the excuses given to justify corruption and laid out possible strategies for countering them, specifically, the Four Ps:

Publicity, Positive Incentives, Prevention and People. The satellite broadcast also included panels made up of officials from the co-sponsoring organizations who brought their experiences to bear on the analysis of corruption and its solutions.

Bringing the first day of satellite programming to its conclusion, Angel González Malaxechevarría of the World Bank emphasized that corruption is a global concern and not restricted to Latin America. Underlining the conference's theme of accountability, James P. Wesberry, Jr., USAID provided a concise summary of the two-day event during his closing remarks on the second day. He reiterated the dangers of kleptocracy to democracy and to development.

Local Arrangements

Local organizers in the 20 capitals of Latin American and Caribbean arranged for specially-equipped viewing facilities and coordinated local follow-up meetings. Starting at 14:00 hours GMT on February 27 and 28, participants at the local sites were able to observe, listen and respond to the information being broadcast internationally. While over 2,500 people participated at officially sponsored conference viewing locations, nationally televised transmissions increased the estimated audience to tens of thousands.

After the international program, participants discussed country-specific ramifications of corruption in local debates, panels and presentations, each with its own flavor and perspective. Speakers included country comptrollers, journalists, judges, government officials, members of watchdog organizations and professional associations. Organizers also mobilized local institutions and the press to expand the scope of the dialogue over this issue which clearly pervades all political, social and economic arenas of the countries involved.

In every country, the local coordinators publicized the event and disseminated its results. National audiences in four countries such as Costa Rica and Belize tuned in the conference on their televisions due to the support of co-sponsoring organizations. In Peru, the local organizing committee published a collection of important speeches on corruption and have published a complete written transcript of the teleconference. An extensive publication is planned in Honduras outlining the principal recommendations for fighting corruption. Argentine organizers are preparing eight and twenty-five minute video spots on the conference that will reach an even wider audience.

In addition, local watchdog organizations took advantage of this public forum to explain and evaluate their efforts. Citizens' Power of Argentina discussed its role as a watchdog agency at length. Participants in Costa Rica discussed the activities of the National Commission for the Restoration of Values in fighting corruption.

In Ecuador, participants discussed the impact of money-laundering, and the issue of drug-trafficking was raised among Bolivians. Conference participants in Paraguay agreed on the importance of modernization in making the state more efficient. A number of countries, such as Ecuador and Mexico, called for the creation of non-governmental institutions to fight corruption.

An Opportunity to Interact

The teleconference created a forum in which political and social players could interact with participants throughout the Americas on global issues of corruption. They were able to examine local corruption issues and generate ideas for possible solutions which would strengthen democracy and make more effective use of economic resources.

The event alerted people in the Americas that fraud and corruption are serious problems which must be confronted in all countries and at all levels of society. It was also successful in creating a common language regarding corruption, identifying strategies at national and international levels to fight it, and establishing contacts among individuals concerned with the subject.

RESPONDACON II generated interest among the media and the public to actively observe and take part in the fight against corruption which is damaging the institutional and moral foundations of society. Finally, the conference laid the groundwork for future work to combat corruption, in particular for RESPONDACON III which will be held in December of 1993.

II. ACKNOWLEDGMENTS

Co-sponsoring Organizations

Inter-American Accounting Association (IAA)
Inter-American and Iberian Public Budgeting Association (ASIP)
Latin American and Caribbean Organization of Supreme Audit Institutions (OLACEFS)
Institute of Chartered Accountants of the Caribbean (ICAC)
Latin American Association for Public Administration (ALAP)
Inter-American Press Association
Inter-American Bar Association
Inter-American Bar Foundation
Latin American Institute for the Ombudsman
Latin American State Petroleum Organization for Reciprocal Assistance (ARPEL)
Association of Latin American and Caribbean Economists
Organization of Latin American Business Administration
International Consortium of Governmental Financial Management
Ethics Resource Center, Inc.
Institute of Internal Auditors (International)
Mexican Internal Auditors Institute (IMAI)
Institute of Internal Auditors of Panama
Institute of Internal Auditors of Argentina
Latin American Organization for Administration (OLA)
American Consortium for International Public Administration
Association of Government Accountants of the United States (AGA)
Colombian Manager's Association (ACOLFUMAN)
Section on International and Comparative Administration (SICA) of the American Society of Public Administration (ASPA)
Citizen Power (Poder Ciudadano, an Argentine private foundation)
United States Agency for International Development (USAID)
International Telecommunications Satellite Organization (INTELSAT)

Moderator

Diego C. Asencio

Speakers

James Ring Adams	A. Carlos Correa	Carlos Saúl Menem
Horacio Aguirre	Alfredo Fournier Beeche	David McKean
Miguel Angel Alarcón	Alberto Fujimori Fujimori	Luis Moreno Ocampo
Antonio Oliveira Amado	Angel González-Malaxechevarría	Eduardo Palmer
Jack A. Blum	Robert Jackson	Hugo Pérez Cajiao
Gerald E. Caiden	Robert Klitgaard	Jorge Rodríguez Torres
Rubén Carles	Aulous F. Madden	James P. Wesberry, Jr.
Alexander Cárdenas Dávila	Anthony Maingot	
Violeta Chamorro	Jorge Luis Maiorano	

Countries Participating Via Satellite Transmissions

Argentina	Honduras
Barbados	Jamaica
Belize	Liberia
Bolivia	Mexico
Brazil	Nicaragua
Canada	Panama
Colombia	Paraguay
Costa Rica	Peru
Ecuador	St. Lucia
El Salvador	Trinidad & Tobago
Guatemala	United States
	Uruguay

Countries Which Made Conference Available on National Television

Belize	Costa Rica	Peru
Brazil Colombia	Paraguay	

Technical Credits

Executive Producer
Beatriz Casals

Director
Tony Borbolla

Associate Producers
Lawrence Ott
Flavia Castro

Script Writer
María Humeres

Assistant Director
Aimée Nestingen

Production-Transmission Manager
Susan Germano

Technical Director
John B. Pérez

Video Engineer
Art Nobo

Transmission Engineers
Leonardo Cajas Tapia
Gary Ennis

Audio Producers
Jorge Pacheco
Hector González
Carlos González

Lighting Director
Azaín Medina

Set Designer
Demetrio

Anchor
Roberto Rodríguez Tejera

Administrators

Paul Lohneis
Patricia Parera
Caryl García

III. GUEST SPEAKERS SUMMARIES

Fraud and Corruption: Enemies of Development in Peru

Alberto Fujimori Fujimori
President of Peru

Since Peru was founded in 1821, a rift has separated the law from its enforcement. It is not that our laws are bad but that they exist only on paper. As laws are passed, so are the loopholes to "get around" them, so that we live with two systems: one of law as defined by the constitution, the other of power and privilege, above the law.

Disrespect for the law goes hand in hand with impunity. When crimes go unpunished the message is sent to offenders and law-abiders alike that laws are not really to be taken seriously. Look at the terms we have coined, "little fish" and "big fish", to refer to small-time criminals or major felons. This metaphor comes right out of our social reality: the law nets the small fish, the big fish get away. The petty thief, the street-corner drug dealer, the small-time black marketeer go to jail, but the racketeer, the embezzler, the drug trafficker, the big-time smuggler and the politician whose riches come from public coffers are treated differently. If we focus on government, we see that corruption is organized and derives from the highest levels of power.

The "national interest" has often been the banner -- the pirate's flag -- of those who are actually out for personal gain. Consider an historical example. As soon as the Republic of Peru was founded, a number of ambitious rascals were getting rich off of something that did not smell very good, but that was quite valuable in European markets: namely, guano. This lowly natural fertilizer around the greed of many unscrupulous businessmen in the middle of the 19th century who used the State and their status as citizens to enrich themselves without leaving anything to the State.

Corruption and fraud have been the direct result of misgovernment and the hunger for power of unprincipled elites, followed by a whole gamut of unethical behavior -- from the representation of special interests in the Parliament or the Ministries to the sale of permits of all kinds.

With notable exceptions, the government of Peru has been corrupt since the birth of the Republic. It has served as the means by which privileged elites have grown rich. This situation has led to corruption and fraud at every level of government. And yet, a movement has matured which rejects absolutely the corruption of the State's sprawling and bloated bureaucracy. On April 8, 1990, the people selected a new message and a new team of professionals led by a truly independent candidate. Since July 28, 1990, when we took office, we have unflinchingly proceeded in our formidable task: to dismantle piece by piece the scaffolding of corruption within the State.

Structural reforms were needed to prepare the ground for the kind of healthy competition only possible in a genuine market economy. This meant an end to monopolies and market domination of a few companies, the operations of which have generated widespread corruption in the public sector.

More than one fortune has been made off the country's debts and concessions granted by the government. Rascals have always found ways of obtaining dividends. One clever method was the one thought up by some who contributed to the cause of independence, out of alleged love of the country more than 170 years ago. A number of men loaned money to the emerging State in order to charge it disproportionate sums of interest 30 years later. The old agreements on the domestic debt, which officials were attempting to fund, had mysteriously disappeared; all that remained was the sworn statement made by the creditors. This is Peru's distant ancestor of corruption and fraud at the expense of government.

In Peru, the structural transformation of industry has eliminated a thicket of bureaucratic regulations concealing so many self-serving functionaries, and it is unanimously supported by the people. This popular support has made it possible to overcome the enormous obstacles thrown up by the privileged group that has lived and flourished under systematic corruption and fraud, influence peddling, blackmail, and other criminal practices, many of which masquerade as legitimate. This support is apparent in the response to change and the tide of morality which has washed in. Reaction by the newly disenfranchised was at first subtle: telephone calls to a few politicians; but soon escalated: they resorted to pressure and intimidation.

Our government has resolved not to allow itself to be intimidated by pressure, whatever its origin, but especially not by the kind of debilitating pressure brought to bear by a corrupt and mercenary press, abusing its freedom of expression to savage the government and its reputation. I am completely convinced that corruption and fraud in government will be eradicated if we begin from the top without any fear or wavering. Because I have no ties to a party or powerful group, I have been able to act with a free hand and absorb blows from corrupt quarters.

The power of the tabloid press is very great, but it must be directed at the real threats: corrupt groups within the government, whether in the Judiciary, the Office of the Comptroller, or the Parliament. Outside of government, its powers are known and used forcefully. If certain elements in the press not only real unethical behavior but make the institution of ethical reform more difficult by slinging mud on true reformers, then we are indeed faced with a very powerful destructive agent. Oddly enough, this very press presents itself to the public as a crusader for ethics and defender of the national interest.

Fortunately there is a responsible press too, which believes that, faces with corruption and immorality in the country, it is important to close ranks. This press is the watch dog of order and democratic legality, whereas the other press is just a cog in the wheel of the most lucrative corruption in the country. Democracy is debased by these practices, which demonstrate the complexity of the phenomenon of corruption.

The public often witnesses a confrontation between government powers and the threat of censure from and minister and thinks that it is witnessing a fiery public debate or ideological confrontation, when in reality it is something else: it is simply the defense of economic interests undertaken with all the bluster and rhetoric involved. Furthermore, it is done in the name the so-called democratic process. Now, to be sure, there is nothing wrong with democracy or its

institutions - quite the contrary; but it alerts us to the penetration of the phenomenon of which we have been speaking.

Obviously, there are institutions in my country, as there are in others, which were created to watch out for government fraud and corruption. But this system is such that not a single case of corruption has resulted in punishment; therefore, the average man on the street sees it all as a travesty.

The systems for carrying out justice, auditing and oversight in my country are so discredited that existing legislation and institutions end up not serving the purposes for which they were created. Tax evasion in Peru became a business for the evader as well as for the supposed auditor or tax collector, and corrupt elements in the bureaucracy made good money at it.

My government has waged a ruthless war against tax crimes, and already big and small fish alike are being hauled in. In certain circles, it had become almost a matter of course not to pay taxes. For such people, it was as if public services were a gift of nature, like the shade of trees. But most interesting of all is that this practice had become so popular in the region that the terrorists, who do not want to see the government do anything beneficial, have seen fit to express their rejection of tax and ethics reform by blowing up the National Office of the Superintendent of Tax Administration, our institution for tax collection.

As we can see, the agents of corruption are strange and alarming people, although it is understandable in the case of terrorism, since it is allied with drug trafficking. The steps that have been taken to eliminate the sources of corruption have to come from an independent government because the prolongation of these problems arises from political indecision.

The President will, however, continue in this fight, which you understand very well, for it is a fight against the misappropriation of vast government resources which could be spent on the welfare and development of communities, and for a moral climate conducive to the peaceful coexistence of our citizens.

Corruption = Treason
A Video-taped Address

Carlos Saúl Menem
President of Argentina

I remember when I was vested with the responsibility of governing Argentina. In my first address to the Congress in a joint session of the Chamber of Deputies and the Senate on July, 1989, I stated quite clearly that Argentina was a country plagued by corruption and that we were going to immediately enact all measures needed to attack this problem head on. Corruption is a problem faced by every country in the world, not only in our time, but from time immemorial. I also made clear that I would propose legislation before Congress that would address corruption and apply the same punishment as that applied for treason.

It is important that we distinguish between the system and the individual. The system that we inherited was entirely corrupt, the product of a government that had grown disproportionately into a profligate and bloated bureaucracy that had permanently perverted the functions for which it was created. Not surprisingly, there were corrupt individuals in this system. At that time, when we said that it was necessary to reform the government and called for it to regulate its activity, our exhortations for reforms were in vain. So we turned to the Argentine people. We instituted broad freedom of the press with no imposed, preconceived ideas, political orientation or conditions of any kind placed on it. Rather, the press was free to report opinions in a fair interchange without any form of censorship. We promoted freedom of the press, government reform and government deregulation in the belief that the government should engage in only its most basic functions: education, health, justice and security. By hewing to this agenda, we have been able to take giant steps forward. A government that does not undertake to fulfill its specific duties can greatly damage society.

Another of the problems that has confronted us for many years is tax evasion. Tax evasion has left Argentina in ruins, obliging us to add legislation specifically dealing with it to our penal code. From a tax evasion rate of 70%, we have seen a decline to less than 30%, and we hope to virtually eliminate it in the coming years. I think we have achieved a few of our goals. We are much better off than we were in 1989.

I don't want to lay the blame of all our problems on any previous government. The present state of affairs is a result of a system that has been in place in Argentina for years. Nevertheless, when our term ends in three or four years, things will be much improved. Speaking realistically, it is impossible to eradicate corruption entirely, but our goal is to make headway against it and work towards eliminating it completely. If we can manage to do away with 70% of this evil still afflicting our society, then we may feel sure that the remaining 30% can be successfully tackled by future administrations.

An Accord on Openness, Candor and Honesty
A Video-taped Address

Violeta Chamorro
President of Nicaragua

In Nicaragua at the end of the 1980s, we closed a chapter in our history of tyrannical dictatorships, strongmen, militarism and other systems tainted by government corruption. The octopus of fraud and corruption threatened the liberty of the people and created abuse both in the public and private sectors.

At the beginning of the 1990s, the people took the first steps to recover freedom, peace, development and stability. But with that comes the commitment on the part of government to strive for candor in our actions and honesty in our services.

As the president of a freely elected government, one of my desires and responsibilities is to create a public sector characterized by honesty and openness. I join all the heads of state here at this international conference on fraud and corruption to pass on to our peoples a legacy of justice, order and prosperity. I offer support and encouragement to all the governments and peoples participating via satellite in the search for administrative, legal, judicial, and social measures for preventing the abuses of government and industry that destroy the fabric of society.

The Price that Panama is Paying for Prior Corrupt Governments

Rubén Carles
Controller General of Panama

Panama is paying a high price for twenty years of military dictatorships. An authoritarian government affects all sectors of the population, but perhaps the damage is most clearly seen in its effect on the ethical and moral principles of the Panamanian people.

Actions have been taken in response to the country's problems. Members of the military and those who were government officials during the dictatorships are being indicted. Panama's ex-dictator, General Manuel Antonio Noriega, was tried and found guilty recently in the United States. Unfortunately, prosecution of politicians accused of crimes is difficult because Panama's judicial system was skewed by the corrupt influence of dictatorships.

Although the transition to democracy was quick, a democracy and its institutions mature over time through the efforts and with the support of all sectors of the population. Currently, democracy in Panama is in its infancy and, to come to maturity, it must undergo a difficult stage of growth.

In order to consolidate democracy, the goals of socio-economic recovery must be clearly defined: growth, justice and freedom of expression. Furthermore, financial discipline needs to be imposed so that the country's real needs can be met. The easy credit extended by international organizations has dried up and it is time to pay the piper. Panamanians are having a hard time understanding the need for the fiscal restrictions and adjustments now being imposed. The task is complicated further because financial reforms are pinching the elite too; formerly, it was protected under the military dictatorships.

As new austerity measures are greeted with public grumbling, it is important to protect against a return to militarism. Freedom of speech must be safeguarded as a tool for protecting democracy.

Progress can be achieved only through a united effort; it cannot be imposed by the government. The international community must understand that the austerity measures designed to help Panama meet its financial obligations and to make Panama again eligible for credit are painful.

Latin America and the Caribbean countries, the international community and the United States must support the Panamanian people and work with them to consolidate democracy and achieve socio-economic development.

The Case of the BCCI

Gerald E. Caiden

Professor of Public Administration at the University of Southern California and Expert in Administrative Corruption

The International Bank of Credit and Commerce (BCCI) started off small. Its owners, a family of Indian refugees who emigrated to Pakistan, found that a profitable market for banking existed in third world countries. During the early 1970s, the Bank quickly accumulated Middle Eastern petrodollars. It established offices in the Cayman Islands and in Luxembourg and had branches in 80 countries. It operated principally with money from illegal businesses, corrupt governments and dictatorships hedging against an uncertain future.

BCCI is not the only corrupt bank, but it's the only one of such magnitude to have been uncovered. Financial institutions willing to skirt the law have and will exist as long as large sums of money are mobilized throughout the world. Thus, BCCI is a symptom of a greater evil.

International laws do not exist which regulate financial transactions at a global level. A financial investigation did not uncover BCCI's corruption; rather, people who knew about its illegal operations got tired of so much corruption and spoke out.

We must overturn taboos and prejudices surrounding corruption. If one speaks, it means that one knows too much and, therefore, is guilty by association. As a result, most people hesitate to talk about corruption.

When corruption occurs, denounce it and confront it with common sense. Perhaps we cannot totally eliminate it, but at the very least we must dedicate ourselves to minimizing its impact. One way to do this is to mobilize public opinion through the press. If necessary, we must go into the streets and rebel against corrupt authorities, a phenomenon which is occurring in Latin America. We also need to establish genuinely democratic institutions, specify the functions of government, diversify power and carry out open and honest elections. BCCI is simply a symbol. It represents the opening salvos in the fight against money laundering and drug-trafficking.

Panel on the Globalization of Corruption: the BCCI Case

James Ring Adams, Co-author, BCCI: A Full-Service Bank. How BCCI Stole Billions Around the World

Jack A. Blum, Former Special Counsel to the U.S. Senate Foreign Relations Committee, now Partner, Lobel, Novins, Lamont & Flug

David McKean, Senate Investigator, U.S. Senate Sub-committee on Narcotics, Terrorism and International Operations

James Ring Adams

BCCI is the direct result of the globalization of the international financial system. It was the first truly stateless bank and its ability to hide its losses lies in its international character. The Bank's structure was bifurcated into two subsidiary holding companies in Luxembourg and the Cayman Islands, each of which had two national subsidiaries. Both Luxembourg and the Cayman Islands have weak banking and finance regulatory systems; BCCI, therefore, answered to no strong central regulator in either country.

When these subsidiaries suffered losses, the poor regulatory systems, differing rules and separate accounting and auditing systems enabled bank managers to switch bad debts from one set of books to the other: assets on one side would disappear and show up on the other side. Thus, the BCCI was able to hide the fact that it was losing money during its first decade. By 1980 it was insolvent.

To protect its losses BCCI tried to corrupt governments, such as the United Kingdom and the United States, that exerted control over regulations.

After the collapse of this global institution -- which affected the savings of 30,000 depositors -- regulators began to coordinate their investigations. They realized that banking regulations could no longer remain a purely national concern in a global environment.

The Bank was exposed by chance in 1988 during an undercover drug operation. Officials from its branch in Tampa were indicted for drug money laundering. Because the United States Federal government took no action for over a year, Mr. Jack A. Blum took the case to the Manhattan District Attorney's Office, a local jurisdiction which finally indicted the Bank.

From this experience, we can see how local courts can have an impact on international relations. Prosecutorial imperialism can occur in the following manner: very sensitive relations between foreign governments are driven by action of the courts (e.g., Noriega trial, the indictment of other national leaders, terrorists or drug kingpins). This is a trend which is likely to continue.

As the global economy develops and the flow of dirty money continues, we will see more and more cases settled by the courts and not traditional diplomacy.

Jack A. Blum

There are three levels of corruption in the BCCI affair:

1. Customer Level: Three thousand "significant" customers: depositors of large sums of money -- drug traffickers, gun dealers, gamblers, dictators, etc. Each of these has a history of corruption and crime that should not be winked at by the law.
2. Government Regulatory Level: Corruption of government regulatory processes: that BCCI's chaotic finances went unnoticed for 10 years must be addressed. A 1978 audit report disclosing BCCI's rocky finances was requested by the Office of Comptroller of Currency, and the Bank of America was directed to rid itself of its 20% investment in BCCI. Yet, BCCI was re-admitted into the United States.
3. Value Level: Societal values that permit anyone with money to break the law: the bank was able to protect itself against regulatory or government investigation. It courted former heads of state, prominent figures and lawyers to give it a sheen of respectability. It is not sufficient for a well-known senior official to say the bank is on the up and up.

There is a false distinction between legal illegal money and illegal illegal money. Legal illegal money is winked at and includes flight capital and tax evasion. Because we have encouraged the growth of tax havens, we have tacitly said that tax evasion is all right. Criminals know that it is just a short jump from tax evasion to money laundering, terrorism and gun running.

How to counter this type of corruption?

The developed and developing world should work together to put the terrestrial paradises of tax evasion out of business. There should not be loose banking structures in the Cayman Islands, nor secret banking in Luxembourg.

The developed and developing world should work together to harmonize international criminal law. The problem is that each state uses its own ability to enforce law as a territorial imperative. We must design a system of international laws that makes it possible to cross international borders in the pursuit and investigation of criminals with the same ease as the criminals themselves travel and transfer their monies.

It is a serious problem that auditing and accounting standards are not the same worldwide. Standards applied by the accounting profession are those of a particular country, and they vary greatly from country to country. We must develop harmonized international standards and define the role of the accounting profession in regulating the system. Accountants should not become the hired police of their own customers. Government cannot evade its responsibilities: either the government does the police work or it won't get done.

There is much more to come in the way of disclosure. BCCI was a perfect vehicle for moving and hiding money. While a great many direct links have been delineated, indirect linkages have not

yet been explored. BCCI advanced credits to trading corporations and entities all over the world. For example, they financed the sale of aircraft to the Guatemalan military.

I would caution that steps must be taken to ensure that the document archives of the BCCI be preserved. These archives represent a stunning record of worldwide criminal activity and the BCCI would be in a distinctly insecure position if these records were to be confiscated by the authorities.

David McKean

Senator John Kerry's (Chairman of the U.S. Senate Subcommittee on Narcotics, Terrorism and International Operations) view is that the greatest challenge facing the United States is no longer communism but international white collar crime. The subcommittee hearings chaired by Senator Kerry focused on BCCI after the bank's name surfaced during hearings on drug trafficking in Latin America.

BCCI violated accepted international banking practices wherever it operated. There may be US \$12 to 15 billion missing from the bank. We know that BCCI engaged in other criminal activities. It facilitated capital flight and tax evasion, narcotics trafficking and money laundering for the Medellin cartel. It also helped move money around the world for terrorists, including Abu Nidal's organization, and for arms dealers via letters of credit and loan financing.

Why wasn't it discovered earlier? In fact, the Bank's activities have been common knowledge for the last 15 years. Twice in the 1970s BCCI was not granted a commercial license in England. It was denied permission to operate on two occasions in the United States. It was widely known that the bank broke currency exchange laws in Kenya and Nigeria throughout 1970 and 1980. International banking authorities and auditors knew that BCCI did not have a single worldwide regulator. It had such a terrible reputation that several large commercial banks refused to operate with it. The Bank of America tried to get out of its cooperative agreement with BCCI in the late 1970s. Intelligence agencies also knew that the Bank laundered drug money and moved money for terrorists, but this information was not passed on to the authorities.

How was BCCI able to stay in business? This question is at the heart of the issue of corruption. BCCI could stay in business because it was able to buy influence all over the world. It hired former government officials, ambassadors, central bankers, former cabinet secretaries like former Secretary of Defense, Clark Clifford. The Bank carried favor with former presidents like James E. Carter. It hired the best legal talent and accountants that money could buy. These acts are not necessarily illegal. The problem is that we don't know what some of these individuals knew and when they knew it.

The case also raises questions about corruption in terms of bribery. Suitcases of money were delivered to government officials in various countries at various times and BCCI continued to operate. These are serious allegations that need to be investigated.

BCCI is a dramatic symbol of a way of doing business that diminishes people's faith in government. It has given rise to a feeling that the government is not serving the public and to cynicism about the way government is operating. It is upsetting for law-abiding citizens to see the rich and powerful able to get away with theft for so long. It makes one wonder whether these individuals are playing by the same rules as the rest of us.

What needs to be done? The Bank operated in sixty-nine countries. There need to be sixty-nine investigations because everywhere BCCI operated it broke laws. We must send a message to white collar criminals by prosecuting them wherever they are.

We must reevaluate the entire international financial system. Why do we need such a degree of bank and corporate secrecy? Why do we need shell corporations for legitimate business to hide behind or numbered accounts in Switzerland? Places like the Cayman Islands must come under greater scrutiny.

We need to look at the issue of secrecy in government. The strength of democracy lies in its ability to be open and accessible to the public. If we are going to restore faith in the system, we must have a public airing of the issue. The public deserves to know what happened. Unfortunately, many documents remain classified and some U.S. Federal agencies are not cooperating.

The full story has not yet been told. It is a great test of democratic institutions everywhere to see whether we learn the full truth about the BCCI.

Summary of the BCCI Panel Discussion

BCCI provided all kinds of criminal banking services to all types of criminals around the world. A number of countries in Central America were defrauded on their coffee quota because the Bank provided false papers on coffee exports, declaring as quota coffee exports that did not exist.

It touted itself as a third world bank when in fact it wasn't. It anesthetized people with a smooth media blitz that, coupled with the great names of its high-profile associates, lulled people into thinking that it was on the level.

This situation did not have to happen. People knew about it and agencies and institutions had been talking about it. The Bank of England was passed this information. The U.S. Comptroller General already had a good understanding of the problem in 1978. In fact, the U.S. Office of the Comptroller of the Currency was one of the few regulatory bodies that insisted that a license should not be given to a bank that had no regulators.

United States depositors got off lightly relative to other countries because, due to U.S. regulations, BCCI could not take deposits and was not protected by U.S. deposit insurance.

The reason that BCCI was not allowed into some jurisdictions in the United States was that it did not have a single national regulator and lender of last resort with responsibility for all of its

operations. The trend in the United States is to not allow a bank to operate without a single central regulator. If countries get together and agree on this as a policy, we will go a long way toward preventing a situation like BCCI.

Globalization of business means that people need banks that can make transactions all over the world. In response, we will begin to see the globalization of criminal law and accounting regulations as well.

Presidents of Co-sponsoring Inter-American Organizations

Antonio Oliveira Amado, President, Deliberative Council, Inter-American and Iberian Public Budgeting Association

Hugo Pérez Cajiao, International President, Latin American Association for Public Administration

Jorge Luis Maiorano, President, Latin America Institute for the Ombudsman

Alexander Cárdenas Dávila, President, Latin American Organization for Administration (OLA)

Mr. Amado

Each particular instance of corruption must be studied. Public services and spending must be controlled even more than the financial aspects of public administration. The budget, in fact, must be considered as a political instrument.

Mr. Pérez

Corruption can be objectively verified and vanquished as long as the political will exists to fight it. Among the problems confronted when fighting corruption are the lack of popular participation, centralism, transitory public officials, political cronyism, and the way in which political parties conduct electoral campaigns.

There are three principal causes for corruption:

1. Corrupt individuals,
2. A corrupt public administration, and
3. A public administration "on the take" which encourages private sector corruption.

Dr. Maiorano

Corruption is a regressive form of influence associated with power in the public and private spheres. In Latin America, not only are we faced with institutional instability and financial problems, but corruption undermines the foundations of our institutions.

The Latin American Institute for the Ombudsman is an organization created in Sweden in 1809 and it represents those who fight corruption through every-day, small acts. The institution promotes participatory democracy in which the individual is not just governed but is an active citizen.

Mr. Dávila

Corruption has cultural and educational roots. Honesty and integrity must be instilled from the very beginning of a child's education. The Law of the Inca is an example of the values that society should impart in the educational system:

Ama llulla

Ama sua

Ama kella

Don't lie

Don't steal

Don't be lazy

How Private Citizens Can Combat Corruption

Luis Moreno Ocampo

Prosecuting Attorney of Argentina's Court of Appeals and Director of the Corruption Control Program of Citizen Power (Poder Ciudadano) a Private Argentine Foundation

Through an advertising campaign Citizen Power invited people to denounce corruption. It is clear that criminal prosecution is not the only method of curbing corruption. To respond to this limitation, Citizen Power proposes that citizens be allowed to denounce corruption anonymously, without the need for corroborating witnesses. This information is then given to the President of the Nation for action deemed appropriate. Should no action be taken, the information should then be disseminated in the media; political repercussions will certainly follow.

Young people constitute an especially active and energetic group of the public, particularly high school students who are bothered by what they perceive as the hypocrisy of the adult world. We have designed programs involving young people which explain to them how certain public institutions work. Students are then placed in these organization as interns. The objective is for government employees accustomed to acting surreptitiously in complicitous secrecy to know that young people are watching them.

The business class tends to view corruption as a necessary evil which it cannot avoid. Citizen Power works with business people to show them the excessive costs of doing business in a country with high levels of corruption and that the economy cannot operate efficiently when corruption is rampant.

The advantage of a group such as Citizen Power over a political party is that Citizen Power has no agenda for obtaining power. It acts outside of the party system, with no aspiration to replace parties. Since its only aim is to find solutions to corruption, Citizen Power does not try to damage the current government with accusations but instead attacks the system which makes corruption an every day occurrence.

We hope that this strategy will allow Citizen Power to reach its principal objective: to convince society that corruption can only be confronted through concerted, coordinated action. Individual ethics and actions alone cannot win the battle.

Implementing an Effective Anti-Money Laundering Program

A. Carlos Correa

Assistant Director, Office of Financial Enforcement, U.S. Department of the Treasury

The problem of corruption and fraud, specifically that of money laundering in the financial sector, is a topic which profoundly worries the United States Treasury. The Financial Action Group of the G-7 (a group of the seven wealthiest industrial nations) has calculated that the annual gross product of world drug-trafficking reaches \$300 billion, and a third of this amount is generated in the United States.

The process of money laundering involves three main stages. All require the services of financial institutions.

1. The placement of cash deposits and the purchase of monetary instruments: in this stage, the launderers search for and transport cash to countries where cash transactions are not reported.
2. The insertion of financial operations: the launderers withdraw their cash in the form of monetary instruments and electronic transfers and transport these instruments or cash from one country to another where they convert their earnings into real estate, automobiles, art, jewelry, etc.
3. Integration: the launderer looks for countries with an environment where confidential business transactions are allowed.

An integrated program to fight corruption requires alliances between the police, financial institutions and their supervisors, and the professional and business sectors. This program:

- Facilitates the confiscation of narcodollars;
- Prohibits banking secrecy from impeding in investigations and judicial process against money laundering; and
- Protects financial institutions revealing information about suspicious operations from civil suits or legal action.

The integrated attack against laundering also requires that:

- Financial institutions maintain adequate records;
- Information be available to authorities;
- Clients, directors and employees of the financial institutions be known;
- All banking operations be recorded in accounting books; and
- Governments take necessary measures to exchange information and provide mutual legal help in cases of drug-trafficking and money laundering.

This strategy comprises a promising step in the fight against corruption. Only when governments throughout the world adopt these measures will we be able to implement an integrated plan against money laundering and drug trafficking.

Panel on the Media's Role in Fighting Corruption

**Anthony Maingot, Professor of Sociology, Florida International University, Editor of Hemisphere, the Journal of Latin American and Caribbean Studies
Eduardo Palmer, Journalist
Robert Jackson, Investigative Journalist with the Los Angeles Times**

Dr. Maingot

There are a number of important issues to consider in the corruption process.

- Disclosures about corruption tend to come from outside the country arousing feelings of nationalism.
- There is a direct relationship between corruption and violence, especially in small countries such as those of the Caribbean.
- Due to the sophistication and ease of financial transactions, governments are not prepared to attack corruption.

The problem of corruption is not one of morals or of the corrupt individual. Rather, it is a problem of the environment in which structural changes must be attempted.

Mr. Palmer

If we use a common encounter with a traffic police officer as an example, we can demonstrate that corruption takes on a pyramidal form. At the base are the traffic officers who accept bribes, for example, from drivers trying to avoid a traffic fine. This officer proceeds to pass a percentage on to his/her superior and this person to his/hers until reaching the boss who receives money from all traffic officers.

The media can serve a vital role in combating corruption by raising the consciousness of society about the dangers corruption poses. This task is not easy and the threat of being silenced is a real one as shown by the assassination of the director of the Colombian newspaper El Espectador. A useful example to follow is that of a Bolivian newspaper which encourages people to denounce cases of corruption to the paper, promising not to reveal the informer. The newspaper then conducts an investigation and, if it finds proof that a crime was committed, publishes the information.

Mr. Jackson

The role of the press against corruption is crucial but limited since the media does not have the coercive power to obtain information and has never gotten to the core of scandals unaided. The government, in contrast, when there is a will, has more power to get to the heart of the issue.

In three major cases in the United States, the press initiated investigations: Watergate, the Iran Contra Affair and the case of General Manuel Antonio Noriega. The common element in all of

these is that the press has limited powers: even if it reveals corrupt acts, it cannot delve further than governments permit. It is the government which, if interested, pays attention to these accusations and orders investigations. In the General Noriega case, the first mention of the situation was in The New York Times in 1986. Although a number of accusations were made against the General, sufficient proof wasn't obtained until two years later when an investigation began that would terminate in his Miami trial in 1990.

Reducing Corruption in Government

Robert Klitgaard
Author of Controlling Corruption

Appropriate measures are often not taken against corruption because its existence is excused by a variety of explanations, including the following.

- Corruption is a cultural problem. Different cultures have different ways of keeping the wheels of government and business turning. However, in all countries and all cultures a generally shared idea exists of what is legal and what is illegal.
- Corruption serves a functional purpose. Some social scientists state that corruption is a motor for economic development: it contributes to resource distribution and social integration.
- Foreigners who bribe local officials are at fault. Nothing can be done until measures can be taken against the pernicious influence of outsiders.
- Corruption at certain levels is condoned. If my superiors are corrupt, what can I do?
- Corruption is systemic. If a businessperson does not give or receive bribes, he/she cannot compete with those businesses that do.

All of the excuses cited are flawed. Corruption is not only an ethical question, but also an economic and political one. We must put religion and ethics aside and attack it not as a problem of individuals who have gone astray, but as systems functioning improperly and fostering corruption. We must de-mystify corruption and confront it with administrative mechanisms. We can create a more transparent system, with clear rules and incentives which make it more difficult for those in positions of power to be corrupt.

Corruption may be defined with the following equation:

$$\text{corruption} = \text{monopoly} + \text{discretion} - \text{transparency}$$

We must therefore design a strategy that allows us to attack monopolies, reduce discretion and increase the transparency of the system.

Free competition is the foe of corruption. Privatization is not effective if it replaces one monopoly with another.

We must achieve an optimal level of discretion in which everyone understands what is allowed and what is not.

Finally, transparency is achieved where a free press, a democratic system and a market economy exist. Wherever a bureaucracy exists, it is essential that the public have access to information about the activities of government officials. Channels to the public must be kept open.

A number of strategies can be used against corruption. One involves the Four Ps.

Publicity: Attack the culture of corruption. The public holds that if those who are in charge are stealing, then it is acceptable for everyone to do so. Catch a big fish and fry it publicly. Choose a subject (ideally from the governing party) to demonstrate that the rules of the game are going to change.

Positive Incentives: Start with something positive. First define positive measures to involve the public in the battle and only then proceed to the negative punishment.

Prevention: Prevention is as important in fighting corruption as it is in public health. In the fight against corruption, prevention involves evaluating how conducive various processes are to the growth of corruption. Give incentives for alternative behavior at critical points.

People: Corruption's worst enemy is the public. Each time a government comes into power, the first thing it says in order to attract popular support is that it wants to control corruption. The people should report irregularities and responsible officials should analyze them. Citizens can take part in controlling corruption if they act as watchdogs to ensure that public projects use resources effectively.

Panel on the Private Sector, Presidents of Inter-American Organizations

Horacio Aguirre, Editor and President, Diario Las Americas, Miami, Florida, and Chairman of the International Affairs Committee of the Inter-American Press Association
Miguel Angel Alarcón, former President, Inter-American Accounting Association
Alfredo Fournier Beeche, President, Inter-American Bar Association
Aulous F. Madden, President, Institute of Chartered Accountants of the Caribbean
Jorge Rodríguez Torres, President, Association of Latin American and Caribbean Economists

Mr. Aguirre

The existence of a legal system is indispensable for a free press to be able to condemn and denounce corruption. The lure of power where the state has no limits encourages bribery and corruption. If, within a system clearance from above must be obtained at every turn, the possibilities of corruption increase.

A society is a reflection of its members. It is necessary to educate the individual from an early age to be responsible, moral and civic-minded.

Dr. Alarcón

It is not a matter of enacting a greater number of laws in each country but of reinstating a sense of morals. The government can play an important role in emphasizing the importance of moral values. When public offices are filled by individuals of great moral integrity, there will be less bribery.

Mr. Fournier Beeche

Corruption launches a frontal attack against the legal system; it commits crimes, not only against individuals, but against the law itself. But it is also important to point out that crimes can be artificially manufactured by an over-zealous legal system. For instance, laws which prohibit money changing naturally invite violation. Transgression of such laws is morally not a crime.

Ethics cannot and should not be legislated. Rather, corruption can be attacked in three different arenas: 1) when paying for monopolistic services or when paying taxes; 2) during the procurement process via the purchase of goods and services; and, 3) when the state acts as regulator or provider of goods. The solution to corruption lies not in regulations but in creating a transparent environment for the private sector to function ethically.

Mr. Madden

It is difficult to tell with certainty whether corruption has increased in the Caribbean, or if it has just now been made public. What is true is that many Caribbean Islands have experienced corruption scandals. Some, however, such as Saint Lucia, continue to argue that they are totally free of corruption. Unfortunately, examples such as Saint Lucia's are increasingly rare and corruption in the Caribbean is growing every day.

In Trinidad and Tobago, corruption cases have been publicized internationally. The corrupt acts of public officials during the period of prosperity from 1973-1981 involved many foreign individuals as well as companies that were accused of bribing government officials and political party members in order to win contracts.

Some argue that this type of problem is the result of low pay for public servants and the solution is to raise their salaries. This is not, however, a panacea. One of the few acts of the government elected in 1989 was to increase the salaries of permanent secretaries and of congress members by 250%. There was no perceivable decrease in the incidence of bribery.

It is difficult to find information about the offensive against corruption. However, unofficial estimates indicate that Jamaica invests approximately 10 percent of its funds in fighting corruption. The General Auditor of Jamaica is dedicated to this task as is the Integrity Commission which scrutinizes the financial statements of parliament members once a year in search of irregularities.

In spite of the importance of these efforts, not enough is being done to fight corruption in the Caribbean. Yet our hope is that the State will be under greater pressure to take the appropriate measures once the public becomes more interested in what happens in government. Short and long-term solutions are now within our reach: 1) education on morals and ethics will yield long-term benefits and 2) for immediate results, civil service salaries should be raised to reduce the economic incentives to commit corrupt acts and specific punishments should be enforced for those who break the law.

Mr. Rodríguez Torres

Corrupt officials often form political parties for the sole purpose of gaining and abusing power. It is imperative to eliminate banking secrecy in order to defend democracy and support development.

IV. CLOSING REMARKS

Angel González-Malaxechevarría
Senior Financial Management Adviser, World Bank

We have reached the end of this memorable day, as everything concerning ethics and morals is, by definition, memorable. I believe that the contributions of my colleagues have been first rate, the topics have been super-interesting. Now, I would simply like to provide a general summary of what, from my perspective, has been of most relevance. The first conclusion I reach from the BCCI case is that corruption is universal. Corruption is not only a BCCI affair or restricted solely to Latin America. Corruption is universal because it affects the very basic morals, the basic idiosyncrasies and the basic essence of human beings.

Perhaps the organizers would like to dedicate a similar event to the Japanese, for instance, who have flooded the newspapers during the last few months with repeated cases that are affecting the way of life of the traditional Japanese citizen, who is essentially honest, and which have had consequences that unfortunately have reached a great percentage of Japanese industry and politicians. We could speak, perhaps, of the problem of ethics in business and government from a Japanese perspective. We could speak of the Ambrosian Bank case which I believe is the famous predecessor of the BCCI. The Ambrosian Bank invested close to \$US 300 million and nobody knows exactly what happened with it, or wishes to say anything in public.

They also tell me of the Maxwell case with which I began my archive of newspaper clippings on fraud cases. Immediately, my files filled with paper. I classified them: Archive #1 is the United States, which is quite thick; Archive #2 is Japan, also quite thick; the third is Sweden; the fourth Spain, so that you can see I am objective; and so on. Fraud has no boundaries.

This is the situation to which I referred during my presentation: "Fraud is an Epidemic without Boundaries" at the October conference of Argentine auditors. Now I'd like to say a few additional words regarding what I call "the psychology of the criminal." The criminal is a sick individual and, among other things, has a surprising ability to rationalize behavior. A corrupt person looks for an acceptable explanation of the criminal act. The psychology of a corrupt person is to negate that he/she is corrupt.

I would also like to mention is that it is possible to sin through actions or inaction, as argued by theologians from all religions. For this reason, I would like to remind you that corruption is so extensive that it affects the whole world, in all geographical locations, all human beings, all races and all occupations.

The businessperson can be corrupt, the employee or the labor union member; the banker who infringes on his/her own financial analysis policies, providing easy money to those who are unqualified. The clergy, of any religion can also be corrupt. The whole world can be corrupt because corruption affects us all without discrimination.

This is the situation we face, that corruption has no boundaries. We must therefore find the roots of corruption in the ethics and morals of the individual.

A Hemispheric, Electronic, Stratospheric Cry for Accountability

James P. Wesberry, Jr.
Senior Financial Management Adviser
United States Agency for International Development

RESPONDACON II has been made possible due to the efforts of 23 professional, regional and international organizations concerned about the plague of fraud and corruption presently contaminating our hemisphere.

Eight years ago a professor and legal expert, John T. Noonan, Jr., published a 839-page book with a one word title...Bribes. It traces the history of bribery from 3,000 B.C. to our present time, from 40,000 sesterces paid out to a Roman Senator in 74 B.C. to \$50,000 for a U.S. Congressman in 1979. One of the largest bribes mentioned is \$US 2.5 million to a Latin American President.

In his exhaustive study, the preeminent expert on bribery, concludes with the encouraging prediction that, just as human slavery, which for a long time was legal, bribery will disappear for the following reasons:

- the shame of the briber and the bribee are true indicators of the violation of the human good;
- the trust reposed in government is inherent to public office and there is a basic need to trust one's government; and
- the nature of bribery is contrary to the nature of the human person in its full development.

We have dedicated two days by satellite transmission and live in various countries to the discussion of fraud and corruption in government, of which bribery is only one facet.

We have heard from three nations' presidents regarding the danger which corruption poses to development and the urgency of concerted action against it. We have heard about the price that Panama is paying for the abuse of government power. We have discussed the largest bank fraud in history with experts and criminal investigators, BCCI, described as the "bank that would bribe God," if that be possible. To focus our ideas upon action, we have heard what citizens and professional groups can do to combat corruption, specifically including how efforts can be mounted against money laundering. We have emphasized the invaluable and indispensable role of the free press.

Through INTELSAT's technology we have enjoyed the luxury of interactive exchanges with participants from 20 countries. It now remains for you to arrive at conclusions and make recommendations for action at the national and regional level to increase efforts to fight official fraud and corruption.

We appreciate the collaboration of all the organizations, governments and individuals who have made this teleconference, RESPONDACON II, possible.

What does "RESPONDACON II" mean? Obviously, the II refers to the fact that this is our second conference. The first was held in 1989. RESPONDACON simply abbreviates the phrase "Conference on 'Responsabilidad.'" "Responsabilidad", the title of our Spanish language newsletter (called "Accountability" in English), means the duty to respond or account to a higher authority. On planet earth, only humankind has the ability to discern between good and evil, right and wrong, truth and error. Only human beings have a conscience...because only human beings are formed in the image of God. The human conscience has the intuitive and innate capacity to avoid wrong and do right...or, if not, to later recognize when we have done something wrong, and thus feel shame.

Traditionally, the human being has been accountable at least to God, family, country, neighbor and employer. These accountabilities compose the cement which holds our countries and our civilization together. And today's greatest danger to our countries and our civilization is the full scale abstention from accountability...the refusal to respond for acts performed...which is today so popular.

The activities of government require the highest degree of accountability. Fraud and corruption by public servants, whether committed directly or indirectly, constitute abstention from accountability...from the duty to act in a responsive manner. Thus, the theme of our event is *accountability or responsibility* (in Spanish, *responsabilidad*) and from this *RESPONDACON II*, a Hemispheric teleconference dedicated to making its participants aware of and motivating them regarding the importance of accountability in the continual fight for honesty and integrity in the public sector.

Flagrant corruption has changed the course of history and the forms of governments over the years. In early Biblical times the Jews had established a theocracy under priests/judges who governed and passed on the reins of government to their heirs. But the two sons of Eli were corrupt, thus Samuel inherited power. Then Samuel's two sons also were corrupt. They were not upright like their father but pursued dishonest gain, accepted bribes and perverted justice. As a result the leaders of the populace demanded a king and the government of Israel was changed from a theocracy to a monarchy...with a tremendous impact over the following centuries...all because the citizens were disgusted with flagrant corruption. And thus has flowed the course of history up until our time when the citizens of many countries now called ex-communist finally freed themselves from the slavery of official corruption.

Various of our speakers and panelists have spoken about the threat that fraud and corruption pose to democratic governments. That threat is obvious.

Today kleptocracy, the form of government defined as "a government of thieves," is the principal enemy of democracy. Kleptocracy is a worldwide phenomena. Over the centuries it has replaced theocracies, monarchies, democracies and recently many communist governments which were

transformed from faithful believers in utopic socialism into governments of thieves, and we didn't even notice it...until their own citizens overthrew them in deep disgust.

Kleptocracy comes to power neither by force, nor by ballot. It simply grows like a fungus corrupting more and more persons until it takes full control. Almost everyone then becomes corrupted as corruption becomes a way of life, payoffs become salary supplements, collusion spreads because everybody's doing it and gradually the entire country becomes corrupted. Kleptocracy simply consists of the institutionalization of one person's or one elite group's greed for resources and power in the form of the apparatus of the state. Once in control, kleptocratic power tends to become more and more centralized in one person or group which holds the franchise on all forms of corruption. Kleptocracy maintains its power by repression...always under the iron fist of a dictator.

The battle for honest government has taken on even more importance during the 20th century due to the tremendous growth of state financed, controlled or regulated activities. Two thousand years ago John the Baptist preached in the wilderness to the typical public servants of his time - tax collectors and soldiers - that they should not collect more taxes than required, that they not extort money or accuse people falsely...and that they be content with their pay, not seek to increase it illegally. These sermons are valid today and apply to every one of today's public servants.

The person who robs a store steals from its owner. The person who robs a bank or a large business steals from its stockholders or investors. But the person who robs a government steals from you and from me, because the government is our property. Therefore fraud and corruption in government constitute worse crimes than white collar crimes against business...and the time has come to treat them that way.

Several of our speakers and panelists have emphasized the need to teach honesty and integrity beginning in the earliest years of schooling. But there is an even more important point. Governments are generally constructed in pyramidal fashion composed of local governments, state or provincial governments and finally national governments, but the smallest unit of government...the brick with which governments are built...is the family.

When the family is corrupted, the government is corrupted, just as was the case with the sons of the Biblical leaders mentioned. When parents do not serve as models of honesty and integrity in these smallest of governmental units, when they do not establish family discipline, when they do not teach morality to their children, even before they enter the educational system...the government is in grave danger of becoming Kleptocratic at every level.

Many centuries ago a Chinese elder was asked what could be done about moral decadence and the disobedience of the young. He sagely replied, "Well, you must begin with their grandparents."

Any battle against corruption must begin with the grandparents of future generations...with our children...and the teaching must be by our example...not just by our words...nor by the words of teachers.

King David left us a motto for our homes, our families and our governments in Psalm 101, verse 7:

"No one who commits fraud will live in my house;

No one who speaks lies will stand in my presence."

May God guide and bless your deliberations this afternoon and the conclusions and recommendations you reach at this conference.

May **RESPONDACON II** be the first hemispheric, electronic, and stratospheric cry for liberty from the slavery of government corruption.

We'll see you in two years with **RESPONDACON III** !

V. SELECTED COUNTRY SUMMARIES

Argentina

Conclusions and Recommendations:

In Argentina it is normal to talk in terms of business activities such as contracts or public tenders being up to 50% corrupt. This transforms corruption from being a "lubricant" for business into a bomb planted inside the economic and institutional systems. Corruption is so generalized that the justice system is usually inefficient in resolving even the most evident cases. This is a result of processes which are easy to obstruct for those who desire to do so. In addition, when corruption is generalized, an attitude of acting ethically and according to law may be costly to those who assume this posture.

This suggests that the solution should come from those who are outside the corrupt system who believe that some results may be achieved through joint citizen participation. The axis about which this revolves consists of a solid commitment to jointly face up to the problem of corruption, since individual activity appears to be counterproductive and ends up confirming the widespread belief that "whoever isn't corrupt is a loser."

An anti-corruption effort by citizens should:

- involve the greatest possible number of sectors of the citizenry in corruption control activities
- demonstrate that consolidated action is more effective and beneficial in controlling corruption than individual ethical conduct
- seek to create a social demand for transparency, accountability and the control of corruption.

Summary of Activities:

Citizen Power (Poder Ciudadano), a private, volunteer-supported foundation, organized RESPONDA CON II in Argentina and encouraged the government, business and professional associations to participate. Television programs, newspaper articles and radio presentations alerted the public to the upcoming event.

During the local session on February 27, the Justice Minister, Dr. Carlos León Arslanian, spoke about his administration's efforts to improve the judicial system through reforms including the appointment of new judges and speeding up the legal process. The Secretary of Public Administration, Gustavo Beliz, focused his speech on the National Institute of Public Administration and its efforts to train professionals for public service careers with an adequate level of remuneration. He emphasized the government's efforts to eradicate institutional corruption through its privatization and deregulation programs.

Buenos Aires' leading circulation newspaper El Clarin, which covered both days' programs extensively, reported that the juiciest part of the teleconference's first day was the analysis of the

BCCI case "... and the impunity with which that international banking entity operated for more than ten years after its fraudulent operations were detected."

On the afternoon of February 28th, Dr. Luis Moreno Ocampo, who had also appeared via satellite on the morning program, outlined Citizen Power's efforts to involve the different groups of Argentine society including business, labor, public officials, high school and college students, teachers and journalists.

About 150 persons participated over the two day period including invited guests from the media, which gave wide coverage to the teleconference, officials of governmental regulatory and auditing institutions, members of the Congress and the diplomatic community.

Belize

Conclusions and Recommendations:

Leadership - Religious and institutional leaders need to be stronger and more committed to fighting corruption. Society must become more family-based to provide a support network for people who wish to resist the temptation of corruption. Morals and ethics need to be returned to the top of the agenda, not tucked away or ignored.

Education - The country must inculcate its citizens in ethics and morals from infancy through adulthood. Methods of teaching must be changed. The rewards of pride and enhanced self esteem are inherent in turning down bribes and discouraging other illegal activities. Just telling persons not to partake or threatening them with punishment is not enough.

Role models must be developed to help lead the way in the fight against corruption. This is essential in gaining the support of young public officials. Role models help make the plan more believable and attainable, as opposed to being lofty or impractical.

The power of the vote must be wielded to elect honest men and women to public office and remove corrupt politicians. Politicians are only as strong as the citizens allow, and only as accountable as the citizens insist. Citizens need to utilize the power they have in helping to put back morals and honesty in the running of the country.

Participating countries should maintain contact to develop a data bank to collect and store information about fraud and corruption discovered. It should include the names of those involved, the nature of the crime, the country of origin and other countries or individuals involved.

The newspaper, The Reporter, of Belize City editorialized regarding the local sessions' conclusions as follows:

"The discussion in Belize reached the conclusion that corruption does exist in Belize - within the government and outside it, and that this corruption was doing a lot of harm to the country.

Some of the examples brought to the public's attention involved:

- a. the award of government contracts at inflated values
- b. government's indifference to widespread smuggling and revenue evasion
- c. the willingness of businesspersons to lie and cheat to evade the payment of taxes
- d. attempts to interfere with the judicial process of the courts
- e. government's indifference to audit reports; indifference to laws calling for prompt accountability
- f. an apparent willingness to leave constitutional issues unresolved, for political or other reasons.

In a sense this was breaking new ground for Belize...this was the first time that individuals had been asked to identify themselves openly and specifically as being opposed to corruption in government.

In these matters, the first step is always to get people to recognize and admit that, yes, there is a problem! Once this step has been taken, finding a solution becomes easier.

For this reason we believe that the efforts made on behalf of RESPONDACON were well worthwhile. We congratulate its organizers, and we also congratulate the government whose new media policy has made it possible for citizens to discuss this kind of sensitive material openly and objectively, and we hope, with benefit for all.

Another newspaper, *The Pulse*, reported: "the main goal of the conference, to provide an open forum for viewpoints on the topics, was realized. Both days proved successful in that the Belizean audience in their wrap-up brought to light our internal problems of fear and job intimidation, and a concern for the integrity of the country...Credibility and commitment by the professionals of Belize is a personal and civic duty. Professionals should influence and play watchdog roles in their workplace to ensure that the integrity of our democratic process does not mimic the situation of our neighbors."

Summary of Activities:

Co-sponsored by seven accountancy, media, university and government organizations, 35 men and 25 women participated locally in the teleconference. The President of the Institute of Chartered Accountants of Belize, Mr. Julián Castillo, and the Attorney General, the Hon. Glen Godfrey, gave the welcoming and opening speeches respectively on the first day. Mr. Godfrey emphasized the importance of preventing corruption and fraud and expressed his approval of the plan to exchange accountants/auditors between the public and private sectors. The local television station broadcast the event live and telephone lines were set up for the home audience to phone in with questions and comments.

A wide cross-section of citizens and officials attended the conference and participated in evening panels. Mr. Orvin Nicholas, the Auditor General of Belize, and Mr. Timothy Palacio, Ethics

Lecturer at the University College of Belize, served as panelists the first night. On the second night, panelists included Mr. Harry Lawrence, Editor of The Reporter, Bro. Desmond Smith S.J. , Bishop of the Anglican Diocese, Mr. William Heusener, President of the Human Rights Commission of Belize, and Mr. Simeon Sampson, a member of the Bar Association.

Sponsors in Belize were the Government of Belize, the Institute of Chartered Accountants of Belize, the Broadcasting Company of Belize, Belize Institute of Management, University College of Belize, the Society of Professional Journalists, the Society for Promotion of Education and Research and Belize Telecommunications Ltd.

Bolivia

Conclusions and Recommendations:

The five great evils of humanity are the arms build-up, terrorism, environmental contamination, drug-trafficking and corruption, and the latter overshadows them all. Corruption exists when within political parties positions, from senatorships to clerical posts, are bought. Corruption exists when leaders cover up the facts and lie to the country. Corruption exists when the private sector skirts legal procedures and participates in contraband. Corruption exists when union leaders earn salaries without working, producing or serving their constituencies.

Politicization of the public service leads to corruption. Corruption is essentially a political problem and efforts to fight it must be made by those with the power to change it.

Any political party which fills the public service with its members without regard to aptitude, qualifications, efficiency, etc., is corrupt. One of the causes of corruption in government is that individual employees are not qualified for the positions they hold or should not be holding those positions.

Corruption is endemic and has grown rapidly during the last few decades. Governments have done very little to stop its advance, and instead it has been used as a tool for financing parties, raising electoral funds and an excuse for upholding illegal governments.

Countries blighted by a high demand for narcotics do not accept their responsibility for the surge in illegal drug trafficking. If the demand for drugs were not increasing, the supply, i.e., production, of drugs would not rise. The fight against drug trafficking must be broadened to take into consideration these supply/demand issues.

Tax legislation has reduced some corruption, but not enough. Overly complicated tax administration systems, the daily contact of public officials with the private sector and the discretion given to them, continue to impede progress and contribute to the prevalence of corruption. Legislation must be precise, concrete and unequivocal and must be supported by an honest and responsible judicial system.

Corruption impoverishes society. Hedonism attacks families, corruption enters and destroys the home. Often a wife urges the husband to seek riches and he does not hesitate to do anything necessary to satisfy the family's need. It is necessary to reestablish values, and nothing is better to this end than education and formation from childhood. Parents must assume their proper role: caring for the integrity of the family with love, dedication, sacrifice and high moral values.

Corruption is the best means of stimulating totalitarian governments and motivating extreme social reactions.

Summary of Activities:

Bolivia's Vice-President, Luis Ossio Sanjinés, inaugurated the event, stating: "Corruption is an evil which the country has endured for many years...The first lesson which we should learn as governors and governees is the need for transparency in our acts. Without clear, honest and accountable conduct on the part of those who govern demonstrated in all the acts of their lives, it becomes impossible to demand that society achieves the objectives which permit its development and progress. Corruption and fraud will not prevail if clear ethical standards exist and if the community does not forget that these standards should constantly guide their actions."

Bolivian sponsoring organizations included the Ministry of Finance and the International Institute for Integration under the Andrés Bello Agreement which provided its auditorium for the local sessions.

Notable journalists, electoral officials and private sector leaders such as President of the National Electoral Court, Huáscar Cajías, former Finance Ministers Juan Cariaga and Ramiro Cabezas and Comptroller General of the Republic, Antonio Sánchez de Lozada, contributed to the conference which was attended by 140 people. In their presentations, they pointed to evils which have attacked the country for years and insisted that politicians, businesspersons, union leaders, in short, the entire community reject corruption. The panelists agreed that people who take on public or private sector positions should be accountable for their actions and conform to a Code of Ethics because the prestige and development of the country depend upon them.

Colombia

Conclusions and Recommendations:

Corruption weakens democracy: "Immorality generates injustice, injustice generates violence and violence ignores democracy." As a result, the public loses faith in government institutions and in the country's leaders. This lack of confidence translates into low rates of voter turnout during elections, as well as the emergence of new and often more violent forms of protest. Immorality also makes the state less efficient and reduces the effectiveness of its social programs.

Ethics Groups: Within the legislative, executive and judicial branches of government, create ethics circles, similar to quality control circles, to stimulate efficiency and encourage strong morals.

Promotion and Education: Initiate a massive educational campaign to revive ethical and moral values, including training for instructors on this topic.

Protection and Denouncements: Set up a means of assuring that the identity of a citizen blowing the whistle on corruption is protected.

Auditing and Control: Public administrators must strengthen control systems evaluated by external and independent auditors.

Summary of Activities:

In part because the organizers sponsored a pre-conference forum on February 13, 1992 over 580 people took part in the local Colombian session sponsored by the National Institute of Public Accountants. The majority of those participating were public accountants and lawyers; a small percentage were from other professions. Presentations were given by the Comptroller General, Dr. Manuel Francisco Becerra, the Attorney General, Dr. Carlos Gustavo Arrieta, Dr. Jaime Arias, Vice-President of the House of Representatives and Jorge Jiménez, President of the National Institute of Public Accountants. During RESPONDA CON II, participants responded to an opinion survey.

Costa Rica

Conclusions and Recommendations:

The principal conclusion of the event, which drew 140 participants, was that Costa Ricans from all walks of life, not only from the government, must fight corruption. Positive attitudes and fundamental values promoted by the media, educational institutions, the Church, and professional associations will stop the growth of corruption. All Costa Ricans must join the crusade against corruption begun in 1987 by the National Commission for the Restoration of Moral, Civic and Ethical Values.

The Commission seeks to develop a critical conscience among citizens regarding the present crisis of values and a positive attitude towards generating desirable solutions; to rescue and strengthen the most genuine values upon which the nation is based; to promote personal attitudes which result in the acquisition and enrichment of values; and to strengthen the comprehensive formation of the citizen through emphasis upon the family and both formal and informal education. It has gathered leaders from professional and civic organizations, the government and the labor force to work toward these ends.

The risk to democracy posed by the proliferation of corruption should be the principal concern of both those who govern and those governed, because when many persons begin to accept as normal those acts and conduct which are contrary to law and morality, when they affirm that they act that way because everybody else does, and when only a few stand up against degrading and corrupt activities, we must accept the fact that corruption is penetrating the conscience of many that social harmony and peace are seriously threatened.

Participants concluded that only when the citizens fully understand the importance of their actions and the responsibilities which they assume in connection with those actions, will it be possible to impede the growth of corruption and promote social harmony.

Summary of Activities:

Sponsored by the National Commission for the Restoration of Values, the local session of RESPONDACON II in Costa Rica included speeches from public accountants, private sector representatives, government ministries and the press on their response to corruption. Speakers included the President of the Supreme Court, the President of the National Electoral Commission, the head of the Justice Department, the Vice-President of the Legislature, and the Comptroller General. On the second day, a round table discussion was held on "State Powers in the Face of Corruption: Obstacles and Limitations." The entire conference was transmitted live over Channel 13.

Ecuador

Conclusions and Recommendations:

The problems of fraud and corruption can destroy the moral, ethical, institutional, legal and economic fibers of any society regardless of its economic and political system. These problems involve public and private sectors and often international interests as well.

The leaders of the state who orient and make decisions for the common good should act in a transparent environment which permits the punishment of those who act dishonestly and the recognition of those who act honestly.

A non-governmental (NGO) should be created which can promote a change of social mentality, recognize moral and ethical values through massive public relations campaigns, and channel reports of bribes and other violations to the proper authorities.

Summary of Activities:

234 people representing 43 public and private institutions participated in the conference's local afternoon sessions and discussed four principal themes of domestic interest: dishonesty and money laundering; ethics in public service; internal controls on fraud and corruption; and the administration of justice.

The President of the Association of Economists of Quito, José Gordillo, spoke about "Dishonesty and Laundering Sucres." He inveighed against bribery in public service contracts and talked about ways in which money is laundered locally and abroad.

Dr. Vicente Alvarado, Pichincha College of Professional Administrators, spoke on "Administrative Deontology (the study of moral obligations) and a Public Service Code of Ethics." He recognized that it is difficult to find a workable formula to ensure efficiency and morality in public administration. Coining the expression, "the genealogy of public vices", he emphasized that fraud is the result of a series of decisions and attitudes learned from early childhood that act against the social good.

Dr. Carlos Delgado, President, National Federation of Accountants of Ecuador, presented a paper on "Internal Controls and the Problem of Fraud and Corruption." He proposed a number of topics for further study: developing professional ethics based on honesty, integrity and morality; administrative corruption, its causes and its methods; and economic crimes including fraud, malfeasance, and misconduct. He stressed the important role of the accounting profession and discussed instruments for establishing good internal controls.

Finally, the President of the Quito Bar Association, Dr. Rodrigo Bucheli, spoke on "Administration of Justice in Ecuador", emphasizing that judicial corruption not only results from weak ethical conceptions but from other social factors which affect the judicial process: institutionalized violence within the penal system and economic decay. The outdated judicial system impedes the effective processing of criminals. The roots of this crisis are found in the system's lack of independence, political influence-buying and the lack of a normative framework that effectively regulates the administration of justice.

Guatemala

Conclusions and Recommendations:

It is important to share the ideas and enthusiasm generated during the conference and involve universities, ministries and other relevant institutions.

The Comptroller General's Office and the Banking Superintendency are key organizations which practically constitute a "fourth power" of government if given sufficient independence and led by qualified professionals such as Certified Public Accountants of recognized integrity proposed by the appropriate professional groups as qualified.

Professional organizations should continue the campaign to develop issues and serve as a forum for discussing these types of problems.

Summary of Activities:

The local session was sponsored by the Guatemalan Institute of Public Accountants and Auditors.

Approximately 100 people watched the satellite program and listened to presentations by local officials. On February 27, Acisclo Valladares, the Solicitor General of the Nation and head of the Attorney General's Office, discussed the role of that institution in fighting fraud and corruption. On February 28, governmental, private and professional organizations participated in a panel discussion.

Honduras

Conclusions and Recommendations:

Fraud and corruption are social vices which currently threaten the institutional life of many nations of the world, especially affecting the existence of democratic systems of government. Corruption frequently results in dictatorship and dictatorship invariably gives birth to corruption in a vicious circle which causes governmental instability and citizens to lose faith in political, ethical and civic values.

The abandonment of strict legal compliance by those who govern and who are governed promotes dishonest activities, distorts and corrupts the country's judicial system and attacks the foundation upon which ethical standards are based, resulting in anarchy.

The way members of congress are elected in many countries destroys authentic popular representation and makes it possible for parliaments to represent minority sectors and business interests instead of those of the nation. Political party contributions should be controlled and limited because they often result in dishonest "compensation" given by the government to interested groups while the congress loses the necessary force and moral authority it needs to safeguard the interests of the state.

Only a truly independent and honest judiciary can dissuade the corrupt from putting their hands on public funds, avoid the influence and the use of the law for speculative personal ends.

The unduly large size of the government is an important cause of fraud and corruption as is the absence of clear laws defining crimes resulting in unjust enrichment, and the excess of discretionary powers which some public officials possess.

Children must be educated about their responsibilities as moral and ethical citizens by making courses in morals and ethics obligatory in primary and secondary schools.

Structural adjustments and efforts to increase productivity and strengthen commerce and development as well as the use of external assistance and financing may be seriously impeded if there is no serious effort by governments to combat fraud and corruption. It could be opportune for international lending institutions and cooperating governments to condition their relations with developing country governments upon the development of effective programs, legislation and measures seeking to eradicate the dishonest use of the resources they provide as well as all public resources.

Finally, a continuing campaign of conscientization of both the private and public sectors is necessary including the broadest degree of citizen participation so that each citizen becomes a jealous guardian of the resources of the state by reporting and providing evidence leading to the punishment of the fraudulent and corrupt.

Summary of Activities:

Honduran professional organizations including accountants, administrators, economists, engineers and physicians collaborated to host RESPONDA CON II in Tegucigalpa. The President of Honduras, Rafael Leonardo Callejas personally inaugurated the event expressing support for the organizers and promising to lead the combat against corruption in his country. Over 200 persons participated in the teleconference and the national forum covered by all the communications media and broadcast live in full to the nation over two radio stations.

Twelve local panelists discussed mechanisms for fighting corruption in Honduras with a well-known journalist serving as moderator. Invited participants included representatives of political parties, labor organizations, the private sector, professional associations, universities and others representing all segments of society.

Jamaica

Conclusions and Recommendations:

There is a correlation between excessive bureaucracy and governmental fraud: "Every point at which an approval has to be given, a permit or license granted, certification issued, or a decision made from which a benefit or advantage can be gained, lurks a potential source of fraud and corruption." To combat such fraud, Jamaicans should trim away unnecessary bureaucracy and create transparency in government operations. In addition, the awarding of contracts, granting of permits, divestment of public assets and other forms of government dispensation should be conducted openly to reduce the opportunity for abuse.

Ethical and moral standards have broken down in Jamaica and urgently need to be revived. In school and at home, young children should be sensitized about the importance of honesty and integrity at the workplace and in public life. We need to re-introduce "Civics" into the basic school curriculum and establish a well-defined Code of Ethics for public officials; reduce the rolls of public workers and improve their skills; and encourage the public to vigilantly report offenses to appropriate officials.

In the public service, the person making a decision is not necessarily accountable for it. Consequently, systems of accountability must be supported by adequate and effective sanctions against non-compliance and corruption. "A major reason why corrupt practices have become institutionalized in many areas of governmental activity is the unlikelihood of detection, the improbability of apprehension and the leniency of the punishment."

Jamaicans recommend the following actions: the establishment of an Integrity Commission which receives and examines annual statutory declarations made by parliamentarians on their income, assets and liabilities; the appointment of a Contractor General to scrutinize and assess the terms and conditions for the award of government contracts; and the creation of a Revenue Protection Division responsible for surveilling customs and airports and enforcing tariff collections on goods coming into or leaving the country.

Summary of Activities:

The Institute of Chartered Accountants of the Caribbean sponsored the event in Jamaica in which 59 people participated. Speakers included the Hon. K.D. Knight, the Minister of Justice and National Security, and Bruce Golding, a Member of Parliament and an opposition spokesman on the finance committee. In addition, six members of the Finance Ministry, the constabulary and the private sector contributed to panel discussions during the two days.

Conference organizers presented a questionnaire to 32 participants who responded that the event was a timely and unique experience, and that it provided a wealth of international and local information on the problems of fraud and corruption in government. They also commented that the private sector has its share of problems and contributes to the perpetuation of corruption.

Nicaragua

Conclusions and Recommendations:

The high levels of corruption in past Nicaraguan governments have not permitted agriculture and industry to develop rapidly. Poverty, unemployment and a lack of social programs for the poor have resulted.

Despotic and authoritarian governments striped away freedom, established censorship and created fear among the population, increasing corruption. After the 1989 elections, the so called "piñata phenomenon" occurred. Officials from the losing party announced new laws and decrees enabling them to take possession of all kinds of public properties before leaving office.

Fighting corruption at all levels of government means fighting for the development of Nicaragua's newborn democracy.

Laws and decrees exist in Nicaragua to fight public corruption. The political will does not.

The Comptroller General's Office has been unable to clean up public administration due to a lack of independence and a shortage of human and material resources required to carry out the task. Nicaraguan governments and political parties make political alliances which serve their personal interests and strengthen their power.

The private sector also practices corruption, for example, bribing public officials to speed up paperwork.

Corruption is universal, existing and spreading all over the world, via international drug-trafficking, for instance.

The public is apathetic in the fight against corruption: it believes that the government must solve the problem through its judicial and criminal systems.

It is both in the national interest and a civic obligation that every citizen participate in the fight against private sector and governmental corruption.

An educational campaign must be carried out to make the public aware of its role in fighting corruption.

The public and private sectors must join forces to fight corruption. The private sector must not encourage it.

An Inter-American Commission must be formed for a transnational, coordinated effort to fight corruption.

Other recommendations include a call for transparency in privatized state enterprises, an increased role for Christian churches and other religious organizations, and a more active role for the media.

Summary of Activities:

Eight presentations on the local implications of corruption highlighted this session which was sponsored by the College of Public Accountants of Nicaragua. The session included speeches on the legal framework for stopping corruption and the role of professional organizations and the media in fighting fraud.

Paraguay

Conclusions and Recommendations:

The participants generated a large number of ideas regarding corruption including the following:

To promote ethics and honesty among their constituents;

To strengthen ethics and morals in the educational system at the university, high school and elementary levels;

To enact laws establishing punishments for those found guilty of defrauding the government.

Summary of Activities:

Organized by the School of Business Administration (EDAN), the conference drew 240 participants from the Senate, the Congress, various ministries, local accounting and legal associations and many other institutions. The panelists on the first and second day included, among others, the Comptroller General, the President of the House of Representatives and the Director of Diario Hoy.

The conference received much publicity. Channel 4 and two local radio stations provided live coverage for both days of the event, and Channel 9 taped the sessions and produced a 1 hour program for later transmission.

Participants from the public sector described their efforts to modernize and make public administration more efficient and accountable.

Peru

Conclusions and Recommendations:

The principle conclusion of the conference was that the roots of fraud and corruption in the country are very deep, existing as much in people's minds as in various sectors of society. The following ideas emerged from the discussions:

The public is indifferent about analyzing, studying and adopting measures to fight corruption.

Fraud and corruption inhibit the country's economic, ethical and social development.

Citizens no longer believe in the current system because of the increase in fraud and corruption within the government.

Public resources are not well-managed.

Authorities do not catch "big fish" nor "little fish."

The press rarely covers cases of fraud and corruption.

An inoperable, deficient and slow judicial system exacerbates the pervasiveness of fraud and corruption.

How should Peruvians respond to this disturbing reality?

Mobilize all segments of society: professional labor and university associations, the media and the public in general.

Create incentives for and protect those wishing to blow the whistle on corruption.

Implement more efficient and stricter rules within the criminal system.

Ensure effective coordination between all governmental bodies.

Raise the public's consciousness about the problem by providing education on moral and ethical values.

Encourage international organizations to study the possibility of developing multi-lateral agreements and laws making it easier to indict criminals who flee across borders.

Help professional organizations coordinate their efforts to ensure that public officials respect their institutions' Code of Ethics and public morality.

Warn the public about crimes public officials could potentially commit and alert them to the punishments.

Summary of Activities:

The Institute of Public Accountants of Lima organized and sponsored an extensive local program. More than 300 people participated in Lima and 150 participants gathered in the Amazonian city of Iquitos. The local conference has as its objective the task of informing the public about the importance of honesty and integrity in a democratic system. The Institute named a 14-member organizing committee presided over by a director and a manager, and set up sub-committees to carry out promotion and publicity efforts, interact with the press, control budget and financing for the conference, establish protocols, and liaise with other institutions.

Through their efforts, the Committee enlisted the support of President Alberto Fujimori Fujimori, other professional organizations in the country, high level officials from all three branches of government, universities and the press. The local television station transmitted the event live throughout the country. The organizers published a book for the participants that included 16 anti-corruption articles.

Dr. Felipe Osterling Parod, President of the Senate, the Congress and the Permanent Commission of Congress, spoke on the "Fiscal Control Function of Congress." Dr. Luz Aurea Sáenz Arana, Comptroller General, discussed "The Role of the Comptroller General of the Republic." Eight parliament members acted as panelists. Dr. Luis Portugal Rondón, President of the Supreme Court, spoke on "Administering Justice in the Face of Fraud and Corruption", and Attorney General Dr. Pedro Mendez discussed the "Role of the Attorney General's Office."

Uruguay

Conclusions and Recommendations:

The problem of corruption is essentially an ethical and cultural one. The educational system has failed by not teaching basic values of responsibility and respect for the law.

Legal norms must strictly regulate the activities of public officials. Society must be indignant about criminal acts and not tolerate them or view them with indifference. Certain and concrete punishment must ensue.

A democratic system should function transparently: all the branches of government must be separate, each with its distinct powers, so that the legislature and its various oversight agencies are supported by judicial instruments.

An independent press must exist, constrained only by its responsibility to not make unsubstantiated accusations.

Legal and accounting efforts must be coordinated with the judicial system in order to punish those found guilty of perpetrating crimes against the state.

Summary of Activities:

Over 240 people participated in the local session coordinated by the Uruguayan College of Doctors in Accounting and Economics and the Uruguayan Accounting and Public Budgeting Association.