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## PAMUN XVIII RESEARCH REPORT— QUESTION OF MOBILIZING THE INTERNATIONAL COMMUNITY TO ACTIVELY COMBAT CORRUPTION

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### Introduction of Topic

The significant impact of corruption can be perceived globally in all sectors: social, economic, and political. Its highly negative effect undermines democracies, leads to political volatility, and weakens economies. In addition, it impacts all parts of the international community: national governments, businesses and corporations, diverse organizations, and individuals. For these reasons, efforts must be made to halt further activity.

Corruption occurs on different scales: it can range from striking small groups of people and individuals to much larger groups such as major organizations and governments.

Likewise, they can occur in different divisions. Mass political corruption can be dated back to the Gilded Age, when political authority was used for personal gain. Today, corruption cases in the fields of education, business, and judiciary are becoming more prominent.

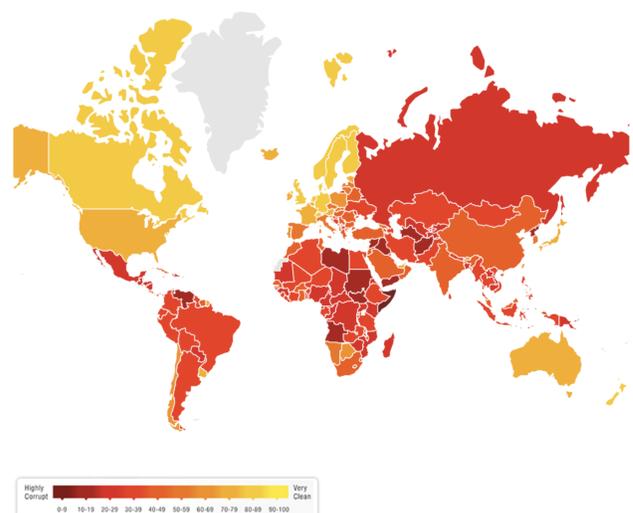
Devising solutions to end corruption will bring communities one step closer to achieving Sustainable Development Goals #10 and #16.

Number 10 calls for reduced inequality:

terminating corrupt activity will create a fairer

environment in all fields. Goal number 16 requests peace, justice, and strong institutions:

coherent and well-founded frameworks must be formulated in order for impartiality to end.



Almost all member states in the United Nations have taken a step forward by adopting the United Nations Convention Against Corruption. However, there is still more to be achieved by the international community. This report will discuss the progress already accomplished and what progress remains.

## **Definition of Key Terms**

### **Corruption**

Please note that due to legal, criminological, and in many countries, political issues, there is no universally accepted definition of corruption that is designated by the United Nations. Instead, there are various forms of corruption depending on the scale of the case and who is involved in it.

However, on a general note, corruption can be stated as the abuse of entrusted power for personal gain; dishonest and illegal behavior.

### **Grand corruption**

The abuse of high-level power for the benefit of few, causing extensive harm to society. Examples include public sector and government corruption.

### **Petty Corruption**

The abuse of entrusted power by public officials towards regular citizens, hindering them from gaining access to basic necessities such as schools and hospitals.

### **Systemic Corruption**

The abuse of entrusted power due to an *organization's lack of structure* and weakness in its policies and practices.

### **Bribery (active and passive)**

There are two types of bribery: active and passive. Active bribery refers to the act of *offering* money or a favor in order to influence the decision or actions of an individual in a position of power/trust. Passive bribery is the active of *receiving* a bribe.

### **Embezzlement, theft, and fraud**

The act of stealing by a person who is exploiting his/her status of employment. Embezzlement is when property is purloined from someone to whom it has been entrusted. Fraud takes place when an individual provides the possessor of an asset with false information so that he/she will sell it by choice. Theft is the act of stealing: it is linked with both embezzlement and fraud, and many of the other types of corruption.

### **Extortion**

Obtaining something through the use of violence and threats.

### **Favoritism**

The act of showing unfair preferential treatment to one person or group at the expense of another.

### **Nepotism**

The practice of individuals with power or influence favoring relatives, usually by providing them with jobs.

### **Clientelism**

The act of exchanging goods or services for political support.

### **Code of Conduct**

A statement of principles that demonstrates the guidelines for how an organisation, company, or government body should act.

### **Transparency**

The state in which information is fully available to the public.

## **Background Information**

### **Types of Corruption**

#### ***Bribery***

Bribery is the act of offering an advantage as an incentive to influence an illicit action by another individual. Incentives can take various forms: tax advantages, loans, rewards, money or

gifts. Governments, along with the G20, the European Union, United Nations, and the Organisation for Economic Co-operation and Development have taken potent action. It is crucial that all legislation, both on a local and national level, clearly prohibit bribery in public and private sectors.

There are many different types of bribery. Below are various forms according to the United Nations Convention Against Corruption:

- Influence-peddling occurs when public or political officials receive privileges solely due to their status. An example of an advantage is gaining access to Government decision-making.
- Payroll authorities can be bribed to list and pay imaginary/non-existent workers, hence supporting fraud.
- Officials such as prosecutors and judges can be bribed to neglect certain cases from being investigated in order to evade criminal liability. If the case does end up being examined, they can be bribed even further to guarantee the result is a good one.
- Tax authorities and customs can be bribed to decrease or remove tax amounts due, cover-up any proof of illegal activity, and disregard prohibited transactions.
- Officials from any sector can be presented with benefits such as gifts, commissions, and favors from individuals or groups and in return, provide them with their services.
- Employees can be bribed to reveal undisclosed information about the company they work for, giving certain individuals an unfair advantage in the market. This confidential knowledge is often referred to as “inside” information.
- During the contract-making process for any kind of product or service, individuals from either side of the settlement can bribe the employees that formulate the contract to give them the most advantageous terms. This is also known as a secret commission.

Furthermore, reports demonstrating the enforcement of these laws is essential in order for progress to be tracked. By doing this, the OECD’s Convention Report has found that many member states which are part of their Convention do not sufficiently take action against bribery cases.

One of the greatest bribery cases in South America involved Brazilian construction company Odebrecht. In 2016 The group’s chief executive, Marcelo Odebrecht, was arrested along with seventy six other company executives for paying bribes in exchange for deals and contracts in countries such as Venezuela, Argentina, and Colombia. Further consequences

involved signing a leniency deal with United States and Swiss authorities as well paying US\$2.6 billion in fines.

## ***Collusion***



Another type of corruption is collusion, in which a covert agreement between parties is formulated to commit illegal activity such as fraud for economic or personal gain. It is illegal due to antitrust laws in countries such as the United States. However, tacit collusion, which is overt, is considered legal, as competitors from the same industry partner for their mutual benefit *without making any official agreements*. Specific frameworks and instructions must be established to further differentiate these two different types to avoid loopholes and the circumvention of the law. Groups involved in collusion are often referred to as cartels.

Between 2004 and 2006, renowned airlines British Airways and Virgin Atlantic secretly collaborated to increase the pricing of their fuel surcharges. Prices rose from five pounds to over sixty pounds per fare. When this was brought to Virgin Atlantic's team of lawyers, they blamed British Airways; they gained immunity, while the British Office of Fair Trading and the American Department of Justice fined them over US\$400 million dollars. Companies such as these must engage a zero-tolerance policy to such partnerships.

## ***Embezzlement***

Using government or company funds for personal gain makes one guilty of embezzlement. Actors of such activity appropriate the assets through various methods. Records may be falsified in order to conceal activity. Or, false vendor accounts and bills may be generated. Highly complex cases of embezzlement usually involve Ponzi Schemes, in which investors are lured in through the guarantee of abnormally successful returns.

The Madoff Investment Scandal of 2008 came to a close when Bernie Madoff, a highly respected financial adviser was sentenced to prison for life. Considered one of the biggest corrupt schemes in American history, the Ponzi scheme involved the convincing of thousands of investors to give their savings with the promise of consistently high profits. He was found guilty of money laundering, perjury, theft, and eleven cases of fraud.

### ***Money laundering***

According to Transparency International, money laundering can be defined as the process of “concealing the origin, ownership or destination of illegally or dishonestly obtained money by hiding it within legitimate economic activities to make them appear legal.” The money is then used to gain wealth, such as through the acquisition of property or assets. In order to prevent it from occurring, law enforcement agencies such as Europol have installed highly sophisticated systems designed to detect transactions, which have made it harder for electric money transfers to persist. However, many cases still go unperceived. Methods to achieve laundering include physically transferring cash from one place to another, gambling, real estate purchases, or black salaries, in which companies refrain from using official contracts and pay their employees with illicit cash.

In 2005, Wachovia Bank was involved in an ongoing investigation by the Drug Enforcement Agency (DEA) in the United States. It was discovered that Mexican drug cartels were smuggling money across the US border into Mexico, where it was deposited into Mexican accounts. Since US and Mexican guidelines aren't alike, the origin of the money was never questioned. For this reason, the money was able to be wired back into Wachovia's accounts in the US, unscathed. Wachovia was fined over 123 million pounds for allowing this to proceed for over three years and for lacking a proper programme to prevent such activity. In addition, more than 20,000 kilograms of cocaine were seized.

### ***Identity Theft***

This is the theft of personal information in order to perform actions in the name of the person whose identity has been stolen. Victims of identity theft have great difficulty to establish their innocence, while their credit cards, driving license, etc ... have been used fraudulently.

## **The Impact of Corruption**

Corruption impacts societies in a multitude of ways. In the worst cases, it costs lives. Short of this, it costs people their freedom, health or money. The cost of corruption can be divided into three main categories: political, economic, and environmental.

From a political view, corruption counters every principle of democracy. Institutions lose respect in the eyes of the population and are unable to pursue accountable leadership.

From an economic standpoint, corruption drains national wealth. Corrupt politicians may use scarce resources to invest in projects that bring them personal fortunes yet do not enable the nation to prosper as a whole. Rather than spending for the construction of public services and transportation (schools, hospitals and roads), they spend money on high-profile projects such as pipelines and refineries that benefit the population to a very small extent. This can further prevent developing countries from increasing their growth domestic products. It also tends to concentrate wealth within a social class, widening the gap between the rich and poor.

Moreover, environmental degradation goes hand in hand with corrupt systems. Bribing can lead to loose enforcement regulations, resulting in the exploitation of resources and the ravaging of ecosystems.

## **Major Countries and Organizations Involved**

### **Anti-corruption agencies**

Over 45 countries have their own anti-corruption agencies focused on devising solutions and frameworks to further the fight against corruption. Many of these collaborate closely with other international organizations through a variety of initiatives, programs, and resolutions to help achieve an international approach to solving the issue.

### **UNODC**

The Corruption and Economic Crime Branch (CEB) played a key role in forming the Convention against Corruption in 2005, offering a framework for effective action and

international cooperation. The treaty introduces a set of guidelines that all member States can implement to bolster the regulations to fight corruption. It encourages preventative measures and direct criminalization of the guilty in both public and private sectors. It also requires nations to immediately return assets stolen through corruption. The Conference of the States Parties (COSPP), the main policy-making body of the United Nations Convention against Corruption, serves as a support system to States, helping them implement anti-corruption action and cooperation between one another. In addition, The UNODC collaborates with schools to spread awareness on corruption and its detrimental consequences.

### **Transparency International**

Transparency International is a non-governmental organization whose sole purpose is to fight corruption. They aim to spread awareness about this prominent issue through diverse initiatives such as their "Corruption Perception Index", which indicates corruption levels across all countries, and the "Anti-Corruption Glossary", dedicating to informing about all types of corruption and the importance of combating them. As of April 2015, they began publishing commentaries by experts in the field.

### **The World Bank**

The World Bank Group is a crucial actor in fighting corruption in bank-financed projects. Last year, the Bank's Integrity department (INT) led several investigations, involving over 65 projects and the review of approximately 166 contracts and agreements worth about \$818 million. They finally authorized 60 entities. Following the Anti-Corruption Summit in May 2016, the World Bank agreed to commit themselves to help both state and non-state actor implement policies and practices that improve results and build integrity through reinforcing transparency and supporting anti-money laundering.

### **OECD (The Organisation for Economic Co-operation and Development)**

In 1989, The OECD formed a Working Group to explore "...the concepts fundamental to the offense of corruption, and the exercise of national jurisdiction over offenses committed wholly or partially abroad." They presented the "OECD Anti-Bribery Recommendation", a precursor for the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The OECD Anti-Bribery Convention sets legally binding rules which criminalize bribery of foreign officials in international business transactions and publishes yearly recommendations that nations can follow to progress in this area.

## IACA (International Anti-Corruption Academy)

The International Anti-Corruption Academy is an organization based in Austria focused on educating the public and professionals of all sectors about the field of anti-corruption. They offer a variety of educational opportunities, including tailor-made trainings, academic degree programmes, and anti-corruption think-tank, and benchmarking activities. It was launched in March 2011 by the UNODC, the Republic of Austria, INTERPOL, and the European Anti-Fraud Office (OLAF). They are observer to an array of bodies including the UN General Assembly and Economic and Social Council (ECOSOC). The IACA is also a signatory to the UN-backed Principles for Responsible Management Education (PRME) initiative, with the objective of accomplishing the UN Sustainable Development Goals (SDGs) through responsible management education.

## Timeline of Events

<i>Date</i>	<i>Description of Event</i>
1995	Corruption Perception Index is established.
1997	The OECD Anti-Bribery Convention is signed.
2001	Transparency International's annual Global Corruption Report is first published.
2004	Airline collusion case
2005	Wachovia Bank money-laundering case
14 December 2005	United Nations Convention Against Corruption is signed.
2008	The Madoff Investment Scandal
May 2015	FIFA Corruption Case

2016

Odebrecht Bribery Case

May 2016

Anti-Corruption Summit in London

## Relevant UN Treaties and Events

- Action against corruption, 12 December 1996 (**A/RES/51/59**)
- An effective international legal instrument against corruption, 22 January 2001, (**A/RES/55/61**)
- Strengthening international cooperation in preventing and combating the transfer of funds of illicit origin, derived from acts of corruption, including the laundering of funds, and in returning such funds, 24 July 2001 (**E/RES/2001/13**)
- United Nations Convention Against Corruption, 14 December 2005
- The United Nations Handbook on Practical Anti-Corruption Measures and for Prosecutors and Investigators
- Doha Declaration Global Programme, United Nations Office on Drugs and Crime
- Global Corruption Report by Transparency International, annual

## Main Issues

### Lack of transparency

Government and agencies are held accountable to their citizens. Yet, they do not always reveal the decisions they are taking behind the scenes, which can include information about their executive structure and fund managing. Thus, the public is unaware if practices are free of conflicts of interest and are in accordance with the clear rules set in place.

### Election and recruitment process

Governments and agencies consistently elect or hire new officials, increasing the possibility of corruption if their standard of selection regulation methods are weak. Election results can be altered due to weak preventative mechanisms and proper methods. Moreover, corporate contracts may fail to include anti-corruption agreements, giving the companies leeway to act in dishonorable manners.

## **Fear of corruption reporters/whistleblowers**

Witnesses of corruption hesitate reporting the acts to national authorities due to fear. The largest problem is that the government itself is usually the guilty party and have the power to strip the citizen of their freedom. (For example, they may fabricate a case and sentence them to prison). Thus, corruption continues unopposed. Although measures by independent organisations have been put into place to protect them, it still remains a problem.

## **Offshore tax havens**

Tax havens, also known as fiscal paradises, can become criminogenic environments, and hence making illegal activities profitable. According to the Tax Justice Network, “corporate tax avoidance costs governments \$500bn a year, while personal tax avoidance costs \$200bn a year.” One of the main methods corporations use is corporate profit-shifting: they register their headquarters from a high-corporation tax jurisdiction to a low one, enabling them to reach tax rates closer to zero. The secrecy that encompasses such havens can lead to all types of corruption.

## **Excessive discretion**

Certain systems and structures such as organizations and governmental bodies lack discretion, thus facilitating corruption. Although transparency should be widely encouraged, ensuring that proper confidentiality measures are established between the different branches within a system and others organizations is key, as it will hinder individuals from disclosing restrictive information.

## **Money laundering**

Money laundering, “the concealment of the origins of illegally obtained money, typically by means of transfers involving foreign banks or legitimate businesses” is one of the most prevalent and easiest forms of corruption to engage in. This is due to deficient bank systems who are unable to detect the acts and hinder them. Often, money laundering, along with various other forms of corruption, occur transnationally, meaning more than one country must address the crime and sanction punishment. Since each country has their particular frameworks and procedures, international cooperation is essential for a just consensus to be achieved. A deficit in such joint action is encouraging money laundering to persist.

## **Previous Attempts to solve the Issue**

### **Conventions**

The Inter-American Convention against Corruption (adopted in 1996), the Convention on the Fight against Corruption involving Officials of the European Communities or Officials of Member States of the European Union (adopted in 1997), the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (adopted in 1997) are few among many which strengthen measures to prevent and combat corruption more efficiently. For instance, they have promoted international cooperation and technical assistance in asset recovery, created frameworks for accountability, and established guidelines for the proper management of public property.

### **United Nations Convention against Corruption (UNCAC)**

The United Nations Convention against Corruption (UNCAC) is a multilateral treaty adopted by the United Nations General Assembly on the 31st October 2003. According to the UN Office on Drugs and Crime, the convention covers five main areas: “preventive measures, criminalization and law enforcement, international cooperation, asset recovery, and technical assistance and information exchange.” It tackles various forms of corruption - from bribery to private sector malpractice. Currently, 182 states have signed the treaty; only 12 have not ratified it.

### **The Stolen Asset Recovery Initiative (StAR)**

According to managing director of the World Bank Yury Fedotov, developing countries lose between US\$20 to US\$40 billion each year through bribery, misappropriation of funds, and other corrupt practices. Recovering stolen assets by ways such as tracing, freezing, or confiscating them is an extensive and complex process. The Stolen Asset Recovery Initiative (StAR) was initiated in 2007 by the World Bank and the United Nations Office on Drugs and Crime (UNODC) to encourage countries to ratify the United Nations Convention against Corruption. The partnership supports international efforts to eliminate safe havens for money laundering and works with the financial centers of developing countries to prevent laundering of donations that are supposed to be contributing to economic growth.

### **TRACK**

TRACK, the central platform of “Tools and Resources for Anti-Corruption Knowledge” was developed by the United Nations Office on Drugs and Crime (UNODC). It brings together data on corruption and asset recovery, enabling member states and the general public to access information. Users may search based on criteria - for example, the Legal Library is searchable by country, legal systems and levels of human development.

### **CleanGovBiz Tool Kit**

The CleanGovBiz Toolkit, provided by OECD, offers guidance to nations by outlining how to address corruption. It includes guidelines on how to “prevent corrupt practices, detect corruption, prosecute delinquencies and remedy the consequences of corruption.” Users are offered priority checklists, implementation guidance with examples of good practices, and access to all existing standards, guides and case studies pertaining to the subject.

### **Possible Solutions**

In this year’s PAMUN conference, delegates are expected to write specialized clauses, which should later amount to a coherent resolution with each of them addressing a specific aspect of the topic. When writing their clauses, delegates are to focus on a specific aspect or a “specialized topic” of the general issue that are outlined by ‘major issues’ and ‘possible solutions’ of this report. During your conference, chairs will deliver their delegates with more specific instructions. However, please keep in mind that these ideas do not in any way set restrictions for debate. Moreover, each solutions have has both its benefits and disadvantages that delegates should thoroughly consider.

In order to combat corruption, strong integration and cooperation are vital. Since modern day cooperation is often transnational in nature or takes place involving multiple different sectors, both internal and external collaboration must be considered.

### **Increasing communication with the public**

Keeping citizens informed is a large deterrent to corruption. Mechanisms must be set in place which require the government / agency to make the public aware of their fund management, contracts, and major decisions. Although the confidentiality of such data must be considered, frameworks must be set in place to facilitate this availability of information.

## **Election and recruitment frameworks**

Nations must maintain and strengthen systems for the recruitment, hiring, and promotion of civil workers and officials. A solution could be creating a framework that establishes concrete measures that could be taken during an election or hiring process to ensure there is no malpractice. Moreover, companies must ensure that their partners follow certain rules of conduct and should implement clear procedures to address breaches in these standards.

## **Framework to encourage the reporting of corruption**

Governments should facilitate corruption reporting in their nations. The problem is that if the government is corrupt, reporters become liable and could be subject to horrific consequence imposed by the government itself. Thus, the international community must rise to the challenge of supporting the whistleblowers so they can deter corruption whilst being protected.

## **Strengthening bank regulations and operative systems to prevent money laundering**

Banks and financial institutions must have clear outlines for the transmission of money in order to detect all forms of money-laundering. This could include record-keeping and immediately reporting suspicious transactions. Another idea would be the establishment of a unit to serve as a centre for the collection and analysis of information regarding potential money-laundering. This way, the movement of cash could be monitored as it travels across borders, discouraging individuals from continuing the dishonest acts.

## **Reducing procedural complexities**

To minimize systemic corruption, the abuse of entrusted power due to an organization's structure, policies, and practices, eliminating the excessive complexity of its processes is necessary. Governments or organizations with too many complex regulations and layers intensify the potential for corrupt activity: they form environments where it may be difficult to draw a line between correct and inappropriate conduct. Reducing complexity levels could be accomplished through the revising of current protocols and procedures in discussion groups, workshops, and executive meetings.

## **Institution Building**

Since different types of components of institutional cultures and structures affect the corruption that occurs, institutional building and reforms could be a possible solution to counteract such activity. Improvements can include higher accountability within organizations and further transparency in groups through the restructuring and simplification of their operations. In addition, brand new institutions can be established. However, everything must be put in simple and straightforward terms to hinder additional openings for corruption to occur.

Past projects which have attempted to achieve this came to the conclusion that changes must not only deal with the organizations but also those who work in them. Strong leadership which encourages honesty, open-mindedness, and good character within its team must be promoted.

To make these changes, administrative reforms and formal legislative changes must happen. This could range from amendments in existing institutions to the formation of new fundamental laws and constitutions for new ones. Specifically appointed legislative authorities specialized in the field of corruption should oversee such alterations.

Integrity is an essential value that must be highlighted in order for institution building to be successful. All sectors of society dedicated to sustaining this value should be included in the reform process: public sectors groups such as governments at both national and local levels, law enforcement agencies, and “watchdog” agencies like inspectors and auditors, along with private sectors groups like the media, trade unions, and other organizations who are responsible for maintaining transparency across all parts of society.

## For Further Inquiry

“5 Brazen Examples of Price Fixing.” *Mental Floss*, 24 Sept. 2009, [mentalfloss.com/article/22843/5-brazen-examples-price-fixing](http://mentalfloss.com/article/22843/5-brazen-examples-price-fixing).

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UNODC. "UN Convention Against Corruption." *UNODC*, 2005, [www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026\\_E.pdf](http://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026_E.pdf).

## Appendix or Appendices

i. An index which demonstrates the corruption levels of all countries over the years:

[https://www.transparency.org/news/pressrelease/corruption\\_perceptions\\_index\\_2017\\_shows\\_high\\_corruption\\_burden\\_in\\_more\\_than](https://www.transparency.org/news/pressrelease/corruption_perceptions_index_2017_shows_high_corruption_burden_in_more_than)

ii. Different cases of corruption with diverse viewpoints: <https://www.ted.com/topics/corruption>

iii. A deeper breakdown into the sub-categories of corruption:

[http://corruptioncontrol.com/Types\\_of\\_Corruption.html](http://corruptioncontrol.com/Types_of_Corruption.html)

iv. A UN-sponsored website dedicated to corruption information and data:

<http://thefightagainstcorruption.org>

vi. Organizations fighting corruption at a national or international level:

<http://www.anticorruptionday.org/actagainstcorruption/en/resources/index.html>

vi. The OECD toolkit "Integrity in Practice": CleanGovBiz, is to be found here:

<https://www.oecd.org/cleangovbiz/toolkit/>