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## G20 Fundamentals

### The G20's Anti-Corruption Working Group:

#### Its History, Achievements, and Goals

*After introducing the topic of corruption, this paper identifies the G20 anti-corruption commitments and progress (or lack thereof) in the implementation of these commitments. It also proposes goals for the Working Group in 2013 and beyond.*

At its Toronto Summit in June 2010, the G20 created an Anti-Corruption Working Group in response to the growing recognition of the lack of transparency and accountability of the crisis-stricken global financial system. At the Seoul G20 Summit in November 2010, the first G20 Anti-Corruption Action Plan was published.

Transparency International has defined corruption as “the abuse of entrusted power for private gain.” This definition encompasses two of the most commonly-known forms of corruption: fraud – intentional deception in order to gain an unfair or illegal advantage<sup>1</sup> – and bribery, which can take the form of paying officials either to receive preferential treatment or to obtain prohibited services. As stated by the G20 itself in an annex to its official 2010 communiqué: “Corruption threatens the integrity of markets, undermines fair competition, distorts resource allocation, destroys public trust and undermines the rule of law.”<sup>2</sup> As such, it is important to focus substantial attention and resources on combating these activities on a global scale.

Among the public, there is increasing global awareness of corruption's negative effects on the proper functioning of a society, and along with it, we see growing momentum behind popular movements to combat corruption. Anti-corruption sentiments were featured in the Arab Spring protests, and in movements in various countries, e.g., India, Kenya, and

Azerbaijan. The new leader of China has remarked that anti-corruption efforts within his government are a high priority. Overall, there is political momentum that can be harnessed to make greater strides toward the elimination of corruption. As the current president of the World Bank has said, “corruption is simply stealing from the poor.”<sup>3</sup> Corruption frequently has the effect of diverting and misappropriating large volumes of taxpayer (public) money for private gain. In other words, through corruption, the wealthy drain the national coffers of funds that might have been used to support development or social welfare programs to benefit the poorest and most vulnerable members of societies. This process contributes to the scourge of national and global income inequality. At the global level, development assistance can result in the enrichment of corrupt elite in developing countries unless “mutual accountability” between donor and recipient countries ensures that development funds benefit the majority of citizens.

Corruption has a significant influence on the political and business climate within a country. Corruption drives away some potential investors who do not wish to become entangled with corrupt regimes, do not wish to build their business model on the exploitation of the poor, or who simply cannot afford the cost of doing business within a country with an “uneven playing field.” Moreover, the public becomes distrustful and angry at the culprits -- government and the corporations – which can create political instability.

The Working Group promised to make headway on very important measures, though their success to date has been mixed. Despite their commitments, three members of the G20 have not yet ratified the UN Convention Against Corruption (UNCAC): Germany, Japan, and Saudi Arabia. It is crucial that these countries ratify the UNCAC, which is the world's legal framework for abolishing corruption. There has been some progress in the area of criminalising foreign bribery. For instance, China introduced new legislation and Russia joined the Organization for Economic Cooperation and Development (OECD) Anti-Bribery Convention. Further-

1 [http://files.transparency.org/content/download/84/335/file/2009\\_TIPlainLanguageGuide\\_EN.pdf](http://files.transparency.org/content/download/84/335/file/2009_TIPlainLanguageGuide_EN.pdf)

2 <http://www.g20.org/load/780988277>

3 <http://star.worldbank.org/star/>

more, to combat money laundering, G20 countries have supported the revision of the standards of the Financial Action Task Force (FATF) and published more information about how to request legal assistance and recover misappropriated assets at the national level. In addition, the G20 agreed on principles for financial and asset disclosure of public officials and a framework for denial of visa to corrupt officials.

However, as the G20 has acknowledged, the real challenge is “closing the implementation and enforcement gap.”<sup>4</sup> Fighting corruption not only requires new laws and official regulations, but also enforcement actions, enhanced transparency in day-by-day government activities, and a firm commitment to hold parties accountable for abusing the public trust. Therefore the new G20 Anti-Corruption Action Plan (2013 – 2014) rightly puts an emphasis on identifying obstacles to implementation of anti-corruption measures and sharing best practices as well as increasing international cooperation and information-sharing.

### Recommendations to the Anti-Corruption Working Group:

To tackle challenges in anti-corruption enforcement in the areas of anti-bribery and anti-money laundering, stolen asset recovery and public sector integrity, G20 countries should:

- Apply and enforce the relevant national laws implementing UNCAC and actively participate in the UNCAC peer review process increasing transparency and inclusivity.
- Provide regular public reports on the enforcement of all their anti-corruption laws.
- Join the OECD Anti-Bribery Convention and its peer review process.
- Adopt and enact the standards of procurement and public financial management consistent with Article 9 of the UNCAC. Implement the principles for asset disclosure by public officials agreed on at the Mexican G20 Summit in 2012.
- At the national level, undertake and act on the results of the horizontal thematic reviews of the treatment of high risk customers and their business relationships with financial institutions.
- Create registers that disclose the “beneficial ownership” of trusts and companies; such registers should be accessible to relevant investigative and judicial authorities both domestically and internationally.
- Enforce enhanced corporate transparency by passing legislation obliging oil, gas and mining companies to publish their payments to governments of all the countries where they operate on a project-by-project basis.
- Pass whistleblower protection legislation for public and private sectors that establishes comprehensive procedures for whistleblowers and ensures prompt, effective and independent follow-up of their disclosures.

### Important Anti-Corruption Initiatives

[Click here](#) for detailed status of initiatives

**UNCAC:** [The United Nations Convention against Corruption \(UNCAC\)](#) was written in 2003 and went into force in 2005 and as of November 9th 2012, it has a total of [164 countries](#) who are a full party to it. The goal of UNCAC is to encourage its parties to increase efforts towards prevention of corruption, criminalization of corrupt acts, international cooperation in fighting corruption, and asset recovery. Established in 2006, the [UNCAC Coalition](#) is a group of civil society organizations “committed to promoting the ratification, implementation and monitoring of the UN Convention against Corruption.”

**OECD Anti-Bribery Convention:** [The Convention on Combating Bribery of Foreign Public Officials in International Business Transactions](#) is an inter-governmental anti-bribery initiative by the Organization for Economic Cooperation and Development (OECD) that requires all signatory countries to outlaw bribery of foreign public officials, and to investigate, prosecute, and punish offenders. On January 19th, 2013 Colombia is set to be the 40th country to join the convention.

**FATF:** [The Financial Action Task Force \(FATF\)](#) is an inter-governmental group created in 1989 to set standards and promote implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system. It works to create the political will necessary for national legislative and regulatory reforms in these areas. Its membership includes 34 countries and 2 regional, supranational organizations.

**CoST:** [The Construction Sector Transparency \(CoST\) Initiative](#) is a multinational organization, funded by the United Kingdom and the World Bank, dedicated to assisting countries in enforcing transparency within publically financed construction projects – which is an area historically prone to corruption. This initiative provides resources for better reporting of procurement costs and independent auditing. Currently deployed in an eight country pilot program, CoST is positioned to expand its operations in the very near future.

**StAR:** [The Stolen Asset Recovery \(StAR\) Initiative](#) is a partnership between the World Bank and the United Nations that has been tasked with combating the largest forms of corruption, “[especially the theft of public assets by senior government officials and their collaborators.](#)” It provides support to domestic programs aiming to recover money previously lost to corruption and helps to facilitate bilateral discussions between countries who were the victims of corruption and those whose banks are the current holders of those funds.

**EITI:** [The Extractive Industries Transparency Initiative \(EITI\)](#) is an organization dedicated to making public the money paid by mining and drilling companies to the countries where they are extracting resources. They compile records from both companies and governments and independently verify their accuracy. Currently there are 18 countries that are fully-compliant with EITI, and an additional 19 countries who are officially candidates for inclusion.

4 <http://www.uschamber.com/sites/default/files/international/files/G20%20draft%20renewed%20action%20plan%20Paris%20FINAL.pdf>