



HUMBOLDT-VIADRINA School of
Governance

Motivating business to counter corruption

Best Practice on Anti-Corruption Incentives and Sanctions for Business

Regional Workshop: Enhancing Transparency in the Private Sector in Arab
Countries and the Roles of Different Stakeholders

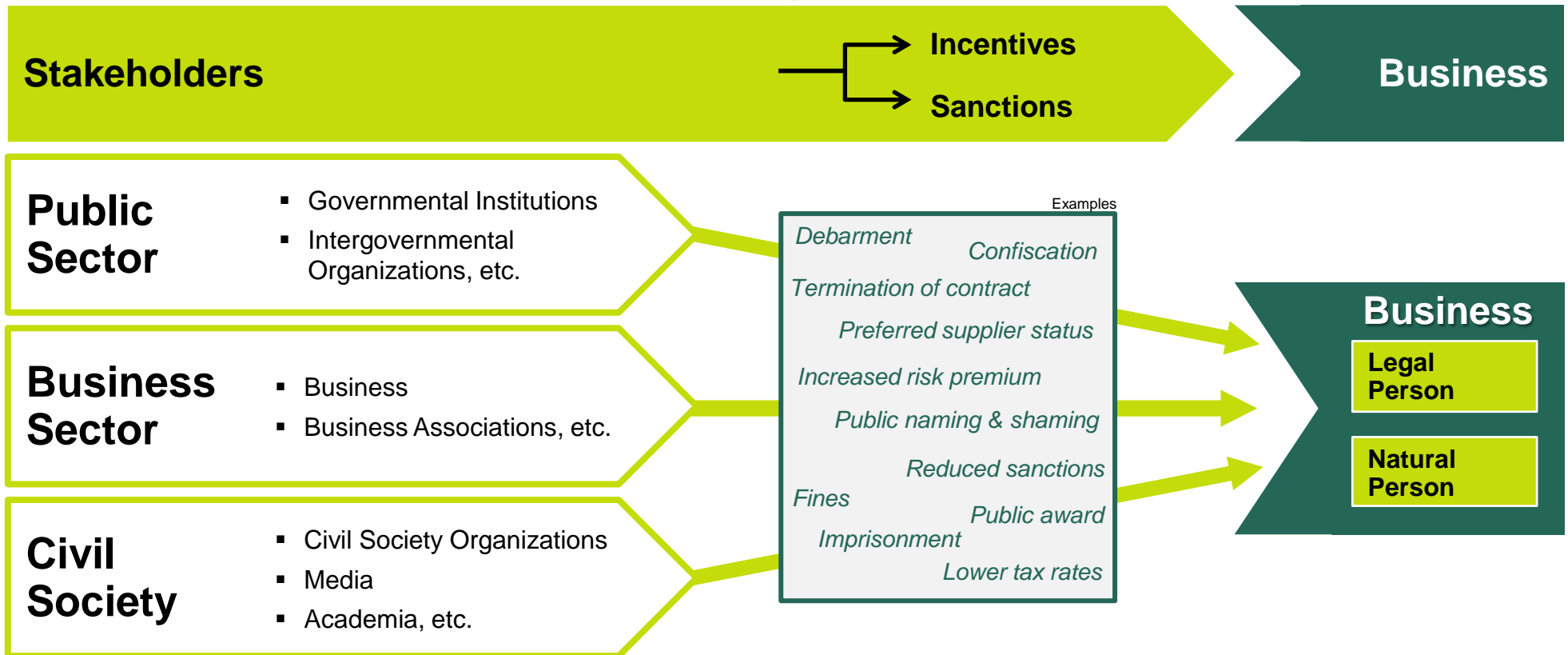
Tunis / June 8, 2012

Objectives of this presentation

- **Provide an overview of anti-corruption incentives and sanctions for business and the roles of different stakeholders**
- **Highlight key findings from Global Expert Survey**
- **Outline key considerations regarding implementation**
- **Initiate discussion on anti-corruption incentives and sanctions for adherence to transparency standards**

Roles of different stakeholders

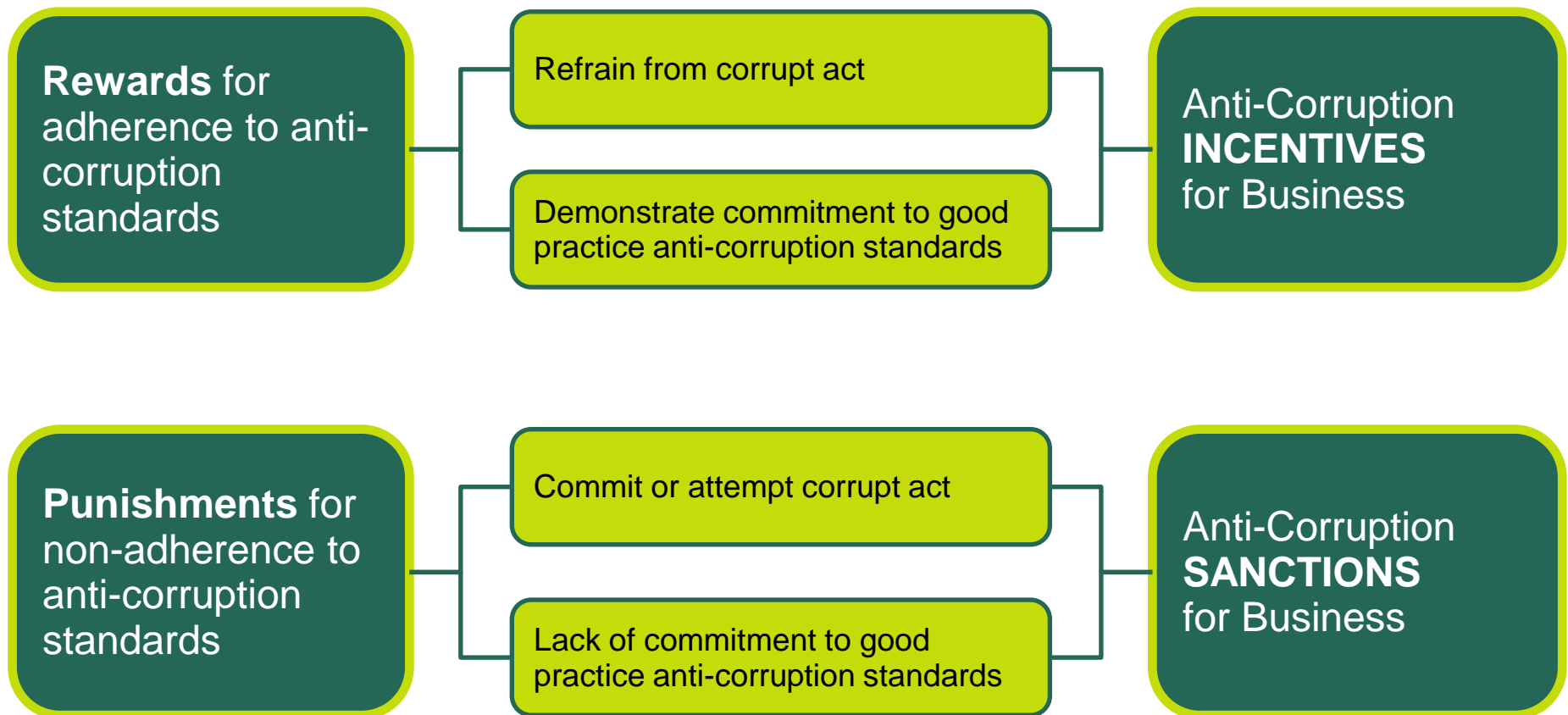
Businesses act in complex environments with a variety of different stakeholders, such as public procurement agencies, business suppliers, civil society organizations etc.



This illustration shows the two-sided role of businesses: a business may receive an incentive from a public sector stakeholder to apply good-practice standards (e.g. obtain preferred supplier status for public tenders), while the same business may apply itself sanctions to its suppliers for not cohering with its own anti-corruption standards.

Anti-corruption incentives and sanctions

- Stakeholders from the Public Sector, Business Sector, and Civil Society can **reward business** for adherence to anti-corruption standards (**incentives**) or **punish business** for non-adherence to anti-corruption standards (**sanctions**).

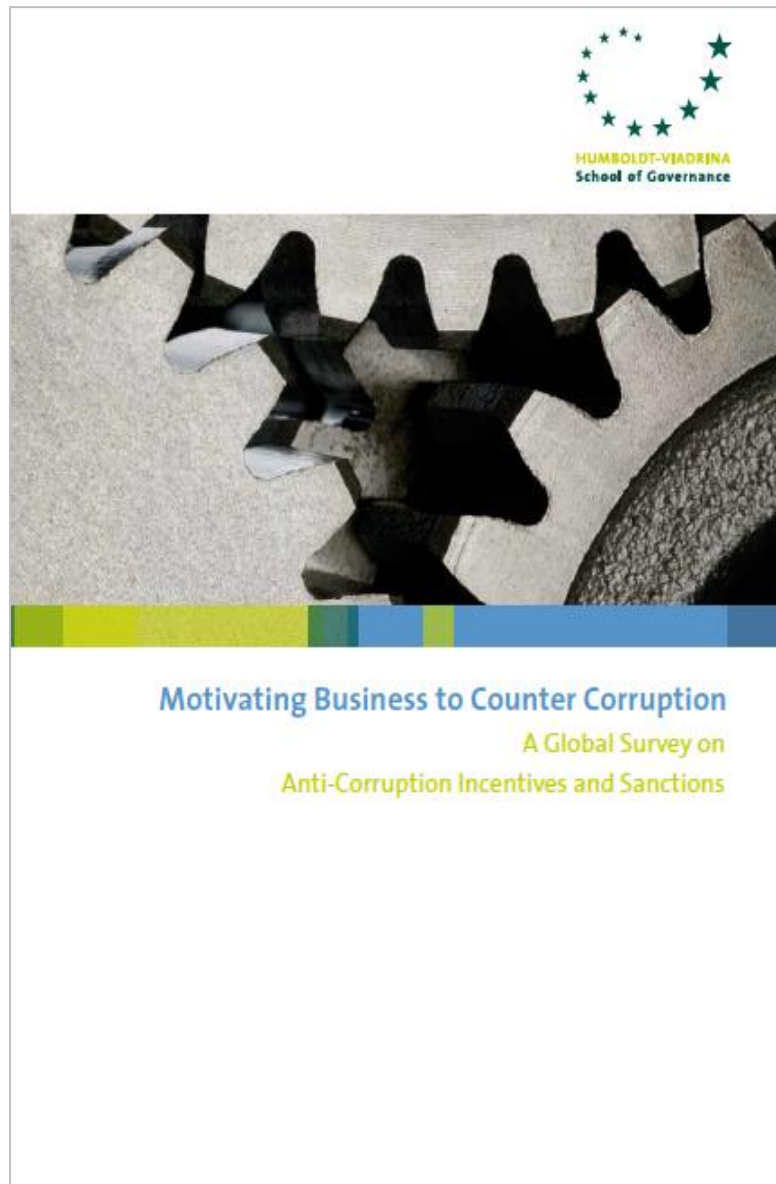


Categorizing anti-corruption incentives and sanctions

- Stakeholders can apply a variety of **commercial & operational, legal, and reputational incentives and sanctions** either on the business as a whole and/or on individual representatives.

	<u>Commercial & operational</u>	<u>Legal</u>	<u>Reputational</u>
Anti-Corruption INCENTIVES for business	<ul style="list-style-type: none"> Access to opportunities Assignment of preferential conditions Reduced commercial & operational sanction 	<ul style="list-style-type: none"> Reduced legal sanction 	<ul style="list-style-type: none"> Reward through case-specific publication Reward through analysis of comparative performance Reduced reputational sanction
Anti-Corruption SANCTIONS for business	<ul style="list-style-type: none"> Termination of relationship Exclusion from opportunities Assignment of unfavorable conditions 	<ul style="list-style-type: none"> Fine Compensation for damages Confiscation of proceeds of corruption Imprisonment (<i>only business representatives</i>) 	<ul style="list-style-type: none"> Punishment through case-specific publication Punishment through analysis of comparative performance

Results of Global Expert Survey



- A **Global Expert Survey** was conducted at HUMBOLDT-VIADRINA School of Governance between **October 2011 and January 2012** to provide information regarding:
 - The **assessment of anti-corruption incentives and sanctions** in motivating business to counter corruption
 - The **importance of different stakeholders** in setting anti-corruption incentives and sanctions for business
 - The **impact of different commercial & operational, legal and reputational incentives and sanctions** on business
- **223 international anti-corruption experts** from the Public Sector, Business Sector, and Civil Society answered the survey.

Ranking of incentives and sanctions

Overall results:



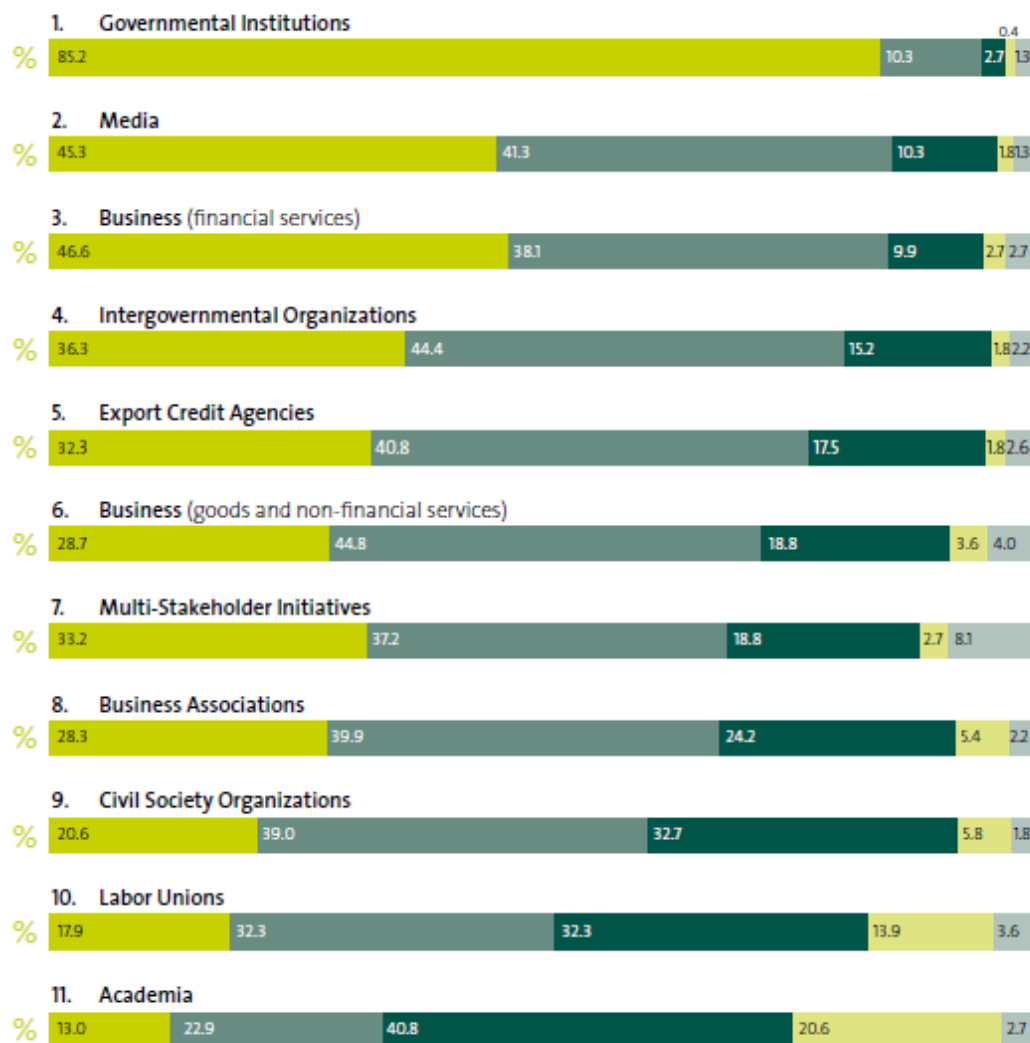
- Respondents from the **Business Sector** identified the following Top 5 incentives and sanctions:
 1. **Restriction of business opportunities**
 2. **Imprisonment of business representatives**
 3. **Restriction of operations**
 4. **Negative publicity**
 5. **One-time financial loss**

- Responses from **Business Sector** and **Civil Society** aligned; deviations with responses from **Public Sector**.

- Positive publicity ranked higher in the **Middle East & Africa** (8th), preferred access to opportunities lower (10th).

Ranking of stakeholders

Overall results:



- Respondents from the **Business Sector** identified the following Top 5 Stakeholders:

- Governmental Institutions**
- Business (financial services)**
- Intergovernmental Organizations**
- Media**
- Business (goods and non-financial services)**

- Responses from **Business Sector** and **Civil Society** aligned; deviations with responses from **Public Sector**.
- Business Associations ranked higher in the **Middle East & Africa** (5th), Export Credit Agencies lower (8th).

Other key findings

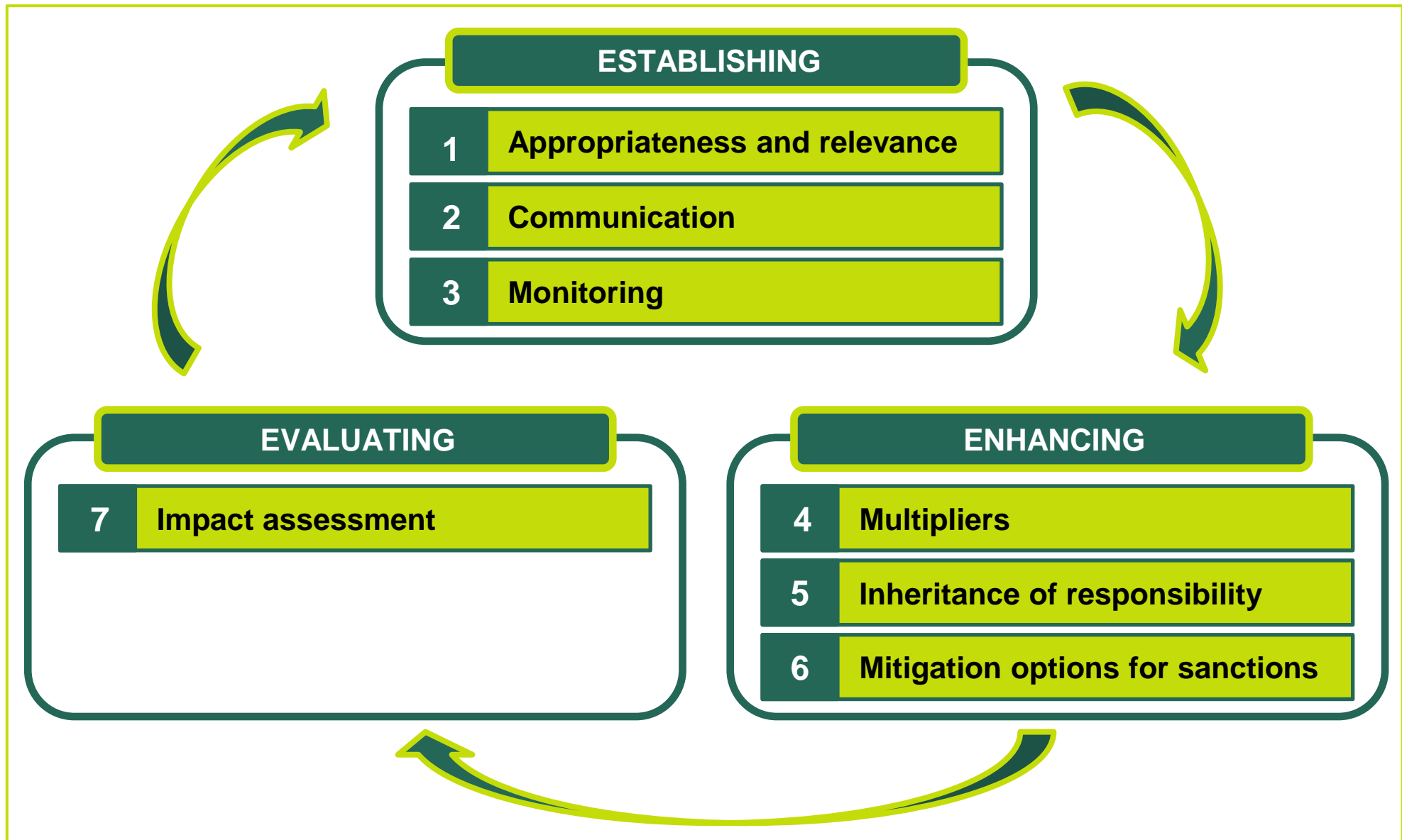
- 92% of respondents agreed that **preferential treatment** should be applied to companies that demonstrate adherence to anti-corruption principles.
- 77% of respondents agreed that an independent, **third-party assurance** of a business' anti-corruption program is needed to grant incentives.
- 77% of respondents agreed that a **public corruption ranking of businesses** should be established, a view shared by a clear majority of respondents from the Business Sector (63%).
- 72% of respondents agreed that **Civil Society Organizations** do not focus on businesses enough when fighting corruption.
- 61% of respondents agreed that irrespective of the occurrence of an act of corruption, the absence of an **adequate anti-corruption program** should constitute a legal offense.

Findings from the Middle East & Africa*

- When asked about the **most important factor** in motivating business to counter corruption, respondents from the **Middle East & Africa** named **commercial & operational conditions** more often (41%) than average (31%) and reputational considerations less often (22%) than average (31%).
- Fewer respondents from the Middle East & Africa agreed that an increased use of **streamlining prosecutions** encourages self-reporting (56% versus 70% average).
- More respondents from the Middle East & Africa than average agreed that:
 - **peer pressure** is the most important factor in motivating business to counter corruption (85% versus 69% average)
 - **business representatives** with a history of corruption should be **ineligible for public contracts** (96% versus 88% average)
 - settlements with governmental bodies should include the temporary **disqualification from public funds** (93% versus 82% average)
 - **public campaigns and press articles** should target **business representatives** rather than businesses (89% versus 73% average)
 - **a public corruption ranking** of businesses should be established (93% versus 77% average)

* It should be noted that the majority of responses in this regional group are from Sub-Saharan Africa.

7 key principles for implementing and/or benchmarking anti-corruption incentives and sanctions



Group discussion (1/2)

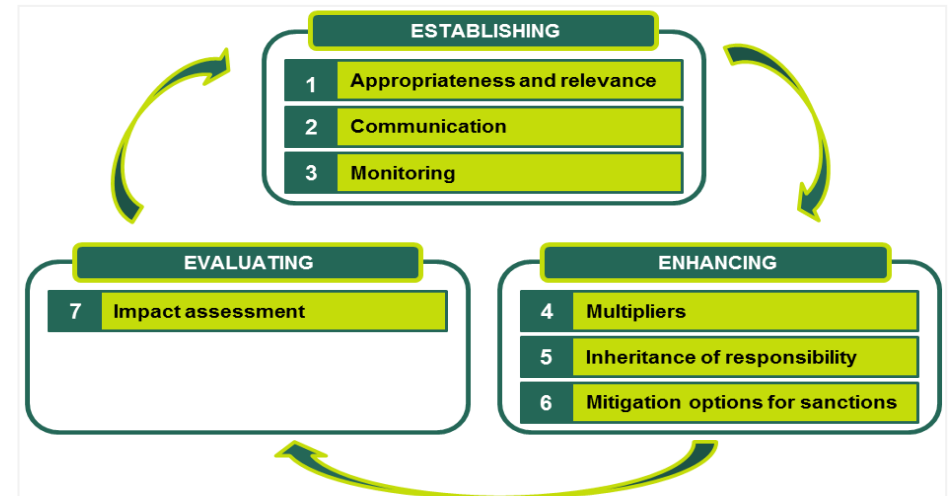


Expected results of group discussion:

- **Select 3-4 incentives and/or sanctions for detailed study to advance implementation of private sector transparency standards among Arab companies**
- **Solicit inputs on feasibility and applicability (drawing on experiences from attending stakeholders)**
- **Discuss readiness of attending stakeholders to engage in taking concrete steps toward implementation in Arab countries**

Group discussion (2/2)

	<u>Commercial & operational</u>	<u>Legal</u>	<u>Reputational</u>
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- **Should incentives be applied to increase private sector transparency in Arab countries?**
- **Which incentives and sanctions seem feasible to enhance the implementation of transparency standards regarding:**
 - Disclosure of organizational and ownership information
 - Disclosure on supply chain responsibility
 - Disclosure on corporate sustainability (focus on compliance / anti-corruption standards)
- **Which stakeholders are most important in setting such incentives and sanctions?**
- **Which approaches should be used (e.g. law-based regulations, voluntary standards)?**
- **What are the biggest challenges for implementation? etc.**

Thank You for your attention.

The HUMBOLDT-VIADRINA School of Governance in Berlin/Germany was founded in 2009 by the Humboldt-Universität zu Berlin and the European University Viadrina in Frankfurt (Oder) to bring together the public and private sectors, civil society, academia, and the media. Its aim is to find practical solutions for social challenges and to contribute to sustainable democratic politics by building political consensus through multi-stakeholder cooperation. The School has a special character: it seeks to be an academically respected institution, as well as an active civil society organization that encourages public debates and long-term policy projects.

The School is advised by respectable global governance practitioners, including Peter Eigen, Pascal Lamy, Joseph Nye, Mary Robinson, Richard von Weizsäcker, and Festus Gontebanye Mogae.



<http://www.humboldt-viadrina.org/anti-corruption/>



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