

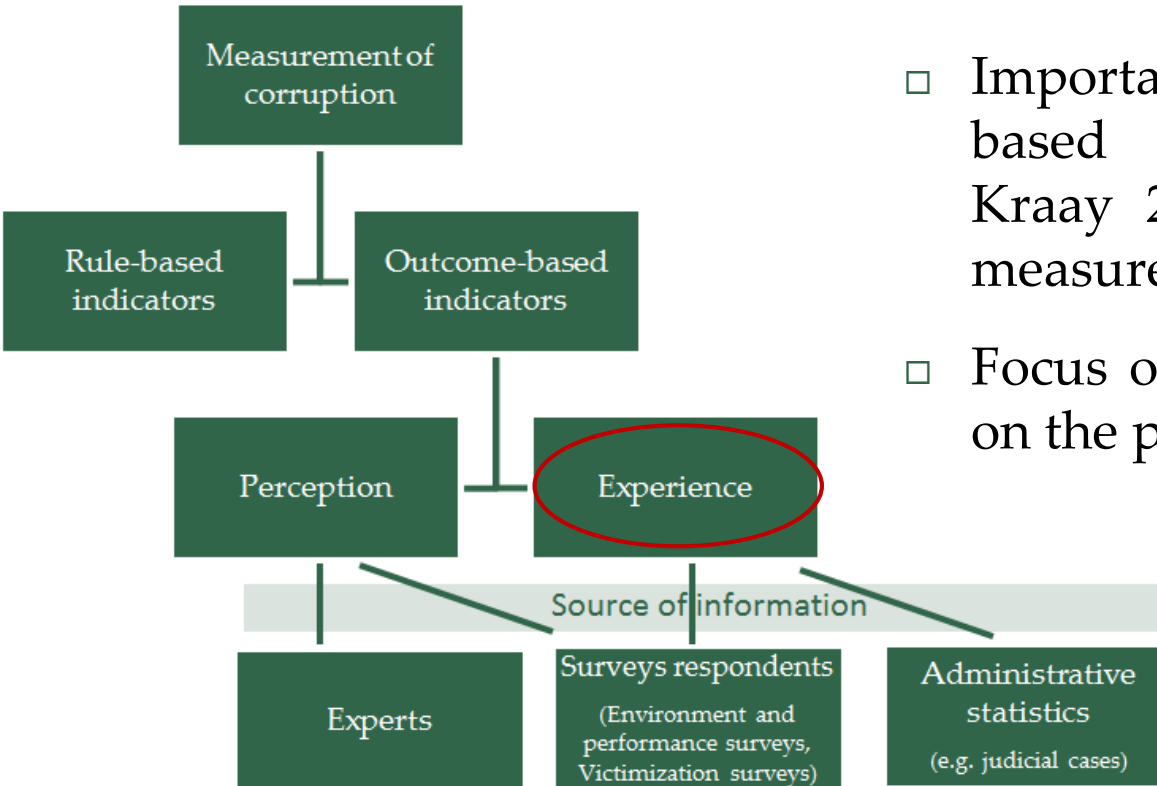


Corruption in the Private Sector: a comparative overview of trends and patterns

2nd International Conference on Governance, Crime and Justice Statistics

Mexico City, June 18th-21st 2014

Measuring corruption



- Importance of going beyond rule-based indicators (Kaufmann & Kraay 2008) and perception based measurements.
- Focus on the experience rather than on the perception.

- Micro-level data from different stakeholders: households, **enterprises**, public officials. Composite indicators.
- Comparability and monitoring over time and across countries.

Existing surveys on corruption in the private sector at international level

Business Crime surveys

Specifically focused on corruption

- ✓ UNODC, *Business Corruption and Crime in the Western Balkans*, 2012-2013.
- ✓ UNODC, *Crime and Corruption Business Survey*, 2005/2006, 2007.

Including corruption together with other crimes

- ✓ Gallup and Transcrime, *Pilot EU Business Victimization Survey (EU BCS)*, 2012.
- ✓ UNODC, *International Crime against Business Survey (ICBS)*, 2000.
- ✓ UNODC, *International Commercial Crime Survey (ICCS)*, 1994.

Other surveys on crime and corruption in the private sector at national level: Bulgaria, China, Finland, Italy, Mexico, Switzerland.

Environment and Performance Surveys

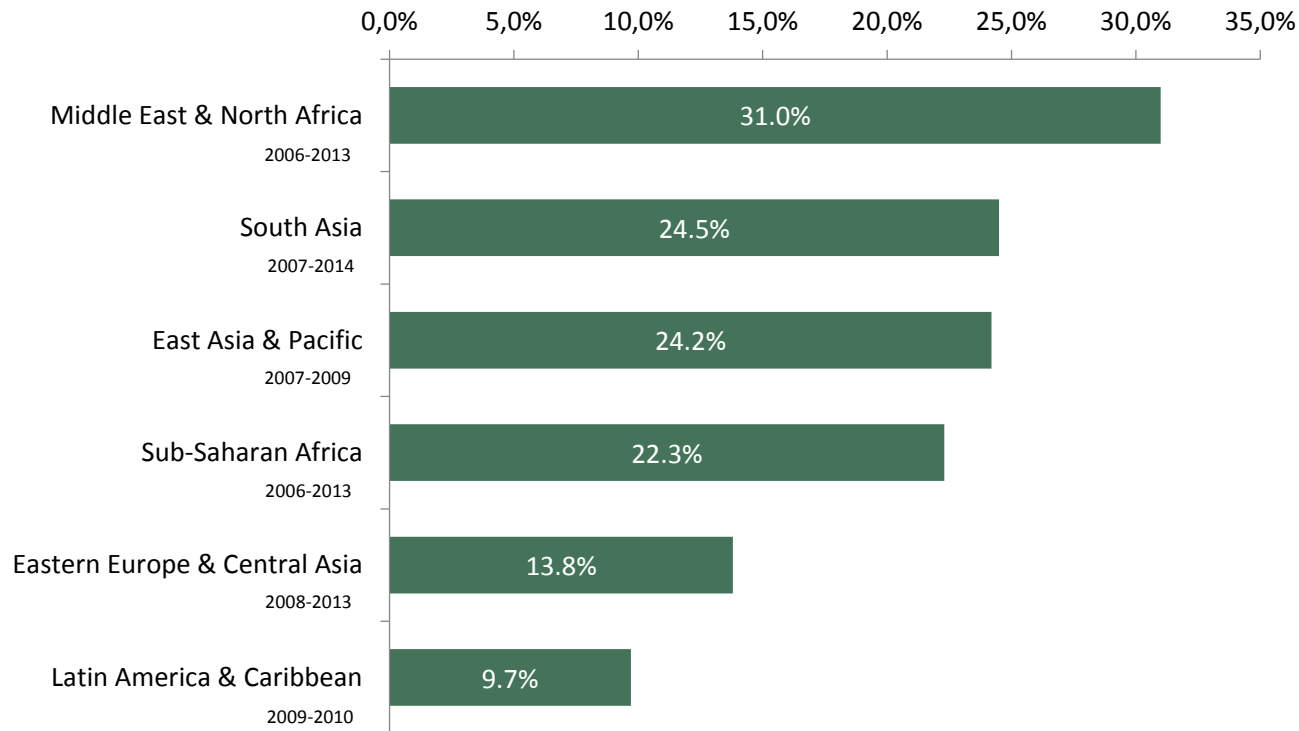
- ✓ World Bank, *Enterprise Survey*, 2002-2014.
- ✓ European Bank for Reconstruction and Development (EBRD), *Business Environment and Enterprise Performance Survey (BBEPS)*, 1999, 2000, 2005, 2008 .
- ✓ World Economic Forum, *Global Competitiveness Survey*, annual since 1996.
- ✓ Transparency International, *Corruption Perception Index*, annual since 1995.
- ✓ Transparency International, *Corruption Bribe Payers Index* (1999, 2002, 2006, 2008, 2011).

Other surveys carried out, on smaller samples, by accounting/audit and insurance multi-nationals, such as PricewaterhouseCoopers, Ernst and Young, KPMG, Control Risk.

Bribe payment requests across different world regions

Caveat: The existing business corruption surveys considered in this presentation have been developed according to different methodological procedures which influenced their findings. Direct comparison of their results has to be careful.

Fig. 1 - % of firms experiencing at least one bribe payment request. Different years



Source: author's elaboration of World Bank Enterprise Survey Data

Bribery and corruption across European countries

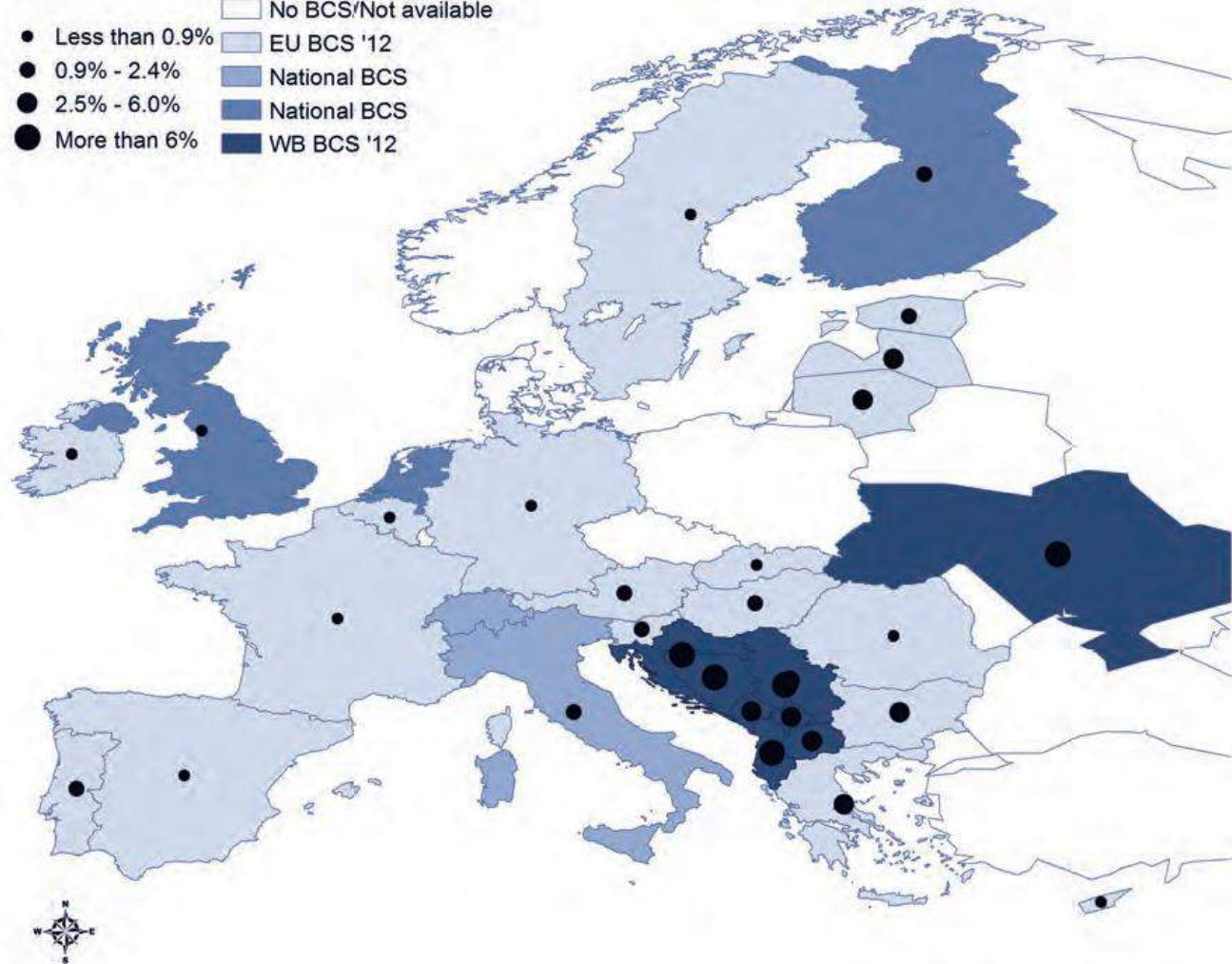
Fig. 2 - Bribery and corruption prevalence rate across European businesses. Different years.

Source: author's elaboration of business crime surveys' results (Mugellini 2014).

✓ At EU level (20 EU MS), the prevalence rate for bribery and corruption is 1% (Dugato et al. 2013).

✓ Across the **Western Balkans** this rate is **10.2%** (Bisogno et al. 2013).

Bribery and corruption rates and types of survey



Tab. 1 – Highest and lowest bribery and corruption prevalence rates across different regions.

EU countries (2012) Average 1%	Lithuania (3.6%)
	Ireland, Belgium (0%)
Western Balkans (2012) Average 10.2%	Serbia (17%)
	Montenegro (3.2%)
Latin America & Caribbean (2009-2010) Average 9.7%	Paraguay (32%)
	Barbados (1%)

Source: author's elaboration of Gallup & Transcrime 2013, UNODC 2014 and World Bank 2014

Tab. 2 – Differences in bribery and corruption prevalence rates across Italian macro-areas.

Italian Business Crime Survey 2008	North-West	North-East	Center	South	Sicily-Sardinia	Italian average
% of companies asked to pay a bribe in the last 12 months	1.1%	1.4%	2.4%	5.2%	3.0%	2.3%

Source: author's elaboration of Mugellini & Caneppele (Transcrime) 2012

Economic sector and size of the business

Tab. 3 – Economic sector and size of the businesses presenting the highest prevalence rate for bribery and corruption.

	Economic sector	Size
EU countries (2012)	Transportation and warehousing (2.3%)	n.a.
Western Balkans (2012)	Construction (12.2%)	Small firms (10-49 employees)
Latin America & Caribbean (2009-2010)	n.a.	Medium firms

Source: author's elaboration of Gallup & Transcrime 2013, UNODC 2013, World Bank 2014

Corruption and employees

The *Swiss Business Crime Survey* (UZH and UNISG) included questions on the **incidents of corruption among commercial and financial companies** between 2008 and 2010, and on the characteristics of the employees involved in these cases (Isenring et al. 2012).

- ✓ **2.5%** (36 cases) of Swiss companies have **experienced corruption**.
- ✓ In the commercial sector, the most serious incidents happened when **employees accepted a bribe from a competitor or from a supplier**.
- ✓ In the financial sector when **employees bribed clients to commit unfair competition**.
- ✓ In both sectors, corruption incidents concentrate on **large businesses with more than 250 employees and with a high turnover**.
- ✓ The majority of the offenders are **males**, between **50 and 60 years old**, holding a **university degree** or a professional degree/apprenticeship, working for the business between three and five years with a **permanent contract** and **not Swiss**.
- ✓ All of them were managers with **full access to the operational activities of the business** (information on clients, transactions, accounts, etc.).

Corruption while doing business overseas

The **Hochschule für Technik und Wirtschaft in Chur** (Switzerland) carried out a study on the risk of corruption for Swiss firms while doing businesses abroad (Becker et al. 2012).

- ✓ **43%** of the Swiss companies interviewed were urged to commit an **informal payment abroad**.
- ✓ **56%** of them accepted to give a bribe to do business abroad.
- ✓ **50%** of these firms paid in order to **get licenses or authorizations from public authorities**.
- ✓ On average **5%** of these companies' annual revenue in the foreign country is used for such **informal payments** .
- ✓ Companies relying on **intermediaries** to do business abroad are those paying more frequently.
- ✓ **A quarter of Swiss firms lost a contract either in the public or in the private market during the last two years because their competitors had given bribes to obtain it.**
- ✓ **10%** have decided **not to do business in a specific country because of the risk of corruption**.
- ✓ **4%** of them have decided to **withdraw from a specific market for the same reason**.

Corruption in international business transactions

- ✓ Across the **Western Balkans**, the highest bribery prevalence rate is registered for customs officers to **clear goods through customs** (UNODC 2013).
- ✓ Across **Latin American** countries, the highest corruption rates are registered when **applying for construction permits** (World Bank 2014).
- ✓ According to the *World Bank Enterprise Survey* data (2000), businesses where **direct export is 10% or more of sales** are generally **more** constrained by **corruption**.
- ✓ A study of *Control risk* and the *Economist Intelligence Unit* (2013) demonstrates that among businesses the most significant challenge is the demand for **operational bribes**. Especially when **import–export activities** or **foreign direct investments** (FDI) are involved (e.g. Panalpina case, USD 81m to settle US FCPA charges relating to bribes to customs officials in west Africa and central Asia).
- ✓ High risk of corruption is also associated with the involvement of **intermediaries** when doing business in a foreign country (e.g. French Total SA).

Conclusions and research directions

- ✓ Huge variations in the level of bribery and corruption across businesses in different countries and economic sectors. **Need to focus on local-level and individual-level data to orient and monitor interventions.** To be complemented with the **need for internationally comparable data.**
- ✓ Existing studies show that **doing business abroad may be a vulnerable area for corruption** in the private sector, especially for countries with a highly intertwined economy.
- ✓ Studying this specific aspect of corruption may help identifying **peculiar patterns and ad-hoc interventions.** As well as monitoring **the effects of policies and legislations.** (e.g. the *OECD Convention on Combating Bribery of Foreign Public Officials* or the *United Nations Convention against Corruption*, the *FCPA* , the *UK Bribery Act*).
- ✓ On-going research in this direction by the University of St. Gallen on *“Assessing areas of vulnerability to corruption for the Swiss firms in international business activities”*.

Thank you for your attention

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