

Forum on Integrity

Corruption, Investment and Growth

AGENDA

25-26 MARCH 2015
OECD CONFERENCE CENTRE
PARIS, FRANCE

Rationale and Objectives

The OECD Forum on Integrity is an innovative anti-corruption forum of policy makers, businesses, civil society, academia and other stakeholders to identify new approaches to prevent, detect and repress corruption in a holistic manner.

The 2015 Forum on Integrity will zoom in on the effect of corruption on investment. As a key driver for economic growth, investment is a strong policy lever, but only if corruption, present in different forms in investment policies and projects, is curbed. Debates during OECD Integrity Week will review existing mechanisms to properly address corruption risks all along the investment policy cycle and explore good practices in mitigation strategies to fully reap the benefits of investment. Centring discussion on investment will align the OECD Integrity Week with the Ministerial Council Meeting (MCM) and will provide valuable technical input in the area of anti-corruption to the dialogue of Ministers.

Target Audience and Panellists

The audience and panellists will be anti-corruption policy makers and practitioners in addition to investment-related stakeholders, including public officials and businesses. It is important that the debate takes place with anti-corruption stakeholders and engages other policy communities. The debate will be enriched by their active participation, their complementary or divergent points of view, as well as first-hand experience at the policy and operational levels.

Background on Investment

Sustained economic growth is crucial for delivering more and better services, building more resilient economies and increasing trust in government and politicians. Public and private investment are essential to long term economic growth by expanding an economy's productive capacity, boosting productivity and employment, improving service delivery both in quantity and quality, and enhancing human capital. According to the International Monetary Fund, "1 percentage point increase in investment spending as a share of GDP raises the level of output by about 0.4 percent in the same year and by 1.5 percent four years after the increase" (IMF, 2014).

In 2012, OECD countries spent close to USD 1.2 trillion in public investment representing 2.7% of OECD GDP and 15% of total investment (public and private). Sub-national governments undertook most of this investment (72%). One important aspect of public

investment is investing in public infrastructure. Today, special attention is placed on this type of investment, as it is a fundamental component in the delivery of key public services. While the financial crisis had a significant impact on the public finances of most advanced countries and saving rates continue to decline, the need for public infrastructure in OECD countries is significant. The OECD has estimated the annual investment requirements to be around an average of 2.5% of world GDP (OECD, 2007).

To ensure appropriate allocation of public investment, attract private investment, and to fully reap the benefits of investment for economic growth, countries need to overcome several obstacles. As stated by the World Economic Forum, "excessive bureaucracy and red tape, overregulation, corruption, dishonesty in dealing with public contracts, lack of transparency and trustworthiness, inability to provide appropriate services for the business sector, and political dependence of the judicial system impose significant economic costs to businesses and slow the process of economic development." Corruption has been identified as one of the most problematic factors for doing business in several OECD countries.

Although evidence suggests that the level of corruption will not significantly affect the level of investment in a country, corruption has been identified as distorting factor affecting the quality and seriously undermining the benefits of the investment. Corruption can be perceived as an additional cost or tax to be paid by investors — and when it extends to higher echelons of government, it can lead to deep distortions in investment policies.

Corruption may also lead to unprofitable public infrastructure projects also known as white elephants, resulting in vast infrastructures hardly used but nevertheless entailing high maintenance costs. Specifically, corrupt public procurement processes may lead to expensive and low quality public infrastructure and poor service delivery. Corruption also poses specific risks to private investment, such as increasing the likelihood of expropriations. No country is immune to these risks.

The 2015 Forum on Integrity will provide a stocktaking forum, exploring new approaches to prevent, detect and curb corruption in a holistic manner, reviewing existing mechanisms to properly address corruption risks and learning from a wide range of country and stakeholders' experiences all along the investment policy cycle from design to implementation.

AGENDA

Wednesday, 25 March 2015

9:00 – 9:30 Registration & Welcome Coffee

9:30 – 9:45 Welcoming Remarks and Opening Address (CC1)

William C. Danvers
OECD Deputy Secretary-General

9:45 – 11:15

Session 1 (CC1)

High-Level Debate: Mapping the Risks of Corruption in Investment

OBJECTIVES

Investment helps to underpin competitiveness, productivity and growth. Yet corruption as one of the main obstacles to investment has the potential to impact negatively on the effectiveness of investment, thus impairing economic growth. This high-level session will convene stakeholders from both the investment and the anti-corruption sphere to map risks of corruption in investment and identify the key tools to mitigate those risks.

11:15 – 11:45 Coffee Break

11:45 – 13:00

Session 2 (CC1)

Reaping the benefits of investment for all: Preventing the capture by special interests

OBJECTIVES

While investment is a crucial element of growth, if the related policy making process is not adequately regulated and monitored, investment may also be the means for undue influence and policy capture by special interests. The consequence may be the adoption of inefficient investment policies that go against the public interest, slowing the economic growth and reducing the level of trust in the government. Consideration of investment policies needs to be part of any overall strategy to assure public integrity and good governance. In particular, effective management of conflict of interests, lobbying and political finance are crucial to mitigate the risks of policy capture and ensure inclusive growth through investment.

This session will explore effective preventive mechanisms to promote transparency and avert policy capture within the policy making process, featuring various in depth case studies relating to major investment policies.

13:00 – 14:30 Lunch + Speakers' Lunch

14:30 – 16:00

Breakout Session 1 (CC5)

Trust and Business

OBJECTIVES

This session will discuss how the OECD can work with governments, companies, civil society and other stakeholders on actionable and effective steps governments and companies can take to bridge the gap between existing policy instruments designed to promote responsible business practices and practical implementation and conduct. Discussions will also make the link between responsible business conduct and investment policy implementation, and draw from actual practices and cases documented as part of the new OECD Trust and Business Project. They will also benefit from the OECD's experience assessing anti-corruption and business integrity measures in the context of monitoring implementation of OECD standards for business, including the OECD Anti-Bribery Convention, in both OECD and non-OECD jurisdictions.

16:00 – 16:30 Coffee Break

16:30 – 18:00

Breakout Session 3 (CC5)

Behavioural Insights and New Approaches to Anti-Corruption Policy Design

OBJECTIVES

This session will discuss the possible scope and advantages of behavioural insights regarding corruption, and various applications of behavioural methods to public policy issues such as investment. It will explore the findings of various leading studies in this area to ascertain how behavioural approaches can inform anti-corruption strategies.

18:00 – 19:30

14:30 – 16:00

Breakout Session 2 (Chateau Room E)

Anti-Corruption Development Assistance for Investment

OBJECTIVES

Development assistance is crucial for furthering investment for development. Yet, the governance of receiving countries as well as the operations of co-operation agencies matter greatly to avert corruption in development assistance. This session will discuss corruption risk management in the operations of multi- and bi-lateral co-operation agencies. It will discuss the needs presented by current policies, integrity frameworks currently being employed and their effectiveness, and crucial components and mechanisms to manage corruption risks.

16:30 – 18:00

Breakout Session 4 (Chateau Room E)

Investment Treaties, Arbitration and Corruption

OBJECTIVES

Businesses turn increasingly to international arbitration as an alternative mechanism of dispute resolution for their multi-million dollar claims. These private judges are at times confronted with allegations of corruption in the original investment contract. Yet, ad hoc arbitral tribunals do not follow a coherent approach when it comes to questions such as whether they can treat corruption cases, the proof of corruption and the arbitrator's investigative rights.

This session will address the following questions: How can the resulting unpredictability and uncertainty both for investors and States be reduced? How should corruption allegations be treated by arbitrators? Should anti-corruption clauses be systematically included in contracts and investment treaties? How can the use of arbitration proceedings for corruption and money laundering purposes be avoided?

Cocktail Reception (George Marshall Room – Chateau)

Thursday, 26 March 2015

09:00 – 09:30 Welcome Coffee

Session 3 (CC1)

9:30 – 11:00 **Strengthening the Governance of Infrastructure Investments: Avoiding corruption in public procurement and PPPs**

OBJECTIVES

The construction and infrastructure sector is particularly prone to corruption. Infrastructure projects involve a large number of actors and significant amounts of money. Thus private participation in investment projects may be marred by corruption particularly in the design of the PPP or the public procurement process. If processes are not adequate and transparent, corruption increases the need for, and the cost of, investment contributing to unsuitable, defective, and dangerous infrastructure such as buildings that collapse and roads that break up after a short period of time.

This session will explore effective preventive mechanisms to promote transparency, efficiency and good management in the governance of infrastructure investment to minimize the risk of corruption and achieve better value for money in infrastructure projects.

11:00 – 11:30 Coffee Break

Session 4 (CC1)

11:30 – 12:30 **Lessons Learned to Improve the Climate for Investment and Impact by Curbing Corruption**

OBJECTIVES

This session will identify the key tools and lessons learned for corruption risk assessment and mitigation in investment.

12:30 – 13:00 **Closing remarks**

Angel Gurría (tbc)
OECD Secretary-General