



## **COMPACT TO PROMOTE TRANSPARENCY AND COMBAT CORRUPTION:**

### **A NEW PARTNERSHIP BETWEEN THE G8 AND PERU**

Peru and the members of the G8 announce today their intention to cooperate in a “Compact to Promote Transparency and Combat Corruption.” Peru 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. Peru 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 Peru as they pursue cooperation through the Compact in a spirit of partnership and mutual respect.

### **STATEMENT OF THE GOVERNMENT OF PERU**

The Government of Peru reaffirms its commitment to fighting corruption and improving transparency in the conviction that these are key underpinnings of democratic government, development, and poverty reduction.

Peru is a party to the United Nations Convention Against Transnational Organized Crime, and last December Peru signed the United Nations Convention Against Corruption, and initiated the process of ratification. Existing Peruvian law, and one currently in process, cover the majority of the recommendations in the conventions signed by Peru, and are a product of our implementation of the Inter-American Convention Against Corruption (1997). We will take necessary action to implement the conventions mentioned, including proposing the necessary amendments to our existing Peruvian penal law.

In a democracy, the fight against corruption requires an ongoing effort of renewal, so the Government of Peru will continue working to assume deeper commitments. Measures to strengthen the judiciary have been identified and legislation has been proposed so that anti-corruption processes are made permanent and include financial support for the courts and law enforcement. Economic resources will be increased to strengthen the anti-corruption judiciary system, providing the necessary funds from the FEDADOI (Fund for Monies Recovered From Corruption). In addition, we have recommended that the Judiciary give priority to prosecuting the most important cases of corruption.

In this same spirit, we will propose strengthening the offices of the anti-corruption prosecutors, and reforming legal codes by implementing a new and efficient penal legal

framework. We have proposed the creation of the System for the Protection of Witnesses (who denounce acts of corruption), and are strengthening the Financial Intelligence Unit (FIU) to both expand bank disclosure of accounts that corrupt individuals have in other countries and improve the relationship of the FIU with counterparts outside the country. Administrative measures to fight corruption have been developed, such as “directives” to simplify administrative processes, and those related to preventing nepotism. We have proposed legislation requiring that all individuals holding high positions reveal their Tax Statement (Declaración Jurada de Rentas y Bienes) and authorizing the disclosure of their bank accounts. New laws will support transparency, the better management of resources, and the reform of human resources policies: the Law for Public Employment (Law 28175); the Law for Civil Servants; the Law for Public Officers and “empleados de confianza” (political appointees); the Law for the System of Public Employment Remuneration; the Law for Public Employment Management; and the Law on Responsibilities and Incompatibilities.

In November 2001 the National Anti-Corruption Commission was created with the objective of proposing a national policy for preventing and fighting corruption, and promoting ethics and transparency in public management.

On May 22, 2004, a Working Group was established by the Ministry of Justice, to make proposals to promote and strengthen the fight against corruption and public ethics in the short and medium term. The Working Group is composed of distinguished persons with different professional background and interests, which will allow an interdisciplinary evaluation of the matter.

## **STRENGTHENING OUR LEGAL FRAMEWORK**

The Government of Peru considers that transparency and responsible fiscal management are crucial to reducing the opportunities for corruption. Peru has demonstrated a clear political will to promulgate new legislation that promotes transparency and public responsibility:

1. Peru boasts one of the most complete, state-of-the art legal frameworks covering public access to information. The Law for Transparency and Access to Public Information (Law 27806), issued April 22, 2003, and its implementing regulations call for the creation of Internet Sites in public entities, giving citizens access to a variety of public information, including: general descriptive data on the public entity (organization, legal frame, administrative regulations, etc.); budget information (budgets executed, investment projects, salaries, high ranking officials, and personnel benefits); procurement of goods and services (providers, quantity, and quality); and official activities performed or to be performed by high ranking officials (trips, events, etc.). Each public sector entity must update these websites every month. All central, regional, provincial, and municipal government entities have their own sites. Financial information is entered periodically.

The chief objective of the Law on Fiscal Responsibility and Transparency is to establish the framework for improved management of public finances. This law establishes the

rules governing the annual budgetary process and sets the limits for the fiscal deficit, annual expenditures, and public indebtedness. It also establishes the basic budgetary framework for regional and local governments. The law requires that the Ministry of Economy and Finance publish every year the Multi-Annual Macroeconomic Framework, covering a period of three years, which is the basis for programming and development of the budget for future years. These programming tools include projections of the principal macro-economic variables. All these measures have contributed to responsible management of public resources and the public administration over the medium term. The Ministry of Economy and Finance also publishes on a monthly basis a Bulletin on Fiscal Transparency, which includes information on public sector operations.

2. The Superior Council for State Procurement and Contracting (CONSUCODE) is the supervisory and problem-solving institution for public contracting of goods, services, labor and for leasing. Public contracting is an open process, and includes the obligation of public entities to publish and communicate their annual contracting plans.

We need to make some critical improvements in our contracting regime, such as simplifying and reducing the diversity of regulations covering the procurement of goods, services, labor and leasing; ; harmonizing administrative and contracting regulations; expanding the range of cooperation between government and suppliers; and creating a network of oversight institutions at the regional and national levels to police the system. We also need to continue monitoring to resolve violations most frequently identified by CONSUCODE in its own operations.

The Peruvian Government has adopted government electronic contracting and recently created, through a Law modifying Law 26850 on State Procurement and Contracting, the SEACE — the Electronic System of Procurement and Contracting for Peru. SEACE objectives are increasing transparency and citizen access and improving management of government purchases through the adoption of electronic methods of selection, procurement and contracting. SEACE also aims to regularize and audit government purchases and contracting; promote market competition by providing broad, equitable access to government procurement tenders; stimulate the incorporation of new suppliers into niches where competition is scarce; generate important economies of scale, standardize quality and support for post-sale services; and reduce asymmetries of size and negotiating power between large suppliers and small contracting entities.

3. The Integrated System for Public Financial Management (SIAF-SP) is used by national and regional governments (599 total) to integrate budgeting, treasury and accounting functions. This system registers revenues and executed expenditures based on a calendar of approved commitments. In the case of financial operations involving public treasury resources, the SIAF is a means of payment management.

The SIAF records payments beginning with the Record of the Payment Commitment made by the executing institution, and has developed a pilot program to incorporate the other steps in the schedule of payments: (a) Petition to Acquire or Purchase, (b) Budget

Verification, (c) Approval of Budgetary Availability, (d) Bid or Price Quoting Petition, (e) Selection of Price Quoting.

4. Our goal is to continue working to attain transparency and fair and equal treatment in granting concessions. The Ministry of Energy and Mines is devoted to promoting private investment in the mining/energy sector within a competitive legal framework, using sustainable development criteria and encouraging research and training. The National Institute of Concessions and Mining is responsible for issuing concession licenses and managing exploitation rights as speedily and cheaply as possible, guaranteeing the investor safety and transparency in all processes.

PROINVERSION is in charge of granting public works concessions in infrastructure and public services. Under the Law on Transparency and Access to Public Information, contract drafts with specifications are published on the PROINVERSION web page ([www.proinversion.gob.pe](http://www.proinversion.gob.pe)). To complete the promotion process the “White Book” is published, containing all documents issued and produced during the public bidding process. It is available to the general public.

### **PROPOSED COLLABORATION WITH THE G8**

The Government of Peru is conscious of the need to consolidate and improve transparency in public budgeting, procurement and concession-letting to achieve greater efficiency and effectiveness in managing public resources.

Peru congratulates the G-8 for its initiative on the occasion of the Sea Island Summit to focus bilateral assistance on countries that are committed to improving transparency, good governance, and the rule-of-law, and to implement joint efforts to carry out anticorruption/transparency pilot projects.

The Government of Peru intends to draft and develop a technical action program reflecting its own priorities, while consulting with the G-8 countries. The Government of Peru wishes to achieve its transparency goals, addressing the difficulties and deficiencies, which we have identified in our laws, contracting system, and development of SEACE.

Several of our priority areas of focus to expand transparency and accountability over the short/medium term, and where G8 collaboration and support would be welcome are as follows:

A. Developing regional and local government resource management capabilities, with a special emphasis on extractive industries, which would include providing technical support and training to:

--strengthen local government capacity to comply with the principles and mechanisms of public awareness, transparency and accountability provided under the Law for Transparency and Access to Public Information, with a special emphasis on contracting and concession-letting.

--ensure effective transparency in the monitoring and evaluation of environmental concerns related to the exploitation of natural resources.

--expand public awareness and participation in the public review process created by current environmental legislation, specifically with regard to environmental impact studies for proposed mining projects.

--facilitate coverage by the public broadcasting system of laws that guarantee the public's right to be informed and to demand accountability, so that local governments can report regularly on the way they are using their financial resources and authorizations for natural resource concessions, as well as their evaluations of these concessions.

--promote local and regional authorities' fulfillment of their legal obligations to provide public participation mechanisms, such as the Regional and Local Coordinating Councils (CCR and CCL). Diagnose and evaluate such fulfillment by these authorities according to the Decentralization Law.

--consider broader participation of civil society as a requirement for the transfer of functions and resources in the decentralization process, the fulfillment of the Transparency Law, and compliance with the CCR and CCL.

-- Make the highest authorities and officials of public institutions responsible for compliance with requirements for public disclosure of information and accounts.

-- Direct the Controller General of the Republic to monitor compliance with the norms on transparency and public information.

-- Support civil society initiatives to monitor public institutions, providing them access to State communication media.

B. Further developing and expanding the State Procurement and Contracting Electronic System (SEACE).

C. State institutions do not dispose of sufficient connectivity, which implies not only lack of connection but of band width and security in communications. The development of this connectivity is the critical element for the development of electronic Government.

## **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 PERU TRANSPARENCY COMPACT**

A number of G8 countries are prepared to work to find ways to support the efforts of Peru to enhance transparency, use public resources wisely and fight corruption. Participating G8 countries intend to join in a voluntary and cooperative partnership with Peru to help improve transparency in the specific areas identified as national priorities by the Government of Peru. 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 Peru to consider, within their budgetary possibilities, country-specific technical assistance, political support and policy guidance in areas where Peru identifies a need for capacity building to enhance transparency. G8 partners may help to support efforts by the Peruvian 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 Peru in those institutions.

### **NEXT STEPS**

Representatives of the Government of Peru 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 Peru'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 Peru further intend to adopt a procedure to measure and evaluate progress as the pilot compact moves forward.