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The United Nations Convention against Corruption
**Safeguarding against Corruption
in Major Public Events**

**LESSON 12: Mitigating the risk of corruption in
construction and infrastructure development**



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The organization of a major event typically requires significant investments in the building and improvement of infrastructure, the construction of venues, or modifications to existing venues and facilities.

There is a risk of corruption associated with these major projects.



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In this lesson, we will:

- ✓ Examine the pervasive risk of corruption that exists in the large scale construction and infrastructure development projects required for a major event;
- ✓ Consider the consequence of this type of corruption in terms of delays, bid-rigging, etc.;
- ✓ Familiarize ourselves with methods of mitigating the significant risk of corruption;
- ✓ Review the standard precautions to be taken during the procurement process involving a consortium of companies or developing private-public partnerships;



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- ✓ Discuss the concepts of risk allocation and risk management in the context of major construction or infrastructure development projects;
- ✓ Discuss ways to mitigate the main risks of corruption associated with the financing of major construction projects;
- ✓ Consider the importance of close and effective supervision of all major projects;
- ✓ Reflect on how to prevent corruption in relation to the legacy use of assets acquired or created for a major event.



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What kinds of major construction and infrastructure development projects are typically required for a major event?



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The four main components of this lesson

1. Procurement
2. Private financing of projects
3. Supervision of projects
4. Legacy use of assets



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Procurement: Capacity issues

- Capacity to ensure a competitive, fair and diligent procurement process for the selection of companies with a record of integrity and a capacity to deliver construction and infrastructure projects on time, on budget, and according to specifications.
- Capacity to detect and deter situations in which companies do not behave responsibly in order to maintain fair competition for all and to ensure value for the Authority's investments.



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Procurement : Dealing with consortia

- In view of the large scale of most infrastructure projects, interested companies often form bidding consortia.
- The composition of the consortia and their parent companies should be reviewed during the pre-selection process.
- It is important to prevent leakages of information or possible collusion among consortia members.
- Companies should not be allowed to join more than one consortium to submit proposals for the same project.



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Procurement: Risk identification, allocation and management

- The precise allocation of risks among the various parties involved in a construction or infrastructure project needs to be defined.
- The risk allocation negotiation and agreement process, if not properly managed, contains its own specific risks of corruption.
- It is important to ensure that a company established especially for a project has an equity level that ensures a sound financial basis and guarantees its capability to meet its obligations.



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Procurement : Public-private partnerships

- Public-private partnerships normally involve the granting of various concessions and advantages.
- That process creates additional risks of corruption that must be mitigated by rigorous policies and procedures.
- Because of the opportunities for bribery to occur in the process, the choice of partners and the terms of the partnerships must be scrutinized carefully and the partnerships must be monitored very closely.



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Questions for an assessment

Have a look at sections 5.1 of the Corruption Prevention Checklist.

Any questions, comments, suggestions?



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Corruption prevention and the private financing of projects (see section 5.2 of the Corruption Prevention Checklist)

- Alternatives to public financing are often involved.
- Some projects exclusively or predominantly involve private funding sources (e.g. loans or equity investments).
- Other projects involve public and private investments that are combined in arrangements referred to as “public-private partnerships”.
- Privately financed infrastructure projects may include concessions for the construction and operation of new infrastructure facilities which may create opportunities for corruption.



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Ensuring the effective supervision of all major construction and infrastructure development projects (see section 5.3 of the Corruption Prevention Checklist)

- A lax or incompetent supervision of major construction or infrastructure projects creates opportunities for corruption.
- Effective project supervision is necessary. In particular, all decisions to modify or accept variations in project specifications, timelines or costs must be reviewed and approved through a rigorous process.
- The monitoring and enforcement function must be protected from undue pressure or corruption.



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Preventing the risk of corruption in relation to the legacy use of assets (see section 5.4 of the Corruption Prevention Checklist)

- The transition to legacy use of assets acquired, developed or created for the major event creates several opportunities for fraud and corruption.
- A plan should be developed for the transfer and potential legacy use of assets to the competent authorities for public use after the event.



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Group discussion



What is an appropriate legacy use of assets?

Provide and describe examples of legacy use of assets in your country.



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Key points to remember

- ✓ The risks of corruption are great in the large scale construction and infrastructure development projects required for a major event.
- ✓ The consequences of this type of corruption can be enormous and may even compromise the success of the event.
- ✓ Some precautions are required when dealing with a consortium of companies or developing private-public partnerships.
- ✓ Attention must be paid to risk allocation and risk management.
- ✓ Public-private partnerships require adequate measures to ensure fair competition and prevent abuse of monopolistic conditions.
- ✓ Close and effective supervision of all aspects of major projects is essential.
- ✓ Risk mitigation measures are also required with respect to the legacy use of assets.