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CHAPTER 2

# Public Infrastructure



## Introduction

### Why does corruption in public infrastructure matter?

**The world's infrastructure needs are huge.** Globally, an estimated USD3-4 trillion on an annual basis through 2030 is required to meet the infrastructure needs of the 1.2 billion people who lack electricity; the 663 million who lack adequate drinking water sources; the 1 billion who live more than two kilometers from an all-weather road; and the many millions who are unable to access work and educational opportunities due to the absence or high cost of transportation services.<sup>1</sup>

**Corruption exists in all sectors and its impacts are universally negative, but corruption in public infrastructure has particularly serious implications for low-income countries** where infrastructure accounts for a higher share of GDP and institutional structures may be less stable. Inappropriate project preparation and selection, poor price forecasting, limited competition, and badly designed tenders lead to excessive time and cost overruns, inadequate maintenance, and low-quality end results. This all impacts negatively on economic growth and poverty alleviation.

**Private sector funding is urgently needed, but corruption makes investors reluctant.** Given the so-called infrastructure gap, the growing need to attract financing from a nuanced range of new and conventional sources is evident. Yet surveys conducted among the private sector unanimously show that corruption risks are among the top barriers to investment in infrastructure and auxiliary sectors. The size, complexity and long-run nature of infrastructure projects leaves them vulnerable to corrupt practices and, as a result, the prospect of exposure to criminal or ethical misconduct functions as a deterrent to investors.

**In addition to large financial losses, the cost of corruption to governments is reputational.** Diminished public trust and disinterest in public-private cooperation from quality contractors decreases

civic engagement and leads to low-quality results. Malfeasance and mismanagement along the project lifecycle result in transactions that have high external costs and low public benefit. These results tend to repeat themselves, not least when corruption goes unchallenged, but risk management is a persistent challenge facing public entities.

**Risk management is complicated by the many possible entry points for corruption.** Projects often cut across several institutions, jurisdictions, levels of government, and policy areas on their long-run path to delivery. This complexity makes corruption tricky to detect. Infrastructure is also often subject to considerable local influence on topics such as land use and access to services leading to many opportunities for rent extraction. Finally, the corruption risks in infrastructure development are inextricably linked to those in government contracting. As such, the preceding chapter on public procurement draws complementary lessons and insights.

**World Bank experience shows that the stakes are high in infrastructure, but mitigation efforts matter.** The World Bank's infrastructure lending portfolio represents a significant portion of its activities. In 2014 alone, the World Bank allocated USD24 billion to infrastructure, amounting to roughly 40 percent of its total lending that year. A project mainstay of the World Bank through the years has been road construction. Between 2000 and 2010, USD56 billion was directed to roads and road maintenance projects. The Bank's Independent Evaluation Group (IEG) reports that roads and other transport projects consistently score higher on measures of outcomes, institutional development, and sustainability than non-transport projects. Yet, one quarter of the more than 500 projects with a Bank-funded roads component during that decade drew one or more allegations of corruption-related activity. In comparison to non-Bank projects or projects with no corruption mitigation efforts, this number is low, hinting at the true extent of the problem.

## Identifying corruption risk: Targeting the whole project cycle

**Research consistently shows that corruption occurs at every stage along the project lifecycle.**

Every phase in an infrastructure project involves distinct combinations of institutions and stakeholders, each with their own vulnerabilities to particular types of misconduct. The interaction of country specific circumstances, market conditions, and project particulars determine where the dark corners are.<sup>2</sup>

**Overlooking early and late stages is detrimental to fiscal prudence.** Attempts to measure corruption in the infrastructure sector have tended to focus predominantly on the procurement phase, resulting

in a lack of data on other phases. Estimates of losses to bribery in construction, which lies downstream from procurement, are as high as 45 percent of construction costs.<sup>3</sup> To illustrate, more than a quarter of the allegations against the road projects with World Bank involvement, mentioned above, concerned fraud during the construction phase.<sup>4</sup> Better oversight of the entire project cycle is essential: If an economically viable project is selected in the initial phase, and the quality and maintenance of the end-product is ensured, the potential impact of corruption is already substantially reduced.

## Corruption entry points by phase

**To understand which types of corruption most commonly afflict the infrastructure sector, it can be helpful to simplify the corruption challenge by breaking it down into stages.** This section describes some examples of the most common types of misconduct as they might occur in the early, middle and late project stages.

### 1. Needs identification, appraisal and project planning: Bribery and undue influence

**The high stakes and outsized profits of multimillion-dollar contracts provide an alluring incentive to influence the identification, selection and planning process.** Early project stages involve multiple actors with competing agendas, such as potential contractors, lobbyists, and regulators. The bribery of officials, driven by the potential returns on misconduct, is aimed at gaining connections or undermining merit-based procedures for project or contractor selection, for example through access to confidential information such as financial or commercial project details. Similarly, policy capture, whereby the government body responsible for project selection is subject to undue influence—concealed as lobbying—

places some parties at an advantage to others.

**In the absence of fair competition, project value is compromised.** In many jurisdictions, bribery is plainly unlawful, while lobbying might happen legally in ways that cause information asymmetry between bidders and undermine competitive procedures. However, the result of the two scenarios can be the same: financial pressure or lobbying power wins out over public interest in project selection. The cost of this bias in project selection is cumulative. For governments and end users, overall project value is negatively impacted when funds are directed to projects that are not selected based on fair competition.

**The size of bribes has a significant impact on procuring entities.** Statistics show that bribes during the submission, evaluation and awarding of contracts are between 10 to 15 percent of the contract value. One well-known and recent example of grand corruption is the Odebrecht scandal, which saw the Brazilian infrastructure giant bribe its way to contracts in otherwise largely competitive auctions across two continents for more than a decade. Between 2005 and 2015, the equivalent of Odebrecht's entire profit was made from infrastructure contracts won from bribes. By Odebrecht's admission in a U.S. District Court,

the company paid about USD788 million in bribes in Brazil and 11 other countries, securing more than 100 contracts that generated USD3.3 billion in profit for the company. Typically, bribe payouts are recovered in the mark-up placed on the unit prices of the procurement items, driving up costs for procuring entities who end up paying the price, twice.

**Bribery aside, the early project stages are sensitive to several types of misconduct.** For example, bidders may present fraudulent information to pass technical or other assessments, potentially prompting serious safety hazards to people and the climate, not to mention the costs tied to fixing defunct infrastructure at a later date. Proposed budgets that either overestimate outcomes or underestimate costs are another example of misreporting that intentionally skews competition. These types of misreporting can be difficult to detect in time and, because the cost of re-contracting for governments is prohibitively high, they can lead to a pernicious outcome of rewarding fraud.

## 2. Procurement: Collusion and nepotism

**The procurement phase may hold the highest risk of corruption.** Compared with other areas of development lending, large-scale, technically elaborate infrastructure projects require more specialized contractors and consultants and more capital input, leading to complex contractual procedures throughout. The procurement phase may indeed be where this complexity creates the most entry points for corruption, and the biggest chance of rewards for misconduct. A study showed that government procurement worldwide was worth around USD9.5 trillion in 2014.<sup>5</sup> Due to the size of the market, even low percentage levels of corruption account for enormous financial losses.

**Collusion occurs when bidders conspire to limit competition through schemes, including complementary bidding, market division, and bid suppression.** This type of cartelization defeats the competitive bidding process in order to inflate prices to artificially high levels. Contractors may also act alone, offering payments for contract awards or facilitation payments to circumvent taxes and customs.

**Or, the government contracting authority manipulates the bidding process to exclude other competitors.** This ensures that the contract will be

awarded to the bribe-paying firm, whose prices are now inflated to cover the cost of the bribe. It is done by limiting calls for bids, skimping on advertisements or setting unrealistically short timeframes with specifically tailored requirements. A study of more than 3.5 million government contracts across Europe showed that publishing more information about contracts decreases the risk of single bid tenders. This matters because single bid contracts are a governance risk and are over 7 percent more expensive. Publishing five more pieces of information, or data points, about each tender would save up to USD3.9 billion in Europe.<sup>6</sup>

**Nepotism occurs when decision makers influence the processes of procurement to favor bidders who are connected to them via professional or familial networks.** This is done by either limiting the set of bidders in the advertisement phase or unfairly assessing bidders in the assessment phase. The payoff for this can come in the form of kickbacks or political campaign support in a textbook example of corruption as the misuse of public office for private gain.

## 3. Construction, operation and maintenance: Fraud and renegotiation

**Years of construction lead into decades of operation and maintenance (O&M), yet PPP regulations tend to neglect the long tail-end of projects.** Too often there is no robust evaluation plan in place, nor a clear procedure for dealing with unexpected risks. As a result, contract execution and infrastructure operations are vulnerable. While mechanisms to ensure the quality of outcomes are key to long-range project success, there is a lack of ready tools to help governments evaluate and manage indicators of corruption through construction and O&M. This gap is compounded by the fact that O&M is often underfunded: The average cost for road rehabilitation across 18 countries with good data on both bribes and costs was USD36 per square meter in 2010. In countries with a low risk of bribery, it was USD30 and in those with a high risk it was USD46, a spread of more than 50 percent.<sup>7</sup>

**One of the most common risks during the construction phase is ex-post renegotiation of performance requirements in the contract details.**<sup>8</sup> When contractors' terms begin to deviate substantially from initial requirements, it can be an indication that the contract was won through intentional under-

bidding. Renegotiations reflect the fact that PPPs suffer from chronic cost overruns, and recurrent renegotiations are a likely outcome of the incentive structure in place. Recent evidence shows that when firms pay bribes, renegotiated amounts and cost overruns are substantially larger,<sup>9</sup> yet renegotiations continue because the financial and reputational cost to government of returning to the tendering process is likely perceived to be too high. Case Study 5 provides more insights into how renegotiation affects PPPs in particular, and, using country-level examples, gives

guidance on how countries can protect themselves from disingenuous contract offerings that lead to renegotiation attempts.

**The operational, audit and evaluation phases are also particularly sensitive to fraudulent results reporting.** Auditors play an important role, but to be efficient they need to be sufficiently resourced and siloed from situations where they may be exposed to attempts at facilitation payments to overlook violations of controls.

## Policy actions: Integrity and transparency in governance

**Planning is an essential part of protecting against financial and reputational losses.** Measurements of losses to corruption in the infrastructure sector are open to wide margins of error, but a comparison of World Bank supported projects with non-Bank related projects shows that the mere presence of a risk management strategy results in fewer allegations of corrupt activity overall.<sup>10</sup>

**The best prevention is a whole-of-government approach.** Neither increasing the costs associated with misconduct, nor adding time-consuming layers of due diligence has proven to be a catch-all defense. Corruption is a human incentive-based behavior with no archetypal villain, and prevention, as ever, is preferable to treatment. Best practices for governments entail formalized criteria to guide the prioritization, approval, and funding of projects.

At the project level, policy measures to encourage integrity can include requirements for:

- **Mandatory conflict of interest disclosure** for all persons who come into contact with the project at the government level. This is a key part of risk planning that helps prevent incentives for corrupt behavior by limiting the possibility for persons to make project related decisions that benefit them personally.
- **Systematic controls via Independent External Monitors (IEMs)** who review the process from

inception to project closure. IEMs should be required to monitor objectively and may have administrative or enforcement responsibilities, for example the power to halt a project in the case of allegations of wrongdoing.

- **Digitization of information** and dissemination for equal access by all stakeholders. This includes the public and civil society organizations, which play a key role in successful oversight.
- **Integrating PPPs into a broader public investment management process** as well as ensuring sign-off from the Ministry of Finance at key points can reduce the scope for poorly prepared projects.

Other efforts that are shown to make a difference:

- **Risk mapping.** Understanding who is involved at each step of the procurement process, and the links between people and entities is key to limiting losses. First steps to formulating a policy response could include a 'risk map' for relevant government bodies to identify official positions that are vulnerable to outside influence, and to set a threshold for determining which types of projects are particularly risk prone, based on costs and complexity. Building a risk map helps establish a clear view and open lines of communication between all relevant government departments.
- **Codes of conduct and training.** This should include

provisions on asset declaration and whistleblower procedures including, importantly, whistleblower protections. Training relevant officials on how to avoid corruption and providing general ethics and integrity training raises awareness, builds commitment and opens up space to discuss wrongdoing and bring it to light.

- **Multi-stakeholder agreements.** In places where the whole-of-government approach is untenable, risk mitigation instruments can be put in place on a case-by-case basis. One way to do this is for all stakeholders—government, potential contractors, and civil society—to sign a binding agreement mutually pledging to avoid corrupt practices and ensure enhanced disclosure, including to the public. This type of contract can be implemented on all or parts of a project and adapted to the context at hand. For example, agreements can stipulate requirements for an IEM, such as a relevant civil society group, and sanctions for transgression, including contract cancellation.

While being a good preventive tool, this type of agreement is limited in scope. Like any strategy, if not carefully managed, it can be merely window dressing. It works best as a supporting mechanism to weak regulations but requires complementary approaches, such as effective intervention of control agencies and the timely prosecution of criminal offenses in order to be most efficient.

Introducing a multi-stakeholder approach to accountability can involve partnering with initiatives, such as Transparency International, which has created the Integrity Pact for this purpose; the Open Government Partnership; Open Contracting Partnership; or, the Infrastructure Transparency Initiative (CoST). See Case Study 4 of this report to read more about how CoST uses a four-pillar approach to improve service delivery and value for money in public infrastructure spending.

- **Beneficial ownership disclosure laws.** Beneficial owners are natural persons who effectively own or control a legal entity, in this case the bidder. Preventing their anonymity complicates the process of illegal practices, including money laundering and corruption, by blocking attempts to obscure ownership through layers of entities across several jurisdictions. Concealing beneficial

ownership is attempted for several reasons, including to hide connections or collusion between government officials and owners. See Chapter 9 for more information on how beneficial ownership registries are being implemented globally.

- **Cross-government reporting and monitoring.** Monitoring cash payments and ensuring that financial transactions are sufficiently tracked and recorded facilitates the detection of irregularities. Following the whole-of-government ideal, this includes cross-referencing public expenditure information within and across sectors.
- **Encourage integrity among potential project partners.** Even when governments have sound regulations in place, compliance monitoring is never failproof. A lot of risks come from working with third parties who, directly or indirectly, pose a threat. Some partners might obscure ultimate beneficial ownership details that can hide important conflict of interest information. Others may not have any screening measures in place for subcontractors or, indeed, any risk management at all. To avoid doing business with companies that do not actively manage risk in their own operations, or in their sub-contractors, is a crucial step in avoiding external risk.

Box 2.1 is an example of the types of internal policies and practices that a project owner should be screening for in partners on major infrastructure contracts. It draws on the experience of the International Finance Corporation (IFC), the largest global development institution focused exclusively on the private sector. Early identification of corruption and other integrity risks is an essential component of IFC's overall project risk management. Through due diligence, IFC aims to identify likeminded clients and partners who are committed to transparency, sustainability and good business practices. IFC's methodology is relevant for practitioners from all sectors, including SOEs, investors, and government procurement bodies, because it sets a standard at the project level for all stakeholders, equally. It mirrors the rise of environmental, social and governance standards that large institutional investors and corporates increasingly apply to their own decision-making.

## BOX 2.1

## IFC's Integrity Due Diligence (IDD)

The purpose of the IDD process is to understand the ownership structure of the client and partners, determine the ultimate beneficial owners, and identify integrity risks, such as corruption, fraud, money laundering, tax evasion, lack of transparency and undue political influence associated with the project. Mapping the underlying ownership structures and networks of the parties involved helps the IFC gain a view of the potential risks of engaging with parties who are sanctioned or have a known history of misconduct; or of engaging with unknown third parties who could present other risks.

Opaque structures may be used to evade taxes, hide ownership and wealth, facilitate criminal activity and launder the proceeds of crime. For these reasons, as part of its IDD process, IFC is required to conduct due diligence to understand the structures used by its clients. Enhanced due diligence is required for investments involving intermediate jurisdictions (broadly defined as jurisdictions other than those of transaction sponsors or project companies and sometimes referred to as offshore financial centers). IDD also covers other entities and individuals whose role in a project could potentially have a material adverse reputational or financial impact.

## Policy articulation: Drawing on the experience of multilateral organizations

**Competition is cleaner and kickbacks are fewer and smaller in places where transparent procurement, independent complaint procedures and external auditing are in place.** These findings of a World Bank survey of 34,000 companies in 88 countries are in line with today's standards for best practice, as formulated by a handful of multilateral organizations.<sup>11</sup>

**The OECD takes intellectual leadership in this area.**

The OECD's work on anti-corruption is a diverse toolbox that includes frameworks for developing standards and best practices on issues such as bribery, procurement, and public financial management.<sup>12</sup> The G20 also takes a leading role. The G20 High-Level Principles (2017) take a narrower approach, concentrating on the structural organization of public administration against corruption.<sup>13</sup> They are divided into organizational measures that focus on administrative procedures;

awareness-raising amongst public officials; and human resources management.

**Multilateral institutions have followed the OECD's example.**

The OECD may currently take intellectual leadership in its work with corruption related issues, but a large number of multilateral institutions have similar initiatives in place. These include regional partnerships, such as the African Union's Convention on Preventing and Combating Corruption and the Economic Community of West African States' Protocol on the Fight Against Corruption; economic and political organizations such as the World Economic Forum's Principles for Countering Corruption, which builds on its early work on countering bribery; and the United Nations Convention Against Corruption (UNCAC), which is the only legally binding and universal instrument.



Across these frameworks, the following common principles emerge:

- **Openness/Transparency**

Countries where information about contracting is made public have reduced prices, increased competition and better services.<sup>14</sup> Potential suppliers, contractors and the public should be provided with consistent information so that the public procurement process is clear and the outcomes are equitable. Governments should promote transparency for and among relevant stakeholders, such as the public and oversight institutions, across the entire public procurement cycle.

Transparency is not just a trendy term for keeping governments honest and citizens happy. A growing body of academic research shows that a certain level of disclosure by companies is strongly correlated with lower cost of capital, improved capital allocation, enhanced earnings, and increased company valuation.<sup>15</sup> This is true for companies across markets and includes financial and non-financial disclosure on social and environmental factors.

- **Coordination, code of conduct, and training**

A code of conduct for all government officials in touch with the planning, procurement or execution processes builds cohesion and trust and gives clear

directives on what constitutes ethical behavior. Governments should establish and disseminate a chain of responsibility and obligations for internal reporting with well-defined responsibilities for designing, leading and implementing corruption prevention measures across the public administration at all levels. Guidelines and regular integrity training go even further in helping to ensure impartiality, manage conflicts of interest, and give directives for how to handle suspicions of misconduct.

- **Monitoring and accountability**

Governments should provide mechanisms to monitor public procurement as well as detect misconduct and apply sanctions accordingly. This can include an independent monitoring body with the power to halt projects on the basis of suspicions of foul play or an ombudsman that reviews department practices and complaints and ensures alternative dispute resolution processes.

As described in the following section, citizen monitoring can complement traditional accountability measures and the positive effects of empowering the public are well documented. A randomized control study of roadworks projects in Afghanistan, for example, found that new roads were of significantly higher quality and more durable in neighborhoods where the community had monitored the implementation of the project.<sup>16</sup>

## Using data and citizen monitoring

**Good governance, risk management and transparency go hand in hand.** End-to-end monitoring of public spending contributes to good governance objectives by strengthening public sector efficiency, while policies that promote transparency impact citizen trust, value for money and competition.<sup>17</sup>

**One of the most convincing trends in cost-efficient and effective risk mitigation is the technology-driven use of data collection, storage, and analytics to promote these goals.** This implies gathering, inspecting, and modeling data on, for example, transactions or networks in government spending, in order to inform current and future decision-making. In

practice, project data helps decision-makers identify vulnerabilities and plug these gaps; for example, by generating probability scores for the risk of bid rigging or mining e-GP systems for patterns that indicate favoritism or collusion.

**Bringing procurement processes online has large payoffs, not only in terms of streamlining data points.** E-GP systems are not only less prone to human error than manual ones, but also lower the barrier of entry to smaller companies. On average, more than four times more firms bid for e-GP tenders than for manual ones (5.2 versus 9.4, respectively).<sup>18</sup> Moreover, market participants' perception that data is timely and



accurate is a precondition for capital market financing of infrastructure and for the development of infrastructure as an asset class.

**Engaging citizens in the monitoring process provides a feedback loop of valuable information for governments to act on.** A growing body of evidence supports the theory that citizen monitoring reduces corruption, improves the quantity and quality of public services, and strengthens the demand for long-term reforms. In Colombia, for example, an app was introduced in 2013 that allows citizens to flag over-priced, neglected or incomplete public works (so-called white elephants) to the government’s transparency secretariat. Colombians use the app to upload photos of construction projects in municipalities across the country. Users cast votes for the most disliked projects and the app collects data on where the white elephants are located and which are most frequently reported, allowing government to prioritize its investigations. Once the secretariat receives a report, it begins assessing the case for corruption. By the end of 2017, the secretariat had pushed the government to finish 15 of more than 50 projects, worth more than USD400,000. Citizens are stakeholders and their proximity to projects and interest in seeing taxes efficiently spent makes them a valuable partner.

**When linked to regulations that grant public access to information on government spending, open data can boost transparency, increase competition and deter collusion.** In Peru, a study found that monitoring contracts in public infrastructure decreased costs by up to 50 percent<sup>19</sup> and multi-country studies show similar outcomes: adequate disclosure policies reduce prices, increase competition, and result in better quality services.<sup>20</sup>

**Of course, transparency requirements must be balanced by procedures for safeguarding privacy,** such as information relating to national safety or commercial and competitive information. Transparency requirements that are untimely or overreaching can allow competitors to monitor each other’s pricing and bidding strategies. For example, revealing companies’ bids for a sequence of similar contracts might facilitate anti-competitive agreements – collusion – as companies can observe if competitors submitted their bids as illicitly agreed. Requirements to disclose ultimate beneficial ownership information, on the other hand, is an efficient, low-cost way to avoid conflicts of interest. Ensuring a reasonable balance requires regulations to determine levels of transparency and channels for reporting suspicions related to leaks of confidential information.

**Organizations are pushing for greater transparency of administrative data on government tenders.**

One of these organizations is the Open Contracting Partnership (OCP), initially hosted by the World Bank. OCP utilizes data analytics as a tool to promote openness and prevent corruption. OCP monitors public procurement by connecting stakeholders around a standardized contracting platform designed with the principles of transparency at its core. The Open Contracting Data Standard platform—and the OC4IDS platform designed specifically for infrastructure—tracks and logs spending while guaranteeing data immutability and access to information for relevant stakeholders, including civil society, at various project stages. In practice, it provides guidance to governments on what information to disclose at each stage of an infrastructure project so that public money is spent well from planning to completion. Case Study 6 is a concrete example of how open contracting and e-GP can benefit public infrastructure.

## Conclusions

**The key message is this: for integrity to overcome the forces of corruption, a broad and vigorous alliance is needed, using varied tools to foster transparency and openness.** Corruption is a reflection of how things are currently done by certain officials, businesses, and politicians in specific situations. This does not happen in a vacuum; corruption is enabled by conventions and approaches that have been allowed to

develop over time. In some situations, these practices may not even be considered particularly harmful or wrong by the participants—as illustrated by the oft used term for corruption: the price of doing business. This chapter argues that if the political level commits to the systematic implementation of integrity measures across the infrastructure cycle, it will make a difference on both a systemic and project level. In addition, and crucially,



mobilizing citizens and stakeholders and strengthening their hand through greater project transparency and openness can build momentum and change the political economy and cultural considerations that have allowed corrupt practices to happen. Through such a sustained and broad-based movement, country examples demonstrate that change can happen at both the project and society level.

**There are considerable gaps in our practical understanding of how to anticipate and manage corruption in the provision of public infrastructure, but the fight is worth joining.** What we do know is that corruption occurs across the entire life of a project, from needs identification through procurement to construction, operation, and maintenance. Government efforts to combat corruption pay off early and the benefits are long run. Studies by the World Bank, the IMF, and the OECD show that the quality of governance of public investment is directly correlated with outcomes at the national and subnational levels.<sup>21</sup>

**Decades of research and experience indicate that a whole-of-government approach presents the strongest barrier to corruption, but the political landscape must allow for such policies to be implemented.** Today's best practices for tackling corruption at the policy level are founded on work from a number of multilateral organizations: the strongest defense against corruption is the integration of principles of integrity across all levels of government with clearly formulated and well-disseminated formalized criteria for prioritization, approval, and funding. In low capacity or institutionally weak environments, traditional

risk mitigation can be supplemented with project level interventions on a case-by-case basis, using instruments that target particular types of corruption along the project cycle. Because of the complexity of corruption in public infrastructure, there is no specific set of regulations or policy actions that is adequate for eliminating corruption risks. The menu of policy options described in this chapter aims at addressing multiple entry points and incentives that drive corruption. They can contribute together to a broader risk management strategy, but their ultimate effectiveness will be influenced by the support from the political elites who may benefit from the existing system.

**The power of citizens makes the difference.** Government plays a central role in prevention efforts, but civil society and the private sector must be part of the solution because of the political economy constraints to effective policy implementation. Involving the public requires a willingness for transparency and disclosure, as well as timely incentives and opportunities for civil society to get engaged. When implemented correctly, transparency fosters better, fairer competition; and leads to lower prices and higher quality end-results. Counter to popular belief, principles of transparency also support private sector growth and development: Good corporate governance based on principles of transparency helps companies operate more efficiently, gain access to capital, mitigate risk, and safeguard against mismanagement. By setting integrity and transparency standards for the types of companies they will do business with, governments can help facilitate a level playing field and reduce the avenues for corrupt agents to benefit.