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**CONSULTATION BETWEEN CIVIL SOCIETY ORGANISATIONS AND MEMBERS OF THE
OECD WORKING PARTY ON EXPORT CREDITS AND CREDIT GUARANTEES
AND THE PARTICIPANTS TO THE ARRANGEMENT
ON OFFICIALLY SUPPORTED EXPORT CREDITS**

ANTI-CORRUPTION ACTION STATEMENT

TRANSPARENCY INTERNATIONAL (UK)

3 October 2005 (starting at 10.00)

Room 1, OECD Headquarters, La Muette, Paris

Anti-Corruption Forum



15 September 2005

Anti-Corruption Action Statement

The need for action

1. Corruption is damaging:
 - a) It damages the developed and developing world, resulting in projects which are unnecessary, unreliable, dangerous, and over-priced. This can lead to loss of life, poverty, economic damage and underdevelopment.
 - b) It damages companies, resulting in tendering uncertainty, wasted tender expenses, increased project costs, economic damage, reduced project opportunities, extortion and blackmail, criminal prosecutions, fines, blacklisting, and reputational risk.
 - c) It damages individuals, resulting in reduced morale, criminal prosecution, fines and imprisonment.
2. Existing anti-corruption mechanisms do not effectively prevent or detect corruption, and do not adequately support the many companies which wish to see a corruption-free environment. In particular:
 - a) Companies which do not wish to bribe to win work often lose work to companies which are willing to bribe.
 - b) Companies frequently face demands for bribes from government officials and representatives of the project owner. Failure to agree to these demands can result in the company being denied project awards, certificates, payments, permits and access to information.
 - c) Companies regard existing mechanisms to prevent, report or deal with these demands as inadequate. The majority of companies which pay bribes, and officials and representatives who receive bribes, are not currently identified or punished.
3. The Anti-Corruption Forum is an alliance of UK business associations, professional institutions and companies with interests in the domestic and international infrastructure, construction and engineering sectors. The purpose of the Forum is to promote industry-led actions which can help eliminate corruption.
4. The Forum calls on all those with interests in the domestic and international infrastructure, construction and engineering sectors to take effective and co-ordinated action to reduce corruption, on both a domestic and international basis, and on both the supply and demand sides.

Recommended anti-corruption actions

5. The Forum recommends the adoption of the following actions, which it believes would materially contribute to the reduction of corruption in these sectors.

6. Actions for business associations and professional institutions

Business associations and professional institutions can play a vital role in combating corruption. Business associations provide an avenue through which business leaders can meet and exchange views, and are the voice of industry. Professional institutions represent individual professionals, and ensure the integrity of their professions. The Forum recommends that associations and institutions take the following steps:

- a) Publicly speak out against corruption.
- b) Increase awareness among the associations' and institutions' members of corruption and its consequences through publicity and training.
- c) Work in conjunction with other domestic and international business associations and professional institutions, in both the developed and developing world, so as to develop a co-ordinated approach to anti-corruption issues.
- d) Work in conjunction with government bodies to ensure that national and international efforts to curb corruption are well-founded, consistent and effective.
- e) Business associations: Encourage their members to adopt and adhere to an appropriate corporate code of conduct that commits them to a strict anti-corruption policy.
- f) Professional institutions: maintain and enforce an effective code of conduct which commits the institutions' members to a strict anti-corruption policy. The code should provide a disciplinary mechanism under which members who breach the code are sanctioned.

7. Actions for companies working in these sectors

Companies working in these sectors can play a major role in eliminating corruption. The Forum recommends that companies take the following steps.

- a) Company chairmen and chief executives should publicise the business and moral case against corruption, and:
 - i) take steps to ensure the implementation of effective action by their own companies;
 - ii) encourage the implementation of effective action by others in these sectors.
- b) Companies should maintain an anti-corruption policy which:
 - i) prohibits all company staff from engaging in any form of corrupt conduct;
 - ii) specifies the company's policy on political and charitable contributions, facilitation payments, gifts, hospitality and expenses;
 - iii) commits the company to take all reasonable steps to prevent corruption by the company's parent, subsidiary and associated companies, agents, joint venture and consortium partners, sub-contractors and suppliers;
 - iv) provides for effective anti-corruption management controls, audit, staff training, and whistle-blowing procedures.

- c) Consideration should be given to how a company's anti-corruption policy could be externally verified. This would give assurance to other organisations that the company's anti-corruption programme is not a façade. Any such verification should be reasonable, credible and cost effective.

8. Actions for project owners (public and private sector)

Project owners play a vital role in corruption prevention, as they control the tender and project management mechanisms. The Forum recommends project owners take the following steps:

- a) Maintain an anti-corruption policy (see paragraph 7 b)).
- b) Only allow a company to tender for the project if the company has implemented an anti-corruption policy (see paragraph 7 b)).
- c) Provide a positive weighting during tender evaluation to a company which can provide credible external verification of its anti-corruption policy (see paragraph 7 c)).
- d) Ensure that all procurement and project management procedures are fair, reasonable, objective and transparent.
- e) Introduce effective anti-corruption monitoring and reporting procedures on the project (see paragraph 11).

9. Actions for banks, export credit agencies, guarantors and insurers

Multi-lateral development banks, commercial banks, export credit agencies, guarantors and insurers play a central role in many projects. In many jurisdictions, a project would not go ahead without their support, which gives them significant leverage over the manner in which the project is implemented. As a result, they should play a leading role in corruption prevention. The Forum recommends that these parties take the following steps.

- a) Only agree to provide finance, guarantees or insurance in relation to a project if each key participant has implemented an anti-corruption policy (see paragraph 7 b)).
- b) Promote a positive weighting during tender evaluation for a company which can provide credible external verification of its anti-corruption policy (see paragraph 7 c)).
- c) Undertake due diligence, both during tender and project execution, to try to ensure that there is no corruption in relation to the project.
- d) Ensure that all procurement and project management procedures in relation to the project are fair, reasonable, objective and transparent.
- e) Ensure that effective anti-corruption monitoring and reporting procedures have been implemented on the project (see paragraph 11).
- f) Co-ordinate their anti-corruption procedures with other banks, export credit agencies, guarantors and insurers so that they share best practice, and are not out of step with one another.

10. Actions for Governments

10.1 Action by governments is fundamental to an effective anti-corruption environment. The perception in the infrastructure, construction and engineering sectors is that while many governments may have signed international anti-corruption conventions, and may have introduced anti-corruption laws, few are taking genuine effective action to prevent corruption on either the supply or demand sides. The Forum recommends that action should be taken by governments in the following areas.

10.2 **Enhanced co-operation with other countries:**

Preventing corruption in international business can only be effective with inter-governmental co-operation. Governments should increase their efforts to work with other governments, and with appropriate international institutions, to ensure that all countries properly implement their international obligations under the UN, OECD and other international anti-corruption conventions and agreements.

10.3 **Enhanced co-operation with industry:**

Anti-corruption mechanisms will be most effectively implemented by co-operation between government and industry. Governments and industry should work more openly and actively with each other to develop and implement effective anti-corruption mechanisms.

10.4 **Improved anti-corruption mechanisms in aid provision:**

Achievement of the Millennium Development Goals is expected to require increased levels of development aid. Governments need to be more proactive in ensuring that aid is not wasted through corruption. In particular:

- a) Specific efforts should be made to bring the issue of corruption into the open, rather than drive it underground.
- b) Improved mechanisms should be introduced to control corruption on both the supply and demand side.
- c) Procurement and project management procedures should be fair, reasonable, objective and transparent.
- d) Independent integrity monitoring should be introduced on major projects (see paragraph 11).
- e) Bureaucratic obstacles which provide opportunities for bribes and extortion should be eliminated or monitored.
- f) The provision of budgetary support funding should be accompanied by adequate monitoring of the public expenditure arrangements of the receiving government, and technical assistance where appropriate.

10.5 **Reporting, prosecution and blacklisting:**

Most companies and project owners working in these sectors would prefer to work in a corruption-free environment. The absence of effective reporting, prosecution and blacklisting procedures prejudices companies which wish to avoid corrupt practices, as companies, individuals and project owners who continue with corrupt practices are currently able to do so without any significant fear of penalty. The Forum recommends the following actions:

- a) Mechanisms need to be established for the reporting of corruption, and the effective dealing with allegations of corruption. These mechanisms need to take account of concerns relating to confidentiality, defamation, safety and recrimination.
- b) Increased resources need to be allocated to investigation and prosecution. Prosecution should take account, in mitigation, of genuine attempts made by the defendant to prevent the occurrence of the offence, or to introduce effective anti-corruption procedures subsequent to the date of the offence.
- c) Blacklisting procedures should be fair, proportionate and transparent. The circumstances which result in blacklisting, and the period of blacklisting, should depend on factors such as

whether the organisation itself reported the offence, the severity of the offence, and the genuine attempts made by the organisation to prevent the occurrence of the offence and to introduce effective anti-corruption procedures subsequent to the offence.

10.6 Database:

An international database should be developed containing details of prosecutions and blacklisting. Access to this database would assist funders and companies in undertaking due diligence on other companies prior to entering into contractual arrangements.

10.7 Asset recovery:

Greater international effort needs to be put into recovering and repatriating assets stolen through corrupt activities.

11. Project Anti-Corruption Monitoring

Corrupt practices are normally concealed. It is very difficult for anyone who does not have the appropriate skills, who does not have access to the relevant documents and people, and who does not have an in-depth involvement in the project, to be able to prevent or uncover these practices. The Forum believes that independent monitoring mechanisms need to be introduced at project level which are capable of preventing and identifying corrupt practices. It recommends the development and implementation of mechanisms under which:

- a) the participants in projects commit to act with absolute integrity in relation to the project;
- b) compliance with the integrity commitments is monitored throughout major projects by an independent expert who is given appropriate access to documents and individuals for the duration of the project; and
- c) breach of the commitments leads to contractual and, if appropriate, criminal sanction.

Implementation

12. The Forum intends to co-operate with the UK Government and with other national and international organisations with a view to encouraging the development and implementation of the above and other appropriate actions.

Endorsement of the action statement

13. This Action Statement has been endorsed by the following organisations on behalf of the Anti-Corruption Forum:

Association for Consultancy and Engineering (ACE) ACE represents the business interests of the consultancy and engineering industry in the UK. It is the leading business association in this field, and has 800 member firms.

British Consultants and Construction Bureau (BCCB) BCCB is the leading British trade association for the export of services. It has 280 member companies who work in a wide range of sectors and who have a common interest in selling their expertise abroad.

Institution of Civil Engineers (ICE) ICE is the leading UK-based professional institution with a membership of over 70,000 professionally qualified civil engineers from over 140 countries.

Institution of Structural Engineers (IStructE) IStructE is the world's leading professional institution for structural engineering, with a membership of over 21,000 structural engineers from 107 countries.

Transparency International (UK) (TI(UK)) TI(UK) is the UK chapter of Transparency International, which is the world's largest non-governmental anti-corruption organisation with chapters in 90 countries. It works with governments, business and civil society with the aim of eliminating corruption.

