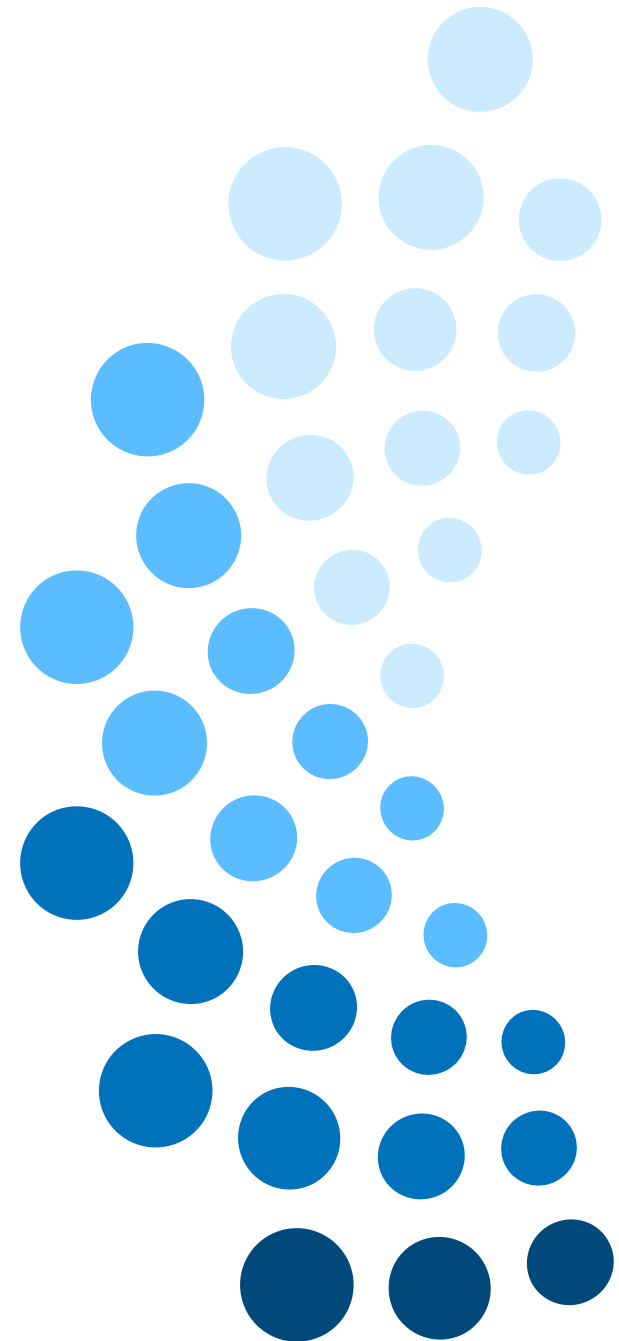


Integrity and Compliance Cross-Thematic Group

First meeting of the G20 ACWG

George Mandelbaum
Chair



Presentation and Rationale

- **B20 Integrity and Compliance:**

- Aims to add value to the B20 process with public policy proposals on areas of interest for the international agenda
- Should work in synergy and complementarity with the rest of the B20 Task Forces
- Is keen to work through a collaborative and evidence-based discussion, and a collective process

Criteria used in the selection of Core Topics

1. Relevance to the current situation

- Pervasiveness of corruption in infrastructure procurement and SOEs
- Considerable amount of public funds involved
- Serious implications on economic growth and development

2. Consistency with the G20 agenda

G20 Argentina

- Infrastructure for development is 1 of the 3 priorities of G20 Argentina.
- Intention to build on the legacy of past presidencies in areas such as fighting corruption.

G20 Anti-Corruption Implementation Plan 2017-2018

- Promotion of transparency in public contracting, including the use of open data and e-procurement
- Consideration of government's role in the promotion of a culture of integrity in the private sector, including in SOEs

Criteria used in the selection of Core Topics (Cont.)

3. Urgency of action

- **8th Global Risk of Highest Concern for Doing Business in 2017:** failure to adequately invest in, upgrade and/or secure infrastructure networks
- **SOEs' presence and expansion** in high-income countries, major emerging market economies and in various middle and low-income countries.

4. Potential actionability

- Possibility of **maximizing the gains of B20 Germany's** Enhance Responsible Business Conduct in Infrastructure.
- Possibility of **adopting existing SOE guidelines** and principles developed.

5. Availability of recent and credible research

B20 Germany's Responsible Business Conduct and Anticorruption CTG

- **Recommendation 18**

Establishing Beneficial Ownership Transparency

- **Recommendation 19**

Recognize Compliance Efforts

- **Recommendation 20**

Enhance Responsible Business Conduct in Infrastructure Projects

Core Topics

The G20 Anti-Corruption Action Plan 2017-2018 is focused on the following priority areas:

- Practical cooperation
- Beneficial ownership transparency
- Private sector integrity and transparency
- Bribery
- Public sector integrity and transparency
- Vulnerable sectors
- International organizations
- Capacity building

Core Topics

Addressing the need to create and sustain a shared culture of integrity within and between the private and public sectors.

Aligning our CTG's efforts with these priority areas, the following are the proposed core topics:

- **Enhance integrity in public procurement of infrastructure projects**
- **Adopt private sector standards for SOEs**

Enhance integrity in public procurement of infrastructure projects - Context

Population growth to reach 9 billion by 2050 (global demand for infrastructure)

Public procurement is a significant percentage of GDP

- EUR 4.2 trillion or 12% of OECD Countries' GDP in 2013. (OECD, 2016).
- Average public procurement from 15% to 30% of GDP, and higher.

Public procurement is prone to corruption

- **57%** of foreign bribery cases are attributed to obtaining public **procurement contracts**.
- **59%** of foreign bribery cases occurred in 4 sectors associated with **infrastructure**. (OECD, 2014).
- 10% to 30% of a publicly funded construction project investment may be wasted through mismanagement and corruption (CoST, 2011).
- Annual losses in global construction due to mismanagement, inefficiency and corruption could be as high as USD 2.5 trillion by 2020 (CoST, 2012).

Enhance integrity in public procurement of infrastructure projects – Areas of Focus

Policy action in line with mutually supportive principles for a holistic approach to corruption prevention cited in the **OECD Recommendation on Public Procurement** (2015b):

Adopt integrity, transparency, stakeholder participation, accessibility, e-procurement, and oversight and control in the infrastructure governance cycle.

Response to an implementation gap noted in the G20 ACWG Charts on Action and **Implementation Plan Commitments for 2017-2018** regarding the promotion of transparency in public contracting, including the use of open data and e-procurement.

Adopt private sector standards for SOEs - Context

Globally, SOEs make up 20% of investment, 5% of employment and as much as 40% of output in some countries, and are significant players in key economic sectors (OECD, 2017).

- SOEs have become **increasingly active at the international level**.
- The largest SOE portfolios are found **in emerging markets and post-transition economies**.

SOEs have a high-risk exposure to corruption due to their proximity to public officials, weak governance, poorly managed conflicts of interest and lack of accountability. (Transparency International, 2017).

- **SOE officials were bribed in 27% of cases** but were actually promised, offered or given **80% of total bribes** (OECD, 2014).

Adopt private sector standards for SOEs – Areas of Focus

Policy actions in line with the guidelines, principles and elements for reform based on:

- The OECD Guidelines on Corporate Governance of SOEs
- Transparency International's 10 Anti-Corruption Principles for SOEs
- The World Bank Group's Corporate Governance of SOEs: A Toolkit.

Consider the role of government in the **promotion of a culture of integrity** in the private sector, with emphasis in SOEs.

Thank you.