

Collective Action Coalitions the Way Forward

Outcomes of the Round Table Discussion on Governance Dimensions of the Global Financial Crisis

Peter Eigen, the Founder Chairman of Transparency International, addressing the Round Table discussions on 'Governance Dimensions of the Global Financial Crisis' facilitated by Transparency International Sri Lanka (TISL), emphasized the urgent need for collective action to prevent further escalation of the crisis and the consequential impact on the global economy, (especially the under developed economies). He went on to state that poor governance was the underlying cause leading to the crisis and stressed that business and civil society had a critical collective role to play in monitoring the implementation strategies, the governments come up with in response to the crisis.

Peter Eigen further stressed the need for a new paradigm of Collective Action Coalitions in Sri Lanka, to effectively address the potential fall out from the Global Economic/Financial Crisis. He stated that only a coalition comprising of Government, Multilateral Partners, Private Sector, Trade Unions, Academia, Media and Civil Society committed to a new paradigm of good governance can make a difference in the face of the emerging challenges. He went on to implore the need for non confrontational pragmatic partnerships that seek to collectively address the real issues and challenges, conscious of the commitments to human rights, effective macro economic management and good governance, whilst recognizing the broad negative impact of corruption on poverty, social equity and potential loss of value addition(GDP).

Transparency International (TI) had earlier declared that the global financial crisis is the result of, 'an enormous mismanagement of funds entrusted by the public to financial institutions, arising from a failure by public authorities to ensure the integrity and stability of the system and the safety and soundness of banking". TI appealed to the leaders of G- 20 nations to recognize 'What is particularly problematic is the broad economic and humanitarian impact of the crisis and urged that they ensure the poor do not suffer even more'. TI further outlined the under noted seven priority areas for action by the leaders of G20;

- 1) Regulation and supervision: Secure greater transparency and public accountability in order to restore public trust and adopt a far more consistent and internationally coordinated framework for regulation and supervision of all financial institutions.
- 2) Rescue measures: Ensure effective safeguards with transparency and accountability at the forefront, in all aspects of public management of taxpayers' funds, in support of efforts to restore the sound functioning of financial institutions and markets.
- 3) Offshore havens: Halt evasion of all tax and financial regulations and the facilitation of illicit activities through use of "offshore havens" and ensure that these centres cooperate fully with other national and international authorities on the exchange of information.
- 4) Governance: Build strong corporate governance, including board accountability, with emphasis on executive compensation, risk management and disclosure on financial products.
- 5) Conflicts of Interest: Take measures to prevent conflicts of interest in the activities of credit rating agencies, auditing firms, and in relationships between financial firms and the public sector.

- 6) Investigations and Sanctions: Pursue appropriate criminal investigations in compliance with existing laws and regulations, and impose strong sanctions where corruption, insider trading and other abuses are found.
- 7) Aid: Take urgent action to address rising global poverty resulting from the current crisis by increasing official development assistance, with particular emphasis on those in greatest needs and with the necessary accountability mechanisms.

A majority of the Round Table participants were of view that the Collective Action Coalition in Sri Lanka may in the short term address the following key governance issues, in an attempt to minimize the economic and social impact of the possible fall out from the Global Economic/Financial Crisis;

- * The need for a well planned, equitable by all impacted stakeholders and prioritized stimulus package from the government targeting the key economic sectors and protecting employment and livelihoods of sustainable value adding enterprises in these sectors

- * Seek IMF and Multilateral Agency support for continuing balance of payments and external reserve stability

- * Ensure that the exchange rate regime in place does not seriously impact the long term sustainable competitiveness of key export business

- * More effectively plan and institute risk mitigation measures to assure short term repayment capacity of foreign currency debts

- * Establish effective and alert independent monitoring systems with appropriate checks and balances and early warning risk assessment systems for monitoring of public spends/investments, fiscal/monetary and macro management outcomes

- * Enhance the capability, capacity and leadership commitment of management optimize the economy, efficiency and effectiveness of managing long term value adding public investment programmes with equity, free of corruption and waste

- * Ensure the continuing solvency and liquidity of the banking system in servicing the local and foreign currency facilities needed by Trade and Industry and consider the need for special purpose vehicles and consolidation strategies to recapitalize banks if impacted by possible increases in nonperforming loans

- * Through Integrity Pacts and committed collective action strive to move towards a governance regime that is free from waste and corruption

- * Private sector to review present business models, supply chain and logistics of operations and the continuing risks inherent in present models and seek opportunities to improve productivity and quality through shared services innovation, change management and business process re-engineering

- * Examine possible safety nets for social protection.

The overarching need for establishing a culture of enhanced public accountability, efficient regulatory compliance, effective enforcement by authorities, and speedy discharge of justice within a framework of transparency, risk management and good governance is stressed by Transparency International Sri Lanka, whilst appealing to the Government for early enactment of the Right to Information Act and the new Audit Act.