

South America

Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela

By *Telma Luzzani*¹

Introduction

Corruption in South America is fuelled by inadequate laws, irreverence for the law even when it is adequate, and the impunity of those who are corrupt. In many countries in the region, public administration controls are weak and politicised, and the capacity of law enforcement and the judiciary are uneven. This translates into low credibility of institutions and the perception that ‘anything goes’. According to the Colombian scholar Alvaro Camacho Guizado, Latin America has yet to end the double curse whereby institutional weakness serves as a cover or conduit for corruption while, at the same time, ‘corruption contributes to the deterioration of the institutional, legal and ethical basis of the state’.²

The struggle against corruption in South America emerged with the end of the Cold War, when communism ceased to be the overarching political concern on the continent. Corruption did not necessarily worsen in the 1990s, Professor Juan Gabriel Tokatlian of the University of San Andrés in Buenos Aires pointed out,³ but it certainly became more visible, as both democracy and corruption captured news headlines as never before.⁴ Another crucial factor that has motivated the fight against corruption is the growing awareness that corruption perpetuates poverty. The Secretary General of the Organisation of American States (OAS) César Gaviria asserted that ‘in those countries with increasing levels of poverty, corruption is certainly getting worse and running rampant’.⁵

New research has documented the costs of corruption. Government estimates placed the cost to Colombia at 1 per cent of its annual GDP, or around US \$6,100 per head of population.⁶ A study by economists in Brazil estimated the yearly losses due to corruption at US \$6,000 per capita.⁷

With corruption now prominent on both policy and public agendas, expectations are high that improvements are on the way, though scepticism lingers. The state institutions established in South America to counter corruption have to overcome this scepticism. With greater resources, an active network of NGOs and a vigorous independent media, the fight against corruption showed signs of progress in 2000–01, though results varied from country to country. Prominent cases

of corruption – and there were many – still result in public apathy and short-term political fixes, threatening the capacity to achieve lasting change.

News review

A number of cases of political corruption in 2000–01, reported widely in the media, dealt body blows to the governments of Peru and Argentina. In Peru, corruption toppled President Alberto Fujimori. Fujimori began a controversial third term in office after elections that were contested on the grounds of voting irregularities and fraud. Shortly after his victory, a video emerged showing Vladimiro Montesinos, head of the National Intelligence Agency, apparently offering a congressman a US \$15,000 bribe to endorse Fujimori's re-election. Thousands of similar episodes of Montesinos allegedly bribing or coercing ministers, judges, police, military bosses and business leaders, were captured on tape, with some subsequently leaked to the media and broadcast to Peruvians.⁸ Montesinos fled the country, but was captured in Venezuela and extradited in June 2001. Fujimori successfully sought asylum in Japan in November 2000.

Revelations of high level corruption also shattered the ruling coalition in Argentina. In July 2000, seven months into the new administration, bribes were allegedly offered to a number of senators to secure the passage of a highly unpopular reform of the country's labour law. The episode was played down by the judiciary, despite extensive attention in the media, but the government's popularity suffered badly in opinion polls.

The Argentinian judiciary set an important precedent in 2000–01 by placing former president Carlos Menem under house arrest in June 2001 on charges of illegal trade in weapons during his administration from 1989–99. According to the daily *Clarín*, some US \$60 million of a total US \$100 million dollars spent on 6,500 tonnes of arms went on bribing Argentinian and foreign officials.⁹

Brazil has experienced a new era of economic growth and stability since the start of President Fernando Henrique Cardoso's administration in 1995, but the government has made only hesitant efforts to fight corruption. In April 2001 the President announced the creation of a cabinet-level anti-corruption bureau, but it is limited in scope, activists say, due to political pressure.¹⁰

The Brazilian government started investigating Sudam, the agency responsible for development of the Amazon region, in March 2001. Though incomplete at the time of going to press, the investigation is reported to have discovered that around US \$1 billion was diverted from state reserves to finance election campaigns and enrich high-ranking politicians – the new Senate President among them – over a period of 25 years.¹¹



'I want to tell you that you are the only sensible man to have denounced the government's greedy zeal to privatise; to have discovered the cut-rate deals that were made and the forced bankruptcies. As a result, on behalf of the whole group, I say ... you're fired!'

Bonil, Ecuador

According to Karen Flores, chief coordinator for Bolivia's National Plan for Integrity (the country's anti-corruption bureau), 'judicial security is limited in Bolivia, the credibility of the political leadership is very low and the public administration is plagued with corruption'.¹² A powerful example of the challenges faced by Bolivia was the country's recent flooding, which left 150,000 people without shelter. In January 2001, the government raised several million dollars for the victims, but there was never full disclosure of how the funds were spent. There is suspicion that only a fraction actually benefited the homeless.¹³

In Colombia, the government faced a number of high-profile scandals with corruption implications. The case of TermoRío, still unresolved, concerned an allegedly corrupt arrangement between businessmen and the state-run electricity company. In another development, the Supreme Court charged Armando Pomárico, former president of the House of Representatives, with procurement irregularities during his term in office. Pomárico's parliamentary immunity was suspended, showing some welcome political will.¹⁴ In April 2001, the government proposed the creation of a National Commission of Integrity, intended to foster social awareness of integrity-related issues.¹⁵

Venezuelans heard revelations of a major loss to corruption of public funds derived from oil revenues. In March 2001, President Hugo Chávez, who won office

in December 1998 under a populist campaign banner of anti-corruption, also admitted that there had been irregularities in Plan Bolívar 2000, a US \$113 million social welfare and poverty eradication programme managed by high-ranking military officers.¹⁶ Fraud, largely committed through inflated invoices, consumed as much as 40 per cent of the Plan's expenditures, according to analysts. Another serious set of accusations involved the country's Fondo Unico Social.¹⁷

In Paraguay, corruption remains systemic. The Comptroller General investigated fraud in the Instituto de Previsión Social, the organisation responsible for the country's main pension fund, over a six-year period. Allegations against the agency included improper loans to companies, dubious payments to officials as bonuses and rewards, and unwarranted payments to contributors on retirement.¹⁸ The Comptroller General also examined the National Electricity Authority following accusations of currency purchasing irregularities.¹⁹

Ecuador witnessed the disclosure of high levels of corruption in its public administration. Ninety-five per cent of reports approved by the Comptroller General showed signs of severe irregularities in the handling of public funds.²⁰

Most analyses show Chile as having the lowest levels of corruption in South America. However, Comptroller General Arturo Aylwin pointed out in 2000 that there was corruption in Chile's municipal administration and state purchasing. One case involved the compensation of former officials at the end of the administration of former president Eduardo Frei. The Spanish daily *El Mundo* estimated the over-payments in the case at more than US \$86 million.²¹

President Jorge Batlle of Uruguay sent a draft law to Congress last year that will criminalise money laundering with sentences of up to ten years.²² An important feature of the law, which passed in March 2001, is that it also applies to Uruguayans living abroad.

Political corruption

Democracy in South America, still young in many countries, is often vulnerable and unstable. Corrupt practices at the heart of the democratic process – in party funding and election campaigning – are all too often compounded by a lack of transparency, the abuse of power and impunity. Political corruption in much of the continent results from the need of all politicians – from the lowest office-holder to the head of state – to secure the financial pipeline necessary to guarantee election.

Peru and Argentina saw the unravelling of complex networks of political corruption in 2000–01, reaching into the highest levels of power. In Ecuador, a corrupt network of money and political influence was exposed in a recent case of

illegal campaign contributions that highlighted the ongoing conflict between the public and private spheres, and the need to enforce stricter controls on campaign and party funding.²³

In Peru, disclosures of bribery in electoral politics led to the downfall of President Fujimori and his strongman, Vladimiro Montesinos. Montesinos was the chief architect of Fujimori's power, designing the threats, blackmail and bribery needed to keep his master in power. So strong was his influence that Montesinos was able to deliver the constitutional reform required for Fujimori to stand for a third, controversial term of office.

The interim government of Valentín Paniagua that followed Fujimori's downfall launched a tide of investigations that laid the groundwork for new institutional structures to prevent political corruption on such a scale ever recurring.²⁴ The reconstruction of the traditional parties and institutions, shattered by the hurricane of *fujimorismo*, is now underway and brings some hope of democratic renewal during the administration of Alejandro Toledo.

In Argentina, allegations of bribery in the Senate in 2000–01 revealed details about the illegal financing of politicians; an impressive list of officials who cashed a monthly salary without working; and evidence of how bribery is used to approve or speed up the passage of laws in Congress.²⁵ Bribe-takers included senators in the opposition party, as well as secretaries of state, advisors, and close personal friends of President Fernando De La Rúa. Roberto de Michele, Director of the Anti-Corruption Bureau, explained that 'the damage produced should not be assessed in terms of the quantity of bribes taken by officials, but, rather, by the

motives that triggered the bribe and the means that facilitated them'.²⁶

Corrupt practices at the heart of the democratic process – in party funding and election campaigning – are all too often compounded by a lack of transparency.

The administration undoubtedly lost credibility following the revelations, but the political bodies reacted by trying to shield themselves from scrutiny. The fate of Vice-President Carlos Alvarez, who emerged from dissident Peronism in the 1990s and was the driving force behind the ruling coalition, is telling. As head of the Senate, Alvarez flooded the media with statements against bribery and corporate malpractice in the wake of the Senate bribery allegations. His message was clear: the country would never reverse its stagnation unless transparency was re-

established in Congress. The party factions involved in the case rapidly isolated Alvarez, and he resigned in October 2000.²⁷

In Ecuador, former banker Fernando Aspiazu, currently detained on corruption charges, was ordered by the Supreme Electoral Tribunal to pay a fine of

US \$6.2 million for the illegal financing of former president Jamil Mahuad's election campaign. Aspiazu acknowledged that he had contributed US \$3.1 million to Mahuad's campaign while he had business pending with the Ecuadorian state. The Tribunal also ordered Mahuad's campaign committee and his party, Democracia Popular, to pay back the same amount to the state.²⁸

In a recent report on corruption, Argentina's Attorney General Rafael Bielsa stressed the links between 'the illegal appropriation of public funds and the illegal financing of political parties'. He argued that party finance is often linked to the access party members are able to secure to positions in the public administration or to business opportunities that they can exchange for favours. 'We cannot object to the discretionary handling of funds by the parties,' he said, 'if we do not allocate them the necessary means.' Bielsa also strongly advocated a society-wide debate on the subject.²⁹

Political corruption has numerous negative consequences. It undermines the legitimacy of democratic institutions and the justice system. And while legitimate debates about the extent of public funding and private donations to political parties continue, it is encouraging that the topic is gaining widespread attention across South America.

Corruption in the public sector

The theory that bribery makes public administration work more smoothly is, astonishingly, quite prevalent in South America. A case study in Colombia by Confecámaras, the country's Confederation of Chambers of Commerce, recently illustrated how the private sector accepts corruption as part of the process in public works bids and contracts. Other research shows, however, that public sector corruption results in higher costs, limits foreign investment, reduces overall investment and causes overspending on public infrastructure. 'It hinders trade, growth and economic development,' said César Gaviria of the OAS.³⁰

Transparency and oversight are necessary to counter the multiple opportunities for corruption in public works projects, yet despite some recent initiatives, these elements are all too often lacking in South America.³¹

Although Paraguay's dictator Alfredo Stroessner was overthrown in 1989, a long tradition of corrupt administration is still alive and well in the country. Research carried out in conjunction with the country's anti-corruption plan, with assistance from the World Bank, identified that two main areas of corruption are linked to public administration: customs and public works.³²

A World Bank report in April 2001 revealed gross mismanagement of a Paraguayan public roads project, part of the ongoing Programme for the Admin-

Brazil's new fiscal responsibility law

Congress passed a new Fiscal Responsibility Bill into law in May 2000, and so established strict budgetary limits for managers of all public offices and agencies at the three levels of Brazilian government – federal, state and municipal. The law also applies to the legislature, the judiciary and the prosecutors' offices.

Only New Zealand boasts a similar law, but it doesn't have the same scope as Brazil's. The law addresses areas of the administration that are regularly subject to mismanagement and corruption, particularly at a municipal government level. Under the new law, mayors will no longer be able to spend more than their projected revenues, as they have long been able to do.

The new law limits payroll expenditure, forbids the accumulation of new debt without the expectation of increased revenue, and establishes fiscal goals based on three-year budgets by which administrators must abide. Non-compliance results in penalties both to the administrative units – loss of rights to federal transfers, loss of federal guarantees for financial operations and other measures – and to the officials responsible.

If expenditures exceed the legal limit, the administrator must correct the problem within a given period. Excessive indebtedness must be reduced by at least 25 per cent within four months of being identified.

Every four months, senior administrators must publish detailed fiscal reports encompassing all offices and agencies under their

responsibility on the internet. Simplified accounts must be published bi-monthly.

Restrictions are tougher in election years. For example, it is no longer legal for an administration to take on new debt or launch unbudgeted projects that have to be paid for after the election results are in. This tactic was a favourite of incumbent mayors seeking either to project a more dynamic campaigning image or simply to make things difficult for their successors.

From a managerial point of view, the new law forces administrators to enhance their control mechanisms in order to ensure better use is made of public money. Moreover, administrators found guilty of intentional mismanagement are held personally liable. The requirements of transparency, in the form of publication of detailed reports, provide for more effective monitoring both by responsible departments and also civil society organisations.

The nature of coalition politics in Brazil means that the government has consistently refused to sponsor a strategic anti-corruption programme, because a serious assault on corruption would jeopardise members of the current coalition. In most cases, the government only acts after facts have forced it to do so. The fiscal responsibility law, together with other initiatives aimed at strengthening internal financial controls, is thus part of a rather mixed signal from the Brazilian government regarding the fight against corruption.

Transparência Brasil (TI-Brazil)

istration of Natural Resources.³³ The report suggested that the Minister for Public Works and Communication altered contracts in order to increase project costs. As a result, the price of improving 445 kilometres of rural roads went from an original estimate of US \$13 million to US \$24 million.

Meanwhile in Venezuela, 700 ghost employees were found on the payroll of the Fund for Urban Development. With less than 40 per cent of the Fund's planned programme complete, some construction works have already collapsed. The head

Foul play in Brazilian football

Increased scrutiny of the underbelly of the world's most popular sport is bringing to light a host of shady dealings.

With weekly audiences in the hundreds of millions, football is a high-powered commercial activity whose financial dimensions have long remained opaque. This is beginning to change. Cases of corruption in the sport have recently been reported in France, Italy, Portugal and Spain, as well as a number of African countries.

The changing climate is also affecting Brazil, the world's football superpower. Four times world champion and the biggest exporter of players to all parts of the globe, Brazilian football is now in the limelight because of corruption and other financial irregularities.

During 2000–01, a number of Brazilian players were found to hold Portuguese passports, obtained under false pretences, which enabled them to circumvent EU quotas on the number of foreign players allowed on club rosters.

Age falsification is also a common phenomenon. It allows underage players to be sold to foreign clubs or 'older' players to qualify for tournaments that are subject to age limitations. At least 16 Brazilian players have been implicated since 1999. In one case, a player had used the documents of a dead person. In almost all recorded cases, false birth certificates had been obtained in the northern state of Maranhão, one of Brazil's poorest. The vice-president of the Maranhão football federation has since been charged with falsifying players' ages and the diversion of funds. Former national coach Wanderley Luxemburgo was convicted of the same crime. One high-profile case involved Luis Oliveira, who gained Belgian citizenship and played on the Belgian national team and was in fact four years older than his documents stated.

In mid-2000, Congress set up two special investigative commissions to examine the

Brazilian Football Confederation (CBF). Particular attention was paid to its contract with sports marketing firm Traffic, which negotiates all CBF marketing contracts, including the US \$160 million deal with Nike which allows the sports equipment giant to influence Brazil's international game schedule.

Nike's influence with the national team's management was so strong, some say, that it was able to insist that star player Ronaldo play in the 1998 World Cup Final even though he had suffered unexplained seizures just before the game. Ronaldo went on and Brazil lost 3–0 to France. Nike denies any such interference.

Although the commissions' findings did not go as far as had been anticipated, they did reveal the following:

- CBF funds to the tune of US \$250,000 were used to finance political campaigns, including one candidate for governor in the state of Piauí, and one Worker's Party representative for the state of Rio de Janeiro.¹ Though not strictly illegal, the findings illustrated just how far into politics football finance can reach.
- Lack of transparency in club finances had opened up wide opportunities for fraud, allowing bureaucrats to get rich while clubs stayed poor.
- As some state football federations cannot survive without financial help, CBF provides it. But, in some such cases, these transfers disappeared.
- Dealings between marketing firms, intermediaries and clubs include illicit transfers of money to foreign accounts through tax havens. Even Brazilian football hero Pelé's marketing firm came under suspicion.

One result of the investigations has been increased pressure for a reform of laws governing the game, including the way clubs are managed. Two different proposals are now being discussed, one put forward by the special commissions and the other co-sponsored by the government.

Juca Kfourri

¹ *Estado de S. Paulo* (Brazil), 12 April 2001.

of the Fund, Victor Cruz Weffer, who is close to President Chávez, publicly stated that he ‘objected’ to open bids and preferred the discretionary allocation of public works, in open contradiction to Venezuelan regulations.³⁴

The major challenges to cleaning up public sector corruption are to counter the politicisation of tender awards, cronyism and a tradition of advancement based on favours rather than merit. South American officials – and their critics – are well aware that transparency and efficiency are enshrined in public law, but putting these principles to work is a major challenge.³⁵

Illegal drug trade and money laundering

Money laundering has devastating social consequences. It threatens security because it provides the fuel for drug and arms dealers, terrorists and other criminals to operate and expand their criminal enterprises. Unchecked, money laundering erodes the integrity of financial institutions, and together with corruption and the narcotics trade, forms a tangled web of illegality in some South American countries.

The Presidential Programme Against Corruption in Colombia specifically addresses ‘narco-corruption’.³⁶ Colombia, with a capacity to produce 580 tonnes of pure cocaine in 2000,³⁷ is particularly poisoned by the interplay of narcotics and violence, with an estimated one million people internally displaced as a result of battles for territorial control by rebel groups and paramilitary forces. ‘The corruptive effect of this kind of profit is devastating, since it has penetrated to perverse levels in the judiciary and the political system,’ the official report of the Presidential Programme concluded, adding that the rapid accumulation of wealth from illegal drugs ‘has fostered codes and behaviours which promote corruption, fast money and the predominance of private welfare over general interest’.

A parliamentary commission led by Representative Moroni Torgan is investigating the scale of drug money laundering in Brazil, which has been estimated to total US \$25 billion a year. According to a report presented to Congress, corruption leads to the laundering of a further US \$25 billion a year, or roughly 10 per cent of the total amount laundered globally. The commission suggested that one third of this sum goes to government officials and the private sector, including banks, to oil the laundering chain.³⁸

Illegal drugs are not the only source of funds washing through the banking sector. The large-scale bribes paid to politicians from the proceeds of crime (including narcotics sales) also need laundering services. According to Argentinian politician Elisa Carrió: ‘Until now, money laundering was understood as the cleansing of illegal revenues, mostly from the drug trade. But what do we call it

when the money laundered stems from corruption and tax evasion?’ Carrió led an aggressive public campaign in Argentina against money laundering, pointing to officials from Menem’s administration.³⁹ It remains difficult to bring money laundering of the proceeds of crime, including corruption, to justice. But the problem may be gaining more attention from governments across the region, in conjunction with the fight against corruption.⁴⁰

Anti-corruption efforts

The fight against corruption continues at varying speeds in South America. Without doubt, there is growing official concern, but success depends on three key requirements: strong political will and the capacity to execute reform; a high level of awareness and social involvement; and follow-up by the authorities of steps taken by officials and private corporations.

The government is actively campaigning against corruption in Colombia. As referred to above, President Andrés Pastrana established a Presidential Programme Against Corruption, headed by Vice-President Gustavo Bell. Both private sector and civil society groups (including the TI chapter *Transparencia por Colombia*) were invited to contribute. As a result, President Pastrana’s plan included a component that called on all public sector departments to use TI-Colombia’s innovative ‘Integrity Pacts’ to make public contracting and investment transparent, equitable and sustainable.⁴¹

The government also created a Unit for Investigation and Sanctions and, within it, a group to tackle federal cases. Since it started work in August 1999, the Unit has investigated hundreds of cases: the most striking involved irregular contracts that led to the arrest of 30 senators.⁴² The government also set up an Elite Division Against Corruption, headed by the Attorney General, to conduct public hearings on allegations of corruption in the civil service.⁴³ Other initiatives included educational programmes on ethical values for officials; advertising campaigns; and mechanisms to certify compliance with transparency regulations in public contracts. In 2000–01, the UN chose Colombia as a pilot country for the creation of a National System of Integrity as part of its Global Programme Against Corruption.⁴⁴ Despite these measures, the government acknowledged the limited capacity of its control mechanisms.

In Argentina, Fernando De La Rúa established the Bureau Against Corruption after winning the presidency on a transparency ticket. The Bureau’s first task

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was to investigate the previous administration, which had been plagued by allegations of financial impropriety and crime. By December 2000, over 1,000 allegations of corruption were reported to the Bureau, but only one official was arrested. The Bureau Against Corruption promoted cooperation with Argentina's neighbours, via organisations such as the OAS, Mercosur and the Free Trade Area of the Americas. It also pushed for public disclosure of assets by officials and a system to determine conflicts of interest.

The interim president of Peru, Valentín Paniagua, embarked on a crusade against corruption. His successor, Alejandro Toledo, 'publicly backed up the efforts of the National Anti-Corruption Initiative (INA), which has made a diagnosis of the problem, established an agenda of tasks and an outline to carry them out', said Santiago Pedraglio, responsible for technical affairs at the INA.⁴⁵ The interim government sought to institutionalise the process of fighting corruption to the greatest extent possible, even before Toledo took office.

Peru's Special Prosecutor against corruption, José Ugaz, is heading the investigation of Montesinos, Fujimori and others, under special legislation that allows for reduced sentences in exchange for 'honest confession'. The programme has had considerable success: 137 investigations into 532 individuals are underway and US \$153 million worth of suspect money has been frozen in foreign accounts. A number of senior military officers, businessmen and public officials are currently under arrest.

The Peruvian Ombudsman is working on a law designed to improve citizens' access to information. 'Although the law is not new,' said Roberto Pereira of the Ombudsman's office, 'there were no clear mechanisms of application and there was a general tendency to withhold information.'⁴⁶

In 1999, Paraguayan President González Macchi signed an agreement with the World Bank that established the National Office Against Corruption, a joint civil society and government office. The Inter-American Development Bank (IDB) announced in May 2001 that it would provide Paraguay US \$605,000 in assistance for its anti-corruption plan. In spite of the agreements, there were few results and the public remains sceptical.⁴⁷ According to a report by José Antonio Bergues of TI-Paraguay, corruption over the last decade has, ironically, become 'more democratic', and now pervades the entire spectrum of power. During the Stroessner era, corruption was more of an elite monopoly.

In Venezuela, the government's failure to get to grips with corruption has proven to be a bitter irony for President Chávez, who won office on his anti-graft messages. Expert Alfredo Ramos Jiménez pointed out that 'Venezuelans voice their criticisms to the press. In practice, the media has become a substitute for justice. We certainly have freedom of expression, but this does not translate politi-

Cleaning up corruption on Peru's roads

Jorge Lopez is a 54-year-old retired policeman. To support his family of four, he drives a taxi around the streets of Lima, Peru's capital. Like most taxi drivers, he usually settles the price with a customer before letting them in to his car – typically this is less than US \$2 for a ten-mile ride, depending on the time of day.

His encounters with traffic policemen are frequent, and have made his frugal earnings even smaller. 'One time, at three o'clock in the morning, I was ordered to pull over by a patrol car with the siren on. I got out of the car, as I knew I had gone through a red light. Two officers came up and started implying that I was drunk or on drugs. "You know how much this will cost you if we report the incident?" they said. I knew they were asking for money. Only when I showed them my police ID did they back down.'

The force's dark side

Unfortunately, this is one of many similar stories in this city of eight million people. 'It's basically a pyramidal problem,' explained Manuel Piqueras, senior counsellor on urban security in the mayor's office. 'When the boss participates in corruption, or even just allows it, it spreads throughout the force.'

Not surprisingly, Lima is a scared city and has been so for some time. In a study conducted by survey company Apoyo, fear rather than reassurance was the feeling evoked in the public at the sight of a police officer. Not once in ten years has the percentage of people that trust the force outnumbered those who don't. And since August 2000 those who distrust the police have led by a 19-point margin.¹

'I was in the force for 23 years,' said Jorge Lopez, 'and saw police corruption at every level. I know cab drivers who always carry a 20 or 50 soles bill in case they are pulled over.

It's that widespread.'

In an attempt to address the situation, former president Alberto Fujimori announced in September 1998 that most traffic regulation issues would be controlled by women officers, a measure initially proposed by Lima's Mayor Alberto Andrade. The decision was based on the popular perception that women are stricter, fairer and less corruptible. Many doubted it would work, but the results have been promising.

During the trial period, Colonel Eduardo Perez Rocha, head of Lima's traffic department, said: 'In a recent poll, 70 per cent answered that female officers are effective and that traffic control has improved.' This was particularly impressive considering that, only two years earlier, the police effectiveness approval rating was as low as 13.6 per cent.²

The head of traffic control for Lima's south-side, Commanding Officer Roberto Lujan Jara, agreed the programme has been a success. 'In the past, we used to handle 40 to 50 tickets per day. Now the number has increased by 200 per cent.' More traffic tickets doesn't necessarily mean drivers are now caught more often, but it does support the theory that a bribe is no longer the standard way out of police trouble. Lujan said: 'Women stand by their reputation of incorruptibility, and that is the key to this plan.'

Despite these developments, corruption on the streets of Lima is far from disappearing. Lopez acknowledged some degree of change, but said much more needs to be done. 'Women have definitely made a difference, but that hasn't stopped corruption in other areas of police work. And no one is tackling that.'

Carolina De Andrea
Gabriel Chávez-Tafur

¹ Apoyo, Opinión y Mercado S.A., August 2000.

² Instituto Nacional de Estadística e Informática, February 1998.

cally into action.⁴⁸ Jiménez said that the concentration of power in the executive hindered anti-corruption efforts.

The role of international organisations and NGOs in the fight

The fight against corruption does not stand or fall on the actions of governments. International and regional organisations, in addition to local NGOs, play a decisive role in tackling the corruption pandemic. The World Bank, IDB and bilateral donors have been important and at times controversial forces behind reform in the region.

The WBI aimed to design local anti-corruption reforms based on comprehensive surveys of individual countries that have to date been conducted in Bolivia, Colombia, Ecuador, Paraguay and Peru.⁴⁹ These diagnostics form the foundation of action plans, which are then promoted among representatives from civil society, political parties, professional associations and others. But non-governmental participation in the design of action plans has been uneven so far, and their implementation incomplete.

The IDB announced in March 2001 that, in order to stiffen commitment to anti-corruption measures, future loan arrangements would extend to civil service reform, providing support to structures that promote sound administration and improved accounting and auditing standards. Programmes against money laundering that utilise the internet are also eligible for support under its new criteria. 'The access to electronic information on administrative activities, such as public purchasing, public finance and the legislative process, can effectively reduce the chances of corruption,' said IDB head Enrique Iglesias.⁵⁰

The main OAS involvement has been in winning government ratification of the Inter-American Convention Against Corruption (CICC). The general consensus is that the Convention provides a valuable framework, but that implementation will be a challenge.⁵¹ The General Assembly of the OAS, meeting in Costa Rica in June 2001, agreed to create a follow-up mechanism to the CICC, one that focuses on monitoring the implementation of the Convention in each country.⁵² Twenty-two of the 34 OAS countries have so far ratified.

Meanwhile a wide array of civil society organisations involved in the fight against corruption has begun to establish networks at the national and international levels. The proliferation of NGOs is a sign of South American societies' growing impatience with institutionalised graft.⁵³ The private sector is beginning to see the potential advantage to its own interests of underwriting activities that target more transparent business practices, business ethics and corporate social responsibility.⁵⁴

In Colombia and Venezuela, networks of *veedurías* (citizens' watchdog groups) share information on good practices. In Colombia, *veedurías* oversee public procurement, election campaigns and various aspects of administration. In Peru, a number of civil society organisations came together in the wake of Fujimori to coordinate efforts to build a national alliance against corruption, known as Proética (Pro-Ethics).⁵⁵ Proética collaborated with the Justice Ministry in setting up a major national anti-corruption conference, held in June 2001. It focused on diagnosing the nature of Peruvian corruption and formulating a plan that could be adopted by the Toledo government.

The consolidation of TI chapters in a network known as TI-LAC (Transparency International in Latin America and the Caribbean) increased their individual capacity to monitor public sector practices and engage the private sector in anti-corruption activities, particularly in Argentina, Brazil, Colombia, Ecuador and Paraguay. Another initiative, the Red Interamericana para la Democracia (Inter-American Network for Democracy), links up a range of civil society organisations. One of its activities, the Visible Congress project, provides background information on election candidates in Argentina, Colombia and Ecuador. In Ecuador, the Visible Congress project is tied to another project monitoring political programmes. And the Lima Agreement, established in late 2000, created a network of NGOs interested in monitoring elections and political financing.⁵⁶

Civil society campaigning against corruption is supported by a vibrant press, although the concentration of media ownership tends to shield high office holders from scrutiny, and some countries retain laws on the statute book that empower officials accused of wrongdoing to go to court and sue journalists for 'disrespect of office' or 'dishonour' as soon as their propriety is questioned. In Colombia, the profession of journalist is a high-risk venture. A dozen journalists were murdered in 2000 for attempting to expose the links between drug traffickers and the corruption of provincial or municipal politicians. Despite years of persecution under Fujimori's administration, however, the Peruvian media has proved highly resilient. And new networks of investigative journalists have taken root in Paraguay, supported by international freedom of expression organisations.

Civil society and the independent media still face a number of daunting challenges. For NGOs, these include the maintenance of funding, achieving institutional development, and strengthening their own governance structures. Activists admit that they need to reach out to other sectors of society, in order to use their advocacy to help the disadvantaged, who are corruption's main victims.

Conclusion

The main sources of corruption in South America are non-transparent structures of government with long traditions of exemption from the law; the escalating need to finance political careers; and the enmeshed problems of the illegal drug trade and money laundering.

Corruption in party funding is a major challenge, given the spiralling costs of election campaigns, and this corruption trickles down through the system to pervade all levels of official service provision. Official anti-corruption programmes provide little palliative, although recent developments in Peru have created a popular momentum that should ensure that the most flagrant abuses of the Fujimori administration are not repeated. Increasingly, international and regional organisations are providing a source of innovation, with civil society actors playing an important role, as weather vanes for local perceptions of corruption and as advocates of anti-corruption initiatives.

‘Studies show that there is a demand to curb corruption in Latin America,’ said Argentinian lawyer and Poder Ciudadano activist Luis Moreno Ocampo. ‘The process of democratisation clearly resulted in improvement since what used to remain under wraps is now in the open. Steps are being taken ... to ensure that regulations are more than just ink on paper.’⁵⁷

South American analysts agree that further awareness of the corruption problem needs to be promoted among citizens. Increasing the availability of information can lead to more effective evaluation of anti-corruption efforts. Mechanisms are needed that optimise civil society involvement: civic participation councils; accelerated systems for denouncing corruption; and the appointment of anti-corruption ombudsmen. ‘Besides a consistent state policy to fight corruption,’ argued Juan Tokatlian of the University of San Andrés, ‘it also takes strong civic involvement, to control, curb and warn against corruption before it takes place. Without active citizenship, corruption will be even more widespread.’⁵⁸

- 1 The author would like to thank Matilde Sanchez and Héctor Pavón for their assistance in the preparation of this report.
- 2 Alvaro Camacho Guizado, ‘Democracia, Exclusión Social y la Construcción de lo Público en Colombia,’ *Nueva Sociedad*, 171, January–February 2001.
- 3 Juan Gabriel Tokatlian, *Globalización, Narcotráfico y Violencia: Siete Ensayos sobre Colombia* (Buenos Aires: Grupo Editorial Norma, 2000).
- 4 *Probidad* (El Salvador), May–June 2001.
- 5 César Gaviria, opening message at a workshop on the application of the OAS Anti-Corruption Convention to Chilean law, Santiago, Chile, October 2000.
- 6 Office of the President of Colombia, ‘Presidential Programme Against Corruption,’ May 1999.
- 7 Marcos Fernandes Gonçalves da Silva, Fernando Garcia and Andrea Camara Bandeira, ‘How Does Corruption Hurt Growth? Evidence about the Effects of Corruption on Factor Productivity and Per Capita Income,’ supplied by TI-Brazil.
- 8 *The Economist* (UK), 8 February 2001.
- 9 *Clarín* (Argentina), 5 April 2001.

- 10 *O Globo* (Brazil), 10 April 2001.
- 11 *O Globo*, *Folha de S. Paulo*, *O Estado de S. Paulo* and *Correio Braziliense* (all Brazil), 9–15 April 2001.
- 12 *Probidad* (El Salvador), March–April 2001.
- 13 *La Razón* (Bolivia), 10 February 2001.
- 14 *El Tiempo* (Colombia), 26–27 March 2001.
- 15 Office of the President of Colombia, press release, 3 April 2001.
- 16 The plan aimed to subsidise popular market fairs, improve school buildings and housing, and address other social needs.
- 17 *Tal Cual* (Venezuela), 14 April 2001.
- 18 *Ultima Hora* (Paraguay), February 2001.
- 19 *ABC* (Paraguay), April 2001.
- 20 Ecuador's Commission for the Civic Control of Corruption, 'Report for the Period March 2000–February 2001,' March 2001.
- 21 *El Mundo* (Spain), 4 October 2000.
- 22 *La Nación* (Argentina), 8 April 2001.
- 23 For more on corruption in political party financing, see the report on p. 186.
- 24 Until the interim government's reforms, Peru did not have a law regulating political party financing, although such a law was foreseen in the country's 1993 constitution. Instituto Apoyo, 'Country Report on Peru's National Integrity System,' draft report, May 2001.
- 25 The case was widely reported in the second half of 2000 in *Clarín*, *La Nación*, and *Página* (all Argentina).
- 26 *Probidad*, (El Salvador), May–June 2001.
- 27 *Clarín* (Argentina), 6 October 2000.
- 28 *El Comercio* (Ecuador), 9 March 2001.
- 29 *Probidad* (El Salvador), May–June 2001.
- 30 Gaviria (2000).
- 31 Devices such as Integrity Pacts (Colombia), internet bidding (Chile) and reference pricing, which allows price comparison of goods and services by different providers (Argentina), are now being put in place in some countries of the region.
- 32 *ResponDabilidad*, No. 29, January 2001.
- 33 *ABC* (Paraguay), 3 April 2001.
- 34 *Tal Cual* (Venezuela), 19 March 2001.
- 35 *Probidad* (El Salvador), May–June 2001.
- 36 Office of the President of Colombia, 'Presidential Programme Against Corruption,' May 1999.
- 37 US Department of State: <<http://www.usembassy.state.gov/posts/col/wwwhncpe.html>>.
- 38 *Clarín* (Argentina), 30 November 2000.
- 39 Interview with author.
- 40 For more on the issue of money laundering and corruption, see the report on p. 204.
- 41 'Change toward the Building of Peace,' Colombian National Development Plan for the 1998–2000 period, Article 4, Chapter 2. An Integrity Pact is a contract in which bidders in a given public procurement process explicitly promise each other and the respective government not to offer bribes or pay bribes, and to subject themselves to specific fines if they fail to live up to these promises. Thus far, TI-Colombia has successfully implemented 13 Integrity Pacts at different administrative levels involving various contracting processes. For more on the Integrity Pacts (in Spanish), see <<http://www.transparenciacolombia.org.co>>.
- 42 Office of the President of Colombia, press release, 23 March 2001.
- 43 Office of the President of Colombia, press release, 30 March 2001. The division includes officials specialised in facilitating in corruption cases. As of March 2001, it had already heard from more than 20,000 citizens and received 3,422 accusations.
- 44 Office of the President of Colombia, press release, 30 March 2001; *El Tiempo* (Colombia), 3 April 2001.
- 45 Interview with author.
- 46 Interview with author.
- 47 *ResponDabilidad*, No. 29, January 2001.
- 48 Interview with author. Jimenez also pointed out that allegations of corruption in the Venezuelan government have seldom been scrutinised by prosecutors, as prosecutors themselves are appointed by the National Assembly and at present side with President Chávez.
- 49 The surveys target public officials, households and enterprises, and measure the prevalence and costs of corruption, <<http://www.oas.org/juridico/english/sigs/b-58.html>>.

- 50 IDB, 'Successful Strategies for Combating Corruption,' Seminar on Transparency and Development, 19 May 2000.
- 51 The OAS fight against corruption emerged in 1992. At the Summit of the Americas in Miami in 1994 a multilateral effort was agreed that resulted in the adoption of the Inter-American Convention Against Corruption, signed in Caracas in March 1996.
- 52 Transparency International, 'TI Chapters in the Americas Endorse the OAS Follow-up Mechanism to the Inter-American Convention Against Corruption,' press release, Costa Rica, 5 June 2001.
- 53 A recent survey carried out by Latinobarómetro showed the growing concern of Latin Americans about corruption. In 2000, 82 per cent of Latin Americans said that corruption 'had increased significantly', compared to 70 per cent in 1997. See p. 312.
- 54 In Brazil, such activities have been undertaken by Instituto Ethos and in Chile by Acción Empresarial and the Chilean-American Chamber of Commerce.
- 55 Proética consists of the Asociación Civil Transparencia (Civil Transparency Association), Instituto Prensa y Sociedad (Institute for Press and Society), Asociación de Exportadores (Exporters Association) and the Comisión Andina de Juristas (Andean Commission of Jurists).
- 56 Civil society organisations involved include Poder Ciudadano (Argentina), Transparencia (Peru) and Momento de la Gente (Venezuela).
- 57 Interview by Héctor Pavón for the author.
- 58 Tokatlian (2000).