



## CORRUPTION AND INTERNATIONAL ORGANIZATIONS THE UNITED NATIONS AND THE WORLD BANK

By Per Larsson / Summarized by Stina Hartikainen

*At a recent ISDP Forum on Transnational Crime the problem of corruption in international organizations was discussed by Per Larsson. He is a PhD Candidate at the Stockholm University Faculty of Law, writing his dissertation on the legal problems faced by international organizations in dealing with corruption. This summary was compiled by Stina Hartikainen.*

With the number of international organizations steadily increasing since the end of World War II, their presence is increasingly felt in all spheres of society. Unfortunately, the growing size and responsibility of international organizations have resulted in increased corruption within these organizations, as more opportunities for abusing power arise. A sign of the extent of the problem is that two of the largest and most important international organizations, the UN and the World Bank have both been smeared by corruption scandals. Corruption damages both the legitimacy and efficiency of organizations. As more responsibility is transferred to international organizations, countering corruption should be considered an urgent issue for international society. At present, however, both an effective legal framework and resources to counter the problem of corruption are lacking.

### Corruption in International Organizations: The UN Oil-for-Food Program

An example of the problem of corruption within international organizations can be seen in the UN Oil-for-Food program in Iraq (1995–2003). The program was designed to alleviate the humanitarian crisis in the country caused by the UN trade sanctions. It made it possible for the Iraqi government to sell oil and use the income to purchase humanitarian goods. While the program was supervised by the UN Security Council's Sanctions Committee, the trade itself was left to the Iraqi government. During the eight years of the program, an estimated US\$1.7 billion was lost to corruption and several investigations revealed widespread corruption at all levels. It is alleged that the highest leadership of the program was involved in extensive corruption, with the executive director being accused of taking bribes and oil vouchers from the Iraqi government. Even the then UN Secretary General Boutros

Ghali was accused of being involved in the corruption, based on his personal interference in the selection of contractors. Apart from the massive monetary losses, the UN Oil-for-Food program is also a clear example of the extent of the corruption problem facing international organizations, as even the highest representatives were involved.

While corruption within the UN and other international organizations is harmful to individuals, who may be subject to unfairness and disadvantage, it also constitutes a problem on a larger scale, given the negative effects that corruption has on both an economic and political level. Corruption results in economic inefficiency, as it creates a tax-like cost and disincentives to act without being illegally rewarded. Furthermore, the existence of corruption can lead to decisions being based on the wrong grounds. On the political side, the existence of corruption within organizations like the UN jeopardizes the legitimacy of the organization in the eyes of member states and individual citizens, making it more difficult to fulfill responsibilities and maintain confidence.

### Countering Corruption in International Organizations

The lack of jurisdiction and an effective and independent legal framework are two of the main problems in dealing with corruption in international organizations. While for example there are UN conventions regulating corruption in member states, the lack of an independent judicial body to control the organization itself results in a legal vacuum. Furthermore, while states can turn to the International Criminal Court with complaints, individuals experiencing disadvantage due to corruption do not have any similar international legal system to



try their complaint. When corruption is detected in the UN, disciplinary actions can be taken and the cases can be referred to the law enforcement authorities of the countries in which the crimes have been committed. Some organizations, such as the World Bank, have their own tribunals but it is often part of the organization and they have a tendency to rule in favor of the organization. Developing an independent and effective judiciary is one of the key instruments that must be improved in order to limit the existence of corruption within international organizations.

In the past decade, the fight against corruption has been given more attention in international organizations. An example is that the World Bank has established a Vice-Presidency for Integrity, set up to deal specifically with corruption. The group conducts numerous investigations every year and has several procedures for punishing corruption when detected, including referral to national authorities and disbarment from the organization. The group also has a framework for detecting and preventing corruption that consists of hotlines, hunter networks, training, etc. The problem is the lack of resources. The Vice-Presidency for Integrity had a budget of US\$19 million in 2010 and less than a hundred employees, in comparison with the annual turnover of the World Bank at US\$73 billion and its more than 10,000 full-time employees. The lack of financial resources and staff does not increase the chances of effectively countering corruption and also sends a clear signal that, while the rhetoric surrounding corruption might have changed, the issue is not given a high enough priority. As the problem continues to grow, groups working against corruption must be given further resources.

Another perhaps more difficult issue is to change the attitude towards people working to prevent corruption, especially people within the organizations trying to report potential problems, the so called whistleblowers. Even though actions have been taken to make it easier for whistleblowers to come forward with information, it is still a social taboo and whistleblowers are often ostracized, even when they are taken seriously. As the people working within the organization are most likely to be aware of the existence of corruption, whether on an operational or administrative level, they are crucial for detecting and thereby controlling the problem. Changing attitudes at all levels and providing help and protection for whistleblowers is a necessary step towards effectively countering corruption. While it may be more difficult than other actions, it is equally if not more important.

### Zero Tolerance: The Way Forward?

Adding to the problem of dealing with corruption in international organizations is the diversity of members and their respective agendas. In approaching the problem of corruption, international organizations often have to balance the demands of a zero-tolerance policy towards corruption and what is achievable in practice. Economists argue that zero corruption is not the optimal outcome, as it is too costly to completely eradicate the problem. Furthermore, trying to counter corruption by maintaining complete control over, for example, aid or loans given to developing countries might not only hinder the economic and political development but also create disincentives for countries to apply for economic assistance when needed. On the other hand, it is generally agreed that widespread corruption adversely affects development. However, a distinction can and should be made between cooperating with corrupt countries and international organizations themselves being corrupt. While it might be difficult to impose zero-tolerance policies on all members, the potential loss of legitimacy for the organization of not countering the internal problem of corruption means that effective measures to limit the problem should be taken. At a minimum, creating a legal framework for demanding accountability and providing more resources to counter corruption is crucial to coming to terms with the problem. With the continuous transferral of responsibility from nation states to international society, failing to deal with corruption will inevitably have negative effects. Working towards ensuring the efficiency, fairness and legitimacy of international organizations should be considered a priority.

*Per Larsson is a PhD Candidate, Faculty of Law, Stockholm University. Stina Hartikainen is an intern with the Institute for Security and Development Policy.*

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