

**Committee:** Group of 20

**Issue:** Combating Corruption in the Private Sector

**Student Officer:** Ioanna Taxopoulou

**Position:** Co-Chair

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## PERSONAL INTRODUCTION

Dear Delegates,

My name is Ioanna Taxopoulou, I am currently attending the 11<sup>th</sup> grade at the German School of Thessaloniki and I am pleased to inform you that I will be serving as a co-chair in the 2nd DSTMUN in the G20 committee.

As a start, I would like to congratulate you for participating in this year's DSTMUN and remind you that it is up to you to make it fun and full of interesting debates.

This study guide refers to the third topic of our agenda, namely, combatting corruption in the private sector. The study guide's goal is to give you some basic information on the topic and a slight direction concerning your country's policy and where you should stand during the debate. I recommend you take a thorough look and carefully read the information gathered as well as to check out the bibliography. However, it would be wise if your research didn't stop there. You should all conduct further research on your own, for a more complete perception of what your country stands for in general and what it stands for in this particular debate.

To recapitulate, I want all of you to know that MUN is a great experience from which you can only gain. From learning how to react to any disagreement, to forming new friendships, to learning about anti-corruption laws, MUN is full of new experiences and gaining knowledge.

In the hopes that you are already as excited as I am, I would like to inform you that I'm always available to you, should you need any further explanations on this study guide or topic or have any questions regarding your country's policy or the rules of procedure. My email address is [ioannatt@gmail.com](mailto:ioannatt@gmail.com). Feel free to contact me at any time.

Kind regards,

Ioanna Taxopoulou

## TOPIC INTRODUCTION

The economy is nowadays separated into two sectors: the public and the private sector. The private sector is the part that stays irrelevant to the government and is run by individuals and companies, whose profit is not state-controlled. It is vital to be aware of the fact that private companies have a huge influence on many crucial public spheres such as energy or healthcare.

Generally, corruption is the suboptimal implementation of the relevant legislation. Corruption pertains to various types of law-violations by businesses where power is misused to favor their own private benefit. Corruption is strongly related to the level of development of each country. The weaker the legislation or the laws of property are, the higher are the levels of corruption in a country. It is only normal; however, that one leads to the other. It is difficult for a country to fight corruption and apply formal rules whilst having a low level of development.



**Figure 1: A sketch that showcases what corruption is.**

Many companies use secret subsidiaries and partnerships, try to influence political decision making (illegally), take advantage of tax laws or legal loopholes to hide corrupt acts. Since private companies are a huge part of the economy and are part of the market, it is clear why corruption in the private sector interferes with taxpayer's interests.

## DEFINITION OF KEY TERMS

### Public Sector

The public sector (also called the state sector) is the part of the economy composed of both public services and public enterprises.

### Private Sector

The private sector is the part of the economy that is run by individuals and companies for profit and is not state-controlled.

## Public Services

Public service is a service which is provided by the government to people living within its jurisdiction, either directly (through the public sector) or by financing provision of services.

## Public Enterprises

A state-owned enterprise (SOE) is a business enterprise where the government or state has significant control through full, majority, or significant minority ownership.

## Corruption

Corruption can be defined as dishonest or fraudulent conduct by those in power, typically involving bribery.

## Legal Loopholes

A loophole is an ambiguity or inadequacy in a system, such as a law or security, which can be used to circumvent or otherwise avoid the purpose, implied or explicitly stated, of the system.

## BACKGROUND INFORMATION

The word corruption comes from the Latin word “corruptus” which means “corrupted” or in juristic terms the abuse of a credible position with a view to gain material benefit, an act which was not legally justified.

However, the actual history of corruption is said to be closely related to the beginning of the creation of law and the state.

## Corruption throughout history

The earliest records of corruption date back to the time of the Assyrian civilization, the thirteenth century BC, where bribing was a standard way of transactions.



**Figure 2: Terms that relate to corruption**

Later on, under Roman law, corruption was defined as giving, receiving or claiming benefits having as an ultimate goal the influence of an official concerning his work. In trying to fight corruption, the Romans passed a law where, should anyone be found guilty of undertaking an act deemed as corrupt, they were obligated to pay a reimbursement for damage, double the value of the damage and to also lose their political rights. However the law was found ineffective as most corruption was undertaken by the members of the Senate and senior state officials, both within Rome itself but also in the remote Roman provinces.

In the beginning, where the Christian faith was still considered young, it managed to condemn corruption, however not for long. Entering the Middle Ages, where the Church had congregated most power upon itself, the levels of Church corruption achieved their peak.

### Feudalism

Early Feudalism was known for laws where punishment for bribing the court was the death sentence. Later, much like Roman law, feudal conduct demanded that one take away an individual's political rights if they were found guilty of corruption. By the end of the Feudal era, countries became unable to fight corruption, consulting to the first establishment of a special court that would specialize in corruption (France, 1716). The extent of corruption however was so wide, that in 1717 the court was abolished and a general amnesty was created.

Despite the fact that corruption is a phenomenon that exists since antiquity, it has only been given attention in the most recent period. Countries and international institutions began to pay attention to the phenomenon of corruption in the 20<sup>th</sup> Century, and it was only then when research on the problem and its negative impacts was conducted.

### Causes of corruption

Corruption does not occur nor is developed through any specific phenomenon. The factors that cause corruption differ from country to country. Generally, most of the time, countries that suffer from corruption are countries that have low income, a closed economy, low media freedom and/or a relatively low level of education. Corruption is developed through a wide range of factors, such



**Figure 3: A sketch that displays the way bribery can change the way officials'**

as: the political and economic environment and the professional ethics and legislation of the country or other solely ethnological factors, namely customs, habits and traditions.

### Political and Economic Environment

Corruption is widely affected by the political situation of a country. The more restrictions are implemented on the economy, the more willing individuals and companies are to pay their way off these restrictions. Corruption especially thrives wherever regulations give officials the opportunity to decide upon the extent of the government's discreetness or invasiveness. Less corruption seems to appear in countries which have higher economic and political freedom.

However, freedom sometimes comes at a cost. Ineffective and unclear regulations slow down the bureaucratic procedure and individuals are therefore encouraged to pay bribes in order to speed things up.

### Professional Ethics and Legislation

The lack of specific legislation that classify corruption as a criminal offence and the lack of persecution and sanctioning thereof also conduct in the spreading of corruption within a country as there is no fear of any form of punishment, should an individual get involved in any case of corruption.

The lack of professional ethics is a particularly difficult issue to solve, as different amount of time is required to develop or change the countries' professional ethics and standards. In developing countries, which are no stranger to professional standards changing overnight in order to approach their developed counterparts, some less serious acts of corruption are considered to be justifiable and acceptable. Due to such lack of professional ethics in countries that otherwise have a great handle on corruption, there arises the phenomenon legal corruption.

### Customs, Habits and Traditions

Countries have different ways of handling corruption. Taking Europe as an example, within Europe itself there are two extremes, complete intolerance for corruption in the North to corruption being a socially acceptable phenomenon in the South. There also appears to be a difference between countries that have a



***Figure 4: Bribery can be used by companies to make government officials ignore their illegal actions.***

democratic past and have always been prosecuting corruption as a felony, and mostly former socialist countries, in which corruption was more than a common phenomenon.

## **MAJOR COUNTRIES AND ORGANISATIONS INVOLVED**

### **Somalia**

Somalia is the world's most corrupt country according to the latest report by TI. Its economy is widely based on the informal sector, and particularly on livestock, remittances and telecommunications. However there's a huge lack of accountability in the public profits and expenses and so a federal Anti-Corruption Commission was put into place in 2011 to try and eliminate the graft.

### **South Sudan**

Amongst the worst in the whole world when it comes to corruption lies South Sudan, a nation where there has been a kleptocratic system developed by the nation's elite that controls every part of the South Sudanese economy. The nation faces a complete lack of regulations to combat fraud and corruption even concerning government officials.

### **Denmark**

The 2018 Corruption Perceptions Index from TI ranks Denmark in the first place. The ethical behavior of businesses and companies towards public officials, politicians and the reporting standards amongst them are very strong. However in 2013 there was some concern expressed by the Organization for Economic Cooperation and Development about the lack of enforcement of anti-corruption laws.

### **Germany**

Germany possesses a strong institutional setup that gives it the ability to sufficiently prevent corruption. Despite being ranked in the 12<sup>th</sup> place, Germany is no stranger to corruption. According to Transparency International, petty corruption in Germany is not as uncommon as in other European countries, while the most corrupt institutions in the country are political parties and businesses.

### **United States of America**



In the 2018 Corruption Perception Index, TI ranked the USA as the 22<sup>nd</sup> least corrupt country. USA's corruption revolves around the government officials misusing their power for their own private gain, such as but not limited to bribery.

### Transparency International (TI)

Transparency International is an international non-profit organization that combats corruption through drawing public attention to corruption issues and cooperating with institutions that investigate and expose individual cases of corruption.

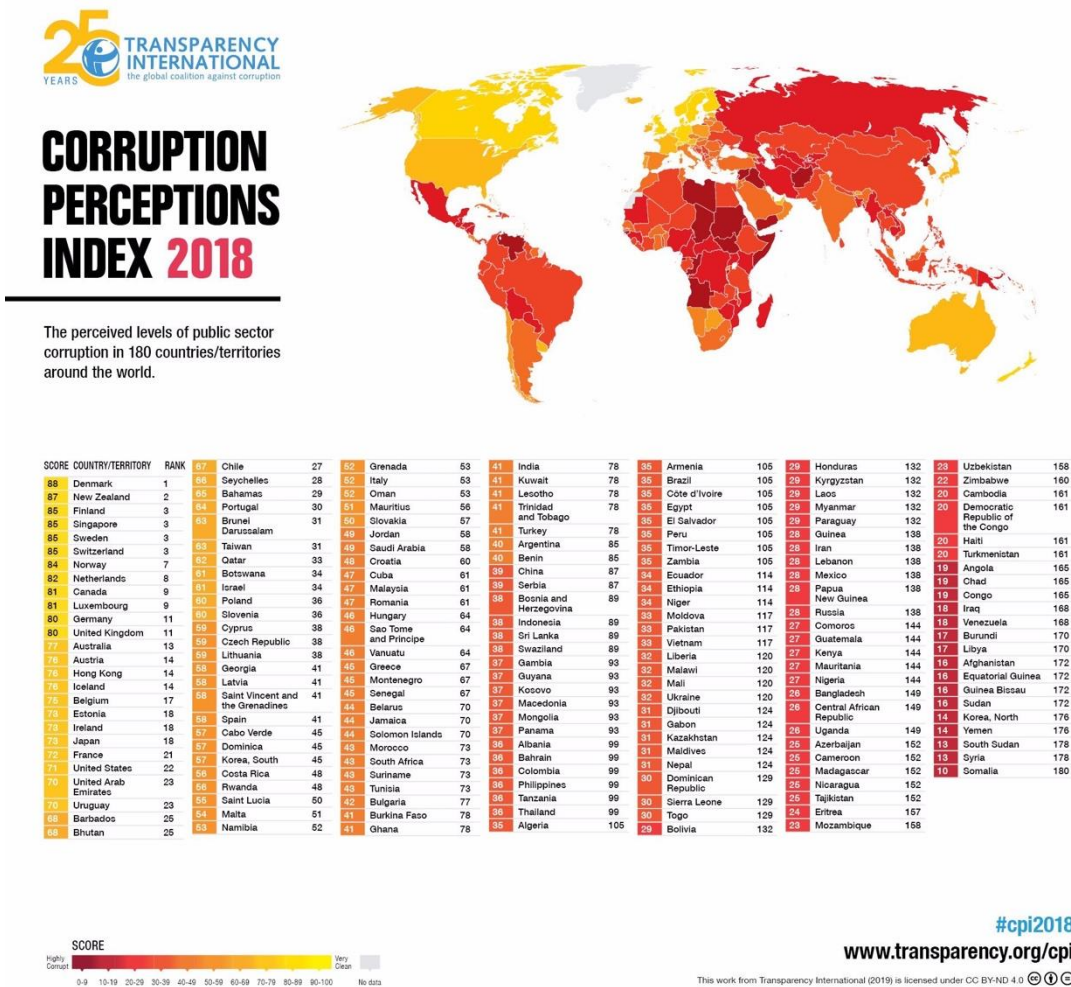


Figure 5: Transparency International's Corruption Perception Index 2018

## TIMELINE OF EVENTS

Date	Description of event
1716	The creation of a specialized court for corruption in France.
1717	The abolition of the specialized court and the introduction of a general amnesty concerning the extended phenomenon of corruption in France.
1983	The first International Anti-Corruption Conference (IACC) was held in 1983 in Washington D.C. in association with local governments and organizations. It is held every two years in a different country.
4th May 1993	Transparency International is founded.
29 <sup>th</sup> March 1996	Organization of American States (OAS) adopts the Inter- American Convention against Corruption, the first international agreement to address corruption.
31st October 2003	Adoption of the UN Convention against Corruption by the UN General Assembly

## RELEVANT RESOLUTIONS, TREATIES AND EVENTS

### United Nations Convention against Corruption

The UNCAC is the only instrument concerning corruption that is legally binding. Adopted in 31<sup>st</sup> of October 2003 (RES 58/7), the Convention covers five main areas: preventive measures, criminalization and law enforcement, international cooperation, asset recovery and technical assistance and information exchange.

### UNGA A/RES/51/59 on the topic of “Action against corruption”



This resolution aims to deepen the interference of Criminal Justice and the Commission on Crime Prevention concerning the phenomenon of corruption.

## **PREVIOUS ATTEMPTS TO SOLVE THE ISSUE**

### **The first IACC**

The first international attempt to combat corruption was in 1983 when the first Anti-Corruption Conference (IACC) was held in Washington D.C. and started a sequence of IACC's that are since held every two years in a different country.

### **The first Convention against Corruption**

The first international convention addressing the question of corruption was the Inter-American Convention Against Corruption (IACAC) adopted by the Organization of American States (OAS) on 29<sup>th</sup> March 1996

### **The Adoption of UNCAC**

The first official UN action against Corruption was the adoption of United Nations Convention against Corruption (UNCAC), adopted by the United Nations General Assembly on 31<sup>st</sup> October 2003 (RES 58/3) and entered into force on 14<sup>th</sup> December 2005 (in accordance with article 68). The Secretary General requested that the United Nations Office on Drugs and Crime should be designated as the Secretariat of the Convention. The UNCAC is the only legally binding universal anti-corruption document.

On the same day (31<sup>st</sup> of October, 2003) the General Assembly, aside from adopting the United Nations Convention against Corruption, also set the 9<sup>th</sup> of December as the International Corruption Day, with a view to raise awareness on the matter of corruption.

## **POSSIBLE SOLUTIONS**

Companies should develop a zero-tolerance policy towards bribery and corruption through very specific anti-corruption measures and an honest operating environment. Also, companies and the institutions that regulate them should report their finances and actions openly, showing this way that they are committed to clean business.

Governments on the other hand should improve the enforcement capabilities of specific governance agencies and follow anti-corruption policies that realign the interests of private companies and organizations.

Also, in trying to combat corruption, Transparency International has come up with some solutions that are divided in three sectors:

### **Business Integrity**

Business Integrity, thanks to which companies with anti-corruption programs and ethical guidelines have up to 50 per cent less incidents of corruption and lose much less business opportunities than companies without the aforementioned programs, is another crucial element of solving the issue of corruption in businesses. The established “Business Principles for Countering Bribery” (2013) further support companies with a six-step process in order to build an anti-corruption program.

### **Financial Integrity**

Financial Integrity, where corporations work with public institutions, civil society and other businesses to promote transparency and greater accountability from the financial sector is a further measure that can be implemented.

### **Three-dimensional Research and Reporting**

Research and reporting, based on the three dimensions of anti-corruption acts: anti-corruption programs, country-by-country reporting and organizational transparency, are the way Transparency International conducts and publishes research with a view to hold businesses accountable for their activity. Such measures can be also undertaken by national governments.

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