

G20 Anti-Corruption Working Group

Proposal for 2015-16 priorities

Proposed priority

Public Sector Transparency, Integrity and Accountability

Proposing country / organisation

Civil 20. This paper was produced by the C20 Governance Group. Earlier drafts were made available for consultation with a number of civil society organisations and coalitions, including the Financial Transparency Coalition, the UNCAC Coalition, the Publish What You Pay Network and the Follow the Money Network.

What is the problem?

Lack of transparency in the public sector fuels citizen mistrust and can lead to political instability and misallocation of scarce public resources to the benefit of the few at the expense of the many.

Procurement of goods, works and other services by public bodies alone amounts to, on average, between 13 and 20 per cent of gross domestic product; in some countries even more (OECD Statistic 2013). Corruption costs on average 10 to 25 per cent a public contract's overall value.¹

Public officials can also find themselves in positions of **conflict of interest** which can lead to syphoning off funds that should have been channeled into projects for the public good over which they had oversight or responsibility to contract or manage.

The G20 Anti-Corruption Working Group has identified a number of sectors vulnerable to corruption, including the natural resource sector. **Lack of appropriate governance** of resources can undermine a country's long-term economic growth and development. This is evidenced by the fact that 680 million people living in resource-rich countries survive on less than US\$2 per day.

Why should this be a priority for the G20?

Government transparency facilitates the holding to account for the spending of revenues and its efficiency and helps build or restore trust between governments and citizens.

G20 countries have already committed to improvements in **public procurement** systems in the Anti-Corruption Action Plan 2013-2014's via adopting "systems of procurement based on transparency, competition and objective criteria in decision-making to prevent corruption, and by the end of 2014". However it is not yet clear what measures will be implemented based on the findings of the current Action Plan.

The G20 Anti-Corruption Working Group also oversaw the adoption of the Los Cabos Principles on **Asset Disclosure**, but it is still not clear to what extent these have been implemented.

Governments have a responsibility to ensure their own **revenue and budget transparency** when it comes to their activities in relation to the natural resource sector.² The Extractives Industry Transparency Initiative (EITI) comprises a set of activities that governments voluntarily commit to in order to strengthen their own accountability and transparency in resource-rich countries. G20 leaders reaffirmed their support for the EITI in St Petersburg however only 6 G20 governments have publicly committed to piloting or fully implementing the EITI.

¹ https://www.unodc.org/documents/corruption/Publications/2013/Guidebook_on_anti-corruption_in_public_procurement_and_the_management_of_public_finances.pdf

² The C20 paper on private sector transparency, accountability and integrity covers the responsibilities of companies.

What should the G20 do?

Transparency in procurement

- Remaining G20 countries should proactively publish, in an accessible and useable format, information pertinent to the whole procurement process, including bidding opportunities, selection criteria, the award decision and its justification. Exceptions to publication must be narrowly drawn and publicly justified.
- G20 countries should ensure that their suppliers are properly vetted and their beneficial ownership established. In addition, steps should be taken to determine whether any Politically Exposed Person has any links with a supplier and, if so, appropriate steps need to be taken to address the associated integrity risks.

Asset Disclosure

- G20 governments should urgently implement the principles for asset disclosure by public officials agreed on at the Los Cabos Summit in 2012.

Revenue and budget transparency

- G20 governments should commit to implement the EITI's minimum requirements and seek to also disclose production contracts and beneficial ownership information as recommended and encouraged.
- Drawing from the World Bank reports into sectors vulnerable to corruption that were shared with the Anti-Corruption Working Group, the G20 Anti-Corruption Working group should scope the application of these standards to other sectors.
- G20 members should endorse the High Level Principles on fiscal transparency issued by the Global Initiative for Fiscal Transparency (GIFT)
- G20 Members should publish timely, comprehensive, accurate, and accessible data on their budget plans, approved budgets, executed budgets, and audit reports. For this, G20 members should agree to lead the development of an emerging budget data standard which requires meaningful mechanisms for public participation

What is the deliverable?

Transparency in procurement

- The ACWG should disclose in full the actions that individual G20 countries agree to take to improve the quality and transparency of their procurement systems.
- An analysis of the transparency of company ownership in government procurement processes and a commitment to make publication of beneficial ownership a require prior to winning government contracts.³

Asset Disclosure:

- Each G20 country should publicly report back on implementation of Los Cabos Principles on Asset Disclosure.

Revenue and budget transparency:

- All G20 countries sign up to EITI before end 2016.
- A scoping exercise is conducted on application of revenue and budget transparency on sectors beyond extractives. G20 countries should report back on the development of a budget data standard by end 2015
- G20 countries should endorse high level GIFT principles before end 2016

Who will lead this work?

Transparency in procurement – All individual G20 countries, coordinated by ACWG

Asset Declarations: Each G20 country should report back to the Anti-Corruption Working Group.

Revenue and budget transparency – Individual G20 countries, ACWG, and World Bank, in collaboration with B20/C20

What is the timeframe?

Transparency in procurement – Disclosure in 2015, beneficial ownership with FATF through 2015 and 2016.

Asset Declarations: Each G20 country should report back on progress at ACWG #2 of Turkey's presidency. Final report in time for consolidation into a G20 wide report for ACWG #3 in 2015.

Revenue and budget transparency – Sign up to EITI by end 2016, Consultation process through 2015.

³ This is in line with C20 Paper, "Tackling money laundering by preventing the misuse and ensuring the transparency of legal entities and arrangements".