

The Rt. Hon. Stephen Harper
Prime Minister
Canada

H.E Mr. Lee Myung-bak
President
Republic of Korea

24 February 2010

Your Excellencies,

It is widely accepted that a lack of integrity and accountability by relevant actors in the financial industry, coupled with insufficient coordinated government oversight, contributed significantly to the current economic crisis that has increased poverty worldwide, triggered a devastating rise in global unemployment and placed national economies at risk. As Co-Chairs of the Group of 20 (G20) you have reaffirmed your commitment to integrity, transparency and accountability to restore public trust in financial institutions.

Transparency International (TI) welcomes the G20's publication of its *Progress Report on the Economic and Financial Actions of the London, Washington and Pittsburgh G20 Summit*, a first step towards greater accountability. Having analysed the report, TI respectfully submits recommendations, attached herewith, for the G20 action points relevant to enhanced transparency and accountability. Overall, we believe that integration of anti-corruption and governance considerations in the G20 action points will help ensure the sustainability and effectiveness of reform measures. The following is a summary of the detailed attached recommendations.

- 1) **Economic stimulus and corporate rescue spending should be transparent and accountable.** Regular reports on the rationale for decisions, disbursement and use of funds are needed for all national stimulus and rescue programmes. This is particularly important as infrastructure projects, which are frequent recipients of these funds, are especially exposed to corruption risks. Identifying corruption risks inherent in different disbursement packages from the outset, introducing relevant transparency measures in the development of programmes and projects along with tracking the money from the point when decisions are made through disbursement period(s) and ending with project(s) completion, are therefore indispensable measures to ensure both efficiency and credibility.
- 2) **Corporate beneficiaries of government rescue packages, economic stimulus funds or multilateral lending facilities should publicly report on the use of received funds and implement anti-corruption programmes.** Such anti-corruption programmes and reporting should follow, for example, the recently published *UN Global Compact – Transparency International Reporting Guidance* on the UNGC's 10th principle on anti-corruption.

- 3) **The work and structures of the institutions tasked with corrective measures should be fully transparent.** Various institutions have been tasked by the G20 to correct the lack of integrity, accountability and transparency identified by the Group as a root cause of the crisis, yet the work of these institutions requires transparency. The distribution of tasks between the Financial Stability Board (FSB), the IMF, the World Bank, the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO) should be clearly communicated to the public to ensure public confidence and good governance. At a cross-border level, this should apply to risk management of the overall financial system for the setting of international standards or the Early Warning Exercises. At country level, this should apply to Financial Sector Assessments and Reports on the Observance of Standards, and at a corporate level there is also a need for transparency on the formation and oversight of the supervisory colleges of large and complex financial institutions. All policy or improvement recommendations should be made public at those three levels in order to enable civil society review.
- 4) **Action should be taken to prevent illicit financial flows and to address non-cooperative financial centres.** The OECD Global Forum, the Financial Action Task Force (FATF) and the FSB should coordinate their evaluations and exchange information in order to define an exhaustive, consistent list of non-cooperative tax, judicial and regulatory havens and implement sanctions. G20 governments should work towards worldwide implementation of mandatory national registers of trusts, foundations, and Anstalt (a financial entity specific to Liechtenstein) along with their operators, trustees and beneficial owners. Such a register should be shared with the tax, customs and judicial authorities of other countries for the purpose of investigations. The G20 governments should require filing of bank accounts in their own jurisdictions for all such entities and share this register for domestic and cross-border judicial, customs and tax investigations. G20 governments should start up a multilateral tax cooperation initiative, as the poorest countries do not have the administrative capacities to negotiate bilateral treaties with all the tax havens. Various initiatives such as the Stolen Asset Recovery programme should now lead to significant concrete results with coordinated action to prevent cross-border illicit financial flows. Lastly, all G20 governments should declare tax evasion a criminal offence.
- 5) **Improved regulation on financial risks, as promised in late 2008, should be implemented in a transparent and accountable manner.** At the global level, setters of international accounting standards should put in place a single and understandable set of standards for asset valuation in financial services firms. On the major capital markets, monitoring should be strengthened for the transactions of institutions which pose systemic risk by their leverage or by their size. At the corporate level, banks should report to the public, at least annually, on their efforts to strengthen risk management. The FSB should publish an annual, comprehensive report on improvements needed for enhanced transparency and disclosure in banking, securities and insurance regulations for the G20 countries.
- 6) **Financing of “green stimulus components” must be transparent.** Green technologies are being publicly encouraged and financially supported by several G20 governments as a result of growing concerns around climate change. Technology selection, actual distribution of financial incentives and verification of impact should remain free of corruption, state capture and conflicts of interest.

- 7) **Governments receiving support from the International Monetary Fund (IMF), Multilateral Development Banks and export credit agencies should have embraced the United Nations Convention against Corruption (UNCAC) and be committed to its successful implementation.** Progress in this area includes promoting active civil society participation in the Convention's monitoring, as well as on-site country review visits and publication of respective reports. Technical support should be provided to beneficiary governments -as needed- by the international community and more specifically by G20 countries.

Detailed and regular public reporting is vital to restore integrity and public confidence and support G20 actions to reshape the global financial architecture.

We appreciate your consideration of our recommendations and look forward to the G20's leadership in setting an example of accountability.

Yours sincerely,



Huguette Labelle
Chair
Transparency International



Geo Sung-Kim
Member of the International Board
Chairperson of TI Korea