

# CORRUPTION- FREE INFRASTRUCTURE

## RELEVANT G20 COMMITMENTS

*"we need to accelerate the implementation of our past commitments, which will be one of the priorities of the ACWG in the next three years."* **G20 Anti-Corruption 2019-2021 Action Plan**

*"Infrastructure is (...) an area particularly vulnerable to corruption, the ACWG will contribute to the international agenda by identifying the key anti-corruption features that are needed to ensure integrity and transparency in this sector."* **G20 Anti-Corruption 2019-2021 Action Plan**

*"Transparency of beneficial ownership is critical to preventing and exposing corruption and preventing the laundering of corrupt proceeds. (...)The ACWG will also explore ways, including on capacity building and technical assistance, as appropriate, to support other countries to implement beneficial ownership standards and promote the utilization of beneficial ownership information to tackle corruption and related money laundering."* **G20 Anti-Corruption 2019-2021 Action Plan.**

*"The G20 will promote greater transparency in the public sector, including in public contracting, budget processes and customs"* **G20 Anti-Corruption Action Plan 2017-2018**

*"With the support of the World Bank, the ACWG will consider procedures for linking beneficial ownership information with other information sources, such as information provided in financial declarations, to identify conflicts of interest and other forms of malfeasance, consistent with applicable law."* **G20 Anti-Corruption Implementation Plan 2017-2018**

## THE CHALLENGE

Nowadays there is a massive demand for infrastructure investment around the world. Investments in economic infrastructure (i.e. energy, roads, clean water) and in social infrastructure (i.e. hospitals, schools, public parks) are crucial to achieving sustainable development and empowering communities in many countries. It has long been recognized that growth in productivity and incomes, and improvements in health and education outcomes require investment in infrastructure<sup>1</sup>.

However, the infrastructure financing gap remains significant and many countries are falling behind in meeting their infrastructure development needs. As a response, tools intended to bridge this gap such as Infrastructure as an [Asset Class](#) and Public Private Partnerships (PPPs) were developed. Many of these tools don't have clear and effective anti-corruption and accountability mechanisms, which leads to an increased urgency to the need to address the risk of corruption. In addition, as noted below, public sector funding for infrastructure projects, which makes up the vast bulk of available infrastructure funding globally, continues to have significant corruption risks.

**Increasing transparency and integrity in the infrastructure sector is crucial.** Every year an estimated average of US\$9.5 trillion of public money is spent by governments through public procurement for these types of projects<sup>2</sup>. It is estimated that by 2030, the value of global construction output will increase by US\$8 trillion to reach US\$17.5 trillion per annum and it is estimated that close to US\$6 trillion of this investment could be lost annually through corruption, mismanagement and inefficiency<sup>3</sup>.

Unfortunately, many countries have a long history of 'white elephant' infrastructure projects linked to corruption and many projects have also suffered of lack of transparency and poor monitoring, which undermines democratic accountability<sup>4</sup>. Furthermore, infrastructure procurement faces particular risks of corruption and, when large infrastructure projects are designed and implemented without effective anti-corruption controls, roads can be built to nowhere, bridges crumble, environments are damaged and communities are displaced. **People's lives are on the line, that is why there is increased urgency for the G20 to address in an effective way these risks.**

## THE SOLUTION

Since 2010 the G20 ACWG has adopted more than [60 resources](#) that address a wide range of topics, including beneficial ownership transparency, open data and asset disclosure that, if implemented in an effective and complementary way can increase transparency and address many of the risks associated with corruption in infrastructure projects.

**By consistently implementing existing G20 commitments, the trillion-dollar world of public procurement can be transformed into savings that help address the infrastructure financing gap,** better deals for governments, more opportunities for business, sustainable public procurement, and quality goods and services for citizens.

**While the G20 ACWG has not developed specific anti-corruption standards regarding infrastructure, the issue cuts across various areas of work in the current and previous ACWG action and implementation plans.** These include asset disclosure systems, beneficial ownership transparency, promoting transparency in public contracting, preventing and managing conflicts of interest in the public sector and open data standards. In addition, the B20 has asked G20 members not only to increase transparency and accountability at all stages of the project cycle in order

<sup>1</sup> Goal 9: *Build resilient infrastructure, promote sustainable industrialization and foster innovation* <http://www.un.org/sustainabledevelopment/infrastructure-industrialization/>

<sup>2</sup> Caroline Spruill, "Open Contracting: Factivists fighting Procureaucrats": [www.opencontracting.org/open\\_contracting\\_factivists\\_fighting\\_procureaucrats](http://www.opencontracting.org/open_contracting_factivists_fighting_procureaucrats), 2013

<sup>3</sup> [https://www.transparency.org/whatwedo/publication/model\\_monitoring\\_agreement\\_and\\_integrity\\_pact\\_for\\_infrastructure](https://www.transparency.org/whatwedo/publication/model_monitoring_agreement_and_integrity_pact_for_infrastructure), 2018

<sup>4</sup> <https://civil-20.org/the-g20-agenda-on-infrastructure-financing-key-concerns-and-actionable-recommendations/>, 2018

to mitigate the risk of corruption and increase efficiency<sup>5</sup>, but also to adopt public registers of beneficial ownership information, and the development of rules for the effective and efficient data handling and exchange<sup>6</sup>.

## RECOMMENDATIONS

Following the promise of facilitating the implementation of past G20 commitments, increasing the impact of the anti-corruption agenda<sup>7</sup>, and the [B20 and C20 requests for implementation](#), the G20 ACWG should focus on the implementation of existing G20 commitments and anti-corruption good practice in both public and privately financed infrastructure projects. These could include:

- **Beneficial Ownership transparency and conflict of interest:** In infrastructure procurement there should be equal treatment of all bids. Public funds should not be used to favor specific individuals or companies and conflict of interest should be identified and addressed. This could be done by:
  - Requiring companies that bid for public contracts to publish beneficial ownership information in order to identify potential conflicts of interest, reduce the opportunities for collusion between linked companies, create fair competition for companies and ensure full knowledge of who is ultimately benefitting from public money;
  - Disclosing through a central and public portal the identity and beneficial ownership of all bidders. In order to reduce costs and duplication and to ensure register data is available for free in widely used formats that are non-proprietary, searchable, sortable, platform-independent and machine-readable, G20 countries should implement the [global beneficial ownership data standard](#) being developed by OpenOwnership;
  - Establishing asset declaration systems for public officials, in line with best practice principles<sup>8</sup>. Sanctions should be imposed on public officials who do not include their beneficial ownership connections to companies and other legal entities when declaring their assets;
  - Regulating lobby activity in order to prevent infrastructure decision-making from favouring a particular interest group or individual. This regulation would include a lobbying registry, regulation of revolving doors, and ensuring the transparent and balanced composition of advisory groups;
  - Adopting measures to prevent elected officials from choosing a specific investment that benefits contractors who contributed to their political campaigns by, for example, requiring disclosure and banking of political contributions, adopting online register and reporting mechanism of the economic movements of all the political campaign.
- **Citizen participation and access to public information:** Increasing access to public information and the role of civil society in promoting transparency, monitoring procurement processes and promoting the engagement of communities affected by infrastructure projects<sup>10</sup> are key in order to tackle corruption in any of the phases<sup>11</sup> of an infrastructure project. This could be done by:
  - Ensuring that the entire public contracting process is “open by default”;
  - Publishing timely and accurate information using open contracting data, such as the [Open Contracting Data Standard](#) and [CoST Infrastructure Data Standard](#);
  - Supporting independent civil society monitoring of large-scale infrastructure projects through Integrity Pacts and other similar vehicles that help ensure governments are delivering on commitments to transparency, efficient and accountable procurement;
  - Establishing effective and constructive feedback channels, open to stakeholders across government, industry and civil society, and especially affected communities, to ensure decisions are made taking into account the needs of those affected by projects, including during the pre-tender phase;

Additionally, the **G20 ACWG should step out of the G20 silo**: Corruption is not an add-on issue that can be dealt with in isolation. The G20 ACWG should consult and be consulted by other G20 Working Groups. **We encourage the G20 ACWG and the G20 Infrastructure WG to have a joint meeting** in 2019 in order to identify priority G20 anti-corruption counter-measures in infrastructure projects.

## SUPPORTING INFORMATION

Model monitoring agreement and integrity pact for infrastructure: an implementation guide for civil society organisations. [https://www.transparency.org/whatwedo/publication/model\\_monitoring\\_agreement\\_and\\_integrity\\_pact\\_for\\_infrastructure](https://www.transparency.org/whatwedo/publication/model_monitoring_agreement_and_integrity_pact_for_infrastructure)

From Open to Clean Contracting: A collective agenda to end corruption in public procurement and infrastructure and support sustainable development. [https://www.transparency.org/files/content/feature/Clean\\_Contracting\\_Manifesto.pdf](https://www.transparency.org/files/content/feature/Clean_Contracting_Manifesto.pdf)

Infrastructure: Seeking Anti-Corruption Implementation Champions: <https://civil-20.org/infrastructure-seeking-anti-corruption-implementation-champions/>

## CONTACT INFORMATION

Transparency International Global Advocacy Coordinator: M. Emilia Berazategui, [mberazategui@transparency.org](mailto:mberazategui@transparency.org)

<sup>5</sup> Promoting Integrity by Creating Opportunities for Responsible Businesses. [https://www.b20germany.org/fileadmin/user\\_upload/documents/B20/b20-ctg-rbac-policy-paper.pdf](https://www.b20germany.org/fileadmin/user_upload/documents/B20/b20-ctg-rbac-policy-paper.pdf)

<sup>6</sup> [https://www.b20argentina.info/Content/Images/documents/20181016\\_183602-B20%20Communique.pdf](https://www.b20argentina.info/Content/Images/documents/20181016_183602-B20%20Communique.pdf), 2018

<sup>7</sup> G20 2019-2021 Action Plan

<sup>8</sup> [https://www.transparency.org/whatwedo/publication/working\\_paper\\_1\\_2014\\_asset\\_declarations\\_an\\_effective\\_tool](https://www.transparency.org/whatwedo/publication/working_paper_1_2014_asset_declarations_an_effective_tool)

<sup>9</sup> [https://www.transparency.org/whatwedo/publication/asset\\_declarations\\_in\\_morocco\\_illicit\\_enrichment\\_and\\_conflicts\\_on\\_interest](https://www.transparency.org/whatwedo/publication/asset_declarations_in_morocco_illicit_enrichment_and_conflicts_on_interest)

<sup>10</sup> OECD's [Recommendation of the Council on Public Procurement, Integrity Framework for Public Infrastructure](#)

<sup>11</sup> initial project identification; appraisal through feasibility studies; project planning and the preparation of tender documents; evaluation of bids and award of contracts; contract implementation and management; and final auditing and evaluation