



# TRANSPARENCY INTERNATIONAL | USA

April 3, 2006

Mr. Faryar Shirzad  
Deputy Assistant to the President for International Economic Affairs  
Deputy National Security Advisor  
National Security Council  
The White House  
Washington, DC 20504

Dear Faryar:

We are pleased to provide the following background information and recommendations in advance of our meeting on April 7th and look forward to discussing them with you.

We welcome the Administration's leadership in making the fight against corruption a priority foreign policy objective. The purpose of our meeting is to explore how the Administration might take advantage of events in the next few months to make progress on this commitment. The following are some initial ideas for our discussion.

I. A critical component of the anticorruption agenda has been to secure rigorous enforcement of the *OECD Convention on Bribery of Foreign Public Officials*, especially in countries whose companies are significant global players. This will help level the playing field for US companies and promote good governance in the developing world, where foreign bribery undermines reform programs.

Since the convention's entry into force in 1999, enforcement has been slow to get underway. In several countries there has been no enforcement action, and in many others there are only a few investigations or prosecutions. In view of this record, we would propose the following:

- An effective monitoring process is critical. However, while monitoring is mandated by the Convention, we expect attempts to weaken it, particularly by cutting the budget. It is essential that funding for this program be continued at the current level (or higher) after the present funding commitment expires next year. Since the budget decision will be made this year, we urge a strong USG effort to secure agreement at the May 24-26, 2006, OECD Ministerial to continue funding after 2007 at the current or a higher level.
- Selective high-level USG pressure is needed to promote action in those countries with little to no enforcement, particularly Japan and the UK.
- There is danger of backsliding in countries, such as Germany, and concern in others, such as France, about competitive disadvantage due to disparate levels of enforcement. Raising this issue at the G-8 would increase pressure for action by the governments and enhance their credibility in pressing for good governance in the developing world.

- High level US participation at the OECD Ministerial and in the Working Group on Bribery is essential.
- The USG is leading an effort to mobilize OECD export credit agencies to make bribery a greater factor but is meeting resistance from other OECD members. Political support is needed.

II. The UN Convention Against Corruption (UNCAC) entered into force in December 2005 and has been ratified by over 40 countries, including China and Russia. The Administration transmitted the UNCAC to the Hill for ratification.

The UNCAC has the unique potential for creating a worldwide framework for combating corruption, but its potential will not be realized unless there is an effective monitoring process. Key decisions on monitoring will be made at the December 2006 Conference of State Parties.

- The US should promptly ratify the UNCAC so that the US can play an influential role in the debate on monitoring. TI-USA is working with the NFTC, USCIB, ABA and other organizations which support US ratification. It will take the Administration's strong support to secure Hill action before the parties to the UNCAC meet later this year.
- Attached is a study which TI prepared on how to create an effective monitoring process. Among its conclusions are that the UN Office of Drugs & Crime can be relied upon to do an effective job and that funding should come from the regular UN budget and not from wealthier countries. We will be pleased to discuss these and other elements in further detail.

III. The Administration recognized in Monterrey the importance to sustainable development of a commitment to fight corruption. The multilateral banks play an important role and the new leaders, particularly at the World Bank, have given all the right signals. However, there is much to be done to translate a 'zero tolerance for corruption' policy into an operational program. Moreover, all the multilateral banks are not yet working fully together. Among our recommendations are the following:

- The USG should press all the multilateral banks to have strong, effective and harmonized anticorruption policies and enforcement mechanisms. A comprehensive approach is required, addressing lending operations, procurement, budget policy support, staff incentives and other important factors. Lessons learned should be drawn from cases investigated.
- The USG should support the Bank's cutting off lending to countries where there is endemic corruption or where the borrower will not agree to sufficient accountability mechanisms.
- Treasury should consult more broadly with outside stakeholders and build more support among other Bank shareholders.

- The USG should support the World Bank's creation of a working group comprised of internal and external stakeholders to advise, promote and monitor progress on reform.

IV. This year's G-8 will provide an important opportunity to assess progress on prior commitments on the issues raised above. In particular, the pressure to increase development assistance, agreed at past G-8 summits, must be accompanied by strong accountability and anti-corruption mechanisms if it is to be effective. The Administration recognized this in designing the Millennium Challenge Account.

- The G-8 should take specific steps to institutionalize accountability mechanisms into all development assistance initiatives and consider setting aside an explicit percentage of assistance for this purpose.
- The Administration's continued attention to the harm caused by the recent crackdown on NGO's is as vital as ever. We urge President Bush to raise the issue with President Putin at the G-8. The recent legislation has caused great hardship to Transparency International-Russia and to other NGO's, which are now struggling to operate effectively and safely. Such civil society organizations are vital to the future of democracy, not only in Russia but in neighboring and other countries which are considering similar legislation.

We hope these initial thoughts will provide the basis for a productive discussion and appreciate your taking time to meet with us.

Sincerely,

*Nancy*

Nancy Boswell  
President & CEO