A Report on the Global High-Level E-Discussion

Towards a More Systematic Fight Against Corruption

The Role of the Private Sector

June 26–July 12, 2006

Amina El-Sharkawy
Michael Jarvis
Djordjija Petkoski

in collaboration with the UN Global Compact and the Zicklin Center for Business Ethics Research at the Wharton School of Business
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Foreword

From June 26 to July 12, 2006, the World Bank Institute's Business, Competitiveness and Development (BCD) Team, jointly with the UN Global Compact and the Zicklin Center for Business Ethics Research at the Wharton School of Business, organized a high-level global e-discussion “Towards a More Systematic Fight against Corruption: The Role of the Private Sector.” This event brought together, in a closed format, over thirty invited experts and practitioners from the public, private and civil society sectors, as well as academia.

The e-discussion was one of a series of events leading up to the UN Global Compact workshop “Collective Business Action and National Initiatives on Anti-Corruption,” July 10–11, 2006, in Barcelona, Spain,* and the plenary session “Partnerships to Combat Corruption: Rising to the Challenge” on September 17, 2006, at the Program of Seminars of the IMF/World Bank Group/Board of Governors Annual Meetings in Singapore. The agenda of the e-discussion was designed in alignment with the issues to be covered during these two events. Weekly summaries and further information on the BCD Team’s anti-corruption programs and events can be found on its web portal on Partnerships to Combat Corruption: http://developmentandbusiness.org/A-C/webportal.

* http://www.unglobalcompact.org/Issues/transparency_anticorruption/Expert_working_group_meeting.html
This publication aims to place the e-discussion in its broader context (Parts I and II), and to provide a report of the observations and recommendations provided by the e-discussion participants (Part III).

Special thanks to Kathrin Frauscher, Amrita Sharma, and the Global Development Learning Network (GDLN) Team for their assistance in organizing the e-discussion and preparing this report.
Part I: Anti-Corruption Efforts Come to the Forefront
Corruption and Development: Shifting Priorities

Corruption is recognized as one of the main challenges to the effectiveness and sustainability of development efforts. It distorts the rule of law and weakens the institutional foundation on which economic growth depends. Its harmful effects are especially severe on the poor, who are hardest hit by economic decline, are most reliant on the provision of public services, and are least capable of paying the extra costs associated with bribery, fraud, and the misappropriation of economic privileges. While corruption in the public sector often garners more attention in the development community, corrupt practices in the private sector can be just as damaging and warrant a closer look. As the private sector expands its business in developing countries, it contributes to the development of these countries, not least as a critical source of capital (see figure 1 and table 1). This renders it all the more important to address the role that the private sector plays in corruption.

In a speech in Jakarta, Indonesia, on April 11, 2006, World Bank President Paul Wolfowitz stressed that promoting good governance and fighting corruption are critical to helping countries achieve economic progress, to promoting sustainable development, and to ensuring that governments are accountable to their citizens. President Wolfowitz stressed engagement of the private sector in the fight against corruption, as well as the importance of bringing together key stakeholders, including civil society, to really root out corrupting influences and to establish effective and sustainable anti-corruption mechanisms.

**Figure 1. Total resource flows to developing countries by type of flow, 1990–2003**


a. Defined as net liability transactions of original maturity of greater than one year.
b. The World Bank classification is used here. It differs from UNCTAD’s classification in that it includes CEE countries under developing countries.
New Paradigms for Fighting Corruption: The Private Sector

Whether prescriptive or curative, anti-corruption mechanisms have traditionally focused on the demand side of corruption. However, as highlighted by World Bank President Paul Wolfowitz, fundamental shifts have occurred over the past decade in regards to how corruption and its respective solutions are considered. The identification of corruption on the demand and supply sides, corrupting influences, and solutions to combat corruption are increasingly being viewed within a multi-stakeholder or collective action framework as the pervasive presence of corruption and its permeation of all sectors of society often renders unilateral solutions ineffective and unsustainable. Hence, close attention and steadfast commitment to fighting corruption must come from the range of stakeholders in order to address its root causes, as well as its symptoms.
In parallel, the private sector is increasingly recognizing that it is in its own best interest to address and eliminate corruption in order to foster a stable business environment (see figures 2 and 3, and box 1). However, the limitations of such actions and the difficulty of implementing them across international and local business alike are often cited as challenges or obstacles. Recent experiences, ranging from Vietnam to South Africa to Colombia,² suggest that effective and consistent private sector efforts have great potential worldwide, particularly when aligned with non-governmental organizations (NGOs) and government partners. The challenge remains, however, of moving from individual examples to finding a model that works in different settings.

Figure 2. Gains in the competitiveness ranking by tackling the business constraints

Source: Constraints to Business data based on EOS 2004 (Question: “From the following list, please select the five most problematic factors for doing business in your country, and rank them from 1 to 5”); GCI* based on GCR calculations for 2004/2005; GDP per capita from the World Bank. Gains in competitiveness based on regressive estimates of the impact of the GCI of an improvement in the constraint by one standard deviation. As shown in Daniel Kaufmann, “Click Refresh Button: Investment Climate Reconsidered,” Development Outreach, World Bank, March 2005.

*GCI: Global Competitiveness Index of the World Economic Forum.
Box 1. World Economic Forum Global Corporate Citizenship Initiative

The Global Corporate Citizenship Initiative (GCCI) of the World Economic Forum surveys business leaders. Respondents to the annual GCCI survey were asked to rank what they consider to be the key development changes in the developing countries in which they operate. Corruption and corporate governance are the top two development challenges:

1. **Good Governance**
2. **Tackling Corruption**
3. Poverty Alleviation & Education
4. Sustained Economic Growth
5. Peace & Security
6. Energy
7. HIV/AIDS
8. Water
9. Human Rights
10. International Trade Rules

Source: EOS 2003, GCR of WEF, author’s calculations. Each region has the following number of countries: OECD, 23; East Asia (Developing), 6; East Asia (NIC), 4; Eastern Europe, 14; Former Soviet Union, 2 (Russia and Ukraine); South Asia, 4; Sub-Saharan Africa, 21; and Latin America and Caribbean, 21. As shown in Daniel Kaufmann, “Click Refresh Button: Investment Climate Reconsidered,” Development Outreach, World Bank, March 2005.
Part II: Engaging the Private Sector: The Business Case Against Corruption
Measuring the numerous and varied costs of corruption can be quite difficult, as corrupt practices themselves are generally covert and difficult to trace or quantify. However, several high-quality studies on the impacts that corruption has on the socio-economic development of countries attempt to measure the costs of corruption in terms of disruptions or distortions in investment flows, transaction costs and the provision and quality of public services, among others. For example, more than US$1 trillion is paid in bribes each year, according to ongoing research at the World Bank Institute (WBI). The INDEM Foundation estimates in a recent study that bribery in Russia amounts to $316 billion dollars a year, a significant direct increase in the cost of doing business.

Corruption significantly deters the development of markets, drives away investment, increases costs, reduces competitiveness, increases uncertainty and undermines the rule of law. Corruption exists all over the world and can greatly hinder firm, national and regional-level competitiveness, as well as significantly affect investment climates and impact the quality of investments. According to Batra, Kaufmann, and Stone (2004), the level of corruption is identified as a serious constraint to doing business by over 70 percent of firms in South Asia and almost as many in developing East Asia and in the Middle East and Northern Africa region. Sixty-four percent of firms in Africa, almost 60 percent of those in Latin America, and about half of those in the Commonwealth of Independent States (CIS) and Central and Eastern Europe regions report corruption to be a serious impediment to private sector development (see table 2 and figure 4 for details).

A lot is at stake for the private sector in regards to corruption. Continuing to participate in and/or turning a blind eye to corrupt activities can have significant negative consequences for the private sector in terms of competitiveness, the effectiveness of government policies, and the sustainability of development efforts. Ensuring effective risk management, aligning with customer expectations, complying with laws and regulations, meeting the demands of ethical investment funds, and safe-guarding reputation and brand are some of the factors that contribute to the business case to combat corruption. Rooting out and resisting corruption, for both larger and smaller companies, also creates an environment where businesses are less vulnerable to extortion and their contracts are more likely to be secure.
As there is increased global attention to the issue of corruption, and as more and more organizations seek to find ways to tackle the problem, there is no shortage of questions to address. The sharing of knowledge, not least discussion of what has worked and what has not, becomes all the more important to avoid duplication of efforts and repetition of mistakes.

Table 2. What do active managers view as their main obstacles to operation and growth?

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<td><strong>Leading constraint</strong></td>
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<td>OECD and Newly Industrialized East Asia (including China)</td>
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<td>Transition Europe</td>
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<td>Africa</td>
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Figure 4. Key constraints to business: OECD vs. emerging economies

Part III: Observations and Recommendations from the Field
E-Discussion Background

Recognizing the need to get the lay of the land in terms of private sector-led and multi-stakeholder approaches to combating corruption, the World Bank Institute’s Business, Competitiveness and Development (BCD) Team, joined with the UN Global Compact and the Zicklin Center for Business Ethics Research at the Wharton School of Business, to organize a high-level global e-discussion. The resulting dialogue, “Towards a More Systematic Fight against Corruption: The Role of the Private Sector,” took place from June 26–July 12, 2006, bringing together 40 invited experts and practitioners from the public, private and civil society sectors, as well as academia. This group also represented viewpoints from an impressive list of countries, including Brazil, Canada, Denmark, Mexico, Norway, Slovakia, South Africa, Spain, the United Kingdom and the United States, and relayed news of projects in which they are engaged from many more countries. Given the complexity and potential sensitivities inherent to dialogue on this topic, the e-discussion was conducted in a closed format that ensured a frank and candid exchange of views and ideas, expertly moderated by representatives of Transparency International, the Center for International Private Enterprise, United Nations Global Compact, and the Wharton School. This report cannot do justice to the wide ranging debate, but does provide a sampling of the key themes of the dialogue, as well as the observations and recommendations of the participants.

Creating a Safe Space and Breaking Taboos

A common theme emerging from the field is the need and importance for a “safe space” in which to freely talk about the realities of corruption amongst counterparts, colleagues and competitors. Varying levels of mistrust amongst these parties, as well as the fear of negative repercussions arising from candidness and openness, such as negative effects on reputation and brand, and the threat of blackmail, can be major factors limiting the ability to discuss corruption issues openly and to organizing collective efforts to fight it. However, more needs to be done by all sectors to break the taboo around talking about corruption issues. As with other sensitive development-related issues, such as fighting HIV/AIDS, half the battle lies in admitting that the problem exists. Only after a frank recognition of corruption can substantive and systematic action be taken. Many leading development institutions and donors...
have just recently become leaders in taking on corruption. In the case of the World Bank, corruption has only come front and center on its agenda over the past ten years, begun under the presidency of James Wolfensohn and continuing actively under the leadership of Paul Wolfowitz.

Seeking Clarity: A Common Language

Of course, in order to actually be able to discuss corruption in the first place, especially across sectors and geographic regions, the participants cited the necessity of utilizing a common language. There currently exists a lack of common definitions for corruption itself, as well as its associated terminology, causing confusion and frustration. There are many ways to define corruption, and there remains much talk of different “types,” such as private-public corruption and private-private corruption, or “levels” of corruption. Yet it is hard to decide which forms are most egregious. Where does one draw the line on what is acceptable practice? Given the ambiguity, taking a hard line is often the only way to bring clarity. However, situations on the ground are often far more complex. For example, it came clear over the course of the e-discussion that there remains no consensus across sectors on facilitation payments, which are unofficial payments made to procure or speed up the provision of goods or services. Facilitation payments, thus, fall into an ethically gray area as they are a normal (and legal) part of doing business in some countries but are outlawed in others. This creates a dilemma for multinational companies who are prohibited from making facilitation payments in their home countries, but may face a need to make these payments in the countries in which they operate.

The Need for More Research

Dovetailing with the need for more universally accepted definitions of corruption is the necessity of developing more specific empirical research and quantitative data on corruption and anti-corruption initiatives. This was a point of agreement not just among participating academics, but practitioners, too. Armed with a solid business case for fighting corruption, quantifiable economic costs of engaging in corrupt activities, and empirical evidence linking engagement in corrupt activities to decreased firm, national, and regional-level competitiveness, those in the field can significantly facilitate the scaling up and replication of successful initiatives, as well as inform more
effective mechanisms for the monitoring, evaluating and reporting of initiatives.

When faced with ethically gray areas, such as the case of facilitation payments and other situations for which there are not yet clear or uniform protocols or standards, participants found agreement on the need to address the sources of corrupting influences in addition to limiting opportunities for the corrupt transactions themselves. The identification of the corrupting influences in a society is of vital importance to the effectiveness of anti-corruption regulatory measures and enforcement efforts. For example, as mentioned by two e-discussants, the National Association of Entrepreneurs in Ecuador (ANDE) found some years ago that there were over 50,000 laws, decrees, and norms on the books—many of which contradicted each other, “creating a dark cellar where corruption can grow like mushrooms…it is not enough to punish those who take advantage of this dark cellar (though they should be punished), we have to end the corrupting influences and attack the corruption potentials that create this environment.”

Often, blame is placed on a particular culture or tradition of a country or community, but it is, in fact, elements of the legal and policy infrastructure—the “corrupting influences”—that create an environment conducive to enabling corrupt activities. As one expert noted during the e-discussion, “If a given country appears to have a greater incidence of corruption, it is often because the country allows too much unbridled discretion in too many officials. State-controlled economies, or those economies that are emerging from such control, are the ones that rank the highest on Transparency International’s list. But, Ministers with too much unbridled discretion may be just as likely to be corrupt in Washington, D.C., as in Jakarta.”

**Best Practices and Scaleable Solutions: Finding Workable Strategies**

Many e-discussion participants cited a lack of workable strategies, implementation guidance and scaleable solutions to combat corruption. The questions that need to be asked, and have yet to be answered in a systematic way, include “what works, what doesn’t, and why?”; “what has been learned over the past decade?”, and; “how can this knowledge be applied in the development of successful anti-corruption programs?” Answers to these questions, as one representative of a consulting firm stated, will most likely involve the utilization of many different approaches, and will need to include the
development of positive incentives and deterrents. Participants cited several examples of how individual firms (see box 2), industry associations and national-level policies are attempting to combat corruption and enable a higher level of transparency.

At the firm-level, a private sector representative suggested that reports detailing how individual companies have overcome corruption, or have dealt with corrupt activities, be made publicly available to facilitate comparison and increase access to best practices. This participant also suggested the development of a set of generic corruption scenarios, and, then, drawing from the experiences of many firms and organizations, the development of complementary sets of step-by-step guidelines outlining best practices and identifying possible challenges. Supporting the feasibility of a “step-by-step” guide, a representative from a think-tank mentioned that, although all anti-corruption strategies and initiatives will be different, there does seem to be some consistency in the steps that such strategies and initiatives must pass through. These include: opening a discussion about corruption; demonstrating the factors contributing to the occurrence of corrupt activities; mobilizing key anti-corruption constituencies and building anti-corruption coalitions; preparing action plans with specified anti-corruption policies, and; implementing these anti-corruption policies.

The real challenge, however, lies in the implementation of anti-corruption initiatives on the ground—“where the rubber hits the road”—where business considerations typically prevail and internal anti-corruption policies are either not implemented or are rendered completely ineffective. Each scenario will be different, therefore, the e-discussion participants stressed that any type of implementation guidance must be flexible.

The production of firm-level ethics codes or codes of conduct have become quite popular, but, again, face many layers of challenges and obstacles in the implementation phase. For example, as one private sector representative pointed out, lower and mid-level executives sometimes complain of receiving mixed messages from senior management, especially when success is measured in financial terms and employees get little credit in cases where a concern to maintain integrity results in lost business. E-discussion participants concluded that there does not seem to be one prescriptive formula to combating corruption on any level, but they remained steadfast in their call for more research, as well as for the collection and assessment of best
practices and data so that practitioners can choose the best tool. Empirical research and data is of particular importance because dealing with the challenge of operationalizing business integrity in practice, as one academic contends, “will contribute significantly to strengthening the business case for ethics, not least in the view of skeptics who claim that fine words at a high level cannot always be translated into integrity on the ground.”

Additionally, research on voluntary initiatives and collective action initiatives is also important. Companies that have engaged in collective anti-corruption initiatives should consider sharing their experiences with other companies in the countries from which they procure or to which they supply. A representative from a multilateral institution pointed out that this might lead to “mentoring” of domestic firms and could potentially contribute to the transfer of best practices and a leveling of the playing field.

**Understanding the Business Environment**

Of critical importance is the necessity of understanding the business environment before prescribing or applying anti-corruption measures. Recognizing the dynamics that impact all levels of the supply chain, the e-discussion participants emphasized the importance of understanding the business environment of a specific country or sector. Corruption—be it at the customs house, within the banking system, or in property markets—is one facet of the business environment, and the government has core responsibility for the functioning of this environment. As one participant noted, while the private sector has a role to play, in the end, “governments, not companies, are responsible for managing the legal and regulatory framework.” Therefore, for a successful broad anti-corruption initiative, obtaining government buy-in and securing political will is imperative.

**Capacity Development**

Business-led multi-stakeholder initiatives among companies and other stakeholders have proven to be an effective method of tackling corruption, as they impact local business practices beyond the capacity of any single company, NGO or government agency. However, it is also important to recognize that these initiatives require new thinking and capacity development of all actors as they are not easy to build, operate, and sustain. It is important to also consider the capacity-building efforts that must happen up front even
before some anti-corruption measures can be developed or implemented. Building the capacity of businesses, business associations, civil society organizations and government agencies to not only deal effectively with corruption, but also to work together in the process, takes considerable time and effort. This step is necessary, however, in ensuring an effective, holistic paradigm shift away from corrupt practices and corrupting influences and to making these organizations and agencies more positive forces for change and more representative of their members and citizens, as pointed out by several e-discussion participants.

**Inclusion of the SME Voice**

The majority of anti-corruption solutions and initiatives are typically geared towards larger firms, overlooking the small and medium enterprises (SMEs) who often want to engage in anti-corruption initiatives but feel they lack the capacity to contribute or cannot discern a viable entry point. While the amounts may be smaller, the toll of corruption on SMEs is heavy, as their profit margins are also smaller. SMEs are less able to let an order fall through or a shipment languish in a warehouse. Building the capacity of SMEs to reject participation in corruption is a concern increasingly shared by larger firms, who contract SMEs within their supply chains, as they do not want to be held responsible for corrupt practices further down (or up) the chain. During the e-discussion, participants from different regions reiterated the findings of several surveys suggesting that SME owners almost universally find the pressure to engage in corruption distasteful and harmful to business. Yet just as universally, “they feel trapped by it” as noted by one private sector consultant from Slovakia, reflecting results from a range of Integra Venture anti-corruption reports completed in recent years⁹ (see box 3).

**Enforcement and Regulation**

The e-discussants agreed that effective legal prohibition of corrupt behavior is in the interest of all (or almost all) private companies, as effective legal sanctions change the incentive structure away from the prisoners’ dilemma constellation that makes it difficult to break cycles of corruption. As one academic argued, this means that business associations, or simply groups of individual industry leaders, should, theoretically at least, be the strongest proponents of effective legal mandatory rules on company behavior. As one
private sector representative in turn pointed out, “Business associations can play a role in lobbying governments by making clear what the costs of failure to reform will be. In many cases they may be able to provide technical advice. The objective should be to work together to address a common problem. That process is unlikely to begin until it is made clear to government that there is a problem, and how much it costs in lost revenue and lost business.”

Some participants also noted the stylistic differences in anti-corruption enforcement and regulation initiatives, both at the firm-level and the national policy level, particularly between the United States and Europe,

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**Box 2. Integra Venture: SME attitudes towards corruption: Findings from Europe**

From 1999 to 2003, Integra Venture conducted extensive surveys and consulted with about 700 small and medium enterprises (SMEs) in Slovakia, Croatia, Serbia and Bulgaria under the program “Coping with Corruption.” The objective of the study was to uncover the attitudes of SME owners and managers towards corruption, and how their businesses managed to remain competitive in a corrupt and/or corrupting environment.

The study concluded the following points:

1. SME owners almost universally find the pressure to engage in corruption distasteful and harmful to business. Yet, just as universally, they feel trapped by it.
2. The biggest corruption issues facing SMEs in the countries surveyed were not related to public/private corruption, but corruption within the supply chain relationships they had with larger companies.
3. The best way to help SMEs cope with corruption was through support groups or associations. When SMEs were able to meet regularly in an atmosphere of trust to discuss their issues, very often creative alternatives were discovered to dilemmas that they could not see a way out of on their own.
4. The best way to help SMEs really avoid corruption was, surprisingly, to help them develop a Corporate Social Responsibility (CSR) strategy. A positive orientation toward community benefit provided the corporate energy necessary to continue to seek alternatives to submitting to corrupt conditions. CSR helped to create a “there has got to be a way out of this” frame of mind, rather than a helpless “victim” mentality.

The outcomes of this research and the tools developed are publicly available at [http://www.integra.sk](http://www.integra.sk).
which tend to be law-based and ethics-based, respectively. However, as one participant noted, this is not a fatal set of differences; what is critical is the development of a compliance culture.

Another point that was raised was the role that international financial institutions, such as multilateral and regional development banks, have in enforcing existing regulations and fostering an ethical environment through the requirement of specific pre-conditions such as ethics codes or financial disclosure before lending money or procuring services. This is an area that warrants increased attention.

**Voluntary vs. Mandatory Regulation**

Industry-specific approaches, such as Transparency International’s Anti-Corruption Initiative in the Construction and Engineering Industry in the United Kingdom and the Extractive Industries Transparency Initiative (EITI), are typically voluntary mechanisms which face issues of enforcement, credibility and verifiability. The participants’ comments in the e-discussion duly reflected the broader global debate that applies to corporate responsibility standards, as well as anti-corruption regimes and finding the right balance between mandatory and voluntary regulations, with a consensus emerging that a mixture of both is necessary, as they are mutually reinforcing. Voluntary initiatives are also useful in filling the void where regulation is not working, and, as one multilateral institution representative remarked, “voluntary approaches can go beyond regulation by offering incentives for innovation and tacit forms of behavior that cannot be codified and without which trust-based relationships could not function.” The caveat is that appropriate combinations of voluntary and mandatory regulations will vary from country to country, sector to sector, and circumstance to circumstance. As one NGO representative noted, voluntary initiatives are effective because of the ultimate effect of regulatory action, but, although voluntary initiatives are an important complement to the regulatory framework, they cannot be a substitute for it.

**State-Owned Enterprises**

Another issue brought up within the context of voluntary versus mandatory regulation was what to do about state-owned enterprises (SOEs). It has become increasingly important to bring SOEs into the dialogue as their reach
and power is eclipsing many privately and publicly-owned multinationals. SOEs, as several e-discussion participants pointed out, represent a dilemma as they are held to different forms and levels of accountability. In some cases, as one private sector representative mentioned, many large U.S. companies in the defense, oil and gas, and infrastructure sectors cannot compete with many state-owned companies from Asia and Europe in large international procurement deals because of corruption. This is not to say that all Western firms are immune to corruption – every corrupt transaction has at least two parties, a “corruptee” and a “corruptor,” and usually the bribe giver is from a rich country. The regulatory distortion between SOEs and private companies has become a serious issue and deserves additional attention to consider how to develop a more level playing field with higher standards across the board.

**Industry-specific Approaches**

Industry-specific approaches such as the EITI may provide a more transparent mechanism for competitors to share information and “level the playing field.” However, EITI and other industry-specific collective action initiatives raise their own set of issues. For example, participants in the e-discussion debated how best to deal with SOEs that, even if they do sign up to such agreements, are not held accountable in the same way as international publicly traded firms. Some trends offer opportunities to require more transparency, including the moves of many national firms, such as oil companies in India or China, to partially list on international stock exchanges. They might, then, be subject to requirements to detail payments in order to retain a stock exchange listing, but such solutions are partial at best. As noted by one major oil company representative, such schemes would still not capture the universe of companies competing in the oil sector.

Additionally, as pointed out by one private sector representative, industry or sectoral coalitions do not always include the actual decision-makers of the businesses themselves, diluting the impact of decisions made and complicating implementation in the field. Compromises end up being the final result, as opposed to concrete decisions, and, as most industry coalitions are voluntary, compliance is also voluntary and enforcement remains dependent on the continued participation and dedication of relevant parties. As one e-discussion participant noted, “industry standards too often dictate conduct
in business, as opposed to the law or ethical standards. The actual and direct cost of breaking the shackles of industry practices that may constitute, or border on, corrupt practices very often prevent those in charge of businesses from making the right decisions.”

Nevertheless, industry-specific approaches have been found to be quite useful, especially in beginning the dialogue on corruption issues, and many of the e-discussion participants agreed that these approaches are an important and useful tool in the fight against corruption.

**Ensuring Transparency**

Even with private sector lobbying for reform and the forging of industry-specific initiatives, improvements in the business environment are typically a lengthy process. Ensuring transparency and commitment to fighting corruption in any sector can take a long time to assess and put into motion, and an even longer time to implement. In the meantime, what approach should business take? Several participants in the e-discussion pointed to the conflicting pulls between the long-term ideal that a firm might have for an operating space where corruption can be avoided altogether, and what is feasible in the short-term. Companies, therefore, do look for shorter term solutions to find and fight corruption. One newer mechanism, highlighted in the e-discussion, is the use of private enforcement actions, which are utilized more to level the playing field than to eliminate corruption for a broader ethical purpose. Private enforcement actions involve companies initiating investigations of their competitors in order to procure evidence on whether or not they are engaging in corrupt activities. Such actions, in and of themselves, bring up issues of ethics and transparency, particularly in regards to how the information uncovered by private enforcement actions is used. As in the case of private enforcement actions, new strategies and practices ensure that the range of stakeholders continually needs to monitor and evaluate their appropriate stance, and, if necessary, their appropriate response.

**The Role of Leadership**

A common theme that emerged during the e-discussion was the importance of leadership in fighting corruption. Although the responsibility to identify corrupting influences and to combat corrupt practices is a shared endeavor, the commitment of strong leaders is vital to the permeation and sustain-
ability of an anti-corruption ethos, whether at the firm level or in a broader society. Leaders are the ones to whom constituents look for guidance and to gauge the gravity of an issue and the importance of finding a solution; a dedicated leader, as one NGO representative noted, is critical in securing commitment and ensuring that the appropriate resources will be devoted to anti-corruption initiatives, particularly if they are voluntary initiatives. Leadership and organization among civil society and government stakeholders is also vital, as these are the key conduits for enforcement and regulation and they are expected to lead by example. It is also important to target youth, who will become the future leaders in all sectors. As participants in the e-discussion noted, education in the areas of ethics and anti-corruption, as well as instruction and guidance in multi-stakeholder fluency is critical to strong leadership in today’s globalized world.

**Challenges of Collective Action Approaches**

Despite commitment to collective action against corruption, many e-discussants cautioned against greeting such a mechanism with “unbridled enthusiasm.” There remain significant roadblocks on the path of successful and effective development and implementation of collective anti-corruption initiatives, many of which have been discussed in this report. Building trust among competitors, let alone among different sectors and stakeholder groups, can be a Herculean task, as can finding a neutral forum in which to discuss corruption issues.

The concluding sentiment of the e-discussion was that, although there is no easy solution, it is worthwhile to continue to refine collective approaches to fighting corruption. Dialogue among the different players will be crucial to the success of such collective efforts. Reassuringly, the e-discussion suggests there is great willingness from leading businesses, NGOs and academics to share knowledge, collaborate and continue that dialogue. The networks formed through such discussions are crucial in supporting individual actors and creating opportunities for wider scale impact.
Appendix I: E-Discussion Participants

Moderators are listed in bold. Commentators are listed in italics.

- Claudio Weber Abramo, Executive Director, Transparency Brazil
- Marco Ivan Escotto Arroyo, Coordinator, Center for the Study of Institutional Governance, Mexico
- John Bee, Public Affairs Communications Manager, Nestle S.A.
- Jens Berthelsen, Partner, Global Advice Network, Denmark
- John Bray, Control Risks
- Peter Brew, Director of Corporate Policy and Practices, International Business Leaders Forum
- Allan Bussard, General Secretary, The Integra Venture, Slovakia
- Stephen J. Canner, Vice President Investment and Financial Services, United States Council for International Business
- Susan Cote-Freeman, Program Manager, Transparency International
- Birgit Errath, Issue Coordinator—Anti-Corruption, United Nations Global Compact
- Moana Erickson, Center for Strategic and International Studies, Hills Program on Governance
- Oonagh E. Fitzgerald, Queen's University School of Business, Queen's University, Ontario, Canada
- Gabriele Hartmann, Director, Corporate Citizenship, SAP AG
- The Honorable Roderick Hills, Founder and Chairman of the Center for Strategic and International Studies Hills Governance Program; former Chairman of the United States Securities and Exchange Commission.
- Richard S. Karp, Policy Coordinator, Chevron
- William Laufer, Director, Carol and Lawrence Zicklin Center for Business Ethics Research at the Wharton School of Business, University of Pennsylvania
- Lucinda A. Low, Steptoe & Johnson LLP
- Jacques Marnewicke, Head, Group Forensic Services, Sanlam Limited, South Africa
- Errol Mendes, Professor of Law, University of Ottawa, Canada; Adviser, UN Global Compact
- Phil Nichols, Associate Professor of Legal Studies and Business Ethics,
Wharton School of Business, University of Pennsylvania.

- Michael Hougaard Pederson, Senior Advisor, Novozymes, Denmark
- Djordjija Petkoski, Head, Business, Competitiveness and Development (BCD) Team, World Bank Institute
- Michael Price, Vice President Business Integrity, Statoil
- Martin Sandbu, Lecturer, Department of Legal Studies and Business Ethics, Wharton School of Business, University of Pennsylvania
- Steven Shaw, Deputy General Counsel, US Department of the Air Force
- Aleksandr Shkolnikov, Global Program Officer, Center for International Private Enterprise
- Dr. Rafael Rangel Sostmann, President, Tecnológico de Monterrey System, Mexico
- John Sullivan, Executive Director, Center for International Private Enterprise
- Eric Uslaner, Department of Government and Politics; UMD
- Glenn Ware, Managing Director, Diligence, LLC
- Alysia Wilson, Senior Trade Policy Adviser/Good Governance Team Leader, United States Department of Commerce
Appendix II: E-Discussion Overview

Background and Objective of the E-Discussion
The World Bank Institute’s Business, Competitiveness and Development Team held an e-discussion on June 26 to July 12, 2006, entitled “Towards a More Systematic Fight against Corruption: The Role of the Private Sector.” The e-discussion was organized jointly with the United Nations Global Compact and the Zicklin Center for Business Ethics Research at the Wharton School of Business.

The e-discussion preceded and provided input to the plenary session “Partnerships to Combat Corruption: Rising to the Challenge” as part of the Program of Seminars during the 2006 International Monetary Fund/World Bank Group/Board of Governors Annual Meetings in Singapore.

The e-discussion also provided an opportunity for those who may not be able to attend the 2006 International Monetary Fund/World Bank Group/Board of Governors Annual Meetings in Singapore to present their views on these issues. Additionally, the e-discussion served as one of the follow-up activities to the conference “Research on Corruption and Its Control: The State of the Art” and was a good lead-in to the UN Global Compact Expert Workshop “Collective Business Action and National Initiatives on Anti-Corruption,” which took place in July 2006 in Barcelona, Spain.

Target Audience
The e-discussion was primarily geared for business and civil society leaders, government policy makers and experts from academia. The e-discussion was also designed to be highly relevant to the development community.

Participation in the e-discussion was by invitation only, and limited in number to allow for in-depth debate.

Methodology
The e-discussion lasted for two weeks and consisted of four sessions. Each session lasted for two to three days and highlighted one specific dimension of the role of the private sector in the way forward in the fight against corruption.

- **Week One**: June 26–30, 2006: The debate focused on two key topics: (1) the effects of corruption on the business environment and competitiveness and (2) private sector approaches to fighting corruption.
• **Week Two**: July 3–12, 2006: The debate focused on two key topics: (1) collective action and scaling-up and (2) next steps: a comprehensive action agenda.

**E-Discussion Moderators**
The e-discussion was moderated by:

- John Sullivan, Executive Director, Center for International Private Enterprise (Week One)
- Susan Cote-Freeman, Program Manager, Transparency International (Week One)
- Brigit Errath, Anti-Corruption Issue Coordinator, UN Global Compact (Week Two)
- William Laufer, Director, Zicklin Center for Business Ethics Research, Wharton School of Business (Week Two)

**E-Discussion Commentators**
The following participants were designated commentators:

- John Bray, Control Risks
- Richard Karp, Policy Coordinator, Chevron
- Dr. Rafael Rangel Sostmann, President, Tecnológico de Monterrey System, Mexico
- Glenn Ware, Managing Director, Diligence, LLC
- Alysia Wilson, Senior Trade Policy Adviser and Good Governance Team Leader, United States Department of Commerce

**E-Discussion Facilitators**
The e-discussion was facilitated by:

- Michael Jarvis, Business, Competitiveness, and Development Team, World Bank Institute
- Amina El-Sharkawy, Business, Competitiveness, and Development Team, World Bank Institute
- Kathrin Frauscher, Business, Competitiveness, and Development Team, World Bank Institute
Notes

6. The e-discussion was one of a series of events leading up to the UN Global Compact workshop Collective Business Action and National Initiatives on Anti-Corruption, July 10–11, 2006 in Barcelona, Spain, (http://www.unglobalcompact.org/Issues/transparency_anticorruption/Expert_working_group_meeting.html) and the plenary session Partnerships to Combat Corruption: Rising to the Challenge on September 17, 2006, during the Program of Seminars at the IMF/World Bank Group/Board of Governors Annual Meetings in Singapore. The agenda of the e-discussion was designed in alignment with the issues to be covered during these two events. Weekly summaries and further information on the BCD Team’s anti-corruption programs and events can be found on its Web Portal on Partnerships to Combat Corruption: http://developmentandbusiness.org/A-C/webportal.
7. Designated commentators during the e-discussion included representatives from Control Risks, the US Department of Commerce, Tecnológico de Monterrey, Chevron, and Diligence LLC.
8. An example of such research, as noted by an e-discussion participant, is the Russian think tank INDEM Foundation which published a report on “the diagnostics of corruption in Russia” focusing in on the corruption potential of legislation and regulation that creates an enabling
environment for corruption to flourish. The report can be accessed at:

9. Integra Venture, Anti-Corruption Project Slovakia Report, September,
Integra Venture, Anti-Corruption Project Croatia Report, November,
Integra Venture, Anti-corruption Project Bulgaria Report, July 2002,

10. Remarks by World Bank President Paul Wolfowitz at the Corporate
Council on Africa Dinner, Baltimore, Maryland, June 23, 2005.

11. On March 3–4, 2006, the Zicklin Center at the Wharton School of
Business, in coordination with the World Bank Institute and the Hills
Program on Governance, hosted a conference entitled “Research on
Corruption and its Control: The State of the Art”. This conference
featured several lectures by professors from Colgate University, Harvard
Business School, New York University Law School, The Wharton School
and Yale Law School, among others.
Bibliography


WBI’s Business, Competitiveness and Development Team

The BCD team at the World Bank Institute addresses the need for a deeper understanding of the role of business in society, working to integrate responsible practices as vital components of corporate strategy, and highlighting their importance to all stakeholders in relation to poverty reduction, good governance and competitiveness.

By building capacity across sectors to facilitate effective multi-stakeholder partnerships, the program demonstrates the value of business as a development partner. For example, by planned training for NGOs in China on engaging with business, and working with the food industry to forge a global alliance to fight malnutrition. The program offers training for business on such issues as corporate responsibility, accountability, transparency and anti-corruption strategies. Recently, over 1,100 private sector representatives in Latin America participated in the course “Corporate Responsibility and Sustainable Competitiveness,” learning, exchanging views and best practices, and developing action plans.

As part of initiatives to strengthen those institutions that can deliver sustainable private sector development, we are working with business associations, including programs to support business ethics, and social and environmental accountability in Russia, and HIV/AIDS workplace prevention programs in Tanzania and Ethiopia. Country-focused activities are supported by regional and global programs to capture and disseminate cutting edge ideas and knowledge.

The full range of program activities, from in-depth workshops and courses to broader cross-sectoral forums, is supported by careful use of technology to facilitate dialogue and learning, including online and videoconferencing components.

For more information, please contact

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www.developmentandbusiness.org
Web Portal on

Partnerships to Combat Corruption
Rising to the Challenge

http://developmentandbusiness.org/A-C/webportal