



Are Countries Making Progress in Fighting Corruption?

Latin American Advisors of Inter-American Dialogue Interview

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FEATURED Q&A

Are Countries Making Progress in Fighting Corruption?

Q Former Guatemalan President Alfonso Portillo pleaded guilty March 18 in New York to conspiring to launder \$2.5 million of public money through a U.S. bank. He entered the guilty plea hoping to avoid a maximum 20-year prison sentence. Is Portillo's plea deal a turning point for anti-corruption efforts? Are other efforts at combatting corruption making progress, or is corruption going to get worse in Guatemala and other Central American countries? Which countries in the region are making strides in fighting corruption, and which are falling short? What specific anti-corruption policies have succeeded in the region and why?

A Salvador Paiz, president of FUNSEPA and vice president of FUNDESA in Guatemala City: "Alfonso Portillo made a smart move with his guilty plea. Nevertheless, the \$2.5 million is far inferior to the original charge of over \$100 million, which included sums allegedly stolen from Guatemala's Ministry of Defense. While a guilty plea is a step in the right direction, it is a timid one given the resources that went into extraditing Portillo. Ostensibly, the prosecution couldn't build a solid case based on a superficial investigation by the International Commission Against Impunity in Guatemala. This inability to build cases against corruption is part of the unfortunate reality in Guatemala. There is little data to help us gauge the progress against

corruption. Countries point to a couple of cases, but there is little in terms of eradication efforts. It is also important to highlight that the situation is different in every country; each has its own political matters. Mexico, for example, seems to be undertaking encouraging reforms. In Guatemala's case, there are more than 400 corruption cases pending processing due to a lack of political will, also affected by the inefficacy of the judicial system. Civil society is putting forth some proposals to help build capabilities. For example, the usage of 'Big Data' analytics has been suggested to coun-

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Chile's Bachelet Sends Tax Hike Plan to Lawmakers

Chilean President Michelle Bachelet on Monday presented her tax-increase plan to Congress. The reform would boost government revenues by \$8.2 billion, which Bachelet has said would be used to increase spending on education and health care. See story on page 2.

Photo: Chilean Government.

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NEWS BRIEFS

Knights Templar Cartel Leader Killed in Mexico

Enrique Plancarte, a leader of the Knights Templar drug cartel, was killed Monday during a clash with Mexican marines in the central state of Querétaro, Mexican officials told the Associated Press on the condition of anonymity because they were not authorized to speak publicly. Plancarte was one of four leaders of the Michoacán-based cartel. Mexican security forces in recent weeks have also arrested Templar leader Dionisio Plancarte and killed leader Nazario Moreno.

World Cup Will Give Brazil 'Short-Lived' Boost: Moody's

This year's World Cup will give host country Brazil a "short-lived" economic boost, **Moody's Investors Service** said Monday in a report, Bloomberg News reported. "The tournament will capture the world's attention, but an estimated 25.2 billion reais (\$11.1 billion) economic boost pales before Brazil's \$2.2 trillion economy," said Moody's. Brazil is spending 8 billion reais on the tournament and has struggled to meet construction deadlines imposed by soccer's governing body, FIFA.

Work at Peru Copper Mine Halted Over Environmental Concerns

Iron ore extraction at the Chinese-owned Toromocho copper mine has been suspended for three days after Peru's environmental protection agency found toxic discharge leaking from the open pit mine into two lakes, the Associated Press reported today. **Chinalco** has invested \$3.5 billion in the mine, which began operating in December, and said it is taking the necessary measures to allow operations to resume as soon as possible.

Economic News

Chile's Bachelet Sends Tax Reform Bill to Congress

Chilean President Michelle Bachelet on Monday sent her tax-overhaul legislation, a centerpiece vow of her campaign, to Congress, Bloomberg News reported. The measure, which Bachelet has said will increase equitable and sustainable growth in the South American nation, would

"This reform won't slow economic growth."

— Michelle Bachelet

boost the government's tax revenue by \$8.2 billion, or 3 percent of gross domestic product. The measure would hike the corporate tax rate from 20 percent to 25 percent by 2017. Bachelet said the increased revenue would boost spending on education and health care and also enable the government to balance its budget by the end of her four-year term. "This reform won't slow economic growth," said

Bachelet, who took office March 11. "On the contrary, we can only have sustainable and equitable growth in an economy that improves its human capital and the quality of its public institutions." Years of protests over the cost and quality of public education led Bachelet as a candidate to promise improved free education in the country. The tax-reform bill also includes new incentives for Chileans to save and invest. "Tax reform is a necessary and important measure and one of the most important instruments for a state to create a more united, democratic and fair society," Bachelet said Monday in a televised address. The tax increases would come just as Chile's economy is slowing down. The country's manufacturing output declined 2 percent in February as compared to the same month a year earlier. Retail sales increased 5.3 percent in February, but that increase marked the slowest increase since November 2009, Chile's statistics agency said Monday. Finance Minister Alberto Arenas dismissed concerns of the opposition that the prospect of higher taxes has crimped growth and investment. "No serious economist makes a connection between the tax reform and the economic slowdown," he told reporters Monday in Santiago. [Editor's note: See [Q&A](#) on Chile's economy and Bachelet's agenda in the March 13 issue of the *Advisor*.]

Featured Q&A

Continued from page 1

teract contraband. The Alertos platform is helping to reduce the potential for police officers to take bribes in certain situations. Guatemala Visible is trying to use meritocracy to raise the quality of the leadership of judicial institutions. The elephant in the room, not just in Guatemala, is the need to process the backlog of corruption cases. One could 'call the bluff' of political will by providing external experts to structure those cases appropriately and the existing prosecutors could learn in the process. Reducing corruption has never been easy and probably never will be. Citizen involvement and calling the bluff could resolve this scourge."

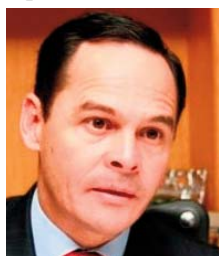
A Miguel Schloss, president of Surinvest Ltd. in Chile and former executive director of Transparency International: "It is tempting to see isolated events (such as former Guatemalan President Portillo's guilty plea to laundering public money) as hallmarks of change and in the process ignore underlying complexities that need to be addressed. This is particularly true in corruption, which is the epitome of a crime of opportunity that flourishes in environments where citizens don't have the vehicles of contestation and power to hold their authorities to account. In Guatemala's case, which had authoritarian regimes up to

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Political News

Venezuelan Forces Clear Barricades in San Cristóbal

Venezuelan forces have cleared barricades from San Cristóbal, the western city where the country's wave of deadly protests began nearly two months ago, BBC News reported Monday. Security forces have retaken control of San Cristóbal's streets, said a top military commander. Police officers and National Guard troops have "ended the curfew imposed by terrorists," said Gen. Vladimir Padrino, the head of the National Armed Forces Strategic Operational Command. No one had been



Vielma Mora

File Photo: Venezuelan Government.

hurt in the operation to clear the barricades that had been set up on Carabobo, Ferrero Tamayo and España avenues during the anti-government protests, Padrino added. Gov. José Vielma Mora of Táchira state, where San Cristóbal is located, applauded

the operation. "The best present we can give to San Cristóbal is the return of our children to school and of our good people to work," said Vielma Mora, a member of the country's ruling PSUV party. Last week, San Cristóbal Mayor Daniel Ceballos, a member of the opposition Popular Will party, was removed from office and sentenced to a year in prison on charges of failing to remove the barricades. The country's Supreme Court ruled that Ceballos also supported protesters engaging in violence. At least 39 people have been killed in the anti-government protests, which have also occurred in Caracas and other cities across the country.

Company News

Ecopetrol Submits Competitive Bids for 11 U.S. Gulf Coast Blocks

Colombia's state-owned **Ecopetrol** said in a statement Friday that it submitted the

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with

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most competitive bids for 11 deepwater blocks in the U.S. Gulf of Mexico at an auction held on March 19 in New Orleans. Ecopetrol partnered with Houston-based **Murphy Exploration and Production** to bid on seven blocks and with Murphy E&P and Dallas-based **Venari Offshore** in four blocks for total bids amounting to \$73.2 million, of which Ecopetrol's share is approximately \$33.7 million. The blocks' leases would

permit exploration for hydrocarbons in waters deeper than 221 meters for 10 years, and the U.S. Bureau of Ocean Energy Management will make determinations about awarding the blocks over the next months after checking bids and making sure companies meet the round's conditions. Ecopetrol currently has stakes in 138 blocks in the U.S. Gulf Coast, which it called "a focus area in its internationalization process."

Featured Q&A*Continued from page 2*

1986, and where opposition and social pressures have been suppressed by force and personalized public administrations, the country was left with an almost total absence of the basic scaffoldings of modern governance. Since then, the country started the long and arduous pacification and democratization process and, while progress has been made in a number of

public sector requires fundamental socio-cultural-political change in Central America. First, governments need to consider themselves stewards of the public trust and guarantors of democratic transparency and not view governing as an opportunity for personal enrichment. With few exceptions (Álvaro Arzú's 1996-2000 presidency is one), public officials in

“With few exceptions, ... public officials in the region see graft as a normal part of governing and eschew the role of honest public servant.”

— Donald J. Planty

fronts, the ebbs and flows of reforms have hardly consolidated into a solid governance structure. With a rule of law rated in the lowest 10th percentile of world rankings and government effectiveness in the 20-30 percent lowest ranking, it is hardly surprising that Guatemala remains mired in that same level of corruption, with periodic scandals of misusing resources. While there are wide variations within Latin America regarding these issues, few countries in the region have had the commitment and consistency in undertaking reforms to achieve tangible improvements and associated increases in their international rankings. Among them is Peru in opening up to enhanced accountability, Colombia in government effectiveness and Uruguay in control of corruption."

A Donald J. Planty, president of Planty & Associates LLC and former U.S. ambassador to Guatemala: "I very much doubt that Portillo's plea bargain represents a turning point for anti-corruption efforts in Guatemala and Central America. Neither Guatemala nor its neighbors are making headway against this insidious practice. Reducing corruption in the

the region see graft as a normal part of governing and eschew the role of honest public servant. This practice is so ingrained that much of the body politic sees it as a normal political condition. The rise of Alfonso Portillo is a case in point—his presidency reached new corruption heights, even for Guatemala. The prevalence of narco-trafficking and organized crime contributes to the problem. The region needs a new generation of political leaders who make anti-corruption and transparency in government primary political objectives. They must campaign on anti-corruption platforms and take office with a commitment to change the prevailing norms. When in power, they must set an example and work to change personal and institutional behavior, including in the legislative and judicial branches of government. Without this kind of courage, dedication and action at the top, the prevailing climate of corruption is unlikely to change any time soon."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

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