



## IPEF Fair Economy Agreement Policy Impact Analysis

### Introduction

This Impact Analysis (IA) relates to the Indo-Pacific Economic Framework's (IPEF) Fair Economy Agreement between Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, the United States, and Viet Nam.

IPEF is an initiative to strengthen the Indo-Pacific region's economic resilience and governance. It represents a new approach to contemporary regional trade and investment issues. IPEF will include a combination of commitments, rules, and standards, but unlike traditional free trade agreements, it will not include market access (such as cutting import tariffs or opening up industries to greater foreign participation). In entering discussions on IPEF, Australia's objective is to ensure it complements – and does not undermine – work being undertaken in other multilateral institutions and regional agreements, including the World Trade Organization (WTO), International Labour Organisation (ILO), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP) and the Asia-Pacific Economic Cooperation (APEC) forum.

IPEF is a new regional economic agreement across four pillars. These pillars are: Pillar I (Trade); Pillar II (Supply Chains); Pillar III (Clean Economy); and Pillar IV (Fair Economy). Each pillar is its own standalone treaty-level international agreement. Participation in all pillars is not a pre-requisite for IPEF membership (India, for example, has to date elected not to participate in negotiations for Pillar I (Trade)).

IPEF's Fair Economy Pillar seeks to promote an open and transparent economy by fighting corruption, improving tax administration, and increasing international cooperation. This includes strengthening IPEF members' engagement or commitments to key international anti-corruption, tax, and anti-money laundering instruments such as the United Nations (UN) Convention Against Corruption (UNCAC), the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Anti-Bribery Convention), the 2021 OECD Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions (2021 OECD Recommendation), the OECD/G20 Two-Pillar Solution to Address Tax Challenges Arising from the Digitalisation of the Economy (OECD/G20 Two-Pillar Solution), and the Financial Action Task Force (FATF) Standards.

IPEF is a United States-led initiative, developed by the Biden Administration as the economic element of its Indo-Pacific Strategy. In June 2022, Australia advised the United States it would join discussions on all four IPEF Pillars, pending the formal commencement of negotiations. On 12 September 2022, the Minister for Trade and Tourism joined 13 other ministers from across the region to launch formal negotiations on IPEF. Final negotiations on the text of Pillar IV (Fair Economy) concluded in October 2023, culminating in a ministerial announcement on 16 November 2023 in the margins of the APEC Ministerial Meeting in San Francisco. This followed seven formal in-person negotiation rounds: Brisbane (December 2022); New Delhi (February 2023); Bali (March 2023); Singapore (May 2023); Busan (July 2023); Bangkok (September 2023) and Kuala Lumpur (October 2023). Rolling



intersessional negotiations occurred virtually between rounds, with written submissions of negotiation positions exchanged throughout this process.

The text of Pillar IV (Fair Economy) has been legally verified through a “scrub” process to remove errors and ambiguities, in preparation for signature as the IPEF Fair Economy Agreement in the first half of 2024.

### **Status of the Impact Analysis**

DFAT submitted an Early Assessment Impact Analysis to the Office of Impact Analysis in May 2023 to support the decision to announce the substantial conclusion of negotiations of IPEF.

In line with the requirements of the Australian Government Guide to Policy Impact Analysis, this final Impact Analysis has been developed to inform the decision to sign the IPEF Fair Economy Agreement.



## Question 1 Problem Identification - What is the problem you are trying to solve and what data is available?

Corruption is a complex social, political and economic phenomenon that affects all countries. It may be defined as a “misuse of entrusted power for private gain”.<sup>1</sup> It can take place in both the public and private sector, and can include acts such as bribery (both domestic and foreign), tax evasion, embezzlement, fraud, misappropriation and money-laundering. It is a transnational challenge that undermines democratic institutions, constrains economic growth and contributes to government instability.<sup>2</sup> It can also lead to violations of specific human rights<sup>3</sup> and weaken the collective ability to address global challenges such as tackling climate change and income inequality.<sup>4</sup>

It is widely regarded as a major barrier to socio-economic development, particularly for developing countries where the implications of corruption are the most damaging.<sup>5</sup> The lack of transparency and effective institutional controls are some of the factors that drive corruption.<sup>6</sup> For example, during the COVID-19 pandemic, emergency financial support was less effective in countries with weaker anti-corruption infrastructure. This is because vulnerabilities in anti-corruption infrastructure created opportunities for fraud and the misuse of state resources. These actions disproportionately impact disadvantaged groups and vulnerable individuals who are often more reliant on public services (e.g., education, health and social services).

Corruption and bribery undermine the rule of law, which creates uncertainty for business. It risks injuring the reputation of Australian companies, hurting Australia’s global standing, damaging Australia’s trade relations, inhibiting the growth of Australian business, and shrinking the global market for Australian exports and investment. These risks negatively impact Australia’s economic growth by restricting business investment activity in the region.

### *The economic costs of corruption*

The costs of corruption are high. According to the World Bank, businesses and individuals pay more than US\$1 trillion in bribes each year. The World Economic Forum estimates that the cost of corruption is at least US\$2.6 trillion or 5 per cent of annual global GDP.<sup>7</sup> According to the UN Economic Commission for Latin America, this is more than double the amount required to provide basic emergency income to all people in Latin America and the Caribbean living in poverty in 2020 (an

<sup>1</sup> UNDP (December 2008) *Corruption and Development: Anti-corruption Interventions for Poverty Reduction, Realization of the MDGs and Promoting Sustainable Development, Primer on Corruption and Development*, New York, USA, at p 7 in Amelia Thorpe and Lisa Ogle, ‘Staying on Track: Tackling Corruption Risks in Climate change’, *UNODP* (2015)

< [https://www.undp.org/sites/g/files/zskgke326/files/publications/Staying\\_on\\_Track\\_corruption\\_risk\\_in\\_CC.pdf](https://www.undp.org/sites/g/files/zskgke326/files/publications/Staying_on_Track_corruption_risk_in_CC.pdf) >.

<sup>2</sup> ‘Corruption’, *UNODC* <<https://www.unodc.org/romena/en/corruption.html>>.

<sup>3</sup> ‘Preventing and Countering Corruption and Economic Crime’, *UNODC*

< <https://www.unodc.org/unodc/es/humanrights/areas/corruption.html> >.

<sup>4</sup> Amelia Thorpe and Lisa Ogle, ‘Staying on Track: Tackling Corruption Risks in Climate change’, *UNODP* (2015)

< [https://www.undp.org/sites/g/files/zskgke326/files/publications/Staying\\_on\\_Track\\_corruption\\_risk\\_in\\_CC.pdf](https://www.undp.org/sites/g/files/zskgke326/files/publications/Staying_on_Track_corruption_risk_in_CC.pdf) >.

<sup>5</sup> Miao Zhang et al, ‘Corruption, anti-corruption and economic development’ (2023) 434, *Humanities and Social Sciences Communications* <<https://www.nature.com/articles/s41599-023-01930-5>>.

<sup>6</sup> Vito Tanzi, ‘Corruption Around the World’, *International Monetary Fund* (1998) Working Paper No. 98/63,

< <https://www.imf.org/external/pubs/ft/wp/wp9863.pdf> >.

<sup>7</sup> Antonio Guterres, ‘Remarks to the Security Council on Corruption in Conflict’ (2018), *United Nations*

< <https://www.un.org/sg/en/content/sg/speeches/2018-09-10/corruption-conflict-remarks-security-council> >.



estimated 215 million people or 34.7 per cent of the region’s population).<sup>8</sup> Further, the UN Development Programme estimates that in developing countries, funds lost to corruption are ten times the amount of official development assistance.<sup>9</sup>

The exact cost of corruption is difficult to quantify as it is a complex phenomenon. The hidden and highly elusive nature of the activities associated with corruption often prevent an in-depth examination of its scope and impact. It may be defined in different ways, depending on the context, regulatory system or legal regime and sectors within which corruption is analysed. It may in turn be measured differently depending on how laws are formulated and the resources and independence of enforcement authorities. As UNODC has noted, “data on reported cases of corruption should ... be interpreted with caution, as they may provide more information about the activity and the response of criminal justice systems to corruption, than the actual extent of the phenomenon”.<sup>10</sup> In fact, corruption may only be brought to the attention of law enforcement authorities because something wrong happened in the transaction itself between actors.<sup>11</sup> Other data sources that focus attention on the risks of corruption including public registers, beneficial ownership, administrative sanctions, asset declarations and institutional audits (internal and external) are not a means of corruption measurement in themselves, but can highlight issues. This helps facilitate the implementation of preventative and law enforcement measures and highlight areas exposed to corruption to encourage greater investment in protection.<sup>12</sup>

Notwithstanding the difficulties with quantifying the exact cost of corruption, there is evidence highlighting the inverse relationship between corruption and economic growth.<sup>13</sup> Table 1 illustrates the various channels through which corruption impedes economic growth.

**Table 1. The economic cost of corruption<sup>14</sup>**

<p><b>1. Corruption increases the cost of doing business.</b> Companies operating in corrupt environments often face higher costs due to bribery demands, “unofficial fees” and bureaucratic delays. Countries with more corruption tend to have slower growth. The World Economic Forum estimates that corruption increases the cost of doing business by up to 10 per cent globally.<sup>15</sup></p> <p><b>2. Corruption undermines competition and innovation.</b> Corruption can create barriers to entry for new businesses, limiting competition and stifling innovation in the economy. Corrupt economies are – almost by their very nature – uncompetitive economies. If bribes are the price of entry, then only those who can afford or are willing to pay a bribe have the opportunity to get started. Further, in economies where bribery is the pathway to success – the</p>
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<sup>8</sup> Jose Cruz-Osorio, ‘Corruption; the other global pandemic to eradicate’, *United Nations Development Program* (2020) < <https://www.undp.org/blog/corruption-other-global-pandemic-eradicate> >.

<sup>9</sup> Ibid.

<sup>10</sup> UNODC and UNDP (2018), ‘Manual on corruption surveys: Methodological guidelines on the measurement of bribery and other forms of corruption through sample surveys’, *UNODC* < [https://www.unodc.org/documents/data-and-analysis/Crime-statistics/CorruptionManual\\_2018\\_web.pdf](https://www.unodc.org/documents/data-and-analysis/Crime-statistics/CorruptionManual_2018_web.pdf) >.

<sup>11</sup> ‘The Measurement of Corruption in G20 Countries’ (2021), *UNODC* < [https://www.unodc.org/documents/corruption/G20-Anti-Corruption-Resources/Thematic-Areas/Sectors/2021\\_The\\_measurement\\_of\\_corruption\\_in\\_G20\\_countries.pdf](https://www.unodc.org/documents/corruption/G20-Anti-Corruption-Resources/Thematic-Areas/Sectors/2021_The_measurement_of_corruption_in_G20_countries.pdf) >, p 8.

<sup>12</sup> Ibid, p 9.

<sup>13</sup> Miao Zhang et al, ‘Corruption, anti-corruption and economic development’ (2023) 434, *Humanities and Social Sciences Communications* < <https://www.nature.com/articles/s41599-023-01930-5> >.

<sup>14</sup> Based on address to the National Integrity Summit on 30 August 2023 by the Hon Dr Andrew Leigh MP, Assistant Minister for Competition, Charities and Treasury, Assistant Minister for Employment < [http://ministers.treasury.gov.au/ministers/andrew-leigh-2022/speeches/address-national-integrity-summit-melbourne#\\_edn31](http://ministers.treasury.gov.au/ministers/andrew-leigh-2022/speeches/address-national-integrity-summit-melbourne#_edn31) >.

<sup>15</sup> World Economic Forum ‘Corruption costs developing countries US\$1.26 trillion every year – yet half of EMEA think it’s acceptable’ (2019) < <https://www.weforum.org/agenda/2019/12/corruption-global-problem-statistics-cost/> >.



incentive to invest to innovate disappears. Research analysing four Latin American countries found that “the more firms offer bribes, the lower their innovation capability and productivity are.”<sup>16</sup>

3. **Corruption worsens infrastructure.** Corruption in public procurement and infrastructure projects results in the construction of substandard facilities, leading to higher maintenance costs and reduced productivity – see further on this below.

4. **Corruption distorts public spending.** Corrupt officials may divert public funds intended for essential services (e.g., education, healthcare) to their own pockets, resulting in inadequate public services. Among low-income countries, the share of the budget dedicated to education and health is one-third lower in more corrupt countries.<sup>17</sup>

5. **Corruption reduces human capital.** When access to education is dependent on connections rather than talent, it undermines meritocracy, and deters outsiders from seeking places at the best institutions.<sup>18</sup>

6. **Corruption undermines health care systems.** A 2015 paper on the Financial Cost of Health Fraud estimated that of the US\$7.35 trillion spent on health that year, the total lost to fraud and corruption was US\$455 billion.<sup>19</sup> A 2011 study based on data from 178 countries estimated that more than 140,000 child deaths are attributable to corruption per year.<sup>20</sup>

7. **Corruption reduces foreign direct investment (FDI).** Corruption creates an unpredictable and risky business environment, deterring foreign investors from committing capital to corruption-prone countries. Columbia University’s Shang-Jin Wei argues that corruption operates like a tax on investment, with the tax rate sometimes being as high as 20 per cent.<sup>21</sup> For countries that rely on investment to create jobs and boost earnings, corruption can erode this important source of productivity growth.

8. **Corruption decreases tax revenues.** Corruption reduces tax collection efficiency as bribes may be used to evade taxes, leading to a decline in government revenue. Research from the International Monetary Fund (IMF) suggests that revenues are higher in countries perceived to be less corrupt. The least corrupt governments collect an additional 4 per cent of GDP in tax revenue than those at the same level of economic development with the highest levels of corruption.<sup>22</sup>

9. **Corruption worsens income inequality.** Corruption exacerbates income inequality as it benefits the wealthy and well-connected, while diverting resources away from poverty alleviation programs.<sup>23</sup>

10. **Corruption erodes trust.** Corruption erodes public trust in government institutions and undermines the social cohesion required to support a dynamic economy. Researchers have found “efforts to control corruption increase levels of trust in the ability of the state and market institutions to reliably and impartially enforce law and the rules of trade.”<sup>24</sup>

The negative impact of corruption is particularly evident in the infrastructure sector. The OECD reports that excessive political and corruption risks, combined with weak public governance and a lack of trust in host governments are the principal factors inhibiting private infrastructure investment in low- and middle-income countries.<sup>25</sup> According to the IMF, between 30 to 50 per cent of national

<sup>16</sup> Wu, R. 2019. ‘Firm Development and Bribery: an empirical study from Latin America’. *Atl Economic J* 47:53–6. Page 17.

<sup>17</sup> Mauro, P, Medas, P, Fournier, JM. 2019. [The Cost of Corruption](#), International Monetary Fund, September 2019.

<sup>18</sup> Bazie, P., Thiombiano, N. & Maiga E.W.H. 2023. Fighting Corruption in Developing Countries to Meet the Challenge of Human Capital Development: Evidence from Sub-Saharan African Countries. *J Knowl Econ* (2023).

<sup>19</sup> Jim Gee and Mark Button, ‘The financial cost of healthcare fraud 2015: what data from around the world shows’, *PKF Littlejohn LLP* (2015) < [https://pure.port.ac.uk/ws/portalfiles/portal/17778636/The\\_Financial\\_Cost\\_of\\_Healthcare\\_Fraud\\_Report\\_2015.pdf](https://pure.port.ac.uk/ws/portalfiles/portal/17778636/The_Financial_Cost_of_Healthcare_Fraud_Report_2015.pdf) >.

<sup>20</sup> Matthieu Hanf et al, ‘Corruption Kills: Estimating the Global Impact of Corruption on Children Deaths’ *PLoS ONE* 6(11): e26990 (2011) < Corruption Kills: Estimating the Global Impact of Corruption on Children Deaths | PLOS ONE >; Till Bruckner, ‘The Ignored Pandemic: How Corruption in healthcare service delivery threatens Universal Health Coverage’, *Transparency International* (2019) < <https://ti-health.org/wp-content/uploads/2019/03/ignoredPandemic-WEB-v3.pdf> >.

<sup>21</sup> Wei, J. 1997. [How Taxing is Corruption on International Investors](#); National Bureau of Economic Research Working Paper No. 6030 [May 1997].

<sup>22</sup> Paolo Mauro et al, ‘The Costs of Corruption’, *International Monetary Fund* (2019) < <https://www.imf.org/en/Publications/fandd/issues/2019/09/the-true-cost-of-global-corruption-mauro> >.

<sup>23</sup> Gupta, S, Davoodi, H, Alonso-Terme, R. 1998. [Does corruption affect income inequality and poverty?](#) International Monetary Fund Washington D. C., IMF, 1998.

<sup>24</sup> Anokhin, S., & Schulze, S. 2009. [Entrepreneurship, innovation, and corruption](#). *Journal of Business Venturing*, 24(5), 465-476.

<sup>25</sup> ‘Towards a global certification framework for quality infrastructure investment: Private Sector and civil society perspectives on the Blue Dot Network’, *OECD* (2021), page 12 < <https://web.archive.oecd.org/2021-06-05/590886-Towards-a-global-certification-framework-for-quality-infrastructure-investment-Highlights.pdf> >.



infrastructure spending is lost due to inefficiencies.<sup>26</sup> These inefficiencies are linked to weakness in how infrastructure projects are managed, planned, allocated and implemented, making the sector especially vulnerable to corruption. The OECD Foreign Bribery Report has also documented that almost 60 per cent of foreign bribery cases occur in the infrastructure sector with corruption risks being greatest during the pre-tendering and procurement phases.<sup>27</sup>

### *Corruption and foreign investment in the Indo-Pacific*

Corruption, which can include bribery (both domestic and foreign), tax evasion, money laundering and other financial crimes, are a common occurrence within the Indo-Pacific region. This was a key finding from a firm-level survey conducted by the OECD where 58 per cent of businesses surveyed in Southeast Asia reported corruption as the main risk faced by businesses. In addition, 59 per cent of respondents in this sample reported that COVID-19 created new challenges for anti-corruption compliance and adoption of Responsible Business Conduct (RBC) because of the shift to online/remote working.<sup>28</sup>

Transparency International's *Corruption Perceptions Index* (CPI) ranks 180 countries and territories by their perceived level of public sector corruption on a scale of 0-100, where low CPI scores indicate high levels of corruption. Transparency International notes that "the sources and surveys which make up the CPI are based on carefully designed and calibrated questionnaires, answered by experts and businesspeople."<sup>29</sup>

As illustrated in Chart 1 below, the CPI score and rank of IPEF countries range significantly with some countries scoring below the CPI global average. One limitation to this data set is that it is based on perceived levels of public sector corruption according to experts and businesspeople, rather than absolute levels of corruption in countries on the basis of empirical data. However, as noted above and as Transparency International acknowledges, corruption is difficult to measure because it entails illegal and deliberately hidden activities, which only come to light through scandals or prosecutions.<sup>30</sup>

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<sup>26</sup> 'How Strong Infrastructure Governance Can End Waste in Public Investment', *IMF* (2020) < <http://www.imf.org/en/Blogs/Articles/2020/09/03/blog090320-how-strong-infrastructure-governance-can-end-waste-in-public-investment#> >.

<sup>27</sup> 'Catalysing collective action to combat corruption in infrastructure: Accountable and effective non-judicial grievance mechanism', *OECD Business and Finance Policy Papers* (2022) No. 17 < <https://doi.org/10.1787/ce6d1b84-en> >.

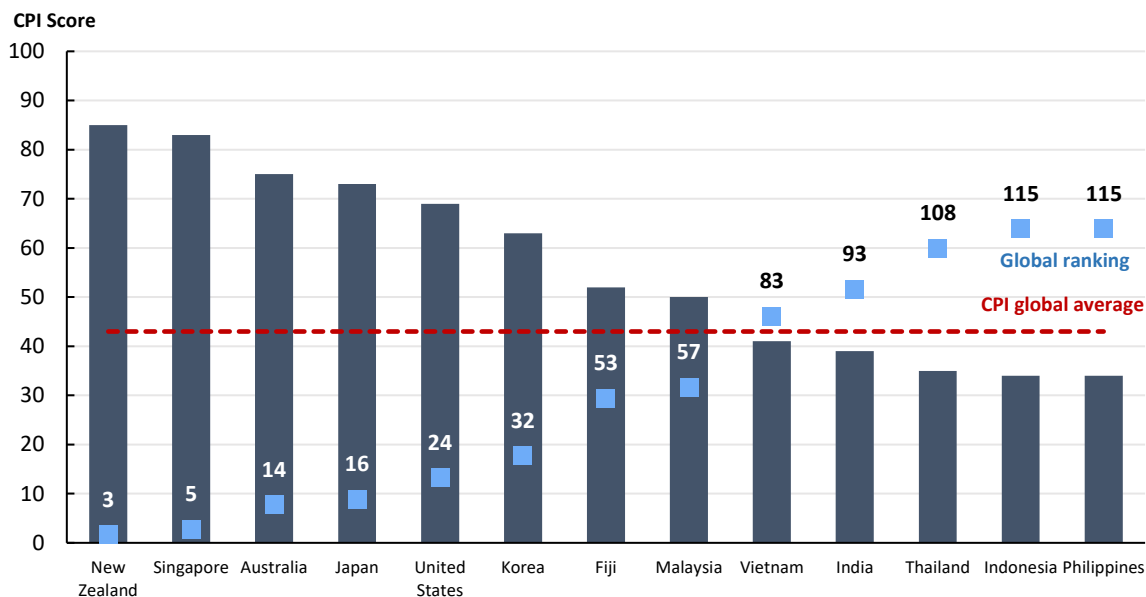
<sup>28</sup> 'Responsible Business Conduct and Anti-Corruption Compliance in Southeast Asia', *OECD* (2020) < <http://mneguidelines.oecd.org/Responsible-Business-Conduct-and-Anti-Corruption-Compliance-in-Southeast-Asia.pdf> >.

<sup>29</sup> 'The ABCs of the CPI: How the Corruption Perceptions Index is Calculated', *Transparency International* (2024) < <https://www.transparency.org/en/news/how-cpi-scores-are-calculated> >.

<sup>30</sup> 'The ABCs of the CPI: How the Corruption Perceptions Index is Calculated', *Transparency International* (2024) < <https://www.transparency.org/en/news/how-cpi-scores-are-calculated> >.



Chart 1. 2023 Corruption Perceptions Index & Global Ranking



Source: [Transparency International. Corruption Perceptions Index 2023.](https://www.transparency.org/en/cpi)

Note: CPI score measures the perceived level of public sector corruption and its impact on commercial life. Global ranking is based on CPI score.

Note: Brunei was not included in the CPI dataset.

Corruption in other jurisdictions adds to the cost of doing business for Australian enterprises and may disincentivise them from taking advantage of business opportunities in other jurisdictions. Research shows that businesses operating within regulatory systems where procedures are complex or unclear are more likely to incur unnecessary and even contradictory compliance requirements which increases the cost of doing business.<sup>31</sup> In fact, a recent survey on Australian businesses operating in the Association of Southeast Asian Nations (ASEAN) and across the region from a range of industries (including professional services, education and training, property/construction/infrastructure, among others) rated corruption and poor governance as the key challenge to doing business in ASEAN.<sup>32</sup>

The quality and efficiency of an economy’s regulatory practice can be measured by the ease of doing business score – a measure developed by the World Bank to evaluate an economy’s regulatory best practice. As illustrated in Chart 2, large gaps exist between the performance of IPEF high-income countries compared to IPEF lower- and middle-income countries.

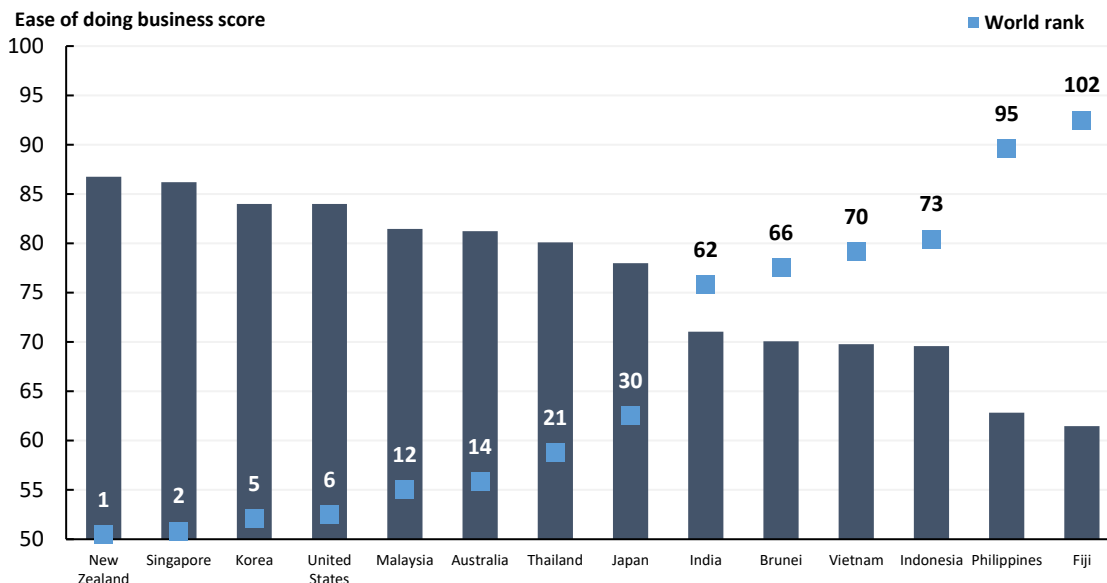
<sup>31</sup> 'Doing Business 2019, Training for Reform', World Bank (2019)

< [https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report\\_web-version.pdf](https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf) >.

<sup>32</sup> AustCham ASEAN, 'Australian Business in ASEAN Survey 2022' < [https://austchamasean.com/wp-content/uploads/2024/02/ABA2022\\_FINAL.pdf](https://austchamasean.com/wp-content/uploads/2024/02/ABA2022_FINAL.pdf) >.



Chart 2. World Development Indicators – Ease of doing business



Source: World Bank, [World Bank Development Indicators 2019](#).

Note: Ease of doing business rank ranges from 1 – 190 (1 = most business friendly regulations). Ease of doing business score ranges from 0 – 100 (0 = lowest performance, 100 = best performance).

Chart 3 shows that Australian investors have not treated Southeast Asia as a key destination for FDI. While corruption is not the sole factor preventing Australian investors from doing business in IPEF countries, because there are a myriad of factors for why businesses do business in some countries and not others, it is a factor discouraging them from doing so. In fact, the OECD notes that investors are wary of countries where systems are known to be corrupt because they cannot assess the likely risk or return on their investment.<sup>33</sup> This assessment is supported by IMF research which estimates overall investment in corrupt countries is more than 4 per cent less than in countries that are relatively corruption-free.<sup>34</sup> The World Economic Forum estimates that corruption comprises up to 10 per cent of the total cost of doing business globally.<sup>35</sup> Further evidence suggests that a decrease in corruption can boost FDI inflows in the long run.<sup>36</sup>

<sup>33</sup> 'Boosting Integrity: Fighting Corruption', OECD < <https://www.oecd.org/competition/50350066.pdf> >.

<sup>34</sup> Paolo Mauro, "Why Worry About Corruption?", International Monetary Fund, February 1997.

<sup>35</sup> 'Boosting Integrity: Fighting Corruption', OECD < <https://www.oecd.org/competition/50350066.pdf> >.

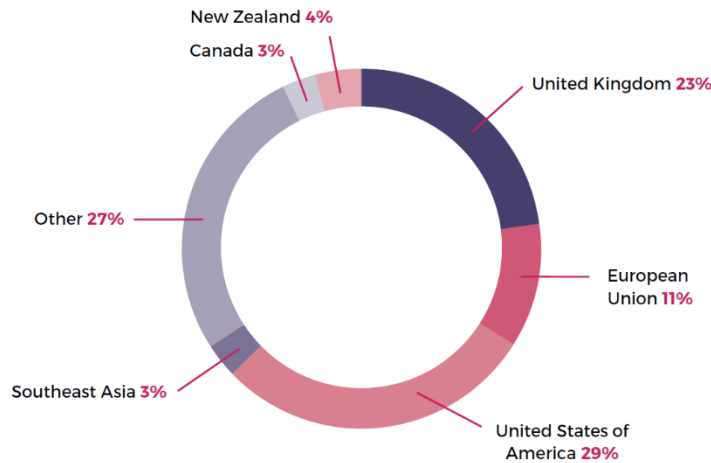
<sup>36</sup> Ibid.





Chart 3. Australia’s Outward Foreign Investment, 2022

**Share of Australia’s outward foreign investment stocks, by destination, 2022**



**Note:** Percentage of total outward foreign investment.

**Source:** DFAT analysis of ABS, [International Investment Position, Australia: Supplementary Statistics, 2022, May 2023](#).

*Impact of corruption in Australia and on Australian businesses*

Australia continues to be perceived as one of the least corrupt countries in the world. As Charts 1 and 2 demonstrate, Australia scores relatively well on Transparency International’s CPI and the World Bank’s Ease of Doing Business Index compared to other IPEF countries. However, continued revelations of corrupt conduct in the public and private sectors stress the need for sustained attention. The Australian Institute of Criminology estimates that corruption contributed to less than 0.2 per cent (A\$120.3 million) of the total cost of serious and organised crime in 2020-21 (A\$60.1 billion).<sup>37</sup> The Institute further notes that 70 per cent of Australia’s serious and organised crime threats are based offshore or have strong offshore links. This has national security implications for Australia.

During consultations, several stakeholder groups expressed a concern that more needed to be done to address corruption and investment risks in the region, as set out in the response to Question 5 (page 30).

In summary, corruption is detrimental to economic growth, development and security. Its occurrence in the Indo-Pacific region undermines Australia’s economic and security interests, by undermining the region’s economic resilience and deterring two-way business investment.

<sup>37</sup> ‘Estimating the costs of serious and organised crime in Australia, 2020-21’, *Australian Institute of Criminology* (2022) < [http://www.aic.gov.au/sites/default/files/2022-04/sr38\\_estimating\\_the\\_costs\\_of\\_serious\\_and\\_organised\\_crime\\_v2.pdf](http://www.aic.gov.au/sites/default/files/2022-04/sr38_estimating_the_costs_of_serious_and_organised_crime_v2.pdf) >.



### *What measures have previously been attempted?*

There are two key international conventions addressing corruption: the UN Convention Against Corruption (UNCAC) and the OECD Anti-Bribery Convention.

UNCAC is the only legally binding universal anti-corruption instrument. It was adopted by the UN General Assembly in 2003. Other anti-corruption standards that supplement those agreed under UNCAC include:

- the Financial Action Task Force (FATF) Standards, which set out a comprehensive framework of legal, regulatory and operational measures to combat money laundering, terrorism financing and proliferation financing;
- 2021 OECD Recommendation, which complements the OECD Anti-Bribery Convention with a view to further strengthening and supporting its implementation; and
- the OECD/G20 Two-Pillar Solution, which ensures a fairer distribution of profits and taxing rights among countries and jurisdictions with respect to the world's largest multinational enterprises.

The OECD Anti-Bribery Convention contains robust and legally binding standards to criminalise bribery of foreign public officials in international business transactions. However, it deals exclusively with foreign bribery, rather than broader corruption issues, and nine (out of 14) IPEF members (Brunei Darussalam, Fiji, India, Indonesia, Malaysia, Philippines, Singapore, Thailand and Viet Nam) are not signatories to it. Enforcement of this Convention against non-signatories is not possible.

Both the UNCAC and the OECD Anti-Bribery Convention contain peer review mechanisms that monitor compliance. Australia's compliance is reviewed, and Australia reviews the compliance of other members. However, there are challenges with the implementation and enforcement of the UNCAC, as is the case with other multilateral agreements. UNCAC has received some criticism on its compliance mechanism, which relies on self-reporting of misconduct in a member's own jurisdiction.<sup>38</sup> Not only do members have few incentives to self-report, but a further challenge is that it is difficult for countries to collect accurate and timely data on misconduct in the first instance, particularly where they do not have the resources or political will to do so.

As highlighted in the response to Question 5 (page 30), domestic Australian stakeholders raised the need to lift the standards of governance in the region, and the need for compliance and enforcement of those standards.

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<sup>38</sup> Cecily Rose 'The Limitations of the United Nations Convention against Corruption' in *International Anti-Corruption Norms: Their Creation and Influence on Domestic Systems*, Oxford University Press (2015) p 97-132.



## Question 2 - What are the objectives, why is government intervention needed to achieve them, and how will success be measured?

### *Objectives*

Australia's overarching objectives can be broken down into the following sub-components:

- (i) implement international obligations and work with regional partners to accelerate their progress in meeting respective commitments under relevant anti-corruption, money laundering and tax standards;
- (ii) strengthen collective resilience to corruption risks and uphold the rule of law;
- (iii) position Australian enterprises, investors and workers to be more competitive in international jurisdictions; and
- (iv) prevent and address corruption and integrity risks in Australia.

### *Why Government intervention is needed*

Government intervention is essential to put in place institutional systems and incentives to prevent corruption from occurring. Prevention relies on credible accountability and transparency mechanisms which largely lie within government.

Governments, together with international organisations (such as the UN Office on Drugs and Crime and the OECD), play a leading role in ensuring that international anti-corruption standards (such as UNCAC and the OECD Anti-Bribery Convention) are respected and enforced. Government leadership and engagement in regional and international anti-corruption forums is also necessary to raise standards, and strengthen cooperation to prevent, identify, investigate and prosecute transnational forms of corruption.

Although hard to quantify, increasing collective resilience to corruption, strengthening governance and upholding the rule of law by incentivising international cooperation and stronger adherence to best practice standards provides an opportunity to deepen the impact of the Australian Government's policies. While the Australian Government cannot direct other countries in the region to comply with best practice standards, it can promote the adoption of effective multilateral standards and norms.

Given the differing levels of development and divergences that exist between IPEF countries in terms of their adherence to anti-corruption standards, it can also work with others and build their capacity to shut down corrupt wealth flows globally. The Government has previously identified capacity building as a priority in a similar way in other forums and has provided assistance to help lift the standards of countries in the region and tackle regional issues. For example, Australia has provided A\$4 million (2021-24) to the UNODC to support Pacific Island countries in their implementation of UNCAC.



Government intervention to lift the anti-corruption standards of Southeast Asian partners would complement the Australian Government's broader strategy to encourage further investment in the region. The Southeast Asia Economic Strategy – a flagship framework steering Australia's engagement in the region – highlights that Government intervention is necessary to better position Australian enterprises, investors and workers to be more competitive in the region. As part of this work, the Strategy identified corruption and poor transparency as significant risks to increasing trade and investment with Southeast Asian partners.<sup>39</sup> To address the risks posed by corruption, the Strategy recommends Government "to work with Southeast Asian partners to strengthen legal and policy frameworks",<sup>40</sup> because encouraging best practice governance "could help reduce risks for Australian investors into Southeast Asia and encourage further investment."<sup>41</sup>

Since corruption is often transnational in nature, it is important that Australia's international anti-corruption agenda reinforces domestic anti-corruption efforts. In fact, our domestic anti-corruption efforts have been a significant priority of the Australian Government in recent years, in line with our international obligations. The Australian Government has committed to establishing a beneficial ownership register to support stronger regulatory and law enforcement responses to tax and financial crime, and Treasury undertook public consultations on the design features of the register in late 2022.<sup>42</sup> Further, the National Anti-Corruption Commission (NACC) commenced operations on 1 July 2023 to detect, investigate and report on serious or systematic corruption in the Commonwealth public sector and educate the public service and the public about corruption risks and prevention. The NACC's Integrity Outlook 2022/2023 provides an overview of important trends relating to corruption and integrity risks and vulnerabilities for Commonwealth agencies.<sup>43</sup> It indicates that misuse of information, conflicts of interest and fraud are all prevalent sources of corruption issues.

Government intervention can also harness the meaningful participation of non-government actors, including civil society, the private sector, and the media, which is crucial in ensuring collective anti-corruption efforts are effective. This is also reflected in the IPEF Ministerial Statement which calls "for the active participation of the private sector (to prevent and combat corruption including bribery, raise public awareness and encourage the private sector to implement internal controls, ethics and compliance programs that contribute to preventing and detecting corrupt practices".<sup>44</sup> Civil society in particular plays a key role in raising public awareness, exposing corrupt practices, promoting best practice policies and contributing to capacity building efforts.

### *How is success measured?*

Australia's overarching objectives, together with how success will be measured, is set out below. As this paper already highlighted, the difficulties with measuring corruption in the first place makes it

<sup>39</sup> 'Invested: Australia's Southeast Asia Economic Strategy to 2040, Department of Foreign Affairs and Trade (2023) < <http://www.dfat.gov.au/southeastasiaeconomicstrategy> >.

<sup>40</sup> Ibid page 34.

<sup>41</sup> Ibid page 38.

<sup>42</sup> 'Multinational tax integrity: Public Beneficial Ownership Register' (2022), Australian Government: The Treasury < <https://treasury.gov.au/sites/default/files/2022-11/c2022-322265-cp.pdf> >.

<sup>43</sup> 'Integrity Outlook 2022/23', National Anti-Corruption Commission (2023) < [http://www.nacc.gov.au/sites/default/files/documents/2023-10/integrity\\_outlook\\_22-23\\_-\\_final\\_version\\_for\\_publication\\_0.pdf](http://www.nacc.gov.au/sites/default/files/documents/2023-10/integrity_outlook_22-23_-_final_version_for_publication_0.pdf) >.

<sup>44</sup> Ibid.



equally difficult to assess the extent to which corruption issues are adequately addressed. Nonetheless, the metrics listed below will remain useful tools for examining progress.

- (i) implement international obligations and work with regional partners to accelerate their progress in meeting respective commitments under relevant anti-corruption, money laundering and tax standards – the core metric to measure this will be monitoring reports, evaluations and rankings from relevant international organisations (including Transparency International’s Corruption Perception Index, UNODC’s Statistics on Corruption and FATF).
- (ii) strengthen collective resilience to corruption risks and uphold the rule of law – this will be assessed numerically by the increase in the number of international collaborations among relevant agencies, the increase in the number of countries taking up and implementing more “ambitious” OECD standards, and the outcome of capacity building initiatives such as the number of partners introducing domestic legislation in the areas where gaps previously existed (e.g., criminalising foreign bribery offences).
- (iii) position Australian enterprises, investors and workers to be more competitive in international jurisdictions – assessing this will mostly rely on qualitative feedback (such as surveys and meetings with industry) and assessing increased outward investment trends by Australian businesses in areas presently perceived as ‘risky’, including through statistics published by the Australian Bureau of Statistics.
- (iv) prevent and address corruption and integrity risks in Australia – this will be assessed by looking at statistics and reporting produced by the NACC and other relevant agencies, together with evaluations and rankings by relevant international organisations (the OECD, UNCAC, FATF).



### Question 3 - What policy options are you considering?

This Impact Analysis considers two options: to sign or not sign the IPEF Fair Economy Agreement.

#### Option 1 – Australia does not sign the IPEF Fair Economy Agreement

Australia could choose not to sign the IPEF Fair Economy Agreement and can focus on existing efforts in the Indo-Pacific region to deliver on the policy objectives set out in this IA. This includes continuing to advocate for the implementation of certain standards in multilateral fora (such as the UN, OECD, G20, and APEC), continuing to encourage countries to criminalise foreign and domestic bribery with a view to acceding to the OECD Anti-Bribery Convention if they have not already, and continuing to participate in review mechanisms (such as the UNCAC implementation review mechanism) to examine countries' implementation of anti-corruption obligations. We could also continue our work on anti-corruption cooperation through the UN and OECD and through existing bilateral and plurilateral trade agreements with anti-corruption commitments (such as the CPTPP).

On beneficial ownership transparency, Australia has already committed to implementing the FATF Standards at ministerial level, so we could continue our work in FATF to promote the effective implementation of legal, regulatory and operational measures to combat money laundering, terrorist financing and other threats to the integrity of the international financial system. The Government has also already committed to introducing a publicly available beneficial ownership register, which is intended to support stronger regulatory and law enforcement responses to tax and financial crime. This will provide opportunities for improved regulatory oversight of transactions related to the real estate sector by providing visibility over individuals that have ultimate effective control of assets. Treasury undertook public consultations on the design features of the first phase of the register in late 2022,<sup>45</sup> and will continue work on this domestic reform even if Australia does not sign the IPEF Fair Economy Agreement. The benefits of beneficial ownership will be considered through a separate IA process led by Treasury. Entering into this Agreement will not constitute a decision on the approach being taken by the Government regarding beneficial ownership.

Australia could continue to raise awareness with the private sector on the risks of corruption and the importance of implementing anti-corruption measures.

Australia could continue to engage in capacity-building initiatives to help countries better respond to corruption and bribery risks. This includes for example through Official Development Assistance programs, under which we fund global, regional and bilateral anti-corruption programs,<sup>46</sup> technical workshops delivered by the Australian Taxation Office in partnership with host countries in the Indo-Pacific and assisting developing economies with base erosion and profit shifting (BEPS) related activities upon request.

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<sup>45</sup> Multinational tax integrity: Public Beneficial Ownership Register' (2022), *Australian Government: The Treasury* < <https://treasury.gov.au/sites/default/files/2022-11/c2022-322265-cp.pdf> >.

<sup>46</sup> For further information see - Development assistance: Governance | Australian Government Department of Foreign Affairs and Trade (dfat.gov.au).



### Option 2 – Australia signs the IPEF Fair Economy Agreement

If Australia signs the IPEF Fair Economy Agreement, it will be joining a grouping of 14 countries in establishing new regional economic architecture focused specifically on boosting international efforts to tackle corruption and improve tax administration and international cooperation.

#### *Consolidating common standards on anti-corruption*

Central to the IPEF Fair Economy Agreement is the development of common standards, heavily influenced by international best practice. The Agreement would seek to further normalise the two key international conventions on bribery and corruption – the OECD Anti-Bribery Convention and UNCAC – through the inclusion of commitments on, for example:

- the adoption or maintenance of measures to criminalise domestic and foreign bribery and related corruption offences (Art 5);
- the adoption or maintenance of measures to enable asset recovery and enhance international cooperation to hold accountable anyone who has committed an act of corruption (Art 6);
- promoting the active participation of the private sector in preventing and combatting corruption (Art 7);
- the adoption or maintenance of measures to protect persons that report corruption offences (Art 9);
- promoting integrity, honesty and responsibility among public officials (Art 10);
- promoting integrity and transparency in government procurement (Art 11); and
- promoting private sector and civil society engagement in anti-corruption efforts (Art 12).

#### *Building on, and developing coherence between existing standards*

It would also seek to build on UNCAC and OECD Anti-Bribery Convention standards by drawing on contemporary international anti-corruption standards and best practice. These include through, for example:

- committing IPEF members to adopt or maintain measures that enable asset recovery and international cooperation (Art 6), drawing on the 2021 OECD Recommendation and FATF Standards;
- encouraging IPEF members to consider a variety of forms of resolutions to resolve criminal, administrative and civil cases including non-trial resolutions with clear and transparent frameworks (Art 5.8), drawing on the 2021 OECD Recommendation;
- encouraging IPEF members to consider extending the application of foreign bribery offences beyond public officials to candidates (Art 5.10);
- committing IPEF members to affording appropriate protections to external auditors who report corruption offences (Art 9.6) to encourage further reporting;
- acknowledging the ongoing work of the OECD/G20 Two-Pillar Solution;<sup>47</sup> and
- for the first time in an anti-corruption treaty, committing IPEF members to lift their labour standards by, for example, providing appropriate protections for workers under its labour laws (Art 14). An “appropriate protection” is not defined in the Agreement, so could include,

<sup>47</sup> A standalone impact analysis [Two-Pillar Solution: addressing the tax challenges arising from the digitalisation of the economy](#) was performed by the Treasury and published in March 2023.



for example, adopting and enforcing regulations relating to collective bargaining, forced labour, child labour and discrimination.

Relevant domestic measures to these contemporary commitments that are under consultation or underway domestically include, for example:

- the Government is continuing to strengthen Australia's public whistleblower framework through recently passed reforms to the *Public Interest Disclosure Act 2013* and consultation on further reforms;
- consultation on reforms to Australia's anti-money laundering framework; and
- scoping the establishment of a Federal Judicial Commission that could independently deal with complaints made to it about federal judges.

The IPEF Fair Economy Agreement would seek to strengthen compliance with existing standards by including an UNCAC Implementation Review Mechanism (Art 13), which would commit IPEF members to completing UNCAC country reviews in a timely and transparent manner and require IPEF members to consider incorporating priority anti-corruption technical assistance needs identified in its UNCAC reports into its national anti-corruption strategies. It would also commit IPEF members to sharing updates on efforts made in response to its UNCAC country review report's recommendations with other IPEF members and stakeholders, where appropriate.

#### *Strengthening beneficial ownership transparency*

Another important element of IPEF Fair Economy Agreement is beneficial ownership transparency. IPEF would seek to promote adherence to the FATF Standards, which are recognised as the international standards for combating money laundering and the financing of terrorism. This includes Recommendation 24 of the FATF Standards, which requires countries to ensure there is adequate, accurate, and up-to-date information on the beneficial ownership and control of legal persons that can be obtained or accessed rapidly and efficiently by competent authorities, through either a register of beneficial ownership or an alternative mechanism.

Consistent with the relevant recommendations of the FATF, the IPEF Fair Economy Agreement would commit IPEF members to:

- take action to effectively implement measures that enhance the transparency of legal persons, with emphasis on the universal global standard on beneficial ownership transparency (revisions to FATF Recommendation 24 and its interpretative note) (Art 8.2(b));
- provide rapid, constructive and effective international cooperation with other IPEF members regarding basic and beneficial ownership information of legal persons (Art 8.2(c));
- identify concrete action items to address gaps in its legal and operational frameworks for preventing money laundering and modifying its measures to meet the standards set out in FATF Recommendation 24 (Art 8.3); and
- take concrete actions to prevent corrupt actors from funneling the proceeds of their corruption into real estate markets (consistent with the FATF Standards) and exchanging information and best practices on how to mitigate abuse of real estate markets by corrupt actors (Art 8.4).





Consistent with the UNCAC, IPEF members should also, where appropriate, require contract bidders to disclose their beneficial ownership information to procuring agencies and successful suppliers to publicly disclose their beneficial ownership information, or use other means to make such beneficial ownership information available to procuring agencies, to prevent waste, fraud and abuse in government procurement (Art 11.4).

Note that as a founding and active member of the FATF, Australia is committed to the full and effective implementation of the FATF Standards. Currently, Australia is assessed as ‘partially compliant’ with Recommendation 24 on beneficial ownership transparency of legal persons.<sup>48</sup> In Australia’s 2015 Mutual Evaluation, the FATF found that while Australia has measures in place to ensure basic information on ownership of legal persons is available, there are no mechanisms that ensure accurate and up to date beneficial ownership of legal persons. Similarly, the OECD’s Global Forum on Transparency and Exchange of Information for Tax Purposes currently rates Australia overall as “largely compliant” with the international standard on transparency and exchange of information. However, Australia is only ranked “partially compliant” with element A.1 of the standard, that countries should ensure that ownership and identity information for all relevant entities and arrangements is available to their competent authorities.<sup>49/50</sup> Since then, the Government has committed to introducing a publicly available beneficial ownership register as noted above at Option 1 (page 14).

#### *Committee structures and meetings*

The IPEF Fair Economy Agreement would also have the following committee structures to monitor and operationalise the Agreement’s commitments:

- A Technical Assistance and Capacity Building (TACB) Coordination Group, which would be established under the Fair Economy’s Capacity Building Framework. Responsibilities include –
  - discussing and considering issues relating to the implementation of TACB under the Framework;
  - receiving requests from IPEF members for TACB; and
  - collecting and sharing feedback from the IPEF members on the outcomes of the TACB.
- An *ad hoc* committee, which would be established on request if an IPEF member had concerns with another member’s implementation of a provision of the Agreement and a mutually satisfactory resolution was not reached (Art 24)
  - this committee would play an advisory role and comprise of representatives of the other IPEF countries to provide recommendations that would be confidential and non-binding (Art 28.3).

Unless IPEF members decide otherwise, there would also be:

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<sup>48</sup> ‘Australia’s measures to combat money laundering and terrorist financing’, *Financial Action Task Force* < <https://www.fatf-gafi.org/en/publications/Mutualevaluations/Mer-australia-2015.html> >.

<sup>49</sup> ‘Multinational tax integrity: Public Beneficial Ownership Register’ (2022), *Australian Government: The Treasury* < <https://treasury.gov.au/sites/default/files/2022-11/c2022-322265-cp.pdf> >.

<sup>50</sup> Note. The United Nations Convention against Corruption (UNCAC) similarly calls on Parties to institute a comprehensive domestic regulatory and supervisory regime for banks and non-bank financial institutions, to collect and record beneficial ownership information on corporate entities for anti-money laundering purposes. It also calls on State Parties to promote transparency among private entities, including, where appropriate, measures regarding the identity of legal and natural persons involved in the establishment and management of corporate entities.



- At least one anti-corruption focused coordination meeting per year to discuss implementation of anti-corruption commitments, challenges in implementation, and any technical assistance needs;
- An annual coordination meeting focused on labour law implementation and enforcement, including any challenges and any technical assistance needs; and
- One tax-focused coordination meeting per year to discuss implementation, including any challenges and any technical assistance needs.

These meetings may take place by video conference, or through any other means determined by IPEF members. The IPEF members would also, unless they decide otherwise, consider opportunities to hold separate convenings in the margins of other fora to discuss anti-corruption issues related to the Agreement.

#### *Capacity building*

To incentivise implementation of the commitments in the Agreement among IPEF members, the Agreement has a capacity building component (Section D). IPEF members would endeavour to share expertise and best practices to support each other's capacity building (including through training of government procurement officials) and commit to sharing expertise and best practices and promoting policies that advance gender equality and women's economic empowerment in anti-corruption programs and initiatives.

The Australian Government has committed A\$25 million to support IPEF members to implement their commitments under IPEF via the IPEF Fund for Technical Assistance and Economic Cooperation (IFTAEC). For example, in support of the IPEF Fair Economy Agreement, IFTAEC is funding the delivery of the AUSTRAC Financial Intelligence Analyst Course to IPEF members, and is also partnering with the OECD to deliver technical assistance and capacity building to Thailand and Viet Nam to improve the foreign investment environment. Other IPEF Fair Economy Agreement activities that may be supported under IFTAEC include tactical country mapping on anti-corruption initiatives currently underway in the Indo-Pacific region to help address existing gaps, and initiatives that enhance women's participation in anti-corruption agencies.



#### Question 4 – What is the likely net benefit of each option?

In assessing the net benefits of each of the options, DFAT has used a qualitative assessment methodology underpinned by data where possible. The qualitative approach was chosen to allow for strategic policy nuances and the anecdotal evidence DFAT has received through stakeholder engagement. DFAT has made qualitative assessments in this discussion using existing foreign, governance and trade policy expertise.

DFAT has also prepared a cost benefit analysis to measure the benefits of entering into the IPEF Fair Economy Agreement against the costs of doing so (Table 2). DFAT's qualitative assessment is that signing the proposed IPEF Fair Economy Agreement is the best option for achieving the objectives set out in Question 2 (page 11). DFAT also assesses that it is the option that provides the greatest net benefit for Australia.

The objective of using a combination of a qualitative assessment and cost benefit analysis to assess each of the options is to help circumvent the difficulties of quantifying the exact cost of corruption as described in Question 1 (page 4).

DFAT has also prepared a multi-criteria analysis of the impact of each option in achieving the key objectives set out in Question 2 (page 11), provided in Table 3. This analysis uses a scale of 0 (neutral) to 3 (large benefit) to score the impact of both options in achieving these key objectives.

#### *Option 1 – Australia does not sign the IPEF Fair Economy Agreement*

If Australia does not sign the IPEF Fair Economy Agreement, and the status quo continues, then it is anticipated that anti-corruption efforts would progress along the established tracks as outlined in Question 3 (page 14).

Australia would continue to uphold our own international anti-corruption commitments and work with partners in the region through existing multilateral and bilateral structures to support anti-corruption efforts. Even if Australia did not sign the IPEF Fair Economy Agreement, it is likely the Government would seek to pursue agreed commitments and cooperative initiatives in both future and existing multilateral and bilateral structures. However, it would be in a more ad hoc way, and without entering into a full agreement which provides clear incentives for others in the region to lift their implementation and enforcement of existing commitments. Australia would also continue to engage with the private sector in highlighting the risks of corruption and encouraging their continued active participation in anti-corruption efforts. We expect these efforts would go some way to achieving our second objective in Question 2 (page 11).

Australia would also continue its domestic work on preventing and addressing corruption and integrity risks in Australia, to help us achieve our fourth objective set out in Question 2 (page 11). This includes through the recently established National Anti-Corruption Commission (NACC), which has broad jurisdiction to investigate serious or systemic corruption across the Commonwealth public sector. It also includes the publicly available beneficial ownership register currently under development.

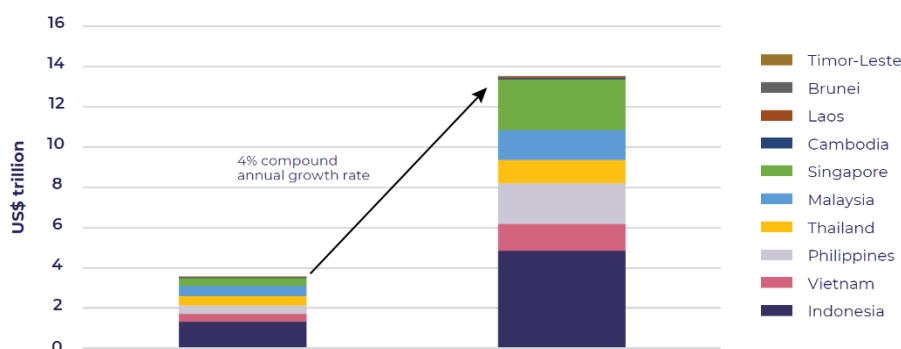


While Australia would continue to uphold our own international anti-corruption commitments, the incentives for others in the region to do so would remain weak. This is due to the difficulties with implementing and enforcing existing agreements and standards on anti-corruption among IPEF members such as UNCAC, the OECD Anti-Bribery Convention and the work done by APEC and the G20, as explained in the response to Question 1 (page 3-10). Without Australia’s participation, there would be no additional incentives and capacity building for regional partners to implement international obligations, and therefore would not help accelerate their progress in meeting their respective commitments under relevant anti-corruption, money laundering and tax standards, contrary to the first objective set out in Question 2 (page 11) to respect and enforce these standards.

Failing to lift the standards of others in the region and continuing with the status quo without the Australian Government’s signals or action would continue to expose our businesses and investors to illegal conduct such as bribery in the region. We expect this continued exposure would continue to play a role in disincentivising Australian operators from seeking to expand into the Indo-Pacific’s high-growth economies and taking advantage of the estimated 4 per cent compound growth rate to 2040 (Chart 4). This would be at odds with our overall government objective of diversifying our trade in terms of markets and products, and our third objective to strengthen beneficial ownership transparency standards set out in Question 3 (page 14).

Chart 4

**Nominal GDP of Southeast Asian economies, 2022 (estimate) and 2040 (forecast)**



Source: Economist Intelligence Unit (2023) data commissioned by DFAT for the strategy.

*Option 2 – Australia signs the IPEF Fair Economy Agreement*

*Benefits*

The IPEF Fair Economy Agreement creates a fresh impetus for regional partners to accelerate implementation of best-practice international anti-corruption standards. It will provide Australia with useful anti-corruption governance policy levers in the international context, which would make Australia well positioned to meet the objectives set out in Question 2 (page 11).



This includes by committing IPEF members to contemporary anti-corruption standards as noted in Question 3 (page 14), which are drawn from the FATF Standards, 2021 OECD Recommendation and OECD/G20 Two-Pillar Solution. It also does so by ensuring IPEF non-signatory parties to the OECD Anti-Bribery Convention uptake some elements of that Convention, which is widely considered to be a gold standard on anti-corruption. This includes provisions on criminalising bribery of public officials (Art 5.3), requiring such measures to be enforced with effective sanctions (Art 5.6), and disallowing the tax deductibility of bribes (Art 5.7).

Similarly, by including commitments on beneficial ownership transparency that align with the FATF Standards, the IPEF Fair Economy Agreement will help encourage IPEF members to take action to bring their domestic regimes in line with the best practice international standards on beneficial ownership transparency. All IPEF members are either members of the FATF or members of FATF-style regional bodies, and therefore have committed to fully implement the FATF Standards and be assessed on their compliance. The inclusion of commitments on beneficial ownership transparency in the Agreement will motivate IPEF countries to uplift their domestic regimes in line with international best practice, and ensure a more robust system for tackling corruption and financial crimes. This will in turn make it harder for criminals to exploit financial systems and obscure the origins of illicit wealth. Further, the provisions that commit parties to international cooperation regarding beneficial ownership information (Art 8.2(c)) and exchanging information and best practices on how to mitigate abuse of real estate markets by corrupt actors (Art 8.4(b)) will help increase law enforcement's ability to detect, deter and disrupt serious crime and send a positive signal about our collective commitment to address corruption issues in the Indo-Pacific.

As previously noted, the Australian Government's commitment to develop a beneficial ownership register is currently being considered through a separate impact analysis process led by Treasury. Taking the option to sign the IPEF Fair Economy Agreement will not constitute a decision on the approach being taken by the Government regarding beneficial ownership.

The IPEF Fair Economy Agreement also strengthens the enforcement of international anti-corruption standards consistent with the first objective set out in Question 2 (i.e., to implement international obligations and work with regional partners to accelerate their progress in meeting respective commitments under relevant anti-corruption, money laundering and tax standards) (page 11). This includes through a commitment from IPEF members to complete country reviews under the UNCAC Implementation Review Mechanism in a timely and transparent manner and share updates on their UNCAC country review report's recommendations with other IPEF members and stakeholders where appropriate (Art 13).

By including commitments aimed at lifting labour standards across the region to a level that is consistent with Australia's robust regulatory settings (Art 14), Australian industry will also be able to compete on a more level playing field, promoting economic growth, consistent with the third objective set out in Question 2 (i.e., to position Australian enterprises, investors and workers to be more competitive internationally) (page 11). Though hard to quantify, this may contribute to employment growth in labour-intensive industries exposed to import competition, such as manufacturing, in line with the Government's ambitions to support these sectors. This will come about through improved Australian industry competitiveness, over the long-term, as a result of a



reduced relative cost of labour in Australia compared to regional countries with improved labour standards.

Supporting IPEF members to lift anti-corruption and tax standards, and holding them accountable to those standards, will improve governance and transparency in the Indo-Pacific and strengthen collective resilience to corruption risks, consistent with the second objective in Question 2 (i.e., to strengthen collective resilience to corruption risks and uphold the rule of law) (page 11). This will lead to fairer competition and help create a more favourable operating environment for Australian businesses and investors in the region, which in turn can lead to increased economic prosperity. By improving the collective resilience to corruption risks, this will help prevent and address corruption and integrity risks in Australia consistent with the fourth objective in Question 2 (i.e., to prevent and address corruption and integrity risks in Australia) (page 11).

A more joined up, collaborative and coordinated approach to combatting corruption internationally could minimise the gaps for exploitation by illegal actors, thereby enhancing our national security and positively impacting Australia's economy. Supporting civil society efforts to enhance transparency could improve governance and help IPEF members counter the influence of corruption on decision-making. It could also free up public money to be used for social policies.

Crucially, the implementation of the regional capacity building and technical assistance component in the IPEF Fair Economy Agreement would enable and incentivise IPEF members to take a stronger stance on corruption, where they may otherwise have not had the resources and expertise to do so. This includes through an inclusive approach to anti-corruption policy in the region including the commitment to sharing expertise and best practices and promoting policies that advance gender equality and women's economic empowerment in anti-corruption initiatives (Art 21.9). The meaningful participation of women in such initiatives would enable relevant agencies to be more representative of the communities they serve and better able to develop gender responsive approaches to anti-corruption policies, operations and partnerships, and enhance community trust and in turn great compliance with such policies. This and other initiatives aimed at improving the investment environment in the IPEF region would in turn benefit Australian investors in the region.

Not signing the Agreement would also be at odds with Australia's leadership role in pushing for stronger standards and fora to address corruption and foreign bribery. Signing the Agreement will complement the work we are doing domestically and internationally on anti-corruption and send positive signals to the private sector and civil society about our collective commitment to address corruption, accountability and transparency challenges in the Indo-Pacific. Once commitments under the IPEF Fair Economy Agreement are implemented, Australia would be joining a grouping of countries that represent 40 per cent of global GDP and 28 per cent of global goods and services trade. Through IPEF, those countries will have committed to improving the implementation and enforcement of anti-corruption standards across the region.

#### *Costs*

DFAT assesses the overall cost to be low and primarily absorbed by government.

The regulatory burden on public stakeholders has been calculated as nil.



The IPEF Fair Economy Agreement is not expected to create significantly higher compliance costs for Australian businesses. The Agreement would not introduce obligations on businesses or others outside the public sector but would establish various mechanisms to encourage governments to ensure their meaningful participation in efforts to fight corruption (Art 12). Businesses and others outside the public sector would therefore be asked to participate in some of these efforts, which would require some degree of (optional) resourcing for business. However, a strong effort was made during negotiations to ensure consistency and synchronisation with existing international frameworks, including UNCAC and the OECD Anti-Bribery Convention. Accordingly, businesses should already be familiar with these mechanisms, particularly given that existing free trade agreements including the CPTPP and Australia-UK FTA include similar provisions.

Any regulatory impact will be minimal. The scope of the mandatory obligations in the IPEF Fair Economy Agreement is limited to the federal level of government, and, to the extent that an obligation involves preventive measures applies only to those measures covered by federal law governing federal, state, and local officials. The Agreement does not contain any mandatory requirements that would result in Australia being legally required to introduce any new anti-corruption laws.

The commitments on beneficial ownership transparency will not present additional financial or other costs for Australia. IPEF members are committing, consistent with the relevant FATF Standards, to take action to effectively implement measures that enhance the transparency of legal persons (Art 8.2(b)). IPEF members are also committing to take concrete action items to address gaps in their legal and operational frameworks for preventing money laundering and modifying their measures to meet the standards set out in FATF Recommendation 24 (Art 8.3). Australia is already a founding and active member of FATF and committed to the full and effective implementation of the FATF Standards. Australia has also already committed to implementing the FATF Standards, at a ministerial level, therefore the commitments under IPEF will not require any new commitments by the Government.

Notwithstanding the commitments in Art 8 of the IPEF Fair Economy Agreement being non-binding,<sup>49</sup> Australia is still ‘taking action’ to effectively implement measures that enhance the transparency of legal persons, and to address gaps in its legal and operational frameworks to meet the standards set out in FATF Recommendation 24, consistent with Art 8.2(b) and Art 8.3. For example, the Government has committed to introducing a publicly available beneficial ownership register, and in late-2022 engaged in a public consultation process on the design phase of the first phase of the register.

In terms of beneficial ownership transparency in the procurement process, IPEF members should require contract bidders and successful suppliers to disclose their beneficial ownership information to procuring agencies. While currently Australia does not require the disclosure of beneficial ownership information in government procurement, the Australian Government’s commitment to a beneficial ownership register will support increased transparency of beneficial ownership of Government procurement partners. In any case, Art 11 is a non-binding obligation so does not require any domestic reforms to fully comply with it.<sup>51</sup>

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<sup>51</sup> Note. IPEF members have agreed under the Drafting Guidelines used for the Agreement that words such as ‘should’ does not create a mandatory obligation (i.e., an obligation to act or refrain from acting).



Regarding the commitment to take concrete action to prevent corrupt actors from funnelling the proceeds of their corruption into real estate markets, the beneficial ownership register will provide opportunities for improved regulatory oversight of real estate transactions and may therefore indirectly help address the use of proceeds of corruption in the real estate market. In any case, as noted above, Art 8 is a non-binding commitment so also does not require any domestic reforms to fully comply with it.

As with any international agreement, the IPEF Fair Economy Agreement would entail reciprocal obligations for Australia. The Agreement would provide partners who have concerns with Australia's implementation an avenue to request consultations (Art 24). If a mutually satisfactory resolution is not reached, an *ad hoc* committee may then be established, but it would play an advisory role only and its recommendations would be confidential and non-binding (Art 28.3).

As noted above at Question 3 (page 14), the Australian Government has committed A\$25 million to support IPEF members to implement their IPEF commitments under the IPEF Fund for Technical Assistance and Economic Cooperation (IFTAEC). DFAT estimates approximately 20 per cent of IFTAEC funding will be allocated to programs under the IPEF Fair Economy Agreement. Some initiatives under the IPEF Fair Economy Agreement will also be delivered within existing resources for measures such as sharing best practice and ensuring regulatory transparency (in line with Australia's existing domestic frameworks).



**Table 2. IPEF Fair Economy Agreement Cost Benefit Analysis**

Measure / Action	Impacted stakeholders	Benefit	Cost	Net Impact of Measure
Measures to criminalise domestic and foreign bribery and related corruption offences consistent with the UNCAC and the OECD Anti-Bribery Convention.	Government and business	Strengthens governance in the region which in turn improves the investment climate for Australian enterprises.	Nil costs to Australian Government and business as Australia already implements these measures as a signatory to the UNCAC and the OECD Anti-Bribery Convention.	Net benefit
Asset recovery and international cooperation provisions building on the UNCAC, OECD Anti-Bribery Convention and 2021 OECD Recommendation, and FATF Standards.	Government	Strengthens international cooperation on asset recovery.  Non-binding provisions relating to transparency and accountability in the return of recovered proceeds of crime may provide a basis to consider future policy reform.	May result in minimal additional costs on Government. While the binding provisions are designed to be consistent with existing international standards, increased international cooperation may result in an increase in mutual legal assistance requests for central authorities to progress.	Net benefit
Measures to enhance private sector control, ethics and compliance related to the UNCAC, OECD Anti-Bribery Convention and the 2021 OECD Recommendation.	Government, industry groups, business and civil society	Improves the investment climate, levels the playing field for Australian enterprises, strengthen governance and boosts implementation	Minimal additional costs to stakeholders. While Australia already implements these measures as a signatory to the UNCAC and the OECD Anti-Bribery Convention, a minimal time cost would be required for meaningful consultations with industry in the context of IPEF.	Net benefit

Measure / Action	Impacted stakeholders	Benefit	Cost	Net Impact of Measure
Measures to criminalise domestic and foreign bribery and related corruption offences consistent with the UNCAC and the OECD Anti-Bribery Convention.	Government and business	Strengthens governance in the region which in turn improves the investment climate for Australian enterprises.	Nil costs to Australian Government and business as Australia already implements these measures as a signatory to the UNCAC and the OECD Anti-Bribery Convention.	Net benefit
Taking action to effectively implement measures to strengthen transparency in beneficial ownership and real estate transactions linked to FATF Standards.	Government and business	<p>Strengthens governance in the region by committing IPEF members to take action to enhance beneficial ownership transparency in line with international standards. This will ensure more robust systems for tackling corruption and financial crimes. This includes by discouraging the use of complex structures that avoid legal requirements and obscure tax liabilities and the misuse of legal persons by criminal actors for ill-gotten gains.</p> <p>Increased international cooperation will increase law enforcement's ability to detect, deter and disrupt serious crime. It also sends a positive signal about our collective commitment to address corruption issues in the Indo-Pacific.</p> <p>(Note that the regulatory benefit of Australia's beneficial ownership register will be determined by an Impact Analysis<sup>26</sup> being led by Treasury on the introduction of the register.)</p>	<p>Nil costs to the Australian Government as these provisions are designed to be consistent with existing international standards on beneficial ownership transparency.</p> <p>The provisions are also consistent with Australian domestic policy. Australia is taking action to effectively implement measures to enhance the transparency of legal persons, including through consultations on the design features of a publicly available beneficial ownership register. This will provide opportunities for improved regulatory oversight of real estate transactions, and may therefore indirectly help address the use of proceeds of corruption in the real estate market.</p> <p>Some minimal increased costs to government might arise from increased cooperation with other IPEF members on these issues.</p>	Net benefit.

Measure / Action	Impacted stakeholders	Benefit	Cost	Net Impact of Measure
Measures to criminalise domestic and foreign bribery and related corruption offences consistent with the UNCAC and the OECD Anti-Bribery Convention.	Government and business	Strengthens governance in the region which in turn improves the investment climate for Australian enterprises.	Nil costs to Australian Government and business as Australia already implements these measures as a signatory to the UNCAC and the OECD Anti-Bribery Convention.	Net benefit
Measures on persons reporting corruption offences consistent with the UNCAC, OECD Anti-Bribery Convention and the 2021 OECD Recommendation.	Government, business and civil society	More transparent and accountable public and private sectors, more robust civil societies in Australia and internationally.	Nil additional costs on government and business since binding provisions are consistent with the UNCAC and OECD Anti-Bribery Convention's obligations that Australia already implements.  (Note the Government is continuing to strengthen Australia's public whistleblower framework through recently passed reforms to the <i>Public Interest Disclosure Act 2013</i> and consultation on further reforms.)	Net benefit
Promoting integrity among public officials consistent with the UNCAC.	Government	More transparent and accountable governments, strengthened governance and improved investment climate in the region	Nil costs on government since provisions are consistent with the UNCAC that Australia already implements.	Net benefit

Measure / Action	Impacted stakeholders	Benefit	Cost	Net Impact of Measure
Measures to criminalise domestic and foreign bribery and related corruption offences consistent with the UNCAC and the OECD Anti-Bribery Convention.	Government and business	Strengthens governance in the region which in turn improves the investment climate for Australian enterprises.	Nil costs to Australian Government and business as Australia already implements these measures as a signatory to the UNCAC and the OECD Anti-Bribery Convention.	Net benefit
Promoting integrity and transparency in government procurement broadly related to the UNCAC, the 2021 OECD Recommendation and FATF Standards.	Government, business	<p>More transparent and accountable governments, improved investment climate in the region, responsible management of public finances.</p> <p>Non-binding provisions relating to suspension and debarment frameworks may provide a basis to consider future policy reform.</p>	<p>Nil additional costs on government and business since binding provisions are aligned with the UNCAC, the OECD 2021 and FATF commitments that Australia already implements.</p> <p>Further, the Australian Government has already committed to a beneficial ownership register to record who ultimately owns, controls or receives benefits from a company or legal vehicle. This will support increased transparency of beneficial ownership of Government procurement partners, contribute to stabilised costs of Commonwealth procurement contracts and decreased risk of fraud in Commonwealth procurement and grants processes.</p>	Net benefit

Measure / Action	Impacted stakeholders	Benefit	Cost	Net Impact of Measure
Measures to criminalise domestic and foreign bribery and related corruption offences consistent with the UNCAC and the OECD Anti-Bribery Convention.	Government and business	Strengthens governance in the region which in turn improves the investment climate for Australian enterprises.	Nil costs to Australian Government and business as Australia already implements these measures as a signatory to the UNCAC and the OECD Anti-Bribery Convention.	Net benefit
Promoting private sector and civil society engagement in anti-corruption efforts related to the UNCAC, the OECD Anti-Bribery Convention and 2021 OECD Recommendation.	Government, business	More transparent and accountable public and private sectors, more robust civil societies in Australia and internationally.	Nil additional costs on government since provisions are consistent with the UNCAC and the OECD Anti-Bribery Convention that Australia already implements.	Net benefit
Strengthening anti-corruption review processes under the UNCAC Implementation Review Mechanism.	Government, civil society	More transparent and accountable governments, strengthened governance and improved investment climate in the region.	Nil additional costs on government since provisions are consistent with the UNCAC, which Australia already implements.	Net benefit
Measures on anti-corruption, transparency, and labour law enforcement based on the International Labour Organization's standards.	Government, business, workers and business organisations	Contributes to the protection of worker rights, helps protect vulnerable migrant workers, improves investment climate, helps level the playing field for Australian enterprises and workers, strengthens governance and enforcement.	Nil additional costs on government since provisions are consistent with the ILO standards that Australia already implements.	Net benefit

Measure / Action	Impacted stakeholders	Benefit	Cost	Net Impact of Measure
Measures to criminalise domestic and foreign bribery and related corruption offences consistent with the UNCAC and the OECD Anti-Bribery Convention.	Government and business	Strengthens governance in the region which in turn improves the investment climate for Australian enterprises.	Nil costs to Australian Government and business as Australia already implements these measures as a signatory to the UNCAC and the OECD Anti-Bribery Convention.	Net benefit
Supporting transparency and exchange of information for tax purposes and engagement with the OECD/G20 Two-Pillar Solution.	Government and business	Contributes to effective implementation of international standards of transparency and exchange of information for tax purposes.  (Note that Treasury's Impact Analysis recommends that Australia should proceed with the Government's election commitment to implement key aspects of Pillar Two of the OECD/G20 Two-Pillar Solution. These reforms would improve the economy and revenue outcomes of Australia's tax system. )	Nil additional costs on government as Australia already supports the work of the OECD.  (Note that implementing key aspects of Pillar Two will result in an increase in compliance costs for in-scope businesses to comply with additional reporting and compliance requirements under Pillar Two.)	Net benefit
Measures to facilitate exchange of information between competent authorities to improve tax administration, enhance capacity building efforts and address corruption, money laundering and financing of terrorism risks.	Government	More transparent and accountable governments, strengthened governance and enforcement and improved investment climate in the region.	Minimal additional costs on government since this aligns with the Government's current practices. Increased international cooperation across IPEF members may result in the increase of requests for central authorities to progress and therefore increased costs to government.	Net benefit

Measure / Action	Impacted stakeholders	Benefit	Cost	Net Impact of Measure
Measures to criminalise domestic and foreign bribery and related corruption offences consistent with the UNCAC and the OECD Anti-Bribery Convention.	Government and business	Strengthens governance in the region which in turn improves the investment climate for Australian enterprises.	Nil costs to Australian Government and business as Australia already implements these measures as a signatory to the UNCAC and the OECD Anti-Bribery Convention.	Net benefit
Measures to establish a capacity building framework to enhance implementation efforts.	Government, civil society	More transparent and accountable governments, strengthened governance and enforcement, improved investment climate in the region, closer links with partners and additional opportunities for Australian businesses and civil society organisations.	<p>As one of the developed economies in IPEF, Australia will be expected to provide on request financial and in-kind resources to enhance IPEF developing members' capacity to effectively implement some elements of the Fair Economy Agreement.</p> <p>The Australian Government has committed A\$25 million to support IPEF members to implement their commitments under IPEF via the IPEF Fund for Technical Assistance and Economic Cooperation (IFTAEC). DFAT estimates approximately 20 per cent of IFTAEC funding will be allocated to programs under the Fair Economy Agreement.</p>	Net benefit



Table 3. Summary of how each option meets key objectives

Objective	Option 1 – Australia <u>does not</u> sign the IPEF Fair Economy Agreement		Option 2 – Australia signs the IPEF Fair Economy Agreement		Explanation
	Objective met	Rating	Objective met	Rating	
Implement international obligations and work with regional partners to accelerate their progress in meeting respective commitments under relevant anti-corruption, money laundering and tax standards	✓	+1	✓	+3	Under <b>Option 1</b> , the Government will continue to make progress on anti-corruption initiatives. It is likely the Government will seek to pursue the commitments made in the IPEF Fair Economy Agreement in other bilateral and multilateral Settings. <b>Option 2</b> will increase the adoption of, and adherence to, some parts of the OECD Anti-Bribery Convention by non-Parties (i.e., Brunei Darussalam, Fiji, India, Indonesia, Malaysia, Philippines, Singapore, Thailand and Viet Nam). It will also provide IPEF members with technical assistance to bring their domestic regimes in line with best practice standards on beneficial ownership and transparency.
Strengthen collective resilience to corruption risks and uphold the rule of law	✗	0	✓	+3	<b>Option 1</b> will not provide IPEF members with the incentives (i.e., technical assistance) necessary to increase compliance with the UNCAC Implementation Review Mechanism in the short-term. <b>Option 2</b> commits IPEF members to complete reviews under the UNCAC Implementation Review Mechanism in a timely and transparent manner. These actions are necessary to strengthen the enforcement of international anti-corruption standards and to accelerate IPEF members' progress towards meeting their respective commitments. Option 2 also provides IPEF members with the technical assistance necessary to uplift their domestic regimes in line with international best practice in a shorter amount of time.





Position Australian enterprises, investors and workers to be more competitive in international jurisdictions	✘	0	✓	+2	<p>Under <b>Option 1</b>, IPEF members will not be provided with the incentives to improve their labour standards. The status quo approach will have a minimal impact on improving Australia’s industry competitiveness.</p> <p><b>Option 2</b> commits IPEF members to levelling the playing field for Australian enterprises, investors and workers through lifting their labour standards. Option 2 will also provide the technical assistance necessary for IPEF members to meet those obligations which will see implement these standards in a shorter amount of time.</p>
Prevent and address corruption and integrity risks in Australia	✓	+1	✓	+1.5	<p>The Australian Government will continue its domestic engagement and will work with the private sector to raise awareness of the risks of corruption and how to implement anti-corruption measures under both <b>Options 1 and 2</b>. This includes consideration of beneficial ownership being separately undertaken by the Treasury. Under <b>Option 2</b>, the Government’s integrity agenda would be reinforced by collective international efforts.</p>
Weighted average score per objective	N/A	+0.50	N/A	+2.37	<p>On average, both options make a positive contribution to meeting the key objectives. provides for accelerated and more substantial progress towards meeting these objectives.</p>



### Question 5 - Who did you consult about these options and how did you incorporate their feedback?

In negotiating the IPEF Fair Economy Agreement, DFAT has consulted extensively across Government, business, industry and worker organisations, and civil society to ensure Australia's interests were reflected in the final Agreement. DFAT consulted extensively with seven agencies across government (DFAT, AGD, Treasury, Finance, ATO, DEWR, AFP and AUSTRAC) and ensured policy experts were part of the negotiation process.

Prior to the commencement of IPEF negotiations, DFAT undertook targeted in-person and virtual stakeholder engagement, including roundtables and meetings with business, industry bodies, unions, civil society, academia and government. These meetings took place in-person in Sydney (10-11 October 2022), Melbourne (20-21 October 2022) and Brisbane (10 November 2022), and virtually in Perth (1 December 2022), Hobart (15 November 2022) and Darwin (22 November 2022).

From the time negotiations were launched in September 2022, DFAT's Chief Negotiator held regular open forum virtual debriefs to provide updates for all interested stakeholders on the status of negotiations. DFAT officials also met separately with a significant number of public, private and civil society stakeholders, including from the Bribery Prevention Network. The Bribery Prevention Network is a public-private partnership that brings together business, civil society, academia and government with the shared goal of supporting Australian business to prevent, detect and address bribery and corruption and promote a culture of compliance. Its members include the Australia-Africa Minerals & Energy Group (AAMEG), Australian Federal Police (AFP), Allens, ANZ, AGDs, BHP, KPMG, Minerals Council of Australia, NAB, Transparency International Australia and Westpac.

On 30-31 August 2023, DFAT officials participated in the National Integrity Summit in Melbourne, and separately held a dedicated session on IPEF's Fair Economy Pillar where stakeholders from civil society groups and business were briefed on topics including anti-corruption, good governance and transparency. The briefing was slightly restricted by DFAT's inability to discuss the draft text of the IPEF Fair Economy Agreement in detail (due to legal and confidentiality limitations). However, as the topics covered by IPEF Fair Economy Agreement were publicly available, stakeholders were able to provide highly relevant feedback.

It should be noted that consultation processes were necessarily limited due to the expedited timeframe of IPEF Fair Economy Agreement negotiations. Concluding negotiations 14 months after negotiations were formally launched created a time-limited cap on consultation. DFAT, aware that negotiations could progress at a faster-than-typical pace for comparative agreements, consequently ensured that consultation was conducted early and frequently – as described in the preceding paragraphs.

Consultation was an important part of the negotiation process for DFAT. Through consultation, DFAT gained a better understanding of the need to find tangible benefits in negotiations. Consulting with a wide range of private and public sector stakeholders was important to help ensure the IPEF Fair Economy Agreement would provide a positive impact in addressing live anti-corruption issues.

DFAT regularly provided stakeholders the opportunity to provide written submissions on the IPEF negotiations. Based on stakeholder requests, Australia advocated extensively to:



- accelerate progress and boost enforcement of the existing international commitments (such as the UNCAC and ILO conventions);
- encourage uptake of more ambitious standards (such as the OECD Anti-Bribery Convention) across the region;
- ensure civil society and the private sector play a prominent role in preventing and addressing corruption;
- aim for consistency and synchronisation of the proposed commitments with the existing international frameworks to make it easier for businesses to understand and apply IPEF provisions; and
- provide civil society and the private sector with opportunities to contribute to capacity building efforts between IPEF members.

DFAT found that business, government and all non-government stakeholders were supportive of the IPEF Fair Economy Agreement's aims and saw clear benefits for Australia to sign up to the Agreement. DFAT is satisfied that the IPEF Fair Economy Agreement addressed the recommendations of stakeholders.

Stakeholders supported the strengthened commitments entered into under the Agreement and IPEF's focus on implementation through the capacity building framework. While some stakeholders had recommended stronger commitments to address corruption and investment risks in the region, there were no dissenting views regarding the final commitments entered into as a result of the negotiations process.

Table 4 below outlines a summary of the recommendations made by stakeholders and information on how those recommendations have been addressed in the IPEF Fair Economy Agreement.



Table 4. Summary of how stakeholders recommendations have been addressed

Categories	Stakeholders	Recommendations	How it has been addressed in the IPEF Fair Economy Agreement
Australian businesses including supply chain, energy and logistics companies	Australia-Africa Minerals & Energy Group BHP Group Minerals Council of Australia Maritime Industry Australia Limited Toll Group Woodside Energy Asia Natural Gas and Energy Association (ANGEA) Australian Chamber of Commerce and Industry (ACCI) Business Council of Australia Export Council of Australia Chartered Institute of Procurement and Supply (CIPS) Supply Nation Australasian Supply Chain Institute Suncable Energy Australian Services Roundtable	Improved investment opportunities for Australian businesses; more stable regional investment climate; levelled playing field; support for ethical business activities and supply chains; risk reduction.  To build on our strengths including supply chains in critical minerals, to raise standards of governance in the region.	Addressed in relevant provisions that raise the standards of governance in the region, including for example: <ul style="list-style-type: none"> <li>- Art 5 (Application and Enforcement of Measures to Prevent and Combat Corruption, including Bribery) - which sets out a range of measures that IPEF members need to adopt or maintain to prevent and combat corruption and effective, proportionate and dissuasive sanctions and procedures to enforce those measures.</li> <li>- Art 7 (Private Sector Internal Controls, Ethics and Compliance) - which requires IPEF members to take appropriate measures to promote the active participation of the private sector in preventing and combating corruption.</li> <li>- Art 8 (Transparency in Beneficial Ownership and Real Estate Transactions) - which commits IPEF members to take action to effectively implement measures that enhance the transparency of legal persons.</li> <li>- Art 9 (Persons that Report Corruption Offences) - which requires IPEF members to adopt or maintain a range of measures for the protection of individuals reporting corruption offences.</li> <li>- Art 10 (Promoting Integrity Among Public Officials) - which requires IPEF members to adopt or maintain measures to promote the transparency and accountability of public officials in the exercise of public functions, including government procurement, among other measures.</li> <li>- Art 11 (Promoting Integrity and Transparency in</li> </ul>



			<p>Government Procurement) - which requires IPEF members to adopt or maintain measures to address corruption in government procurement.</p> <ul style="list-style-type: none"> <li>- Art 14 (Anti-Corruption, Transparency and Labor Law Enforcement) - which requires IPEF members to adopt a range of measures to ensure labor rights are respected.</li> </ul> <p>Also addressed by the capacity building component (Section D) which will incentivise IPEF members raise their standards. Art 13 (Strengthening the Anti-Corruption Review Process) also helps ensure the implementation and enforcement of those standards by committing IPEF members to completing their UNCAC country reviews in a timely and transparent manner.</p>
Law Enforcement/ Australian Government Agencies	AFP AGDs/Treasury/Finance/ATO AUSTRAC, DFAT (Transnational Crime Section)	Greater regional cooperation and improved practices in other jurisdictions to support local detection and investigation efforts to reduce foreign bribery and corruption risks. Commitments to transparency and strengthened Governance and Tax frameworks. Providing capacity building to partners in the region so they can meet their obligations.	<p>Addressed in relevant provisions that raise the standards of governance in the region as noted above (e.g., Articles 5, 7, 8, 9, 10, 11, 13, 14) and relevant provisions that promote regional cooperation, including:</p> <ul style="list-style-type: none"> <li>- Art 6 (Asset Recovery and International Cooperation) - which requires IPEF members to take measures and strengthen international cooperation with other IPEF members to deny safe havens for people who commit corrupt acts and to facilitate recovery of the proceeds of crime, among other activities.</li> <li>- Art 8 (Transparency in Beneficial Ownership and Real Estate Transactions) - which commits IPEF members to provide rapid, constructive and effective international cooperation with the other IPEF members in relation to basic and beneficial ownership information of legal persons.</li> </ul>



			Also addressed by tax articles in Section C, which recognise the importance of transparency and exchange of information between tax authorities based on internationally agreed standards, and the capacity building component (Section D) which will help IPEF members meet their obligations.
Financial Institutions/Legal/Accountancy	Allens ANZ KPMG NAB Westpac Johnson Winter & Slattery PWC FinTech Australia	<p>Risk reduction; levelled playing field for Australian entities held to similar standards; investor confidence and certainty.</p> <p>Greater focus on enforcement, legislation of the bribery act and proposal reforms, requirements for tender for contracts.</p> <p>Compliance without borders and private sector training; tax transparency standards; country by country reporting.</p> <p>Providing capacity building to partners in the region so they can meet their obligations.</p>	Addressed in relevant provisions that raise the standards of governance in the region as noted above (e.g., Articles 5, 7, 8, 9, 10, 11, 13, 14). Also addressed by tax articles in Section C which recognise the importance of transparency and exchange of information between tax authorities based on internationally agreed standards, and the capacity building component (Section D) which will help IPEF members meet their obligations.
International/Civil Society Organisations/Academic	Transparency International Uniting Church UN Global Compact AFTINET Australian Institute for International Affairs	Greater transparency to reduce the political, economic, social (including labour) and environmental costs of corruption. Greater focus on enforcement; legislation of	<p>Addressed in several articles which promote transparency, including:</p> <ul style="list-style-type: none"> <li>- Art 8 (Transparency in Beneficial Ownership and Real Estate Transactions) - which commits IPEF members to take action to effectively implement measures that</li> </ul>



	<p>Fairtrade Australia Group of Eight Asialink Asia Society Asia Pacific Forum on Women, Law, and Development Australian Centre for International Trade and Investment Australian Sustainable Finance Institute Rigby Cooke Lawyers</p>	<p>the bribery act and proposal reforms; requirements for tender for contracts.</p> <p>Compliance without borders and private sector training; tax transparency standards. Country by country reporting. Technical assistance and capacity building to lift standards.</p> <p>Providing capacity building to partners in the region so they can meet their obligations.</p>	<p>enhance the transparency of legal persons.</p> <ul style="list-style-type: none"> <li>- Art 10 (Promoting Integrity Among Public Officials) - which requires IPEF members to adopt or maintain measures to promote the transparency and accountability of public officials in the exercise of public functions, including government procurement, among other measures.</li> <li>- Art 11 (Promoting Integrity and Transparency in Government Procurement) - which requires IPEF members to adopt or maintain measures, such as requiring contract bidders to disclose their beneficial ownership information to procuring agencies among other measures, to help address corruption in government procurement.</li> <li>- Art 12 (Anti-Corruption, Transparency and Labor Law Enforcement) - which requires IPEF members to promote transparency and public awareness of its labor laws including through publicly available and accessible information.</li> </ul> <p>Also addressed in relevant provisions that raise the standards of governance in the region more broadly as noted above (e.g., Articles 5, 7, 9, 13, 14). Also addressed by tax articles in Section C which recognise the importance of transparency and exchange of information between tax authorities based on internationally agreed standards, and the capacity building component (Section D) which will help IPEF members meet their obligations.</p>
<p>Union Groups</p>	<p>Australian Council of Trade Unions</p>	<p>Greater protection of labour rights, including migrant</p>	<p>Addressed in Art 14 (Anti-Corruption, Transparency and Labor Law Enforcement) - which requires parties to adopt a range of</p>



	Australian Manufacturing Workers Union Australian Services Union Unions WA	workers. Technical assistance and capacity building to lift standards.  Providing capacity building to partners in the region so they can meet their obligations	measures to ensure labor rights are respected. Also addressed by the capacity building component (Section D) which will help IPEF members to meet their obligations.
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A comprehensive list of stakeholders consulted throughout IPEF negotiations can be found at Appendix A.





**Question 6 - What is the best option from those you have considered and how will it be implemented?**

DFAT recommends *Option 2 – Australia signs the IPEF Fair Economy Agreement*. This option provides the greater net benefit and accelerates the achievement of the objectives when compared with Option 1.

The IPEF Fair Economy Agreement adopts a balanced approach which provides Australia with an opportunity to advance its interests at a modest cost.

A comparison of the two options set out in this IA against the objectives is outlined below.

Objectives	Option 1 – Australia does not sign the IPEF Fair Economy Agreement	Option 2 – Australia signs the IPEF Fair Economy Agreement
Implement international obligations and work with regional partners to accelerate their progress in meeting respective commitments under relevant anti-corruption, money laundering and tax standards.	Somewhat achieved over the medium to long term. Australia will continue implementing its international obligations through ongoing lines of effort. The status quo will persist with respect to regional partners’ efforts to implement and enforce their obligations.	Achieved over the medium to long term. The Agreement provides fresh impetus (via a treaty-level agreement) for regional partners to accelerate their progress in implementing and enforcing best practice international anti-corruption commitments. This includes through strengthening the UNCAC implementation review mechanism, and capacity building programs.
Position Australian enterprises, investors and workers to be more competitive in international jurisdictions by encouraging regional uptake and implementation of international best practice standards and enhancing information sharing.	Somewhat achieved over the medium to long term. The existing international lines of effort provide insufficient opportunities to encourage uptake of international best practice standards and promoting our commercial interests.	Achieved over the medium to long term in line with the Southeast Asia Economic Strategy. Supporting IPEF members to lift anti-corruption standards and holding them accountable to those standards will improve governance and transparency in the Indo-Pacific, which will lead to fairer competition and create a more favourable operating environment for Australian businesses and investors in the region.
Strengthen collective resilience to corruption and economic crime risks and uphold the rule of law by incentivising international cooperation and stronger adherence to best practice standards.	Somewhat achieved over the medium to long term. The existing international lines of effort could potentially strengthen regional governance, but it would not be sufficient to alter the status quo.	Achieved over the medium to longer term. The capacity building and cooperation components will incentivise regional partners to comply with best practice standards.



Prevent and address corruption and integrity risks in Australia by strengthening domestic policy settings.	Achieved over the medium to long term under the Government’s integrity agenda	Achieved over the medium to long term. The Government’s integrity agenda would be reinforced by international efforts.
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In line with Australia’s treaty making processes, once signed, the text of the IPEF Fair Economy Agreement will be tabled in Parliament for 20 sitting days. The Joint Standing Committee on Treaties (JSCOT) will then conduct an inquiry into the IPEF Fair Economy Agreement and report back to the Parliament.

The IPEF Fair Economy Agreement will enter into force 30 days after signature by all IPEF members and the ratification, acceptance or approval by five IPEF members in their domestic system.

The IPEF Fair Economy Agreement establishes a number of working-level committees and coordination meetings, as described in Question 3 and set out below. Several of these would provide an opportunity for members to discuss each other’s implementation of the Agreement and any concerns. If an IPEF member had concerns with another member’s implementation of the agreement and a mutually satisfactory resolution is not reached, an *ad hoc* committee may be established on request (Art 24). This committee would comprise of other IPEF members and provide an advisory role only and its recommendations would be confidential and non-binding.

The committees would require some administrative resources to manage them. The meetings are all subject to IPEF members deciding otherwise.

<b>Committees established in the IPEF Fair Economy Agreement and regular coordination meetings</b>
The Technical Assistance and Capacity Building Coordination Group under the Fair Economy’s Capacity Building Framework
The <i>ad hoc</i> committee where an IPEF member has concerns with another member’s implementation of the agreement and the members cannot reach a mutually satisfactory resolution.
Anti-corruption focused coordination meetings (at least one per year) to discuss implementation of anti-corruption commitments, challenges in implementation, and any technical assistance needs. Meetings may take place by video conference or other means.
An annual coordination meeting focused on labour law enforcement to discuss implementation, including any challenges and any technical assistance needs. Meetings may take place by video conference or other means.
One tax-focused coordination meeting per year to discuss implementation, including any challenges and any technical assistance needs. Meetings may take place by video conference or other means.
Meetings in the margins of UNCAC Conference of State Parties and its working groups, and other working groups IPEF members are a member to, to discuss anticorruption issues related to the agreement.



## Question 7 - How will you evaluate the chosen option against the success metrics?

DFAT will continue to regularly internally review and evaluate the IPEF Fair Economy Agreement's implementation in Australia. DFAT will draft a detailed Evaluation Plan 12 months after entry into force of the Agreement to monitor the effectiveness of the Agreement in meeting the objectives and success metrics identified in Question 2 (page 11) of this IA.

This plan will inform work towards an Evaluation Report, which will be prepared four years after entry into force of the Agreement.

Consistent with the objectives identified in this IA, any evaluation of the implementation of the IPEF Fair Economy Agreement would consider the following questions:

- Have international obligations been implemented domestically? What has been the impact of this process on stakeholders?
- To what extent has Australia's support assisted IPEF partner countries to implement the Agreement? What progress has been made by partners towards meeting commitments under relevant anti-corruption, money laundering and tax standards? Have Australia's contributions to capacity building among IPEF members be efficient and effective?
- Has the Agreement strengthened collective resilience to corruption risks? Did this deliver beneficial outcomes for Australian stakeholders?
- Are Australian enterprises, investors and workers positioned to be more competitive in international jurisdictions? Has Australian inbound and outbound investment with IPEF member countries increased, and to what extent have commitments under the Fair Economy Agreement influenced investment decisions?
- To what extent has implementation of the agreement contributed to addressing corruption and integrity risks in Australia?

The Evaluation Plan will also assess the effectiveness of the Capacity Building Framework (CBF) provided for under Art 27 of the Agreement in assisting IPEF countries to meet their commitments.

DFAT's approach to evaluating these questions will necessarily require a combination of methods.

As outlined previously in this IA, accurately measuring corruption is challenging. Therefore, any quantitative evaluation of the extent to which corruption issues are adequately addressed by the IPEF Fair Economy Agreement will be difficult. Drawing from a broad range of sources will assist with mitigating the issues with precisely quantifying the impact of corruption, and measures used to address corruption. DFAT assesses that, in this context, independently gathering and synthesising data would also be burdensome and risks being ineffective.

Evaluation of our work with regional partners to accelerate their progress to meet the standards of the Agreement will therefore utilise existing metrics where possible. To assess improvements made over time, this will include monitoring publicly available, reputable and regularly-updated reporting and associated data sets, including but not limited to:

- Transparency International's annual *Corruption Perceptions Index*;



- World Bank's *Worldwide Governance Indicators*, including the Control of Corruption estimate;
- OECD *Foreign Direct Investment Statistics*; and
- Where appropriate, reports and statistics compiled by the UNODC and FATF.

Qualitative feedback on the CBF, Australia's support for regional partners, and ease of doing business will be obtained from Australian industry and civil society groups through DFAT's regular and well-established stakeholder consultation processes. DFAT will also seek through these processes feedback on the extent to which the Fair Economy Agreement contributes to changes to investment flows between Australia and IPEF partners following implementation. The evaluation would utilize any relevant analysis from, and data gathered by, DFAT's Office of Southeast Asia as part of Australia's Southeast Asia Economic Strategy to 2040.

DFAT will also utilize information provided by partner countries regarding their implementation of the Agreement. In accordance with Art 23 of the Agreement, each IPEF member has committed to informing the other members at regular intervals of efforts to implement the Agreement. IPEF members also intend to monitor their implementation of the Agreement through a system of mutual information exchange, including to inform each other about technical assistance and capacity building needs.

Through this process DFAT will be able to evaluate the contribution of the Agreement to collective resilience to corruption risks. This will be done through feedback from partners on the efficacy of implementation, and through the accumulation of data regarding the number of capacity building and technical assistance coordination meetings, programs and activities held, and the number of IPEF countries implementing each of the commitments under the Agreement.

Table 5 below summarises the evaluation approach.



Table 5. DFAT Evaluation Plan

Task	Description	Timing	Objectives	Data collected to assess against objective
Evaluation Plan -Draft evaluation plan including: *Matrix of questions *Description of method *Metrics and Data gathering tools *Detailed work schedule	Following entry into force and ratification of the Agreement, DFAT will draft an Evaluation Plan to provide an ongoing evaluation of the IPEF Fair Economy Agreement. This will be designed to assess the effectiveness of the Agreement in achieving what was intended and how successful it is in meeting Australia’s objectives as outlined in this IA.	12 months following entry into force.	<ol style="list-style-type: none"> <li>1. <i>Implement international obligations and work with regional partners to accelerate their progress in meeting commitments under the IPEF Fair Economy Agreement.</i></li> <li>2. <i>Position Australian enterprises, investors and workers to be more competitive.</i></li> <li>3. <i>Strengthen collective resilience to corruption risks and uphold the rule of law.</i></li> <li>4. <i>Prevent and address corruption and integrity risks in Australia.</i></li> </ol>	Transparency International, World Bank, OECD data sets on corruption perception, ease of doing business and investment rankings.  Development and review of the Capacity Building Framework (CBF) to be established under the Agreement.  Qualitative feedback from Australian industry and civil society groups on the focus of and implementation activities under the CBF.  Number of capacity building and technical assistance coordination meetings, programs and activities held.  Number of IPEF countries implementing commitments under the Agreement.  Feedback from data and assessments from academia, think



				tanks and civil society on corruption and related risks in IPEF countries.  Qualitative feedback from Australian industry on ease of doing business and investment opportunities in the region.
Draft evaluation report -Prepare document outline -Draft sections of the report -Consolidate sections into draft -Stakeholder consultations	DFAT intends to prepare an evaluation report four years following the entry into force of the Agreement.	48 months following entry into force.	<i>All objectives</i>	All metrics



## Appendix A

Stakeholders
1. A Touch of Madness Studios
2. Accord Australasia Limited
3. ActionAid
4. AFTINET
5. Amazon Web Services
6. American Chamber of Commerce in Australia
7. ANU's Asian Bureau of Economic Research
8. Asia Natural Gas and Energy Association (ANGEA)
9. Asia Pacific Forum on Women, Law, and Development (APWLD)
10. Asia Society Australia
11. Asialink
12. Astryx
13. Ausgold Sport & Tourism Agency
14. Austmine
15. Australasian Supply Chain Institute
16. Australia Fiji/PNG/Pacific Islands Business Councils
17. Australia India Business Council
18. Australia India Chamber of Commerce
19. Australia India Institute
20. Australia Indonesia Business Council
21. Australia Japan Business Co-operation Committee
22. Australia Japan Society
23. Australia Malaysia Business Council
24. Australia Pacific Business Council
25. Australia-India Council
26. Australia-Korea Business Council
27. Australian Aluminium Council
28. Australian APEC Study Centre
29. Australian Centre for International Trade and Investment
30. Australian Chamber of Commerce and Industry
31. Australian Conservation Foundation
32. Australian Council of Trade Unions
33. Australian Digital and Telecommunications Industry Association
34. Australian Food and Grocery Council
35. Australian Grape and Wine
36. Australian Industry Group
37. Australian Institute for International Affairs
38. Australian Logistics Council
39. Australian Manufacturing Workers Union
40. Australian Meat Industry Council



41. Australian Organic Limited
42. Australian Retailers Association
43. Australian Services Roundtable
44. Australian Services Union
45. Australian Sugar Milling Council
46. Australian Sustainable Finance Initiative
47. Australian Sustainable Finance Institute
48. BDO
49. BHP Group
50. BSA   The Software Alliance
51. Business Council of Australia
52. Business Council of Co-operatives and Mutuals
53. Business NSW
54. Canegrowers
55. CapralLimited
56. Carbon Disclosure Project
57. CBH Group
58. CFMEU
59. Chamber of Commerce and Industry Australia Philippines
60. Chamber of Commerce and Industry WA
61. Chartered Institute of Procurement and Supply
62. Cicada Innovation
63. Clean Energy Council
64. Climateworks Australia
65. Community and Public Sector Union
66. Complementary Medicines Australia
67. Consumer Healthcare Products Australia
68. COSBOA
69. Crawford School of Public Policy, ANU
70. Crop Life
71. CSL Behring
72. Dairy Australia
73. Deloitte
74. Entrepreneurs' Programme, AusIndustry
75. Exemplar
76. Export Council of Australia
77. EY
78. Fairtrade Australia ad New Zealand
79. FinTech Australia
80. Freight & Trade Alliance / Australian Peak Shippers Association
81. Friends of the Earth
82. FundWA





83. Future Battery Industries
84. Gladstone Ports Corporation
85. Global Union Federation, Public Services International (PSI)
86. Grant Thornton
87. Group of Eight
88. H2Q Hydrogen Queensland
89. HH Global
90. Indigenous Network for Investment, Trade and Export
91. InfraBuild Steel (Representing Manufacturers' Trade Alliance)
92. INSEAD Business School
93. International Forwarders & Customs Brokers Association of Australia Ltd.
94. IQ Energy Australia
95. Lifespace Australia
96. Lowy Institute
97. Manufacturing Australia
98. Maritime Industry Australia
99. Meat and Livestock Australia (MLA)
100. Medical Technology Association of Australia
101. Medtronic
102. MetLife
103. Microsoft
104. Minerals Council of Australia
105. Monash University
106. Murdoch International
107. National Farmers Federation
108. National Foreign Trade Council
109. North Queensland Airports
110. Northstar Public Affairs
111. NSW Indigenous Business Chamber
112. NSW Nurses and Midwives Association; Australian Nursing and Midwifery Federation – NSW Branch
113. OBE Organic
114. Perth US Asia Centra
115. Port of Brisbane
116. Port of Melbourne
117. Ports Australia
118. Qantas Freight
119. Queensland Farmers Federation
120. Queensland Japan Chamber of Commerce & Industry (QJCCI)
121. Queensland Resource Council
122. RegTech Australia
123. Rigby Cooke Lawyers



124. RSPCA Australia
125. Seafood Industry Australia
126. Shipping Australia Limited
127. Standards Australia
128. Stone & Chalk / AustCyber
129. Suncable Energy
130. Supply Nation
131. Synod of Victoria and Tasmania, Uniting Church in Australia
132. TasRex
133. TC Beirne School of Law, University of Queensland
134. Technology Council of Australia
135. The American Association of the Indo-Pacific (AAIP)
136. The Australasian Institute of Mining and Metallurgy
137. The Australian Worker's Union
138. TOLL Group
139. Toowoomba Airport
140. Trade Justice Education Fund
141. Transparency International Australia
142. UnionsWA
143. Universities Australia
144. University of Adelaide
145. US Studies Centre, University of Sydney
146. Victorian Chamber of Commerce and Industry
147. Virgin Australia
148. Vriens & Partners
149. VTara Energy Group
150. Wellcamp Airport
151. Westpac
152. Wine Australia
153. Woodside Energy
154. Wool Industries Australia
155. Wool Producers Australia
156. ZENaida GLOBAL