Anti-Corruption Efforts in the Private Sector
Institutional Capacity, Corruption, and Development

University of South Carolina
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Presentation by Shruti Shah
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Today’s Discussion

• Corruption and Why it’s Important
• Transparency International and TI-USA
• Some Corruption Indices
  – Corruption Perceptions Index
  – Bribe Payers Index
• Tools for the Private Sector
• Transparency Efforts that Affect the Private Sector
• Advocacy Efforts that Affect the Private Sector
• Questions
Corruption - Why it is Important

The World Bank StAR 2007 report: Proceeds of corruption in bribes received by public officials from developing and transition countries are estimated to be between US $20 billion to $40 billion per year, the equivalent of 20% to 40% of official development assistance (ODA).

- Source: Stolen Asset Recovery (StAR) Initiative: Challenges, Opportunities and Action Plan

Global Competitiveness Report: annual bribery worldwide totals approximately $1 trillion


Broader Implications

- Threatens political stability and national security
- Undermines growth and diverts development assistance
- Subverts environmental, health and safety controls
- Schools and apartments collapse due to construction not in conformity with safety standards
- Scarce natural resources squandered, trapping generations in poverty and causing environmental degradation in ‘resource rich’ countries
- Public trust in democratic institutions undermined by abuse of power
What is Corruption?

Corruption is the abuse of entrusted power for private gain. Corruption hurts everybody who depends on the integrity of people in a position of authority.

**Grand Corruption** – actors committed at a high level of government that distort policies or the central functioning of the state, enabling leaders to benefit at the expense of the public good

**Petty Corruption** – everyday abuse of entrusted power by low- and mid-level public officials in their interactions with ordinary citizens, who often are trying to access basic goods or services

**Political Corruption** – manipulation of policies, institutions, and rules of procedure in the allocation of resources and financing by political decision makers, who abuse their position to sustain their power, status, and wealth
Who We Are:
Transparency International and Transparency International-USA

Our Mission
Reduce corruption and improving transparency and integrity in government, business and international development

- Founded in 1993 by World Bank executives frustrated with leakage of funds due to corruption
- International Secretariat in Berlin
- Over 100 National Chapters around the world
- Work with governments, business, and civil society
- Politically non-partisan
TI Chapters around the World

Countries and territories with a Transparency International chapter (current as of November 2012)
Corruption Perceptions Index (CPI)
Corruption Perceptions Index (CPI)

- Ranks 177 countries and territories based on how corrupt a country’s public sector is perceived to be
- The 2013 index draws on 13 data sources from 12 reputable institutions; includes results from just one year’s data from each data source
- Countries must be included in at least three CPI data sources
- 2/3 of the countries score below a 50 on a scale from 0 (perceived to be corrupt) to 100 (perceived to be clean)
- Corruption is still perceived to be entrenched in the public sectors of most countries
- Denmark and New Zealand are at the top of the list with scores of 91 each
- Afghanistan, North Korea, and Somalia are at the bottom of the list with 8 points each
## CPI: 2013 Country Comparison

<table>
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<th>Rank</th>
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<th>Score</th>
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<tr>
<td>1</td>
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<td>175</td>
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Source: Transparency International 2013 CPI
TI 2011 Bribe Payers Index

- Ranks 28 of the world’s exporting economies according to the perceived likelihood of companies from these countries to pay bribes abroad
- The countries together represent 80% of global foreign direct investment outflows and exports
- Scale 0-10: Higher the score, the lower the likelihood of companies from that country to bribe abroad
- China and Russia rank in fourth (last) “cluster” – companies from them are most likely to bribe abroad

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Business Principles for Countering Bribery

• The Business Principles for Countering Bribery provide a framework for companies to develop comprehensive anti-bribery programs or benchmark existing ones
• Cover such issues as: bribery, conflicts of interest, political contributions, charitable contributions, gifts, hospitality etc.
• Also contain sections on risk assessment, business relationships, internal controls, training, monitoring, cooperation with authorities
• Additional version for Small and Medium Sized Enterprises
Guidance for Verification of Anti-Corruption Programs (Coming Soon)

- TI-USA will be coming out with guidance for companies to verify their anti-corruption programs are well-designed and working effectively
- Verification refers to all efforts (internal and external) to assess that an organization has a risk-appropriate and effective program for preventing and detecting corruption in its business operations
- Principal audience: companies engaged in international business, as well as law firms, accounting firms, consulting firms involved in corporate compliance and companies providing anti-corruption certification
- TI-USA obtained funding from the Siemens Integrity Initiative for this project
Transparency Efforts that Affect the Private Sector
Transparency in Reporting on Anti-Corruption (TRAC) 2012

• Survey of the world’s 105 largest multinational companies taken from a list published by Forbes in 2010
• Ranks companies based on publicly available information about anti-corruption programs, organizational transparency and country-by-country reporting
• Overall, companies showed improvement in their reporting on anti-corruption programs compared to 2008
• US companies scored above average on the availability of information regarding their anti-corruption programs, such as code of conduct, anti-corruption training, avenues for whistle blowing and program monitoring
• All companies need to do more to increase transparency regarding their organizational structure and country by country reporting
Transparency Efforts that Affect the Private Sector
Defense Companies Anti-Corruption Index (DCI) 2012

• Survey of 129 defense companies from the six largest arms-exporting nations plus the largest defense companies from 25 other countries
• Accounts for over $500 billion of global defense revenue and $11 trillion of total revenue
• Companies are scored on 34 questions on the specifics of the companies’ ethics and anti-corruption systems
• Report represents both public information and information that has been privately reported
• Scores are divided into 5 bands – Fluor is the only company to have scored in the highest-ranking band
  • Bands A or B designate that the company has good evidence that basic ethics and compliance systems and processes exist
  • Bands E and F designate that the company has poor or no evidence of anti-corruption processes
Advocacy Efforts

OECD Anti-Bribery Convention

- The convention requires that each signatory country make foreign bribery a crime.
- Transparency International publishes an annual progress report, that represents an independent assessment of the status of OECD Convention enforcement, based on reports from our national chapters in OECD Convention Countries.
- There are four countries in the active category (US, Germany, UK, and Switzerland) and another four in the moderate enforcement category (Italy, Australia, Austria, and Finland).
- Half of the Convention countries feature little or no enforcement against bribery of foreign officials.
- For the Convention to reach the tipping point, there needs to be active enforcement in countries with over half the world’s exports.
Advocacy Efforts

Group of 20

• Transparency International chapters in 18 of the G20 countries, actively advocate for the G20 to take actions against corruption through:
  • Prevention of bribery in the private sector and combatting solicitation by countries
  • Increased transparency in sectors such as extractives and construction
  • Implementation and enforcement of principles on asset disclosure of public officials
  • Implementation of mutual legal assistance principles
Thank You

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