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[Global corruption report 2001] Central america, the caribbean and mexico

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Central America, the Caribbean and Mexico

Bahamas, Belize, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Trinidad and Tobago, and other Caribbean island states

By Miren Gutiérrez

Introduction

After years of political and economic disruption, the region including Central America, the Caribbean and Mexico is engaged in efforts to consolidate its democratic transition. Public sector reforms are common in almost every country. Governments are inviting, or at least accepting, civil society participation in transparency and accountability initiatives. The region seems to be finally coming to grips with the fact that its long history of corruption hinders development.

After the notorious *piñatas*¹ of the 1980s and 1990s that accompanied the sale of public property, said Salvadoran analyst Alberto Arene, ‘new winds of change are blowing in Central America with new privatisation and free market laws, a fresh criticism of lack of efficiency and independence, ... new projects by international organisations geared to strengthen and modernise [these countries], and some media prepared to investigate and inform about impunity’.²

A host of international, regional, national and sub-national actors are participating in the campaign against malfeasance in governance. But the panorama in the region is mixed. Overall, practical institutional and normative development is positive, but the results are modest.

Mexico is currently the region’s shining star. President Vicente Fox, the first opposition leader to be elected in more than seven decades, called for a break from corruption as ‘the favoured instrument of control’. In Central America, 2000–01 brought further natural disasters and, with them, challenges to the fight against corruption. Several financial centres in the region, particularly in the Caribbean, came under concerted international pressure to clean up their lax approach to money laundering, often linked to the narcotics trade.

Weak regard for the rule of law, unfair judicial systems, the lack of independent control institutions, poor access to information, and the politicisation of media ownership remain widespread. Civil society groups are making notable efforts to monitor public affairs, but there is concern at the impact corruption has

on citizens' faith in the power of democracy.³ Indeed, one major obstacle is that societies in the region tend to view corruption – almost fatalistically – as an intrinsic part of their lives.

News review

The most welcome news for the region was the election in July 2000 of former Coca Cola executive Vicente Fox, who defeated one of the oldest political organisations in the hemisphere, the Institutional Revolutionary Party, through pledges to modernise and revolutionise the way that Mexico operates. In view of the country's prominent role in the region, the Fox administration will have an impact far beyond its borders if it lives up to voters' expectations.

In February 2001, two months into the new administration, the government signed a National Pact on Transparency and Fighting Corruption, and the Secretariat of Audit and Administrative Development (SECODAM), the agency charged with fighting corruption, created a unit with special responsibility for involving civil society in its work. Similar watchdog units are being created to ensure transparency in federal agencies and monitor government spending. In a bid to tackle pervasive petty corruption, the government launched an operation to purge corrupt officers from the Customs Agency. In February 2001, Director José Guzman fired 45 of the agency's 47 supervisors around the country in what signalled the beginning of a top-to-bottom overhaul.⁴

El Salvador introduced an ethics code for civil servants in December 2000, through an agreement with USAID. 'El Salvador is including anti-corruption measures in its process of modernising the state,' said Gregorio Ernesto Zelayandia, Director of the Instituto Salvadoreño para la Democracia (Salvadoran Institute for Democracy), 'but there is still a lack of political will, especially in the administration of institutions such as the Comptroller's Office.'⁵

El Salvador's Attorney General Belisario Artiga was the driving force behind an attempted clean up of his office. He investigated public prosecutors under a special permit granted by Congress and discovered cases that ranged from simple incompetence to abuse and bribery. 'We have to determine which are unacceptable and which are tolerable,' he said, in order to 'purge' the institution.⁶ As a result of Artiga's initiative, 60 of a total of 550 public prosecutors were indicted, 60 judges were investigated and a further 50 officials were dismissed from their posts. But Artiga had mixed results beyond the confines of his own office. Though he prosecuted several cases through the courts, he failed in 2000–01 to secure a single conviction. 'He created a lot of expectations,' said Luis González, a sociologist from the University of Central America, 'but has not lived up to them.'⁷

El Salvador's Finance Secretary Miguel Lacayo, was accused of granting zero import tariffs to sectors containing his own companies.⁸ He was subsequently charged with tax evasion, conflict of interest and lack of ethics. Lacayo was to appear before the Economic Commission of the Legislative Assembly in January 2001 to explain how his companies had profited from his position. But the earthquakes that shook El Salvador in early 2001 led to his hearing being postponed and, to the dismay of the public, he was entirely exonerated. 'He was neither prosecuted nor investigated,' said Jaime López of *Probidad* magazine. 'The only thing that happened was that he was asked to testify before legislators about the irregularities reported in the press.'⁹

In Honduras, cases of corruption were endemic throughout the police and military during the year. High-ranking military officers are being investigated on a number of charges related to misappropriation of state resources.¹⁰ Meanwhile Minister of Security Gautama Fonseca began to tackle the Preventative Police Force. Over a hundred agents and officers were dismissed under a decree issued by Congress for negligence, illegal enrichment and theft. All told, the government has fired more than 3,000 officers for alleged corruption since 1999.¹¹

Guatemala is usually considered one of the most opaque countries in Central America, and reports of misuse of public funds and human rights violations are common. But activist organisations and opposition parties applauded the decision in March 2001 to strip former general Efraín Ríos Montt, a leader in the ruling party, of his parliamentary immunity, along with 23 of his colleagues. Ríos Montt was charged with tampering with the text of a law after it passed in Congress in 2000.¹² But his loss of immunity was welcomed less for alleged law-tampering, and more because allegations implicate Ríos Montt in human rights violations during Guatemala's 36-year civil war. The decision to lift his immunity could have led to Ríos Montt's prosecution, but a judge exonerated him in April 2001 and his immunity was restored.

The situation in Nicaragua also continued to be bleak. President Arnoldo Aleman faced a major crisis in confidence when chief tax collector Byron Jérez was accused of issuing US \$500,000 worth of undocumented tax credits and illicitly using funds. The allegations, by Comptroller General Agustín Jarquín, were made public days before a donor meeting to discuss a US \$6.6 billion aid and debt relief package. In July 2000, the Comptroller General himself resigned, claiming he was the victim of a plot to discredit him – a plot that began with his arrest on alleged fraud charges in November 1999. In January 2000, Comptroller General Jarquín accused State Treasurer Esteban Duquestrada and two former high-ranking civil servants of corruption. He also sanctioned the president of the country's telecommunications monopoly for contractual irregularities involving a

The plague of corruption: overcoming impunity and injustice

Corruption is a serious problem that affects all countries. Today, rather than decreasing, it seems to be increasing, especially in countries where the power of the military still prevails, as in Guatemala.

I maintain that the main source of corruption is the abusive exercise of power, be it economic, political or military. In countries such as mine, gaining office (whether by popular election or by appointment) is akin to political plunder: the position offers a blank cheque, and the guarantee of great personal enrichment. This is a rule tacitly accepted by all those who call themselves 'politicians'.

The history of corruption in Guatemala shows how the use of political and military power enabled the accumulation of huge fortunes under the protective wing of the state. And what has happened in Guatemala is repeated throughout the whole world. Endemic corruption is a complex system that pervades nearly all state institutions. Powerful groups, with strong political and economic interests, actively nurture it. Recently, there was a clear instance of the way such groups are able to make laws work in their favour. Despite all the evidence brought to light, and enormous efforts to achieve justice, the principal political actor, the President of Congress, General Efraín Ríos Montt, was declared innocent.

Corruption contributes to the weakening of the justice system. When acts of corruption that involve high-ranking officials of the government or the state are denounced, the institutions charged with prosecuting them either do not investigate or make an acquittal.

There is another factor that contributes to the growth of corruption: the weakness of

institutions that exercise control over public administration. In Guatemala the office of the Comptroller General has demonstrated that it is deficient and ineffective in the face of the power of the corrupt. Further, civil society is not equipped to fight corruption and curtail the activities of public officials on its own, even in cases of clear and flagrant corruption.

Without strong watchdog institutions, impunity becomes the very foundation upon which systems of corruption are built. And if impunity is not demolished, all efforts to bring an end to corruption are in vain. Nothing is more encouraging to those who corrupt than to see themselves reflected in the same mirror of impunity that has been utilised by thousands of public officials, military commanders, businessmen and politicians all over the world.

Finally, and I intentionally make this my last remark, I am convinced that the absence of ethics is at the core of the corruption phenomenon. And although one can discuss what is understood by ethics, ethics must constitute more than a code – it must be a way of acting, behaving and doing. The features that define or should define ethics, as far as public administration is concerned, are responsibility, honesty and a good conscience in the use of state resources to serve the collective public interest.

There are two major priorities for all citizens and institutions committed to building the rule of law: promoting an effective democracy and enabling citizen participation in the control of public officials; and supporting stronger control mechanisms and an empowered judiciary. These are the measures with which impunity – the cancer that constitutes the basis and the sustenance of corruption – can be overcome.

Rigoberta Menchú Tum
Nobel Peace Prize Laureate and
UNESCO Goodwill Ambassador

company with connections to President Alemán's son.¹³ In a separate case, Dutch assistance to Chinandega municipality was suspended in early 2001 after a case of misuse of public funds was reported.¹⁴

Costa Rica continued to live up to its reputation as one of the bright spots in an otherwise murky region, but corruption may well be on the rise by some accounts.¹⁵ In January 2001, the Supreme Court imposed large fines on journalist Mauricio Herrera Ulloa and the daily *La Nación* for articles they published about a diplomat's financial dealings in Europe, based on stories in the German and Belgian press.¹⁶ However, the World Press Freedom Committee reported that President Miguel Angel Rodríguez is now committed to reforming Costa Rica's colonial-era defamation law.¹⁷

Panama is indicative of both the progress and the problems in fighting corruption in the region. The government is introducing measures and new institutions to foster transparency, including an anti-corruption office opened in early 2000. While the office has limited powers and narrow goals, the Office of Social Security seems to be committed to creating an island of public service integrity. The social security director started by making the purchase of medical drugs more transparent.

But Panama and some of the Caribbean island states protested in June 2000 at their inclusion on the Financial Action Task Force's (FATF) 'blacklist' of countries that were failing to cooperate in the fight against money laundering. Although Panama came off the list in June 2001, the domestic anti-corruption authorities have not prosecuted – much less jailed – a single person for laundering illicit money.¹⁸

In early 2001, the Dominican Republic's anti-corruption department, which reports to the Office of the Comptroller, announced that it would investigate past activities of the Ministry of Public Works after allegations of major fraud and misuse of public funds in the construction of several large-scale projects. The investigation is expected to include other state institutions, including the department responsible for state property.¹⁹

The former government of Leonel Fernández is accused of diverting around US \$90 million in funds earmarked for the employment generation scheme, Programa de Empleo Mínimo Eventual. The money may have been used to stave off civil unrest by making payments to citizens' leaders.²⁰ Fernández denied corruption but publicly acknowledged that he 'preferred paying to punching', according to Adriana del Conte, journalist at the *Listín Diario*.²¹ Two civil servants are currently in prison and Fernández had to testify personally in court. However, according to another observer, 'the case is already falling into the thick soup of political influence and back-scratching practices'.²²

In Haiti, Jean Léopold Dominique, the owner of independent Radio Haiti Inter and a prominent civil rights activist, was murdered in June 2000. This ‘had a trickle-down effect on the media’, according to Deborah Kirk of the International Centre for Journalists. ‘Haiti is probably the most dangerous country in the region for journalists. People don’t want to speak out. There is an atmosphere of corruption.’²³

Limits to official anti-corruption measures

Many governments in the region have launched well-publicised anti-corruption programmes, though some are piecemeal. In Mexico, government efforts offer the possibility of real change in a society that has been mired in corruption for generations. In other countries, such as Panama and Honduras, the powers of the offices charged with investigating corruption are circumscribed by political or legal constraints. Where no national plans exist, it is left to civil society, the press and the international community to expose corruption and push for new strategies to be adopted.

Mexico launched the region’s most comprehensive anti-corruption plan in 2001. On taking office, President Fox took an ethics pledge and disclosed his personal assets – an unprecedented gesture in Mexico. Other first-time developments were plans for the revenue administration service to audit political parties, and for the Universidad Nacional Autónoma de México to provide a budget accountability report to Congress. There are dissenting voices that argue that Fox has taken on too much too quickly, but the developments generally represent a welcome prioritisation of the fight against corruption.

However, the anti-corruption effort pre-dated Fox’s arrival. The Senate approved the OECD Anti-Bribery Convention in April 1999. According to one corruption watcher, former president Ernesto Zedillo also had important achievements to his credit, particularly using technology to improve transparency.²⁴

Other governments are trailing behind the Mexican example. José Vega, a lawyer specialising in property rights and commercial law, pointed out that Costa Rica, Guatemala and Panama all passed laws that prevent the smuggling of goods and that make it easier for companies to recover their merchandise quickly, or to instigate legal action against smugglers. But Vega complained about the lack of enthusiasm from public officials for enforcing these measures.²⁵

An anti-corruption office was created in Panama in 2000, but there were serious limitations to its remit. The head of the office had to report to the Finance Minister, one of the public servants he was employed to monitor, while his office was totally under-resourced and lacked full autonomy. It remained rudderless for

Corruption and change in Mexico

'Change' was the mantra that brought down a 71-year-old one-party system in Mexico at the end of last year, a system that was visibly corrupt and lacking in accountability. And widespread change is expected from the new Vicente Fox administration that took office in December 2000. But the new anti-corruption 'tsar' Francisco Barrio said uprooting corruption in Mexico could take 30 years.

'Emphasis will be given to making things work better from here onwards,' he said. 'What we are interested in is lowering the level of corruption rather than getting people [from past administrations] into jail.'¹

The Fox government's interest is in building the legal and institutional architecture needed to curtail future corruption. On 30 January 2001, the administration established the Comisión Intersecretarial para la Transparencia y el Combate a la Corrupción (Commission for Transparency and Combating Corruption). Headed by Barrio, the task-force includes representatives of the Ministry of the Interior, the army, the Attorney General's office and the National Security Agency. It has three specific areas of focus: prisons, the police force and customs. Other objectives are the prevention and punishment of corrupt practices and the promotion of citizens' participation in anti-corruption efforts.

Barrio's office has been most active in dismantling corrupt mechanisms in the customs service. He has also announced a proposal, due to be sent to Congress by September 2001, to overhaul the civil service, toughen punishments for corrupt public officers, and introduce greater government transparency. Though the details of the latter have yet to be elaborated, any legislation is likely to fall short of a genuine freedom of information act.

As part of the Commission's work, President Fox launched a marketing campaign inviting citizens to join the fight against corruption – though he has not persuaded all the members of his cabinet to come clean about

their own personal finances. While Fox himself pushes for more transparency, others in government are more ambivalent.

The new administration's performance remains uneven in one crucial realm – the convergence of organised crime and public officialdom. Mexico's police and armed services are known to be contaminated by multi-million dollar bribes from the transnational narco-trafficking business.² Though the problem is not as pervasive in the military as it is in the police, it is widely considered to have attained the status of a national security threat. The Fox administration's preliminary decision was to strengthen the military presence in the office of the Attorney General. The results have been mixed. While one army general, allegedly protecting a drug ring, has been detained with his deputy, several important drug dealers have escaped prison.

Whatever the administration's limits, it has ushered in an era in which change seems possible after generations of one-party rule. Interestingly, however, it was legislators, not the executive, who laid the foundations of the anti-corruption drive in Mexico. Under the previous administration, Congress established the Entidad de Fiscalización Superior de la Federación (EFSF), or General Accounting Office, which was granted far-reaching powers to supervise the budgets and expenses of each of the three branches of government. The EFSF now conducts 'efficiency supervisions' to assess whether the funds disbursed by public officials have been spent on the best possible goods and services available. Previously, pay-offs were frequent and big business took turns to exploit large government contracts. The EFSF goes some way toward correcting these practices.

Remaining hurdles

The World Economic Forum and Harvard University *Global Competitiveness Report* stated in September 2000 that organised crime, police inefficiency, paybacks to judges or other civil servants, and a general lack of transparency were clear disincentives to

investing in Mexico.³ Mexico's private sector also remains under-scrutinised when it comes to corruption, a problem that still needs to be addressed.

Another area of resistance to accountability is Mexico's political parties. 'Corruption in political parties could attack the fragile legitimacy of the democratic institutions,' warns Alonso Lujambio of the Instituto Federal Electoral (IFE), which supervises parties. The public money allocated to the electoral process is rarely accounted for. In half of the country's 32 states, legislation prevents the IFE from supervising party expenses in local and municipal elections, opening up vast potential for political corruption. The IFE is seeking to eliminate the secrecy provision that obscures party bank accounts, and to persuade the Ministry of Finance to supervise expenditure during elections. At present, procurement expenses related to elections can be scrutinised only five months after polling day.

Meanwhile, decentralisation of the budget has inadvertently opened a door to diminished transparency as the allocation of state expenditure becomes more discretionary. The lack of appropriate mechanisms to ensure local government accountability is a growing problem. Fundar, a multidisciplinary NGO, proved in late 2000 that federal funds granted to local poverty reduction programmes in the states of

Nuevo León and Yucatán in 1999 were not supervised. The supposed beneficiaries were unaware both of the funds' existence and the fact they were entitled to participate in determining how they should be spent.⁴ Federalism complicates the fight against corruption. The official supervisory body, the Consejo Federal de la Judicatura (the Federal Judicial Council), for example, is incapable of real supervision since it is prohibited from requesting additional information on legal rulings at the state level.

At stake in the fight against corruption in Mexico is nothing less than the country's economic and political future, for there is a real danger that the public will get frustrated, either with unfulfilled promises, or with democracy itself.

**Rossana Fuentes Berain and
Jorge Carrasco Araizaga**

1 *El Universal* (Mexico), February 2001.

2 Jorge Fernández Meléndez, *Narcotráfico y Poder* (Mexico: Rayuela Editores, 1999). Also John Bailey and Roy Godson, *Crimen Organizado y Gobernabilidad Democrática* (Mexico: Grijalbo, 2000).

3 Harvard University and World Economic Forum, *Global Competitiveness Report 2000* (New York: Oxford University Press, September 2000).

4 Fundar y Alianza Cívica, 'Análisis de Presupuestos Públicos y Generación de Propuestas Ciudadanas,' 2000.

months, prosecuting not a single official. In March 2001, prominent lawyer César Guevara was appointed anti-corruption 'tsar' and took over the reins of the anti-corruption fight in Panama. Meanwhile, efforts by TI-Panama and other activists to persuade President Mireya Moscoso to pass a new freedom of information act were unsuccessful.

Government efforts to stamp out corruption come to nothing in some countries. In Nicaragua last year, accountability and anti-corruption efforts collapsed. No serious attention was paid to allegations of corruption against revenue director Byron Jeréz although President Alemán admitted that Jeréz had misappropriated 6 million córdobas (US \$500,000).²⁶ Possibly more damaging for institutional capacity was the dismantling of the Comptroller's Office and its division into a five-headed political organisation after Comptroller General Jarquín left office.²⁷

A committee that includes four politicians from the two most powerful parties now runs the agency. Nicaragua has a progressive anti-corruption plan, but the government failed at every juncture to put it into action.

The Dominican Republic government established a Department for the Prevention of Corruption as long ago as July 1997 and has since set up auditing committees for individual government offices. Despite these institutional improvements, Javier Cabreja, who is Executive Director at the NGO Participación Ciudadana, said: 'Where we have advanced less is in the passing of a comprehensive law that would allow us to fight against corruption.'²⁸ Other anti-corruption measures are still in the pipeline: the creation of an anti-corruption investigation office; new rules for public bidding; legal requirements for officials to declare their assets before taking office; and the improvement of access to information. But activists such as Cabreja argue that the lack of an all-embracing anti-corruption law fundamentally weakens these institutions' powers to investigate freely and prosecute official wrongdoers.

Another problem occurs when officials turn a blind eye to a narcotics trade that looms large in the region. 'Central America has become the meat in the sandwich' – as a trans-shipment point, storehouse and money laundering centre – in the drug traffic from Colombia to the US, said Costa Rican parliamentarian Belisario Solano.²⁹ The Costa Rican Defence Ministry estimates that between 50 and 70 tonnes of cocaine travel through Costa Rica to the US every year.

While there is evidence that governments are moving forward on some issues, there is ample room for stronger measures, including the implementation of existing legislation, the creation and/or implementation of national plans, and the establishment of specific anti-corruption institutions.

One promising common feature of recent anti-corruption efforts in Costa Rica, Honduras and Nicaragua was the invitation to civil society groups to participate, usually by means of a civic commission. Composed of professionals and civil society representatives, these commissions can play a watchdog role by monitoring government activities. Though semi-statal and funded by the government, Probidad Administrativa in Honduras conducts investigations into illicit enrichment by public officials. Other methods of facilitating a citizen's right to denounce corruption are currently being explored.

International efforts: raising the bar?

Globalisation – in this case, the globalisation of information and the exposure it affords – has shown how local patterns are out of tune with the higher standards promoted internationally. The region is now in the process of making its

practices conform to those advocated by international donors and financial institutions. In certain cases, reforms in reaction to international input have come quickly and with significant effect.

In June 1999, the OAS launched a project, co-sponsored by the IDB, designed to help strengthen anti-corruption laws in 12 Latin American nations. Technical support was provided to institutions in each participating country with the aim of helping them to implement the Inter-American Convention Against Corruption.³⁰ The most recent to ratify the OAS Convention was Guatemala. In Central America, the OAS project focused on broad, society-wide reforms.

Both the OAS and the IDB opened their doors to civil society participation. The positive impact of these changes was evident during preparations for the Third Summit of the Americas, held in Quebec City, Canada, in April 2001. In response to the OAS invitation for input, broad consultations were held involving close to 900 civil society organisations, including delegates from Barbados, Belize, the Dominican Republic, Grenada, Guatemala, Honduras, Jamaica, Mexico, and Trinidad and Tobago.³¹

The heads of state and government from Latin America and the Caribbean who met in Quebec agreed that ‘corruption undermines core democratic values’ and pledged ‘to reinvigorate our fight against corruption’.³² Delegates also supported the establishment of a follow-up mechanism to the Convention. The need for specific monitoring and evaluation was forcefully argued in the proposal made by civil society groups.

In 2000–01, international efforts to clamp down on tax havens forced several Caribbean nations to change their banking secrecy laws and close down fly-by-night financial institutions. The OECD’s tax haven list, followed by the FATF ‘blacklist’, named countries suspected of making life easier for money launderers, prompting several to take swift action to tighten up banking legislation and supervisory regulations. Others protested vociferously, but took little action to stop the laundering wheels grinding. The Bahamas, Cayman Islands and Panama were taken off the list in 2001, while Dominica, St Kitts and Nevis, and St Vincent and the Grenadines still need to bring their standards into conformity with international criteria.³³

The US Treasury and other institutions took note of the impact of the lists, issuing financial advisories against several islands. ‘The change has been amazing,’ said David Marchant, editor of the financial bulletin *Offshore Alert*. ‘As soon as the so-called hit list came out, islands which generally move at less than one

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mile an hour fast-forwarded to 500 miles an hour with respect to passing laws to appease the international community.³⁴ Within hours of the US Treasury issuing a financial advisory against St Vincent, the island closed down about half a dozen banks, he said.

Unfortunately, international pressure did little to improve anti-corruption efforts in Haiti, the hemisphere's poorest country. There are allegations that aid was diverted to corrupt ends in the September 2000 elections and that impropriety during the elections showed the limits of international influence.³⁵ According to Aryeh Neier, President of the NGO Open Society Institute: 'Most international donors are wary of Haiti, in part because of corruption.'³⁶

Punished by one earthquake after another, El Salvador is a special case – high levels of international aid put the government's integrity to the test. 'The majority of Salvadorans are worried at the apparent lack of adequate strategies for bringing humanitarian assistance to the people, and the excessive red tape involved in the reconstruction process and distribution of water and food,' said a report by *Probidad*.³⁷

OAS, IDB, OECD and FATF initiatives appear overall to have had a positive impact on the anti-corruption effort in the region, while donor involvement in Haiti and El Salvador proved more problematic. The journalists' organisation Periodistas Frente a la Corrupción (Journalists Confront Corruption) argued that international anti-corruption measures tended to fail in El Salvador, as elsewhere in the region, when they were instances of global prescriptions being imposed without consideration of specific local problems.³⁸ Ultimately, international efforts to fight corruption are necessary, but not sufficient. Throughout the region, however, a slow standardisation of norms against corruption is evolving. International actors must continue to be engaged and to find constructive points of entry into local initiatives.

Civil society's 'anti-corruption eruption'

Civil society played a vital role in the fight against corruption in Central America, the Caribbean and Mexico. Jim Wesberry, Director of the Americas' Accountability/Anti-Corruption (AAA) Project, said 'the corruption eruption, and the anti-corruption eruption' are both common trends sweeping the region. The former refers to the coming to light of a number of grave cases of corrupt practices; the latter is 'the spontaneous reaction of revulsion, rejection and repudiation of the fruits of corruption'.³⁹

In the Dominican Republic, Honduras, Mexico and Nicaragua, civil society has exerted increasing pressure for the introduction of anti-corruption legislation.

The Mexican anti-corruption agency SECODAM relies on TI-Mexico to foster Transparency International's 'Integrity Pact' approach in the procurement process of several agencies. Also in Mexico, Alianza Civica leads a group of civil society organisations that signed an accord with the Secretariat to serve as watchdog and ensure full transparency in all the agency's activities. The NGO Fundar concentrates its efforts on public scrutiny of the nation's budget by determining, for example, how much of the money put aside for the fight against poverty is actually spent on poverty alleviation projects.

Manfredo Marroquín of the TI chapter in formation in Guatemala observes that four NGOs that promote democracy have begun working together to exert greater leverage over the government.⁴⁰ Supported by USAID, these NGOs have rather different agendas, but aim to produce a national strategy on how to achieve greater transparency. Their proposals for action also vary, but include a joint study of legal changes needed to improve the transparency of state bodies and to prevent corrupt practices.⁴¹

The role of USAID in promoting civil society cooperation in Guatemala is not unique. Experience in the region indicates that fighting corruption works most efficiently when several civil actors come together. Public awareness campaigns organised by civil society are bringing citizens' attention to the corrosive impact of government corruption, particularly in the delivery of services.

Focus on the press

The news media is a crucial part of civil society. Journalists help expose corruption where governments fail to, and their ability to write and publish freely and to access information is a strong indicator of transparency. In El Salvador, for instance, efforts are underway to secure greater media openness.

But the independence and activism of journalists is not strong everywhere in the region, due partly to a history of dictatorial government. When weak reporting is combined with monopoly media ownership, the results are devastating for transparency. 'A major unrecognised problem in Latin America is corruption in the journalism field, not only involving the working press but also ownership of the media,' said Jim Wesberry of AAA.⁴²

In Costa Rica, Grupo La Nación owns *La Nación* and *Al Día*, which together monopolise 80 per cent of the local media market. In Honduras, magnates with close links to power or politicians themselves own the media: the powerful Canahuati family owns *La Prensa* and *El Heraldo*, *La Tribuna* belongs to President Carlos Flores, while businessman and former presidential candidate Jaime Rosenthal owns *Diario Tiempo*. Deborah Kirk of the International Centre for Journalists, who spent several months training journalists across the region,



Bonil, Ecuador

found it 'absolutely shocking' that all four main newspapers in Honduras are linked to presidential candidates or have political ties.⁴³

In the Dominican Republic, four of the six biggest newspapers belong to banks, and another financial institution is setting up a new paper. In addition: 'Five newspapers have their capital mingled, which is a very dangerous concentration for press freedom,' wrote *Estrategia & Negocios*. 'It is a risk for democracy, not only politically, but also in terms of a free market. In a country that lacks working institutions and where public influence is bought and sold, concentration within the media is highly counterproductive.'⁴⁴

Judging by recent events at *La Prensa*, Panama's only fully independent newspaper, experts are right when they forecast rocky days ahead for local press freedom. Ricardo Alberto Arias, a former foreign affairs secretary in the administration of ex-president Ernesto Pérez Balladares, who has made clear his inten-

tion of running for president, took over as a chairman of *La Prensa*'s board of directors in March 2001. Gustavo Gorriti, associate director of the paper and a highly respected investigative journalist known for his work exposing corruption during Pérez Balladares' term, was squeezed out of *La Prensa* shortly before the take-over.⁴⁵

Just as discouraging was the news that when the government began a serious discussion about abolishing the country's 'gag laws', the Panama Journalists Union publicly supported their retention. These laws allow civil servants to imprison journalists without trial if they feel they have been 'disrespected': 70 journalists currently face criminal defamation charges under 'crimes against honour' laws.⁴⁶

On a more positive note, El Salvador's Periodistas Frente a la Corrupción (PFC) and *Probidad* magazine are good examples of how reporters and anti-corruption activists can cooperate in exposing corruption. PFC was set up as a non-profit organisation in 2000, funded by the Centre for International Private Enterprise. Through its website, it facilitates more and better investigation and corruption reporting.⁴⁷

Although the region's news media operates under difficult circumstances, its role in promoting transparency should not be underestimated. Journalists have contributed to the campaign against corruption in two distinct ways: by uncovering cases of corruption and abuses of power; and by forming organisations to lobby for transparency more effectively.

But newspapers and the media in general are not always objective observers due to the massive concentration of ownership. To safeguard the role of the media as an advocate for transparency, independence must be guaranteed.

Journalists have contributed to the campaign against corruption in two distinct ways: by uncovering cases of corruption and abuses of power; and by forming organisations to lobby for transparency.

Conclusion

Efforts to tackle corruption have strengthened across the region. National anti-corruption initiatives are now common, either as overarching plans or as piecemeal offerings, sometimes installed at the behest of international donors. In the era of globalisation, policy-makers acknowledge that corruption adds costs to doing business in the region and is a disincentive to investors and aid donors. The normative change that such a realisation entails is significant.

In Mexico, in particular, a real opportunity to improve transparency now exists. However, official anti-corruption efforts in other countries still remain low

priority. The Dominican Republic seems inclined to meet civil society demands for reform half way, but Haiti's ongoing instability does not fare well for any serious initiative. Transparency initiatives in the English-speaking Caribbean are modest, primarily geared toward countering the threat of international sanctions for assisting in money laundering. On this front, however, there was progress in 2000–01.

International initiatives to promote an anti-corruption agenda have been instrumental in spurring change. In a region beset by regular humanitarian emergencies, donors are increasingly linking the delivery of post-disaster reconstruction and relief to concrete measures by governments to introduce transparency in the way funds and relief supplies are disbursed.

And, across the region, civil society is reacting as never before. People speak with increasing freedom about corruption cases and dishonest officials. They have also formed myriad organisations dedicated to pushing for greater transparency. The press, where it enjoys editorial independence, increasingly finds that rooting out corruption not only improves society, but also sells newspapers. It is now time for the business community to take a more active role.

In a paper released in May 1999, Ian Bannon of the World Bank concluded that most of the liberalisation reforms that the World Bank had proposed for the region's economies were complete or substantially advanced. 'Efforts to combat corruption therefore must necessarily focus on building stronger institutions to improve governance and increase transparency, and ensure the competitive functioning of markets.'⁴⁸ Programmes to reform and modernise institutions and procedures result in a reduction of bureaucracy and red tape, increasing transparency and decreasing opportunities for bribes and other corrupt practices. But without far-reaching changes in watchdog offices such as the attorney general and the comptroller, anyone seeking to take the fight against corruption to another level faces a Sisyphean task.

Despite the changes, bribery remains widespread across the region. Public administration is bureaucratic and inefficient, stimulating 'back-door' tactics. Access to political power continues to ensure access to economic privilege. But anti-corruption offices have sprung forth across the region, and are being pressured by activists to do more to fulfil their mandates, however limited. The progress of the past year is just a beginning.

- 1 A *piñata* is a common child's party toy in Latin America – usually an animal shape made of papier-maché and filled with sweets that children try to break open with a stick, while blindfolded. When it breaks, the treats fly out for all to grab.
- 2 Alberto Arene, 'Derrotemos la Corrupción en Centroamérica,' extracts from the Central America Anti-Corruption Forum, 6–7 April 2000.

- 3 *Washington Post* (US), 13 March 2000.
- 4 *San Jose Mercury News* (US), 2 February 2001.
- 5 Interview with author.
- 6 Interview with author.
- 7 Interview with author.
- 8 *La Prensa Gráfica* (El Salvador) and its investigative magazine *Enfoques* (El Salvador) published a series of articles on Lacayo's actions, 17–23 December 2000.
- 9 Interview with author.
- 10 *Sun Sentinel* (US), 19 February 2001.
- 11 *Miami Herald* (US), 26 March 2001.
- 12 *El País* (Spain), 8 March 2001.
- 13 *El Nuevo Diario* (Nicaragua), 19 April 2000.
- 14 *La Prensa* (Panama), 16 January 2001.
- 15 *Tico Times* (Costa Rica), 2 January 2001.
- 16 *La Nación* (Costa Rica), 24 May 2001.
- 17 World Press Freedom Committee, press release, 20 February 2001.
- 18 See Minority Staff of the US Senate Permanent Subcommittee on Investigations, 'Report on Correspondent Banking: A Gateway to Money Laundering,' 5 February 2001.
- 19 Dominican Republic News and Information Service, 9 April 2001.
- 20 *El Nuevo Herald* (US), 28 November 2000.
- 21 Interview with author.
- 22 Author's interview with Dominican journalist Ernesto Pascual.
- 23 Interview with author.
- 24 Interview with author.
- 25 Interview with author.
- 26 *La Prensa* (Panama), 18 January 2001.
- 27 Reuters, 3 May 2000.
- 28 Interview with author.
- 29 Interview with author.
- 30 This joint OAS-IDB project was called 'The State of Criminal Legislation vis à vis the Interamerican Convention Against Corruption':
<<http://www.summit-americas.org/corruption/corruption.htm>>.
- 31 Fecha y Temas de las Consultas Nacionales, Citizen Participation for the Summit of the Americas: <<http://www.sociedadcivil.org/eng/portada.pl.cgi>>.
- 32 OAS, 'Declaration of Quebec City,' Third Summit of the Americas, Quebec City, Canada, 20–22 April 2001. Summit of the Americas Information Network:
<<http://www.summit-americas.org>>.
- 33 Financial Action Task Force on Money Laundering, press release, 22 June 2001.
- 34 Interview with author.
- 35 International Human Rights Organisations joint statement on Haiti, 5 February 2001.
- 36 Interview with author.
- 37 *Probidad* (El Salvador), 13 February 2001.
- 38 Interview with author.
- 39 Interview with author.
- 40 Interview with author.
- 41 Acción Ciudadana, 'Draft Report on the National Integrity System in Guatemala,' 2001.
- 42 Interview with author.
- 43 Interview with author.
- 44 *Estrategia & Negocios* (Costa Rica), December 2000.
- 45 *El País* (Spain), 24 March 2001.
- 46 Committee to Protect Journalists, 16 May 2001.
- 47 Periodistas Frente a la Corrupción: <<http://www.probidad.org/pfc>>.
- 48 Ian Bannon, 'The Fight Against Corruption: A World Bank Perspective,' paper presented at the Central America Country Management Unit workshop, Stockholm, Sweden, 25 May 1999.