

# 2C.V Case story: World Economic Forum Partnering Against Corruption Initiative

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**“The goal of reducing and eventually eliminating bribery and corruption can be met only if companies develop specific codes of practice that drive measurable action.”**

*Corruption and bribery are key impediments to sustainable development and economic growth, and research shows that foreign direct investment is lower in countries that are perceived to be corrupt. Hence, to advance economic development, corruption and bribery must be overcome. To tackle this challenge, leading CEOs have launched the Partnering Against Corruption Initiative (PACI) within the framework of the World Economic Forum. The multilateral development banks have agreed to work with PACI to explore ways to enforce proper anti-corruption standards within the private sector as a means of promoting sustainable development.*

To ensure a level playing field and to export the good governance that exists in some regions, leading CEOs from World Economic Forum partner and member companies launched the Partnering Against Corruption Initiative (PACI) at the Annual Meeting in Davos in January 2004 and mandated the initiative with three objectives:

1. To create a common language on corruption and bribery valid for all industries;
2. To develop a mechanism for ensuring public commitment from the top level of companies;

3. To support companies in implementing their commitment and developing appropriate means of verification and compliance.

To date, the PACI has made substantial progress on all three objectives:

## **Creating a common language on corruption and bribery valid for all industries**

Recognizing that the global public policy goal of reducing and eventually eliminating bribery and corruption can be met only if companies develop specific codes of practice that drive measurable action, industry representatives engaged in the PACI drafted a voluntary code for companies to counter bribery and corruption on the basis of Transparency International's Business Principles for Countering Bribery. Named “The Partnering Against Corruption—Principles for Countering Bribery (PACI Principles)” the aim of the code is to provide a framework for good business practices and risk management strategies for countering bribery. In that sense, the PACI Principles are meant to assist companies to

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eliminate bribery, demonstrate their commitment to countering bribery, and make a positive contribution to improving business standards of integrity, transparency and accountability wherever they operate. The PACI Principles and their widespread adoption will raise standards across industries and contribute to the goals of good governance and economic development.

### Ensuring public commitment from the top level of companies

The PACI constituency, believing that commitment from the top level of a company is of central importance, has developed a support statement for company leaders to sign, thereby publicly demonstrating their commitment to act against corruption.

Signatories to the support statement commit themselves to two fundamental actions: the adoption of a “zero tolerance” policy on bribery and the development of a practical and effective programme of internal systems and controls for implementing that policy. In practical terms, this means that the company will either implement anti-bribery practices based on the PACI Principles or use the Principles to benchmark existing programs. All companies, regardless of industry sector, whether public or private, domestic or multinational, and whether or not they are members of the World Economic Forum, are encouraged to sign the support statement to the PACI Principles.

To date over 90 companies from multiple industries representing an annual turnover of more than US\$500 billion have signed the support statement to the PACI Principles. Amongst them are companies from the aviation, information technologies, engineering and construction, mining and metals, food and beverage, professional services, and energy sectors.

### Supporting companies in implementing their commitment and developing appropriate means of verification and compliance

A task force of the PACI signatory companies meets twice a year to discuss future plans, share experience and work on supportive processes. The aim of the task force is to ensure that the commitment of the signatory companies does not end with their signature to the support statement. The task force not only supports companies in the implementation of the PACI Principles but also helps to advance issues of relevance for countering corruption and bribery in a coherent manner. In this context, the task force representatives have established three working groups:

1. The *Working Group on Collaboration with Other Anti-Corruption Initiatives, Implementation and Best Practice* aims to streamline activities and collaborate with other anti-corruption initiatives like Transparency International, the International Chamber of Commerce's Anti-Corruption Commission, the OECD Working Group on Bribery, and the United Nations Global Compact 10<sup>th</sup> Principle on Corruption. This Working Group also identifies and shares potential support tools for companies implementing codes of conduct on countering corruption and bribery, and it develops opportunities for sharing good practice among the participating companies.
2. The *Working Group on Verification and Compliance* aims to answer the question: “How can a company demonstrate that it is doing what it claims it would do?” and accordingly fosters continued focus on anti-corruption implementation and company compliance. It works towards levelling the playing field by exploring potential means of third-party verification. This Working Group also works with the multilateral develop-

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ment banks to explore methods of enforcing effective anti-corruption standards within the private sector.

3. The *Working Group on Communications* develops not only an overall communications strategy for the initiative but also internal and external communications tools for PACI signatory companies to implement their anti-corruption commitment amongst employees and other stakeholders.

Overall, the Partnering Against Corruption Initiative reflects a recognition by the corporate sector that corruption and bribery corrode economic progress and good governance. It recognizes the need for anti-bribery principles that can be applied industry-wide and that are based on a profound commitment to fundamental values of integrity, transparency and accountability.

The work of the Initiative is guided by the PACI Board, and the World Economic Forum manages the initiative's operations.

## PACI Board members

- Alan L. Boeckmann, *Chairman and Chief Executive Officer*, **Fluor Corporation, USA**
- Jermyn Brooks, *Member of the Board of Directors*, **Transparency International, Germany**
- Hassan Marican, *President and Chief Executive Officer*, **PETRONAS (Petroliam Nasional Bhd), Malaysia**
- Wayne W. Murdy, *Chairman and Chief Executive Officer*, **Newmont Mining Corporation, USA**
- Mark Pieth, *Chairman*, **Working Group on Bribery, OECD, Paris and Basel Institute on Governance, University of Basel, Switzerland**
- Richard Samans, *Managing Director*, **World Economic Forum**

In summary, the Initiative seeks to:

- Offer a neutral platform enabling companies to consolidate their efforts to counter bribery and corruption;
  - Extend to a wider group of companies the ongoing efforts to implement measures to fight corruption and bribery;
  - Communicate to a wider public the active commitment of leading companies to the principles of countering bribery and corruption;
  - Identify and implement mechanisms to turn the principles into a tangible instrument;
  - Explore and develop self-evaluation and verification mechanisms to ensure programme efficacy;
  - Integrate anti-corruption experts, NGOs, international organizations and Governments in the activities of the PACI in order to develop a wider and more comprehensive effort to fight corruption and bribery;
  - Effectively collaborate with other anti-corruption initiatives on a common objective.
- On World Anti-Corruption Day (9 December 2005), the World Economic Forum Partnering Against Corruption Initiative, the International Chamber of Commerce, Transparency International and the United Nations Global Compact 10<sup>th</sup> Principle agreed to coordinate their efforts to support business's fight against corruption and bribery.
  - The Arab Business Council (ABC) of the World Economic Forum endorsed the Partnering Against Corruption Initiative and invited its members to join PACI.
  - The United Nations Global Compact agreed to acknowledge signature to PACI as "communication on progress" for its participating companies.
  - A PACI Country Peer Group was successfully launched in Romania in September 2005.
  - Based on the PACI Engineering and Construction Task Force and Transparency International engagement, the World Bank has agreed to include anti-bribery language as part of the bidding process for infrastructure projects financed by the World Bank.

### Milestones

- At the World Economic Forum Annual Meeting 2006 in Davos, the heads of the World Bank, the European Bank for Reconstruction and Development, the Asian Development Bank and the Inter-American Development Bank have jointly agreed to work with the World Economic Forum's Partnering Against Corruption Initiative (PACI) to require an anti-bribery certificate from bidders on large contracts; to explore requiring a copy of the bidders' codes of conduct/anti-bribery policies as further evidence of commitment and ability to abide by the certificate; and to work with PACI at the regional and country level at workshops and anti-corruption awareness raising events.

### About the World Economic Forum

The World Economic Forum is an independent international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional and industry agendas. Incorporated as a foundation in 1971, and based in Geneva, Switzerland, the World Economic Forum is impartial and not-for-profit; it is not tied to any political, partisan or national interests.

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### Visionary leaders at work: Expanding the fight against corruption

Alan Boeckmann | CEO, Fluor Corporation

Our anti-corruption challenge could grow in the years ahead. If, as some predict, 60 per cent of all construction 10 to 15 years from now will take place in developing countries and bribery continues to be a way of life in those nations, then engineering and construction firms—that refuse to do business that way will be heavily penalized. So will those who work for or with them.

I was intrigued to learn that, as a professor, Albert Einstein gave examinations using questions identical to those on the prior year's test. He explained that the questions might be the same, but that each year's answers should be different. Change, in other words, is a constant, and I am pleased to report that the anti-corruption environment is rapidly changing for the better. In fact, yesterday's tolerance for corruption is diminishing faster and more dramatically than is commonly appreciated, dramatically changing the stakes for all concerned.

By any measure, the scope and nature of reform over the past 10 years has been historic. The single most important change has been the "globalization" of American-style anti-corruption standards. Prior to 1998, few industrialized countries outlawed foreign bribes. Some even encouraged them by allowing companies to treat such payments as deductible business expenses.

But that began to change when more than 30 nations—including all of our major trading partners—implemented rigorous anti-bribery commitments mandated by the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

More progress was made two years ago when over a hundred nations joined in signing a new comprehensive United Nations Convention against Corruption. The United Nations action greatly expands the OECD Convention, with new commitments to transparency in public works procurement and practical measures that encourage transnational enforcement and cooperation. It also established the first universal commitment to tough anti-corruption standards, applicable not only to OECD countries but also to so-called "demand" countries—that is, countries whose officials demand bribes from international firms. The necessary 30 countries have now ratified this United Nations Convention, although more G8 nations need to sign on to make it fully effective.

Over time, such reforms will expose companies that engage in public bribery to multiple and coordinated enforcement. The risk of discovery will rise as probing eyes search for signs of nefarious business dealing while the probability of prosecution increases. All this is driving change in business perceptions and practice, and for the first time, leading companies are talking seriously about this problem and how to solve it. That is encouraging because the challenge needs to be approached from both the demand and supply sides.