

# Acountability

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

**D**ecentralization. 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.

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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, loSyst

### ***HOW DOES DECENTRALIZATION AFFECT FINANCIAL MANAGEMENT?***

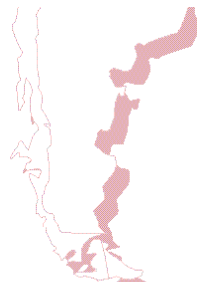
Initial decentralization efforts led to the ballooning of local bureaucracies, but subsequently the new-found autonomy combined with the need for local governments to improve their financial situation has become a driving force behind streamlining and updating traditional managerial styles. Fiscal decentralization 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.

## 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 pro-



## 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'états 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 ofP r945; U ayr3iI OPfudaj 1bolaunder-

**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

## Nicaragua: Raising Public Awareness for Financial Management Reform

Integrated Financial Management of conversation in the streets else for that matter. However financial management have in Nicaraguan—from a shopkeeper or a farmer. Recognizing the financial management reform, Nicaragua initiated a long-term Financial Management System (SIGFA). The Government is implementing this program with its own



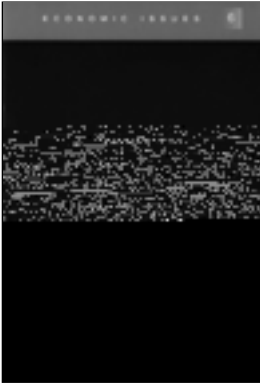
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## PUBLICATIONS



### *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 ◀

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"

## 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

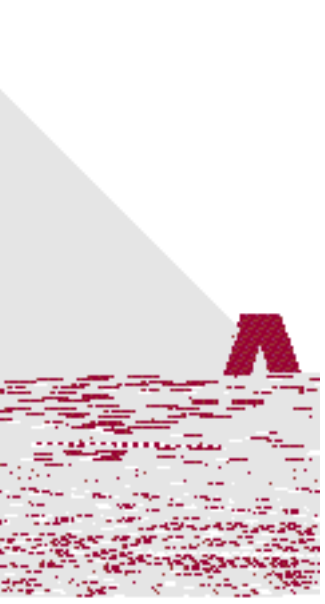
*October 15-18, 1997*

**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*



**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,