

CASE INFORMATION SHEET

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COLOMBIA: Private Sector Anti-Corruption Agreement in the Pipe Manufacturing Industry

The Anti-Bribery Agreement

In 2004, the Colombian *Sanitary and Environmental Engineering Association (ACODAL)* approached *Transparencia por Colombia*, a national anticorruption NGO, to establish a sectoral Anti-Bribery Agreement. This was an attempt to reduce the mistrust and lack of credibility dominating the pipe manufacturing industry – a situation which had become unmanageable for the companies. In a combined effort, pipe manufacturing companies (representing 95% of companies in the sector) signed an Anti-Bribery Agreement in April 2005. The Agreement stipulates that each company must introduce a general anticorruption policy according to the guidelines as specified in *Transparency International's Business Principles to Counteract Bribery (BPCB)*. These guidelines cover a variety of company operations including: pricing and purchasing, distribution and sales schemes, implementation mechanisms, internal controls and audits, HRM, communications, as well as the protection of 'whistle blowers'. Moreover, it is recommended that each company establishes an Ethics Committee with significant social and economic powers to take action against transgressors.

Corruption Problems

In Colombia, the procurement of pipes for water supply and infrastructure has been vulnerable to corruption and fraud. The conditions established to participate in the tendering process often tend to favour single bidders, without consideration for the technical analysis justifying given requirements. Moreover, the bribes are frequently offered in the contracting processes. These practices resulted in the loss of large sums of public resources for water and infrastructure projects.



Project Information

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Corruption Prevention

Why companies join the Agreement?

- They believe it reduces corruption
- They prefer a selfregulation scheme based on common rules
- It maintains an open dialogue
- It provides a means of recognition
- It encourages peer control
- It allows social pressure

How to Enable Companies to Prevent Corruption?

- Companies must accept that they have a responsibility to solve a problem
- Companies have to define actions to solve the problem
- Companies need to generate benefits out of their actions

Anti-Corruption Strategies

Lack of an Anti-corruption Corporate Culture

- Offer employee training on the Agreement's content
- Provide Human Resource Management (Addendums to labor contracts; Induction processes)
- Establish clear reporting lines for general managers and treasurers
- Boards of Directors need to formally support the Agreement

Absence of Internal Ethical Standards

- Establish detailed guidelines and disseminate Agreement widely
- Hold regional meetings to launch the Agreement (Corporate image for Agreement; Meetings with public officers; National media publications)

Lack of Transparency in Contracting

- The Agreement establishes new rules that go beyond legal statutes
- The Agreement encourages the public sector to establish similar guidelines
- The Agreement creates pressure for other suppliers to join the Agreement

Tolerance of Bribery Practices in the Distribution Scheme

- Offer regional Agreement training sessions with distributors

The impact and effect of this Agreement will be very strong, since we never before have had a code to guide us on these matters. Now we have parameters for action. Furthermore, the sanctions that have been established are very important. With this Agreement we, pipe manufacturers, will act differently amongst ourselves, since the same rules and regulations apply to all.

Testimony of an Agreement participant

Lessons Learned

Leadership from top management of companies in the process must be firm and enduring

Coordination with national governance reforms helps to mobilize political commitment, to move beyond the needs of specific individual business and to ensure that the Agreement is followed up by parallel work in the public sector to prevent corruption risks arising from the State

Ethical commitment and motivation can engage private sector entrepreneurs to selfregulation and common standards to reduce corruption

Involvement of thirdparty actors, such as Transparency International, can help coordinate and facilitate such an Agreement