



TRANSPARENCY INTERNATIONAL CANADA INC.

NEWSLETTER

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Canada Signs on to EITI

Canada's New Government Supports an International Initiative to Improve Governance in Resource-Rich Countries

10 February 2007, Essen, Germany – The Honourable Jim Flaherty, Minister of Finance, ...announced Canada's official support for the Extractive Industries Transparency Initiative (EITI) on behalf of the Honourable Peter MacKay, Minister of Foreign Affairs and Minister of the Atlantic Canada Opportunities Agency, the Honourable Josée Verner, Minister of International Cooperation and Minister for La Francophonie and Official Languages, and the Honourable Gary Lunn, Minister of Natural Resources.

EITI is a coalition of governments, industries, investors, and international and non-governmental agencies. It supports improved governance in resource-rich countries through the full publication and verification of company payments and government revenues for oil, gas and mining industries.

Transparency International Canada Symposium and Annual General Meeting

“Transparency International’s Business Principles for Countering Bribery: How industry, its suppliers and government can work together”

Tuesday, 12 June 2007

9:00 – 14:00

Tenth AGM 14:00 – 15:00

**Gowling Henderson Lafleur
1 First Canadian Place, Suite 1600
Toronto, ON**

**See insert/attached for further information and to register, or visit: www.transparency.ca*

“Accountability, transparency, fairness – these are the principles of this international partnership, designed to increase the disclosure of resource revenues in developing countries,” Minister Flaherty said following a meeting of Group of Seven (G7) Finance Ministers and Central Bank Governors. “They are principles Canada supports, and we intend to play a leading role in ensuring that citizens, not just governments or foreign companies, share in their nation’s prosperity.”

“Over the past year, my department has consulted with Canadian business and civil society on improving corporate social and environmental practices by extractive industries abroad. Canada’s New Government has listened, and our support will promote transparency and the rule of law,” said Minister MacKay.

TI-Canada has gone green!!

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“Our goals are to reduce poverty, promote democracy and reduce the risk of conflict,” said Minister Verner. “Initiatives like EITI support these goals and at the same time help to ensure a greater degree of transparency, which allows citizens to demand greater accountability from their governments.”

By making oil, gas and mining activities more transparency by publicizing payments and revenues, EITI’s benefits will encourage improved government accountability and long-term economic sustainability

“We support the principles of EITI and the aim of increasing the transparency of payments by oil, gas and mining companies to governments in developing countries,” said Minister Lunn.

Canada’s support includes a contribution of \$750,000 to the EITI Multi-Donor Trust Fund, as well as \$100,000 in annual, ongoing funding.

Canada also indicated that it will provide technical support in areas such as corporate governance in cooperation with leading Canadian mining companies.

---*Department of Finance press release; for further information on EITI, visit:*
www.eitransparency.org

PWYP member TI-Canada welcomes Canada’s signing on to EITI

As a member of Publish What You Pay (PWYP), a coalition of over 300 NGOs worldwide which calls for the mandatory disclosure of the payments made by oil, gas and mining companies, TI-Canada welcomes the fact that Canada has announced official support for EITI., the fourth G8 country to do so. While PWYP supports EITI, it also campaigns for additional, complementary global mechanisms to promote revenue transparency in the extractive industries. For example,

New TI publication release:

Handbook: *Curbing Corruption in Public Procurement* **Experiences from Indonesia, Malaysia and Pakistan**

The Handbook for Curbing Corruption in Public Procurement is a useful new publication based on practical experiences from Asia and Transparency International. Tailored to civil society and local governments, the Handbook provides an overview of the problem of corruption in public contracting and offers suggestions and experiences on how to address this problem. The book features case studies from Indonesia, Malaysia and Pakistan. Public authorities, as well as private sector actors, such as bidders, suppliers, contractors and consultants will enjoy this hands-on guide to reducing corruption in procurement.

To download the publication, visit:

www.transparency.org/regional_pages/asia_pacific#infocus

PWYP seeks country-by-country reporting to be incorporated into relevant global and national accounting standards of the International Accounting Standards Board (IASB). In consultation with PWYP, the IASB has set up a working group to explore the issue of transparency in the extractive industries. In addition, PWYP is campaigning for changes to the disclosure rules of regulated financial markets, so that all listed extractive companies are required to publish a breakdown of payments to governments (royalties, taxes, bonuses and other transactions), on a country-by-country basis. Talisman and Newmont already provide data for every country in which they operate.

---*for more information on PWYP, visit:*
www.publishwhatyoupay.org

TI-Canada wins Agriteam bid

TI-Canada has won a bid proposal with Agriteam Canada, for the provision of services in relation to research on policies for strengthening transparency and anti-corruption of the provincial government of Henan, China. This two-year project is one of 68 sub-projects of Agriteam's Policy Options Project in China, funded by the Canadian International Development Project. The TI-Canada sub-project will allow for identifying both capacity development activities and as well as a long-term strategy for transparency and anti-corruption policy formulation, testing, capacity development and implementation.

TI-Canada welcomes new Charter Members

Teck Cominco Limited, a diversified mining, smelting and refining company, which produces zinc, metallurgical coal, copper, gold, and a number of specialty metal products, has recently joined TI-Canada as a Charter Member. **Barrick Gold Corporation**, a TI-Canada Business/Professional Member since 1998, has also recently become a Charter Member. TI-Canada welcomes these two corporations, who join other TI-Canada Charter Members, Alcan Aluminium, GE Canada, Hydro One and Nexen Inc.

---view full TI-Canada Membership at: www.transparency.ca

CBERN Receives \$2.1 mil SSHRC grant

The Canadian Business Ethics Research Network (CBERN), with TI-Canada Founding/Past Chair and President Wes Cragg as Project Director, has just won a \$2.1 million grant from the Social Sciences and Humanities Research Council. This seven-year project, of which TI-Canada is a partner, is an interactive research network that crosses academic disciplines and economic sectors. It invites active dialogue between researchers and experienced practitioners in government, business, community and voluntary sectors.

CBERN's vision is a network that weaves together the currently fragmented insights emerging from business ethics, sustainable development, corporate social responsibility, triple bottom line and corporate governance research.

---for further information, visit: www.cberrn.ca

TI weighs in on BAE/Al Yamamah Issue

In a letter to the Secretary-General of the OECD, The Honourable Angel Gurría, on 8 January 2007, TI Chair Huguette Labelle, expressed TI's concern regarding the UK's decision to terminate the investigation of foreign bribery allegations in connection with the BAE Systems/Al Yamamah project in Saudi Arabia. In a follow-up letter on 6 March 2007, Dr. Labelle commended the forthright statement Mr. Gurría and the OECD Working Group on Bribery and Corruption issued at the conclusion of the January meeting.

In the latter letter, Dr. Labelle noted that, in the view of TI, "the most serious consequence of the Al Yamamah termination is that it undermines the basic understanding underlying the OECD [Anti-bribery] Convention: the collective commitment by the major industrialized countries to stop competing on the basis of bribery. How this issue is resolved will send an important message to all the parties to the Convention, to the international business community and to civil society organizations committed to combating corruption. Stepping back from the particulars of the UK's actions to gain a broader perspective, the essential aim should be to ensure that the OECD Convention will not unravel, and that all parties will undertake effective enforcement."

"...TI believes that it is now essential for the UK Government to take actions that demonstrate an unequivocal commitment to end foreign bribery. We ask that the OECD

urge the UK to promptly undertake the following: (a) enact a new corruption law correcting the deficiencies identified by OECD, (b) bring cases [in line with the OECD Anti-bribery Convention], and (c) encourage BAE to make clear that its ongoing business practices effectively prevent foreign bribery. In our view, the 2005 Report is an outstanding example of the monitoring and follow-up called for by Article 12 of the Convention. If monitoring of such quality does not produce positive results, the usefulness of monitoring is compromised, and with it the viability of the OECD Convention.

“...The UK must proceed with prosecutions without further delays. Assurance that investigations are underway is not enough. Reinstatement of the Al Yamamah investigation would be the most positive step. We note that the UK Government has stated that investigations of alleged bribe payments by BAE in other countries are continuing. It is essential that these and other investigations move ahead as quickly as possible and that prosecutions be brought where justified by the evidence.

“...Even though BAE Systems Plc has denied any wrongdoing and stated that it has a strict anti-bribery policy, the Al Yamamah termination and the Parliamentary debates that followed leave unresolved questions about the past. Irrespective of how questions regarding past transactions may be resolved, it is essential to clear the air for future international transactions. To provide assurance to OECD governments and their companies, BAE should make a public statement making clear that it is following a strict anti-bribery policy, backed up by a rigorous compliance programme, consistent with the best practices of leading MNCs. Provision should be made for independent verification of BAE’s compliance programme. Such action would also be desirable in BAE’s corporate interest to

reassure investors and other stakeholders and to repair reputational damage.

“...TI believes that the UK’s assertion that national security interests justify the termination of the Al Yamamah investigation violates Article 5 of the [OECD] Convention....The Al Yamamah termination poses the most serious threat to the success of the OECD Convention since it was adopted in 1997. It is essential that a satisfactory resolution be developed. The credibility of the UK Government commitment to prohibit foreign bribery must be rebuilt, in order to restore the collective commitment on which the success of OECD Convention depends....”

--for full letter, visit News Room at: www.transparency.org

Transparency and Accountability Act Proclaimed

Newfoundland and Labrador first province to have such act

The *Transparency and Accountability Act*, proclaimed by the Newfoundland and Labrador Executive Council on December 15, 2006, will ensure greater openness and accountability of all government departments and public bodies. As noted by the premier of Newfoundland and Labrador, the Honourable Danny Williams, the act reflects the province’s commitment to provide the legislative framework for the conduct of fiscal policy, as well as better decision-making processes, and, most importantly, openness, transparency and strengthened accountability. The act covers strategic planning and annual reporting, financial forecasts, public entity borrowing, and performance-based contracts for senior officials. It requires public release of a wide variety of information so that it is accessible to the people of the province. This legislation applies to all government departments and public entities, with the exception of provincial courts.

---for release, visit:

www.releases.gov.nl.ca/releases/2006/exec/1215n01.htm

The Institutional Economics of Corruption and Reform

Johann Graf Lambsdorff, Cambridge University Press 2007

The author of TI's annual Corruption Perceptions Index has published a new book, intended to inspire both practitioners and academics. As noted in the book's description, "corruption has been a feature of public institutions for centuries yet only relatively recently has it been made the subject of sustained scientific analysis. Lambsdorff shows how insights from institutional economics can be used to develop a better understanding of why corruption occurs and the best policies to combat it. He argues that rather than being deterred by penalties, corrupt actors are more influenced by other factors such as the opportunism of their criminal counterparts and the danger of acquiring an unreliable reputation. This suggests a novel strategy for fighting corruption similar to the invisible hand that governs competitive markets. This strategy – the 'invisible foot' – shows that the unreliability of corrupt counterparts induces honesty and good governance even in the absence of good intentions. Combining theoretical research with state-of-the-art empirical investigations, this book will be an invaluable resource for researchers and policy-makers concerned with anti-corruption reform."---for more information, visit: www.cambridge.org/9780521872751 or www.amazon.com/dp/0521872758/

Extractive Industries CSR Report Released

On 29 March, the Advisory Group Report on the "National Roundtables on Corporate Social Responsibility (CSR) and the Canadian Extractive Industry in Developing Countries" was released. The Report is a result of four

roundtables held in Vancouver, Toronto, Calgary and Montreal, in 2006. The government-led roundtables included representatives from industry, academia, NGOs, socially responsible investors, which made up the Advisory Group, along with representatives from those communities in the developing world, which are affected by Canadian mining, oil and gas operations.

The roundtables were set up as a result of a report issued by the Standing Committee on Foreign Affairs and International Trade that called for the federal government to involve the groups noted above, in order to strengthen existing programmes and policies and, if necessary, establish new ones.

The key recommendation in the Report is a call for the development of a Canadian CSR Framework, which includes:

- Canadian CSR Standards, as well as policies and guidelines for measuring serious failure by companies to meeting these standards;
- CSR reporting obligations based on, for example, the Global Reporting Initiative;
- An independent ombudsman office to investigate, assess and make recommendations regarding particular cases;
- A tripartite Compliance Review Committee;
- A multi-stakeholder Canadian Extractive Sector Advisory Group.

While it is now up to the government to implement the recommendations of the Advisory Group, the Group recognized that the standards and reporting frameworks fall short of addressing all of the issues of concern with regard to the extractive industries. They have, thus, recommended an ongoing process to ensure these are continuously improved...---for the full Report, visit:

geo.international.gc.ca/cip-pic/library/Advisory%20Group%20Report%20-%20March%202007.pdf

