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# ccountability

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## Decentralization: Latin American and Caribbean States Discuss their Models

Decentralization. Governments promote it, academia studies it, development organizations foster it and global financial institutions invest in programs to bring it about. It is the word repeated in presidential programs for reform, and spoken in congresses around Latin America and the Caribbean. Depending on your perspective as a citizen, an NGO, a government official, an entrepreneur, or an international donor agency, decentralization may have a different face, but fundamentally a similar concept is at work.

The expected benefit of decentralization is more responsive governance. This is based on the premise that a state is improved by increasing government's ability to respond to citizens' needs as well as increasing participation by citizens. In the process of decentralization, the central government transfers resources, decision-making, planning, budget and management functions from the central government to local units of government, private sector and/or non-governmental organizations (NGOs). Decentralization can make democratic habits more entrenched in the citizenry and the government. In each country, the decentralization process differs according to the balance it strikes among the public sector, private sector and NGOs.

In the last 10 years, changes in governance systems and financial management in Latin America have been accelerating rapidly. Many of these reforms have been linked to decentralization. Countries of the region are creating their own models and experimenting with different initiatives.

### **Conference Perspectives on Decentralization**

Countries of the region are beginning to share their decentralization experiences and craft models for themselves. Latin Americans came together to discuss in public sector reform at three recent conferences. In Caracas, Venezuela the Organization of American States Unit for the Promotion of Democracy invited officials and academics from the region to an Inter-American Seminar "Supporting Decentralization Process in Local Government and Civil

Society" (May 12-13) Georgetown University sponsored a conference in Washington, DC, "The Capitalization Program and Other Reforms; Bolivia's Quiet Revolution" (May 2-3). Mayors and other local officials from the region participated in panels and discussion through the "The Third Inter-American Conference of Mayors" (May 28-30) coordinated by Florida International University in Miami. Among the several decentralization are a few of those mentioned below:

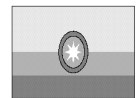
#### **Bolivia**

In the Bolivian model, decentralization has been prominently advocated by the executive branch of the central government. The government of Bolivia has unleashed a flood of activity in local and departmental governments and encouraged civic society involvement in this reform. Several Latin American and African governments have invited Bolivian officials to consult them on framing their own decentralization programs.

One key component to the decentralization process in Bolivia is the coordination among its different government agencies. The Government Administration and Control Law known by its Spanish acronym as, SAFCO, provides the legal framework to reorganize and integrate government functions. The plan to modernize the state has three pillars: to reorganize the central administration through an examination of basic government functions; to reduce the size of the state in coordination with activating private enterprise initiatives; and to support civil society involvement at a municipal level.

#### **Colombia**

In decentralization it is also important that political rhetoric be followed by budgetary reality. Regional and local governments must allocate the economic resources and a certain degree of autonomy to enact the programs that their citizens, politicians, and community leaders deem necessary.



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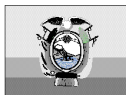
# Decentralization

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In 1991 Colombia began a process of decentralization through constitutional reform. The new order proposed to strengthen municipalities through fiscal and administrative changes. The first change was to increase the budgets of local government. In 1993 Law 60 created the framework to give municipal governments a larger portion of the national budget. In 1990 the percentage of national budget allotted to departments rose from 21.1% to 23.8% by 1997. Traditional forms of municipal management were changed to allow more participation such as the popular election of governors. The Constitution of Colombia also recognized, for the first time, a wide variety of territorial entities such as associations of municipalities, districts, provinces and indigenous territories. Through the National System of Planning a mechanism of coordination was created between the central government and these new territorial entities.

## Ecuador

Another face of decentralization is integrated financial management. In Ecuador, the treasurer of the municipality of Quito has designed and developed an integrated financial management system known by its Spanish acronym as SIGEF. The system that began in Quito is now being used in another municipality, Guayaquil. The objective of SIGEF is to administer, check and examine the collection and allocation of financial resources by using a simplified on-line computer style of financial management. SIGEF includes a comprehensive computer program that tracks all of government revenues and expenditures throughout its various departments. It was designed with the priorities of simplicity and security, so that data is entered only once and processed centrally.



## Paraguay

Transparency in governance is fundamental for decentralization. This is especially difficult for states making a transition from autocratic regimes. Moreover, this element of decentralization produces disagreement and controversy even when it is functioning well. Giving citizens the right, the option and the space to disagree is a critical sign of an open society.



In Paraguay, decentralization accompanied democratization, first marked by the emergence of sub-national governments in the early 1990s. Though Paraguay continues to be highly centralized there has a notable rise in civil society activity. Citizens of Paraguay, unaccustomed to political participation are now attending public hearings, serving on citizen advisory government and holding demonstrations. Asunción has been the site of substantial developments in NGOs and public awareness through neighborhood groups, town meetings, and public hearings. The passage of the “Sunshine Ordinance” (A La Luz Del Sol) has been a major municipal initiative. This law guaranteed that any citizen of a municipality would have access to all the municipality’s records except for private personnel files.

## The Caribbean

The traditional state system in Latin America is centralized, unitary and corporatist, an heir to the Iberian colonial system and the 18th century French State that inspired the region’s constitutions. In contrast to Latin America, the administrative structures in the Anglophone Caribbean are derived from the British system. Among these Caribbean states there are degrees of collaboration with the central government. Some are more subordinate, while others work as a partner, in a more decentralized manner of governance. The Caribbean Association of Local Government Authorities (CALGA) continues its ongoing work to ensure constitutional recognition and relative autonomy from central government. The association’s mandate is to remind central governments of the priority of local government’s role. Decentralization plans that rush to generate parallel organizations and popular institutions can sometimes bypass CALGA.

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### HOW DOES DECENTRALIZATION AFFECT FINANCIAL MANAGEMENT?

Initial decentralization efforts led to the ballooning of local bureaucracies, but subsequently the new-found autonomy combined with the need for local governments to improve their financial situation has become a driving force behind streamlining and updating traditional managerial styles. Fiscal decentralization was initially a tool to implement political and administrative decentralization. Gradually, the fiscal effort has become the focus of decentralization processes. Therefore, effective and transparent financial management (at central and local levels) lies at the heart of decentralization efforts.

An Inter-American Development Bank publication “Fiscal Decentralization in Latin America”, stresses that “Investing resources in a financial management system that is uniform over the entire country will help to improve the quality of public administration.” The authors conclude with recommendations for decentralization programs. Their general design includes three specific considerations for financial management.

- **Fiscal Subsidiarity:** Only those expenditures that by their nature significantly affect several jurisdictions should be appropriated by higher-level government. Local governments should be given priority to administer funds and programs.
- **Fiscal Responsibility:** Successes and failures in managing public affairs should not be passed on to other jurisdictions or levels of government since autonomy entails accepting the results of one’s actions—governments and citizens alike.
- **Fiscal Coordination:** Over time levels of government must coordinate tax and debt policies. Granting autonomy to local levels does not mean a withdrawal of central government but a coordination of governmental activities within a new order.

## AROUND THE HEMISPHERE

### ARGENTINA

The Ministry of the Economy & Public Works and Services completed its IV Inter-American Training Course on Financial Administration and Control in the Public Sector in May. Twenty-three officials from Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Peru, Dominican Republic and Venezuela took part in the seven-week course. The course work included an evaluation of the Argentine system of integrated financial management (SIDEF) and an examination at the theoretical basis for the reform of public sector administration. Participants also studied aspects of budget management, public investment, treasury systems, and accounting standards. The course is provided twice a year, and the next course will be given in October and November.

### BAHAMAS

In the last year citizens of the Bahamas have created and participated in a new level of government in which twenty-three District Councils will take over the management of local affairs from the central government. The councils ensure that the taxes raised locally are spent locally. They are also responsible for maintaining public buildings and public spaces in addition to granting business licenses and improving tax collection. To enable them in this task, the Inter American Development Bank is providing \$150,000 in computer workstations for each of the councils. The funds are part of a grant to improve tax collection and management throughout the Bahamas. Commenting on these changes these changes, Rudolph Albury, a resident of Lower Bogue, Eleuthra said, "Any government closer to the people is better". Percy Archer of Dundas Town Abaco noted "All of us will work together to see the community thrive."

### BRAZIL

The Inter-American Center of Tax Administrators (CIAT) based in Panama City, Panama is working with the Gertulio Vargas School of Public Administration (EBAP) to consider a collaboration between the two training institutes. In the last few months the schools have been exchanging informa-

tion on courses and work plans. Recently, the Director General of EBAP visited the CIAT headquarters and participated in the general discussions and workshops.

### DOMINICAN REPUBLIC

On May 10, The Institute of Certified Public Accountants of the Dominican Republic hosted the First Conference of Accountants for the Armed Forces and National Police. The title of the conference entitled "Modernization of the State vs. Globalization." Officials from the International Federation of Accountants, the World Bank and government agencies of the Dominican Republic gave presentations on the importance of transparency, management and computer networks.

### HONDURAS

The Government of Honduras is enacting a variety of anti-corruption measures. Newspapers in Honduras and the US estimate that between 1990-1994 public sector corruption cost a minimum of \$100 million, and some go as far as to say \$500 million. In addition to the creation of a new attorney general's office with an anti-corruption mandate, the government named a panel of citizens to investigate and initiate legal proceedings. Journalist Juan Tamayo wrote in a La Prensa op-ed, "But Hondurans feel that much more needs to be done in the fight against corruption. Some of these measures will be difficult, such as the laws that require politicians to make a public disclosure of their financial assets before and after leaving office. Others may be easier, such as a law that prohibits public officials from using their office for personal benefit in the case of contracts and require receipts for goods purchased with public funds."

### MEXICO

As part of the Tax Administration Reform in Mexico, the Tax Administration Agency will begin operations this July. To implement this reform and increase public awareness of the issue, the Government of Mexico introduced several high-tech measures such as a web-page on the Agency and general tax information. Even more comprehensive is the 24-hour Fiscal Tele-consulting

System. It offers an opportunity for the taxpayer to receive immediate information and advice on tax procedures.

Taxpayers can also call an automated system to obtain information on taxpayer obligation and are guaranteed a response within 48 hours. The telephone system has a variety of services including a general news update on tax information, minimum wage, interest rates, anti-corruption campaigns, changes in tax law, and directories for help on paying taxes.

### NICARAGUA

The Office of Internal Revenue recently published a booklet, "The Rights and Guarantees of Taxpayers." The publication summarizes the rights of citizens and recourses for protection of those rights from governmental agencies. The booklet specifically addresses: the rights of the individual taxpayers; rights of the taxpayer confronted with a government investigation or audit; guarantees of the right to a defense and equality under the law; the rights to privacy and the use of personal information; and tax law.

### PANAMA

Earlier this year the Special Office Against Tax Crime was created under the mandate of the Director General of Income. The office was created to coordinate and assist regional tax administrators for the prevention, investigation, and punishment of tax crimes. This office will be comprised of Certified Public Accountants, lawyers, information technicians, and investigators from the Director General's office. Citizens are encouraged to work with the Special Office by reporting crimes (confidentiality assured) or any information that could help on-going investigations. The Special Office has set up an e-mail and will undertake a public awareness effort to inform citizens on how to recognize and report tax crimes. ◀

## Academic and Religious Leaders Address Corruption

In Santiago, Chile between May 19-22, the Conference of Latin American Bishops (CELAM) and the Latin American Interdisciplinary Research Council (CIEDLA) met to examine the role of corruption in the region. Religious leaders from Latin America and the Caribbean worked with a team of political analysts to create an ethical and legal basis to call on people in public and private life to combat corruption. At the conclusion of the conference CELAM released “An Ethical Declaration Against Corruption” and a proposal for the region’s governments entitled, “A Framework for Legislation Regarding Public Sector Probity and Anti-Corruption Measures.”

On June 11, in Vatican City, Catholic Church leaders met with officials from the World Bank, Inter-American Development Bank and the International Development Fund for the first time to discuss development, corruption and the external debt. The President of CELAM, Monsignor Oscar Andrés Rodríguez Maradiaga presented the documents authored by CELAM and CIEDLA.

For a complete text of the documents mentioned contact:

*CELAM, General Secretariat, Bogota, Colombia, tel: 57 1 612 1620, e-mail: celam@celam.org*

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## Decentralization

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In Trinidad and Tobago the National Commission on Self-Help is an example of collaborative work among central, local governments, community groups, state corporations and the private sector. The South American cousin of the Anglophone Caribbean, Guyana, has also created a model balance between local and central government. The National Congress of Local Democratic Organs and the members of the National Assembly together comprise the Supreme Congress of the People of Guyana, a central state body that serves as a direct channel for the people to central government and vice-versa.

### **Conclusion:**

Throughout changes of governments, coup d’etats and elections, the historical traits of a centralized system of governance have remained constant in the region. Until now. Decentralization is becoming the framework for the modernization of the Latin American and Caribbean state. A more open and democratic society is a political and social benefit of decentralization reforms.

As decentralization takes hold in the region, individual histories, economies and geography of nations will necessarily

influence formulas. From country to country, the region’s governments and citizens are going to be developing their own models.

*For more information:*

*Inter-American Seminar in Caracas, Venezuela*

*Contact: OAS Unit for the Promotion of Democracy  
Anne Marie Blackman Tel: (202) 458-3589*

*Third Inter-American Conference for Mayors*

*Contact: Florida International University  
Allan Rosenbaum  
Tel: (305) 348-1271 Fax: (305) 348-1273*

*The Capitalization Program and other reforms;*

*Bolivia’s Quiet Revolution Conference*

*Contact: Georgetown University,  
Center for Latin American Studies  
Diana Bartholomew Tel: (202) 687-0140*

*Fiscal Decentralization in Latin America, ed. Richard*

*López-Murphy, Inter-American Development Bank,  
Washington, DC, US, 1995. ◀*

## A Framework for Legislation Regarding Public Sector Probity and Anti-Corruption Measures

Excerpts from a document published by the Conference of Latin American Bishops and the Latin American Interdisciplinary Research Council  
May 21, 1997

If we understand probity to be rectitude, integrity and honesty of actions then corruption is an offense against probity, because it is a vice, disorder or abuse introduced into human activities through bribery, seduction, depravation, perversion and demoralization, according to the dictionary of the "Real Academia Española".

With regard to corruption, countries can be divided into (1) those in which corruption is systematic, in that it is part of and affects the political system; and constitutes a generalized, regular conduct that ignores formal procedures and responsibilities; and (2) countries in which corruption is sporadic and furtive.

The efficacy of legislation, whether of a constitutional, legal or regulatory nature, is different according to the depth of existing corruption. When corruption is rooted in the culture, if it is systematic, it is necessary to do more than bury the sources that facilitate and drastically sanction corruption. It is also necessary to reward public and private sector probity. It is necessary to encourage a political will to eradicate corruption through legal reform, the testimony of government officials, and moral education at all levels. The control of systematic and sporadic corruption can be achieved through the political will to combat corruption and with good preventive legislation, good fiscal management and a system of rewards and punishments.

In any case, for legislation against corruption to be effective, it is a prerequisite that a sincere and authentic constitutional state govern according to the rule of law. . . In other words, that the law and constitution apply to all; to those who govern as much as those who are the governed.

### I. Public Probity

#### PURPOSE

##### Article 1

The current title of this law applies to all individuals who fill a public office, whether as an appointed or publicly-elected official, designated by a drawing or in any other form. This includes those who serve as a civil or military official of the State, Region, Province, Department, Community

or Municipality. This applies to a representative of any of the above in public- or private-sector companies in which they have contributed capital or participate.

#### PROHIBITION OF PUBLIC OFFICE

##### Article 4

Without detriment of the requirements established by the constitution and by law, an individual shall not fill public office if he has been convicted within the last ten years of drug trafficking, money laundering, terrorism, fraudulent bankruptcy, electoral crimes or crimes committed by a public official in the exercise of his duties. Neither shall public office be occupied by a person who has been proven to have an addiction to illicit drugs. The term of this sanction will be limited to ten years for individuals and companies.

#### REGULATION

##### Article 7

A person who occupies a public office shall be subject, as a minimum, to the following prohibitions:

a) He will not use, to the benefit of himself or third parties, reserved or privileged information to which there is access due to the public office being filled;

b) He will not become involved directly or indirectly, while in office, in operations of money lending or exchange, commerce or gains;

c) He will not, during his term of office or within one year after having left office, accept or request, directly or through an intermediary, promises, gifts or advantages from individuals or companies possibly affected by his office. Nor will he abuse real or assumed influence to obtain distinction, employment, business or any other decision favorable for himself or a third party;

d) He will not take, receive or maintain, directly or indirectly, any interest in a company or operation that is under his administration or supervision;

e) He will not use property of the government or its agencies or work time to his own benefit or for reasons other than those of the institution, and

f) He will not intervene in decisions involving matters in which he has participated as an attorney, witness or expert, has publicly issued an opinion or report, or has taken any sort of action that would decrease his impartiality.

#### DUTY TO DENOUNCE

##### Article 8

An individual filling a public office will be obligated to denounce offenses before the law with due promptness, and any act of an irregular character of which he becomes aware during the filling of his office, to the competent authority.

##### Article 11

Government officials, officials at the service of the government or its agencies, directors of public-sector companies or representatives of the government or its agencies in private-sector companies, general officers of the armed forces, of law and order, shall present a sworn declaration of assets and property ownership for themselves, their spouse or relatives to the second degree, before assuming office.

##### Article 12

The President of the Nation, members of Parliament or Congress and other officials with a fixed mandate shall place their economic assets in trust for the time they serve in public office.

### II. Anti-Corruption Measures

##### Article 16

Any individual may have access to public documents kept by government agencies and obtain copies of them at his own expense. An exception may apply to documents that are secret in accordance with the law or in cases where their publication could affect due compliance with the functions of these agencies, national security or the rights of third parties, in cases established by law.

##### Article 21

It is prohibited to offer or grant a person filling a public office in another government, directly or indirectly, any object of monetary value or other benefits such as gifts, favors, promises or advantages in exchange for the public officials performing or omitting any act in the exercise of his public functions, related to a transaction of an economic or commercial nature. Penal legislation will typify the crime of transnational subornation. Extradition will proceed in the previously-regulated terms.

##### Article 22

Illicit wealth will be a crime against the Constitution, in other words, the increase in a public official's assets significantly in excess of his legitimate income during his time in office, and which he cannot reasonably justify. ◀

## TECHNOLOGY FOR ACCOUNTABILITY



The resources available on the Internet cannot be underestimated. In the last few years the quantity of information on Latin America has exploded. Academia, business, government and the media are making information more accessible through websites and e-mail. Studies on corruption, economic statistics, books on financial management and schedules of conferences are just a fraction of what can be found. Below are some websites relevant to the Regional Financial Management Improvement Project (RFMIP) and upcoming issues will continue to publish this directory to the Internet under "Technology for Accountability". Readers are welcome to send information on websites discoveries.

### **Financenet**

This site provides a channel of communication among financial management organizations, agencies and departments. Accountants, auditors and financial managers can use this site as a resource for news, software, conferences, current publications and information. The site also offers links to a variety of organizations around the world.

Address: <http://www.financenet.gov>

### **Regional Financial Management Improvement Project**

This is the home-page for Casals & Associates RFMIP project in Latin America and the Caribbean, funded by USAID. The site provides information on the progress of the project, country fact sheets, courses, and past issues of *Accountability* and *Responsabilidad*. Visitors to the site can also leave their name and address to be included on the mailing list for the quarterly newsletter in English, [*Accountability*] or Spanish [*Responsabilidad*].

Address: <http://www.financenet.gov/financenet/inter/rfmip/rfmip.htm>

### **The World Bank**

This site offers specific information on programs, latest news and publications in English and Spanish.

Address: <http://www.worldbank.org>

### **Organization of American States**

This site offers information in English and Spanish on programs pending before this regional political organization and documents of the most recent General Assembly.

Address: <http://www.oas.org>

### **The Inter-American Development Bank**

In English and Spanish this site offers a directory of personnel, news releases, project documents, and information on publications and current projects.

Address: <http://www.iadb.org>

### **Summit of the Americas**

Florida International University's Latin America and Caribbean Center has created this server to distribute news, documents and other information on the Summit of the Americas held in Miami, US in 1994 and the upcoming summit in Santiago, Chile in 1998.

Address: <http://summit.fiu.edu>

### **ISACA: Information Systems Audit and Control Association**

A worldwide member association this website offers a bookstore (mostly English publications, some Spanish and French) on accounting systems, auditing standards, information security policies, technical guides and operational booklets for programs in financial management. The site also provides a world-wide listing of conferences and seminars for financial management professionals. The site also provides links to its members in Latin America.

Address: <http://www.isaca.org/>

### **CFENET: The Association of Certified Fraud Examiners**

Through this site, visitors can access "The Report to the Nation" a detailed study on occupational fraud and abuse. Also available on the web are articles, reports and research information regarding fraud, corruption, and investigation techniques in English. The site also provides a bookstore of its manuals and courses offered in seminars and conferences.

Address: <http://www.cfenet.com>

### **Latin American Government Documents Project**

A project conducted by Cornell University to describe and provide links to other sites containing official documents available on the Internet. It includes statistical, legislative, executive and judicial sources and contains several categories of local government documents in English and Spanish.

Address: <http://lib1.library.cornell.edu/colldev/ladocshome.html>

### **PERU—Universidad de Lima; Facultad de Derecho y Ciencias Políticas Informacion Constitucional**

Provides a unique database of information on the constitution of Peru and includes the full text of many of the constitutions of countries around the world in Spanish.

Address: <http://ulima.edu.pe/ul.doc/deconsti.html>

### **Political Database of the Americas**

A joint project of Georgetown University and the OAS Unit for the Promotion of Democracy, the database provides documentary and statistical political information on Latin America. Additionally, it offers constitutions, comparative studies, electoral laws and addresses of NGOS across the region.

Address: <http://www.georgetown.edu/LatAmerPolitical/home.html>

### **CLACSO—Consejo Latinoamericano de Ciencias Sociales**

The site from the Latin American Council for the Social Sciences that includes over 100 affiliated research centers from the region. The database includes books published by the organizations and research directories in Spanish.

Address: <http://www.webcom.com/clacso>

### **Latin American Network Information Center—LANIC, University of Texas at Austin**

An extensive database on Latin America, it contains country specific information and a broad subject directory including business, maps, development, government and economy. Conference announcements and the addresses for research institutions across the Americas are also mentioned. This site is a primary gateway to other Internet links.

Address: [infor@lanic.utexas.edu](mailto:infor@lanic.utexas.edu)

Address: <http://www.lanic.utexas.edu/la/region/networking> ◀



## Nicaragua: Raising Public Awareness for Financial Management Reform

Integrated Financial Management is not a common topic of conversation in the streets of Nicaragua, or anywhere else for that matter. However, weaknesses of public sector financial management have repercussions on every Nicaraguan—from a shopkeeper to a corporate executive or a farmer. Recognizing the critical need for public sector financial management reform, the Government of Nicaragua initiated a long-term project: the Integrated Financial Management System and Comprehensive Audit System (SIGFA). The Government of Nicaragua, furthering this program with its own resources, received additional assistance from USAID, Inter-American Development Bank and the United Nations Development Program, World Bank, Japan and Sweden. Beginning in 1995 the Ministry of Finance and the Office of the Comptroller General began coordinating a 5-year plan to integrate all aspects of government financial management within a single system. The planned targets of SIGFA are:

1. A new public sector financial management law and regulations
2. A standardized and automated government-wide accounting system operative capable of producing an Annual Consolidated Financial Statement
3. To enhance the internal audit function inside government agencies
4. To facilitate and improve the post-audit capacity in the Office of the Comptroller General
5. To create a strategic budget that will allow improved planning and analysis of annual operations and results
6. To improve cash management, treasury functions, and rationalization of payment
7. To improve procurement and contracting functions along with debt management operations
8. To implement an automated information system for the government financial management system.

Comprehensive governmental reform depends on and deserves the involvement of civil society. This is necessary to create a momentum that can drive a fundamental reorganization of government. Moreover, civic involvement, through an active media, NGO community and citizen interest in public affairs is crucial to maintaining and checking the system, long after the laws are in place. Otherwise without the public's vigilance and a sense of accountability on the part of the politicians, the reforms will not last. But how do you make citizen's aware of such a complex project of government? How do you create a demand for transparency, openness and efficiency in the public sector?

Perhaps the first step is to address that element of public sector financial management that everyone can understand and perceives to influence their lives. Corruption is a symptom of a dysfunctional system of financial management.



Therefore, discouraging public sector corruption is a goal of creating efficient and open systems of financial management. Financial system reformers can talk to the public on an issue that affects everyone; corruption. By tapping the intolerance for corruption, perhaps government can promote change in weak systems of financial management.

In the drive to reform, for the first time in Nicaragua's history, officials in the administration of President Arnoldo Aleman publicly disclosed their financial assets and opened themselves to media scrutiny. The government also established a board of citizens from the private and public sector to advise the administration on anti-corruption policies and the public's response. SIGFA meanwhile has focused on the initial phases of its plan to train public officials in the organization of technology on integrated financial management systems. Simultaneously, the Government of Nicaragua is working to build a public awareness for this major undertaking.

### CONSULTING THE PUBLIC

As part of its public awareness campaign to implement SIGFA, the Government of Nicaragua with financial support from the USAID Mission in Nicaragua sponsored a survey to determine public perception of corruption: its magnitude, impact, causes, and possible solutions. Conducted by Dr. Mitchell Seligson (University of Pittsburgh) the report, "Nicaraguans Talk About Corruption: A Study in Public Opinion," showed that public support for various anti-corruption measures ran between 95.4% to 96.8%.

Conducted between July and August 1996, the results were based on a random sample of 2,400 respondents. The survey did not determine the actual extent of corruption, but measured the public's perception. The survey questionnaire was designed to evaluate (1) the extent to which

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## Nicaragua

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Nicaraguans feel affected by corruption; (2) how they define corruption; (3) the experience they have had with corruption (whether directly or indirectly) and how they perceive its incidence; (4) the impact these experiences have on how honest public officials and other social groups in Nicaragua are perceived to be; (5) to what extent Nicaraguans support measures to fight corruption (and of what type); and (6) their knowledge of the program currently being implemented in the country to improve government financial management.

Findings from the survey were used also to establish certain links between perceptions of corruption and democratic stability, compare citizens' perceptions regarding levels of corruption during various political periods, and analyze the factors influencing perceptions of corruption. The vast majority of Nicaraguans feel that corruption affects them personally and *perceived that it is widespread in their country*, with perceptions regarding its prevalence exceeding direct experiences by a wide margin. Among the respondents 75% believe that corruption affects them and yet 65% indicate *no personal experience or knowledge of an incident*. Perceptions of corruption were nearly identical in urban and rural areas. Partisanship is not a major determinant of perceptions of corruption, with voters of both major political factions in Nicaragua viewing it as equally prevalent.

Nicaraguans appear to favor more aggressive investigations and strong legal sanctions, applaud educational and public awareness efforts, and would like to see greater transparency in the use of public funds. Close to a quarter of the Nicaraguan public is aware of the reform measures to improve government financial management, increase economic efficiency, and help reduce the incidence of corruption. Those who tend to know more about these efforts are the wealthier, better educated Nicaraguans.

At the March 1997 press conference that presented the survey results, Comptroller General Agustín Jarquín Anaya announced that another survey is planned for June 1998 to assess the public's evaluation of the government's plans to curb corruption and reform the financial management system. Equally important, the survey reminds journalists of the public interest in this issue and their intolerance for such acts.

Vice-President Enrique Bolaños noted at the press conference, "It is of utmost importance that the media continue to report on corruption." This encouragement from a public official is relatively new to the Nicaraguan press, still adjusting itself to a more open political environment. It brings up an important issue in reforming government systems—the role of a responsible press. In the reform of systems of governance, the public, the government and the press are the three major players. The press, after all provides the democratic forum for open debate. This ability to influence is as much a right as it is a responsibility. Therefore, as a free press becomes a free *and responsible* press, it will develop an ethic of objectivity that can contribute to ending political polarization.

By conducting this survey on corruption, the Government of Nicaragua took measures towards cultivating public awareness, opening itself to press scrutiny and creating a demand for clean government. In states making a transition to democracy, this is a long-term effort. The overhaul of the public sector financial management system is a difficult task for any government. It involves changing traditions in old bureaucracies, transcending partisanship and a sense of mission that understands that the rewards for such reforms will be long-term. When leadership can be assured of public participation and the vigilance of a responsible press, then government can overcome partisan obstacles and devote its resources to a fundamental reform of the state. ◀



Government Financial Managers from five Central American nations (left to right); Luís Arturo Aguilar Solares (Comptroller General of Guatemala); Rafael Contreras (President of the Court of Accounts of El Salvador); Vera Sofía Rubí Avila (Comptroller

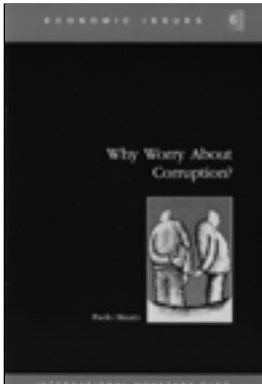
General of Honduras); Omar A. Lynch (Comptroller General of Panama) and Agustín Jarquín Anaya (Comptroller General Nicaragua).

This photo was taken at the *11th Annual Conference on New Developments in Government Financial Management for Government Financial Managers*, held in Miami from April 6-9. The conference provided panel discussions, presentations and opportunities for discussion and exchange among public officials involved in fiscal affairs throughout the hemisphere. Integrated financial management, software packages for development and accountability with project monies were among a few of the items discussed.

The program was sponsored by the International Consortium on Governmental Financial Management, Florida International University, the Association of Government Accountants; USAID, and the World Bank. For information on next year's event, contact the Florida International University School of Accounting in Miami, US at Tel: (305) 348-2861 or e-mail: [estevill@servms.fiu.edu](mailto:estevill@servms.fiu.edu)



## PUBLICATIONS



### *Why Worry About Corruption?* (English)

Published by: The International Monetary Fund

This booklet is Number 6 in a series drawn from IMF working papers. Aimed at a broad readership on a variety of economic issues, the paper focuses on corruption in the public sector, which it defines as illegal activities that reduce the economic efficiency of government. At times philosophical, the book also provides practical information that economists, auditors and accountants can use. It

lists the possible causes and consequences of corruption derived from a review of recent empirical studies that uses statistical analysis of cross-country regressions. It aims to determine the links between corruption; causes and consequences. The paper details public policies that can contribute to corruption, among these: trade restrictions; government subsidies; price controls; multiple exchange rate practices-foreign exchange allocation schemes; relatively low wages in the civil service; natural resource endowments. It provides recent evidence on the extent to which corruption affects investment and economic growth and how it influences governments in spending money. It concludes that corruption discourages investment; limits economic growth and alters the composition of government spending, often at a loss to a nation's future economic growth, which are certainly enough reasons to worry about corruption.

To order this publication contact: International Monetary Fund  
Publication Services, 700 19th Street N.W.  
Washington, DC 20431 USA  
Tel: (202) 623-7430  
Fax: (202) 623-7201

### *Auditing in Brief: Volume One (in Spanish)*

Published by: Comptroller General's Office of Panama; Public Management and Governmental Control

This booklet is targeted at auditors of the Comptroller General's Office of Panama and private auditing firms and advocates uniform standards in auditing. This text focuses on the information requirements for auditors at specific levels of government and in specialized areas. Auditing Briefs is a compilation of four articles:

"Auditing Standards of Panama," written by Arístides Romer, Jr., Comptroller General of Panama.



"It is possible to Integrate the Functions of the External Auditor's Office with the Internal Auditor's Office," written by Omar Lynch, Director of the Office of Governmental Audit-Panama.

"The Role of Evaluation," written by Jean S. Quesnel, Inter-American Development Bank, Director, Office of Evaluation.

"Standards of Government Auditing: The Essence of Quality Auditing," written by Rafael Reyes, Auditing Counselor, Panama.

Included, also, is a section on Panama's Standards of Governmental Auditing.

To order this publication contact: Contraloría General de la República de Panamá, Proyecto de Reforma a La Administración Financiera, Apartado Postal Num 5213, Zona 5, Panamá

### *Governance and the Economy in Africa: Tools for Analysis and Reform of Corruption*

Published by: Center for Institutional Reform and the Informal Sector, University of Maryland at College Park and USAID, Senegal (English)

Don't let the title fool you, this book is very relevant to Latin America and the Caribbean. In fact the authors include one case study from Bolivia. The first chapters take a general analytic approach to corruption, governance and development. It moves on to look at the effect of corruption on the public sector, "sick institutions". Amidst the various intellectual and practical definitions of corruption, the authors offer a bottom-line definition, Robert Klitgaard's (author of several books on corruption including Controlling Corruption, 1988) famous formula to explain corruption:

$$C = M + D - A$$

Corruption equals monopoly of power plus discretion and without accountability. "Corruption occurs when someone has monopoly power over a good or service, has the discretion to decide whether or not you receive it and how much you receive, and lacks accountability".

Even the chapters that look specifically at Africa can offer some comparative wisdom for readers in Latin America and the Caribbean. The authors suggest that five general points explain the causes of public sector corruption and offer case studies on subjects regarding: lack of accountability; interventionist government; the consequences of low salary scales for public officials; and ineffective law enforcement. Finally the bibliography provides a detailed list of conference papers, books and articles that should provide a guide to fundamental reading on corruption and the public sector.

To order this publication contact:  
The IRIS Center, 2105 Morrill Hall  
University of Maryland, College Park, MD 20742 USA  
Tel: (301) 405-3110 Fax: (301) 405-3020 ◀

## Case Study: Modernizing a Comptroller General's Office

In the Information Age, the modernization of a government agency is an overwhelming task that must be carefully planned. A brief look at the Office of the Comptroller General in Puerto Rico can provide a valuable example of how to undertake the modernization of a fiscal agency.

In Puerto Rico, the Comptroller General serves a ten-year term as directed by the Constitution of the Free-Associated State. In her ten years in office CPA and attorney Ileana Colón Carlo has implemented an aggressive modernization program in the Office of the Comptroller. By the end of 1996, the office was responsible for having recovered \$28 million dollars of unlawfully disbursed funds.

In her May 21st presentation at the World Bank, Colón Carlo credited this achievement to the investment in technology and training for personnel. In 1987, at the beginning of her tenure in office, the large majority of employees of the Office operated with typewriters, adding machines, and paper ledgers. By 1997 the office had become the best-equipped and most updated of all government departments, serving as a model and providing training for other governmental agencies in Puerto Rico. A brief look at this particular case can provide a valuable example of how to proceed with the modernization of a fiscal agency such as a comptroller general's office.

One of the first steps in this ongoing process was the installation of a computer network with ten workstations distributed throughout the Office of the Comptroller General. By the end of the first year the number had increased to 33 work stations. By 1993 there were 72 workstations. Wide-spread computer access for all of levels of personnel continues to be a priority in modernizing the Office. Between 1987 to 1989 each team of auditors was given a lap-top computer in order to facilitate investigation and reporting procedures. The portable computers allowed the support staffs to conduct more frequent audits and issue more timely reports. This simple addition drastically cut the delays from transforming in-the-field investigations to office reports. Computers "in-the-field" of an investigation offered a means of writing immediate reports.

By 1992, the Office created a Division of Information Systems to provide support, training and supervise the implementation of systems. Throughout this time, after-hours computer training was offered to government workers to attend on a voluntary basis, to learn the



new programs. The Office of the Comptroller General was amazed at the response. The classes were filled. Voluntarily, public employees were taking classes in their free time for work-training. The commitment to modernize was surprising, instead of

"techno-phobes" they found willing "technophiles."

In addition to new equipment, modernization included the development of innovative ways to archive, track, and use collected data through customized computer programs. The Office created a single integrated database for registering government contracts and contractors. The "Contracts Registry Information System" provides in seconds, the number of government contracts granted to a business or individual during one or various fiscal years. It also classifies all contracts by their type. The registry also keeps a rating-file of the contractors, noting their performance. In addition, to this system, the Office established a "Corrective Action Plan Information System". This system contains data on reports due and submitted by public officials regarding audit report recommendations. The Office of the Comptroller General requires a plan to be submitted within 90 days of the public disclosure of the audit report. The implementation of this computer database alone has saved the Government of Puerto Rico more than \$30 million.

By 1993 the office was on the path to completely automating the auditing process, personnel files, budget administration, report, and a registry of purchases and property. In 1994, the International Organization of Supreme Audit Institutions rated Puerto Rican auditing system, as one of the more technologically advanced in the world, along with the US and Singapore.

Of course such modernization does cost money and the Office of the Comptroller General has had the rare distinction of having its budget increased over 152% in the last nine years. But along with the investment in high-tech equipment, Comptroller General Colón Carlo stresses the overall importance of personnel training. In this successful plan for modernization, procurement of new technology goes hand-in-hand with the professional development of all levels of staff. ◀

## UPCOMING EVENTS

### ► Conferences

**July 24-26**

**National School of Finance and Auditing III Latin American Seminar** (*Spanish*), Santo Domingo, Dominican Republic, Contact: National School of Finance and Auditing, Genaro Soriano, Tel: (809) 535 5121, Fax: (809) 535 3326

**August 13-15, 1997**

**Inter-American Accounting Association Seminar** (*Spanish*), Bello Horizonte, Brazil, Contact: Inter-american Accounting Association, 275 Fontainebleau Blvd., Suite 245, Miami, FL 33172, Phone: 305-225-1991 Fax: 305-225-2011

**September 7-11, 1997**

**8th International Anti-Corruption Conference (IACC): "The State and Civil Society in the Fight Against Corruption,"** (*Spanish*), Lima, Peru, Contact: Fax: 51-1-452 0485 or Transparency International, Phone: 49-30-787 5908 Fax: 49-30-787 5707, e-mail: ti@transparency.de

**September 8-11, 1997**

**Inter-American Conference The Change in the Accounting Profession for the XXI Century: "A Challenge,"** (*Spanish*), Lima, Peru, Contact: Interamerican Accounting Association, 275 Fontainebleau Blvd., Suite 245, Miami, FL 33172, Phone: 305-225-1991 Fax: 305-225-2011

**September 10-12, 1997**

**10th Annual Conference of the European Business Ethics Network (EBEN)** (*English and other languages*), Prague, Czech Republic, Contact: EBEN 1997 c/o Maria Bohata, CERGE-EI, PO Box 882, Politických veznu 7, 111 21 Praha 1 Czech Republic

**September 14-20**

**The Cambridge Fifteenth International Symposium on Economic Crime: "The Globalization of Crime; The Economic and Electronic Dimension"** (*English*), Cambridge, UK, Contact: Ruth Easthope Symposium Convenor, Tel: 01223 339 426, Fax: 01223 324 910 OR, Anita Bishop, Insitute of Advanced Legal Studies, Chales Clore House, Tel: 0171 637 1731, Fax: 0171 580 9613, e-mail: brider@sas.ac.uk

**September 22-28**

**INTOSAI (International Organization of Supreme Audit Institutions), Conference on Internal Control** (*English and other languages*), Budapest, Hungary, Contact: Dr. Peter Gantner, Phone: 36-7-118 8641 Fax: 36-1-138 4398

**October 15-18, 1997**

**The Latin American Center of Administration for Development (CLAD)—II Inter-American Congress on State and Public Administration Reform** (*Spanish*), Isla Margarita, Venezuela, Contact: Calle Herrera Toro, Qta. CLAD, Sector Los Naranjos, Las Mercedes, Apdo. Postal 4181, Caracas 1010-A Venezuela, Phone: 582-92 4064, 92 5953, 92 3297, 993-0623 Fax: 582-91 8427, Internet: clad@clad.org.ve

To send us information on any upcoming events that relate to financial management and/or anti-corruption, please send correspondence to (fax): 703-920-5750 or e-mail address: ttracy@casals.com

## RESPONDACON IV

### INTER-AMERICAN CONFERENCE ON PROBLEMS OF FRAUD AND CORRUPTION IN GOVERNMENT

**RESPONDACON IV**, the Fourth Inter-American Conference on the Problems of Fraud and Corruption in Government is sponsored by organizations committed to the fight against corruption from countries across the Americas. With funding from the U.S. Agency for International Development (USAID), this conference will be broadcast to capital cities throughout Latin America and the Caribbean on September 12, 1997.

**RESPONDACON IV** will be transmitted live via satellite from television studios in Lima, Peru to reach participants at viewing sites throughout the region. Concerned citi-

zens, NGOs and interested private and public sector officials from around the hemisphere will have the opportunity to interact with panelists at specially equipped viewing sites.

Building on the success of RESPONDACON I (1989), RESPONDACON II (1992) and RESPONDACON III (1996) this conference aims to provide an open exchange on common concerns and problems facing the countries of the hemisphere. The conference aims to inform and share information regarding corruption, accountability, and transparency in government.

The goal of the conference is to encourage governments, civil society, the private sector and citizens throughout the hemisphere to mobilize in support of efforts that combat corruption.

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**Accountability** invites readers to communicate their views and perspectives regarding this publication and the Regional Financial Management Improvement Project in general. Letters or articles submitted for publication are also welcome. However, these materials cannot be returned. Correspondence should be addressed to:

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