

Questions for a Multi-Stakeholder Dialogue

Responsible Management in Weak Governance Zones – Looking through the Lens of the OECD Guidelines for Multinational Enterprises and other OECD Integrity Instruments

Response from Institute for Democracy in South Africa

The following questions are based on a case study of the pre-reform (1990-2001) investment environment in the Democratic Republic of Congo and on the accompanying analytical exploration of the generic issues that arise for responsible management of investments in weak governance zones. The Annex Tables provide related questions drawn from several of the OECD integrity instruments (OECD Corporate Governance Principles, the Guidelines for Managing Conflict of Interest in the Public Sector, the Convention on Combating Bribery of Foreign Public Officials and the Revised Recommendation on Combating Bribery in International Business Practices and Best Practices for Budget Transparency).

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Investor roles in weak governance host societies

1. The DRC case study suggests that investors in weak governance host countries have to be well informed about the local political situation and about each other's activities.
 - If a company were to become aware of wrongdoing by private actors or public officials should it speak out publicly about it? Do companies have a responsibility to bear witness about wrongdoing or questionable practices?

Promoting accountability is an important part of protecting and advancing the public interest. Companies have a responsibility to promote accountability; they can assume these responsibilities in partnership with civil society organisations such as the Institute for Democracy in South Africa. IDASA focuses on accountability through its Right to Know Programme, which has been extensively involved in development of legislation to promote access to information, as well as protection of whistleblowers. Also, IDASA was part of a consortium to set up the Open Democracy Advice Centre, whose mission is to promote transparent democracy, foster a culture of corporate and government accountability, and assist people in South Africa to realise their human rights. In addition, IDASA's Africa Budget Unit works on fiscal transparency and accountability in several countries. IDASA is committed to working with all other civil society actors, including companies, in promoting government and corporate accountability.

Corporate tax payments into weak governance fiscal systems

Acceptable levels of fiscal and budget transparency are reached when the product of appropriate disclosure systematically matches the product of appropriate scrutiny. The notion of transparency has long been a fundamental principle of public finance management theory. It is an obvious pre-requisite for accountability, which in turn is required to provide a check on the behaviour of decision-makers.

A broad consensus is emerging on the central importance of transparency and good governance in achieving sound public finances and budgetary practices which are pro-poor. Public sector transparency enhances accountability and may contribute to better policies and citizen's trust in

government when coupled with increased opportunities for public debate. In developing countries the international financial institutions and bilateral donors have placed an increased emphasis on the need to engage civil society in the management of public expenditures to ensure good governance.

However, the management of public finances in Africa is often characterised by poor transparency and weak accountability, manifesting in fragmented and repetitive budgeting, unpredictability of funding, unforeseen expenditures, weak accounting systems and an ineffective audit function. In many African countries ineffective parliaments and the exclusion of civil society organisations further undermines good governance.

2. Do companies that make large tax and royalty payments to weak governance fiscal systems have a responsibility to promote reform of these systems?

In a democracy, citizens have a right to know what money is being spent on, and what decisions their elected representatives make on their behalf. It is only with this knowledge that elected officials can be held accountable for their budget planning, allocations and implementation. Monitoring government budgets is also conducive to better decision-making within government. It provides a forum for purposeful and concrete engagement between the executive, the legislatures and civil society around critical choices and outcomes.

Legislatures play an important role in monitoring government budgets. Most democratic constitutions demand that parliament deliberate on and approve the annual budget. Transparency and accountability are only achieved through independent checks on the integrity of a budget. Is government doing what it says it will be doing? Parliament is an ideal space to promote openness and debate around budgets.

Civil society can make a significant contribution to the development and maintenance of a good budget system by:

- simplifying budgets and deepening the debate around budget policies and decisions;
- collating and disseminating budget information in user-friendly formats;
- providing independent critical analysis;
- bringing new information to the debate;
- providing training in budget analysis and advocacy;
- helping to build a culture of accountability;
- advocating for more access to budget decision-making;
- mobilising stakeholders, interest groups and citizens; and
- providing input into budget decisions through existing channels of access (for instance submissions to parliamentary committees)

Companies have a responsibility to ensure that their fiscal relations with host governments are transparent. They can also play a role in helping to promote budget reform. They can and should do this in partnership with the many civil society organizations that are attempting to promote public sector reform in Africa. Budget work is growing fast in Africa. For example, the Africa Budget Project's (ABP; part of the Budget Information Service, located in Cape Town, South Africa) efforts over the past four years have led to the development of a core group of African budget groups, which means that the project is now well-positioned to consolidate this regional network and draw on the unique capacities of its members to assist with nurturing further the growth of applied budget work in Africa. The Project would appreciate assistance from companies in raising awareness of the importance of these issues.