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Fighting Corruption Through Collective Action – a Guide for business

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Potential sources to assess the risk of corruption in specific countries

Resources for country analysis (1/2)

WB - Doing business indicator and simulator	Benchmarks on business regulations by the World Bank Group. Country Rankings available, topic specific and country assessments available; custom comparisons and country snapshot available	www.doingbusiness.org
WB - enterprise surveys	Business perceptions on the investment climate, including corruption, by the World Bank Group. Regional and country assessments available; custom query available; country snapshots available	www.enterprisesurveys.org
WB - Business Environment Snapshots	Present measurable indicators across a wide range of business environment issues and over time. This new web-enabled tool compiles many data on the business environment for each country in an easily accessible, consistent and usable format	http://rru.worldbank.org/besnapshots
WBI Governance and Anti-corruption indicators	Data on six dimensions of governance (Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, Control of Corruption) by the World Bank Institute, comparisons across dimension, countries and time available	www.worldbank.org/wbi/governance/data
OECD country reports	Reports on bribery by the OECD, reports of selected countries available	www.oecd.org

Potential sources to assess the risk of corruption in specific countries

Resources for country analysis (2/2)

TI bribery indices and other tools	Corruption Perception Index (ranking countries), and Bribe Payers Index (ranking supply side), National Integrity Systems (country studies and surveys) tool, topic-specific Global Corruption Reports and other materials	www.transparency.org/
Business anti-corruption portal	Assessment of state of corruption in selected countries and industries	www.business-anti-corruption.com
World Economic Forum	Benchmarks on competitiveness, including corruption by the World Economic Forum. Country rankings available	www.weforum.org/gcr
Control risks analysis	Business perceptions on corruption in selected countries, benchmarks available	www.crg.com
Global integrity index	Benchmarks on effectiveness of anti-corruption mechanisms in selected countries by Global Integrity, country rankings available. Country reports on government and corruption in selected countries	www.globalintegrity.org
Maplecroft maps	Maps on corruption perceptions by the World Economic Forum. World, regional and country maps available	http://forum.maplecroft.com/loadmap?template=map&issueID=22

Source: WBI

Business Against Corruption portal provides practical information on corruption in 50 Countries

Information to be found via: www.business-anti-corruption.com/

Type of information to be found on the portal

- Political climate, regulation & treaties
- Current corruption status in the country
- Public and private anti-corruption initiatives
- Links to resources for detailed country information and research
- Links to organizations (e.g. NGO's) to fight corruption in the country


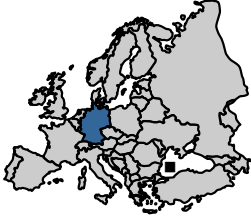

Country profiles for 50 countries available

- Profiles available for the dark colored countries



The Integrity Pact implemented in Berlin is considered a best practice example



Case example: Integrity Pact at Berlin airport

			Main achievements
	Customer / Principal	<ul style="list-style-type: none">Flughafen Berlin Schönefeld GmbH	<ul style="list-style-type: none">The involvement of external monitors helped to re-start the tender process, which had been stopped due to the high amounts of the originally submitted bids.
	Project description	<ul style="list-style-type: none">Construction of a new state-of-the-art airport south of Berlin to replace the existing ones	
	Integrity Pact details	<ul style="list-style-type: none">Large project volume of 2 billion EURFirst case in Germany where third party is monitoring tendering processBidding companies have to make sure that their suppliers adhere to the principles and also sign the contract	

Source: FBS GmbH, newspaper articles

External monitor increased confidence of both participants and public that processes were transparent and objective



Case example: Integrity Pact for Suburban Train project in Mexico (2005)

	Description	<ul style="list-style-type: none"> Participants signed declarations of integrity stating under oath that they would abstain from any conduct that could affect evaluation of bids submitted Independent monitor assigned by TI Mexico – was present at all events (>80) related to the bidding 	Key Project Lessons	
	Mission	<ul style="list-style-type: none"> Observe every stage and act of the bidding process Ensure rules and norms are respected In case of deviations make sure that the process is transparent and fair Publish a report on what was witnessed in local press 		<ul style="list-style-type: none"> Funding by government to avoid misinterpretations Monitor must be known and recognized in his field Integrity Pact should be simple and easy to understand (no legal complexity) Main instrument for pressure is public withdrawal from tender No recourses or complaints
Participants <ul style="list-style-type: none"> ~8 companies 	Costs	<ul style="list-style-type: none"> Integrity Pact caused additional cost of ~100,000 USD (Total Project 600 million USD) Monitor was paid based on spent hours (~160 hours for initial tender, 80 for later tenders) 		

Customer: "I think the Integrity Pact is a tool to move forward in fighting corruption in our country. We need the tool today, the Independent Monitor, project by project, but if we add up these experiences, consistently over time, it will become something structural that guides our behavior."



Federation of Pharmaceutical Manufacturers created an industry wide "Code of marketing practices"

Case example: Code of pharmaceutical marketing practices

	<p>Description</p>	<ul style="list-style-type: none"> ▪ The “promotion and support of ethical practices” was one of the principles on which the IFPMA was founded in 1968. ▪ In 1981 the first version of a "Code of Pharmaceutical Marketing Practices" was created. The latest revision of the IFPMA Code came into effect in January 2007. ▪ Key elements include more restrictive provisions on travel, gifts and scientific events, plus the establishment of a Code Complaint Procedure and a Code Compliance Network, bringing together code experts from all over the world. 	<p>Key Learning</p>
	<p>Participants</p>	<ul style="list-style-type: none"> ▪ The International Federation of Pharmaceutical Manufacturers & Associations is a non-profit, non-governmental Organization (NGO) representing national industry associations and 25 research-based pharmaceutical, biotech, and vaccine companies from both developed and developing countries 	<ul style="list-style-type: none"> ▪ A principle-based initiative can also be created and published in a sector-wide effort ▪ IFPMA shows that it is possible to bring together companies from developed and developing countries to agree on shared principles

Source: Interviews, www.ifpma.org

Anti-corruption declaration among contractors at AVA GmbH (Frankfurt) forms basis to conduct discussions on compliance topics – no external monitor involved



			Key Learning
	Description	<ul style="list-style-type: none"> ▪ Contract signed by direct contractors in execution phase only – no involvement of all bidding companies in tender phase ▪ Direct contractors did not want to include sub-contractors ▪ No external monitoring 	<ul style="list-style-type: none"> ▪ Open and continuous discussion of issue is seen as constructive step to reduce risk of corruption ▪ Important that contract is signed by top-management in headquarters <u>and</u> actively communicated to workers on site
	Mission	<ul style="list-style-type: none"> ▪ The document emphasizes the importance of the laws and is a good basis to discuss corruption issues. ▪ The fact that the topic is discussed openly is seen as major step towards environment free of corruption 	
Participants All direct contractors for execution phase (>10 companies and individuals)	Costs	<ul style="list-style-type: none"> ▪ Costs were limited - AVA GmbH took over costs 	

Source: Interview with Managing director of AVA GmbH

Transparency International Provides Global Multi-Stakeholder Approaches to Developing and Promoting Anti-Corruption Tools


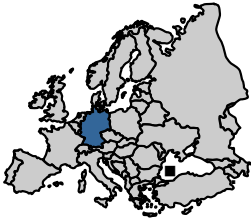
	<p>Global Network</p>	<ul style="list-style-type: none"> ▪ Since 1993, mobilizing a global network of business, government and civil society leaders in 95 countries to promote anti-corruption efforts and increase transparency.
	<p>Partnering with Private Sector</p>	<ul style="list-style-type: none"> ▪ Creator of Integrity Pacts and provider of credible, independent third party monitors. ▪ Facilitator of multi-stakeholder initiative to develop model anti-bribery codes and programs -- “Business Principles for Countering Bribery”; “SME Edition” for small- and mid-sized enterprises, Guidance Document; Self-Evaluation Tool and external assurance (under development.) ▪ Convenor of industry sectors (Wolfsberg international banks, defense industry sector, World Economic Forum PACI)
	<p>Promoting Policy Reform</p>	<ul style="list-style-type: none"> ▪ Monitor of agreements to prohibit foreign bribery and increase regulatory transparency, particularly for procurement. ▪ Contributor of anti-corruption and governance expertise to development assistance providers.

World Economic Forum Partnering Against Corruption Initiative (PACI) is a global anti-corruption initiative of the private sector

	History	<ul style="list-style-type: none"> ▪ Founded by member companies of the World Economic Forum in partnership with Transparency International and the Basel Institute on Governance in 2004 to level the playing field among industry 	Main achievements <ul style="list-style-type: none"> ▪ Global and multi-industry recognition and coverage ▪ Increasing membership ▪ Actively providing anti-corruption support to members
	Mission	<ul style="list-style-type: none"> ▪ To create a common language on corruption and bribery valid for all industries ▪ To provide platform for top-level commitment from companies ▪ To support companies in developing and implementing anti-corruption programs 	
Members <ul style="list-style-type: none"> ▪ Signed by over 140 mostly multi-national companies 	Enforcement	<ul style="list-style-type: none"> ▪ Companies have to support PACI principles publicly ▪ CEO has to sign principles as prerequisite for membership ▪ External verification / certification process currently in elaboration 	

The Bavarian construction industry has established an association with far-reaching enforcement mechanisms

Case example: Ethics management system of the Bavarian construction industry

 <p>BAUINDUSTRIE BAYERN</p>	<p>History</p>	<ul style="list-style-type: none"> Initiated by Bavarian construction industry association in 1996 after a series of scandals related to corruption 	<p>Main achievements</p>
	<p>Mission</p>	<ul style="list-style-type: none"> Foster integrity in the construction sector Preserve industry reputation 	
<p>Members</p>	<p>Enforcement</p>		<ul style="list-style-type: none"> Concept is currently rolled out to whole Germany
<ul style="list-style-type: none"> 33 construction companies of different size (as of 2002) 		<ul style="list-style-type: none"> Members must have their compliance program audited by external auditor Members can be excluded if they do not receive or lose certification 	<ul style="list-style-type: none"> Initiative helped to restore reputation of industry

Source: Bavarian construction industry association

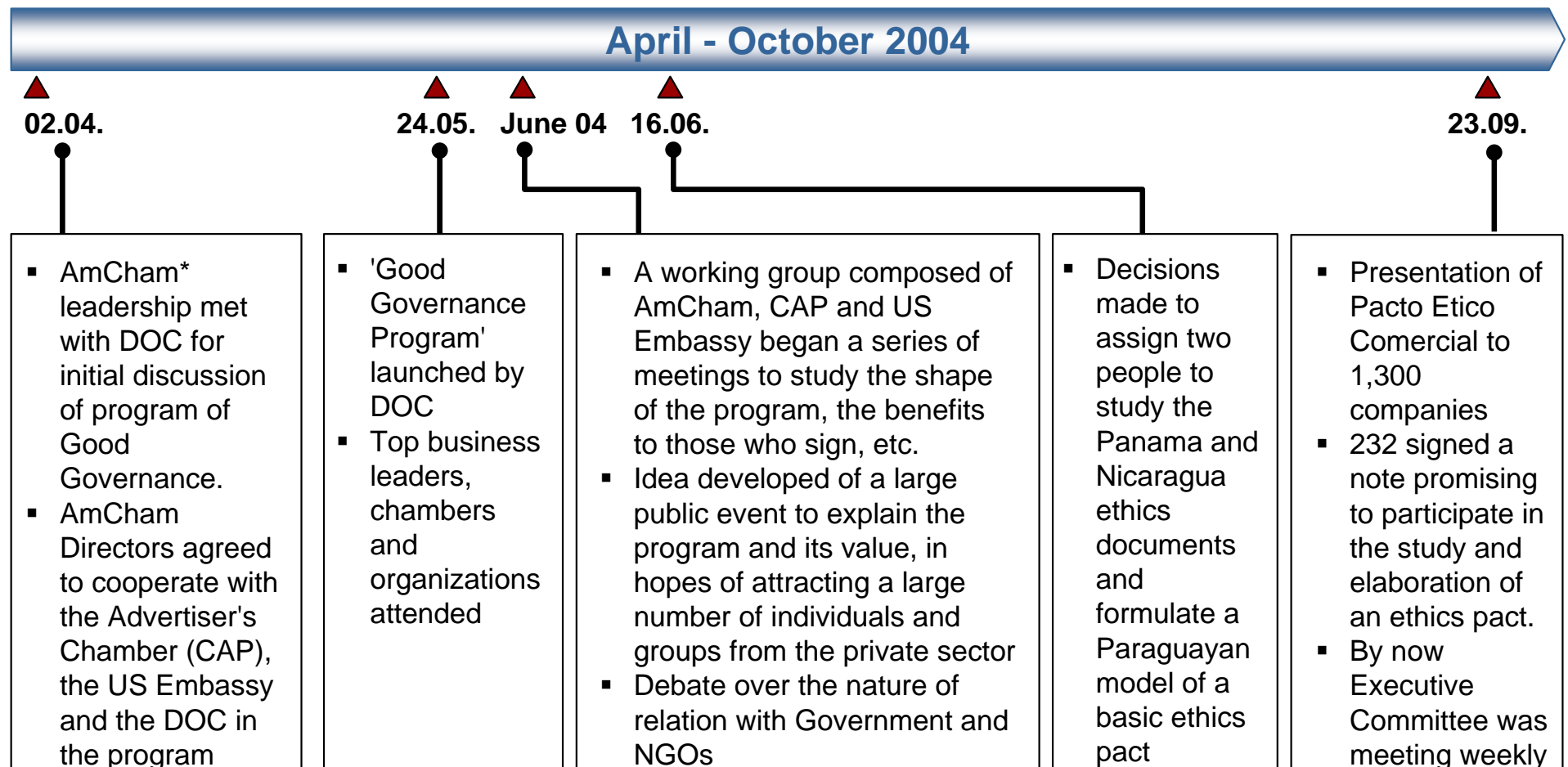
A successful coalition against corruption started in 2005 in Paraguay

Case example: Pacto Etico Comercial (PEC) Paraguay

	<p>History</p>	<ul style="list-style-type: none"> ▪ Founded in 2005 on initiative of the US ambassador and Paraguayan American Chamber of Commerce ▪ A leading ethics program in South America 	<p>Main achievements</p>
	<p>Mission</p>	<ul style="list-style-type: none"> ▪ Promote business principles based upon fulfillment of current laws, ethics principles, quality management, honesty and transparency ▪ Gather most important private business representatives covering all sectors 	<ul style="list-style-type: none"> ▪ 150 members signed the pact and there are currently 100 additional applicants ▪ The PEC seal is becoming a branding tool in Paraguay, which is labeled one of the most corrupt countries in the world
<p>Members</p>	<p>Enforcement</p>	<ul style="list-style-type: none"> ▪ Certification process for members ▪ Members commit themselves to obey to the values and rules 	
<ul style="list-style-type: none"> ▪ Several national and multi-national companies 		<ul style="list-style-type: none"> ▪ Moral enforcement due to publicity ▪ Random audits ▪ Trainings and workshops 	

Establishment of Pacto Etico Comercial in Paraguay gives a real life example of process 2.1

Pacto Etico Comercial (PEC) Paraguay (1/3)



AmCham: American Chamber of Commerce

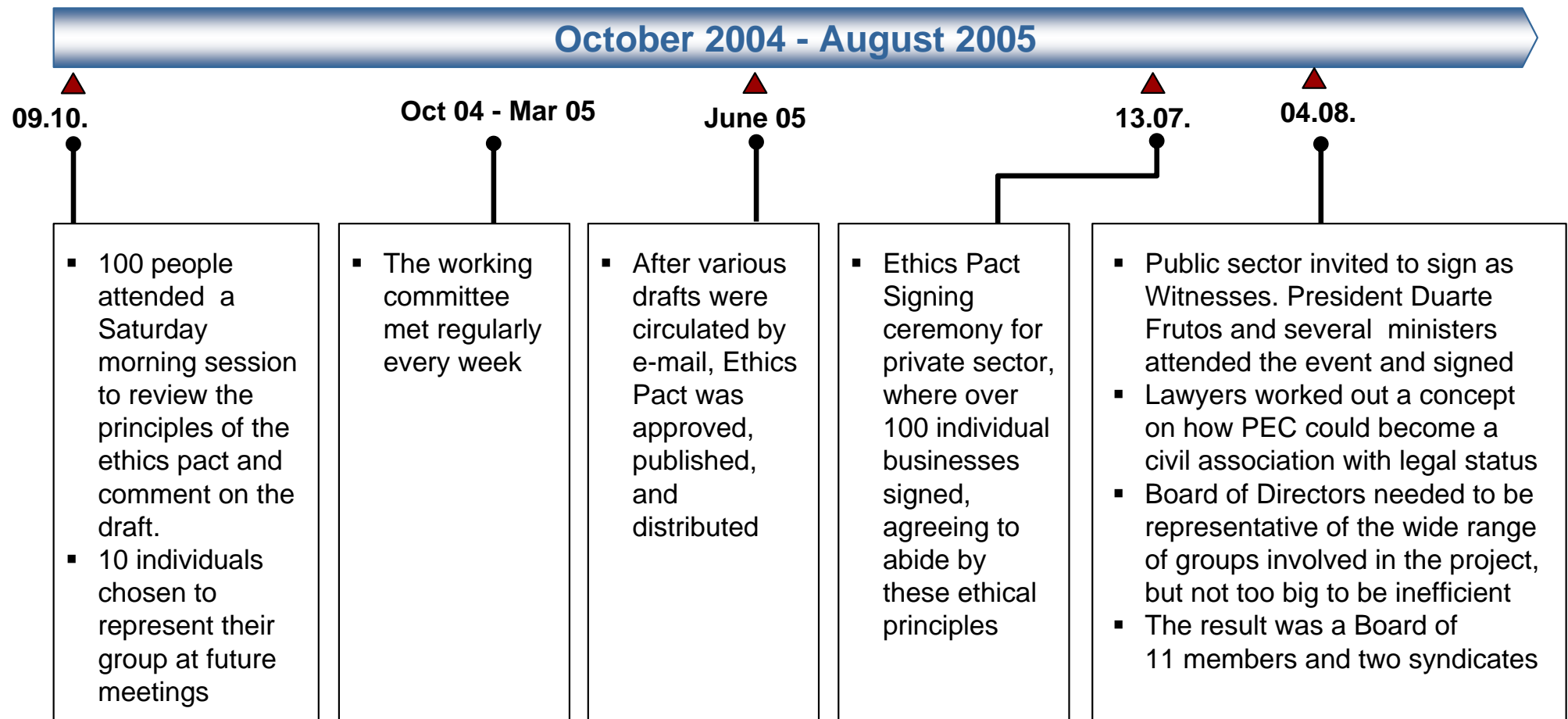
DOC: US Department of Commerce

Source: PEC Paraguay

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Establishment of Pacto Etico Comercial in Paraguay gives a real life example of process 2.1

Pacto Etico Comercial (PEC) Paraguay (2/3)



AmCham: American Chamber of Commerce

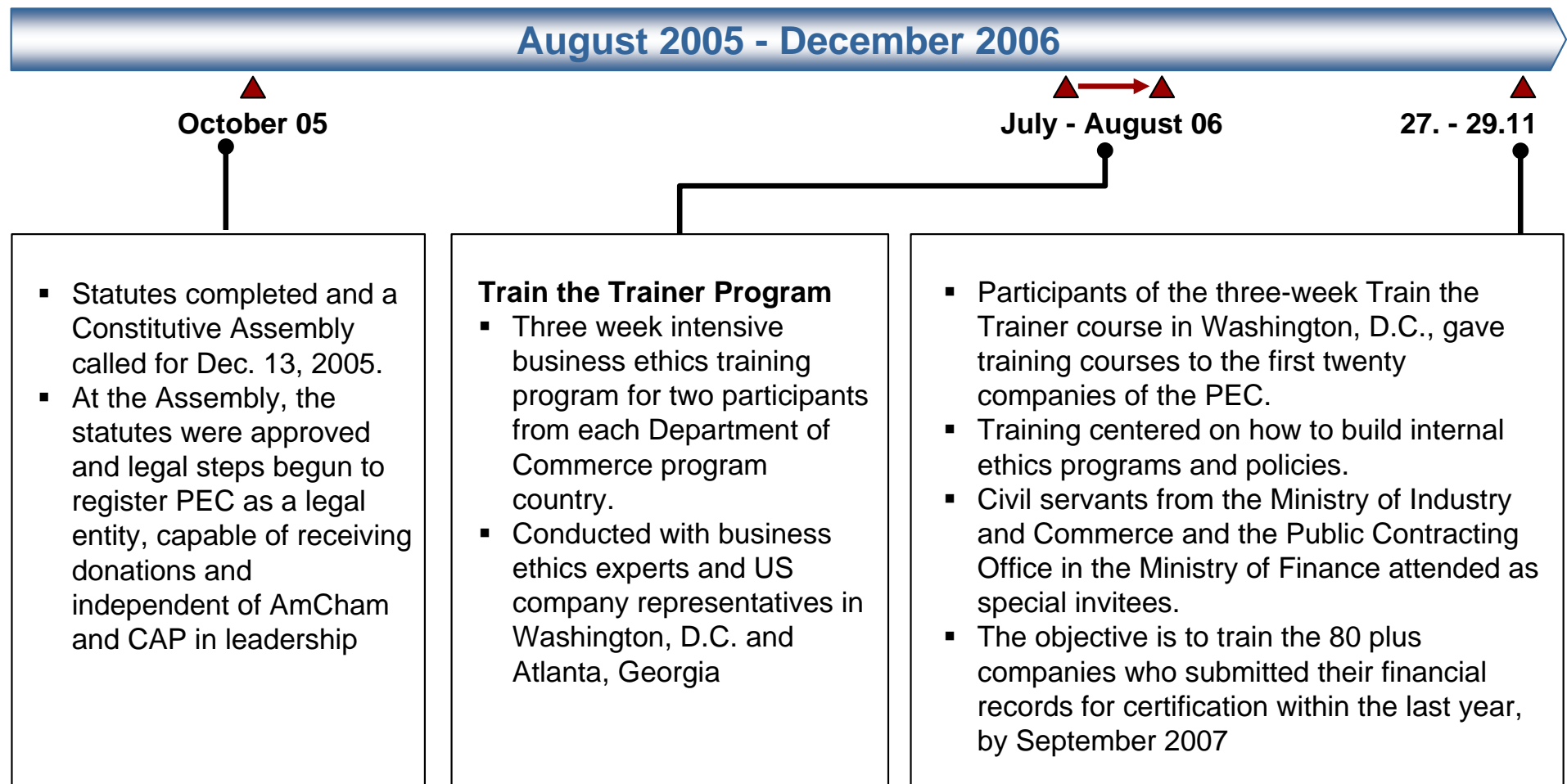
DOC: US Department of Commerce

Source: PEC Paraguay

Slide 75

Establishment of Pacto Etico Comercial in Paraguay gives a real life example of process 2.1

Pacto Etico Comercial (PEC) Paraguay (3/3)



AmCham: American Chamber of Commerce

DOC: US Department of Commerce

Source: PEC Paraguay

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CBLF provides platform to discuss topics related to anti-corruption – however, there are no shared principles and enforcement to date

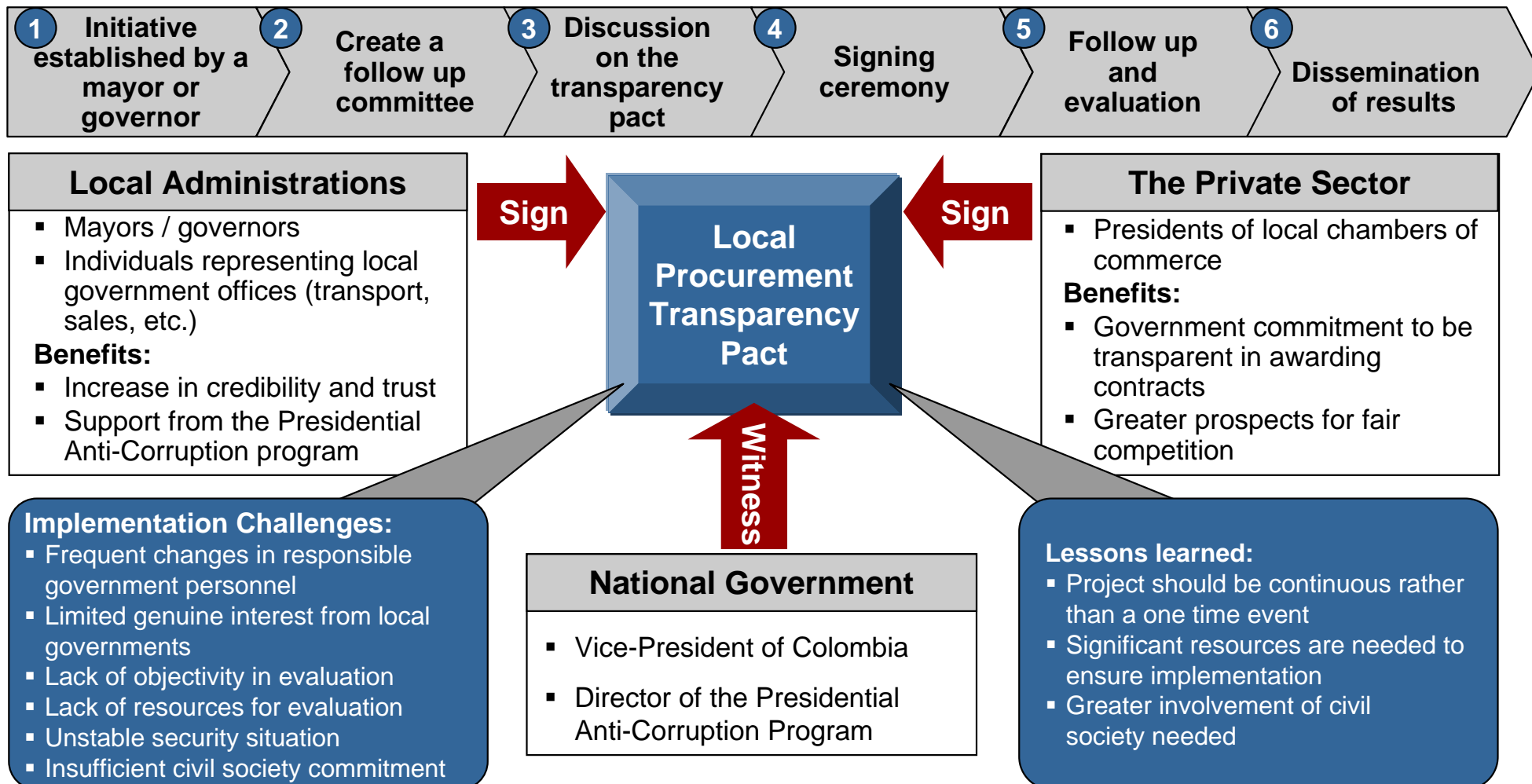
Case example: China Business Leaders Forum

	<p>History</p>	<ul style="list-style-type: none"> Launched in 2005 by the International Business Leaders Forum (IBLF) in partnership with the Renmin University of China 	<p>Main achievements</p> <ul style="list-style-type: none"> Funding ensured to establish permanent office Several events and discussion round held on topics related to anti-corruption
	<p>Mission</p>	<ul style="list-style-type: none"> Provides a regular quarterly Forum for Chinese and foreign business leaders to discuss the improvement of business standards both in China and internationally Initially funded by the UK Foreign & Commonwealth Office, BP, Shell, BHP Billiton, Siemens and GSK Being developed into the China Centre for International Business Standards 	
<p>Members</p>	<p>Enforcement</p>	<ul style="list-style-type: none"> No enforcement Program with 3 key components: <ul style="list-style-type: none"> Knowledge exchange Research & Information Training 	
<ul style="list-style-type: none"> GSK Shell Siemens 			

Source: CBLF website, interview with Siemens representative

"Transparency pacts" in Colombia are a form of principle-based initiative with a focus on continuous projects

Case example: "Transparency Pacts" on local and municipal level in Colombia

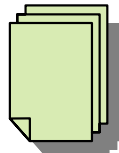


Source: Confecamaras, CIPE

A pact for integrity and against corruption (Empresa Limpa) was initiated in Brazil to fight against illegal practices in business

Business Pact for Integrity and Against Corruption

Key Facts



Organization:

Ethos Institute; Eniethos, Patri, United Nations; United Nations Office on Drugs and Crime – UNODC; Brazilian Committee of the Global Compact.

Location:

Sao Paulo, Brazil

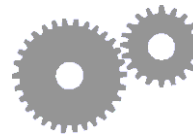


Members:

> 400



Mechanism



Mission:

- fighting against illegal business practices, especially those involving public agent relationships

Objective:

- To disseminate good practices of business ethics that can eradicate corruption.

Enforcement:

- Members have to support the written principles publicly;
- Members have to implement internal rules that clearly prohibit any form of bribery.

Benefits

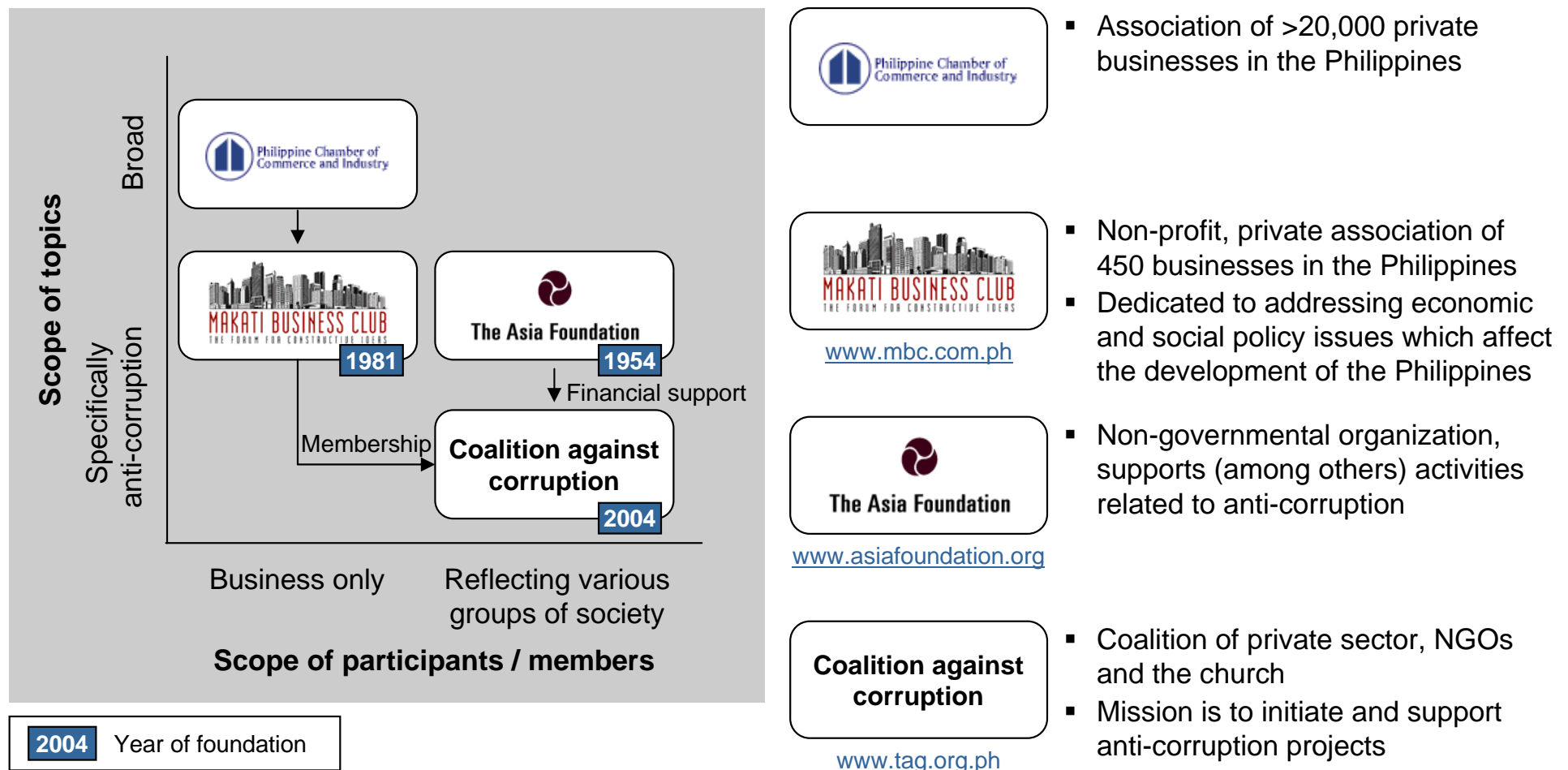


Key achievements:

- Good practices of business ethics are widespread in Brazilian business;
- More than 400 members;
- Successful media campaigns.

Example from the Philippines shows how a specific anti-corruption initiative evolved from existing organizations

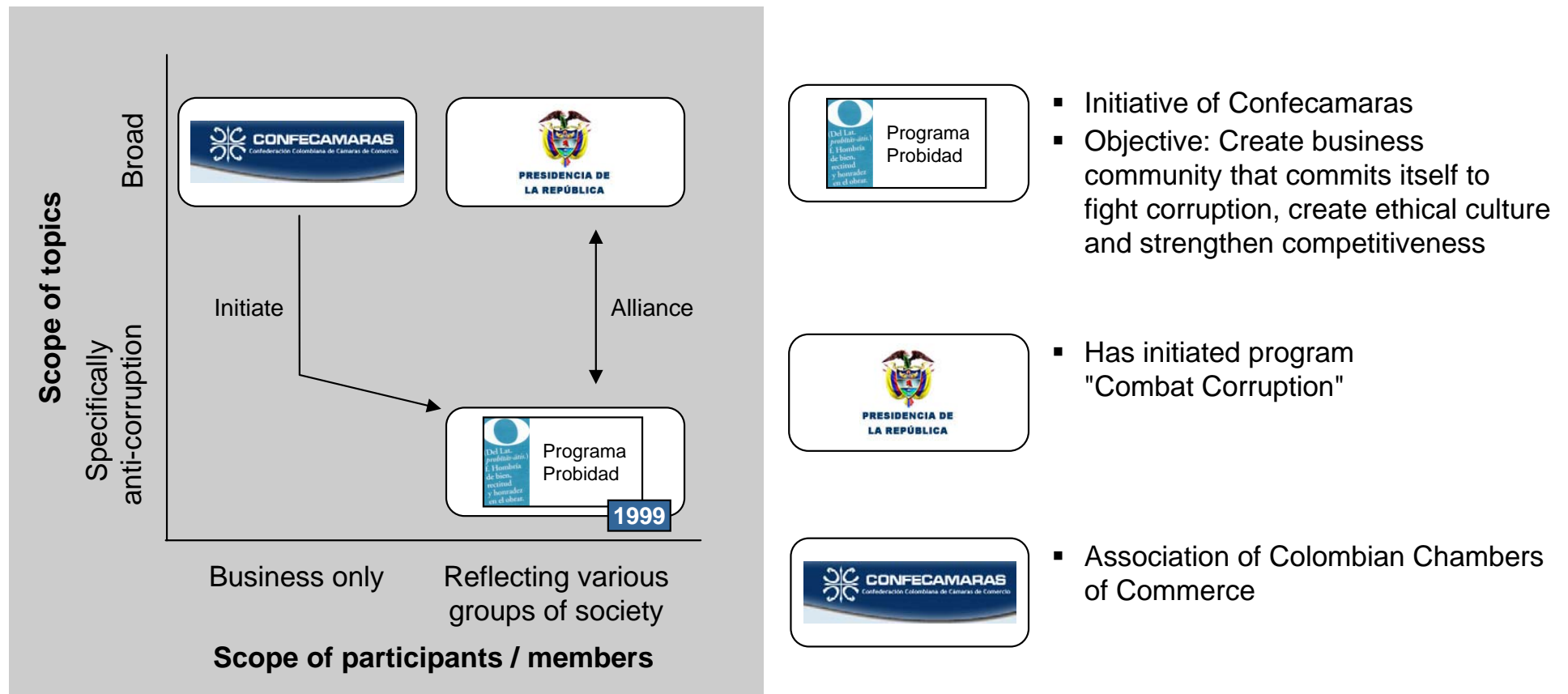
Coalition against corruption within the network of other organizations, Philippines



Source: Internet research, CIPE

Programa Probidad Colombia is another example of an anti-corruption initiative that was launched by existing organizations

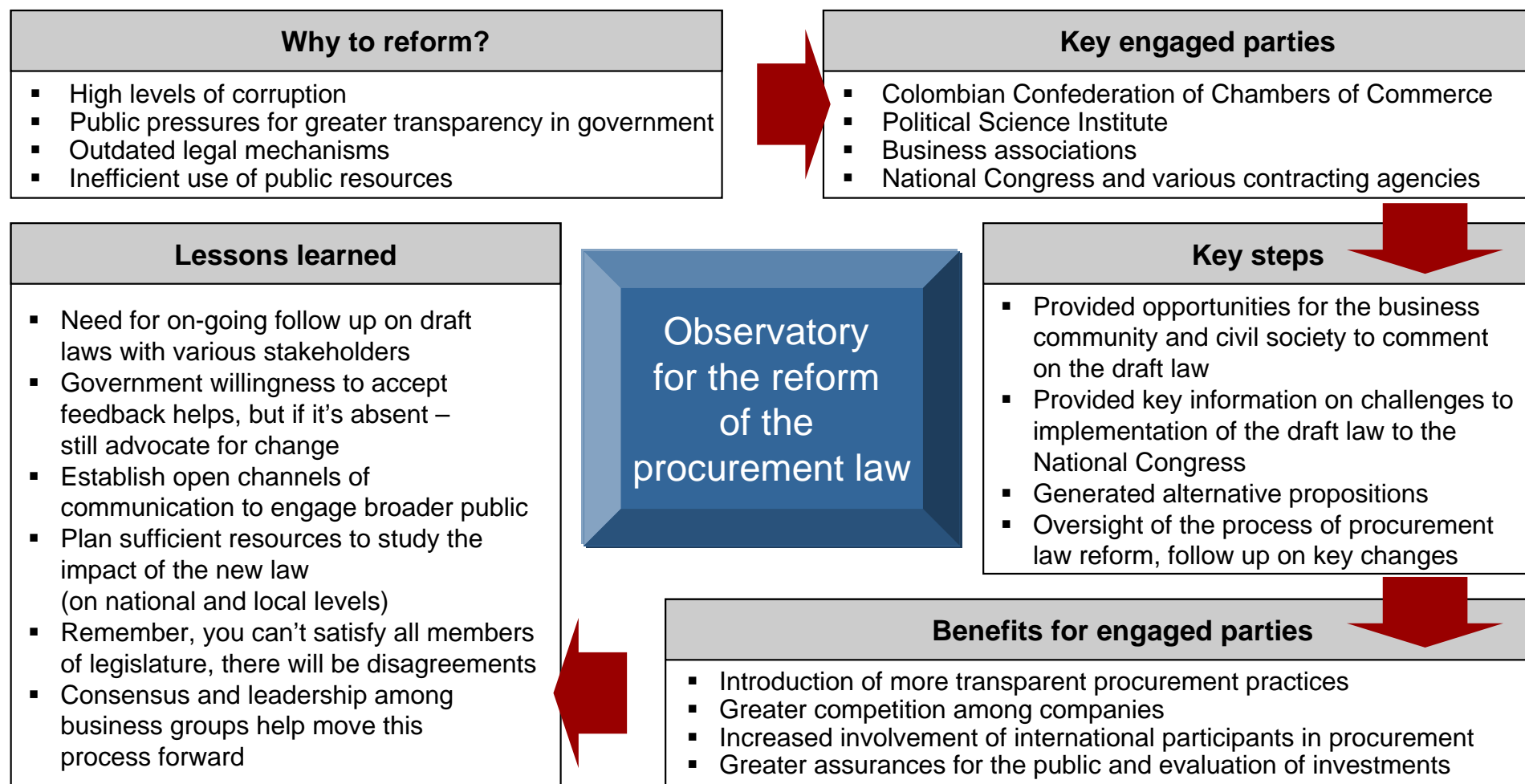
Programa Probidad, Colombia



1999 Year of foundation

Confecamaras is an example where a Collective Action is focused on changes in the legal system of a country

Collective Action related to the procurement law reform in Colombia



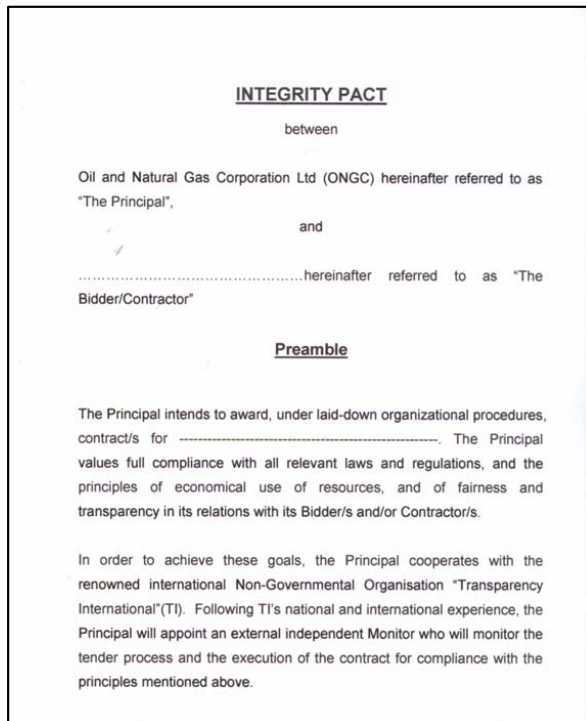
Source: Confecamaras, CIPE

Transparency International Integrity Pact (IP) examples

BERLIN

ECUADOR

DEFENCE SECTOR



- TI IP from project "Berlin airport"
- Seen as best practice example
- Available in German only



- TI IP contract from project "Hydroelectric power plant", Ecuador (English translation)
- No "External monitor"
- Detailed description of Arbitration Tribunal











- TI IP template
- Specifically designed for contracts in the defense industry



Contact TI for details related to integrity pacts;
see www.transparency.org

Case summaries provide actual Collective Action examples

Mexico suburban train	Colombia Procurement Reform	Russian Business Associations	Latvia National Library
<ul style="list-style-type: none"> ▪ Report by the Mexican Ministry of Communications and Transport ▪ Report by Transparency International  	<ul style="list-style-type: none"> ▪ Report by CIPE 	<ul style="list-style-type: none"> ▪ Report by CIPE 	<ul style="list-style-type: none"> ▪ Report by Transparency International 
Bulgarian Coalition	Chambers of Commerce combating corruption	Exposing Corruption in Serbia	
<ul style="list-style-type: none"> ▪ Report by CIPE 	<ul style="list-style-type: none"> ▪ Report by CIPE 	<ul style="list-style-type: none"> ▪ Report by CIPE 	

Source: Internet, Interviews

Several elements in a country's legal environment promote transparency, integrity, accountability and efficiency

Positive elements contributing to a transparent legal system

The following elements in the legal and governance structure of a country support transparency, accountability, and efficiency in public procurement and general commerce:

- An independent judiciary that can resist improper political influence through checks and balances.
- Impartial, consistent enforcement of the rights and obligations of all firms.
- 'Sunshine' laws that require the government to publish all laws and regulations and inform the public of any proposed changes.
- Clear laws and regulations that limit officials' discretionary power.
- Regulations that prevent monopoly power and facilitate the formation and operation of private businesses.
- Administrative and judicial efficiency – because inefficiency creates incentives to bribe and opportunities to conceal corruption.
- Rules regarding conflict of interest for the public sector.
- Asset/income declaration mechanisms for governmental officials.
- Respect for due process - firms should not be excluded from participating in procurement without a fair hearing based on clear criteria.
- Alternative dispute resolution is an option - if used, decisions should be binding.



Additional considerations

- Appropriate procurement laws – emphasizing transparency, integrity accountability and efficiency - may not be present
- Procurement laws may be present “on paper” but viable supporting institutions are missing
- Procurement laws may be present, as are the supporting institutions, but public officials do not enforce the laws and are not held accountable

Refer to slides 62 - 64 for country specific analyses

Guide was created by Working Group with participants from different sectors and regions

Core members of Working Group

 <p>WORLD BANK INSTITUTE <i>Promoting knowledge and learning for a better world</i></p>	<p>The World Bank Institute (WBI) is the capacity building arm of the World Bank Group. Combining participatory Action-oriented learning, technical assistance, and the power of data, WBI, in collaboration with other units in the World Bank Group, supports countries in improving governance and controlling corruption. With regards to the private sector, WBI facilitates the growing efforts of companies and business associations to integrate anti-corruption measures into their corporate governance and strategy, and engage more actively in the fight against corruption both as advocates for good governance and through Collective approaches.</p>	<p>www.worldbank.org/wbi</p>
 <p>United Nations Global Compact</p>	<p>Launched in 2000, the UN Global Compact brings business together with UN agencies, labor, civil society and governments to advance ten universal principles in the areas of human rights, labor, environment and anti-corruption. Through the power of collective action, the Global Compact seeks to mainstream these ten principles in business activities around the world and to catalyze actions in support of broader UN goals. With over 3,600 participating companies and hundreds of other stakeholders from more than 20 countries, it is the world's largest voluntary corporate citizenship initiative.</p>	<p>www.unglobalcompact.org</p>

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The Center for International Private Enterprise (CIPE) strengthens democracy around the globe through private enterprise and market-oriented reform. CIPE is one of the four core institutes of the National Endowment for Democracy and a non-profit affiliate of the U.S. Chamber of Commerce. Since 1983, CIPE has engaged the private sector in policy advocacy and institutional reform, improving governance, and building understanding of market-based democratic systems. CIPE works with business leaders, policymakers, academia, and journalists to build the civic institutions vital to a democratic society. CIPE has crafted a unique set of development tools that are adaptable to a variety of country conditions and that build institutional capacity.

www.cipe.org



Transparency International (TI) is the global civil society organization working to combat corruption and increase accountability in government and international business. With national chapters in more than 90 countries, TI is widely recognized for its unique global reach, high-level engagement with policymakers and the private sector, practical tools and surveys, and extensive experience and credibility in combating corruption and promoting transparency. TI has been represented in this initiative by its U.S. national chapter, TI-USA.

www.transparency.org/

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Global Advice Network is an international consultancy based in Copenhagen, Denmark. Global Advice Network is specialized in advising on environmental and corruption issues. Global Advice Network is the initiator and developer of the www.Business-Anti-Corruption.com portal, a web-based tool which combines in depth country analysis with generic tools for due diligence and integrity systems.

www.globaladvice.dk



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