

# The United Nations Convention against Corruption Safeguarding against Corruption in Major Public Events

## LESSON 14: Involving the private sector in the corruption prevention strategy

The private sector plays a huge role in the preparation of a major event. The potential for sizeable profits attracts various segments of the private sector.

## Working with the private sector

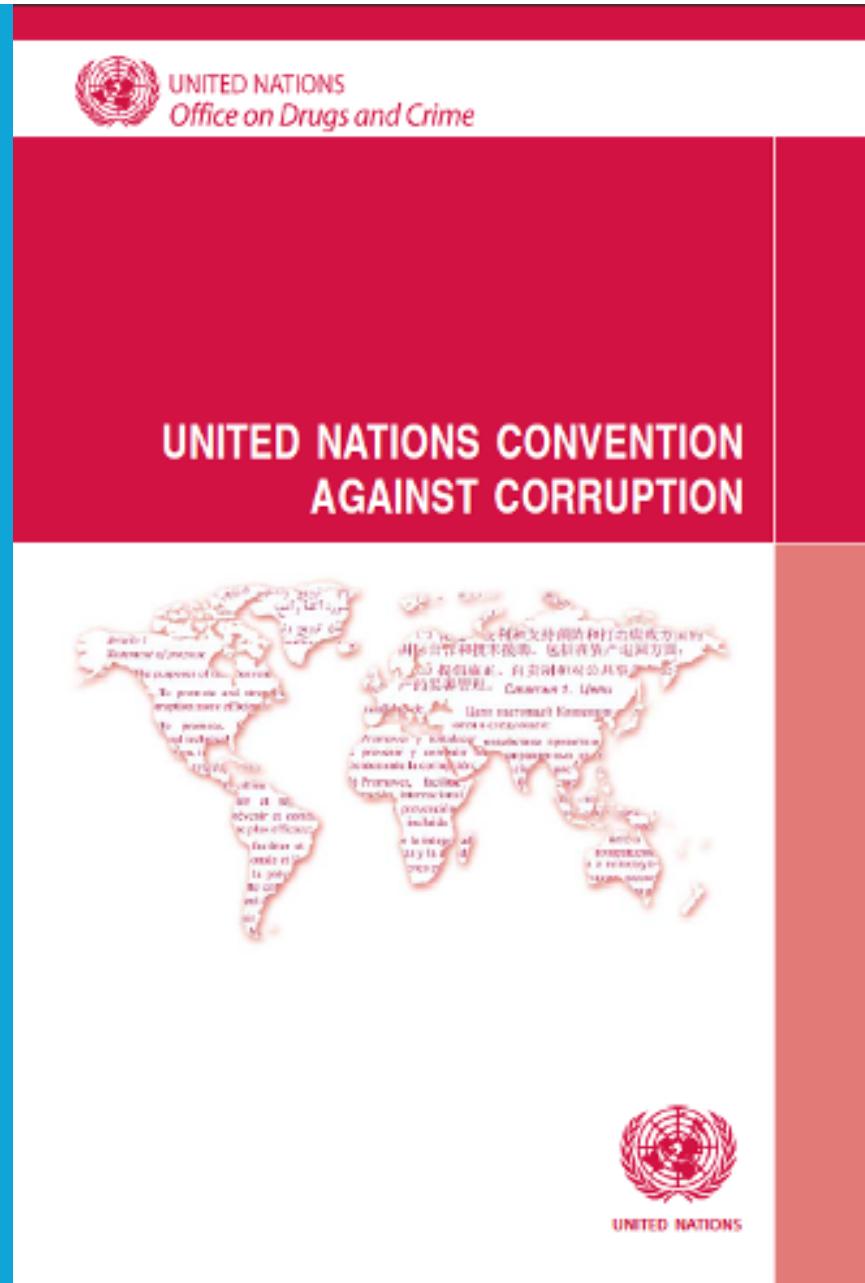
- The relative strength of the private sector's own corruption prevention policies and practices is very relevant to the Authority.
- The Authority can work with the private sector to identify corruption-related risk factors and help the private sector address them.
- Mapping common risks and threats can help in the formulation of effective responses.
- Incentives can be offered for the adoption of good practices.

## In this lesson, we will:

- ✓ Emphasize the importance of working collaboratively with the private sector to prevent corruption;
- ✓ Review measures to prevent corruption in granting and receiving of sponsorships;
- ✓ Consider measures to prevent corruption in relation to the sale of broadcasting rights.

## Article 12 (1) of UNCAC

"Each State Party shall take measures, in accordance with the fundamental principles of its domestic law, to prevent corruption involving the private sector, enhance accounting and auditing standards in the private sector and, where appropriate, provide effective, proportionate and dissuasive civil, administrative or criminal penalties for failure to comply with such measures."



## Measures suggested by UNCAC, article 12(2)

- Promoting cooperation between law enforcement agencies and relevant private entities;
- Promoting the development of standards and procedures designed to safeguard the integrity of relevant private entities, including codes of conduct for the correct, honourable and proper performance of the activities of business and all relevant professions and the prevention of conflicts of interest, and for the promotion of the use of good commercial practices among businesses and in the contractual relations of businesses with the State;
- Promoting transparency among private entities, including, where appropriate, measures regarding the identity of legal and natural persons involved in the establishment and management of corporate entities;
- Preventing the misuse of procedures regulating private entities, including procedures regarding subsidies and licences granted by public authorities for commercial activities;

## Measures suggested by UNCAC (continued)

- Preventing conflicts of interest by imposing restrictions, as appropriate and for a reasonable period of time, on the professional activities of former public officials or on the employment of public officials by the private sector after their resignation or retirement, where such activities or employment relate directly to the functions held or supervised by those public officials during their tenure;
- Ensuring that private enterprises, taking into account their structure and size, have sufficient internal auditing controls to assist in preventing and detecting acts of corruption and that the accounts and required financial statements of such private enterprises are subject to appropriate auditing and certification procedures.

## Bribery in the private sector

- Keep in mind that UNCAC requires States parties to consider adopting legislation and other measures not only to prevent bribery of public officials and bribery in the private sector, but also to establish them as a criminal offences in law (articles 15 and 21).
- Some of these laws make a company liable to prosecution if a person associated with it bribes another person intending to obtain or retain an advantage in the conduct of business for that organization.

## Cooperation with the private sector to prevent corruption (see section 7.1 of the Corruption Prevention Checklist)

- The Authority may work with the business community, suppliers and contractors and make them an integral part of its anti-corruption plans and activities.
- Integrity agreements (pacts) may be encouraged among key stakeholders to encourage transparent, ethical and collaborative public-private partnerships and to encourage an anti-corruptive culture.
- A sectoral approach can be used to work with different sectors to encourage a sense of communal accountability and professional pride in maintaining a high level of integrity.

## The United Nations Global Compact

- The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.
- Principle 10 of the ten core principles: Businesses should work against corruption in all its forms, including extortion and bribery.
- Companies are challenged to join governments, UN agencies and civil society to realize a more transparent global economy.

## Anti-corruption responsibilities of a private entity

1. Conduct a corruption risk assessment, pre- and post event - prioritize risks
2. Adopt anti-corruption policies, both preventative and reactive
3. Adopt policies for retaining agents and consultants, and perform extensive due diligence
4. Adopt travel and gift giving rules, and monitor carefully
5. Create approval process for facilitating payments
6. Develop guidance for charitable giving, and monitor
7. Policies and due diligence procedures for M&A, JV's, licenses, sponsorships and manage COI
8. Conduct training
9. Implements anti-corruption financial controls and procurement procedures
10. Internal and external audits for anti-corruption compliance; test for effectiveness
11. Develop cooperation with appropriate public authorities
12. Imbed a culture of integrity

## Anti-corruption programmes in the private sector (see section 7.2 of the Corruption Prevention Checklist)

- The Authority may provide specific guidance to the private sector about how it may achieve compliance with national laws criminalizing bribery and other corruption offences.
- Companies doing business with the Authority must commit themselves to implementing and enforcing a programme to counter corruption.
- Companies must adopt and implement strict anti-corruption policies and procedures.

## Laws regarding the public sector's involvement with the private sector

(see section 7.3 of the Corruption Prevention Checklist)

- National legislation may offer a framework for the prevention of corruption, particularly as it relates to the interaction between the public and the private sector.
- Conflicts of interest regulations and related restrictions are normally imposed on the professional conduct of civil servants. Such measures should apply to the Authority.
- If relevant legislation or regulations do not already exist at the national level, the Authority should set its own conflict of interest rules and make them widely known within both the public and the private sector.



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## Brazil – The Clean Game Project



The Clean Games project seize the opportunity of hosting 2014 World Cup and 2016 Olympic Games in Brazil, to empower the fight against corruption.

The project's overall objective is to promote greater transparency and integrity of infrastructure investments for the **World Cup in 2014** and the **2016 Olympic Games** by creating mechanisms for collective action, monitoring and social control.

- Transparency
- Integrity
- Accountability and Social Participation



# Collective Action

The initiative Clean Games Inside and Outside of the Stadium proposes a Collective Action strategy involving Government, civil society, companies and trade unions, in activities of transparency and social control that seek an opportunity to influence the cultural imagination that is behind the scenes of corruption and impunity in Brazil.



PUBLIC  
SECTOR

COMPANIES

CIVIL  
SOCIETY  
AND  
ACADEMY

TRADE  
UNION

The initiative covers the twelve World Cup host cities, including Rio de Janeiro, home of the 2016 Olympics, and its management will be guided by strategic partnerships.



# Measures to be taken to prevent corruption in granting and receiving of sponsorships

(see section 7.5 of the Corruption Prevention Checklist)

- Sponsorship involves providing funding for an event in return for branding and advertising opportunities or other special privileges or concessions.
- Companies often compete fiercely for sponsorship opportunities related to a major event.
- Sponsoring can be used to gain an undue advantage or subterfuge corrupt payments (e.g. awarding a contract in return for sponsoring of a sports team).
- The Authority should develop and adhere to strict policies for granting and receiving sponsorships.

## The risk of corruption associated with sponsorships

- There is a risk of corruption linked to the lack of transparency and accountability within the organization selling the sponsorship opportunity.
- A sponsor may offer gifts or benefits to individuals within the Authority in order to influence sponsorship decisions.
- A sponsor may use a sponsorship arrangement to cultivate relationships with key people within the Authority in order to influence various internal decisions.
- A sponsor may also offer generous sponsorship terms in return for favourable decisions in relation to regulation, procurement or other obligations.



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# Corruption and sport sponsorships

- The typical high monetary value of sport sponsorship contracts contributes to the risk of corruption.
- The tangible and intangible values of sponsorship contract are difficult to measure (making due diligence and monitoring more difficult than in regular procurement).
- Sponsored sport entities may not have the same level of awareness and governance mechanisms as business .

## The UN Global Compact Management Model



## Risks of corruption for business hospitality

- The line between relationship building and inappropriate hospitality is blurred and very often not clear.
- Awareness of negative consequences of inappropriate hospitality is low.
- For example, sport-related hospitality may provide a high emotional value for low costs (e.g. invitation to the client's favorite local cricket team).
- Difficulty in tracking the final receiver of hospitality.

# Measures to prevent corruption in relation to the sale of broadcasting rights

(see section 7.6 of the Corruption Prevention Checklist)

- Necessary to have a strong, fair, and well managed process for allocating and selling these rights and obtaining fair value for them.
- The competitive bidding and contract negotiation processes are both complex and potentially vulnerable to corruption.
- The media are responsible for adopting their own rules and policies with respect to the acquisition of broadcasting rights for major events. These rules must also govern their relationship with major corporate sponsors of the event.

## Key points to remember

- ✓ An effective strategy for the prevention of corruption in the organization of a major event must build on extensive collaboration with the private sector.
- ✓ The Authority must exercise vigilance in preventing corruption in both the granting and the receiving of sponsorships.
- ✓ The Authority should develop and adhere to strict policies for granting and receiving sponsorships.
- ✓ Measures are also required to prevent corruption in relation to the sale of broadcasting rights. It is necessary to have a strong, fair, and well managed process for allocating and selling these rights and obtaining fair value for them.