

Forum:	G20
Agenda:	On measures to promote equity in emerging markets
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G20 Anti-Corruption Ministerial Meeting, Saudi Support to UN Efforts

“The President of the Control and Anti-Corruption Commission, Mazen bin Ibrahim bin Mohammed Al-Kahmous, has unveiled the Commission’s first steps towards joining the OECD Anti-Bribery Convention. It has submitted an official request to join OECD, which is entrusted with combatting bribery.

In his speech before the G20 Anti-Corruption Ministerial Meeting, Kahmous said this step represents the genuine political will of the Saudi government to fight bribery in all its forms. It also expresses a full commitment to international cooperation in transnational matters.

Riyadh’s initiative aims to cement cooperation among authorities assigned to implement the anti-corruption laws, Kahmous said, adding that the Kingdom allotted USD10 million to the United Nations Office on Drugs and Crime.

Chairman of the Supreme Judicial Council Dr. Walid bin Mohammed Al-Samaani asserted that the judicial authority is an integral part of the global war against corruption.

He listed four fields to exchange the best practices, including setting precautionary measures to prevent corruption in the public-private sectors, criminalizing all corruption practices that fall under the agreement, enforcing and implementing laws and policies concerned with fighting corruption, in addition to international cooperation and asset recovery.

Further, Secretary-General of the Gulf Cooperation Council Nayef Falah Al-Hajraf praised the initiative launched by Riyadh in pursuit of establishing a network for global operations, saying it is one of the most important anti-corruption initiatives.

The G20 anti-corruption ministers stressed the importance of the existing international framework to combat corruption, particularly the commitments and pledges stipulated in the United Nations Convention against Corruption (UNCAC), the United Nations Convention against Transnational Organized Crime (UNTOC), and the Organization for Economic Cooperation and Development (OECD) agreement on

combating bribery of foreign public officials in international commercial transactions and related documents, and the standards emanating from the Financial Action Task Force (FATF).

All these instruments include a solid set of measures countries must take to prevent and combat corruption, money laundering operations, and other related serious economic crimes.

The final communique issued by the Anti-Corruption Ministerial Meeting indicated the need for international cooperation in the investigations and prosecution of transnational corruption cases, including those cases in which the recovery of the proceeds of crime is required.

“Therefore, we commit to strengthening investigation mechanisms for corruption cases, and for communication and exchange of experiences in this field,” it stated.

Further, the ministers clarified that each of the G20 countries has a national law in force to criminalize bribery, including bribery of foreign public officials, and work to strengthen efforts aimed at preventing, detecting, investigating, and effectively prosecuting and penalizing the perpetrators, as well as committing to promoting the integrity and efficiency of the public and private sectors.”

Introduction

"In the past five years, emerging markets have seen significant changes and a strong development, having become centers of economic strength and stimulating global development." - Simona Radu, Associate Partner, Forensic & Integrity Services at EY Romania.

An emerging market, while not fully developed, is an economically fast-growing market. Exponential growth experienced by the markets gives out countless opportunities for the ones within. However, the fast-growing characteristics are sometimes met with a corruptive impediment as businesses go uncontrollable when everything happens so fast. Corruption happens from engagement with authorities like government officials, who can help businesses through legislative action, subsidies, or discriminatory actions against other businesses. Large companies have more chances of being corrupted as they have the capital to bribe the government officials into doing them a favor. Thus, if corruption grows itself in between the large companies and the government, small businesses are not able to prosper as they gain a disadvantage even before they start to grow. This has a deleterious effect on equity within markets as wealth distribution does not happen equally within the economy as a whole. For emerging markets to be fully developed, all

businesses within the category should be ensured with equitable measures for them to rely on so that wealth distribution happens smoothly and economic growth continues without hindrance.

As previously mentioned, large companies might gain advantages through corruption over small businesses. However, this example is just the tip of the iceberg. This is because corruptive practices can happen not just in private sectors but the public ones too. G20's agenda of this conference is to "promote equity in emerging markets" but when narrowed down, it can explicitly be stated as "measures to combat corruptive practices." The former can only be accomplished if the latter is fully resolved. The focus of this committee's first topic has thus been stated.

Formed in 1999, Group of Twenty (G20) comprises of world's largest economies: Argentina, Australia, Brazil, Italy, Japan, Republic of Korea, etc. The purpose of this bloc is to bring together the most important industrialized and developing economies to discuss the international and financial stability of all nations. Thus, it is the main agenda for G20 to not just secure their economic problems but also to care about other economies that are beginning to grow exponentially. Solutions formed within this committee will affect the global economy by providing them a framework to eradicate corruption within businesses in emerging markets. If equity is correctly implemented on businesses within the emerging markets, wealth distribution will not be met with biased and discriminatory treatment, which then leads to increased chances for small businesses to grow and the economy as a whole to develop. As a result, emerging markets will be able to exceed their boundaries and strive to meet the standards of a developed market.

Key Terms

Equity: Equity indicates fairness and sometimes is a primary goal for businesses. Equity can be secured when corruption is eradicated and fair practices are promoted.

Equality: Economic equality would mean everyone having access to the same amount of wealth. The main goal of G20 is achieving fairness in wealth distribution, rather than making everything equal.

Emerging Markets: An emerging market is an economy of a developing nation that is becoming more stable due to success in businesses

Developed Markets: The country that is most developed in terms of its economy and capital markets. The characteristics of a developed market include high income, openness to foreign ownership, ease of capital movement, and efficiency in market institutions.

Corruption: Dishonest behavior by those in positions of businesses and authority. Illegal interactions between these two factors can come from bribery and fraud. These markets can gain their financial advantage, which leads to inequity within emerging markets.

General Overview

The inequity within emerging markets

Emerging markets tend to have higher corruption levels than in developed markets. Emerging markets are full of opportunity, meaning if entrepreneurs want to maximize their profits, they can do so by gaining support from corruptive practices and expand their businesses so that there are fewer competitors. Reduction in the competition can allow the big company to continually expand while not needing to worry about potential businesses that will take them over. Corruption can lead to unequal distribution of wealth as small businesses are not able to fairly compete with large companies. Therefore, corruption is strongly related to the idea of equity as some are provided with more opportunities than others, not due to their capabilities but due to financial advantage.

List of emerging markets and Corruptive Practices within Businesses

Ten big emerging markets around the world include Argentina, Brazil, China, India, Indonesia, Mexico, Poland, South Africa, South Korea, Turkey, Egypt, Iran, Nigeria, Pakistan, Russia, Saudi Arabia, Taiwan, and Thailand. As exponential growth is featured in emerging markets, it benefits the global economy as it can strengthen the flow of money by inducing consumption and production. Corruptive practices include bribery, extortion, fraud, cartels, abuse of power, embezzlement, and money laundering. Some of these practices like fraud and embezzlement could happen within any business. While it might not seem big of a problem, it corrupts the company as a whole by polluting it with such practices. This can collectively make companies more inclined to use the same methods to gain their advantages from external factors. Now, if these practices happen in between big companies and government authorities, it is difficult for small businesses to overcome the disadvantage they are in jail with. Normally, an economy is supposed to function with a range of businesses all competing against each other no matter what sizes they have.

However, corruption prevents the natural laws of the economy to function freely, resulting in an inequitable environment for markets to operate in. In the long term, emerging markets are not able to become developed as their process is hindered by practices that should not happen at all.

Grand and Petty Corruptions

There are two major types of corruption. One is grand corruption and the other is petty corruption. These two terms are defined within the key terms section. Categorized by the United Nations, those modes of corruption help us to have a clear picture of how the organization views corruption. This will turn out helpful due to the ambiguity of the definition of corruption. Sometimes, actions that are being taken by government authorities and entrepreneurs turn out to be part of corruption. Bribery, theft, extortion, favoritism, and illegal political contributions are all factors that lead to corruption. These 5 factors will be defined in this section. Normally, bribing at first glance seems like it is done with the money. However, it can be done through company shares, gifts, entertainment, job, promises, and more. Advantages gained by the officials can be direct or indirect. It can be indirect when benefit flow-through private business, charity, associate, friend, family, campaign funds, etc. Theft of resources happens when people entrusted with authority try to take control of the government's property. One example is stealing medical supplies, originally en-route from the airport to a local hospital to sell to a local pharmacy for money. Extortion happens by having others to pay money or provide valuables in exchange for acting or failing to act. A nurse can take advantage of an emergent situation to gain money before allowing the patients to be checked by the doctor. Favoritism comes from the assignment of services and resources according to family ties, party affiliations, religion, and other sectors. This is especially hard to deal with as relations are prone to be subjective and biased when decisions need to be made. Lastly, illegal contributions occur when political parties receive money in exchange for non-interference and goodwill towards the contributors. Businesses do not make financial contributions toward political parties just because of their personal preferences or interest in ideology. The contributions they make are expected to return to them in the form of preferential advantages over contributor's competitors. It is a key feature of emerging markets, which includes both private and public sector businesses, to have these corruptive practices between government authorities and money-craving businesses.

"Tigers and Flies"

Following the end of the "18th National Congress," Xi Jinping launched a campaign to fight off corruption. It was the largest anti-graft effort that China had over its history of the communist party. The campaign's

major goal was to investigate high-ranking officials and lowly bureaucrats, striking both "tigers and the flies" of the nation. The party assumed that simultaneously attacking both modes of power would disclose corruption embedded within its intertwined connections. Ranging from top-ranking government officials, military officials to civil servants, authorities that even to the slightest sense representing the Communist Party were investigated, province by province, rigorously executed by Central Commission for Discipline Inspection (CCDI). Xi Jin Ping's main purpose of launching this campaign was to "eradicate corruption for the survival of the party." In the end, more than 100,000 authorities were accused of corruption. While Xi's manifesto was to deal with corruption within its government structure, the implication of this campaign's success could be the continuation of the growth of China's emerging market. This is because the reduction of corrupted government officials decreases the chance of unlawful interactions between those authorities and businesses seeking competitive advantage.

Immunity to Prosecution

This is a doctrine of international law that allows government officials to be immune to any prosecution whatsoever. There are two types of immunity: functional immunity and personal immunity. Functional immunity is immunity given to people who perform certain functions of the state. Personal immunity is the immunity given to an individual due to the office they hold. One example of personal immunity is Putin. When Vladimir Putin was becoming the leader of Russia, he gave his predecessor the right to be immune from prosecution. While this is not exactly the law is mentioned in this text, it is a way government officials get away with the wrongdoings they commit when in office. Another example comes from Donald Trump. While it is likely that he committed numerous acts of crime during his inaugurated period, he is not accountable for the acts he made as a president of the United States. However, right at the moment, Donald Trump leaves office, he is liable to prosecution, as he is not a government official anymore. Both functional and personal immunity from prosecution allows corruption to occur rather easily, which is the reason why this particular international law needs to be discussed throughout the conference. This law, indeed, allows government officials to fully act on their goals as the fear of prosecution is avoided by such law. If private sector corruption's primary accomplice is government officials, there should not be an exception to the consequences of corruptive practices being accused. Thus, this law is something G20 should take into consideration when private sector corruption is discussed.

Factors that Lead to Corruption within Public Sector Infrastructure Projects

Why are Infrastructure Projects Important?

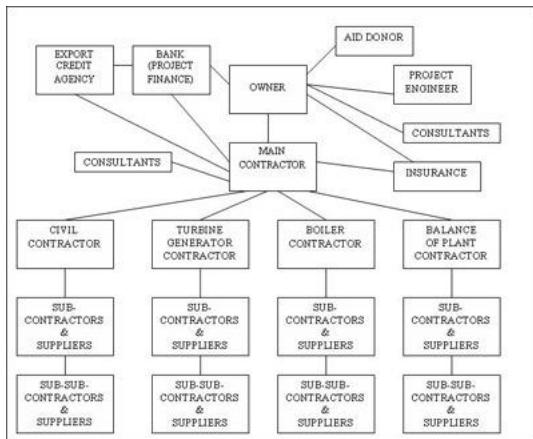
Infrastructure projects are large scale projects carried out by the public sector, which means it is government-aided. Thus, one infrastructure project can lead to hundreds of new jobs as the complex contractual structure can proliferate in links. It is quite normal for emerging markets to not have the most fundamental infrastructures. This also signifies the fact that they lack experience on large scale projects. This means that projects will be carried out sloppily, allowing corruptive practices to naturally occur within. It is the role of G20 to help emerging markets to overcome their financial hardships and strive for an economically stable state. As G20 consists of developed countries, they should be able to provide a well-rounded example for emerging markets to follow when it comes to infrastructural development.

The nature of infrastructure projects

The sophisticated contractual structure, countless skills and standards, the large size and complexity of projects, lack of transparency in the sector, the extent of government involvement; acceptance of the status quo; and the absence of effective anti-corruption measures. An environment in which extortion, bribery, and fraud can blossom is created by the factors listed above. In the case of emerging countries, they are kicking off the most BASIC infrastructure projects. Corruptive practices within these projects will be inevitable because emerging countries do not even have a well-structured government nor an exemplary history to follow.

Contractual structure

Infrastructure projects have a connected body of workers cascading down a contractual hierarchy. Contractual documentation defined each link between the contractor and the sub-contractor. Thus, the contractual hierarchy could easily go over 100 links. Every contractual link can be bought, sold, and bribed because such a large-scale project is not an easy medium to manage. Each exchange provides an opportunity for bribery and/or fraud in relation, for example, to obtaining certification for work or extensions of time, obtaining payment, collusion, price-fixing, or inflated claims. An example of a complex structure concerning the construction of a power station project is shown in the diagram below:



Complex Structure of Infrastructure Projects

People working on the project do not understand the complex structure of the infrastructure projects. Thus, it is easier to blame other participants for problems and claim whatever reward they want, even if reasons are not well supported with evidence. It also creates a reason to pay a bribe, as decisions on cause and effect, and their cost consequences can have an enormous impact.

Government's Role in Infrastructure Projects.

Normally, the extent of government involvement in infrastructure is significant. Major infrastructure projects are mostly government-owned. Even privatized projects require government approvals for permission and agreements on how the public may use the end product. The extent of government involvement makes it easy for government officials to commission projects for their purposes, extract large bribes in exchange for the award of contracts or for approving inflated contract prices.

Lack of transparency:

The impediment towards eradicating corruption is the lack of transparency within projects. The identity of the contractor, joint venture partners, sub-contractors, consultants, and agents do not need to be revealed, as they are not required to do so. Costs are as far as possible not revealed to the public nor contractors. There may, therefore, be an inadequate inspection of books and records which could trace malpractice when it happens. Without such a basic structure to record transparency, it is impossible to trace any wrongdoings between contractors, project managers, government officials, etc.

Implementation of Anti-Corruption Measures

Many infrastructure projects have few or no effective measures by which corruption during any project phase may be prevented, deterred, or detected. On some projects, some preventive measures may be in place, but these may focus on one or two aspects. Anti-corruption measures that are imposed on infrastructure projects by the government and implemented by project owners are critical to the reduction of corruption. The next section will mention the Project Anti-Corruption System (PACS) – a system designed to eradicate corruption at a public sector level.

Acceptance of the Status Quo

Many workers within infrastructure projects accept the status quo. This means that they are fine with how things run between contractors and other participants of the projects. People tend to think that actions like bribery are just part of the business within the field. Thus, awareness needs to be raised to prevent people from thinking that deceptive conduct along with corruptive practices is just part of the job.

Overview of the Project Anti-Corruption System (PACS)

This sophisticated system aims to combat corruption within infrastructure projects through the introduction of effective measures to combat the problems mentioned above. PACS has both templates and standards, which people from all around the can easily follow. Introducing the PAC system into emerging markets will allow infrastructure projects to strive truthfully. The PACS standards and templates will be discussed within Possible Solutions.

Timeline of Events

1999	<i>Formation of G20, purpose was to improve economies of all nations</i>
2008	<i>OECD Anti-Bribery Convention was ratified</i>
2012	<i>Xi Jin Ping Launches the campaign to fight against corruption</i>

UN Involvement, Relevant Resolutions, Treaties and Events

United Nations Convention Against Corruption (UNCAC)

The only legally binding universal anti-corruption organization. This organization covers five areas: international cooperation, asset recovery, preventive measures, criminalization, and law enforcement. This organization is meant to combat different forms of corruption such as abuse of functions, bribery, trading in influence, and various acts of corruption in the private sector.

Global Programs against Corruption Network (GPAC)

This network works for Central Asia and Eastern Europe by exchanging information on combating corruption in a regional forum for the countries included in the network.

Corruption Perception Index

Index published annually since 1995 through surveys and opinions, to determine perceived levels of corruption within public sectors of all countries. The score ranges from 0 to 100 and the lowest score indicates a highly corrupted state while the highest score indicates the opposite.

Independent Commission Against Corruption

Located in Hong Kong, ICAC has been formed to make sure corruption does not happen within the country. This commission approaches corruption in three types of ways: Investigation, prevention, and community education. ICAC focus on private sector corruption as

Global Infrastructure Anti-Corruption Center (GIACC)

GIACC is an international, non-profitable organization that mainly aims at making sure measures to eradicate corruption in each country are being implemented all around the world. GIACC achieves this goal with their ways of approach. Firstly, GIACC develops and publicizes measures to fight corruption and gives it out to countries that need such a tool. Countries can benefit from the sharing of ideas. To achieve this objective, GIACC works with public and private sector organizations to educate them on effective practices to combat corruption. Lastly, GIACC has an Online-Resource Center that allows people to easily access and be assisted in the comprehension and prevention of corruptive practices. The actions that GIACC is taking can be a fundamental building-block for establishing more advanced measures for all nations around the world to implement into their system.

OECD Anti-Bribery Convention

OECD Anti-Bribery Convention is an anti-corruption convention that aims to eradicate political corruption and corporate crime by encouraging sanctions in international business transactions carried out by businesses from countries within the convention. Focused upon developing countries, the OECD Anti-Bribery Convention is one of how equity is being promoted in emerging markets.

US Foreign Corrupt Practices Act

The FCPA law prohibits firms and individuals of the United States from paying bribes to foreign officials to further business ideals. The chair had placed this law for delegates to be aware that bribery does not only happen on domestic grounds.

UK Bribery Act

Bribery Act 2010 was an act enacted by the United Kingdom to go against bribery by settling it as criminal law. This type of law should be encouraged more, not in MEDCs like the UK, but in countries that lack control.

Financial Action Task Force (FATF)

Financial Action Task Force is an intergovernmental organization that has the aim of developing policies to combat money laundering. They issue global, binding standards to prevent illegal money handling. Standards set by the FATF is both applicable and referenceable when delegates consider measures to combat corruptive practices LIKE money laundering.

Possible Solutions**Financial Infrastructure**

Emerging markets may have underdeveloped financial infrastructure which impacts banks, stock exchanges, currency, and information about investments. The grave impact it has on consumer spending habits and behaviors cannot be ignored.

Unstable Conditions

Social disorder, military conflict, and unstable political parties are all examples of the undergoing of emerging markets. Producers and consumers will face the impediment of production and expenditure from the conditions they have to face but cannot control. It is the role of G20 to evaluate the difficulties faced by emerging markets to provide the aid necessary for recovery.

Product Diversion

Due to the lack of proper management, emerging markets often face product diversion and unauthorized sales. A financial and entrepreneurial structure is needed to make sure products are sold at the right places by the right sellers.

Changes

As the economies of emerging markets grow, businesses strive and fail, making it difficult to maintain stability within the free market. Rapid change can also occur from infrastructure projects developing simultaneously. This can only occur within emerging markets as they lack the most preliminary structures like transportation, electric systems, water systems, etc. When change occurs at an exponential pace, it is hard to trace the details needed to accuse corruption. Maintaining a clear record for every step of the progress will be the backbone of fighting corruption.

PACS Standards

1. Independent Assessment: Appointment of the independent assessor is needed for the monitoring and assessment of the project's corruptive incidents
2. Transparency: Project information should be disclosed to the public by the project owner
3. Procurement: Adequate procurement procedures should be implemented by the project owner
4. Pre-contract disclosure: The project owner and tenderer should provide information that could reveal the risk of corruption
5. Project anti-corruption commitments: Project owner and major contractors should provide each other with anti-corruption commitments
6. Funder anti-corruption commitments: Project owner and funder should provide each other with anti-corruption commitments
7. Government anti-corruption commitments: Senior officer should be available for reports on corruption and government departments should minimize chances of extortion
8. Raising awareness: Policies, training, and rules should be implemented in the workforce
9. Compliance: A compliance manager is needed to ensure anti-corruption commitments

10. Audit: Financial audits are needed to make sure payments are made properly by contractors. Technical audits are needed to make sure project design, construction and specification are all trust-worthy.
11. Reporting: Corruption on the project should be reported to the public via credible staff
12. Enforcement: Risk of civil enforcement and criminal enforcement should be emphasized

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