United Against Corruption: The United Nations Global Compact’s Principles and Strategies Against Local and Global Corruption.

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UNITED AGAINST CORRUPTION: THE UNITED NATIONS GLOBAL COMPACT’S PRINCIPLES AND STRATEGIES AGAINST LOCAL AND GLOBAL CORRUPTION

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ABSTRACT

This chapter considers the practices and strategies behind the United Nations Global Compact’s tenth principle against corruption. It critically analyzes how the exclusion of all forms of corruption, including extortion and bribery, draws on the conviction that the private sector shares responsibility for the challenges of eliminating corruption worldwide. It discusses how, from the perspective of the Global Compact, corruption is a hindrance to poverty reduction and sustainable development. It finally argues that this system has been instrumental to promote a worldwide culture of accountability and transparency through partnerships between businesses, public sectors, nongovernmental organizations and academic institutions.

KEYWORDS

United Nations, Global Compact, anti-corruption principle, inter-sector partnership, international development, MDGs.

Corruption takes many shapes in international business. It is a hindrance to international development and prevents intergovernmental organizations like to the United Nations to effectively include the business sector in effective partnerships for achieving the Millennium Development Goals (MDGs). The UN Global Compact (GC) considers the “fight against corruption” a fundamental principle for sustainable development along with the respect for human rights, labor right and environmental rights (Global Compact, 2000). Corruption intended as the abuse of entrusted power for private gain obstacles economic and social development around the world. It undermines long term goals for sustainable and inclusive development by distorting markets, repressing economic growth and undermining the rule of law in democratic societies. Although difficult to estimate the actual damages that all forms of corruption, including bribery and extortion, have for development, numerous studies estimate the cost of corruption close to 5% of global GDP (US $2.6 trillion), with over US $1 trillion paid in bribes each year (El-Sharkawy, Jarvis and Petkoski, 2006; Wrage, 2007; Thoma, 2005; Mo, 1999). According to the Global Compact, corruption adds up to 10% to the total cost of doing business globally, and up to 25% to the cost of procurement contracts in developing countries (Global Compact, 2004).
The GC’s tenth principle against corruption states that "businesses should work against corruption in all its forms, including extortion and bribery." This last principle emerged during the 2004 UN Global Compact Leaders Summit after extensive consultations with all sectors represented who agreed that the private sector shares responsibility for the challenges of eliminating corruption. The principle, the discussions that preceded it and the current implementation of best practices and monitoring mechanisms demonstrate a new willingness in the business community to promote transparency while fighting corruption (Global Compact 2004). It also demonstrate a new era for the United Nation where the private sector, especially multinational corporations (MNCs) and small and medium enterprises (SMEs) are recognized as potential key partners for promoting human rights, peace and development (Sagafi-nejad and Dunning, 2008).

Companies are challenged to join governments, UN agencies and civil society to do global business in a more transparent multi-stakeholder system (World Bank, 2006). The GC Multi-Stakeholder Dialogue Networks Initiative is an effort to promote public-private partnership on anti-corruption issues. By expanding multi-stakeholder dialogue networks at local level, The GC aims at promoting trusts and collaboration among different stakeholders. The goal of this dialogue initiative is to eventually promote a transparent process between public procurements actors and bidding companies through public hearing with various stakeholder representatives (Roloff, 2008; Brinkmann-Braun and Pies, 2007).

The GC bases its work for transparency and anti-corruption on the UN Convention against Corruption adopted in Merida, Mexico in December 2003. The convention, which entered into force as legal instrument in December 2005 gives direction and legitimacy to the member of the GC to actively working against bribery, extortion and other forms of corruption while promoting policies and concrete programs to address corruption. The successful strategy implemented by the GC has been the integration of anti-corruption policies and tools with corporate responsibility value and practices. However, the challenges for implementing corporate and social anti-corruption culture are many. That is why the GC has been active to better disseminate information on available tools, resources and best practices worldwide. In collaboration with the Principles for Responsible Management Education (PRME), the GC office has created an Anti-Corruption Education Initiative aiming to promote the integration of anti-corruption and ethics courses into the curriculum of business schools (Global Compact 2006).

More recently, the GC has been promoting another anti-corruption initiative: the CEO Statement Initiative. The CEO statement intends to address government to promote and implement the review mechanisms of the UN Convention Against Corruption (UNCAC).

Georg Kell, the Executive Director of the GC believes that the tenth principle ultimately helps companies develop effective policies and practices that can benefit all their efforts at becoming more sustainable" (United Nations, 2008).

**SOCIALLY ACCOUNTABLE BUSINESS**

Corruption is one of now recognized to be one of the world’s greatest challenges (Ouzounov, 2004). It undermines the building blocks for good governance, social
development, and poverty alleviation. While most literature on corruption analyzes its effects on economic growth and income generation, corruption has been more recently recognized in its effects on the distribution of income and specifically on the alleviation of poverty (Banerjee, Benabou, and Mookherjee, 2006; Chililarie, 2007). Corruption attacks the underprivileged population by benefiting a few people at the expenses of many cuts to basic social services like education, health care, affordable housing and public transportation. Both the real and perceived corruption level of public servants in developing countries undermines foreign aid or direct investment (Moyo, 2009). Numerous studies on developing countries point out the indirect effect that corruption has on poverty, especially when in the midst of increasing unemployment and rising inflation rates structural adjustment programs (SAPs) prescribe “cost sharing” in the provision of social services visibly worsening people’s living conditions (Leonard 2006: 903-904).

It is universally recognized that corruption is an unethical if not illegal behaviour. Corruption is also very costly for business, with the extra financial burden estimated to add 10% or more to the costs of doing business (Global Compact 2004: 20). Although less studied, corruption is also a major hindrance to sustainable development, with a disproportionate impact on poor communities and is corrosive on the very fabric of society. The elimination and prevention of corruption practices is at the foundation for good governance and therefore poverty reduction Kirkpatrick, Clarke and Polidano, 2002). The fight against corruption is therefore not only a building block for good governance and transparency in democratic societies, but also to poverty alleviation and true sustainable and social development (United Nations, 2004).

Given the direct and indirect consequences that corruption has to social development and poverty, corruption is to be considered as human rights violation. The GC has been instrumental for highlighting the connection between human rights, labour rights, environmental rights and anti-corruption initiatives (Global Compact, and United Nations. 2007; Regional Conference on Human Rights Dimensions of Corruption, 2006). For hundreds of millions of people around the world, corruption undermines their hopes for more human conditions of work and for getting out of poverty, misery and degradation. “All members of the human family should have the right to be free from the evil of corruption. The corruption that encourages unfair and illegal labour practices potentially threatens the global economy. For example, in India, the Factories Act and the Minimum Wages Act strictly regulate the use of child labour in factories and industrial enterprises. However, employers evade their statutory obligations by contracting work out to so-called master craftsmen who employ children within their homes without fear of prosecution.” (Mehmet, Mendes, and Sinding, 1999: 52).

Corruption is also a matter of ethical leadership. The lack of leadership transparency, integrity and credibility frustrates people’s rights for equal treatment, social justice and adequate opportunities. In developing and developed countries people watch with frustration, and cynicism and anger corrupt leaders amassing immense fortunes and enjoy a luxurious lifestyle while many have are denied the most basic services (United Nations, United Nations Development Programme, and Asian Development Bank. 2007).
THE GLOBAL COMPACT PRINCIPLE

The GC is a new cross-sector partnership initiative asking companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards and the environment. Business participants agree to promote, comply and report on the following ten principles: 1) Businesses should support and respect the protection of internationally proclaimed human rights; and 2) make sure that they are not complicit in human rights abuses. 3) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4) the elimination of all forms of forced and compulsory labour; 5) the effective abolition of child labour; and 6) the elimination of discrimination in respect of employment and occupation. 7) Businesses should support a precautionary approach to environmental challenges; 8) undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies. 10) Businesses should work against corruption in all its forms, including extortion and bribery (Global Compact 2000).

The Global Compact Anti-Corruption principle is derived from the United Nations Convention Against Corruption (UNCAC). Since the introduction of the 10th principle in 2004, the GC and its partners have been implementing a variety of initiatives and tools for the implementation of anti-corruption measures stipulated in the UN convention against corruption. In recent years, the GC has been partnering with its core agency UNODC (The United Nations Office on Drugs and Crime) in the work against corruption and underlying UNCAC as the legal instrument behind the 10th principle. The recent publication “Clean Business is a Good Business” reflect the collaborative approach of the Global Compact who has been partnering with UNODC, along with Transparency International (TI), the International Chamber of Commerce (ICC), the World Economic Forum Partnership Against Corruption Initiative (PACI) and the World Bank Institute (WBI) in the common fight against corruption. This and numerous other tools and publications provide a platform for learning and dialogue and a concrete guidance to companies on how to implement the 10th principle (UN Global Compact et. al. 2008). This collaborative multi-stakeholders environment surrounding the anti-corruption principle compels GC participants to actively avoiding all forms of corruption while preventing it through the creation of common policies and measures carried out in collaboration with governments, UN agencies and civil society organizations who share a commitment to create a more transparent global economy.

Bribery, extortion, cronyism, nepotism, patronage, graft, and embezzlement are a few of the many well-known forms of political and corporate corruption. Corruption in all its forms is always an “abuse of entrusted power for private gains” (Transparency International 2000: 5). The GC suggests three ways for effectively implementing the 10th principle and fighting all forms of corruption: 1) Internally, by introducing anti-corruption policies and programs within organizations and their business operations; 2) Externally, by reporting on the work against corruption in the annual Communication on Progress (required by the GC participation agreement); and share experiences and best practices through the submission of examples and case stories; 3) Collectively, by joining forces with industry peers and with other stakeholders (United Nations, 2007). These ways finds a fertile ground in

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the growing ethical efforts to instil good governance and ethical leadership in the private and public sector. Specifically the 10th principle finds acceptance and legitimacy in the rapid development of rules of corporate governance around the world and in the regulating mechanisms protecting the interests and reputation of their shareholders (Rezaee, 2009).

**A GOVERNMENT BUSINESS**

The elaboration and signing of UNCAC on December 9, 2003 in Merida, Mexico represented a big achievement in the fight against corruption. Unlike other previous conventions (OECD, 1998) UNCAC has universal reach and can be ratified by every state worldwide. In spite the total of 95 nations who ratified the convention (most of them developing countries) the Swiss Agency for Development and Cooperation (SDC) has been ambiguous in their efforts to fight corruption and encouraging the return of illegal funds. So far, Switzerland has not ratified the UN Convention against Corruption (Gurtner, 2007).

UNCAC is so far the strongest anti-corruption convention that complements other regional anticorruption instruments such as the Inter-American Convention against Corruption of the Organization of American States (OAS), the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Anti-Bribery Convention) and the African Union Convention on Preventing and Combating Corruption (AUCPCC) (UN Secretariat, 2006).

The eight chapter of the UNCAC require ratifying states to actively engage in preventing, criminalize, cooperate internationally, recover assets, and supporting developing countries to implement the convention. The GC growing network among participants of diverse sectors is instrument to the UNCAC’s mandate to prevent corruption through collaboration between ratifying states and with regional and international organizations to exchange ‘good practices’. International cooperation and partnership is essential also for requesting mutual legal assistance, or extradition for criminal actors. The recovery of assets, which has been a controversial issue behind the lack of participation of Switzerland, represents a major breakthrough in the convention. The UNCAC on Ch. 5 clearly states that assets recovery is a fundamental principle and it is vitally important for victimized countries to be able of re-appropriating funds stolen by corrupt leaders and often transferred into foreign accounts (Pieth, 2008).

UNCAC is a unique legal and global framework against corruption. Its very broad scope includes specifics on how to implement preventive measures to be adopted by governments. It is clear in the definition and requirements for criminalization of corrupted public officials and private sectors leaders. UNCAC includes detailed provisions dealing with extortion and money laundering. This UN convention considers anti-corruption laws and regulations as a primary responsibility of states governments. Weather we consider corruption as an ethical matter or simplistically as “lubricant” for the engine of international business, tangible results in anti-corruption practices can only be achieved with a serious commitment and determination of governments. The negotiations and ratification of UNCAC itself was possible only because of the vision, determination and commitment that all Governments displayed throughout the process.
UNCAC reflects a clear awareness of the necessary of establishing an anti-corruption body (Ch. 6) that shall develop, maintain, revise and monitor the implementation of effective, coordinated anti-corruption policies mandated in the convention (Ch. 5). The definition and specificity of these requirements make of UNCAC the anti-corruption convention more comprehensive and specific adopted so far.

THE PRIVATE SECTOR RESPONSIBILITY

Corruption is not just a government matter – it is also a responsibility of the private sector. The GC 10th principle apply to the private as much as any other sector. Through guidance material, international conferences and numerous stories and examples of participants and stakeholders implementing the 10th principle the GC office has been instrumental for making “a business case for anti-corruption” (UN Global Compact et al, 2008).

The reports and cases studies demonstrate the leadership of an increasing number of companies engaged in effective anti-corruption initiatives within their companies. Such initiatives include detailed policies on company-specific bribery issues such as kickbacks, extortion, protection money, facilitation payments, conflicts of interest, gifts and hospitality, fraud and money laundering, and political and charitable contributions (United Nations, 2008). They also represent innovative management systems and procedures for continuous internal self-review and external reporting, particularly in the area of risk assessment, training, sanctions and whistle-blowing. Our global economies require global strategies for collaborating beyond boarders in sharing best practices and promoting effective policies. The sharing of best practices, in which the GC is truly a leader contributes to companies learning from peer and from sector, multi-sector and local, regional and global networks.

Most CEOs of companies partnering with the GC share this active engagement in anti-corruption policies but they also recognize the challenges of balancing between government regulations while still fostering entrepreneurship and proper functioning of a free market. Their concerns on global corruption results on their firm conviction the fight against corruption should be carried by a strong collaboration between private and public sectors.

In a Letter to UN Secretary-General Ban Ki-moon, Chief Executives from leading companies called on governments to more effectively and robustly implement the Convention by adopting an effective implementation review mechanism at the next Conference of States Parties to be held in Doha in November 2009. The letter was signed by 24 CEO's at the invitation of the International Chambre of Commerce, Transparency International, the World Economic Forum-Partnering Against Corruption Initiatitive and the Global Compact and initiates a broader campaign inviting business leaders across the globe to sign the statement in support of the Convention (CEO Letter, 2009)
The CEO represented in this letter support UNCAC and recognize it as the only global legal instrument to fight corruption in both the public and private sectors. While the convention is legally binding on ratifying states, the ethical implications and spirit of the convention have ramifications for all. The United Nations and the GC in particular recognize anti-corruption as shared responsibility that requires partnership and collaboration across diverse stakeholders. They acknowledge to carry responsibility in the problem of corruption but also to have the potentials to make a positive contribution toward the solution. They have the responsibility and potential, for example, to fight private-to-private sector bribery which has become particularly dangerous in recent years, since governments have started to privatize many functions and services that were previously carried out by public sector agencies (UN General Assembly, 2005).

**THE ROLE OF CIVIL SOCIETY**

The reputation of the Transparency International (TI) is an example of the fundamental role that civil society can and must play in the common fight against corruption. As the global civil society organisation leading the fight against corruption TI offers a unique contribution in their annual and ongoing global corruption reports. The participation by non-governmental organizations (NGOs), labour unions and other civil society organizations (CSOs) is a very important contribution to the multi-stakeholder dimension on the fight against corruption. NGOs/CSOs could play a vital role in effective monitoring (World Bank 2004). A competent assessment needs an effective monitoring system that can only be implemented with the participation of active civil society. The government along, even a specialized agency for monitoring corruption and assessing the implementation of the convention will not be enough.

Inputs from NGOs and the private sector are essential for providing monitors with a balanced picture. The role of NGOs is controversial and often disregarded by governmental and intergovernmental agencies. Many corporations recall a long history of controversies on large global campaigns stirred by NGOs and CSOs. Yet, the controversial role should be as confirmation that their role is essential. NGOs play a very important role in getting monitoring programs launched, keeping alive a critical analysis and by publicizing the results of the analysis.

The work of TI reminds us that the fight against corruption needs transparency and accountability. Organizations like Global Integrity (GI) exemplify how NGOs could have a an active role in anti-corruption information and reports. Competent, third party independent nonprofit organizations can contribute to this. Similar to what it is TI for the private sector, GI generates important reports on governance and corruption trends around the world. They employ and collaborate with on-the-ground experts that inform original reporting and quantitative analysis in the global public interest regarding accountable and democratic governance (Global Integrity, 2009). The United Nations GC recognizes the vital role of public support along with the active involvement of nongovernmental stakeholders for making sure the anti-corruption monitoring systems are conducted with accountability and transparency (Van Ham, 1998).
PROMOTING ACCOUNTABILITY AND TRANSPARENCY

There are several tools and instruments promoting transparency and preventing bribery, corruption and money-laundering. The United Nations and the GC is aware that anti-corruption important conventions like UNCAC will not work unless the signatures are accompanied by effective monitoring tools and processes. The uniqueness of UNCAC with its concern on monitoring tools and legal mechanisms for preventing, detecting and punishing corruption needs to be accompanied by a multi-stakeholder active engagement. The GC relies also on a variety of tools for monitoring, measuring and promoting accountability and transparency.

One of the most prominent instruments for measuring corruption is the Corruption Perception Index (CPI), which was launched by TI in 1995. In spite the fact that CPI only measures “perceptions” and mostly in the business community, the instrument is valid for raising global awareness. Published annually, the CPI enlists countries of the world according to "the degree to which corruption is perceived to exist among public officials and politicians" (Maria, 2008).

The Global Integrity Report (GIR) is another important tool for understanding governance and anti-corruption mechanisms at the national level. Its methodology is based on report cards prepared by local researchers and journalists accompanied a robust peer-review and transparency process throughout. The country assessment report mobilizes a large local constituency for the formulation of qualitative integrity indicators. The more than 300 indicators include issues such as transparency of the public procurement process, media freedom, asset disclosure requirements, and conflicts of interest regulations. The scorecards assess and compare the existence, effectiveness, and citizen access to key governance and anti-corruption mechanisms (Global Integrity Report, 2009).

Other tools include the well-know OECD Convention against Bribery of Foreign Public Officials, the GRECO programme (Group of States against Corruption) for monitoring the Council of Europe Conventions on Corruption, the Inter-American Convention against Corruption (OAS Convention), the Anti-Corruption Action Plan for Asia-Pacific, the African Peer Review Mechanism of the New Partnership for Africa’s Development, the Stability Pact Anti-Corruption Initiative (SPAI), the Financial Action Task Force (FATF), and the UN Convention against Transnational Organized Crime (UNTOC).

The World Bank (WB) and the European Bank for Reconstruction and Development (EBRD) Initiatives have also been active in the elaboration of effective instruments that aim to tackle corruption. With their influence numerous organizations have adopted these anti-corruption measures and instruments including the African Union (AU), the Council of Europe (CoE), the Organization for Economic Cooperation and Development (OECD) and the Organization of American States (OAS). Unfortunately there is currently no standard for conducting in-country surveys and achieving international benchmarking as each country might have its own specific issues. Hence, with the aim of maximizing their effectiveness, each organization has adapted these instruments through regional conventions examining the role of states, private sector or civil society (The U4 Anti-Corruption Resource Centre, 2009).
More recently the GC has launched a working group on anti-corruption who has been instrumental for developed a guidance document on Anti-Corruption Reporting. The tool includes indicators drawn from other instruments and initiatives from other organizations such as PACI, FTSE4Good, Transparency International, the Global Reporting Initiative and the International Corporate Governance Network (Anti-Corruption Reporting, 2009). The GC Anti-Corruption Reporting initiative is a necessary and important contribution not only for implementing the tenth principle but also for providing a matrix for a basic and desired level of reporting.

The GC is aware that measurement tools are not enough. Prevention of corruption practices needs a cultural change from ambiguity to transparency. Real-life scenario training tools like RESIST (Resisting Extortions and Solicitations in International Transactions) could be instrumental for providing a practical guidance for practitioners on how to respond to an inappropriate demand by a client, business partner or public authority (RESIST, 2009).

Anti-corruption is a global leadership and ethical issue. The United Nations convention and the leading role of the Global Compact to prevent corruption must focus on local and global structures and process for transforming organizational cultures and implementing effective policies. Most important of all, ethical private and public leaders must take a strong stand and a practical commitment to combat corruption by setting a clear example in their everyday actions. Administrative and executive leaders must remember that abbreviation “CEO” should stand for both “Chief Executive Officer” and “Chief Ethics Officer” (Quatro and Sims, 2008). Building an ethical culture in public administrations, private (and civil society) organizations is the only sustainable way to prevent corruption and achieving a true participatory development based on justice and dignity for all.

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