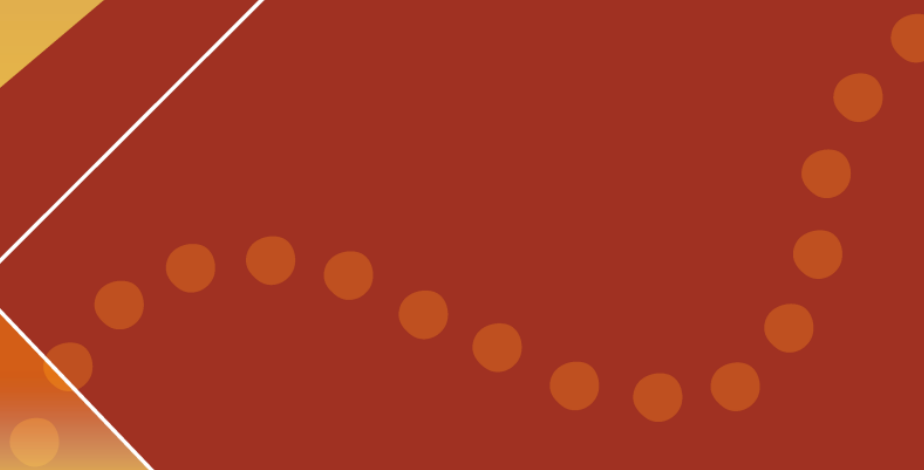


ACCOUNTABILITY REPORT

G20 ANTI-CORRUPTION WORKING GROUP

June 2014



Accountability Report – G20 Anti-Corruption Working Group

OVERVIEW

G20 Leaders established the Anti-Corruption Working Group (ACWG) at the Toronto Summit in 2010 in recognition of the significant negative impact of corruption on economic growth, trade and development.

In 2014, corruption continues to represent a significant threat to global growth and financial stability, with the annual cost of bribery alone estimated by the World Bank to be US\$1 trillion. Corruption destroys public trust and undermines the rule of law. It skews competition, inhibits business growth, and ultimately shrinks the global market for domestic exports and investment. Corruption also impedes economic development by diverting funds intended for growth-producing projects, such as infrastructure, to corrupt officials. As a group of the world's largest economies, the G20 has potential to build a global culture of intolerance to corruption. This will also have important benefits for the private sector, by levelling the playing field for private sector players and providing a stable, predictable environment in which to invest and do business.

Since 2010, the work of the ACWG has been guided by two-year Action Plans, which include commitments by G20 countries to ratify and implement the *United Nations Convention against Corruption*, criminalize, prosecute and otherwise combat foreign bribery, cooperate with other countries to investigate, prosecute and return the proceeds of corruption, and promote public sector transparency and integrity.

Since its inception, the ACWG has held G20 members accountable for these commitments by requiring countries to report annually on progress made in implementing their anti-corruption commitments. A summary of progress reports received from G20 countries in 2014 is included at Annex 1, and full reports will be made publicly available on the G20 website.

In 2014, the ACWG is focused on effective implementation and enforcement of all outstanding G20 anti-corruption commitments. As of June 2014, G20 countries are making excellent progress and are on track to substantially meet all of their anti-corruption commitments in 2014, with the possible exception of ratification of the *United Nations Convention against Corruption* by all members.

A high priority for the ACWG in 2014 is developing high-level G20 principles on beneficial ownership transparency, which outline actions G20 countries will take to prevent legal entities from being misused to launder the proceeds of corruption, evade taxes, or for other illicit purposes, including bribery. This will have important benefits for global growth and development, including by assisting countries to protect their tax bases and making it more difficult for corrupt officials to hide the proceeds of their corruption. Another high priority is requiring all G20 countries to complete a self-assessment of their domestic foreign bribery frameworks in 2014, which will help to ensure the G20 has effectively implemented its commitments to criminalize, prosecute and otherwise combat foreign bribery.

A critical task for the ACWG in 2014 is developing a new 2015-16 G20 Anti-Corruption Action Plan, which will include concrete, practical actions that will make a real difference in the global fight against corruption and support the broader G20 growth agenda. As requested by sherpas in December 2013, this report provides a high-level outline of proposed 2015-16 anti-corruption priorities for sherpas' initial consideration. The ACWG will prepare a detailed draft 2015-16 Action Plan for further consideration and endorsement by sherpas. To ensure the ACWG's work continues to effectively support growth and broader G20 growth and resilience goals, work on the impact of corruption on growth, which is being led by the OECD and World Bank Group, will play an important role in the ongoing development of the 2015-16 G20 Anti-Corruption Action Plan.

Business and civil society are important partners for the ACWG in helping to achieve our anti-corruption goals. Since its inception, the ACWG has worked closely with G20 engagement groups to implement the G20 anti-corruption agenda, and this close cooperation continues in 2014. In particular, all G20 engagement groups were invited to submit proposals for the 2015-16 Action Plan and to present these proposals to a joint session of the ACWG and G20 engagement groups on 10 June 2014. G20 engagement groups continue to play a valuable role in ensuring the G20 anti-corruption agenda going forward remains focused on concrete actions which will make a real difference to businesses and communities.



ACHIEVEMENTS

Key achievements by the ACWG to date on the 2013-14 Anti-Corruption Action Plan include:

- ▶ **Corruption and growth:** In partnership with the OECD and the World Bank Group, undertook significant work on the impact of corruption on economic growth. This work continues in 2014 with a focus on specific sectors and will play an important role in the development of the 2015-16 G20 Anti-Corruption Action Plan.
- ▶ **St Petersburg Strategic Framework:** Developed the *St Petersburg Strategic Framework for the G20 Anti-Corruption Working Group*, which provides guidance and continuity for the ACWG on strategic priorities and working practices. The Strategic Framework was endorsed by Leaders at the St Petersburg Summit in 2013.
- ▶ **Foreign bribery:** Developed the *G20 Guiding Principles on Enforcement of the Foreign Bribery Offence* and *G20 Guiding Principles to Combat Solicitation*, which were endorsed by Leaders in 2013.
- ▶ **Denial of entry and safe haven to corrupt officials:** Established a network of G20 experts to share information and cooperate in order to deny entry to G20 countries by corrupt officials.
- ▶ **International cooperation:** Developed and published a number of practical tools to achieve better international cooperation by G20 countries to investigate, prosecute, and return the proceeds of corruption, including the *G20 Guide to Mutual Legal Assistance*, *G20 Guides to Asset Recovery*, and the *G20 High-Level Principles on Mutual Legal Assistance*.
- ▶ **Public sector transparency:** Developed and published the *G20 High-Level Principles on Financial Disclosure for Public Officials* and the *G20 Compendium of Good Practices on Public Procurement*.
- ▶ **Whistleblower protections:** In cooperation with the OECD, produced a comprehensive evaluation of whistleblower protection frameworks in G20 countries, together with a related *Compendium of Best Practices and Guiding Principles for the Protection of Whistleblowers*.

UPDATE ON PROGRESS IN 2014

In 2014, the ACWG is focused on **effective implementation and enforcement** of all outstanding commitments under the 2013-14 Action Plan. The ACWG is making good progress, and is on track to substantially complete all of the outstanding commitments in the 2013-14 Action Plan before the end of the year, with the possible exception of ratification of the *United Nations Convention against Corruption*.

High priorities for the ACWG in 2014 include:

- ▶ **Beneficial ownership transparency:** At the first meeting of the ACWG in 2014, the ACWG took note of requests from G20 Leaders and Finance Ministers to report on concrete actions the G20 has taken to implement relevant FATF standards on transparency in the beneficial ownership of legal entities and arrangements. The ACWG agreed to develop in 2014 a set of high-level principles on beneficial ownership transparency, outlining actions G20 countries will take to prevent the misuse and ensure the transparency of legal entities and arrangements. To assist in developing the principles, a joint session of relevant G20 experts on beneficial ownership transparency took place on at the second ACWG meeting in Rome on 9 June 2014. During this session, the Group agreed to G20 High-Level Principles on Beneficial Ownership Transparency and to take concrete action and to share in writing steps to be taken to implement these principles. The ACWG agreed to provide the draft Principles to sherpas, Finance Deputies, and Finance Ministers for their consideration, ahead of consideration and possible endorsement by G20 Leaders at the Brisbane Summit.
- ▶ **Foreign bribery:** To ensure the G20 effectively implements its commitments to criminalize, prosecute and otherwise combat foreign bribery, the ACWG agreed that G20 countries will complete in 2014 a self-assessment of their domestic foreign bribery frameworks. This will include any next steps G20 countries

intend to take to implement their G20 commitments on foreign bribery. To facilitate the self-assessment, co-chairs have distributed to the Group a questionnaire on implementation and enforcement of G20 foreign bribery commitments. Responses to the questionnaire are due in July 2014.

- ▶ **Anti-corruption and growth:** As directed by Leaders, work continues on the study of the impact of corruption on growth, led by the OECD in collaboration with the World Bank Group. At the second ACWG meeting in 2014, the OECD and the World Bank Group provided an update on initial findings of the follow-up studies on the infrastructure, utilities, extractives and natural resources, health and education sectors. This work will play an important role in the ongoing development of the 2015-16 G20 Anti-Corruption Action Plan. The Group agreed to share the study with other G20 work streams.
- ▶ **Anti-money laundering:** Close collaboration between the G20 and the FATF on anti-money laundering continues in 2014, with a joint G20-FATF Experts Meeting on Anti-Corruption scheduled to take place on 18 October (subject to formal approval by the FATF Plenary at its next meeting on 25-27 June). The ACWG also continues to monitor G20 countries' implementation of and compliance with the revised FATF standards (see Annex 1).
- ▶ **International cooperation:** The *G20 Guide to Asset Recovery* was finalised in 2014, and will shortly be available publicly on the G20 website. The Guide provides practical, step-by-step guidance on how to request assistance from G20 countries in the identification, seizure and return of proceeds of corruption, and is intended to be a useful tool for both G20 and non-G20 countries. The ACWG has also commenced work to promote the use of civil and administrative procedures by G20 countries in corruption and asset recovery cases by compiling baseline information on relevant domestic procedures. Work also continues to finalise and publish national asset recovery profiles for G20 countries. The ACWG has also this year monitored G20 countries' practical use and promotion of existing G20 materials on international cooperation, including the *G20 Guide to Mutual Legal Assistance* (see Annex 1).
- ▶ **Public sector:** The *G20 Compendium of Good Practices on Public Procurement* was finalized and agreed to at the second meeting of the ACWG in June 2014. The Compendium identifies good practices in procurement in G20 countries, and is a useful tool in detecting and preventing integrity risks in the procurement process. The Group has also agreed to consider the possibility of developing High Level Principles on Procurement, drawing from the best practices contained in the Compendium of Good Practices on Procurement. The ACWG also finalised a review of *G20 Good practices in Asset Disclosure systems* which will be made public. Work continues within the ACWG to finalise and prepare to publish a number of other important public sector anti-corruption initiatives, including national asset disclosure profiles for G20 countries and the *G20 Compendium of Best Practices in Anti-Corruption Education for Public Officials*.
- ▶ **Private sector:** The ACWG continues to work closely with the private sector on anti-corruption in 2014, including at the G20 Anti-Corruption Roundtable (28 February 2014) and the Fourth OECD-G20 High-Level Anti-Corruption Conference for Governments and Business (11 June 2014). Work also continues to promote public-private partnerships in G20 countries to combat corruption in the extractives sector, including identifying best practices and lessons learned in G20 countries. In addition, the B20 has recently established the Collective Action Hub, which provides a forum for businesses and governments to collaborate to take concrete steps against corruption and strengthen good business practice, as well as providing practical tools and resources for businesses on anti-corruption.
- ▶ **Judiciary:** Recognising the continuing importance of independent judiciaries in the fight against corruption, the ACWG has agreed this year to promote the *Bangalore Principles of Judicial Conduct* among their relevant national authorities. Details of G20 countries' implementation of this commitment can be found in Annex 1.
- ▶ **Anti-corruption treaties: The United Nations Convention against Corruption (UNCAC) and the OECD Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions (Anti-bribery Convention):** The ACWG continues to encourage the two outstanding G20 countries – Germany

and Japan – to ratify and implement the UNCAC as a priority. The ACWG also continues to monitor G20 countries' implementation and effective enforcement of the UNCAC, including their full and active participation in the voluntary measures under the UNCAC implementation review mechanism (see Annex 1). Sixteen G20 countries are parties to the OECD Anti-Bribery Convention, and the ACWG continues to encourage those countries that are not parties to the Convention to engage with the OECD Working Group on Bribery with a view to exploring possible adherence to the Anti-bribery Convention as appropriate.

FUTURE PRIORITIES

In 2014 a key task for the ACWG is to develop a 2015-16 G20 Anti-Corruption Action Plan for consideration by sherpas and Leaders.

Drawing on advice from sherpas, the ACWG has established guiding principles for the development of the new mandate. These guiding principles are aimed at ensuring the ACWG continues its focus on effective implementation and enforcement of anti-corruption commitments, including by ensuring all 2015-16 priorities:

- ▶ focus on concrete, action-oriented measures, with clearly defined deliverables and timeframes for achieving those deliverables
- ▶ concentrate on high-priority issues or sectors where the G20 can make a real difference, and
- ▶ clearly support growth and contribute to broader G20 objectives such as investment, trade and tax transparency.

To ensure 2015-16 priorities continue to support the broader G20 agenda, the ACWG will also be closely guided by ongoing OECD-led work on the impact of corruption on growth.

In the first half of 2014, the ACWG invited all G20 members, guest countries, international organisations who are represented at the ACWG, and G20 engagement groups to submit proposals for the 2015-16 Action Plan. These proposals were discussed at a special joint session of the ACWG on 10 June 2014. All G20 engagement groups were invited to attend this session and present their proposals to the ACWG. Following this initial discussion, and on the basis of the proposals received, the ACWG has identified potential future priorities that include:

- ▶ **Beneficial ownership transparency:** As recognized by G20 Leaders and Finance Ministers, beneficial ownership transparency is a critical issue, not only for the ACWG, but for the broader G20 growth and development agenda. Promoting greater transparency in the beneficial ownership of legal entities will play an important role in preventing the misuse of legal persons and arrangements to hide the proceeds of corruption, evade taxes, commit financial crime, or for other illicit purposes.
- ▶ **Bribery:** Effectively combating foreign bribery remains an important priority for the G20 growth agenda, including by leveling the playing field for business and giving the private sector the confidence it needs to invest in infrastructure and other growth-producing projects.
- ▶ **Public sector transparency and integrity:** Promoting greater transparency and integrity in the public sector, including through effective whistleblower protections, effective asset disclosure regimes, and open data and fiscal transparency initiatives, continues to play an important role in promoting ethical behaviors and preventing the abuse of public funds, which can have a significant negative impact on growth and development. In particular, robust and transparent public procurement systems play an essential role in ensuring investment in infrastructure is not undermined by the diversion of public funds to corrupt officials.
- ▶ **Combating corruption in high-risk sectors:** The ACWG recognises that particular sectors such as extractives, renewable natural resources, and customs are vulnerable to some unique corruption risks and challenges. Effectively combating corruption in these sectors is critical to creating an environment conducive to investment, and ensuring critical assets and resources are not diverted away from economic growth and development.

- ▶ **International cooperation:** International cooperation, including possible assistance in civil and administrative matters, is essential to the successful investigation, prosecution and recovery of the proceeds of corruption, ensuring the financial resources diverted by corruption are returned to vital infrastructure and other growth-producing projects.
- ▶ **Private sector anti-corruption initiatives:** The ACWG recognizes that governments cannot fight corruption alone. The G20 must continue to work closely with business in order to address and prevent bribery and other forms of corruption which triggers market distortions and undermines financial stability and resilience.

There were also a number of other proposals received, including proposals relating to denial of entry to corrupt officials, anti-corruption education, outreach, and research.

The ACWG welcomes guidance from sherpas on these proposals.

Following feedback from sherpas, the ACWG will refine these proposals and develop a draft 2015-16 Action Plan, for agreement at the final ACWG meeting in October 2014. The ACWG will then submit the proposed Action Plan to sherpas for their consideration and endorsement.

