

Preventing Corruption in Business and Society: The Contribution of TI Germany

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November 27, 2014

Agenda

1. Transparency International in Germany and Worldwide
2. The Corruption Phenomenon – Why Is Corruption Harmful?
3. Approaches on How to Prevent Corruption

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Before we start...

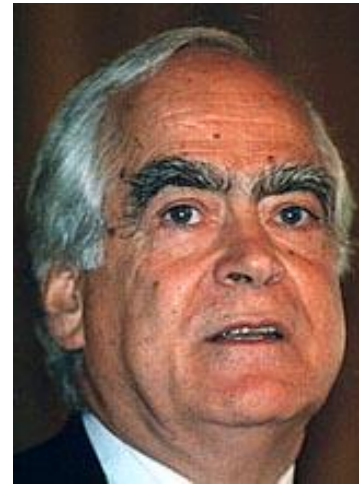
Some facts to think about:

- Three out of four EU citizens believe corruption is widely spread.
- 56 % believe the level of corruption has risen in the last three years in their country.

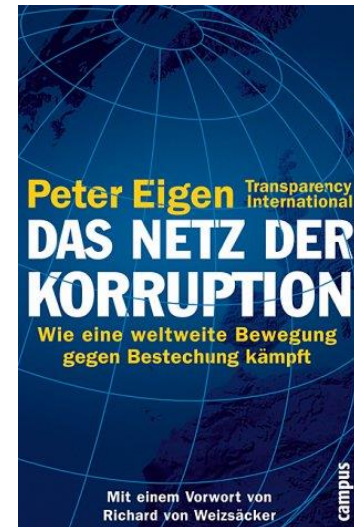
Source: European Commission, 2014, 6

„Corruption is the fundamental evil of our times.“

- Founded in 1993
- Initiator of a Global Anti-Corruption Movement
- International Non-governmental Organization
- Guiding Principles: Transparency, Integrity, and Accountability

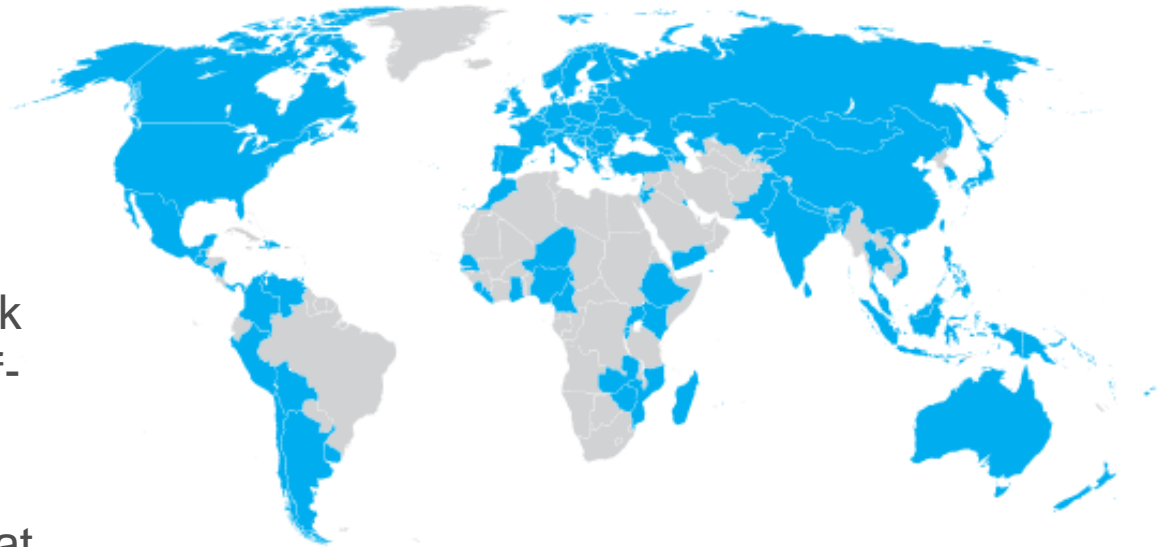


Prof. Dr. Peter Eigen
Founder of TI



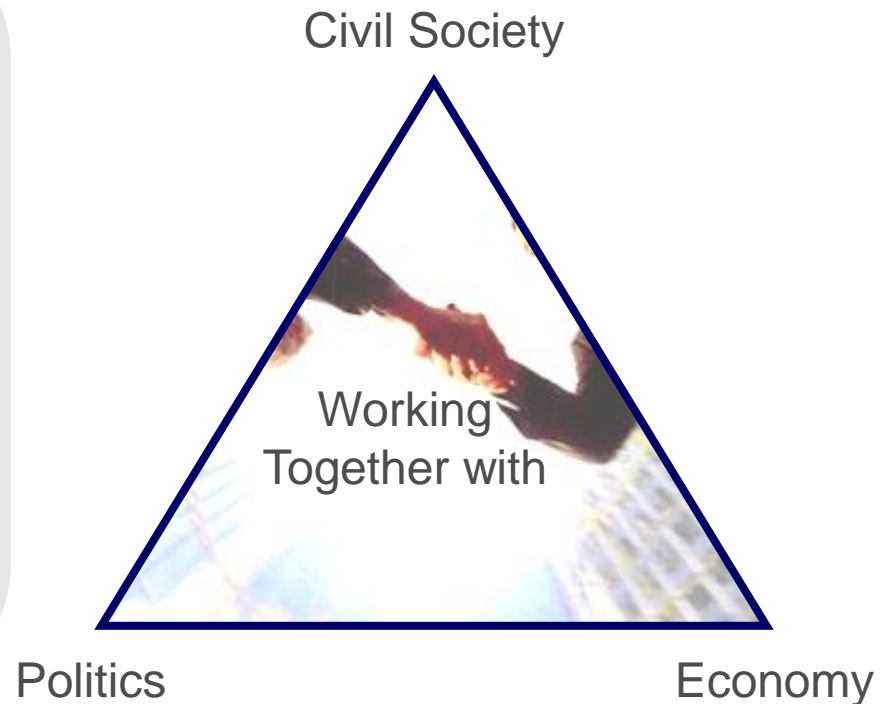
Transparency International – As International As Corruption

- National Chapters in over 90 countries
- Activities/Contacts in over 100 countries
- National Chapters work independently and self-financed
- International Secretariat in Berlin as central coordination and service point

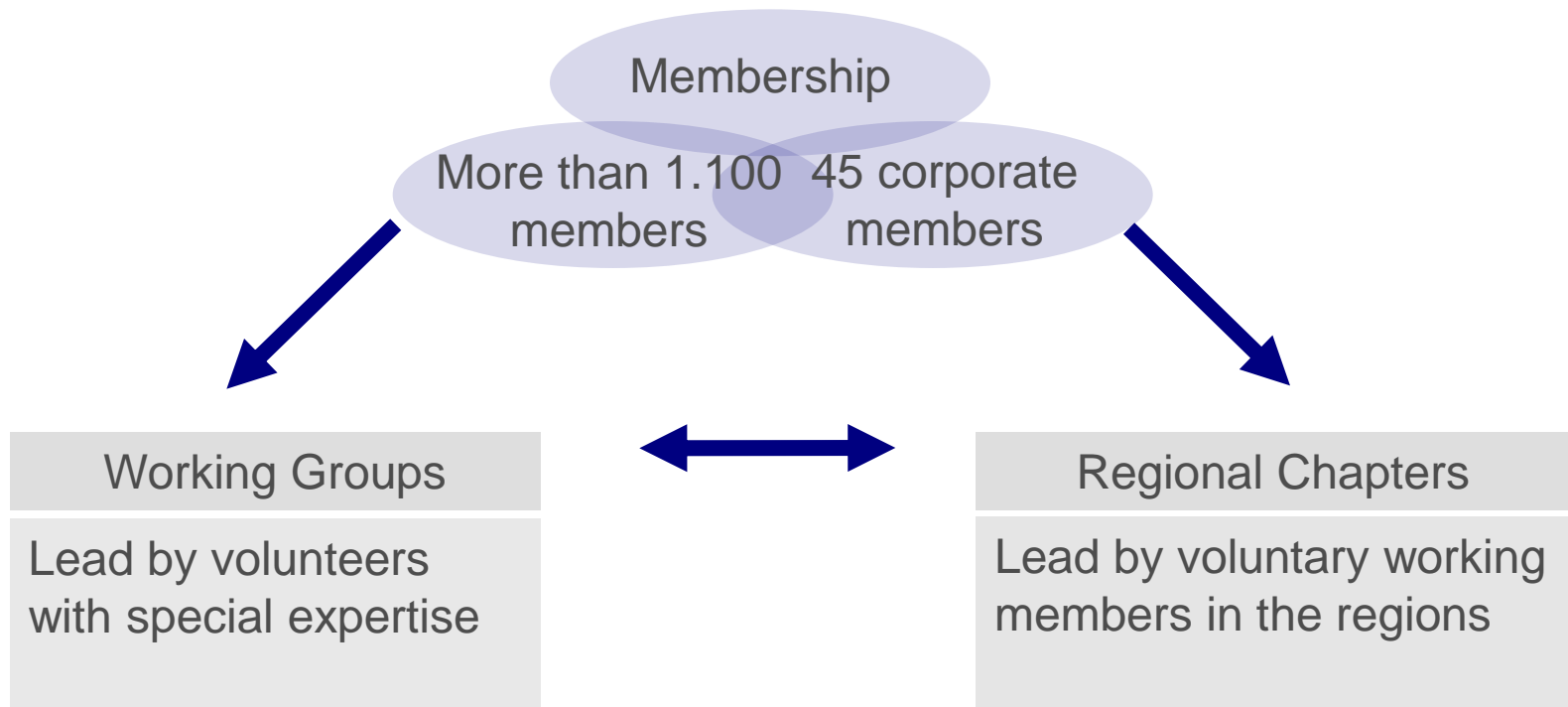


Working Principles of TI

- Non-profit
- Politically independent
- No investigative research of concrete cases
- Transparency as instrument against corruption
- Coalition-building and cooperation instead of confrontation



Volunteers, an Integral Part of TI Germany



Building Coalitions – The Corporate Members

Companies can be strong partners in fighting corruption in the private sector.

Some of our corporate members

PRICEWATERHOUSECOOPERS 

KfW bankengruppe

Allianz 

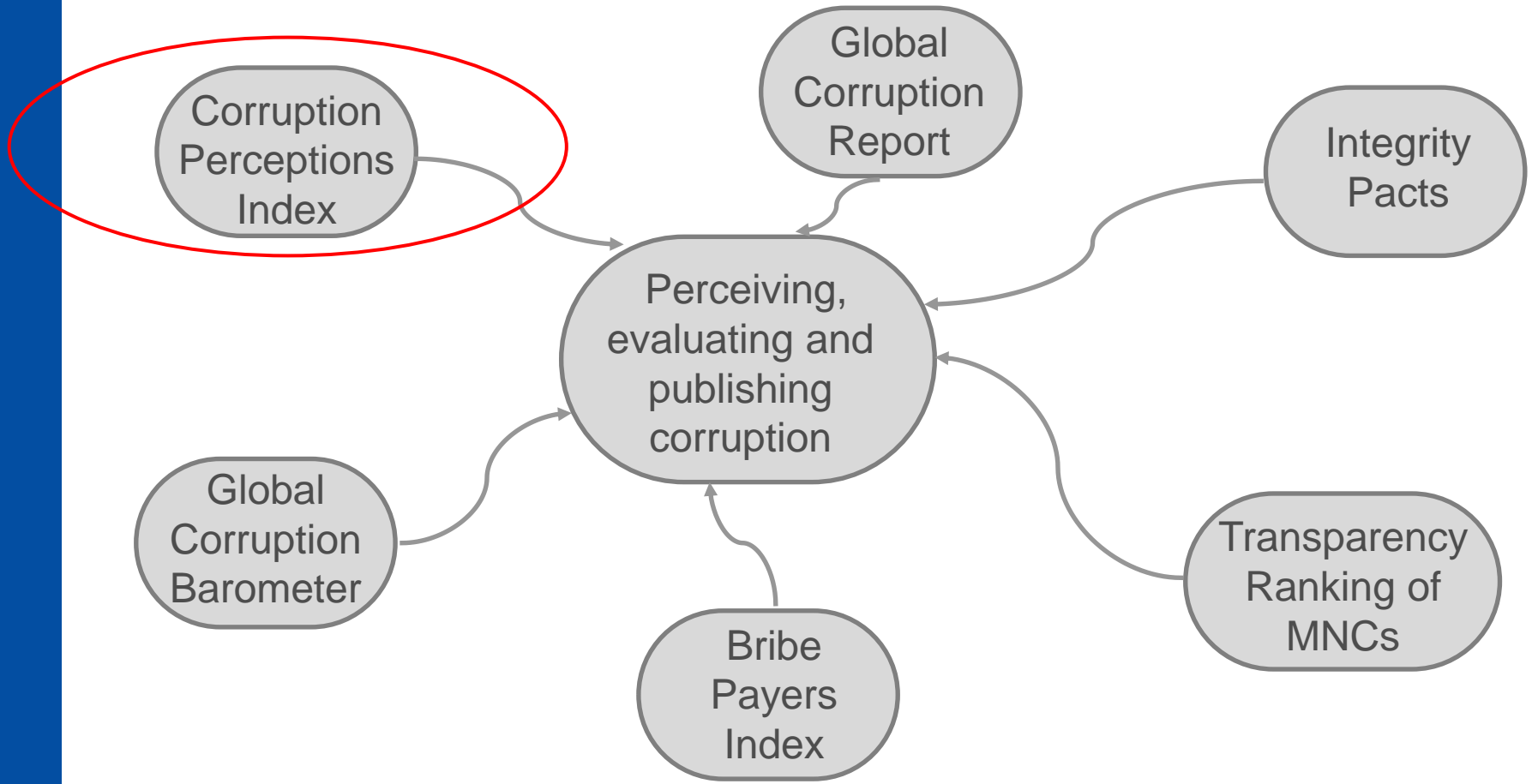
SAP

How Is TI Germany Financed?



- Memberships fees and donations by members
 - Regularly grants (“Förderbeiträge”)
 - Penalty charges assigned by German courts
 - ...
-
- Budget 2013: approx. EUR 400.000
 - Annual balance of accounts and fees of corporate members to be found on website
 - Annual report lists all revenues starting from EUR 1.000

Corruption Indices Developed by TI



Corruption Perceptions Index (CPI) 2013

- 2013: 177 countries in total
- Germany ranked on place 12 (Previous year: place 13)
- Score: 78
- Countries ranked the lowest: North Korea, Somalia

| Rank | Country | Score | Surveys used | CI: Lower | CI: Upper |
|------|----------------|-------|--------------|-----------|-----------|
| 1 | Denmark | 91 | 7 | 95 | 90 |
| 1 | New Zealand | 91 | 7 | 95 | 90 |
| 3 | Finland | 89 | 7 | 92 | 90 |
| 3 | Sweden | 89 | 7 | 93 | 88 |
| 5 | Norway | 86 | 7 | 90 | 85 |
| 5 | Singapore | 86 | 9 | 90 | 87 |
| 7 | Switzerland | 85 | 6 | 89 | 86 |
| 8 | Netherlands | 83 | 7 | 86 | 84 |
| 9 | Australia | 81 | 8 | 83 | 85 |
| 9 | Canada | 81 | 7 | 85 | 84 |
| 11 | Luxembourg | 80 | 6 | 85 | 80 |
| 12 | Germany | 78 | 8 | 82 | 79 |
| 12 | Iceland | 78 | 6 | 83 | 82 |
| 14 | United Kingdom | 76 | 8 | 78 | 74 |
| 15 | Barbados | 75 | 3 | 87 | 76 |
| 15 | Belgium | 75 | 7 | 79 | 75 |
| 15 | Hong Kong | 75 | 8 | 79 | 77 |

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Corruption Poisons Our Environment...

„Corruption is one of the main reasons for political instability in our world.“ (Frank Vogl)

Laws and regulation are bypassed

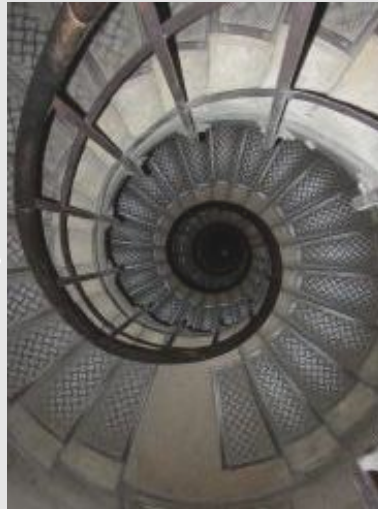
Environmentally harmful projects are financed

Pollution and environmental damage



Corruption Disables Market-driven Economic Activities

- Distortion of competition
- Loss of efficiency
- Decrease in investments and growth
- Fair companies are in danger



Economies in a downward spiral

Corruption Poses A Threat To Democracy

Demokratie



Threat to political, social and economic rights

People lose their confidence in the state

Legal uncertainty

Loss of legitimacy of national order

Corruption Costs The Lives of People

Collapse of Rana Plaza Center in Savar in April 2013 (Bangladesh)

Corruption

Lack of fire protection
and safety standards

Miss-
appropriation
of building



(CC) rijans/flickr.com

The collapse cost the lives of
1.127 people

Defining corruption – Wide and narrow definitions

corruption

The **abuse** of **entrusted power** for **private gain**

Transparency

International is using this definition - there are many others, mostly narrower definitions.

But how does corruption look like?

Defining corruption – Wide and narrow definitions

Petty Corruption

- Also known as situational corruption
- Spur-of-the-moment decision, not specifically planned in advance
- Mostly low-level public officials
- Mostly in interaction with ordinary citizens in schools, hospitals, at customs etc.
- Example: A police officer stops a car because of an alleged speeding and demands money by the driver



Grand Corruption

- Also known as structural corruption
- Planned consciously in advance, build upon long-term relationships (corruption networks)
- Mostly high-level of government
- Example: Subversion of legal system, judges are bribed in order to avoid the conviction of politicians

Defining corruption



In a nutshell:

- Misuse of public (or private) power
- Private gain
- At the expense of third parties/the public in general
- Happens in secrecy
- „Victimless crime“
- Not only exchange of money, but also other goods (such as lucrative job in the administration e.g.)

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How to Combat Corruption Effectively?

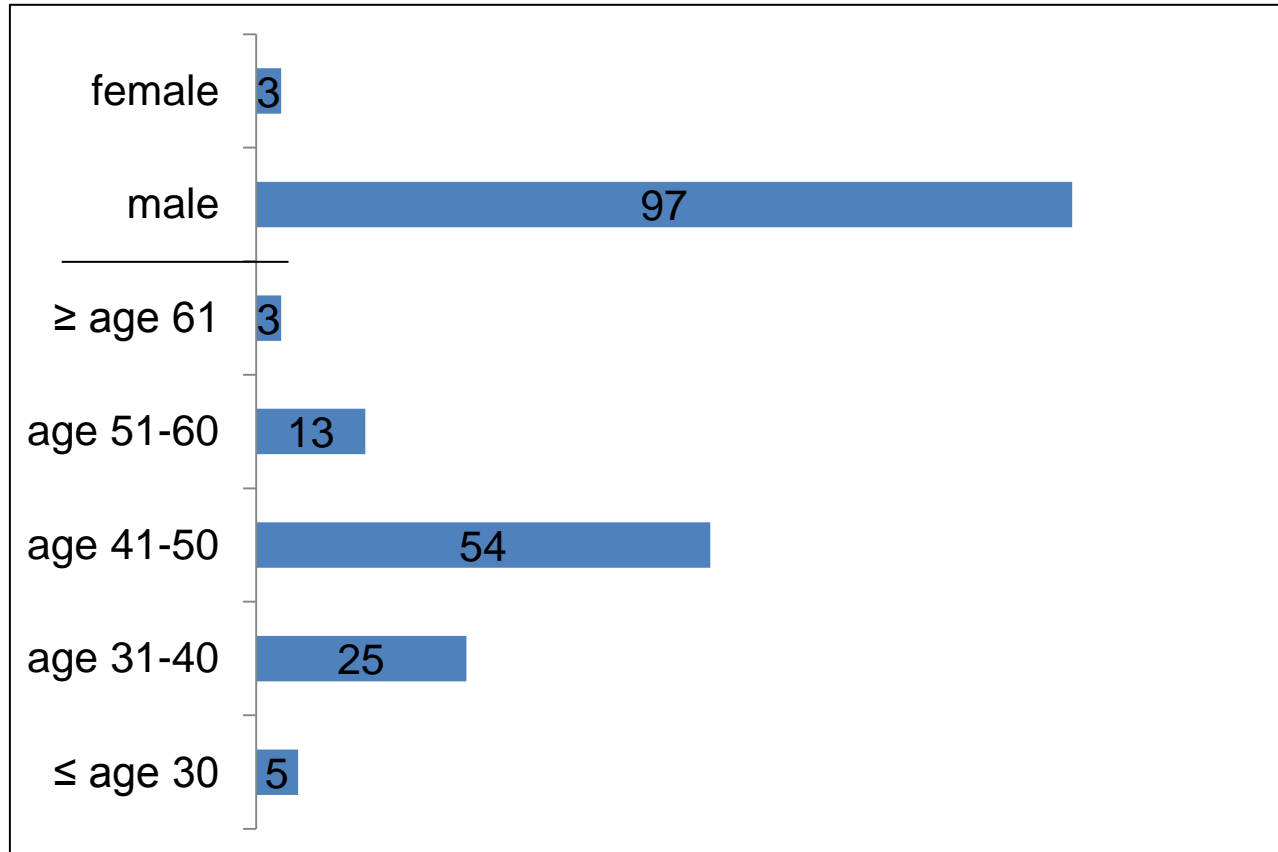


How can companies facing corrupt competitive environments react? – Three possibilities

- Use corrupt practices like competitors do
- Exit the market
- Make corrupt practices public, inform authorities and cooperate with administration

Combating corruption – The company perspective

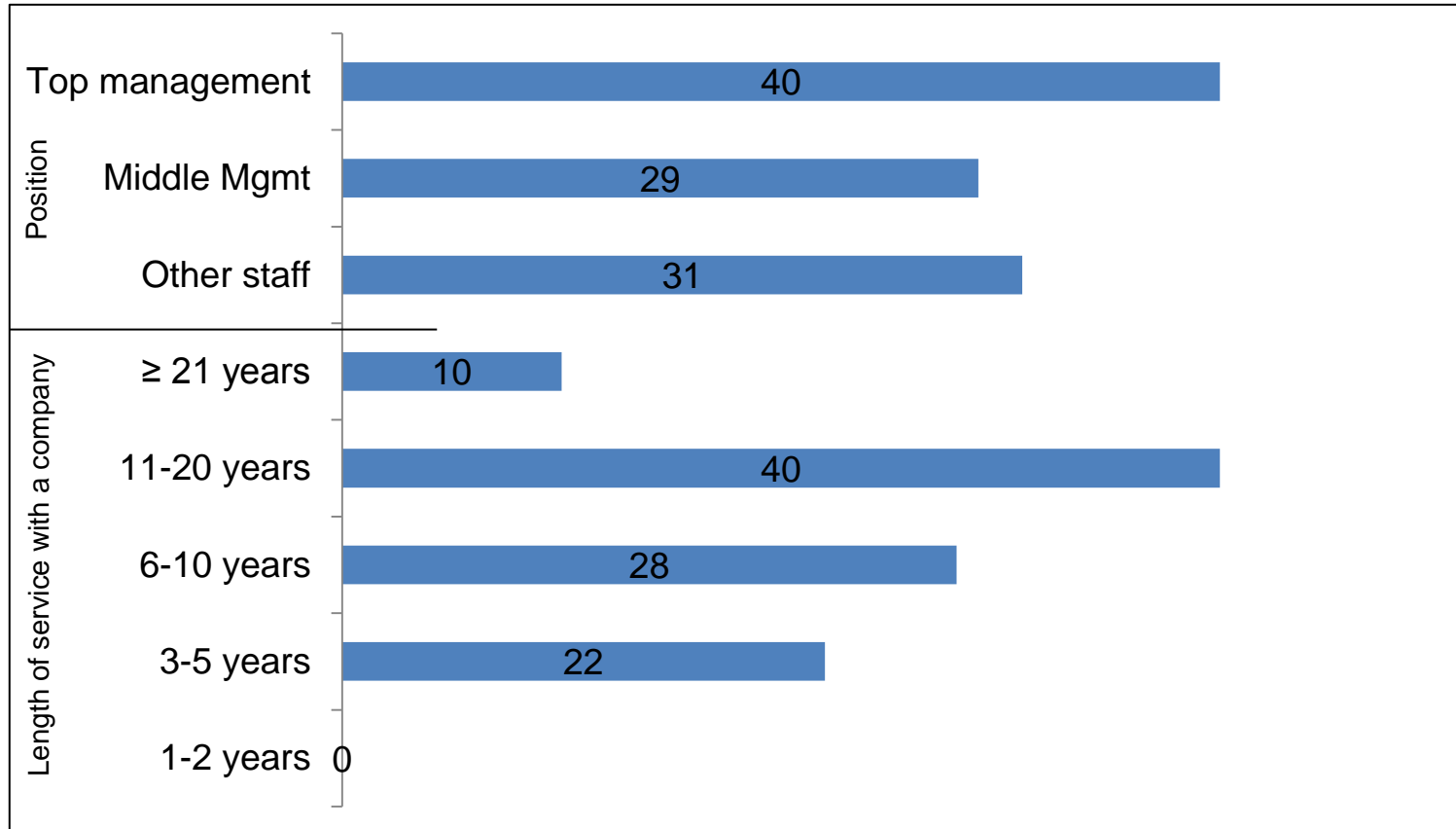
Profile of the typical offender, in percentage terms



Source: PwC, Studie, Wirtschaftskriminalität 2011, n= 830

Combating corruption – The company perspective

Profile of the typical offender, in percentage terms

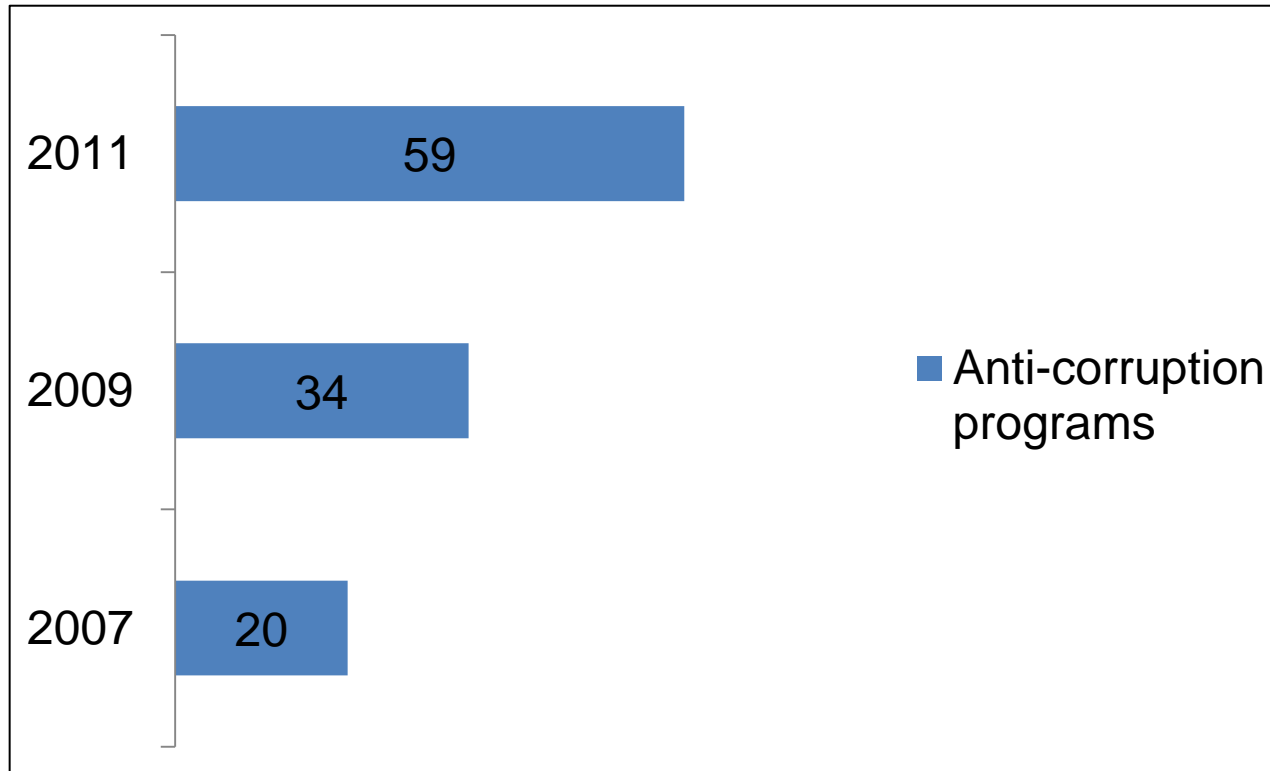


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Combating corruption – The company perspective



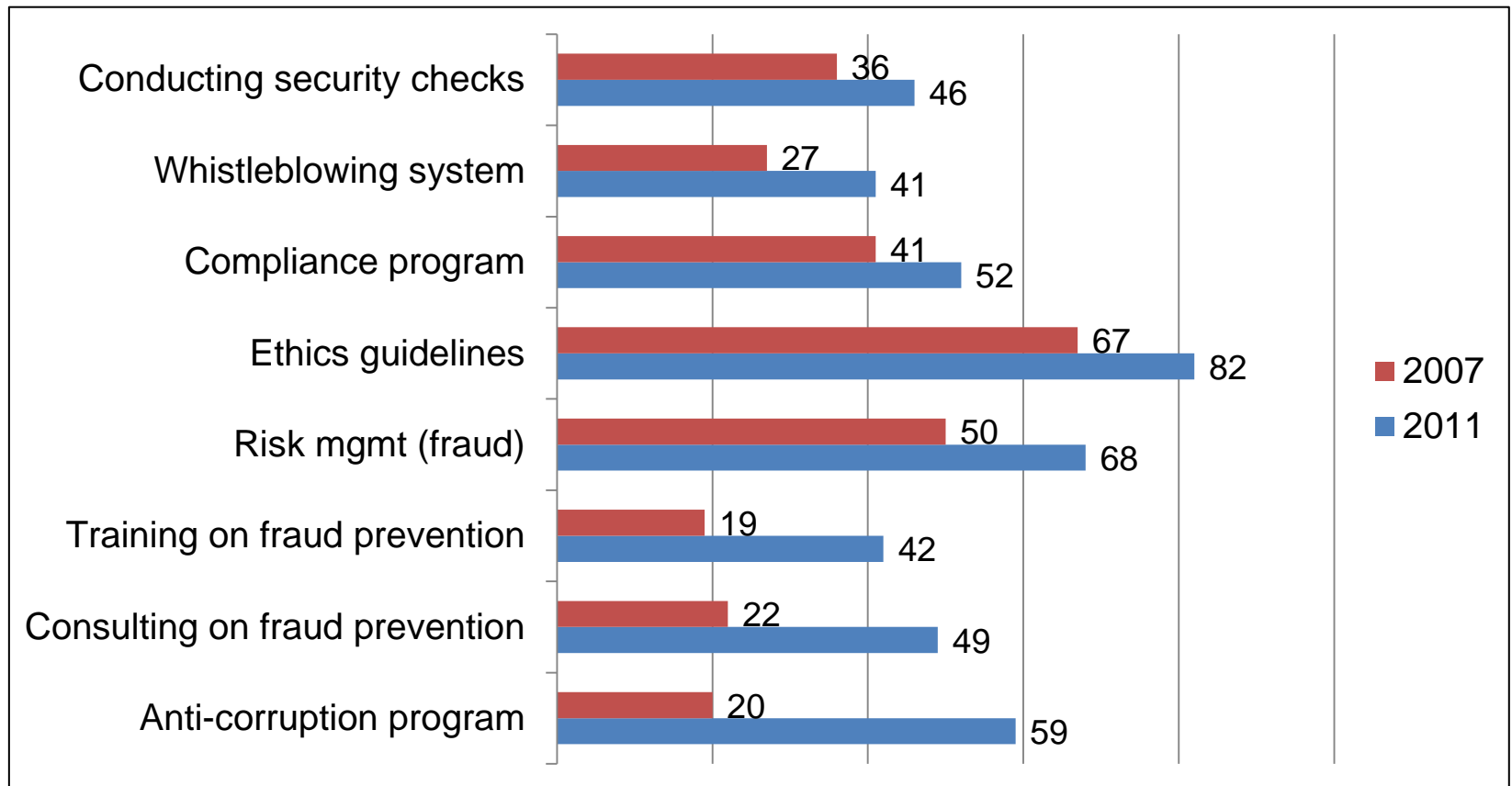
Anti-corruption programs in German companies, in percentage terms



Source: PwC, Studie, Wirtschaftskriminalität 2011, n= 830

Combating corruption – The company perspective

Measures to prevent white-collar crime, in percentage terms



Source: PwC, Studie, Wirtschaftskriminalität 2011, n= 830

Combating corruption – The company perspective



Integrity

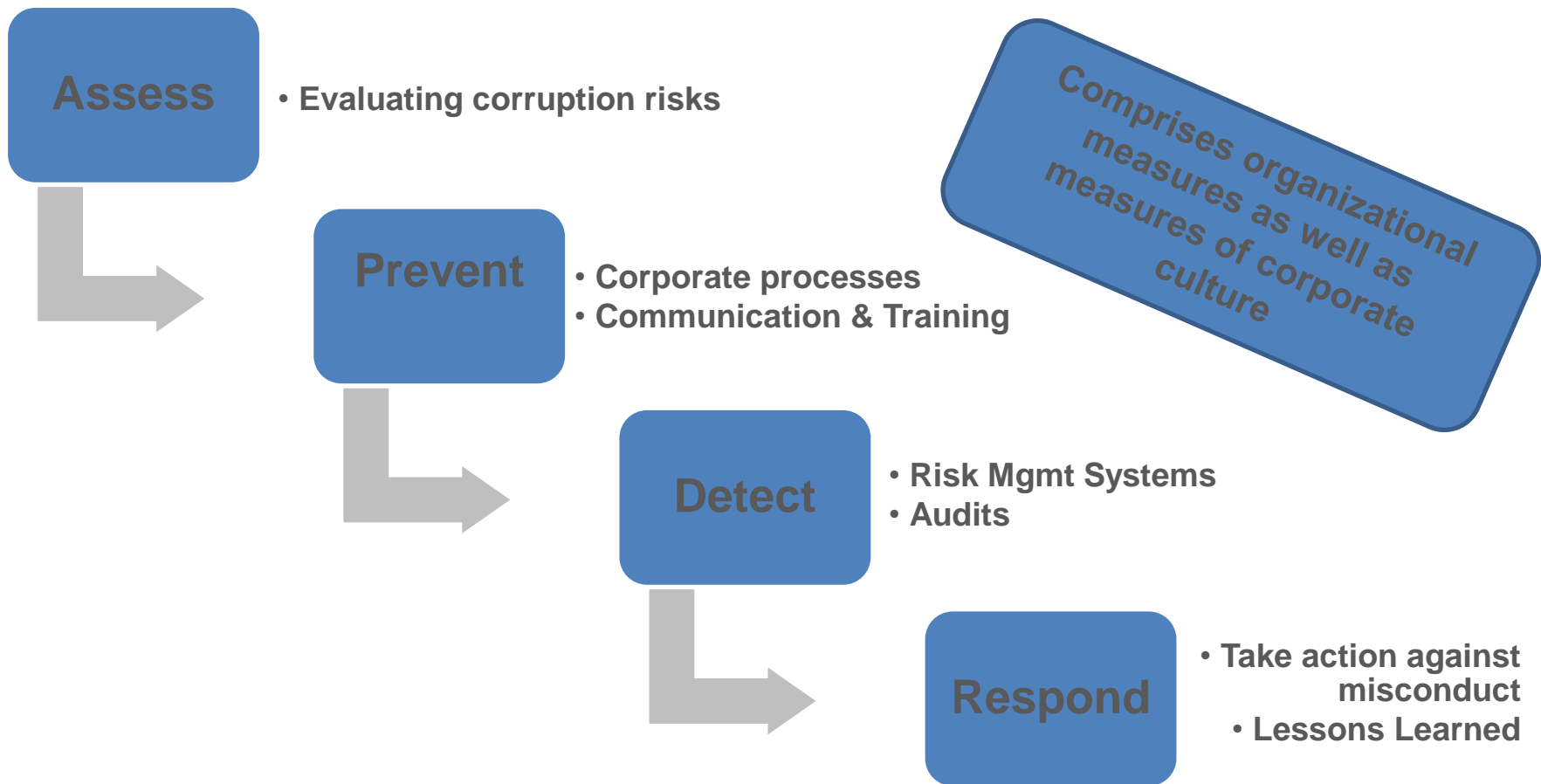
- Corporate Culture
 - Transparency
 - Communication
 - Tone from the Top
 - Ethical leadership
 - Codes of Ethics/Code of Conduct



Compliance

- Transparent guidelines
- Compliance Officer
- Whistle-blowing system
- Organizational measures
 - Two-man rule
 - Task sharing
 - Rotation principle
- Compliance training of staff
- Evaluation
- Systematic risk analysis
- Disclosing and sanctioning of misconduct

Combating corruption – The company perspective



Combating corruption – The political perspective

TI suggestions for effectively combating corruption

- Prosecute companies, not single members of staff
- Reduce fines for companies, if credible anti-corruption programs are implemented
- Sanctions should go beyond monetary sanctions or prison sentences:
 - Make use of debarment lists
 - Apply leniency policy

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