



COMPACT TO PROMOTE TRANSPARENCY AND COMBAT CORRUPTION:

A NEW PARTNERSHIP BETWEEN THE G8 AND NICARAGUA

Nicaragua and the members of the G8 announce today their intention to cooperate in a “Compact to Promote Transparency and Combat Corruption.” Nicaragua and the G8 share the view that corruption is a threat to democratic institutions, economic development and to the integrity of the international system of trade and investment. Nicaragua and the members of the G8 recognize that promoting transparency and integrity and fighting corruption require commitment and action on all sides. Outlined below are the intentions and policy commitments of the G8 and Nicaragua as they pursue cooperation through the Compact in a spirit of partnership and mutual respect.

STATEMENT OF THE GOVERNMENT OF NICARAGUA

The Government of Nicaragua is strongly committed to fighting corruption. Accordingly, transparency, as a key element of justice and economic growth, is a major pillar of development. For years Nicaragua has been afflicted by corruption; this has eroded its credibility and drastically reduced its capacity to govern under the basic principle of accountability. The lack of a legal framework supporting a transparent government structure did not allow Nicaragua a proper transition into the third millennium. The Bolaños Administration has firmly decided to take a strong hand in this matter, righting wrongs and fulfilling its promise to its citizens to eradicate poverty. As part of its objectives, this Administration has developed a set of standards and procedures aimed at transforming the culture of public service. This transformation seeks to improve government’s managerial capacity, so that the Government of Nicaragua can achieve good governance and transparency at all levels of its operations.

ACTIONS TO FIGHT CORRUPTION AND PROMOTE ACCOUNTABILITY

Among Nicaragua’s accomplishments are the country’s adherence to the United Nations Convention against Transnational Organized Crime, the Inter- American Anti-Corruption Convention, and the recently signed United Nations Anti-Corruption Convention. This Administration has proved it will not tolerate any form of corruption, and President Bolaños has emphatically stated that “no one is above the law.”

As a result of the Bolaños Administration’s efforts, the international community is actively supporting all initiatives aimed at consolidating the country’s financial

management reform program. The development and implementation of an Integrated Financial Management System, known as SIGFA, provides the necessary accountability and transparency for central government budgetary operations.

Significant progress has been achieved in public procurement, as evidenced by the first phase of *e-disclosure* contained in the web page (consultaciudadana.mhcp.gob.ni). This website provides up-to-date information on annual procurement plans and government solicitations that are underway. Training and related modernization of government procurement units have also effectively contributed to transparency and efficiency in government expenditures.

Nicaragua's General Treasury is being transformed into a modern and automated institution capable of exercising effective control of all revenues and efficient disbursement of budgetary allocations. The Treasury is now using Secure Telephone Transfer of Funds (TTF) with private banks and is in the process of migrating to Electronic Transfers of Funds (EFT). It has also implemented a Standard Government Deposit Slip, which in its first stage allows citizens and banks to pay and receive tax revenues from customs duties and fees into a Single Treasury Account known as CUT. In its second stage, this innovation will encompass income tax collection, while its final stage will cover the collection of all government revenues via a standard procedure.

Internal and external auditors with access to government operations are essential to guarantee transparency effectively. Consequently, it has been a priority to train both internal, institutional auditors and auditors from the General Comptroller's Office in the use of SIGFA. The auditors are currently accessing SIGFA "on line," which reduces the time of ex-post audits, thereby increasing effective control of resource management. Congress (the Nicaraguan National Assembly) also has access to SIGFA and may easily consult data needed for budgetary approval and/or follow-up.

The key to accountability and transparency, however, lies in complete access to government information. A well-informed citizenry is indispensable to reducing corruption. The Ministry of Finance's web page currently provides updated budgetary data and information on projects funded by external resources. Many other government institutions now have web pages that disclose internal procedures, details of services provided and pertinent legal frameworks.

FUTURE PLANS

Though achievements so far have been exemplary, they are far from enough. Budgetary information must be made accessible to the user, so that it can be easily interpreted by all citizens, thus improving public confidence. Procurement must advance to the next stage, which will allow suppliers to bid openly and "on line," thus increasing transparency and efficiencies in contract bidding and contract payment. Laws must be reformed, and those that do not yet exist must be developed and enacted by Congress, so that an appropriate legal framework supports all government financial management activities. Structural reforms must be analyzed and proposed, so that government can be downsized to a more

efficient body of capable, well-trained public servants, through implementation of the Civil Service Law that has already been approved.

Additionally, an e-government strategy is being developed to provide citizens with “on line” services, thus eliminating expensive and lengthy procedures. Bringing citizens closer to the government and vice versa are part of the decentralization effort that has been articulated in Nicaragua’s National Development Plan.

As a statement of the Government of Nicaragua’s political will and its responsible, coherent determination to fight corruption, the Bolaños Administration has promoted legislative initiatives directed at preventing and stemming corruption:

Law of Partial Reform to the Criminal Code: This law, passed in June 2002, makes the following crimes for public servants for the first time: fraud, embezzlement, illegal enrichment, influence peddling and acceptance of bribes from abroad.

Public Debt General Law: This law regulates the process of public indebtedness, so that the financial needs of the government and its payment obligations can be met at the lowest possible cost. Passed in December 2003, the law is now in effect.

The following initiatives continue this process and constitute priority legislative agenda items for the Government of Nicaragua in 2004:

Public Service Ethics Law: This would govern the ethics of public employees during their term in office. The law would require that civil servants declare their assets before assuming office. The bill is currently in draft stage and stands a good chance of passage.

Judicial Career Law: This bill would ensure a merit-based, competitive, transparent process for selecting judicial officials, as well as provide for disciplinary sanctions. Because of its relation to national politics, this proposed law is controversial, and several drafts currently exist. It has a moderate chance of passage.

Reforms to the State’s Contracting Law: The government is in consultation with civil society on the changes needed to this law to make government procurement more cost-efficient and transparent. It is still in pre-draft form, but should stand a good chance of passage.

Fiscal Responsibility Law: It seeks to limit public debt to levels that are prudent and compatible with tax revenues and public assets; adopt a stable and predictable tax policy; establish a multi-year budgetary planning framework; adopt international public sector accounting standards; and create a fiscal stabilization fund. Now in draft stages, the law has a good chance of passage.

Public Sector Financial Management Law: This initiative aims to establish standards to regulate and coordinate the financial management system. Now in draft stages, it stands a good chance of passage.

Access to Information Law: This law would promote transparency through citizen access to public information. The Government of Nicaragua is now consulting with civil society on this draft law, which stands a good chance of passage.

In view of the above and the need to streamline procedures, provide continuity and consistency to existing efforts, and improve public sector management:

- The Government of Nicaragua welcomes the G8's Evian Summit initiative to support with bilateral technical assistance those countries committed to a partnership to increase transparency, good governance and the rule of law.
- The Government of Nicaragua requests inclusion in this G8 initiative, as it has repeatedly demonstrated its commitment to fight corruption, increase transparency and promote good governance.

While much is yet to be done, it is only through the will of the people that goals such as ours can be achieved. The Bolaños Administration is committed to fulfilling its promise to the people of Nicaragua to make transparency, accountability and integrity requirements of its daily activities. The support of the international community spurs us on in that resolve.

STATEMENT OF THE G8 GOVERNMENTS

GENERAL STATEMENT OF POLICY COMMITMENTS

For their part, G8 countries committed at Evian and Sea Island to act together to fight corruption and increase transparency. At Sea Island, the G8 agreed to pursue specific actions to follow up their Evian commitments. As set forth in more detail in their Declarations in Evian and Sea Island, the G8 intend to:

- Become parties to the UN Convention Against Corruption and call for rapid signature and completion of all necessary steps to ratify and implement the Convention, and

support the convening in Vienna of a multilateral “Friends of the Convention” process for promoting active and effective implementation.

- Translate the words of the UN Convention into effective actions and assist third countries, particularly developing countries, in accomplishing the objectives of the Convention.
- Implement a new G8 partnership to detect, recover and return illicitly acquired proceeds of corruption.
- Put in place new methods to coordinate G8 asset recovery actions, including by:
 - Establishing G8 accelerated response teams
 - Enhancing G8 asset recovery case coordination; and
 - Holding G8 asset recovery workshops.
 - Adopting rules and measures or creating best practices to track and recover assets in corruption cases.
- Seek in accordance with national laws to deny safe haven to public officials guilty of corruption, by denying them entry, when appropriate, and by using extradition and mutual legal assistance laws and mechanisms more effectively.
- Work with the international financial institutions (IFIs) and UN agencies to encourage anti-corruption and transparency actions by developing countries. The G8 intend to:
 - Encourage countries to meet the high disclosure and transparency standards set by the IFIs.
 - Support World Bank and related programs to help developing countries achieve accountability in public finance and expenditure and procurement.
 - Seek agreement to disclose country assistance strategies, performance evaluations and reports on country budget procedures from the World Bank, International Monetary Fund and regional development banks.
 - Invite developing countries to prepare anti-corruption action plans to implement their commitments in regional and international conventions.
- Adhere rigorously to an updated peer review schedule for the OECD Anti-Bribery Convention and honor our pledges to serve as lead examiners to monitor our enforcement of anti-bribery laws. Send prosecutors and other law enforcement officials to participate in peer reviews.

- Encourage efforts of our private sectors to develop and implement corporate compliance programs to promote adherence to laws that criminalize the bribery of foreign public officials.
- Implement the Financial Action Task Force (FATF) revised 40 recommendations and promote implementation of the UN Transnational Organized Crime Convention (TOC).
- Work towards including in G8 regional and bilateral trade agreements provisions requiring transparency in government procurement and the awarding of concessions, as well as provisions on trade facilitation.

PROPOSED ACTIONS TO LAUNCH A NICARAGUA TRANSPARENCY COMPACT

A number of G8 countries are prepared to work to find ways to support the efforts of Nicaragua to enhance transparency, use public resources wisely and fight corruption. Participating G8 countries intend to join in a voluntary and cooperative partnership with Nicaragua to help improve transparency in the specific areas identified as national priorities by the Government of Nicaragua. The future work plan for the transparency compact is expected to focus on efforts to promote transparency and prevent corruption in the following areas:

- Public budgets and financial management, including revenues and expenditures;
- Government procurement; and
- Letting of public concessions.

These are the key channels for public resource management and use.

Participating G8 countries intend to work in consultation with the Government of Nicaragua to consider, within their budgetary possibilities, country-specific technical assistance, political support and policy guidance in areas where Nicaragua identifies a need for capacity building to enhance transparency. G8 partners may help to support efforts by the Nicaraguan authorities to make information available to the public, to develop appropriate rules and regulations and to build support for pro-transparency reform among domestic constituencies. Assistance from participating G8 partners may include stepped-up coordination with the international financial institutions to ensure that new assistance complements existing and future transparency work with Nicaragua in those institutions.

NEXT STEPS

Representatives of the Government of Nicaragua and of participating G8 countries intend to meet soon to carry the compact forward to the next operational stage. The partner countries intend to work together to develop a technical plan of action. The technical

plan would be based upon Nicaragua's stated priorities to build on its current efforts and actions in the realm of transparency and public financial management and accountability.

Participating G8 countries and the Government of Nicaragua further intend to adopt a procedure to measure and evaluate progress as the pilot compact moves forward.