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GOOD GOVERNANCE - THE COSTS OF CORRUPTION AND THE CASE FOR INTEGRITY

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THE BASIC PROPOSITION

In order to deliver public value, Road Administrations – and their supply chains – must act with the utmost integrity throughout all their activities and continuously strive to prevent and tackle corruption both for their own interests and the interests of wider society

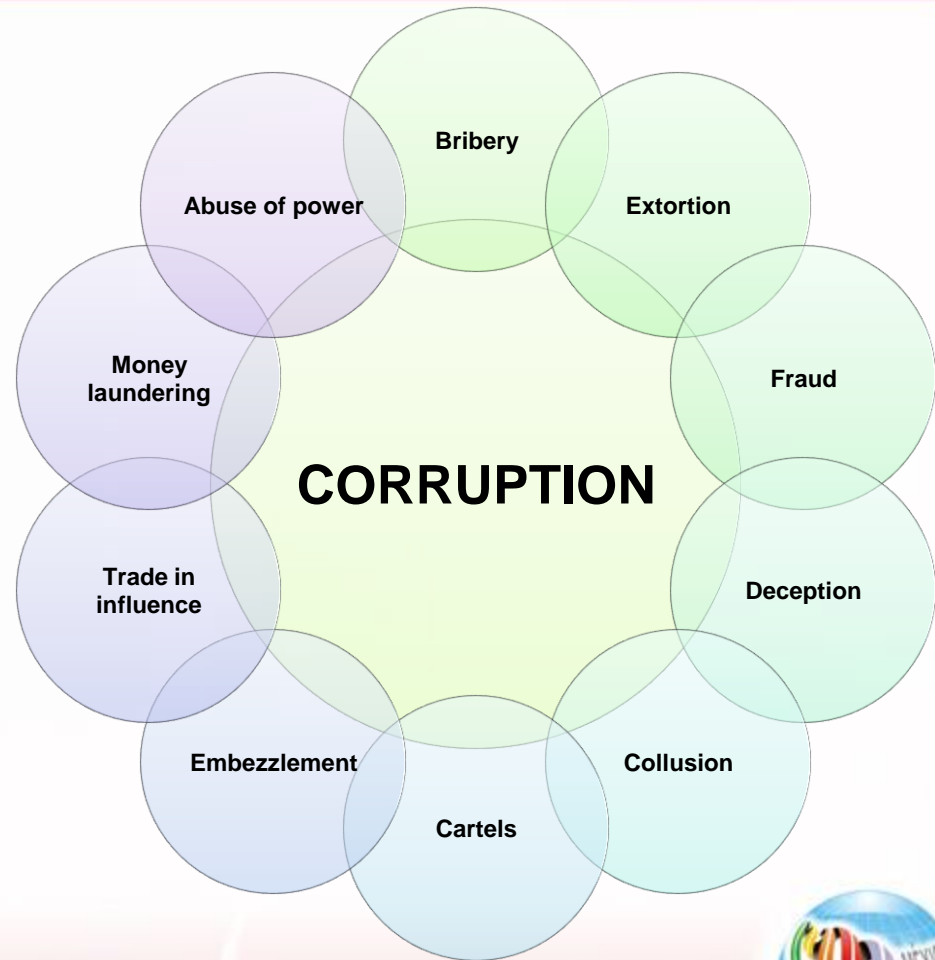


CORRUPTION – A MULTI – DIMENSIONAL ISSUE

Corruption – The misuse of entrusted power for private or corporate gain (e.g. paying or receiving a bribe)

Collusion – Collaboration between individuals or organisations to gain advantage against the public interest

Integrity – Adherence to a code of positive ethics and standards and intolerance of deviations from this code



GLOBAL PROFILE



House of ill repute: heads roll as Westminster reels

Top Cameron adviser resigns over expenses PM's envoy suspended over mortgage claims Peers guilty of 'cash for amendments'



The Daily Telegraph

Friday, May 8, 2009 BRITAIN'S BEST-SELLING QUALITY DAILY

The truth about the Cabinet's expenses

The Prime Minister Brown paid his brother more than £6,000 for 'cleaning services'



CAUSES OF CORRUPTION IN THE ROADS SECTOR

Sector

- Contractual Structure
- Diversity of Skills
- Project Phases
- Uniqueness of Projects
- Lack of Transparency
- Physical Concealment

National Government

- Insufficient Scrutiny, Reporting & Prosecution
- Lack of Effective Legislation and Regulation
- Lack of Data on Benchmarks and Comparators
- Political Self-Interest and Complicity

International

- Lack of Inter-Governmental Co-operation
- Lack of Transparency & Pro-Active Steps by Funders
- Lack of Action by Local & International Actors



THE COSTS OF CORRUPTION

- **Calculation** extremely complex:
 - Cumulative increase across transactions
 - Bribes & payments not publicly recorded
- **Estimation**
 - 5% of world GDP (World Bank) (\$ 1.5 trillion per annum in general & \$ 500 billion per annum in IS-sector)
 - Adding up to 10% of the cost of doing business and up to 25% or more of procurement costs in some developing countries
 - May occur in 5%-10% in road projects and add up to 20%-30% of project costs (Transparency International)
- **Significant other economic, social & environmental costs, often impacting on the poorest and most vulnerable**



ACTION SINCE THE 1990S

International

- United Nations Convention Against Corruption
- African Union Convention on Preventing and Combating Corruption
- OECD Convention on Bribery of Foreign Officials in Int'l Business Transactions

National

- Australia: Bribery of Foreign Public Officials) Act
- USA: Anti-Corrupt Practices Act
- UK: Bribery Act
- EU: Regulation 1/2003 on Competition

Private Sector

- ICC Commission on Anti-Corruption
- Transparency International Principles for Countering Bribery
- World Federation of Engineering Organisations Anti-Corruption Action Statement




TC B.1 WORK PROGRAMME 2008 – 2011

- Definitions and key terminology
- Desktop review of evidence
- Questionnaire survey of WRA members
- Seminar in Bamako, Mali
- Collation and lessons from case studies
- Development of Cycle and Toolkit of Integrity at institutional level
- Micro (Project) and macro (Societal) dimensions
- Recommendations to Roads Sector and WRA



QUESTIONNAIRE SURVEY

QUESTIONNAIRE ON ORGANISATIONAL INTEGRITY
Principles, Policies and Practices Related to
Preventing, Identifying and Tackling Corruption
PIARC TC B1



Contact (Questionnaire)

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- High level of awareness within organisations and importance of tackling corruption
- Focus on reducing inefficiencies, avoiding legal sanctions and financial & reputational damage
- Link to wider Corporate Social Responsibility
- Ongoing implementation of measures
 - Compliance with national legislation and inspection
 - Internal codes of practice & communication to staff
 - Improved working environment and staff motivation
 - Developed staff, business management systems, internal control & audit systems
- Variable progress and review of effectiveness

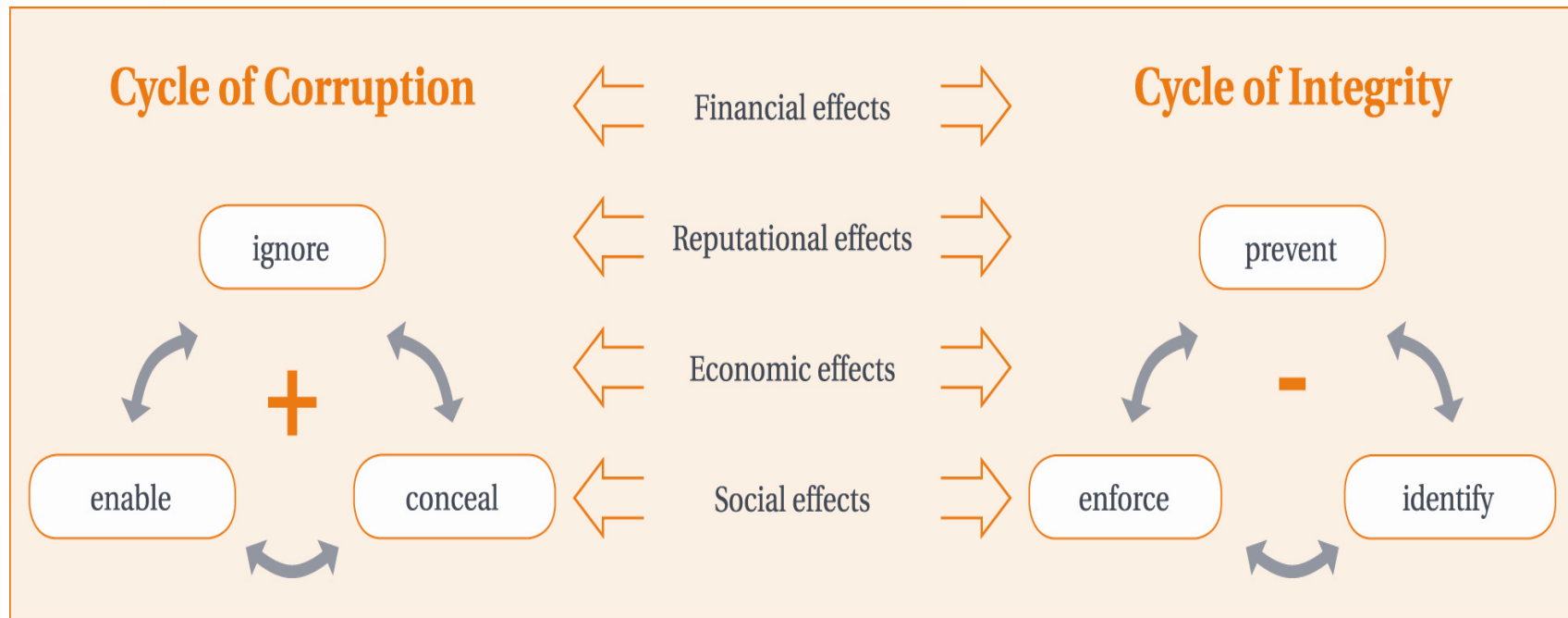


DEVELOPING COUNTRIES – BAMAKO SEMINAR

- Appreciation of economic, financial and environmental costs
- Issues of corruption in the road sector cannot be isolated from wider economic, social and political system
- Importance of tackling corruption at the societal level as well as within individual organisations
- Importance of opening sector up to public scrutiny and the media in acting as a whistle blower
- Vital elements for tackling corruption include building respect within civil society, creating positive values and role models and creating effective enforcement agencies



THE CYCLE OF INTEGRITY



TOOLKIT OF INTEGRITY

Subject Areas	Measures	Description of Measures	Fully Implemented	Partially Implemented	Not Implemented	To be introduced	To be developed further
PART A - MEASURES for the PREVENTION of CORRUPTION							
1 Development of business ethics and anti-corruption strategy - awareness-raising and educational measures							
Theory: In many cases there is a lack of awareness about the definition, nature and consequences of corrupt behaviour ("trivial offence"). Awareness-raising measures therefore need to be provided as a priority for all employees and if possible for all contractors.							
	Ethics guidelines	Ethics guidelines with summary of the organisation's mandatory (and legal) policies and practices in the areas of business ethics and anti-corruption applicable to all departments and all employees Clear definition of what constitutes corruption and rules of conduct in the context of encountering perceived or actual corrupt behaviour Basic understanding of the organisation's ethics philosophy Sources of further advice, information and support					
	Ethics workshops and other dissemination events	Regular completion of ethics workshops and other dissemination events for the training of employees and for the internal discussion of current issues, overview of the current regulatory framework and consequences (e.g. accepting gifts, damage to the organisation, damage to other market participants)					
	Internal and external corporate publications	Explicit coverage of issues relating to business integrity and tackling corruption in corporate literature, including publicising specific examples of corruption within the sector, country or discipline and clear "zero tolerance" message to employees, suppliers and other stakeholders					
	IT self-test for employees	Introduction of (voluntary or mandatory) IT-based (e.g. intranet) self-test to learn about the current regulatory framework and enhance awareness raising					
	Signature of an anti-corruption agreement	Signature of a formal agreement to ensure that employees comply with anti-corruption conditions and regulations; periodic refresh of signature to ensure issue remains uppermost in employees' minds and "ignorance is no excuse." Nature of agreement may be tailored to employees' level of seniority and position. Consequences and sanctions in event of breaking agreement must be made clear.					
	Anti-corruption report	Regular completion (with potential for random audit) of an anti-corruption report by employees on project award, inception, implementation, commissioning and close-out (based on clearly defined stage gates around the project cycle)					
	Integrity declaration by tenderers	During tender procedures, all tenderers must sign and submit an integrity declaration including a stated clear understanding of the sanctions arising from the discovery of corrupt behaviour or inducements as part of their tender.					



DIFFERENT SCALES FOR INTEGRITY

Society

- Applicable Laws and Regulations (and Enforcement)
- Respect and Adherence to Civil Society & Social Justice
- Political Leadership, Structures and Scrutiny

Institution (Toolkit)

- Recruitment, Training and Staff Development
- Corporate Governance, Management and Audit
- Identifying and Tackling Suspected Corruption

Project

- Project and Risk Management, Approval and Review
- Tender and Procurement Procedures,
- Invoice, Order & Contract Approval and Variation

Individual

- Personal Values, Ethics, Attitudes and Behaviour
- Respect for Customers, Colleagues and Wider Society
- Visibility, Tolerance & Acceptance of Behaviour of Others



SOCIETAL LEVEL

SOCIETAL FACTORS – UNITED KINGDOM	VERY STRONG	STRONG	MODERATE	WEAK
A strong tradition of rule of law and adherence to regulation	x			
Specific regulations against corruption with penalties	x			
Publicised examples of prosecution or enforcement action		x		
Strong independent institutions for regulation, scrutiny and inspection of public and private sector organisations	x			
Broad social & corporate awareness of costs of corruption		x		
Values & social norms that grant little tolerance to corruption		x		
Political leadership & open, transparent political process	x			
Freedom and active focus from the press on corruption	x			



THE BUSINESS CASE FOR INTEGRITY

“A value-driven organisation with complete, robust and consistent structures and procedures for activities to be conducted at all levels with a high degree of honesty, openness and adherence to ethical standards.”

- Efficient, economic and effective delivery of organisational goals
- Reduced costs of doing business, reduced risk of claims for damages and relief from legal investigation and prosecution
- Retention and enhancement of organisational reputation
- Trust and the confidence of public, media and stakeholders
- Employee dignity, morale, empowerment and productivity
- Maximum value for taxpayers and customers
- Long term institutional stability and development



KEY AREAS FOR DISCUSSION

- Causes, costs and consequences of corruption
- Different tiers of applicability of the Cycle of Integrity, including societal, institutional and project specific levels
- Issues for developing countries and countries in transition
- Proposals for further work in this area within next WRA Cycle, including project governance and development of a WRA Code of Conduct and Integrity Commission
- Fostering a long-term, constructive, progressive and consistent debate on this vitally important topic



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Thank You

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