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## Opening Statement

- Your subcommittee hearing on May 6 was outstanding in highlighting that **corruption and lack of economic opportunity** are the two biggest root causes of why way too many people in Central America can see hope for a better life only by leaving home.
- Corruption and lack of economic opportunity are not two separate challenges that can be addressed on separate tracks; they are **two sides of the same coin**.
  - U.S. business cannot adequately expand economic opportunity to those who most need it in Central America without better rule-of-law, and
  - The private sector is an irreplaceable partner in getting rule of law right.
- To illustrate why and what we can do about it together, I want to show you on one slide an ambitious but very practical anti-corruption agenda that we have developed in two hemisphere-wide business associations – the Association of AmChams of Latin America, and the Americas Business Dialogue.
- We call this project **Digital Tools for Rule of Law & Economic Recovery** because it is a model for how to make more integrated progress in Central America on *both* root causes simultaneously, where they intersect.
- It has three key characteristics, which target three of the main reasons that the anticorruption gears keep slipping in Central America:
  - It is a **cross-sectoral partnership**, giving the private sector an anticorruption role that goes beyond compliance alone;
  - It goes **upstream to the source** of corruption, within key regulatory systems; and
  - It applies powerful **digital transparency tools** that the COVID era has shown us are both more possible and more urgent to accelerate than either sector had previously recognized.
- On that first point, why is **collaboration with the private sector so important** – especially when, in parts of Central America’s private sector, informality and poor compliance are good reasons for distrust?
  - First, corruption is a relationship gone bad between two sectors, so the expertise to redesign it right is **held by both those sectors**.
  - Second, one of the strongest incentives for businesses in Central America to raise their standards is so they can have a shot at being a supplier to U.S. businesses. But to harness that requires working with U.S business on systemic reforms that build the trust they need to begin looking for more local suppliers.
- That leads to the second row of the slide: much anticorruption work focuses on downstream actors within the justice system, but we also need to go **upstream more often, to the source of corruption**, reengineering incentives in the four regulatory systems where weak rule of law most undermines businesses’ ability to expand opportunity and hope to those who most need it.
- Those systems are **tax, customs, permitting, and public procurement**. Consider them twofers. The two biggest root causes intersect here:

- Take tax: if local businesses are high risks for not **paying their taxes**, U.S. businesses will avoid onboarding local suppliers. This hits hardest those who most need hope: small suppliers, especially in regions of high informality.
- Or take permitting: U.S. businesses' best-laid investment plans for underserved communities may not get to break ground if permits are unpredictable.
- **Digital transparency tools** can get these incentives right.
  - In tax, **mandatory electronic invoicing** incentivizes compliance, since the tax authority sees the VAT paid on each invoice. **To ensure inclusion**, we can help make these platforms mobile data-friendly and integrate onboarding tutorials for small suppliers.
  - In customs, much of the IT cost of single windows is already covered, thanks to the WTO Trade Facilitation Agreement. Into these platforms, we can now add **rule-of-law enhancements, like anonymous-tip buttons** for any portal user to report corruption.
- Let me close with why this **Digital Tools** agenda is so promising right now:
  - **COVID paralyzed** paper- and person-based regulatory processes, which cost Central America a lot of shovel-ready private investment. But COVID also **sped up digital adoption** by a decade in many sectors.
  - As a result, we know we **can accelerate transparency** through e-government much more quickly than previously thought. Even those not committed to transparency will recognize the reforms as at least critical to resilient growth, so **resistance should be lower than usual**.
  - The U.S. Government's commitment to addressing root causes of Central American emigration is an **opportunity to jumpstart** this upstream approach, using digital tools to improve both rule of law and economic opportunity. To get the details right requires cross-sectoral collaboration. You can count on us.

**APPENDIX A:  
DIGITAL TOOLS FOR RULE OF LAW & RECOVERY (DT4RR): A KEY POLICY RESPONSE TO  
ADDRESS ROOT CAUSES OF MIGRATION CHALLENGES IN THE WESTERN HEMISPHERE**

- [Summary of DT4RR](#)
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- [Beneficiaries](#)
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- [The 'How' – The Co-Creation Process for Implementing DT4RR](#)
- [Broader Support for This Model](#)

## Summary of DT4RR

Weak rule of law perpetuates inequality, stifles development, and suppresses investment in the Western Hemisphere, driving joblessness and emigration. Past capacity building initiatives have not met the scale of the challenge. Therefore, as our economies begin to emerge from the COVID-19 pandemic and economic crisis, government digitalization should be prioritized to help us to ‘build back better’, ensuring the transparency and resilience of regulatory processes in an environment where remote and online work will persist.

Digital tools are efficient and scalable solutions to address the root causes of corruption and to unlock inclusive and sustainable economic recovery and growth. Digital tools improve transparency and reduce opportunities for corruption, while ensuring more predictable government services and the resilience of regulatory processes given the persistence of digitalization, accelerated during the pandemic. The [World Bank](#) has noted that economies with cumbersome administrative procedures are associated with fewer legally registered firms and a smaller tax base compared to economies with more efficient regulations, providing a fiscal incentive for reform.

Implementing digital tools will also benefit workers across the Western Hemisphere, where corruption and economic pain are at the root of migration challenges. A collaborative and practical agenda is now needed to bring stakeholders together and shift cultural norms towards a new model of Rule of Law.

Walmart is specially equipped to take on a partnership role, given our long history of investment in the region. As a leader in retail in Mexico and Central America (operating 3,400+ units), and a presence in vulnerable communities across the region, Walmart is well aware of the challenges faced by policymakers, businesses, and the public with regards to rule of law.

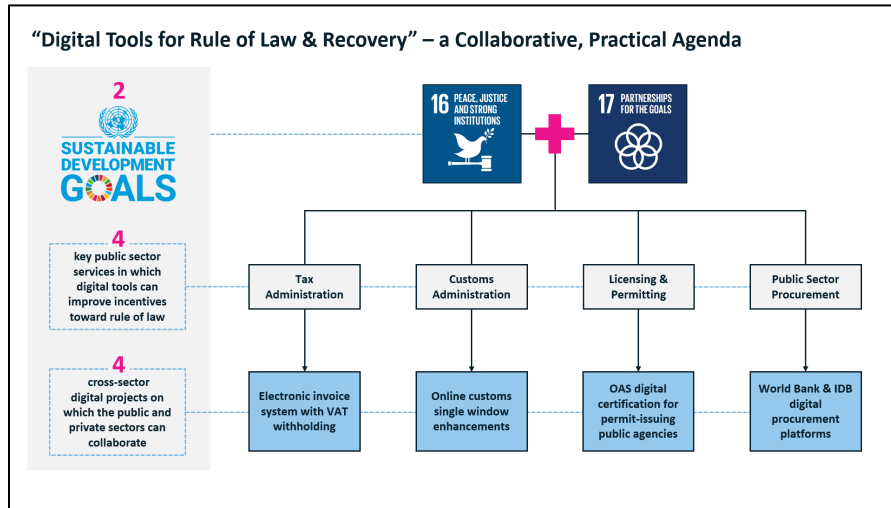
The “Digital Tools for Rule of Law & Recovery” (DT4RR) agenda proposes working with governments, private sector, multilateral organizations, and civil society in the Americas to jointly plan, fund, and implement the introduction of key digital tools into government to enhance regulatory systems. The objective is to drive forward digital transparency and efficiency of enforcement through IT platforms, some of which already exist thanks to the WTO Trade Facilitation Agreement. Single windows have been established in some governments; now we need to work together to build-out additional functions into those single windows. This can be accomplished by ensuring digital certification for permitting processes, the inclusion of Micro, Small, and Medium-sized Enterprises (MSMEs) in supply chains.

The top priorities are four key regulatory systems:

- Tax Administration
- Customs Administration
- Licensing & Permitting
- Public Sector Procurement

These four priorities were identified by the Association of American Chambers of Commerce in Latin America and the Caribbean (AACCLA) Rule of Law Task Force as the areas that both (1) have historically posed rule of law problems and (2) have broad relevance to the U.S. private sector’s ability to increase investment in underserved Central American communities and integrate small and underrepresented Central American suppliers into U.S. companies’ supply chains. Addressing rule of law weakness in these regulatory contexts, on both sides of the regulatory relationship, can drive simultaneous improvement

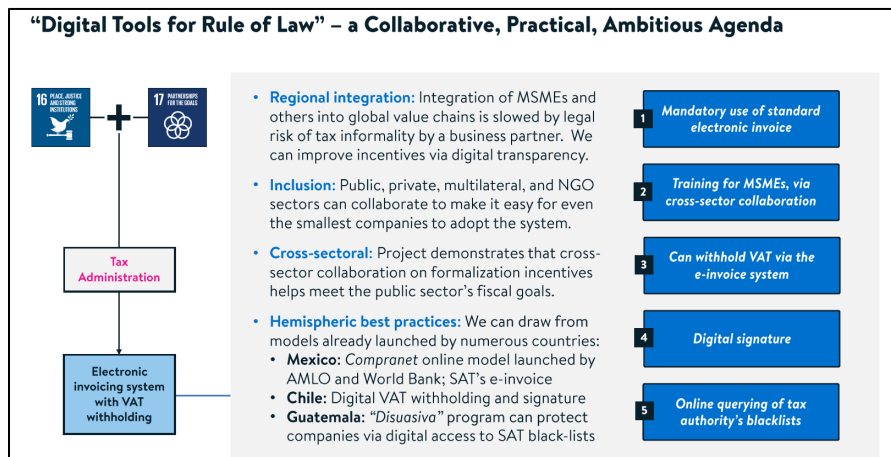
on both of the top root causes of hopelessness in Central America: corruption and lack of economic opportunity.



For purposes of these comments, we will illustrate the model by discussing in detail two of these regulatory verticals: tax administration and the granting of licenses and permits.

**(1) Tax Administration:** The DT4RR agenda entails tax system reforms that advance electronic invoicing systems in order to incentivize tax compliance. For governments, this enables increased tax collection, while for private sector, this promotes formalization and integration of MSMEs and others into global value chains. Specifically, DT4RR reforms should advance mandatory electronic invoicing, to maximize transparency; ensure VAT withholding within e-invoice systems; train MSMEs on compliance that “speaks the language of MSMEs” and highlights success stories to show the benefits of compliance; facilitate of digital signatures; and allow for online querying of tax authorities’ blacklists.

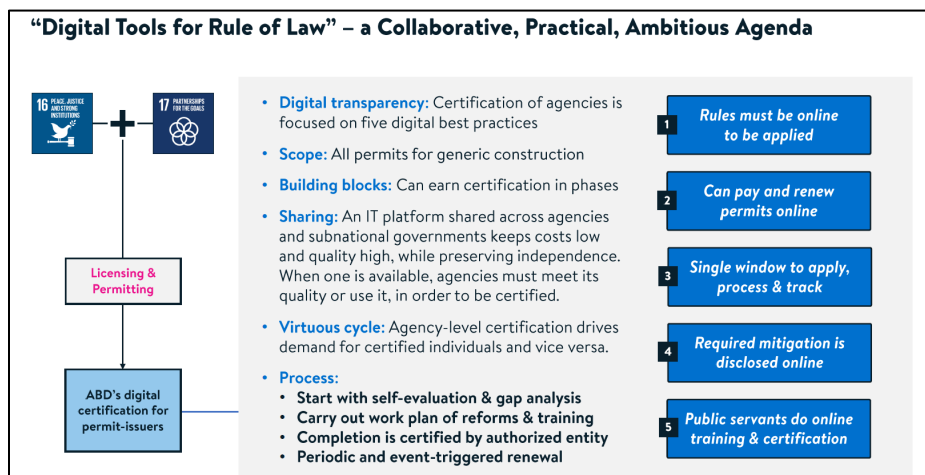
In Latin America, Mexico has experience with mandatory e-invoicing, and several best practices that can be adopted in other countries. Elsewhere, Walmart is working with USAID to provide training to suppliers on e-invoicing and docking digitally into tax compliance systems. All of these e-taxation measures can fortify trust among stakeholders, revolutionizing relationships in the supply chain and advancing economic inclusion.



**(2) Licensing & Permitting:** Over-reliance on paper-based and in-person regulatory processes creates backlogs in license and permit approvals, generating opportunities for corruption. Digital licensing can reduce approval backlogs and corruption risk, while also stimulating the economy and increasing tax receipts. Much of private-sector investment requires licenses and permits. Notably, the permit-dependent construction sector [represents](#) 7% of worldwide employment, and it is [estimated](#) that for every 10 jobs directly related to a construction project, eight jobs may be created in the local economy. Nevertheless, according to the World Bank, by May 2020 61% of the 190 economies that it tracks were no longer facilitating permit applications. In Latin America and the Caribbean, over 80% of processes were on lockdown.

Evidence of the benefits or reform in licensing and permitting includes a [2019 study](#) which examined the performance of an electronic system for business licensing and land usage in Guadalajara, and found that bribe requests by municipal agents fell by 74% after its introduction.

The DT4RR agenda would introduce a set of digital best practices for licensing & permitting to reduce approval backlogs and corruption risk. Reforms should start with the certification of government agencies and public servants in best practices, namely: placing rules online, allowing for online payment and renewal, facilitating single windows, disclosing required mitigation online, and training public servants. Such a certification is currently in development in collaboration with the Americas Business Dialogue and the Organization of American States.



### Relevance for U.S. Policymakers

This initiative addresses U.S. priorities vis-à-vis the Americas region and the world. Rule of law projects will advance inclusive economic development and help to stem economic migration (particularly from the Northern Triangle), while also supporting U.S. workers and businesses, who face an uneven competitive playing field and challenging investment climate due to high levels of corruption.

In February President Biden introduced a \$4 billion plan to address the root causes of migration from Central America, and has engaged Mexico to support this effort. On March 1, the White House released a [US-Mexico Joint Declaration](#) in which President Biden and Mexican President Andrés Manuel López-

Obrador “agreed to collaborate on a joint effort to address the root causes of regional migration” and to this end expressed support for policies that “promote equitable and sustainable economic development” and “combat corruption.” During their [April 7](#) call and [June 8](#) meeting, Vice-President Kamala Harris and President López Obrador reaffirmed the need for collaboration on addressing the root causes of migration from the Northern Triangle, “including poverty, violence, and lack of economic opportunity.”

In May, the White House released [launched a Call to Action to the Private Sector to Deepen Investment in the Northern Triangle](#). The Call to Action is an initiative for businesses and social enterprises to make new, significant commitments to help sustainably address the root causes of migration by promoting economic opportunity in the Northern Triangle region. Key activities to be advanced under this initiative include a “Reform Agenda”: **“Commitments to support greater transparency, predictability, and stability in the business enabling environment by facilitating regional government efforts to adopt international best practices in licensing, permitting, procurement, regulation, and taxation.”** Our work is perfectly poised to act on these objectives.

In addition to its impact on rule of law, the DT4RR agenda yields benefits including:

- Stimulating the economy and increasing tax receipts. The [World Bank](#) has noted that economies with cumbersome administrative procedures are associated with fewer legally registered firms and a smaller tax base compared to economies with more efficient regulations.
- Digitalization can increase government uptake of internet-based services, which will in turn upskill public servants and introduce the wider public to digital platforms.

### **Relevance for Central America**

COVID-19 has exacerbated already severe economic pain for families across the Americas, a root cause of the current waves of emigration. Efforts to advance an inclusive economic recovery in the region will run up against the same persistent challenges that existed pre-pandemic, unless the rule of law challenges stifling the economy are addressed.

Furthermore, governments in the LAC region want more of their domestic businesses, especially MSMEs, to be incorporated into wider supply chains, both domestically and globally. This integration is a valuable step towards formalization and social inclusion for populations. A key obstacle to building resilient supply chains in the region is a pervasive lack of trust – both between government and business, as well as between large companies and potential suppliers (many of which are MSMEs that have not yet entered the formal sector). Walmart’s experiences as a long-term investor in the region have shown that above all, the key roadblocks are weak rule of law and high informality. These two issues create legal and reputational risks for the private sector, impeding the expansion of sourcing relationships in the region. The measures proposed in the DT4RR agenda, tackling tax, licensing & permitting, customs, and procurement, are at the root of much of the distrust that exists among stakeholders.

### **Beneficiaries**

Subnational, national and regional government agencies in Mexico and Central America, specifically those tasked with regulating tax, customs, licensing and permitting, and public procurement. The specific agencies, and the nature of their engagement, will depend on the specific needs identified when stakeholders convene to co-create programs.

## How Incentives Can Work in a Multi-Stakeholder Model of Rule of Law

As discussed above, because DT4RR is a cross-sectoral partnership, it has the potential to drive practical improvements in rule of law by re-engineering the informal cultural norms that too often govern the relationship between the sectors in Central America. As Douglass North's Nobel Prize-winning economic development research demonstrated, institutional strengthening requires moving three levers: formal legal norms, informal cultural norms, and enforcement practices. All three are necessary focuses in their own right, since none can adequately shape the other two. Informal cultural norms are responsive to both positive and negative incentives, but it is essential to identify each stakeholder that is necessary for the success of the reform and then ensure that incentives are strong for each one.

For DT4RR, critically important stakeholders include private individuals and businesses who interact with the four targeted regulatory systems; Central American governments' political leadership, which must invest the political will to commit to the digitalization reforms; public servants within Central American government agencies, who must perceive a benefit to implementing the reforms; and multilateral and international financial and technical assistance partners, such as the Inter-American Development Bank.

Focusing specifically on the public and private sector incentives:

**Incentives for Private Sector to Partner on Rule of Law:** The Association of American Chambers of Commerce in Latin America and the Caribbean (AACCLA) has embraced DT4RR as a top-priority rule of law project, and specific AmChams in Central America support it strongly. This reflects both their high standard of commitment to rule of law and the benefits that the project provides, including a more predictable and transparent regulatory climate, as well as reduced compliance risks within supply chains and broader business ecosystems. As a result, they will be able to accelerate investment to underserved communities and integrate more small businesses and underrepresented suppliers into their supply chains. In turn, this improves incentives for other businesses in Central America to increase their commitment to rule of law, so that they are able to qualify for the benefits of integration into larger companies' supply chains. This begins to build a virtuous cycle that changes informal cultural norms, as other businesses in Central America see many other businesses participating in a cross-sectoral partnership that advances rule of law. If done right, it will give rise to additional partnerships following a similar model.

**Incentives for Central American Governments to Commit to Digitalization Reforms:** We have found Central American governments to be very responsive to the fact that DT4RR would advance their goals of attracting investment and promoting supply chain integration, by addressing the related rule of law barriers. This is very motivating to the best political leaders. Availability of foreign assistance, both financial and technical, will also increase governments' incentives.

**Incentives for Public Servants to Implement the Reforms:** It is useful to recognize public servants as a unique set of stakeholders who have not only institutional but also individual incentives to implement the rule-of-law reforms that comprise DT4RR. These incentives include the personal and professional development opportunities that DT4RR provides through digital skills and training.

We have also incorporated into the DT4RR design lessons learned from the success of the LEED certification for buildings and professionals. Because LEED-certified buildings can be designed only by LEED-certified architects, there is a virtuous cycle of incentives in which architects perceive value in



getting their certification and, once they have it, have an incentive to propose LEED buildings. In like manner, the Americas Business Dialogue, in coordination with the Organization of American States, are working to roll out a certification in digital licensing and permitting best practices that can be earned both by government agencies and by individual public servants. Because agency certification will require trained and certified public servants, this certification promises to generate a virtuous cycle of incentives similar to in the LEED context.

## The ‘How’ – The Co-Creation Process for Implementing DT4RR

There is a lot of work already underway to answer these questions, but most of the proposed solutions are highly stove-piped. They put business in one corner, and civil society and government in the other, when in fact all sectors should be actively co-creating rule of law solutions to our persistent challenges. That is how we will be able to bring more MSMEs into the supply chain and support more underserved communities. We propose the following steps to facilitate the co-creation of projects aligned with DT4RR, in partnership with stakeholders across sectors.

How to create digital tools for rule of law?	Case Study: The role of business in co-creation of digital tools to address tax non-compliance, which limits MSME integration in supply chains.
<p><b>Don't do it by yourself</b> Include the right stakeholders at the start to co-create the solution</p>	<p><b>Stakeholders brought to the table to co-create the solution</b></p> <ul style="list-style-type: none"> <li>• Public servants at the bureaucratic level</li> <li>• Public servants at the political level</li> <li>• Solutions provider (e.g., digital services company)</li> <li>• Funder (e.g., government, MDB)</li> <li>• Business stakeholders</li> </ul>
<p><b>Don't just digitize a process</b> Use digitalization as a chance to rethink and improve</p>	<p><b>Flawed initial solution: Digital withholding of VAT</b> Business stakeholders, through their relationships with MSME suppliers, were able to identify potential barriers to success</p>
<p><b>Understand the barriers to success</b> Will, knowledge, and/or capacity</p>	<p><b>Barrier: Access to Digital</b> Digital tools and digitalized systems are not automatically inclusive for all populations (e.g., unbanked actors)</p>
<p><b>Solve for the barriers to success</b> Will, knowledge, and/or capacity</p>	<p><b>Refined solutions</b> One design feature of DT4RR is cross-sectoral coordination to ensure access within newly digitalized systems.</p> <ul style="list-style-type: none"> <li>• For example, digital payment systems should be paired with efforts to digitalize cash, so as not to exclude unbanked users.</li> <li>• Ensuring inclusive access to affordable data and mobile phones will ease MSME suppliers to be on-boarded seamlessly into digitalized public regulatory systems and U.S. companies' digitalized compliance and operational programs.</li> </ul>
<p><b>Identify and Cite Existing Best Practices</b></p>	<p><b>Existing best practices incorporated into the solution</b> Business stakeholders identified model of Mexico's e-invoice, which was also incorporated into the solution. Because USAID, <b>business stakeholders</b> and MSME suppliers already have programs in place that are, among other things, training MSMEs on e-invoicing, those best practices can be incorporated.</p>

## Broader Support for This Model

Examples of broader support for the measures called for here include the following:

- In March 2021, President Biden and President López Obrador issued a [joint U.S.-Mexico declaration](#) which identified the need for cross-sectoral partnership to tackle inclusive economic opportunity and rule of law, both root causes of migration challenges.
- In 2018 **Heads of State of the Western Hemisphere** included in their joint [declaration](#) a call to simplify licensing and permitting via digital and other tools.
- In 2020 the **G20 Leaders** [endorsed](#) a set of [principles](#) for promoting public sector integrity which included a call for digital public services.
- **G20 Labour & Employment Ministers** included in its [declaration](#) a commitment to “Enhancing digitalization of work-related processes, such as licensing and permitting, to promote safe and healthy working environments and speed the rebuilding of our economies.”
- In 2018, President Trump and the other Heads of State of the Western Hemisphere included in their [joint declaration](#) a call for simplification of licensing and permitting via digital and other tools, to strengthen both competitiveness and anticorruption.

This robust support already in place indicates that a strong U.S. Government and U.S. private sector commitment to this model will very likely be met with willingness on the part of some Central American governments and many international donors to move forward with this project.

The below list contains a broader set of high-level instances of support for the measures called for in the DT4RR agenda.

### International Support for Digital Tools for Rule of Law & Recovery

#### B20 Recommendations of the Integrity & Compliance Task Force (2021; To Be Published)

**Recommendation 1.1**, “The G20 should encourage investments in adequate [training and selection of public officials engaged in procurement, licensing and permitting](#), and increase technical and managerial capacity to effectively define tenders in terms of project requirements, scoring models and participation criteria.”

#### B20 Recommendations of the Employment & Education Task Force (2021; To Be Published)

**Recommendation 2.1**, “...The G20 should reduce administrative and legislative barriers that encumber the ability of businesses to establish, operate and grow; including [investments in digital government tools and processes](#).”

#### B20 Recommendations of the Digital Transformation Task Force (2021; To Be Published)

**Recommendation #4**, “Foster Governments' and companies' responsible [development and deployment of digital technologies](#), by leveraging public and private cooperation in R&D, promoting investments and effective use cases sharing.”

### U.S.-Mexico Joint Declaration (3/1/2021) [\[LINK\]](#)

“Both leaders...agreed to collaborate on a joint effort to address the root causes of regional migration, to improve migration management, and to develop legal pathways for migration...[and] directed the Secretariat of Foreign Relations and the Department of State to engage with the governments of neighboring countries, civil society, and private sectors through policies that promote equitable and sustainable economic development, combat corruption, and improve law enforcement cooperation.”

### G20 High-Level Principles for Promoting Public Sector Integrity through the Use of Information and Communications Technology (ICT) (10/22/2020) [\[LINK\]](#)

*\*\* These principles were endorsed in the [G20 2020 Leaders' Declaration](#) \*\**

#### **Principle #1, Provide digital public services to improve efficiency and reduce opportunities for corruption:**

“G20 countries should introduce or enhance the use of such technologies, where appropriate, to provide government services, such as...licensing, etc.”

### G20 Labour & Employment Ministerial Declaration 2020 (9/10/2020) [\[LINK\]](#)

Page 9, “As our labor markets begin to recover, we will continue to take actions .. these actions may include... Enhancing digitalization of work-related processes, such as licensing and permitting, to promote safe and healthy working environments and speed the rebuilding of our economies.”

### G20 Digital Economy Ministerial Declaration (7/22/2020) [\[LINK\]](#)

As our societies and the global economy digitalize, there are ever greater opportunities to advance standards of living...Digitalization is also increasing the importance of boosting job opportunities, increasing market access for Micro, Small and Medium Enterprises (MSMEs)...We continue to support international cooperation and multi-stakeholder engagement to design and implement evidence-based digital policies to address these challenges.

### B20 Special Report to the G20 on Recommendations for COVID-19 Recovery (8/2020) [\[LINK\]](#)

**Recommendation 2.B - Minimize unemployment & increase employability,** “Deploy digitalized government services to support social distancing and public health efforts without harming employment, such as licensing and permitting, so shopkeepers, entrepreneurs, and construction crews can maintain employment and quickly restart and rebuild economies.”

**Recommendation 6 - Digitalize responsibly and inclusively,** “Accelerate digital government efforts, including vital public services, [such as] digitized licensing and permitting, based on the principles of right to privacy and security of data for all users, and reduce opportunities for corruption while strengthening transparency and integrity”.

### B20 Recommendations of the Digitization Task Force (10/2020) [\[LINK\]](#)

**Policy Action 4.1,** “The G20 should overcome the digital skills divide by supporting high quality educational programs for all, fostering access to the most affordable technology for all, promoting partnerships to create

safe digital environments, and accelerating the digitization of government services including licensing, permitting, tax collection, and procurement”.

#### **B20 Recommendations of the Integrity and Compliance Task Force (10/2020) [\[LINK\]](#)**

**Introduction:** “...Existing technologies, such as digitized government services in licensing, permitting, procurement and taxation can help to reduce corruption during and after the pandemic ... (emphasis added).

**Recommendation 2,** “The Saudi Arabia B20 Presidency aims to promote public and private sector integrity through the application of information and communication technologies in order to reduce opportunities for corruption, enhance effectiveness and efficiency in the public and private sector, strengthen transparency and increase public trust. Technologies that support the digitization of government services, including licensing, permitting, tax collection and procurement serve a crucial role”.

#### **B20 Recommendations of the Future of Work & Education Task Force (10/2020) [\[LINK\]](#)**

**Policy Action 1.3,** “Review, reduce and simplify tax, bureaucratic and other structures to encourage formal sector participation, including the digitization of relevant public services (e.g. licensing and permitting).”

#### **Summit of the Americas Heads of State Joint Declaration (4/14/2018) [\[LINK\]](#)**

**Paragraph 32,** “[We commit to] Fostering coordinated, transparent practices in the issuance of government permits inter alia by the use of one-stop shops, including in the area of construction, as a measure to prevent corruption, promote competitiveness, and expedite the corresponding permits”.

#### **Americas Business Dialogue/Inter-American Development Bank COVID-19 Recommendations (4/27/2020) [\[LINK\]](#)**

**Paragraph B.8,** “Governments should accelerate their digital transformation to ensure that public administration may continue and to enable remote working and business operations, by removing reliance on paper and promoting the use of digital technologies for all transactions and procedures ... Regulatory systems with a rapid investment facilitation impact, such as licensing and permitting, should be especially prioritized during the crisis”.

#### **IMF Managing Director’s Remarks to the U.S. Chamber of Commerce (6/2/2020) [\[LINK\]](#)**

“We are going to see a rapid modernization in how we operate...and we will also see a tremendous expansion of e-commerce, e-learning, e-transfers, e-payments, and e-governance. E-governance is particularly important, and at the IMF we would like to see more transparency and accountability in governance as well as in the way the economy functions.”

## **APPENDIX B:** **The Role of the U.S. Chamber of Commerce in Advancing Rule of Law**

Few factors rival the rule of law as a foundational criterion to predict a company's ability to do business profitably and to maintain a sustainable business model over time. The U.S. Chamber of Commerce's member companies have consistently identified weak rule of law as the number one challenge to doing business in Central America, from criminal gangs disrupting distribution routes, to delays in trade and investment plans as a result of corruption and complex paper-based bureaucracies.

The U.S. Chamber of Commerce's [Coalition for the Rule of Law in Global Markets](#) has been at the forefront of promoting adherence to rule of law and a culture of integrity as key to governments' ability to increase investment, participate in global trade, and drive sustainable economic growth. We have identified five elements that level the playing field for American companies and determine the ability of any business to make good operating and investment decisions. These elements are Transparency, Predictability, Stability, Accountability, and Due Process. The forthcoming fifth edition of the Global Business Rule of Law Dashboard (2021) demonstrates that the rule of law, as evaluated against these five elements, remains a significant challenge in the region, with all but Costa Rica (ranked 44 on the dashboard) and Panama (ranked 69) scoring below 50%; El Salvador (88), Nicaragua (98), Guatemala (102) Honduras (100) all were in the lowest quartile of the report, which profiled 113 markets.

Accordingly, a focus on the rule of law should be viewed as the keystone of success for any new Central America strategy. The U.S. government should reframe their work to better incorporate business considerations into the assistance and approaches deployed to combat corruption and promote the rule of law, specifically targeting factors that prevent companies from investing and/or expanding their investment in the Northern Triangle countries of Central America and the wider region.

Strengthening the rule of law is also a priority for the Chamber's Association of American Chambers of Commerce in Latin America and the Caribbean (AACCLA), which launched a rule of law task force in 2019. Companies and the American Chambers of Commerce have identified the region's potential to make meaningful progress in improving the rule of law and combatting commercially relevant corruption by taking practical steps to implement digitalization in four key areas of public-private sector interaction: taxation, customs administration, licensing and permitting, and government procurement. Digitalization of these functions would require significant resources, but would create a more efficient and accountable business environment, allowing foreign (and domestic) companies and investors to comply with local and international laws and regulations, while reducing corruption.

## **APPENDIX C: 2018-2021 RECOMMENDATIONS OF THE AMERICAS BUSINESS DIALOGUE: TRANSPARENCY & INTEGRITY**

The Americas Business Dialogue (ABD) is a private sector-led initiative facilitated by the Inter-American Development Bank (IDB) aimed at fostering a high-level public-private policy dialogue between business and government leaders of the Americas on the region's priorities, challenges, and opportunities for economic growth and development. In 2018, the ABD developed a set of policy recommendations which were submitted to the Heads of State of the Western Hemisphere at the Summit of the Americas (SoA) and published as [Action for Growth](#). Recommendations #1-8 focus on Transparency & Integrity. Recommendation #8 directly aligns with DT4RR, and offers a role for the private sector to supporting implementation of paragraph 32 of the [Lima Declaration](#), to which Western Hemisphere heads of state committed at the 2018 SoA (see Appendix A, [Broader Support for This Model](#)). With President Biden hosting the next Summit, we have an opportunity to spotlight cross-sectoral progress on digitally transparent licensing and permitting, as well as on other ABD recommendations, including #7 below.

Review the recommendations below and at <https://tinyurl.com/abdrec>.

**RECOMMENDATION #1:** *Address ultimate beneficial owners in accordance with international standards.*

**RECOMMENDATION #2:** *Strengthen and modernize public procurement systems to ensure integrity, transparency and competition along the different stages of the procurement process, as well as throughout the entire lifecycle of the contractual relationship.*

**RECOMMENDATION #3:** *Implement mechanisms to ensure legitimate, transparent and technically sound regulations, and adopt administrative simplification plans.*

**RECOMMENDATION #4:** *Strengthen the mechanisms of open government, including transparency, citizen participation and collaboration, and public integrity systems as a policy measure to increase trust in government and democracy.*

**RECOMMENDATION #5:** *Encourage the private sector to adopt comprehensive integrity mechanisms, including codes of corporate conduct, accompanied by effective implementation and periodic review of compliance plans.*

**RECOMMENDATION #6:** *Disclose corporate expenditures to the public sector, using leading practices in expenditure disclosure, such as those implemented by the extractive sector.*

**RECOMMENDATION #7:** *Develop a mechanism for private sector and inter-government coordination on regulatory cooperation projects that helps economies implement a shared set of Good Regulatory Practices (GRPs), to develop competitive economies and support participatory and transparent democracies.*

**RECOMMENDATION #8:** *Develop a certification in best practices for issuance of permits and make it available via a Massively Open Online Course (MOOC) to any government and current or prospective public servant who wishes to qualify, coordinated by a public-private multilateral partnership.*