

Kicking Corruption Out of Brazil – Good for Business

By Michael Pedersen, Head, World Economic Forum Partnering Against Corruption Initiative (PACI)

South Africa proved its doubters wrong and produced a superb World Cup in terms of organisation and infrastructure. Next it's Brazil's turn, as host of the 2014 World Cup, to show it's up to the task. As well as for issues relating to safety, poor infrastructure and dilapidated football stadiums, there are concerns about the country's high levels of corruption and questions relating to transparency.

The Uneven Playing Field

With estimates exceeding US\$1 trillion paid in bribes annually at a global level, corruption has become one of the greatest obstacles to socio-economic development. Corruption distorts markets, stifles economic growth, debases democracy and undermines the rule of law.

In Brazil, corruption ranks seventh on a list of the top problematic factors for doing business, according to the World Economic Forum's Executive Opinion Survey, an annual poll of more than 12,600 respondents from 133 countries used for the World Economic Forum Global Competitiveness Report. Corruption ranks higher than political and government instability, workforce education, inflation and public health.

Also, corruption appears much more staggering in Brazil than in other countries in Latin America and the rest of the world. According to the survey, Brazil ranks poorly on a number of institutional factors. Globally, the country ranks 127th out of the 133 countries surveyed in terms of public trust of politicians, 118th on the business costs of crime and violence, 95th on ethical behaviour of firms and 78th on judicial independence.

Tackling Corruption

Tackling Corruption is on the agenda not only for Brazil but for the entire Latin American continent. This week, the Office of the Comptroller-General of Brazil and the Organization for Economic Co-operation and Development (OECD) will bring together leaders from around the globe for the Latin American Conference on Corporate Responsibility for Promoting Integrity and Fighting Corruption at the Fecomércio de Event Centre in Sao Paulo.

This is part of an on-going effort to bring corruption out of the shadows and into the public space. Participants at the conference include leaders of business, government and civil society. They will address the role corruption plays in commercial transactions, the private sector's role in fighting corruption and how Latin American governments can best take the role as a fair and firm referee, levelling the playing field for companies through more effective enforcement of anti-corruption rules and regulations.

The OECD and the Office of the Comptroller-General should be applauded for taking this important initiative in the fight against corruption.

Kicking Out Corruption is Good Business

One of my key messages at the conference will be that companies are both part of the corruption problem and its solution and that fighting corruption makes good business sense.

Fighting corruption actually reduces the cost of doing business. It is the best defence in managing reputation and legal risks around the issue. Companies found guilty of corruption have been fined hundreds of millions of U.S. dollars, are frequently barred from public bidding and are facing huge reputation damage. Companies fighting corruption attract ethically oriented customers and investors and highly principled employees, giving them a clear competitive advantage.

According to Transparency International's 2009 Global Corruption Report, "companies with anti-corruption programs and ethical guidelines are found to suffer up to 50 percent fewer incidents of corruption, and to be less likely to lose business opportunities than companies without such programs. Companies with superior performance as corporate citizens are shown not only to match but often to outperform their peers."

More Companies are Joining the Winning Team

More and more companies are recognizing the importance of joining the fight against corruption. Companies leading the fight against corruption put in place effective anti-corruption programmes to prevent, detect and address corruption in their organizations. Such companies often base their programmes on frameworks developed by one of the four global anti-corruption initiatives working on the supply side of the issue of fighting corruption; International Chamber of Commerce, Transparency International, United Nations Global Compact and the World Economic Forum Partnering Against Corruption Initiative (PACI).

Playing an Offensive Game of Change

Tackling corruption may seem a tall order but as the World Cup in South Africa proved success depends on commitment to change from all players of society - and not least from leaders of business, government and civil society.

Michael Pedersen heads the World Economic Forum Partnering Against Corruption Initiative (PACI). The initiative is the leading, global implementation-oriented anti-corruption initiative. Launched by a group of leading CEOs at 2004 World Economic Forum Annual Meeting in Davos, PACI was established to level the playing field among industry and to help consolidate anti-corruption industry efforts. Among 155 signatory companies from across industries and regions, Brazilian signatories include Amanco Brasil SA, Empresas Petroleo Ipiranga and Petroleo Brasileiro SA Petrobras. Contact Michael Pedersen at paci@weforum.org. More about PACI at www.weforum.org/paci.