

Global Compact Policy Dialogue Recommendations on Transparency

1. A heavy concentration of conflicts occurs in the poorest regions of the world. There is now a growing recognition that strategies must be put in place to address the conflicts themselves, and to pre-empt the factors that contribute to them.
2. In many countries embroiled in conflicts there is a fundamental problem of failed governance. Conflicts (both civil wars and between neighboring countries) are oftentimes motivated and sustained by the economic self-interest of belligerents, who find conflict a viable means of accessing wealth.
3. Where institutional and associated governance structures are weak, leaders can easily remain in power through patronage, oftentimes of the military, while they wage war on their real or imagined enemies. Such strategies require funds – money to buy arms and to bribe allies to secure loyalty. Consistent with these developments, all surveys on international corruption rank the arms industry as being one of the major sources of international bribery.
4. Foreign investors with activities in countries with conflicts are sometimes seen to be associated with their leaders and the provision of the funding that support their administrations. Moreover, most of the multi-year payments made directly to governments by foreign companies take place in extractive industries. Revenues from such investments make their way to governments in the form of taxes, fees and other payments. If such revenues were effectively and transparently managed, they could contribute significantly to successful growth and poverty reduction. However, all too often, the state and other institutions managing these resources are unaccountable to the ordinary citizens and the payments become vehicles for embezzlement, fraud, corruption and funding of conflicts. As a result, such countries tend to perform poorly in terms of economic development and governance indicators.
5. It is widely agreed that conflict pressures in some countries and regions would be significantly reduced if economic growth and development were present, and that just and honest government is a pre-requisite. As this involves a complex set of corrective actions, it is now generally accepted that a partner-based approach needs to be pursued to generate a positive synergy between business, civil society and governments. Within this context, we would like to put forward suggestions on how each major party could take actions along the following lines:

Civil Society: → Building Constituency for Accountability

- Build NGOs, associations, or similar institutions or networks that are transparent to enhance role and legitimacy of civil society and level the playing field vis-

à-vis governments and the private sector, and foster credible and effective multi-stakeholder partnerships.

- Promote the involvement of such organizations in active participation in the debate to find ways to implement the role of corporations and governments as a driving force for transparency in host countries.
- Monitor government-business dealings to ensure that the agreed-upon transparency is a reality (e.g. develop integrity pacts, public procurement monitoring, awareness-raising efforts).
- Support public sector reforms aimed at increased transparency and accountability (e.g. monitoring of Congressional proceedings, privatizations, ratification and implementation of International Conventions).

Governments: → Strengthening Transparency and Responsiveness

- Agree to build greater transparency in all dealings with business, including approval and implementation of International Conventions against Corruption, use of legal recourses available under such agreements, and development of transparency policies.
- Reduce discretionary powers wherever possible, particularly in procurement arrangements, issuance of permits/licenses, avoidance of monopolies, and develop independent oversight bodies to enhance scrutiny of public institutions.
- Build checks and balances to ensure independent and effective judiciary, and associated accountability arrangements through independent treasury, audit and procurement functions and processes.
- Require bilateral agencies, such as export-import credit, aid and insurance agencies, to require transparency criteria for beneficiaries of their financial and development support.
- Enable relevant regulatory agencies, if necessary through appropriate legislation, to require local and international companies to disclose taxes, royalties and other payments or transactions made in host countries.
- Extend agreed international standards of supervision, transparency and assistance to investigations to all financial centers, particularly with reference to handling illicit wealth.

Multilateral Institutions: → Funding & Underpinning Reforms for Transparency

- Use of good offices to encourage host governments to move towards greater transparency in their foreign and local transactions, and facilitate dialogue between governments, civil society, and local and international private sector entities.
- Develop and strengthen international financial institutions' own transparency policies and lending practices.
- Work with transnational corporations and NGOs on mechanisms to enhance corporate transparency, and encourage enterprises being financed with multilateral funding to adopt transparency measures (codes of conduct, internal control arrangements, etc.).
- Strengthen criteria for access to multilateral development funding based on adherence to transparency standards, and support reforms aimed at building transparent and accountable institutions in the public and private sectors by linking their assistance to efforts to enhance governance build-up, empowerment of civil societies, development of regulatory and oversight arrangements, accountability of political and finance processes, and mediating mechanisms.
- Extend the practice instituted by the World Bank to all multilateral development agencies enabling debarment of corrupt enterprises.

Business: → Supporting Transparency Drive

- Enhance transparency through public disclosure of information not subject to confidentiality clauses (financial statements, principal transactions, etc.).
- Work with host governments and stakeholders to reduce opacity in current confidential contracts to enable greater transparency and where appropriate monitoring arrangements, help lines, etc.
- Establish codes of conduct, standards, and similar arrangements with proper control arrangements.
- Work with civil society and governments to build incentives for efficient and effective anti-corruption measures in all transactions.
- Within the financial sector, extend anti-money laundering standards and similar practices to as wide a range of financial institutions as possible.

* For further information go to www.unglobalcompact.org and click on "Dialogue".