

Forum:	The Group of Twenty (G20)
Issue:	Promoting Transparency and Anticorruption in State-Owned Enterprises
Student Officer:	Dimtris Pachis
Position:	Deputy President

PERSONAL INTRODUCTION

Dear Delegates,

My name is Dimitris Pachis, and I am a 10th grade student at Platon School. This will be my first time chairing and I am very excited to be serving as a Deputy President in this year's Group of 20 (G20).

Generally, G20 is concerned with a variety of topics combining notions such as sustainability, financial stability and inclusive growth. This study guide will focus on the third topic of the Agenda, namely Promoting Transparency and Anticorruption in State-Owned Enterprises. As per the mandate of the committee, G20 delegates must propose and debate feasible solutions which take into account the interests of the international community but also the interdependency of certain aspects of this multifaceted issue.

In this Study Guide you will find, among others, a thorough investigation of the issue at hand, information on the entities involved, and ways to solve it. Personally, I urge you to delve into the issue further via visiting the sources linked below or following your own research plan. For any questions that may arise please do not hesitate to contact me at jimph400@gmail.com.

I look forward to meeting you all in person and having a fruitful and productive while also enjoyable conference.

Yours truly,

Dimitris Pachis

INTRODUCTION

Considering the incremental increase in the number of State-Owned Enterprises (SOEs) in the past few years, targeting corruption and improving integrity in SOEs has become imperative. As they help governments control sectors of the economy that may not be properly controlled or monitored, SOEs are vital to the functionality of Member States, if they operate with transparency and efficiency.

SOEs are legal entities created or controlled by governments in order to partake in commercial activities on the government's behalf. Such SOEs include the British Broadcasting Corporation (BBC) or the National Health Service (NHS) in the UK, or many oil conglomerates in Member States such as India or China. They are vital to a country's economy and GDP because they provide employment for the wider public, support the economy, manage wealth and provide public services. They are not to be confused with listed companies with stocks that are owned partly by the government, which are also commonly referred to as public companies.

Due to the close relationship of SOEs and the government, it is not uncommon for means of corruption such as theft of assets, fraud or money laundering to appear. This may also occur due to issues that arise with the governance of the SOE as well as outside influence, in the case of bribery, or even the nature of the SOE handling massive amounts of assets. In some cases, malfeasance such as lack of fund documentation or conflicts of interest among board members happen due to the lack of transparency to the public thus allowing these corrupt practices to go unnoticed and by extension unpunished. Furthermore, corrupt politicians in control of SOEs have in the past made attempts in the theft of company funds for their personal benefit.

Corruption in SOEs can be detrimental to a State because of the services they offer. For example, SOEs in the healthcare industry being corrupt would allow for disease to spread and the death of many citizens. This has been proven in part in the past in the case that an SOE, in hopes of minimizing cost and maximizing profit, take shortcuts in the services they provide. This would in turn lead to the poor handling of a situation in the healthcare industry leading to unnecessary deaths. Additionally, SOEs such as Eskom, in the energy industry, have the potential of being catastrophic for the citizens' daily lives and well-being as well as the economy. Finally, as will be further explained below, in the case that an SOE is a monopoly, privileged relations between government and SOE can be established.

DEFINITION OF KEY TERMS

State Owned Enterprises (SOEs)

A state-owned enterprise (SOE) is a legal entity that is created by a government in order to partake in commercial activities on the government's behalf. It can be either wholly or partially owned by a government and is typically earmarked to participate in specific commercial activities.

Corruption

Dishonest or fraudulent conduct by those in power. Corruption erodes trust, weakens democracy, and hampers economic development.

Transparency

The capacity of outsiders to obtain valid and timely information about the activities of government or private organizations. Transparency is widely seen as integral to a variety of political goals, including corruption control, fair financing of election campaigns and limiting international conflict. Transparency in business is advocated as a safeguard against corporate fraud, infiltration by organized crime or political interests, and financial crises.

Money Laundering

Money laundering is the illegal process of making large amounts of money generated by criminal activity, such as drug trafficking or terrorist funding, appear to have come from a legitimate source. The money from the criminal activity is considered dirty, as it has come from an illegal source, and the process “launders” it to make it look “clean”, as if it were to come from a legal source.

Resource Backed Loans

Resource-backed loans involve a government borrowing large sums of money, usually for the purpose of upgrading infrastructure, with the insurance of collateral from the government's income. Such loans are often opaque: little is disclosed about their contractual terms, which means public accountability can be hard to ensure.

Equity

Equity represents the amount of money that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debt was paid off in the case of liquidation (the book value of a company).

Natural Monopolies

A natural monopoly is a type of monopoly that exists typically due to the high start-up costs or powerful economies of scale of conducting a business in a specific industry which can result in significant barriers to entry for potential competitors.

Risk assessment

Risk assessment is the identification of hazards that could negatively impact an organization's ability to conduct business. These assessments help identify these inherent business risks and provide measures, processes and controls to reduce the impact of these risks to business operations.

Gift Economy

Gift economy is an economic system where goods or services are not sold for monetary gain but for prestige, or a sense of community. One does not expect something in return unlike a barter economy system and common examples are food banks giving out food or volunteer fire companies.

Bid Rigging

Bid rigging is an illegal practice in which competing parties collude to determine the winner of a bidding process. Bid rigging is a form of anti-competitive collusion and is an act of market manipulation. When bidders coordinate, it undermines the bidding process and can result in a rigged price that is higher than what might have resulted from free market competitive bidding.

Infant Industry

A new industry which in its early stages is unable to compete with established producers abroad because it has not matured and has not developed into an economy of scale.

BACKGROUND INFORMATION

Introduction to State Owned Enterprises

SOEs have been in the spotlight in recent years for their increasing international value and market share.

Function

State owned enterprises are used to prop up the country's GDP and provide necessary services to citizens such as light, power, healthcare, water, transportation, education etc. SOEs have been a way to address market failures in the public sector because they are easily controlled and funded by the government, thus having less of a chance to fail. Additionally, SOEs promote economic and social development in underdeveloped areas or countries in ways such as employment or employment conditions and industrial relations. Another economic motive is to save other companies from collapse which would lead to the loss of countless jobs. This occurred recently in the nationalization of the Trans-Mountain pipeline in Canada. As a whole, the goal of SOEs is the liberalization and balance of the market. Furthermore, they aid in the anti-

corruption and exploitation of private enterprises (Germany in the railway sector and USA/Italy in roads and highways).

Monopolies

SOEs which classify as monopolies are the sole provider of a certain product or service to the government, either by legislation (the government prohibits any other competition by law) or because the SOE happens to be a natural monopoly, a type of monopoly where the nature of the industry it partakes in prohibits any new competition from entering the market thus making the SOE a monopoly. They are usually found in sectors of natural monopolies such as technology, the heavy industry, petrol, oil etc. In monopolies that function efficiently and without the issue of corruption the government is there to ensure fair and affordable payments and quality control, through having a regulatory framework in the form of the government to monitor the level of service and profits etc.

Characteristics of SOEs

Majority owned by the government

For an organization to qualify as an SOE its majority must be owned or controlled by the government or a governmental body. This is the very definition of an SOE and if it were otherwise, the entity would not classify as such. In some cases, they operate as part of the government while others are classified as companies. Another main characteristic of SOEs is that they are either solely or partly funded by the state or have a government entity as one of its shareholders or board members. This is important to note because of the risks of corruption in an SOE and the relationships that arise when the funding is handled by the government.

Monopolies

In some cases, they are classified as monopolies, such as the railway industry, because it is not allowed for private industries to enter that market either by legislation, prohibiting new competition in a market, or in the case of natural monopolies where the startup cost in that specific industry prohibits new competition from entering the market. The nature of monopolies in some cases leads to privileged relations between the SOE and the government. In most cases SOEs that are monopolies are also economies of scale which further adds to the privileged relations the government has with some SOEs.

Profit

Many SOEs operate at a loss in terms of profit. This is because their main objective is not to establish profit but to provide a certain service to the wider public such as the public transport sector or healthcare.

Employment

In most OECD countries SOEs hold a very high employment rate, such as in Norway with almost 10% employment being in SOEs.¹ This is of importance since without those figures of employment the economy of those countries would struggle because of reduced employment.

Corruption

Transparency and disclosure are key to maintaining a level playing field with other market participants. It ensures that other market actors and even regulatory authorities can objectively assess SOEs' business and governance practices based on reporting based on a broad range of criteria, including employment rates and profits. SOEs have been under scrutiny for corruption and other irregular practices in and around SOEs, with an increasing amount of literature on the potential of undue influence, bribery and other infractions to interfere with the daily operations of an SOE.

For instance, scandals such as the one concerning Petrobras, Eskom or 1MDB shed light on the scale and the ways SOEs fall victim to corruption as well as the effects it can have on the state's economy and the well-being of the employees under corrupt SOEs. In the case of Petrobras or 1MDB, millions were taken from company assets and transferred to personal accounts. The GDP of Brazil tanked 6.5% and there was generally a wide public uproar. In the case of Eskom, years of corruption and other such practices led to one of the most severe power crises the world has ever seen and at its core was South Africa. Needless to say, the population suffered and the directors and those at the head of the company were put on public blast in their communities.

Corruption risks

SOEs manage substantial resources in key sectors vital to every state. Many are inefficient, operate at a loss and run-on weak management which makes them an easy target for corruption and exploitation. Corruption, especially in SOEs, can be a serious detriment to the country's economy and the wider public who depend on them for basic services and jobs. Corruption and exploitation can arise from the nature of SOE itself or the weak management and the environment around it.

Inefficient/Prone to corruption Monopolies

Monopolies and natural monopolies are major parts of corruption in SOEs. Two thirds of all corruption occur in oil and gas, energy, transportation and heavy industries due to their being monopolies in every state. The nature of the industry impedes entry of new competition since the cost of entering those industries makes it very difficult, thus, creating privileged relations between SOE and the government in control.

¹ <https://www.linkedin.com/pulse/characteristics-state-owned-enterprise-sectors-40-new-granquist-kane>

Furthermore, it could be stated that the cause of some of the corruption happening in SOE monopolies is due to the sheer scale of the assets they manage.

Underqualified Management

Governments often put members of a certain political party in positions of power in SOEs for their personal and the party's financial and political gain. Often such party members are underqualified to take on such positions and the integrity of the standards receives little attention. For instance, Petrobras board members appointed by the party in power provided a steady flow of company funds to the respective party and its members. Board members appointed by political parties may not carry out their duties, instead engaging in malfeasance. In many cases, such as that of 1MDB, public funds were misappropriated because of bad decision making and incompetent management. Lack of oversight by the board and a disregard for the role of the board allows executives to use personal networks of the SOE for their own personal gain.

Instability

Unethical behaviors such as lack of documentation or third-party risk assessment promote instability and obscurity within the board. This may lead to weak management which makes the employees and the company as a whole more prone to outside sources of corruption such as bribery.

Conflict of Interest

Conflicts of interest between board members has been known to cause collapse and corruption among board members and the company as a whole. This is important to note because of the fact that this is a common occurrence among many corrupt SOEs such as South Africa's ESKOM.

Personal Relations

Moreover, exploits such as personal relations with clients or gift economies in the SOE are prime examples for the unethical ways SOEs function. For instance, neither Eskom nor Petrobras addressed internal conflict and engaged in unregistered gift economy within the company in the case of Petrobras since 2010. This could lead to the SOE having unregistered assets profiting only those at the top as seen in the Petrobras scandal.

Scale of Assets

SOEs are more vulnerable to corruption and collusion because of the scale of the assets they control. There have been cases of board members taking assets for personal gain but also the practice of bid rigging. Even when those practices are not in place, there is still malfeasance in the form of sole sourcing or sharing inside information. The lack of proper management accompanied with the sheer amount of assets leads to corruption being a regular occurrence in many SOEs.

Effects of corruption

The corruption of SOEs can have detrimental long- and short-term effects on the economy, the general public, the integrity and the safety of a state.

Military

Corruption in the military impedes on a country's ability to protect itself and its population adequately from possible threats. Corruption in this sector could mean the inadequate provision of equipment to the troops as well as the collapse of military power leading to a wide array of different consequences.

Healthcare

Additionally, if a country's healthcare system were to be corrupted, it would lead to a health crisis and the lack of access to healthcare for many people. This would have the added effect of simultaneously increasing its cost and promoting a perpetual cycle of ill health for those affected. This could be presented through a lack of proper equipment, insufficiently trained medical professionals or lack of personnel.

Public Sector

In the case of the public sector the effect would cause major dysfunctionality to the state in ways such as the substantial increase in the cost, unfairness of obtaining products and services as well as the weakening of public services and misallocation of funds.

Infrastructure

Furthermore, failure and corruption in infrastructure can be a cause for concern. The reasoning behind this is because corrupt board members of construction companies have been known to cut costs for their personal profit neglecting the dangerous effects the weakened product they produce may have. An example involving the mafia in August 2018 involved the collapse of a bridge in Genoa. The mafia cut costs and used a lesser product to manufacture the bridge leading to its inevitable collapse and the death of approximately 40 people.

Economic

Additionally, one of the most detrimental consequences of corruption is economic loss. In 2016, the IMF concluded that the practice of bribery alone cost US \$1.5 to 2 trillion, an estimated 2% of global GDP. Other practices such as fraud, money laundering or tax evasion led to massive economic inefficiency. This results in the direct opposite of SOEs goals; to provide a product or service to the public. Instead through such practices the quality of the product or service decreases while those who produce it profit. Finally, malfeasance in SOEs goes directly against the Sustainable Development Goals (SDGs) of the UN; specifically, the 16th goal: "Peace, Justice and Strong Institutions." for obvious reasons.

Quantifying corruption

The graph below comes from a 2017 OECD investigation of 146 respondents, and it showcases where corruption happens most within the classes of a company which helps us understand where the problem comes from. It is important to note that employees without much power within the company are most likely to engage in malpractice according to witnesses, some experts say due to the fact that their wages are low enough so they were accepting corrupt practices such as bribes which would benefit them, while top executives such as senior management or representatives are the least likely culprits.

Which actor(s) was (were) involved	% Of witnesses that have seen the official involved in corruption and integrity related offenses
Employee	69%
Mid-Level Management	42%
Business Partner	27%
Senior Management (executive management)	25%
Board	16%
Public official	14%
Other	10%
Shareholder	8%
Civil Society Representative	3%

Additionally, a survey conducted by the Ethics and Compliance Initiative concluded that the majority of bribery occurred in middle and top management. The above table aids in the understanding of the problem further and explains what the priority should be when it comes to solving the issue. More specifically, it is clear that employees of lower ranking were most prone to corrupt practices. The IMF states that low wages as well as lack of penalties for corrupt behavior are reason enough for most employees to allow corruption. Furthermore, it is important to note that there are few to no ways of detection of corruption in many enterprises thus making partaking in corrupt practices easier. Finally, if a targeted income by the employee cannot be achieved, they are a lot more likely to participate in bribery. Based on the findings of the 2017 OECD survey it was reported that corruption and other such practices occurred mostly in Latin America and Europe with a staggering 47% and 43% corruption rate

respectively while in Asia the survey came up with 26%. With the findings listed above we can understand that corruption is more common in LEDCs or areas with high unemployment or poverty rate.

MAJOR COUNTRIES AND ORGANIZATIONS INVOLVED

Brazil

The Brazilian economy in past years has been unsteady and with an economic crisis in 2014 (recession 2015-2016) the unemployment rate, poverty and income inequality being at an all-time high (~50%) Brazil's public sector was more prone to corruption than ever seeing as the country was extremely unstable. The OECD projected a 6.5% GDP growth for 2020 proving that the situation is not improving drastically in the foreseeable future. Taking into account Brazil's economic situation and the fact that it has 203 federal SOEs, both in direct and indirect control of the government, it is of great importance that the case of Brazil is examined and aided. Brazil was the center of a major corruption scandal involving one of the biggest economic contributors to the country Petrobras. Petróleo Brasileiro SA (Petrobras) engages in oil and gas exploration, production, and distribution activities. It operates through the following segments: Exploration and Production; Refining, Transportation, and Marketing; Gas and Power; and Corporate and Other Business.

Petrobras was involved in a Brazilian political corruption scandal beginning in 2014 that involved the indictment of dozens of high-level businesspeople and politicians as part of a widespread investigation alleging that many millions of dollars had been kicked back to officials of Petrobras.

India

SOEs in India account for 22% of its GDP in total assets. About half of SOEs in service sectors, 40% manufacturing, remaining in mining and exploration. Petroleum sub-sector accounts for 53% of total gross revenue from operations as of March 2022. SOEs are listed firms and there are several large SOEs with global operations. India has been known for corrupt practices within the public sector or the involvement in other countries politics.

South Africa

South Africa is one of the leading countries in SOEs with 128 organizations, many of them being near financial collapse, because of the growing inflation, sluggish financial growth and high unemployment, such as South African Airways and South African Broadcasting Corporation. The government as well as the SOEs themselves are heavily influenced by the Gupta Family and India due to the fact that the Gupta family runs a financial empire involving computer equipment, media, and mining. South Africa's economy, despite having over US \$80 million in exports of raw materials, is rapidly

crumbling and since the turn of the 21st century in 2007 has had one of the biggest energy crises in history still continuing to this day. Eskom, which was at the core of the energy crisis, is a South African energy company which generates approximately 95% of the electricity used in South Africa and approximately 45% of the electricity used in Africa. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. In spite of the importance of the company to South Africa's economy and energy Eskom was the center of South Africa's energy crisis which was developed by misguided public officials, corporate governance failure, corruption and lack of proper maintenance.

Organization for Economic Co-operation and Development (OECD)

The Organization for Economic Co-operation and Development, OECD, is a UN observer and a Paris based Intergovernmental organization representing thirty-eight member states, most of them advanced economies, plus some leading emerging nations. The OECD, formed in 1961, was built on the OEEC (Organization for European Economic Cooperation), which emerged during the Marshall Plan. The Marshall Plan was a US/Canadian financial aid program to help European nations get back on their feet after World War II. The OECD, as per its duties, has provided a lot of research, guidelines and help to a lot of countries as well as to the UN and the international community concerning the issue of transparency in SOEs which are all publicly available and are a guide to many countries while also a very reliable source.

International Monetary Fund (IMF)

The International Monetary Fund (IMF) works to achieve sustainable growth and prosperity for all of its 190 member countries. It does so by supporting economic policies that promote financial stability and monetary cooperation, which are essential to increase productivity, job creation, and economic well-being. The IMF is governed by and accountable to its member countries. The IMF, much like the OECD, has conducted important research and whose resources could and have aided the international community in resolving this issue through providing logistical help, means and guidelines for countries.

1Malaysia Development Berhad (1MDB)

1Malaysia Development Berhad, 1MDB, was a state fund which turned into a government investment company which was set up in 2009 with a view to promote development through foreign investment and partnerships. Its early initiatives included buying privately owned power plants and planning a new financial district in Kuala Lumpur, Malaysia's capital. In 2015, the uncovering of the 1MDB scandal began which shook the Malaysian and international community to its core. The scandal involved the then prime minister of Malaysia illegally transferring company funds and moving them to privately owned accounts with a total amount of US \$700 million.

TIMELINE OF EVENTS

DATE	DESCRIPTION OF EVENT
Late 2007	The first severe power cuts take place in South Africa due to Eskom's incompetency.
25 June 2009	1MDB is created.
2014-2018	The Petrobras Scandal develops as millions of dollars are used for the personal gain of Petrobras board members.
Mid-November 2014	More than 30 individuals are arrested by the Brazilian Federal Police during operation car wash during the Petrobras Scandal Investigation.
28 August 2015	The 1MDB Scandal begins, involving systematic embezzlement of 1MDB funds into personal accounts.
1 August 2017	The IMF releases an annual Report with heavy focus on SOEs.
24 September 2018	OECD begins investigating SOEs, bringing many details to light and forcing governments to take action.
2019-2022	Approximately US \$20 billion net are lost in the Eskom scandal.
July 2020	Najib Razak, former 1MDB chairman, is convicted of corruption.

PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

Operation Car Wash

Operation Car Wash was a national criminal investigation by the Brazilian Federal Police into the personal assets of Petrobras board members and the company's assets with the aim to defraud Petrobras. More than 30 individuals, including Petrobras company managers, Congress members and the Former President of Brazil, ended up being arrested, many being convicted of money laundering, corruption and other crimes relating to the scandal. The hope for the ongoing operation is to make the country and the country's system fairer and prevent corruption while promoting more transparent and law-abiding politicians, which was in turn fruitful seeing the developments of Brazil's politics in the public sector in recent years.

G20 Summit 2018

In 2018 the Argentine G20 hosted the annual G20 summit and presented proposals in order to aid in the fight against malfeasance in SOEs to the international community about the importance of transparency and anti-corruption in State Owned Enterprises. The summit facilitated conversation among the UN member states of the G20 which resulted in the adoption of a declaration focusing on the future of work

and infrastructure for development in the public sector. This was adopted both by the EU and other individual member states. The declaration included things such as the agreement to further such summits, improving cooperation in the international community, the promotion of “decent work” and vocational training or access to education.

OECD Annual Guidelines

The OECD, as per its duties, annually releases guidelines and recommendations on anti-corruption and the integrity in state owned enterprises. The guidelines include the most relevant and tested methods of dealing with the issue and have helped nations combat the issues that arise when dealing with SOEs, through the implementation of such guides. The 2022 guidelines include ways of monitoring the efficiency of SOEs with a view to keeping the SOEs up to a certain standard. More than 100 countries participate and have been helped by the guidelines throughout the years with more to come.

New economic model implemented in Columbia

In the 1991 Constitution, Colombia introduced a new model of economic development which opened up competition, in areas such as banking which are considered monopolies, helped grow the economy but also minimized opportunities for corruption. These changes improved public services, such as transportation and the healthcare system, and also the effectiveness of the state. Despite this Columbia still faces a plethora of issues both in governance and in the public sector. However, it is one of the countries that in recent years has made progress towards a less corrupt public sector through numerous legislations being aided by the international community and prone to fixing the country’s shortcomings.

POSSIBLE SOLUTIONS

Technical Support

With the technical and logistical aid of the OECD and the World Bank, to individual states mentioned in the DAC list of the OECD (list of countries eligible to receive official development assistance), which can solve issues such as the misappropriation of funds, lack of documentation, absence of risk assessment amongst others the UN could aim to minimize the “accidental” malfeasance that sometimes arises and brings about bigger problems. By implementing systematic recording and documentation methods it would aid in the SOE not only practically but also would aid in its transparency to the public when it comes to finances.

Open markets to new competition

Combating one of the main reasons for corruption, one solution would be to open markets to new competition, through removing favoritism practices made by members of governance but also to encourage and facilitate new growing firms and

businesses in thriving to join markets, so SOEs will not constitute and act as monopolies. The government can encourage new businesses with financial incentives and new legislation to facilitate growth for new businesses as well as encourage the creation of new ones. Additionally, it would be important to lower trade barriers, with means such as access to supply chains, lowering the operating costs, so as to allow new competition to join the market. In cases that the SOE isn't a natural monopoly (Oil, Heavy industry) the need for favoritism from the government would become obsolete and would, therefore, reduce corruption without actively promoting the opposite. However, one must make sure that all the current advantages that SOEs have are kept such as affordability to the wider public and avoiding the over privatization of sectors and services vital to the public (transportation, healthcare). In the cases of natural monopolies it would benefit the economy in the long term to partake in annual reports much like those of the IMF where it would be vital to keep track of finances, gifts, tenders, bids and other economic exploits which would in turn lead to cases such as the Petrobras or the 1MDB scandals being avoided entirely.

Hiring Process

As in many cases in recent years SOE failures have been a result of incompetent or corrupt boards set by political parties. Thus, it is vital that all executives be held to high standards both in their integrity but also their ability to carry out their respective duties. This should be carried out as per OECD recommendations, meaning that company members and especially higher-ranking executives be held to a standard during hiring processes, through means such as, blind hiring, assessing relevant skills and ignoring personal connections, but also retaining their position through testing from a third party like the government or an international organization like the OECD.

Reporting on Corruption

It should be encouraged that all suspicion of malfeasance be reported immediately, by all who encounter it, and an investigation be under way so as to contain the issue. This could be handled by the higher acting members of the organization such as an outside source in the case of the DAC list by the OECD. Additionally, SOEs should have very clear rules and procedures for reports so that confusion is mitigated. Finally, those who engender corruption should be held responsible by the SOE itself and by outside sources such as the government or law enforcement in cases such as bribery.

Citizens' Union

Citizen engagement in SOEs and the demand for transparency can be an effective way to make corruption harder to conceal. Involving the public can be an easier, more effective and practical way to combat corruption than traditional governmental and rule-based approaches. A union can be created by the state composed of citizens with the sole purpose of monitoring and correcting cases of malfeasance and

mismanagement in SOEs. This system has worked in places such as Colombia and the ideology of a citizen-centric approach is expanding elsewhere.

Deregulation

One way to ensure the halt of corruption in cases of monopolies is the deregulation of the industry. This means that the government removes any sort of regulations in a certain industry. This means that barriers in monopolies are now nonexistent thus allowing further competition to enter the market. This in turn opens up the industry to new core competition eliminating the issue of monopolies. Furthermore, by means of deregulation the already existing industries are prevented from taking advantage of already existing regulations to conduct practices of malfeasance.

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