

CALL TO ACTION: ANTI-CORRUPTION AND THE GLOBAL DEVELOPMENT AGENDA

Frequently Asked Questions (FAQs)

The United Nations Global Compact and its partners is inviting companies to sign on to the **Call to Action** to Governments from the Private Sector, which urges Governments to underscore anti-corruption and good governance as fundamental pillars for a sustainable and inclusive global economy. The following FAQs are intended to provide general information and a further understanding about the **Call to Action**; they do not provide specific legal guidance. If you require further analysis or explanation, you should seek competent legal advice from a licensed professional attorney in your jurisdiction.

WHAT IS THE CALL TO ACTION?

The **Call to Action** is an appeal by the private sector to Governments, urging them to promote anti-corruption measures and to implement related policies to establish systems of good governance. All companies are invited to add their names to this statement. In signing the **Call to Action**, companies commit to pursuing transparency and fighting corruption.

The **Call to Action** will be forwarded to UN Secretary General Ban Ki-Moon to highlight the private sector's continuing efforts to work with other important stakeholders in the fight against corruption. Your company's name will also be featured as a signatory on the UN Global Compact's Website. In addition, signatories to the **Call to Action** will be acknowledged at the UN Global Compact's 10th Principle Anniversary to be held in New York on 10 December 2014.

WHY ARE THE APPEALS TO PROMOTE ANTI-CORRUPTION MEASURES AND TO IMPLEMENT RELATED POLICIES TO ESTABLISH SYSTEMS OF GOOD GOVERNANCE IMPORTANT FOR THE GLOBAL DEVELOPMENT AGENDA?

A good system of governance is a key enabling factor in maintaining a fair and supportive environment for business activity and for establishing incentives for corporate sustainability. Within the sphere of governance, corruption is one of the greatest obstacles to economic and social development around the world. Corruption has considerable and costly impacts on the private sector, including on both companies and people. It raises transaction costs, undermines fair competition, distorts development priorities, impedes long-term foreign and domestic investment, and has a corrosive effect on social solidarity. Worldwide consultations between the UN Global Compact and its partners, businesses, civil society and the general pub-



lic have revealed a strong desire for Governments to upgrade governance systems as a goal in the post-2015 development agenda to follow the Millennium Development Goals.

WHAT CAN COMPANIES DO TO BRING THESE APPEALS RELATED TO ANTI-CORRUPTION AND GOVERNANCE INTO THE GLOBAL DEVELOPMENT AGENDA?

By signing the **Call to Action**, your company is taking part in a collective action initiative to publicly support the pursuit of transparency in international legal frameworks. This makes clear that the appeals related to anti-corruption and governance are important to your company and should be included as relevant areas as UN Member States agree upon the post-2015 development agenda.

Moreover, your company's participation in this initiative promotes your efforts to integrate the UN Global Compact 10th Principle against Corruption into your strategies and operations. Integration of the 10th Principle not only brings about change in your organization but also inspires your industry peers to make an effort to do the same. It is important that UN Global Compact participants share progress on implementing the 10th Principle through corporate sustainability reporting to inform stakeholders, shareholders and peers of the commitments and concrete efforts to promote anti-corruption compliance, including the public commitment made to the **Call to Action**.

WHAT POLICIES AND MEASURES DOES THE CALL TO ACTION CONTEMPLATE THAT GOVERNMENTS CONSIDER WHEN DECIDING TO TAKE SPECIFIC ACTION?

The **Call to Action** sets forth five specific appeals to Governments related to promoting anti-corruption measures and to implementing related policies to establish systems of good governance. The **Call to Action** does not seek to dictate how Governments take action, acknowledging that Governments must comply with varying laws, regulations and policies. However, each appeal is based on ideas collected through collaboration between the Global Compact, companies and the general public for Governments to consider. The intent behind each appeal is set forth below:

1. *"Fully implement and enforce the tenets of the UN Convention against Corruption by strengthening anticorruption policies, laws and enforcement mechanisms to create a level playing field and incentivize good behaviour;"*
 - The intent of the first appeal is to obtain commitments from Governments to fully implement and enforce the United Nations Convention against Corruption (UNCAC).
 - The UNCAC is the only legally binding universal anti-corruption instrument. The Convention's far-reaching approach and the mandatory character of many of its provisions make it a unique tool for developing a comprehensive response to a global problem. The UNCAC covers five main areas: (1) prevention, (2) criminalization and law enforcement measures, (3) international cooperation, (4) asset recovery, and (5) technical assistance and information exchange. The UNCAC covers many different forms of corruption, such as trading in influence, abuse of power, and various acts of corruption in the private sector. The rapidly growing number of States that have become parties to the Convention is further proof of its universal nature and reach.
 - By fully implementing and enforcing the UNCAC, Governments will contribute greatly to eliminating corruption and creating a level-playing field.
2. *"Make a commitment to reduce corruption risks from procurement and contract processes of large-scale projects that are designed to support sustainable development;"*
 - The intent of the second appeal is to obtain commitments from Governments to reduce corruption risks in the procurement and contracting processes of sustainability-oriented projects.
 - Given the high proportion of national budgets typically allocated to procurement of goods and services, it is important that public procurement and contract processes be monitored for corruption risks. According to the World Bank, corruption adds up to 10 per cent to the total cost of doing business globally, and up to 25 per cent to the cost of procurement contracts in

developing countries. In order for sustainable development goals to be met, it is essential for public procurement processes to be transparent and fair. Corrupt public procurement diverts funds away from the attention of social needs, and contributes to increasing poverty and inequality. Furthermore, it undermines innovation by encouraging competition in bribery rather than in quality or price.

- By committing to reduce corruption risks in these procurement processes, governments will increase the positive impact of these projects on poverty elimination and sustainable development.
3. *“Commit to engaging in competitive and transparent procurement processes through public advertising of all government procurement cases;”*
- The intent of the third appeal is to obtain commitments from Governments to enhance efforts to publicly advertise Government procurements in clear and practical ways.
 - Government procurement of goods and services accounts for a significant percentage of gross domestic product (GDP) and directly affects national economies. Therefore, greater public understanding of Government revenues and expenditures over time will not only help public debate, but also will inform the choice of appropriate and realistic options for sustainable development. The **Call to Action** recognizes that certain laws and regulations may preclude a Government from disclosing information related to certain procurements, such as those related to national security. However, policies and processes that minimize impediments to disclosure and maximize transparency of Government procurement processes reduce corruption risks.
 - By committing to publish public procurement cases, Governments will increase the transparency and competitiveness of the procurement process, enhancing public debate and providing options for sustainable development.

4. *“Achieve greater transparency in relation to revenues received by governments from private sector companies;”*

- When securing and subsequently operating under state contracts, licences or other permissions, private sector companies make a variety of payments to Governments¹. To combat corruption, it is in the interest of Governments, the private sector and civil society that such payments are transparent and subject to public scrutiny. Promoting openness in Government finances also supports the goals of economic growth and social development.
- The intent of the fourth appeal is to achieve greater transparency by calling on Governments to:
 - a. **Support and promote existing and new private sector disclosure initiatives** by working with industry groups involved in existing initiatives as well as in the development of new initiatives, to disclose relevant payments and to cooperate with the groups’ established frameworks for disclosure.²
 - b. **Maximize the disclosure of relevant payment information under their control** in a manner consistent with national laws, competition principles and existing commercial agreements.³
 - c. **Identify, review and work towards the removal of, legal, regulatory or policy barriers to the disclosure of relevant payments.**
- By committing to support the disclosure of payments by the private sector, governments will engender greater trust and transparency in government spending, which will reduce corruption and increase economic and social development.

1. Such payments to Governments can include fees (such as licensing, rental, and entry fees), taxes (such as those levied on income, production, or profits), royalties, production entitlements, bonuses (such as signature, discovery, and production bonuses), dividends and payments for infrastructure improvements.

5. *“Support corporate efforts to enhance anti-corruption implementation, corporate governance, innovative collective action, and public-private partnership initiatives.”*

- The intent of the fifth appeal is to obtain commitments from governments to enhance or enact policies to support and recognize anti-corruption compliance efforts by companies, including efforts by companies to publicly report on compliance initiatives. The appeal also asks Governments to support “collective action,” which are initiatives created and promulgated through the cooperation of various stakeholders aimed at countering corruption. An alliance of like-minded organizations can approach and resolve the problem of corruption from multiple angles, increasing the impact of individual action.
- Over the past five years, many organizations have developed tools and resources to advance public reporting on anti-corruption compliance, including: Transparency International (TI), the World Economic Forum’s Partnering Against Corruption Initiative (PACI), the International Chamber of Commerce (ICC), the Global Reporting Initiative (GRI), International Business Leaders Forum (IBLF), Center for International Private Enterprises (CIPE) and the UN Global Compact.
- Through national policies and supportive government statements, Governments can provide incentives for corporations to publicly disclose their anti-corruption efforts through sustainability reporting using these and other public reporting mechanisms.⁴
- Governments can also promote anti-corruption corporate action in such ways as considering anti-corruption efforts as factors in procurement decisions or criteria, or as mitigating factors in enforcement actions against companies. In addition, Governments can implement legislation to recognize preventative measures embraced by companies, such as allowing as an affirmative defence proof of an effective compliance and ethics program.

- By committing to support and recognize corporate efforts related to anti-corruption compliance, including publicly reporting on such efforts, Governments will encourage companies to continue to enhance their anti-corruption compliance programs and to share ideas for battling corruption.

2. The Extractive Industries Transparency Initiative (EITI) is one such existing initiative. In promoting that initiative, countries volunteer to implement the EITI Standard to ensure full disclosure of taxes and other payments made by oil, gas and mining companies to Governments. These payments are disclosed by both the Government and companies in an annual EITI Report. As of June 2014, 27 countries comply with the EITI Standard and 17 other countries are candidates who have committed to comply with EITI in the near term. In addition, certain Governments have taken actions that support or complement EITI, such as:

* the U.S. Dodd-Frank Act currently indicates that publicly traded extractive industry companies will be required to disclose payments made to Governments, subject to the Securities and Exchange Commission reissuing rules to effect this requirement;

* EU member states are in the process of enacting legislation to implement the European Parliament’s Accounting Directive from June 2013 requiring large extractive and logging companies to report the payments they make to Governments; and

* the Norwegian Parliament passed legislation effective January 1, 2014 requiring Norwegian companies in the extractive and forestry industries to report their tax payments and additional contextual information.

3. Without breaching contracts, or violating confidentiality obligations leading to the disclosure or exchange of competitively sensitive information, reducing the competitiveness of procurement processes, or causing commercial harm to private sector entities involved.

4. Some Governments have taken actions that promote reporting on corporate social responsibility initiatives. For instance, on 15 April 15 2014, the European Parliament adopted a directive on the disclosure of non-financial and diversity information to increase EU companies’ transparency and performance on environmental and social matters and, therefore, to contribute effectively to long-term economic growth and employment. Companies concerned will be required to disclose in their management reports information on policies, outcomes and risks, and relevant non-financial key performance indicators concerning environmental aspects, social and employee-related matters, respect for human rights, anti-corruption and bribery issues, and diversity on the boards of directors.