

Policy Note

Fighting corruption

“Corruption is a severe impediment to sustainable economic growth and poverty reduction and can threaten financial stability and the economy as a whole. Corruption is corrosive, destroying public trust, distorting the allocation of resources and undermining the rule of law.”

St Petersburg G20 Leaders’ Declaration, September 2013

Corruption erodes growth

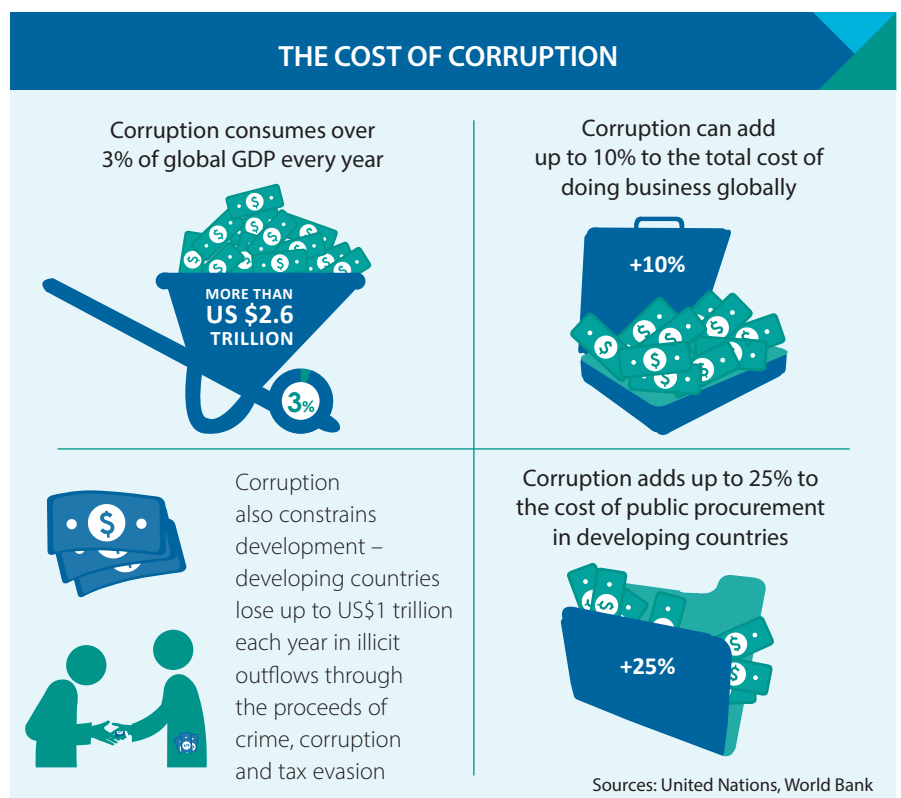
Corruption is a major obstacle to economic growth in both developed and developing countries. Consuming more than three per cent of global GDP every year, corruption increases the cost of doing business, impedes cross-border investment and trade, and distorts resource allocation and incentives.

According to the B20 Anti-Corruption Working Group, if corruption was an industry, it would be the world’s third largest. Corruption can add up to 10 per cent to the total cost of doing business globally, and up to 25 per cent to the cost of public procurement in developing countries. These funds could have been invested in critical infrastructure and services such as health and education.

Reducing corruption will increase certainty, profitability and transparency – leading to stronger investment environments, more open trade and ultimately increased economic growth.

THE G20 IS WORKING TO CURB CORRUPTION

Fighting corruption is a global challenge. Many policy options to tackle corruption



require close cooperation between countries, including sharing information and working together to prevent the illicit movement of funds across borders.

G20 members are well placed to support international efforts to address corruption and are working to reduce its social and economic consequences.

The G20 has been influential in shaping a shared global response to corruption. This includes improving governance where gaps exist in the global architecture and creating political momentum on important development issues.

Since 2010, the G20's anti-corruption agenda has included action on foreign bribery, whistle-blower protection, public sector transparency, international cooperation and denial of entry for corrupt officials.

REDUCING CORRUPTION TO IMPROVE INVESTOR CONFIDENCE

In 2014, the Anti-Corruption Working Group (ACWG) is completing commitments under the second two-year G20 Anti-Corruption Action Plan, and will develop a new Anti-Corruption Action Plan for 2015-16. G20 members are focussed on anti-corruption initiatives that improve investment conditions and investor confidence.

G20 members have committed to taking action to promote transparency in the beneficial ownership of companies and other legal entities, ensuring they are not used for illicit purposes such as money laundering, bribery, or tax evasion. Around the world, anonymous 'shell' companies are frequently created, bought and sold to hide information about the true beneficial owners, with proceeds of these corrupt practices worth tens of billions of dollars.

G20 members can help prevent financial crime and improve corporate governance by making owners more accountable for the actions of their company. This will improve revenue management and investment climates for developed and developing countries.

Further information

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ERODING INVESTMENT AND BUSINESS CONFIDENCE

INVESTMENT IN 'CORRUPT COUNTRIES' IS ALMOST 5 PER CENT LESS THAN IN COUNTRIES THAT ARE RELATIVELY CORRUPTION-FREE



THE BUSINESS SECTOR GROWS 3 PER CENT MORE ON AVERAGE IN LOW CORRUPTION ENVIRONMENTS THAN IN HIGH CORRUPTION ENVIRONMENTS



US\$1.5 TRILLION WORTH OF PUBLIC PROCUREMENT PROJECTS ARE TAINTED BY



Sources: International Monetary Fund, World Bank

DELIVERING THE 2013-14 ANTI-CORRUPTION ACTION PLAN

The 2013-14 Anti-Corruption Action Plan includes commitments by G20 members to:

- ▶ ratify and implement the *United Nations Convention against Corruption* as soon as possible, to promote the prevention, detection and sanctioning of corruption;
- ▶ strengthen the G20's response to foreign bribery, including ensuring laws against foreign bribery are effectively enforced – worldwide, more than US\$1 trillion is paid in bribes annually;
- ▶ establish a network of G20 experts to share information and cooperate in order to deny entry to G20 countries by corrupt officials;
- ▶ identify best practices and share information on asset disclosure and procurement, to reduce the US\$1.5 trillion worth of public procurement projects tainted by bribery, fraud, collusion and other forms of corruption;
- ▶ promote and protect the the independence of the judiciary in addressing corruption; and
- ▶ share best practices and enforce legislation to protect whistle-blowers.

HOW IT HAPPENS

The Anti-Corruption Working Group (ACWG), co-chaired by Australia and Italy, tracks G20 members' commitments to address corruption, particularly actions on foreign bribery, public sector transparency, international cooperation and denial of entry for corrupt officials.

The ACWG works closely with business and civil society to deepen the global culture of intolerance towards corruption and waste.

- prepared by the Australian Presidency