

Case Information Sheet

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COLOMBIA

Pipe Manufacturers: operation and effectiveness of a voluntary ethics committee

Background

Pipes make up at least 40% of the costs of water infrastructure and corruption therefore presents a big risk to infrastructure projects, particularly in the planning, design and procurement phases. For example, many project proposals tend to use published list-prices as a guide for costing, however these prices often ignore the fact that many manufacturers offer discounted prices. At times, these discounts range from between 30-50% off the list-price volumes, representing a margin in which many corrupt practices can manifest. The worst examples tend to be in provinces that flourish with oil money, where it is estimated that pipes are imported at prices 30-40% higher than domestic market prices. The water sector is no less prone to such practices.

Mismanagement and corruption in the Colombian Pipe Manufacturing sector already led to the development of Colombia's first voluntary¹ Pipe Manufacturers Anti-corruption Agreement (PMAA) in 2005. The agreement was made possible through the commitment and initiative of nine companies, who together make up almost 90% of the sales volume of pipes in Colombia. The primary aim of the PMAA is to



Despite the purchase of costly pipes, many pipes are incomplete and waiting by the roadside to be installed.

engage companies in collective monitoring activities for transparency and fair competition in state-related procurement and bidding processes. The PMAA is guided by Transparency International's 'Integrity Pact'², a tool that enables interested parties to formulate mutual anti-corruption agreements.

Project Activities

During 2007-2008, the PMAA members, with the extensive support of Transparencia por Colombia³, set up an independent ethics committee to help reduce corruption risks and to help build confidence in the market and between competitors. The committee's goal is to ensure compliance to the agreements, to monitor irregularities in the tendering processes in which the companies may participate and generally, to encourage the promotion of transparency amongst members. The ethics committee consists of one remunerated part-time position and two voluntary lawyers. The posts and office-space are funded by an annual fee of 10,000 USD which is levied on the members of the PMAA.

Project Information

Transparencia Por Colombia

Website

<http://www.transparenciacolombia.org.co/SECTORPRIVADO/Acodal/tabid/116/language/es-ES/Default.aspx>

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¹ Agreements are voluntary; they originate with the independent decision of the companies to self-regulate and participate

² The Integrity Pact has now been adapted for use in the water sector. See <http://www.waterintegritynetwork.net/page/3456> for further information

³ A national chapter of the civil society, anti-corruption organisation, Transparency International (www.transparency.org)

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The practical nature of the ethics committee means that a great focus is placed on the nature of corruption risks identified, with measures put in place to approach these issues through prescriptive and well-defined policies. Its strength lies in its ability to award sanctions to companies who are found to be non-compliant to the provisions in the agreement. Amongst others, non-compliance may result in the withdrawal of the right to use affiliation to the PMAA in promotional material, as well as a public announcement of the violation (e.g. posting of information on the website of the business association).

Integrity Impacts

Impact of the Ethics Committee
Although young, the current ethics committee has already made some remarkable achievements:

1. The ethics committee's intervention has led to direct and timely improvements in tendering processes. In one case, where a manufacturer was approached to pay a bribe before the issuance of a tender, subsequent complaints led to the implementation of a modified tendering process (reverse auction). In this reverse auction the complainant was successful, perhaps because the competitors had driven up their costs through bribe-deals
2. 96% of the workforce from the companies now have an anti-corruption clause in their contracts. Companies are required to provide annual staff-training on dealing with corruption and implementing the principles of the agreement
3. Recently a private-public alliance was signed between the Ministry of Water and Environment, Transparencia por Colombia and the pipe manufacturers partisan to the agreement. This alliance aims to promote improvements to the visibility and transparency of public investment decisions.

Through the signing of a sectoral agreement, it has been possible to set-up an independent ethics committee for both promoting anti-corruption and monitoring compliance of partisan companies. The ethics committee has been involved in active monitoring of the discrepancies and problems inherent in the companies' operating environment, such as public procurement systems, discrepancies in technical documents during project-design and costing issues, helping to contribute towards a fairer and more competitive business through an anti-corruption approach that promotes efficiency, transparency and the active engagement of social actors. The case-sheet provides important considerations for others wishing to apply the 'Integrity Pact' tool.

Lessons Learned

- An ethics committee or other such monitoring body is essential for the effective self-regulation of an anti-corruption agreement. Its effectiveness can be achieved through two main roles: a) Procedure – to ensure compliance with the commitments made by members of the agreement; and b) Public/external relations – monitoring relevant cases to generate public knowledge and the promotion of public-private-community cooperation
- The availability of information in the public domain helps to reduce the operation risk of corruption by providing the possibility of civil society monitoring of processes.
- Technical studies should be one precondition for being eligible for procuring government contracts.
- Monitoring of the list-to-discount price margin is important, as is the development and implementation of an annual work plan for the ethics committee and members.
- Media plays an important role for broadcasting anti-corruption messages of the ethics committee.
- Staff-training on anti-corruption is vital.