Fighting Corruption in the Road Transport Sector

Lessons for Developing Countries

Sustainable Urban Transport Technical Document # 10

BLOW
THE
WHISTLE
on corruption...
...anonymously...

About the author

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1 Introduction

This SUTP Technical Paper intends to provide a comprehensive overview on corruption in the road transport sector of developing countries. It is meant for decision makers, practitioners, trainers and donors working in transport. The text explains the issues in simple words and compliments them with numerous practical examples from all over the world.

The paper explains what corruption is, and why it is so detrimental for economy and society. It gives hints how corruption in the transport sector may be detected. Of

special importance are so called red flags that indicate where corrupt practices are prevalent in transport projects. In addition, the document outlines the measures that may be taken to prevent corruption in the transport sector. This concerns not only the public and private sector, but the civil society in general which may play a crucial role in "blowing the whistle" on corruption. Donors and international organisations are also offered advice on how to support the fight against corruption as a part of the cooperation with developing countries.

2 Why is corruption so dangerous?

The World Bank places corruption "among the greatest obstacles to economic and social development. The consequences of corruption for economic and social development are detrimental. Corruption deters investment and hinders growth. It spurs inequality and erodes macroeconomic and fiscal stability. It reduces the impact of development assistance and provides an incentive to exploit natural resources, further depleting our environmental assets. It reduces the effectiveness of public administration and distorts public expenditure decisions, channelling urgently needed resources away from sectors such as health and education to corruption-prone sectors or personal enrichment. It erodes the rule of law and harms the reputation of and trust in the state[1]."

World Bank Institute Governance Director David Kaufman, estimates "bribery has become a USD 1 trillion industry". The UN believes political corruption costs governments about USD 1.6 trillion every year. "Corrupt practices drain government coffers, play havoc with free trade and scare away investors. The World Bank

estimates that corruption can reduce a country's growth rate by 0.5 to 1.0 percentage points per year. IMF research has shown that, investments in corrupt countries are almost 5 % less than in countries those are relatively corruption-free" (United Nations Office on Drugs and Crime Prevention).

The macroeconomic impacts are catastrophic: an increase of corruption by about one index point on the Corruption Perception Index (Figure 4) reduces GDP growth by 0.13 percentage points and GDP *per capita* by USD 425. This again has impacts on school attendance (-5 %) and average life expectancy (-2½ years) (Dreher *et al.*, 2005).

Corruption is a terrible disease that destroys a country from within.

The New York Times editorial

In the public view, grand corruption plays a major role. However, many countries face a large spread of corrupt practices through all levels of the society. For example in 2010, 56 % of Sub-Saharan users of public services are

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[1] http://go.worldbank.org/K6AEEPROC0

reported to be paying bribes to at least one out of nine service providers. In Europe this amount is only 5 % (Figure 1).

Region	Percentage
ASIA PACIFIC	11%
EU+	5%
LATIN AMERICA	23%
MIDDLE EAST & NORTH AFRICA	36%
NEWLY INDEPENDENT STATES+	32%
NORTH AMERICA	5%
SUB-SAHARAN AFRICA	56%
WESTERN BALKANS + TURKEY	19%

PERCENTAGE OF USERS WHO REPORT PAYING A BRIBE TO AT LEAST ONE OF NINE SERVICE PROVIDERS IN THE PAST YEAR
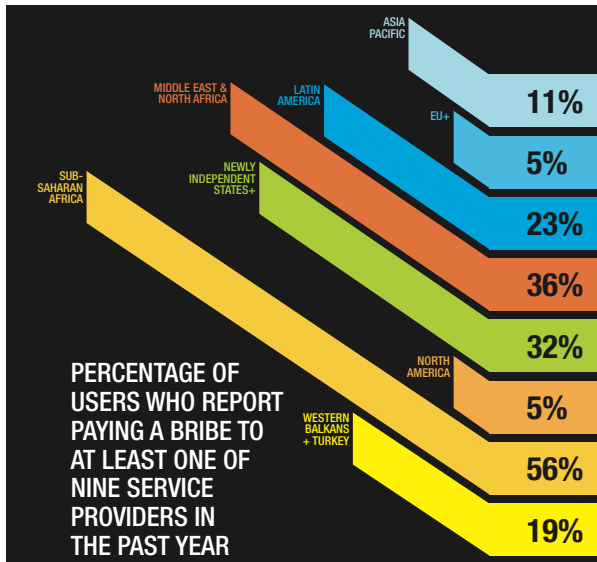
Figure 1: *Bribes paid to service providers.*
Source: Transparency International:
Global Corruption Barometer 2010

The cost of corruption is four-fold:

(i) Political, (ii) Economical, (iii) Social, and (iv) Environmental.

i.   On the political front, corruption constitutes a major obstacle to democracy and the rule of law. In a democratic system, offices and institutions lose their legitimacy when they are misused for private advantage. Though this is harmful in the established democracies, it is even more so in newly emerging ones. Accountable political leadership cannot develop in a corrupt climate.

ii. Economically, corruption leads to the depletion of national wealth. It is often responsible for the funnelling of scarce public resources to uneconomic high-profile projects, such as dams, power plants, pipelines and refineries, at the expense of less spectacular but fundamental infrastructure projects such as schools, hospitals and roads, or the supply of power and water to rural areas. Furthermore, it hinders the development of fair market structures and distorts competition, thereby deterring investment and severely undermining quality of goods and services.

iii. The effect of corruption on the social fabric of society is the most damaging of all. It undermines people's trust in the political system, in its institutions and its leadership. Political elites as well as democratically elected yet unscrupulous leaders turn national assets into personal wealth. Frustration and general apathy among a disillusioned public result in a weak civil society. Demanding and paying bribes become the norm in the society. Those unwilling to comply often emigrate, leaving the country drained of its most able and most honest citizens.

iv. Environmental degradation is yet another consequence of the corrupt systems. The lack of, or non-enforcement of, environmental regulations and legislation has historically allowed the North to export its polluting industry to the South. At the same time, careless exploitation of natural resources, from timber and minerals to elephants, by both domestic and international agents has led to ravaged natural environments. Environmentally devastating projects are given preference in funding, because they are easy targets for siphoning off public money into private pockets.
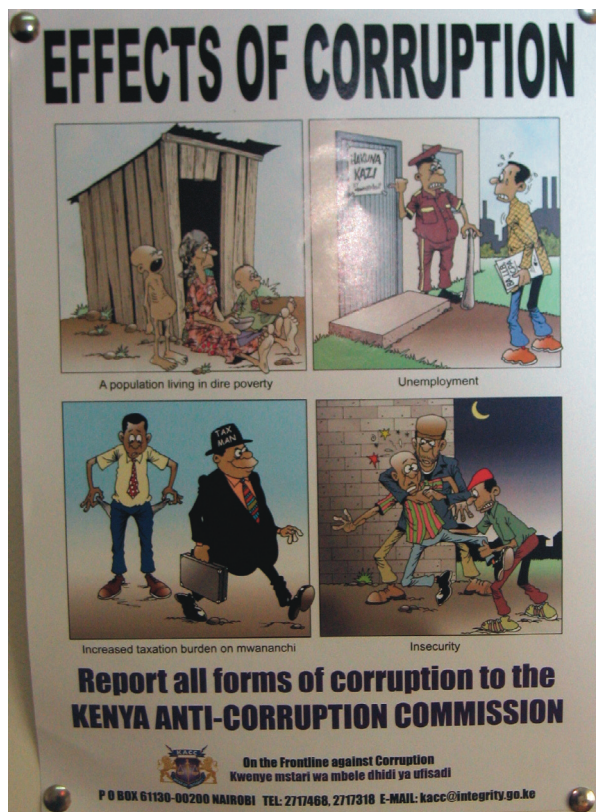

Figure 2: *This anti-corruption poster illustrates the negative effects of corruption.*
Photo by Niklas Sieber

If you pump money into a system where there is leakage, you are effectively rewarding leakage and disincentivising those trying to stop it.

John Githongo, Kenyan Whistle Blower

2.1 Corruption in the construction sector

The construction sector is especially affected by corruption. "Survey evidence of local and international firms at the country level suggests that, construction is an industry particularly prone to corruption – both related to government contracting and to circumvent regulation. Construction firms have significantly larger 'bribe budgets' than the average firm and they bribe more often" (Kenny 2007).

Transparency International's 2002 Bribe Payers Index reported that construction/public works are perceived to have the highest level of bribery of any sector, higher than both the arms industry and the oil and gas sector. Control Risks Group carried out a survey of business leaders in six developed countries, which also found construction/public works to be the most corrupt sector of all.

Transport experts joke about a 'concrete index' in transport projects – the more concrete is used in the project, the higher the level of corruption.

In the construction industry, the scale of corruption is magnified by the size and scope of the sector, estimated globally at some USD 3 200 billion per year. The lack of transparency in contracting processes for large-scale infrastructure projects can have devastating consequences for economic and social development[2]. Severe consequences may be felt when thousands of people are killed or injured because of the buildings designed are not earthquake resistant as a result of corruption[3].

Corruption in the construction sector not only plunders economies; it actually shapes them. Corrupt government officials steer social and economic development towards large capital-intensive infrastructure projects that provide fertile ground for corruption, and in doing so neglect health and education programmes. The opportunity costs are tremendous, and they hit the poor hardest.

Oxford economist Paul Collier (2005) quantified the impacts of corruption in infrastructure sector and concluded:

- Corruption delays and reduces expenditure on infrastructure investment.
- Corruption reduces the growth generated by a given expenditure on infrastructure investment.
- Corruption raises the operating cost of providing a given level of infrastructure services.
- Corruption reduces the quality of infrastructure services and limits access, especially for the poor.

Corruption distorts the entire decision-making process connected with public investment projects. The evidence researched by Tanzi *et al.,* (1997) shows that higher corruption is associated with (i) higher public investment; (ii) lower government revenues; (iii) lower expenditures on operations and maintenance; and (iv) lower quality of public infrastructure. The evidence also shows that corruption increases public investment while reducing its productivity. Huge construction projects have gone ahead only because bribes were paid, and environmental standards were not applied. Too frequently, corruption results in redundant infrastructure projects[4]. Thus, corruption not only lowers economic growth, but also steers public spending towards environmentally destructive projects.

2.2 Corruption in the transport sector

Corruption in the transport sector is frequent and reaches top level government officials. In the first

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[2] Transparency International Website consulted August 2011

[3] 2005 TI Global Corruption Report

[4] Transparency International Website, consulted August 2011

Box 1:
The destruction of the Cologne City Archive

In Cologne, Germany, the City Archive collapsed after subway construction works underneath the building. Invaluable historic documents from the Middle Ages were covered under the debris of the building and some destroyed forever. Two people lost their lives and the restoration of the saved documents is estimated to cost EUR 350 million.

According to the state attorney, the collapse was caused by the fact that only each second or third steel frame for the construction of the new subway line was embedded. The Kölner Verkehrsbetriebe (public transport provider) found out that even 80 % of the reinforcements were missing. A foreman had sold several tons of steel frames to a local scrap dealer and thus received a considerable additional income.

Figure 3: *The collapsed Cologne city archive.*
Photo courtesy of Frank Domahs, Cologne, 2009

half-year of 2011 six major corruption cases, as listed in Box 2, were in the news over their degree of corrupt activity.

The experience with public sector projects, especially in developing countries, is full of stories about roads that needed to be repaired a short time after completion.

Tanzi et al., (1997)

The transport sector, accounting typically for 10–20 % of a national budget, comprises a large share of the economy. Corruption in the transport sector thus leads to major economic impacts. According to the World Bank[5], corruption in transport projects can account for as much as 5–20 % of transaction costs. Thus, corruption causes large scale diseconomies and their impacts are worse if the countries are poor. Government investment in road transport alone can account for between 2 % and as high as 3.5 % of GDP, suggesting that as much as one half of all construction is transport-related, and a considerable majority of government-financed construction (and related corruption) involves transport.

Corruption in transport may have impacts on (i) infrastructure supply and (ii) transport operations and services. The issue of public infrastructure quality is analyzed by Tanzi and Davoodi (2002). In a panel of 68 countries over the period 1980–95, they find evidence that corruption considerably lowers the quality of roads and increases the number of electricity interruptions.

One of the largest inefficiencies in many countries – in industrialised as well as in developing countries – is the deterioration of transport infrastructures, caused by insufficient maintenance. Generally speaking the economic rates of return for road projects amount to 40 % for road maintenance, 20 % for rehabilitation and only 10 % for new construction. If public funds are spent on investments for new infrastructure projects, while financial means for maintenance are not sufficient, large scale diseconomies are generated. Road conditions depend on how well it was built initially and maintained. A high percentage of "poor" condition roads may be the result of corruption. Contributing factors can be:

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[5] http://go.worldbank.org/D98TC783Y0

Box 2: Transport corruption cases in the news during 6 months

Hungary, In January 2011

It was reported in the Hungarian press that the Budapest Police had opened an investigation into Alstom for the alleged misuse of funds in connection with a contract with the Budapest Transport Company BKV, and that the police later handed the case over to the National Investigation Office due to the gravity of the allegations.

Turkey, early 2011

The Prime Ministry Inspection Board has reportedly opened an investigation into allegations that the Daimler subsidiary in Turkey, Mercedes Benz Turk, had paid bribes to public transport officials in the city of Izmir and to the police in Ankara to secure the purchase of vehicles between 1998 and 2008.

USA

Another example of assertive US jurisdiction came in the case of Panalpina World Transport Holdings, Inc., a Swiss freight forwarding company, and its US subsidiary involving allegations of payments of over USD 49 million to officials in foreign countries, USD 27 million of which was allegedly made by Panalpina subsidiaries in Angola, Azerbaijan, Brazil, Kazakhstan, Nigeria, Russia and Turkmenistan. Panalpina entered into settlement agreements with the DOJ and SEC in which it agreed to pay over

USD 11 million in disgorgement to the SEC and a criminal fine of USD 70.6 million to the DOJ.

Czech Republic, April 2011

The Czech Transport Minister resigned over corruption allegations.

Sierra Leone, May 2011

A company, that provides IT Services for the Sierra Leone Road Transport Authority, is reported to have been collecting hundreds of thousands of Dollars without delivering the required services.

South Africa, June 2011

The Auditor General probe has found shocking irregularities with the Gauteng Roads and Transport Department in the award of 13 tenders worth about ZAR 1 billion: However, this is considered as the mere tip of the iceberg.

Brazil, July 2011

The Transport Minister resigned in the wake of a news-magazine article that alleged irregularities in the granting of contracts. Later six senior officials at Brazil's transport ministry were sacked due to suspected involvements in overbilling several state infrastructure projects.

Source: Bloomberg News, Xinhua, Radio Praha, OECD Anti-Bribery Convention Report 2011

- A bias toward large capital projects instead of maintenance of existing networks;
- A tendency to misuse resources generally (by not investing sufficiently in routine maintenance);
- Poor quality of construction and repair work;
- Fraud in construction and repair work.

Figure 4: *Road rehabilitation and maintenance are the key issues to maintain the quality of the road network.*
Photo by Carlos F. Pardo, Johannesburg, 2010

The impacts of theft in construction are considered as having greater impacts than other forms of corruption. Kenny (2006) found out that "the impact of stealing one dollar's worth of supplies from a road construction project is as much as four times higher than the impact of a dollar increase in contract costs due to collusion, because materials theft considerably reduces the quality and life of the constructed road". In the case of one Indonesian roads project, for example, each dollar's worth of stolen materials reduced returns to the project by USD 3.41 (Kenny 2007).

Box 3:
Corruption in Chinese infrastructure projects

As the Chinese economy gallops ahead, the huge investment in new infrastructure projects combined with weak enforcement of contracting regulations has created numerous opportunities for corruption. Local officials play a decisive role in the tendering process, and in many cases have ignored the relevant regulations. From 1997 to 2004, 14 directors of transport in nine provinces have been investigated for corruption. Three successive heads of transportation in Henan province were caught taking bribes and convicted for complicity in other crimes.

Source: Transparency International: Global Corruption Report 2005

However, not only is corruption a major problem in the construction sector but it frequently harms the performance of operations. For example, bus operators in Zimbabwe claim that at least 25 % of daily earnings go to bribing police officers (The Standard, Zimbabwe, 31 October 2010). Corruption in such situations especially hurts the poor who depend on such services. With money lost to pay bribes, equipment is liable to run down due to lack of resources for maintenance, and less money is available for recruiting qualified drivers and training them. Corrupt transport services affect especially the poor.

2.3 Corruption and poverty

United Nations Conference on Trade and Development UNCTAD states that "the ones who suffer most from corruption are the poor (Boehm *et al.,* 2008, p. 8)". "The poor are more vulnerable in terms of being subjected to extortion, bribery, double-standards and intimidation as well as being hit by the negative and harsh consequences of corruption on a country's overall development processes. Corruption in urban service delivery is of importance for poverty reduction strategies because it diverts resources from poverty-focused infrastructure projects. The poor are often adversely affected by petty corruption, for example they often pay a disproportionately higher percentage of their incomes on bribes than wealthier citizens (Cavill *et al.,* 2007, p. 18f)."

If reducing poverty is a social priority, controlling corruption must be an even greater one.

Ajit Mishra, Development Economist

The effects of corruption are felt by all, but the poorest people are unable to mitigate these impacts. The poorest people often have no voice to gain redress for injury or wrongdoing and as such continues to undermine their ability to lift themselves out of poverty. Additionally, a survey by Transparency International (Figure 4) shows, that lower income groups show a higher evidence of bribe paying.
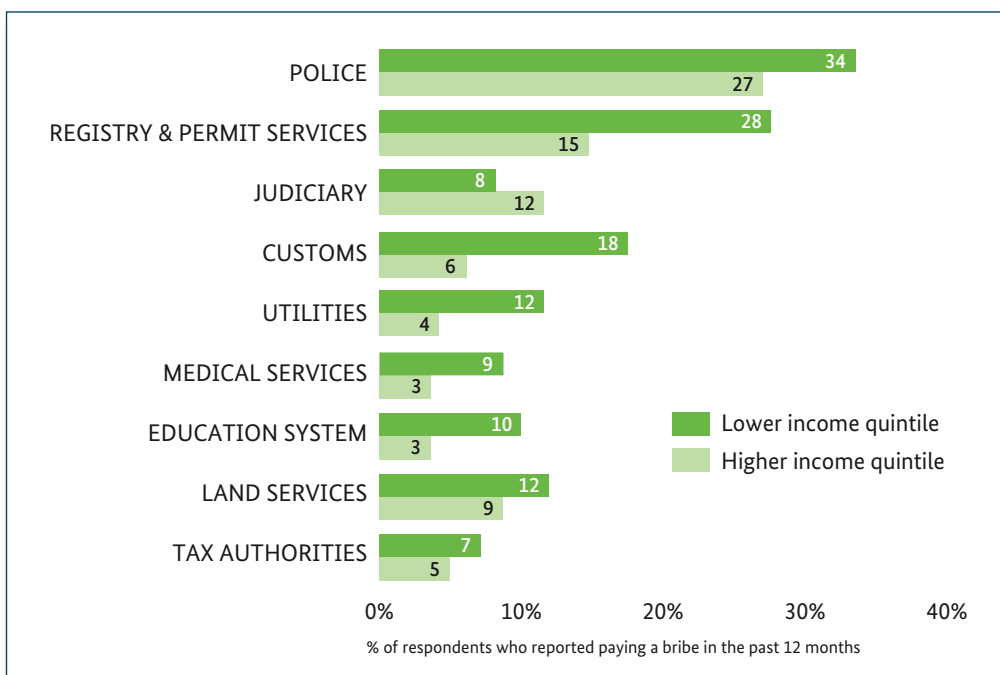
Figure 5: *Evidence of bribe paying for public services.*
Source: Transparency International: Global Corruption Barometer 2010

Research (Bromley *et al.,* 2011) on the transport costs for agricultural produce in West Africa revealed the impacts of corruption on poverty. Since farmers are the poorest group in society, agricultural prices have a strong impact on poverty. A 10 % reduction in total transport costs (actual costs plus corruption costs) of onions from Niger can result in a 12–13 % increase of farm-gate prices to onion farmers. Similar elasticities are 2 % for cashew in Ghana and 7 % for shea butter in Mali. Thus, corruption has not only an enormous impact on farmer's revenues in general, but it also hits the poor smallholders hardest.

Figure 6: *A Kenyan anti-corruption poster.*
Photo by Niklas Sieber

3 What is corruption?

3.1 Definition of corruption

There is no single international definition of corruption. In its narrowest sense, corruption is interpreted as referring to bribery and extortion. In its wider sense, corruption includes:

- bribery
- extortion
- fraud
- deception
- collusion
- cartel price-rigging behaviour
- abuse of power
- embezzlement
- trading in influence and
- money laundering.

These activities will normally constitute criminal offences in most jurisdictions although the precise definition of the offence may differ (http://www.giaccentre.org), and where corruption is prevalent there may be little or no enforcement: indeed, those who fail to go along with the corruption may be the ones to be punished. A definition of the terms is given in the Annex of this document.

Transparency International as well as the World Bank defines corruption as the abuse of power given under trust for private gain. This definition encompasses corrupt practices in both the public and the private sectors. Transparency further differentiates between "according to rule" corruption and "against the rule" corruption. Facilitation payments, where a bribe is paid to receive preferential treatment for something that the bribe receiver is required to do by law, constitute the former. The latter, on the other hand, is a bribe paid to obtain services which the bribe receiver is prohibited from providing.

3.2 Why corruption occurs

A theoretical background to this question is given by political science and economics. The Principal-Agent problem or agency dilemma treats the difficulties that arise when a principal (*e.g.* the state) hires an agent (*e.g.* a private contractor). The problem occurs, if incomplete information is available for one of the parties (information asymmetry). This may cause problems of moral hazard and conflict of interest, in as much as the principal is hiring the agent to pursue the principal's interests, but the agent pursues its own concerns. Political science has noted the problems inherent in the delegation of legislative authority to public or private agencies.

Science has developed various mechanisms that may be used to try to align the interests of the agent in solidarity with those of the principal, such as piece rates/commissions, profit sharing, efficiency wages, performance measurement (including financial statements), the agent posting a bond, or fear of firing.

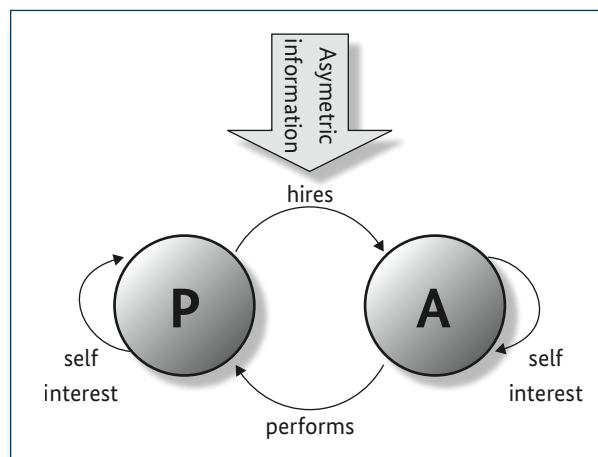**Figure 7:** *Principal Agent scheme.*

According to the World Bank (2009) corruption has many possible causes, especially when we focus on sectors that provide public goods to citizens. A simple way to look at good governance would be the following formula:

$$\text{Corruption (C)} = \text{Monopoly (M)} + \text{Discretion (D)} - \text{Accountability}$$

Using the above formula, we usually find corruption where:

- An individual (as comptroller, company president, government official) has monopoly power over goods or services;
- An individual has the discretion to decide who gets to supply the goods or services required, or how much a person receives;
- There is no system through which others may scrutinise how the individual arrived at the decision because institutions are poorly managed or weak or because processes lack transparency;
- The individual operates in a governmental or corporate system where the incentives to perform duties properly are low: legitimate pay and benefits that support accountability may fall below the prevailing cost of living, and rewards for doing a job well and which support accountability are absent.

However, in a majority of cases corruption is not only related to the self-interest of individuals, but involves a network of some kind, such as patronage, political, family, organisational with its own rational. Corruption is then within the self-interest of the group.

3.3 How to measure corruption

Transparency International (TI) has developed the Corruption Perception Index which measures the degree to which public sector corruption is perceived to exist. It scores countries on a scale from 10 (very clean) to 0 (highly corrupt). The 2010 index is calculated using data from 13 sources by 10 independent institutions. All sources measure the overall extent of corruption, *i.e.* frequency and/or size of bribes in the public and political sectors, through the perception of relevant stakeholders. The evaluation of the extent of corruption is done by two groups: country experts, both residents and non-residents, and business leaders.

The Index for 2011, given in Figure 7, shows a clear distinction between Industrialised and developing countries. The lowest corruption can be found in the Scandinavian countries, Canada and Australia, followed by North-West Europe, Japan, Chile and Uruguay. These are followed by Eastern and Southern Europe, Russia and a large number of developing countries. At the end of the scale are war shaken countries such as Iraq, Afghanistan, Myanmar and Somalia.

It is not surprising that the correlation between corruption and wealth is strong. 40 % of indexed countries in the index scoring below 3 points are rated by the World Bank as "low income" nations (Boehm 2008).
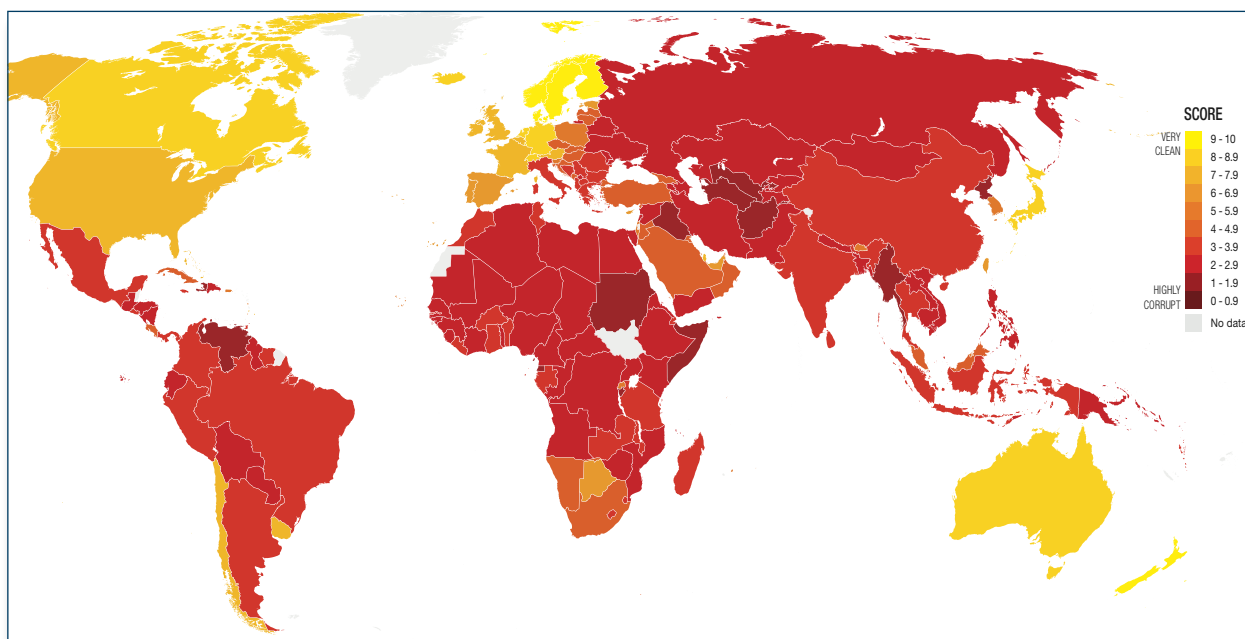
Figure 8: *Corruption Perception index 2011.*
Source: Transparency International

However, national-level, cross-country indicators need to be treated with care. Based on perceptions, rather than objective measures, they are subject to error and Transparency International is often criticised because of its dependence on subjective assessments of reality. Other indices to consider include:

■ *The Worldwide Governance Indicators (WGI)*
   The World Bank quantifies several indicators for good governance world-wide.
   http://info.worldbank.org/governance/wgi/index.asp

■ *Bribe payers index*
   The TI Bribe Payers Index evaluates the supply side of corruption – the likelihood of firms from the world's industrialised countries using bribery abroad.
   http://www.transparency.org/policy_research/surveys_indices/bpi

■ *Global corruption Barometer*
   The Global Corruption Barometer is a survey that assesses general public attitudes toward, and experience of, corruption in dozens of countries around the world.
   http://www.transparency.org/policy_research/surveys_indices/gcb

■ *Global Integrity Reports*
   The Global Integrity Report is a tool for understanding governance and anti-corruption mechanisms at the national level. Written by local researchers and journalists, the Report is characterised by an innovative, award-winning research methodology; a robust peer review process; and start-to-finish transparency.
   http://www.globalintegrity.org/report

4 How to detect transport corruption

The transport sector encompasses many characteristics which make it vulnerable to corruption: a) large budgets that often compromise a significant proportion of a country's national budget; b) multiple entry points at central and local level including infrastructure, construction, services, permits, contracts and operations; c) weak business processes and control mechanisms; d) political interference; and e) weak capacity of sector agencies. Section 4.1 deals with framework conditions in road transport, while Section 4.2 covers all issues related to construction and maintenance and Section 4.3 concentrates on operations and services related to road transport.

In transport, corruption includes pilferage of materials and equipment; manipulation of contracts for works, goods, or services; or award of concessions for private sector operation of rail, port, air, or road facilities and services.

Paterson et al., 2007

Road transport forms an important part of the diverse transport sector. Other modes of transport include air, water, rail and urban transport. Given that the Transport

Table 1: Framework conditions (Adapted from Paterson and Chaudhuri 2007, ADB 2010)

Framework conditions			
Issue	**Possible risks**	**Potentially involved stakeholders**	**Possible interventions**
Policy	■ The absence of transparency and strategic guidelines can cause an influence of vested political and economic interests on the direction of road policies. This can lead to unsound or even unnecessary investments. ■ Lobbying can lead to diversion of resources to other projects, removal of tolls as well as favours and policy reversals.	■ Relevant Ministries ■ Parliament ■ Private Sector ■ Civil Society	■ Strengthening of parliament ■ Promotion of participation ■ Involvement of civil society in policy process ■ Institutional reforms ■ Conflict of Interest mechanisms for policy makers
Legal Framework	■ The absence of a legal framework for managing contracts alongside with unclear responsibilities can pose corruption risks. ■ Outdated laws, for example on land acquisition and resettlement can provide opportunities for corruption. ■ The absence of formal, judicious, credible and accountable complaint mechanisms creates fertile grounds for corruption.	■ Parliament ■ Ministry of Justice ■ Judiciary ■ Land-registry office	■ Judicial reforms ■ Improve information flows ■ Ombudsman ■ Access to Information Laws
Regulation	■ Insufficient enforcement of regulation can increase corruption risks. ■ Absence of capacity for implementing public information and outreach systems can create a lack of accountability. ■ Overregulation can lead to corruption (Red Tape).	■ Regulatory Bodies ■ Relevant Ministries ■ Private Sector interest associations	■ Strengthening and capacity building of regulatory bodies

section within GIZ mainly advises partner countries on road transport, the following chapter will focus on this subsector. Identifying corruption prone processes and related stakeholders within this subsector and examining the formal and informal power relations within and among them is crucial to deepen the understanding of corruption dynamics.

4.1 Framework conditions

Corrupt practices in the road transport sector thrive in an environment of weak institutions and insufficient regulation and oversight. Therefore, it is essential to gain an overview of the relevant framework conditions. In the form of a value-chain analysis, Table 1[6] offers an overview of corruption risks, potentially involved stakeholders and possibilities of counteracting corruption.

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[6] Adapted from:
   Paterson, William and Chaudhuri, Pinki (2007): Making inroads on Corruption in the Transport Sector through control and Prevention: in, Edgardo Campos and Sanjay Pradhan (eds.): the Many faces of Corruption. Washington, DC: World Bank.
   Asian Development Bank (2010): Guidance Note, Road Transport Subsector Risk Assessment. Philippines.

4.2 Road Infrastructure

Corruption at the sector and agency level "cascades down" to the various project levels, beginning with planning and preconstruction of infrastructure projects, to the bidding and implementation phase, to maintenance (Paterson and Chaudhuri 2007) and operations and services. This sector area has specific features which make it particularly prone to corruption; this is largely linked to procurement. The following table analyses possible corruption risks, stakeholder and means of counteracting corruption.

Table 2: Road construction and maintenance (Adapted from Paterson and Chaudhuri 2007, ADB 2010)

Road construction and maintenance			
Issue	**Possible risks**	**Potentially involved stakeholders**	**Possible interventions**
Road management	■ Lack of clarity in the division of responsibilities can foster corruption. ■ Local government levels are often assigned with the maintenance responsibilities that are often not accompanied by adequate human and fiscal resources. Combined with weak control mechanisms this offers ground for corrupt activities. ■ Inadequate reporting lines can increase possibilities for corruption.	■ National, regional and local government bodies ■ Private Sector	■ Strengthening of oversight bodies (*e.g.* Anticorruption Committees) ■ Implementation of communication, reporting and monitoring systems ■ Integrity Pacts
Pre-construction	■ Lack of transparency in the negotiation of resettlement issues arising from road construction can provide opportunities for corruption. ■ Large and complex infrastructure projects facilitate bribes and inflated claims. ■ Misappropriation of funds designated for road projects. ■ The design, materials and method of construction chosen for a road may be to an unnecessarily high specification in order to maximise the potential for concealing large bribes in the award of the contract. ■ See 4.2.1 for detailed project cycle.	■ Relevant Ministries ■ Private Sector ■ Land-registry office	■ Codes of Conduct ■ Integrity Pacts
Road construction	■ Lack of oversight bodies in the sector can compromise the safety and quality of roads and promote corruption. ■ Insufficient quality of regulation mechanisms for roads poses corruption risks. ■ Often construction companies do not deliver the necessary construction materials in sufficient quality due to bribe payments in the preconstruction phase. ■ Overpricing of work due to corruption in tendering, or as a result of fraudulent contract claims. ■ Complex multi-part phasing involving different management teams makes project oversight difficult and offers ground for corruption (Stansbury 2005). ■ The materials chosen may be specified deliberately to favour one supplier. ■ In the removal process of excavated materials from a project site, documents may record greater amounts of material being removed than were actually taken. ■ False invoicing could occur in respect of machinery or equipment hired for the purposes of the project. False records to support such invoicing could be obtained by bribery or threats. ■ Completion of the construction project – the certifier may refuse to certify rectification of defects to which a contractor is properly entitled without payment of a bribe.	■ Private Sector ■ Government agencies	■ Strengthening oversight bodies ■ Codes of Conduct ■ Integrity Pacts

4.2.1 Corruption in the project cycle

Corruption can occur at all phases of the project cycle. Table 3 distinguishes between the phases and examines the corruption risks, involved stakeholders and possibilities of intervention.

Table 3: Corruption risks, stakeholders and possible measures of addressing corruption in the project cycle. (Adapted from Paterson and Chaudhuri 2007, ADB 2010)

Project cycle			
Issue	**Possible risks**	**Potentially involved stakeholders**	**Possible interventions**
Sector planning	■ Inadequate evaluation of sector demand can impair appropriate use of funds and create opportunities for corrupt activities. ■ Lack of understanding of sector interests and objective planning criteria can undermine sound resource allocation. ■ Lack of capacity for strategic planning, transparency and participation by relevant stakeholders can weaken the responsiveness of sector plans and increase corruption risks.	■ Relevant Ministries	■ Conflict of Interest Policy ■ Codes of Conduct ■ Implementation and support of Internal Integrity Management Systems
Financial management			
a. General financial management and Expenditure	■ Lack of a sector revenue policy increases corruption risks. ■ Discretionary decision making associated with allocation privileges may be used to seek direct or indirect gains. ■ Corruption can occur during the transfer of funds between agencies. ■ Weak internal controls on revenue and expenditure management can lead to diversions of funds to unauthorized uses, mismanagement or corrupt activities. ■ Unclear divisions of responsibilities among stakeholders at all levels (multinational companies, national, local, community) can lead to blurred lines of accountability. ■ Weak accounting systems and record-keeping practice can increase corruption risks. ■ The insufficient quality of internal audit reports can hamper management actions against possible corrupt practices. ■ During budget preparation, agencies may inflate their needs, distort priorities, or identify and cost projects inaccurately which may lead to inefficiency and increases possibilities for corrupt practices.	■ Ministry of Finance ■ other relevant Ministries ■ Court of Audit ■ National, regional and local government bodies	■ Promotion of transparency ■ Implementation of control mechanisms ■ internal and external audits ■ Strengthening civil society participation ■ PETS (Public Expenditure Tracking System) ■ Participatory Budgeting ■ Codes of Conduct

Project cycle			
Issue	**Possible risks**	**Potentially involved stakeholders**	**Possible interventions**
b. Income (tax, tolls, custom duties)	■ Customs are susceptible to corruption. Custom officials might engage in corrupt activities. Control and monitoring systems are often inadequate or non-existent. ■ Taxation (*e.g.* motor vehicle tax) systems might be misused to channel corrupt money. Imposing imaginary taxes or exempting certain persons from their duty to pay actual taxes exemplifies possible risks related to taxation. ■ Poor fund generation through toll collection and asset management can obstruct financial sustainability.		
Procurement			
a. Planning	■ The absence of competent procurement personnel leads to inappropriate procurement, procurement delays. ■ Corrupt officials could collude with contractors to specify design or material requirements that give a certain contractor an advantage – this often occurs in return for kickbacks.	■ Procurement Unit at national, regional and local level ■ Private Sector	■ Integrity Pacts ■ Conflict of Interest Policy ■ E-Procurement ■ Promotion of transparency ■ Civil Society participation ■ Public Contracting Monitoring Systems ■ Whistle-blowing Systems ■ Separation of tasks ■ Integrity Pacts ■ Creation of clear guidelines for the procurement process
b. Call for tenders	■ Limiting the dissemination of information on possible procurement opportunities to private firms does not comply with competitive bidding and compromises procurement based on best-value or expertise. This can provide grounds for corrupt practices. ■ The tender criteria may be distorted in favour of a particular tender.		
c. Prequalification and bid submission	■ Insufficiently specified or over specified bid documents allow contractors to bid despite a lack of capital and expertise. This hinders best-value-for-money procurement. ■ Unnecessary delays in the procurement process allow secret late bids or enable procurement officials to negotiate with each bidder outside the formal procurement process in order to extract bids. ■ Insufficient criteria and guidelines in the bidding process can lead to corruption. ■ Road construction projects may have an element of specialization within them which only few companies can deliver on. This offers much room for the formation of cartels during the bidding process.		

Project cycle				
Issue	Possible risks	Potentially involved stakeholders	Possible interventions
d. Bid evaluation	■ Unspecified disqualification and/or selection of bidders can pose corruption risks. ■ The pre-selection of a winning bidder can lead to a very short bid evaluation period, compromising the integrity and accountability of the procurement process.		
e. Award of contract	■ The absence of coherent guidelines for awarding contacts can lead to inconsistent and corruption prone procurement.		
f. Contract management	■ Changing contact specifications after the contract has been awarded can provide opportunities for kickbacks. This especially applies where a transparent review mechanisms in not in place or enforced. ■ Unclear procurement guidelines can promote misuse of funds. ■ Falsification of inspection certificates and quality tests are an example of corruption in contract management. ■ Poor record management such as missing evaluation results, contracts and other documents can provide cover for corrupt activities. ■ On any one project, a bidding contractor may have a number of joint venture partners and a large number of potential sub-contractors, consultants, representatives, and agents. Unclear separation of responsibilities and involved actors increases the risk for corruption.		
HR	■ Conflict of interest with regards to personnel appointments can interfere in the performance of staff duties and lead to corrupt practices.	■ HR-Unit of relevant authority	■ Transparency in Recruitment ■ Assessment Centers ■ Selection committees ■ Codes of Conduct

4.2.2 Red Flags to detect corruption

Red flags may be waived if a reasonable suspicion of corruption is raised. They indicate that a closer look should be taken at a sector or activity. Red flags do not indicate fraud or corruption necessarily – they may also result from poor management decisions or negligence. In any case, they indicate that further inquiry should be made.

A comprehensive list of red flags, collected by the World Bank is listed in Annex II. Alexeeva *et al.,* (2008) conducted a survey of World Bank financed road projects across 13 countries in Sub-Saharan Africa. The most frequent red flags detected in these projects are listed in Box 4. If any of the below indicators appear, the awarding authority should take a careful look at the project and assess if the deficit can be explained.

Box 4: Selected red flags in road works contracts in Sub-Saharan Africa

- Period between bid opening and contract signing dates is more than seven months;
- Cost increases by more than 20 % during implementation;
- Time overrun is more than 30 % of the originally contracted period;
- Contract value is more than 20 % above its engineer's estimate;
- Half or more firms buying bidding documents do not bid;
- 20 % or more of pre-qualified firms do not bid;
- Difference between winning bid and next lowest bid is within 2 %;

- Difference between contract price and read-out bidding price is more than 10 %;
- Winning bid is not the lowest bid accepted for detailed examination;
- Only one or two bidders;
- Cost per km for similar work is higher than the 75th percentile;
- Unit Road Work Costs are higher than the 75th percentile.

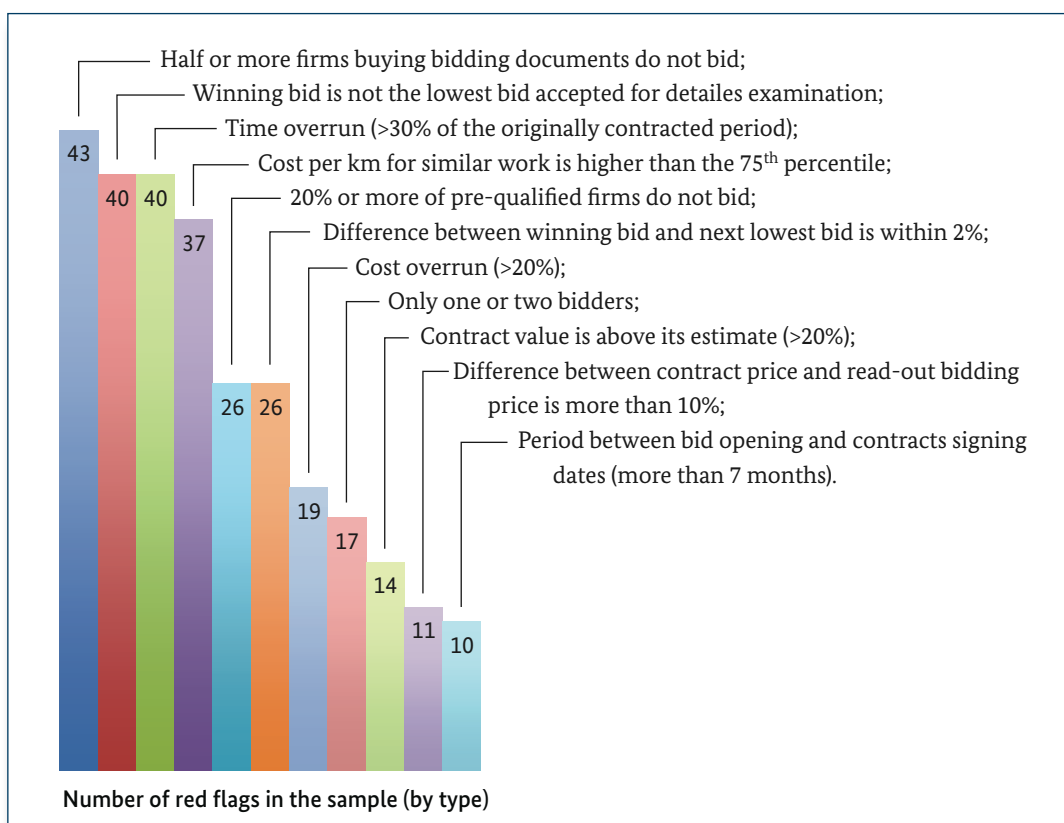Source: Victoria Alexeeva, Gouthami Padam and Cesar Queiroz (2008)

Figure 9: *Frequency of selected types of red flags in road works contracts in Europe and Central Asia.*
Source: Alexeeva *et al.,* 2011

4.3 Transport operations and services

Corruption in the transport sector is not only confined to infrastructure, but also to transport operations and services. A large number of different services are provided within the transport sector. They range from vehicle inspection to issuing of drivers' licences, customs, regulation of public transport licences, safety and environmental checks, and road checks by the police. Box 6 shows the tremendous safety impacts that corrupt practices can have in public services in the road subsector.

Table 4: Transport Operations and Services (Adapted from Paterson and Chaudhuri 2007, ADB 2010)

Operations and services			
Issue	**Possible risks**	**Potentially involved stakeholders**	**Possible interventions**
Road operation and maintenance	■ The use of heavy equipment by public works agencies for private and non-public purposes can create opportunities for making illegal gains. ■ Practices such a renting out equipment in return for undocumented receipts or the billing of multiple repairs to a single vehicle depict possible corruption risks. ■ Poor regulation, *e.g.* when bribes are required for granting of bus route operating permits.	■ Regional, local and communal government bodies ■ Private Sector ■ Traffic departments	■ Codes of Conducts for the Private Sector ■ Integrity Pacts ■ Citizen Report Cards
Services			
a. Licensing	■ Insufficient regulation of transport licenses poses a corruption risk. ■ Bribes for vehicle or drivers licenses. ■ Unqualified personnel can increase the risk of corruption in licensing processes.	■ Police ■ Licensing departments ■ Relevant Ministries ■ Customs ■ Armed forces	■ Whistle blowing Systems ■ Promoting transparency
b. Police	■ Extortion by customs and polices road controls are possible corrupt activities which occur in this sector. ■ Unqualified police personnel can increase the risk of corruption.		
c. Road Security	■ Lack of transparency and control mechanisms in vehicle inspection can lead to an increase in corruption. ■ Bribes for the issuing of safety or environmental certificates. ■ Unqualified personnel can increase the risk of corruption. ■ Lack of oversight and control mechanisms in vehicle testing stations foster corruption.		

Table 4 explores the possible corruptions risks, potentially involved stakeholders and possible measures of addressing corruption in transport operations and services.

Box 6 describes a method of detecting corruption in transport operations using the example of USAID initiative along West Africa's trade corridors.

Box 5: Corruption of transport authorities in Bangladesh

According to a survey by TI Bangladesh, 61% of Bangladeshi drivers received their driving licences from the authorities without undergoing the necessary test. The report highlights corruption and indiscipline in road transport management and among motor vehicle owners, trade unions and the traffic and highway police. According to the experiences of those polled during the two-year survey: a person can bribe officials BDT 100 to

BDT 7 000 (EUR 1–80) to receive a driving licence, and BDT 100–500 to pass a driving exam; the registration of a car or motorcycle may be obtained with a bribe of BDT 1 000–50 000 or BDT 100–10 000 to receive a certificate of roadworthiness without having the vehicle tested.

Source: Transparency International Bangladesh, 2009

Box 6: Corruption along West Africa's Trade Corridors

In the framework of the IRTG (Improved Road Transport Governance) initiative, USAID conducted a study to detect corruption along West African trade corridors. For this survey, truck drivers answered a questionnaire. The below IRTG data depicts the high density of checkpoints. The results show that out-of pocket bribes per kilometre are but part of the corruption costs along these

transport corridors. In addition, costs are caused by enforced time delays, which is of particular importance when transporting degradable goods such as medicine or consumable products. This IRTG survey method has proven to be a useful tool for detecting corruption in the road transport subsector.
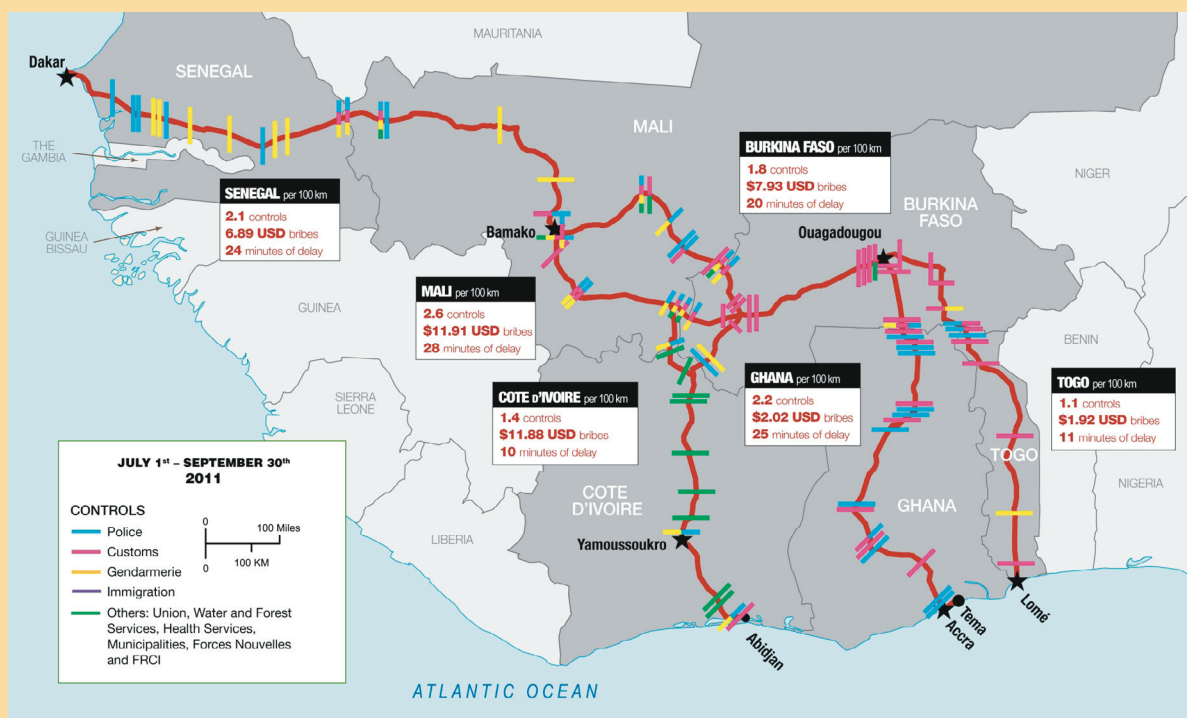

Figure 10:
Source: Road Governance Initiative, 17th Road Governance report, Data of surveys conducted 1 July – 30 September 2011.

Available online at http://www.watradehub.com/sites/default/files/resourcefiles/mar12/120320-17th-irtg-reporten.pdf

Box 7: Rampant police corruption cripples the transport sector in Zimbabwe

The transport sector, a haven for most emerging and small black entrepreneurs in the country, has now become a cash cow for corrupt police officers. This has impacted heavily on commuters who are forced to pay higher fares so as to cushion the transport operators.

Transport operators said, police corruption has virtually crippled the sector and in extreme cases forcing some operators to fold. "We have to charge higher fares so that we distribute the costs of police corruption between ourselves and the commuting public," said one operator adding that during holidays such as the upcoming Christmas and New Year the fares would be raised considerably as they expected the police to demand more and more bribes.

They said however perfect a vehicle might be, the police would always find a fault and demand a bribe, failure of which they would issue several tickets for minor offences such as a cracked mirror or a dirty bus. Moses Takavarasha, whose buses used to ply the Harare-Mutare route, said at least 25 % of his daily earnings were going towards bribing police officers.

The Standard, Zimbabwe, Sunday, 31 October 2010

Box 8: Corruption in the trucking industry in India

Transparency International India (TII) initiated a field study to assess the extent and nature of corruption in the trucking operations. In all, 1222 truck drivers and operators were interviewed at 12 trucking centres out of 16 major trucking hubs in the country, besides officials, experts, and senior executives of leading truck companies and truck operators' association.

The study indicates that truckers are required to pay bribes at every stage of their operations, which starts with getting registration and fitness certificates, and for issuance and renewal of interstate and national permits. The reasons for paying bribes, while on the road, include plying overloaded trucks, traffic violations, parking at no-parking places or entering in 'no-entry zone', and in the payment of toll and other taxes like Octroi, sales tax, etc. Lack of proper documents or use of alcohol by truck drivers are the other reasons for paying bribe.

It is estimated that INR 79 920 (EUR 1 450) are paid annually by a single truck and the total bribe amount works out to more than INR 222bn (EUR 4bn) a year. This practice is highly institutionalised because the truck drivers get some kind of 'receipt' in the form of stickers, tokens, etc. to ensure their hassles free movement.

About 60 % of en-route (forced) stoppages, taking up to 11 hours in a day, by concerned authorities are for extorting money. The number of trips performed by a truck could increase by 40 %, if forced delays are avoided. Such delays are estimated to cost the national economy to the extent of INR 11bn (EUR 200m) per year.

Source: R H Tahiliani, Transparency International India, 2007

Figure 11: *The trucking industry in developing countries belongs to the most prominent victims of corruption in the road transport sector.* Photo by Dominik Schmid, Port of Monrovia, Liberia, 2012

4.4 Further information

The GIZ Sector Program Anticorruption and Integrity has developed an anticorruption advisory tool which seeks to sharpen a project's approach to address anticorruption in a specific sector in partner countries through the development of a risk landscape. For further information see Box 9.

Box 9: Anticorruption WORKS – A Workshop Advisory Tool

Anticorruption WORKS is an advisory tool which seeks to sharpen a project's approach to address anticorruption in the partner countries through the development of a risk landscape and tailor-made anticorruption approaches and components which suite the specific needs of a program.

To develop successful anticorruption measures detailed knowledge of recesses, actors and institutional contexts of a specific sector are required as well as know-how on anticorruption measures and their applicability. Anticorruption WORKS thus seeks to make use of synergies of the sector knowledge available in GIZ programs and specific anticorruption knowledge from the GIZ anticorruption and integrity team to identify feasible activities. Method: Anticorruption WORKS is carried out through a 2 ½ day workshop with participants of GIZ programs

and partners. The workshop is facilitated by an anticorruption expert. A participatory approach is used to develop the risk landscape, prioritise the risks, and identify anticorruption approaches, partners and entry points.

Implementation: aimed at ongoing projects, project reviews or the preparation phase of new projects.

Further relevant information:
- Target audience: GIZ staff and where appropriate, partners.
- The workshop should include technical experts to ensure a sector specific technical discussion.

For further information please contact: GIZ Sector Program Anticorruption and Integrity

Email: anticorruptionprogram@giz.de

More detailed descriptions of corruption detection methods may be found in the following literature:

- The Global Infrastructure Anti Corruption Centre (GIACC) provides another comprehensive list of 47 corruption cases in the infrastructure sector. For each of the cases, a practical one-page example is given in the following publication:
http://www.giaccentre.org/documents/GIACC.COR-RUPTIONEXAMPLES.pdf

- Kostyo, Kenneth (ed) (2006): Handbook For Curbing Corruption In Public Procurement, Published by Transparency International, Berlin.
http://www.transparency.org/publications/publications/other/procurement_handbook

- The World Bank (2009): Deterring Corruption and Improving Governance in Road Construction and Maintenance, Washington DC, Transport Papers No 27, September 2009.
http://siteresources.worldbank.org/EXTGOVANTI-CORR/Resources/3035863-1285189243778/Transport_Governance_Sourcebook.pdf

- Project Anti-Corruption System (PACS)
http://www.giaccentre.org/project_anti_corruption_system_home.php

- http://www.constructiontransparency.org

- U4 Anti-corruption Ressource Centre –
http://www.u4.no

5 How to prevent corruption in transport

The number and nature of measures to prevent corruption relates to the multitude and heterogeneity of the corruption described above. Four main areas may be identified:

1. Improve the performance and integrity of the public sector;
2. Strengthen Civil Society Participation;
3. Reduce corruption in the private sector;
4. Reform the roles of international agencies to promote corruption elimination programs and the development of better governance structures.

Given the high probability that there will be corruption in road projects, such projects should be approached with the expectation that corruption will occur. There should be an onus on those government departments responsible for these projects and on financing and aid organisations responsible for funding them to ensure that sufficient steps are taken, from the outset of these projects, to prevent, detect and penalise corruption.

Catherine Stansbury, Global Infrastructure Anti-Corruption Centre

5.1 Improve the public sector

Due to the wide range of corrupt practices in transport and its multiple facets, the counter measures show an equal variety. This chapter describes anti-corruption measures that may be implemented by administrative and political institutions in the following fields:

- Transport sector policy and planning
- Institutional reforms
- Improving public procurement in transport
- Public Financial Management
- Anti-corruption audits
- Asset Management Tools
- Improve public transport services
- Codes of Conduct and Integrity Pacts
- Transparent government information
- Encourage whistle blowing

5.1.1 Transport sector policy and planning

Good governance in transport policy and planning is one of the major elements to fight corruption. Fraud may be enhanced through poor transport policies, weak planning institutions, inadequate regulations, and poor planning procedures. Poor planning and project selection may encompass (i) bias in favour of new works, (ii) inappropriate project choice (iii) project planning limited to one or no alternative, (iv) no economic evaluation performed and (v) misrepresentation of costs or benefits.

Good planning[7] would promote efficiency and accountability by

- giving stakeholders a chance to be involved in developing plans,
- making the intended direction of the sector (and government) expenditure clear, and providing a justification for this,
- allowing stakeholders to judge whether actual development are in line with plans, and
- select projects in line with plans, and provide clear justification for why these projects are being implemented.

A good sector planning process needs to properly forecast the need for expansion and asset preservation. This should ideally involve a combination of realistic projections (based on valid assumptions about current traffic demand and forecasted traffic growth), the periodic collection of data from the road network (such as information on road conditions and road access),

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[7] The following paragraphs are mainly based on World Bank 2009, p. 27ff

and user preferences (identified through stakeholder consultation).

Additionally, a least-cost expansion plan for satisfying need is required. An effective planning and implementation process selects least-cost solutions for meeting sector objectives. The clearer or less ambiguous the criteria for developing the least-cost plan, the more likely that the best projects will be consistently selected.

Ideally, every project identified in a sector plan would be correctly evaluated at the planning stage. However, in reality it is not feasible for sector planning purposes to evaluate projects at the level of detail required to make decisions about implementing specific projects. Therefore, each project should be individually evaluated to ensure that it is cost benefit justified, and least cost.

The economic evaluation for infrastructure projects is an essential part of the planning process and sector practitioners should ensure that planners have included the following issues in the economic evaluation:

- The "no build" alternative. It may be, for example, that project participants have proposed the least-cost build alternative, but this does not mean that the least-cost build alternative is more efficient than not building.
- Lifetime costs of the project. Asset preservation costs, including maintenance and rehabilitation, should be included in the economic evaluation both to ensure project sustainability and to accurately determine the most efficient project alternative.
- Appropriate discount rates. Officials can bias capital intensive projects by using low discount rates during evaluation which reduces the annual dept service, but prolongs the repayment period. Therefore, sector practitioners should ensure that discount rates reflect the true time value of the public sector resources.

One important deficit of economic appraisals is the "optimism bias" which implies an underestimation of project costs. Flyvberg (2002) found out that in Europe the costs of transport projects are regularly underestimated as described in Box 10. This is automatically an indicator for corruption. However, low cost estimates result in a better cost-benefit ranking and thus increase the probability of project realisation.

Box 10: Underestimation of investment costs in transport projects

A survey of transport projects concluded that underestimation of costs at the time of decision to build is the rule rather than the exception for transportation infrastructure projects. The study surveyed a total of 258 projects made up of rail, fixed-link and road projects in North America, Europe and several developing countries. The study found that costs are underestimated in almost 9 out of 10 projects and that costs that have been underestimated are wrong by a substantially larger margin than costs that have been overestimated. Specific findings include:

- For rail projects, actual costs are on average 45 % higher than estimated costs;
- For fixed-link projects (tunnels and bridges), actual costs are on average 34 % higher than estimated costs;
- For all project types, actual costs are on average 28 % higher than estimated costs;
- Cost underestimation appears to be more pronounced in developing nations than in North America and Europe.

The authors of the study conclude that the breadth and scope of such cost overestimation eliminates the possibility of random error. Instead, they argue that these findings indicate intentional and systematic misrepresentation, and that this misrepresentation has an economic explanation (since strategic misrepresentation of costs is in the economic self-interest of project planners). For example, when multiple projects compete for discretionary grants from a limited federal budget each year, project planners have an incentive to make their projects look better or else some other project may get the money.

Source: Flyvberg, 2002

A sound planning process can be facilitated by inputs that improve planners' ability to effectively evaluate the project, such as good data collection and the use of asset management tools (see Chapter 5.1.6). A symptom of corruption is the general misapplication of techniques for data evaluation as a whole. Even if precautions appear to have been taken, data may be manipulated to produce a preferred corruption-driven outcome.

To mitigate against this effect, a primary recommendation is to require independent external review and validation of all government-initiated studies related to major construction projects with the evaluator reporting initially to the international agency offering project funding. External observers should review both the proposed need for a project and the economic analysis that justifies that project. Possible sources of consultation for an external review include a line ministry or government agency, not involved in the planning process, but with relevant expertise, private sector consultants or relevant interest groups.

Citizen demand for transport is an important factor in ensuring that plans reflect the needs of the users. Therefore, participatory planning within communities increases the benefits of the project. For a review of participatory planning approaches in the UK, please consult Bickerstaff et al., (2001). If sufficient information is provided and citizens are enabled to follow and understand the planning process, the options for corrupt practices are reduced. This issue is discussed in Chapter 5.2.

5.1.2 Institutional reforms

Of course, institutional settings need to be adequate to enable governments to curb corruption. Since the mid-1980s, sector reforms have focused on the separation of operations from policy-making and regulatory functions with the aim of greater efficiency in service delivery and often lower cost of service. Major gains were achieved through separating service provision from infrastructure management, especially in air- and seaports. Road sector reforms are a good example: Instead of concentrating planning, management, financing and construction in one ministry, separate public agencies are established that fulfil their tasks comparable to private enterprises.

It is expected that such de-concentration of power allows for greater impartiality and transparency and,

depending on the legislative and contractual mandates of the parties involved, likely provides stronger incentives and controls for accountability. Thus, the resulting structure is considered less vulnerable to state capture than a vertically and functionally integrated public sector.

According to Patterson et al., (2007, p166) "the mixed performance of these unbundled structures in recent time offers important lessons. For the unbundling of the functions to perform effectively, there needs to be both adequate capacity in each of the new sector entities and effective market forces. Where the transport sector is small, professional capacity is weak, or corruption spans public and private sectors, such unbundling is likely instead to increase the opportunities for corruption and governance failure and is especially vulnerable to influence office staff appointments or high-level alliances among officials. [...] Thus, sector restructuring will reduce corruption only to the extent that critical assumptions and caveats on the governance environment and institutional capacity are realised."

Government performance can benefit by organisational reforms that define paths of responsibility and accountability that measure performance and reward productivity and creativity. The success of Singapore is built on a reformed system of government that builds upon such mechanisms. In Singapore, the public sector was transformed through professionalization, motivation, and reward of performance. Performance–based rewards[8], including professional salaries, may be developed as an alternative to bribery.

Overcoming the traditions of decades of loose bureaucracy can be difficult because not only corrupt systems buy all entrenched systems tend to resist change. However, building better government organisations is the key to stable processes of successful development encouraged through the reduction if not complete elimination of corrupt practices.

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[8] More information on performance based salaries may be retrieved here:
http://www.ilo.org/public/english/region/asro/bangkok/download/yr2002/employer/perform.pdf

Next to these general reforms, on the communal level a number of institutions may be implemented that focus directly on corruption[9]:

■ *Complaints and Ombudsman Office*:
The Ombudsman constitutes an office that independently receives and investigates allegations of maladministration. It does not compete with the courts, or act as a further body to which those unsuccessful in the courts can appeal.

■ *Oversight Committees*:
Oversight committees are external committees that oversee the operations and activities of specific local government committees. These committees perform an important role in gathering information on the functioning of individual departments and ensuring, through their oversight and questioning of management officials, that corrupt practices do not take place. Furthermore, these committees which often comprise local experts, citizens and community representatives, can be an excellent starting point for the simplification of administrative procedures.

■ *Independent Anti-Corruption Agencies*:
With corruption in local and national governments on a rise, many countries and cities are calling for the creation and strengthening of independent

anti-corruption agencies. As corruption grows more sophisticated in character and method, conventional law enforcement agencies are less able to detect and prosecute complex corruption cases. Furthermore, in a system in which corruption is endemic, standard law enforcement mechanisms may themselves harbour corrupt officials. Considering these limitations of conventional anti-corruption measures and systems, governments have sought to bolster detection efforts by introducing independent Anti-Corruption Agencies or Commissions. Here too, however, experiences are mixed depending on the context and capacity such an institution is equipped with.

> More information about the institutions involved in urban transport administration and planning is provided in the GIZ *Sourcebook* Module 1b: *Urban Transport Institutions*, http://www.sutp.org

5.1.3 Improving public procurement in transport

With public procurement, especially for construction-related activities particularly prone to corruption, it is vital that strict anti-corruption measures be initiated at every step of the procurement process.

[9] Transparency International, UNHABITAT (2004):
http://www.transparency.org/tools/e_toolkit/
tools_to_support_transparency_in_local_governance
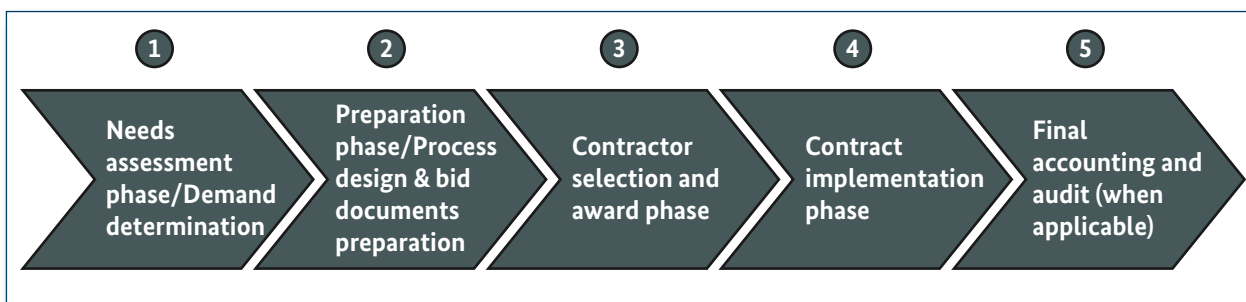
Figure 12: *The process of public procurement.*
Source: Kyosto and Kenneth, 2006

A large number of anti-corruption measures is offered in the "Handbook for Curbing Corruption in Public Procurement" edited by Kostyo (2006)[10]. Annex III of this document summarises the findings in a table and indicates the manifestations of corruption, the critical issues/red flags and the measures to prevent

[10] http://www.transparency.org/publications/publications/other/
procurement_handbook

corruption. An important source is the OECD website "Fighting Corruption and Promoting Integrity in Public Procurement"[11]. A further important document comes in the form of Transparency International's minimum standards for public contracting, which may be summarised as follows:

1. Implement a code of conduct that commits the contracting authority and its employees to a strict anti-corruption policy. The policy should take into account possible conflicts of interest; provide mechanisms for reporting corruption and protecting whistle blowers.

2. Allow a company to tender only if it has implemented a code of conduct that commits the company and its employees to a strict anti-corruption policy.

3. Maintain a blacklist of companies for which there is sufficient evidence of their involvement in corrupt activities; alternatively, adopt a blacklist prepared by an appropriate international institution. Debar blacklisted companies from tendering for the authority's projects for a specified period of time.

4. Ensure that all contracts between the authority and its contractors, suppliers and service providers require the parties to comply with strict anti-corruption policies. This may best be achieved by requiring the use of a project integrity pact (see Chapter 5.1.8) during both tender and project execution, committing the authority and bidding companies to refrain from bribery.

5. Ensure that public contracts above a low threshold are subject to open competitive bidding. Exceptions must be limited and clear justification given.

6. Ensure that no bidder is given access to privileged information at any stage of the contracting process, especially information relating to the selection process.

7. Ensure that internal and external control and auditing bodies are independent and functioning effectively, and that their reports are accessible to the public. Any unreasonable delays in project execution should trigger additional control activities.

8. Separate key functions to ensure that responsibility for demand assessment, preparation, selection, contracting, supervision and control of a project is assigned to separate bodies.

9. Apply standard office safeguards, such as the use of committees at decision-making points and rotation of staff in sensitive positions. Staff responsible for procurement processes should be well trained and adequately remunerated.

Figure 13: *A secured tender box in Kenya.*
Photo by Niklas Sieber, 2007

As with the performance of analytical work, there is the risk that many of the above protections may appear to be offered by governments while concealing underlying processes rather than removing them. Collusion may take place behind the scenes so that even if committees may appear to be performing properly and transparently, decisions are made in inappropriate ways.

An important further improvement, therefore, is the appointment of an independent assessor, to monitor the pre-qualification, tender and execution phases of the project in order to assess whether there is corruption. For the purposes of monitoring corruption on the project, the assessor should have open and unlimited access to the site and to the books, records and staff of all major project participants. He or she should attend all pre-qualification and tender selection meetings, tender openings, and project progress and claims meetings, should receive and assess reports relating to corruption on the

[11] http://www.oecd.org/document/35/0,3746
,en_2649_34855_38447139_1_1_1_1,00.html

Box 11: Good practice: Construction of the Hong Kong International Airport

The Construction of the Hong Kong International Airport, which opened in 1998, was praised by Transparency International as an outstanding example of how corruption can be minimised. The total capital costs of the various components of the project exceeded USD 20 billion, making it one of the largest infrastructure projects ever. The project included construction of the airport as well as high-speed rail and road connections. There were four major factors that contributed to reducing corruption:

1. A clear and strict Prevention of Bribery Ordinance and a strong, anti-corruption institution which has significant legal powers and adequate resources.
2. Clear rules for the selection and procurement of consultant and construction services, for effective supervision and monitoring of contracts, for the enforcement of accountability among Government officials and contractors, and dispute resolution.
3. Use of a special institution such as the New Airport Projects Coordinating Office, to step in whenever a problem occurred.
4. A favourable working environment including appropriate salaries, a high degree of professionalism, and relatively a small pool of businessmen who, if caught, will find it difficult to obtain other business.

Source: Transparency International (1999)

Box 12: Anti-Corruption Measures Combat Collusion and Bid-fixing in Road Projects in the Philippines

The first phase of the National Roads Improvement and Management Program aimed to provide better road services in the Philippines and improve financial management of the institutions involved in road transportation. NRIMP-1 led to the construction and resurfacing of over 1 400 km of roads and restructured the Department of Public Works and Highway's (DPWH's) financial management. During implementation, the World Bank encountered multiple bids exceeding (by more than 30 %) estimated construction costs. Over the course of three bidding rounds between 2003 and 2006 the World Bank rejected two bids suspected of bid-fixing. The World Bank postponed approval of the second phase of the NRIMP (NRIMP-2), pending an investigation by the Department of Institutional Integrity (INT). The investigation resulted in the debarment of seven firms and one individual, in January 2009, for engaging in collusive bidding practices.

The second phase of this project, which was approved by the Bank's Board of Executive Directors in May 2009, includes new anti-corruption measures to combat the corruption. Specific measures added by the World Bank and DPWH to increase procurement and transaction transparency include:

- Using an independent procurement evaluator;
- Enhancing procurement controls, including more reliable contract cost estimates, increased bid analysis, and increased supervision of contracts;
- Strengthening internal controls and internal audit capacity, by including general maintenance and projects in Government's annual budget to limit cash realignment and authorisation;
- Adopting enhanced business practices, by adopting an e-procurement process and computerizing the contractor qualification process;
- Promoting independent oversight by civil society, by forming a coalition of citizens—"Road Watch"—to provide feedback on the quality of road services and ensure proper allocation of department funds.

The Government of the Philippines has partnered with AusAID through the Partnership for Economic Reforms to undertake these initiatives and other governance reforms.

Source: World Bank 2009, p. 48

project, and submit regular reports. Where corruption is detected, he or she should have the mandate and ability to refer the matter to the criminal authorities, as well as to all relevant project participants, lenders and donors.

In addition to the monitoring role, the very presence of an independent assessor and the threat of random inspections may act as a deterrent to corruption. Because of the risk that the project owner would wish to appoint a biased or even corrupt independent expert, it is important that the expert be appointed, paid for and report directly to the project donor.

Additionally, a reporting structure should be established for the project whereby any company or individual can make confidential and safe reports of suspected or actual corruption. Where there are fears of retribution, for example, where an individual suspects corruption within his own company, there should be provision for an individual to by-pass their employer and to report confidentially to the independent assessor. The independent assessor should then investigate all such reports and take appropriate corrective action, law enforcement, while ensuring that care is taken to protect the whistle-blowers.

Additionally public and private sector performance may be improved through performance based acquisition that was designed to help agencies reap the benefits of private sector innovation. Proponents of the initiative say that for years, the government has micromanaged its contracts by spelling out every detail of how it wanted goals to be achieved. In the performance-based approach, an agency says what problem needs to be solved and allows contractors to make bids detailing their proposed solutions. The agency is charged with developing clear ways to measure the result as well as the contractors' performance over the course of the contract. More information may be retrieved here:
http://www.performance-based-road-contracts.com

> Further useful information on improving public procurement may be found here:
> - Handbook For Curbing Corruption In Public Procurement http://www.transparency.org/publications/publications/other/procurement_handbook
> - Global Infrastructure Anti-corruption Centre http://www.giaccentre.org/procurement.php
> - CoST http://www.constructiontransparency.org
> - World Bank (2009) http://siteresources.worldbank.org/EXTGOVANTICORR/Resources/3035863-1285189243778/Transport_Governance_Sourcebook.pdf
> - OECD http://www.oecd.org/document/35/0,3746,en_2649_34855_38447139_1_1_1_1,00.html

5.1.4 Public Financial Management

Sound public financial management is critical to achievement of public policy objectives. Yet, many developing country government institutions are bureaucratic in nature and with poorly defined and operating management systems.

Poor accounting processes to take one key area in need of improvement mean that detecting corruption is hard, creating opportunities for staff and managers to engage in corrupt behaviour. Conversely, good accounting processes help ensure that department's keep track of finances and inventories, and so are able to detect and deter corruption and theft.

Specific measures aimed at promoting probity include[12]:
- Modern accounting (computerised, double-entry accrual accounting);
- Bank reconciliations;
- Internal audits;
- External audits;
- Prompt production of unqualified annual financial statements;
- Accurate information on inventories, integrated with the accounting system;
- Change the budget cycle away from disbursement pressure at year's end.

More information about international accounting standards are presented in Box 13.

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[12] World Bank 2009, p. 59

Box 13: International accounting standards

International accounting standards for the public sector are being developed by the Public Sector Committee (PSC) of the International Federation of Accountants (IFAC).

Data dissemination standards have been established by the IMF. The SDDS sets standards for providing economic and financial data to the public for member countries operating in international financial markets; the GDDS aims more generally to improve data quality among Fund member countries.

Fiscal reporting standards are included in the IMF's Manual of Government Finance Statistics (GFS), which is currently in the process of being revised and brought into line with other standards for economic and financial statistics and developments in government accounting.

Internal accounting control guidelines have been issued by the International Organization of Supreme Audit Institutions (INTOSAI). They define standards for achieving effective internal controls.

International standards for government auditing are set by INTOSAI to provide a basis for assuring reasonable standards of practice in the accounts of government and government agency accounts.

Fundamental principles of official statistics have been promulgated by the United Nations Statistical Commission to help assure the integrity of official statistics.

Source: IMF,
http://www.imf.org/external/np/fad/trans/site.htm

At the agency level, the governance failures in the road sector tend to stem from the absence of appropriate business processes and mechanisms that can increase efficiency and reduce discretion. These mechanisms include information technologies as well as automated planning and financial tools and applications that replace individual discretion with objective and automated criteria for decision making, thereby making it much harder for unintended or corrupt purposes to prevail, and if attempted, making corrupt acts much easier to detect.

Paterson et al., 2007

Public Expenditure Tracking is a powerful tool for diagnostic, enhancing transparency and enabling bottom-up accountability. Surveys that are a combination of financial and technical aspects by tracking the expenditure of funds or specified program through every step of the process from national authorisation down to delivery and use at the local and individual level. By comparing how much was sent from the treasury with how much was actually received at the service delivery units surveyed, one can calculate how much was lost or diverted on the way, commonly referred to as leakage.

An example from Tanzania is given in Box 14, where Public Expenditure Tracking is a growth industry among civil society organisations. There are currently more than 20 Tanzanian organisations conducting Public Expenditure Tracking in more than half of the country's 124 districts. More information about Public expenditure tracking is given in Sundet (2008).

<div style="background: #f5d9a0;">

Box 14: Public Expenditure Tracking Surveys in Tanzania

Public Expenditure Tracking Surveys (PETS) were first used as a tool for assessing the leakage of public funds in education in Uganda. Following the success of PETS in Uganda, Tanzania began conducting its own surveys in 1999. The first PETS in Tanzania, conducted by Price Waterhouse Coopers, focused on education and health. The second PETS, completed in 2001, expanded to include water and rural roads.

In rural roads, the results revealed underreporting of receipts and a poor management of local road funds. The survey found significant leakage – one district had recorded only 10 % of receipts from central government for road funds over 1999–2000. It concluded that district councils "prefer aggregate expenditure items to reduce transparency." Sectoral heads were normally not informed when there were transfers from the central government, which opened room for re-allocation and/or redirection of funds without the consent or even knowledge of sectoral heads…. After the completion of the second PETS, the Treasury decided that all transfers to districts from the centre would be advertised in the media.

Source: Sundet, Geir. "Public Expenditure and Service Delivery Monitoring in Tanzania: Some international best practices and a discussion of present and planned Tanzanian initiatives." 19 March 2004.

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5.1.5 Anti-corruption audits

External audits of government institutions and agencies play a major role in fighting corruption. Audits may not only be undertaken to assess single projects of programs. The may be used as to judge the vulnerability to corruption and the integrity of institutions or the whole transport sector.

A large field research (Olken 2004) in Indonesia revealed that increasing the probability of external audits substantially reduced missing funds in the project. In particular, increasing the probability that a village was audited by the central government audit agency from a baseline of 4 % to 100 % reduced missing expenditures from 28 percentage points to 19 percentage points.

According to Patterson *et al.,* (2007, p. 181) the following audit functions include:

- A *financial audit*: a periodic inspection of accounts to determine whether all funds and assets have been used for their legitimate and intended purpose and are fully accounted for.
- A *technical audit*: a periodic inspection to determine that the assets and services provided with the funds were appropriate to their intended purpose and were delivered in the quantity, quality, and location or disposition specified.
- A *fiduciary review*: a comprehensive review of an implementing agency's procurement, financial management, and project management processes, including their internal controls and oversight. The review is conducted by an independent group periodically or as warranted.
- *Third-party monitoring*: a continuous mechanism for monitoring the execution of sector expenditures, including the procurement and implementation of projects. The third party is either a public agency external to the implementing agency, a civil society group, or a private agent employed by the government in an independent role.

> **Aggressive enforcement of sanctions against corrupt officials and contractors, such as debarment and blacklisting, is important and has been undertaken by a growing number of transport agencies and donors.**
>
> *Paterson et al., 2007*

5.1.6 Asset Management Tools

Many countries use road management systems to evaluate the road system as a network. These systems perform high level analysis of the network by using inputs provided by sector managers to appraise conditions, determine needs, and evaluate costs, economic impact and network performance. These systems do not look especially at corruption, but the make corrupt planning practices more difficult. Several examples road management systems developed for use in developing countries include[13]:

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[13] Sub-Saharan Africa Transport Policy Program. "Road Management and Financing Tools." The World Bank. 2009.

- Highway Development and Management System (HDM-4) can be used for both project and network evaluation.
- Road Economic Decision Model (RED) is a consumer surplus model designed to help evaluate investments in low volume roads.
- Road Network Evaluation Tools (RONET) assesses the current characteristics of road networks and estimates future performance depending on different levels of network intervention.
- Performance Assessment Model (PAM) allows decision makers to decide between options for road

http://go.worldbank.org/2VD3CR0LB0

maintenance funding based on an analysis of the level of performance achieved by the road network and economic impact when various options are considered.

Further information specific to road asset management can be studied here: http://go.worldbank.org/MT3DQY2BX0.

Another example of an asset management tool, used in Kenya, is depicted in Figure 14. The tool analyses the quantities and unit costs of road maintenance activities in each road section and generates a budget for the regional Road Authority. Funding is approved by the Kenyan Road Fund on the basis of a documentation generated by the software.
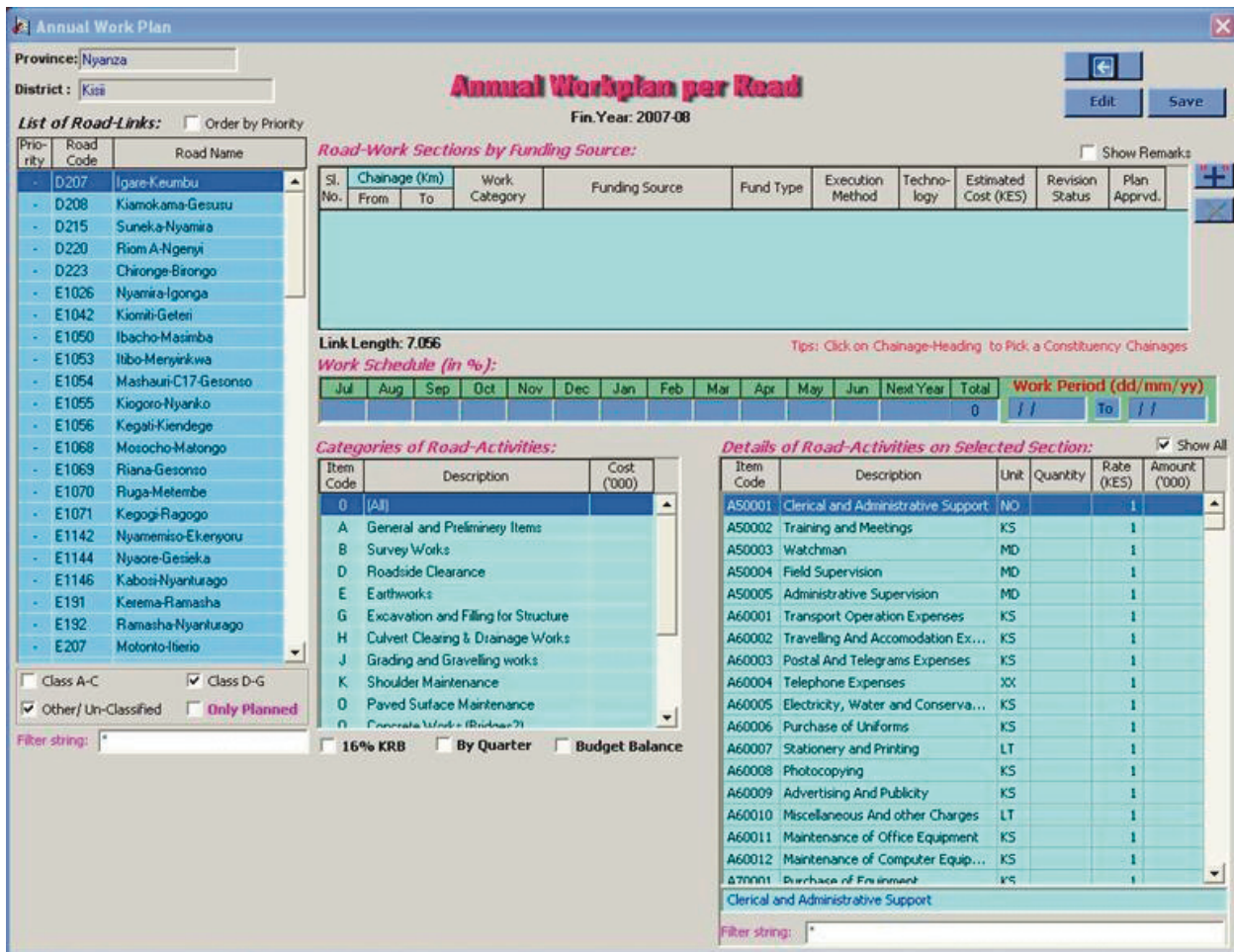

Figure 14: *Road maintenance management used in Kenya.*

The use of Internet- or Web-based communication technology, such as e-procurement, to address issues of transparency is powerful and developing quickly as the computerisation of agencies and the transport sector evolve. A major advantage is that the same information is available to all relevant stakeholders. In addition to improving the efficiency of the procurement process, computer applications can also enhance transparency in the evaluation process. One example involves the production of notices and bid documents. Computerisation of these documents can improve their quality by ensuring integrity of mandatory text and selected optional text, consistency of data, compliance with guidelines on specific requirements, and completeness. Similarly, computerisation can help process evaluation results and generate evaluation reports. A computerised registry of civil works contractors has proved successful in improving the integrity of pre-qualification processes: the legal, commercial, and financial data of firms in the database are compared with the qualifications profile of a project, and a list of eligible firms is generated together with a list of those firms not qualifying and the reasons of disqualification[14].

5.1.7 Improve public transport services

Corruption is rife not only in major infrastructure projects, but also in the operation of public transport services. The following measures are adapted from a literature review[15] on corruption in public services:

- *Reduce discretion*
  Transport service providers have often too much discretion in decision-making at the point of delivery, resulting in pitfalls such as low quality of the services, unsafe operations or low frequencies. Establishing clear rules and regulations for service delivery and enforcing them can help maintain better control.
- *Improve information flows*
  Better information can increase accountability, improve the performance and quality of transport services, and use resources more effective.
- *Compensate for weak political accountability with service user accountability*
  Holding transport service providers more directly accountable to users is one important step in

reducing corrupt practices involving transport operators. Weak political accountability may also indicate the existence of corrupt governance structures such as the payment of bribes in return for the granting of service licenses. Setting service standards, such as schedules and quality, and involving users in their enforcement can help highlight governance failings and promote their resolution.

- *Protect the socially and economically disadvantaged*
  As well as extending access to transport services, greater accountability of service providers and policymakers can be used to protect the quality of supply available to marginal and excluded groups in society.
- *Improve cost recovery*
  Greater accountability in the delivery of transport services may have the consequence of improving cost recovery, since passengers are more willing to pay for the services they receive and less revenues are lost through bribe leakages. This means that service providers may have more resources to fund capital investments and meet operational costs, thereby improving services.

5.1.8 Codes of Conduct and Integrity Pacts

Creating a code of conduct is an effective instrument in curbing corruption in the public and private sector. The code is designed to be as guidance for management as well as employees. As an example the United Nations Code of Conduct is presented in Annex V. It contains the following issues:

- General principles;
- Conflict of interest and disqualification;
- Disclosure of assets;
- Acceptance of gifts or other favours;
- Confidential information;
- Political activity.

In order to enhance the impacts of a Code of Conduct, ethics trainings involving all members of staff is essential.

Another important anti-corruption tool is the Integrity Pacts[16]. They are agreements between the major stakeholders of a project with the aim of curbing corruption. The pact is essentially an agreement between a

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[14] Patterson *et al.*, 2007, p. 180

[15] Cavill, Sohail 2007, p. 24ff

[16] http://www.transparency.org/global_priorities/
public_contracting/integrity_pacts

government or government department (at the national, sub-national or local level) and all bidders for a public contract. It stipulates rights and obligations to the effect that neither side will: pay, offer, demand or accept bribes; collude with competitors to obtain the contract; or engage in such abuses while executing the contract.

Bidders are required to disclose all commissions and similar expenses paid by them to anyone in connection with the contract. If the written agreement is violated then the pact describes the sanctions that shall apply. These may include:

- Loss or denial of contract;
- Forfeiture of the bid or performance bond and liability for damages;
- Exclusion from bidding on future contracts (debarment); and
- Criminal or disciplinary action against employees of the government.

The pacts should be independently monitored, and should contain enforceable sanctions. In appropriate cases, relevant government departments and financing institutions should also join in the pact. An independent monitoring system aims to ensure that the pact is implemented and the obligations of the parties are fulfilled. In most cases, monitors are members of civil society or experts appointed by (and reporting to) the TI Chapter and its civil society partners. The monitor performs functions such as:

- Overseeing corruption risks in the contracting process and the execution of work;
- Offering guidance on possible preventive measures;
- Responding to the concerns and/or complaints of bidders or interested external stakeholders;
- Informing the public about the contracting process's transparency and integrity (or lack thereof).

Milan's councillor for public works said the Integrity Pacts had allowed the City to address unfair tenders worth more than EUR 122 million.

TI Annual Report 2009

For more information about Integrity Pacts, you may consult the following TI website: http://www.transparency.org/global_priorities/ public_contracting/integrity_pacts

5.1.9 Transparent government information

One of the most important factors in achieving good governance is whether enough people know the details of what is really happening. What decisions have been taken? How were those decisions made? What facts and figures are available to confirm that the right decisions were made? What money was spent, and what was received in return? "Transparency" in putting all such information into the public domain has become one of the central requirements of good governance, allowing anyone to review what is happening in order to hold the public administration to account. The Internet has become a powerful tool for publishing information and providing transparency in what is happening. If anything is wrong, members of the public, or NGOs, or the media can voice concerns, and hopefully action will be taken[17]. Good examples of public disclosure are given in Box 15 for India.

[17] Vincent 2007

Box 15: Disclosure Policy of the Punjab State Road Sector Project, India

The Punjab Roads Bridge Development Board (PRBDB), responsible for planning, deployment of funds, fiscal management, and project management on State roads projects, operates under a comprehensive disclosure policy. The PRBDB adopted the policy to reduce the number of project-related complaints. For each project, the PRBDB discloses:

- What is being (and was) done;
- Why it is being (and was) done;
- When it is going to be (and was) done;
- How it is going to be (and was) done.

The PRBDB discloses information to various stakeholders in a number of ways, including:

- **Public consultations**: The PRBDB has held 88 formal and informal sessions throughout the State Work site information. Each road work site has public information provided through kiosks, display boards, and project information brochures. Key project information is provided as well as Contractor, PRBDB, and Engineer contact information.
- **Right to Information (RTI) website**: The RTI website contains information on the functions and duties of the PRBDB, a directory of PRBDB contact information, and the monthly remunerations that officers and employees receive.
- **PRBDB website**: The PRBDB website contains up-to-date information on: all ongoing and upcoming projects, the officials handling different projects, acts and policies, and general procurement notices.

Source: Seth, Ripdaman Singh. "Disclosure Policy." Punjab State Road Sector Project. World Bank.

Greater transparency as to project details and project participants would reduce corruption. The information, listed in Box 16, should be published to the public, as far as possible, in national newspapers, notifications and on the internet. In developing countries, newspapers and notifications to towns and villages may be an important means of communication to the many citizens who may not have access to the internet but who may be in a position to observe and report on corruption in projects. The internet is the ideal means of communication for detailed documentation which would be too lengthy or expensive to publish in newspapers or in hard copy.

Box 16: Publication of road project details by governments

- Location of the road project;
- Reasons for the project;
- The routes to be taken by the intended road;
- The villages, towns and residents affected by the proposed project;
- Planning permissions granted;
- Details of opposition, if any, to the project;
- Cost of the project;
- Design and construction method for the project;
- Names of all major project participants (to include the project owner, the main contractor, the designer, the certifier, major sub-contractors and suppliers, and agents);
- Project accounts;
- Regular up-dates on significant events on the project, such as delays, major variations which have increased the project cost, or other matters which may significantly affect cost or progress or which may be of interest to local residents;
- Name and contact details of the independent assessor appointed, if any (see below);
- Guidance as to the types of corruption that may occur on the project;
- Requests that any corruption observed or suspected should be reported to the independent assessor;
- Assurances that any such reports may be made anonymously or that the identity of the person making the report will be kept confidential should be given.

Catherine Stansbury, Global Infrastructure Anti-Corruption Centre

The internet has opened up new possibilities for governments and local authorities to interact with their citizens. Many local authorities – both in developed and developing country cities – run websites for their cities. Many of these have even gone ahead to use the internet to conduct as many of their transactions with its citizens as are possible. Some countries are in the process of developing comprehensive "electronic government" or "e-government" policies and practices. E-Government is often complemented by the use of Internet by civil society organisations and individuals to monitor their local governments and increase transparency. E-government aims at increasing the information available to the general public about activities of the local government and maximising the potential for networking and allow for faster interaction between the general public and the authorities. Information generally should be provided in a manner that the targeted user group can easily understand it and thus make use of it. There is little benefit in presenting large reports full of technical specification and language to ordinary citizens.

Figure 15: *This Kenyan anti-corruption poster advertises the possibility to file online complaints about corruption.*
Photo by Niklas Sieber, 2007

5.1.10 Encourage whistle blowing

Actions that unveil that the corrupt practices are often called 'whistle blowing' which is comparable to the whistle of a referee in football. The whistle will draw the attention of the public and the media and thus put politicians under pressure. It is a person who tells the public or someone in authority about alleged dishonest or illegal activities occurring in a government department, a public or private organisation, or a company. Whistle blowing is a very effective way of curbing corruption in the public and private sector. Sadly inadequate reporting of corruption is common for the following reasons:

1. *Lack of knowledge*: There may be a lack of awareness within the industry and also amongst the public as to the nature of the different types of corruption and that they constitute criminal offences.
2. *Fear of whistle-blowing*: People may be afraid to report corruption because they fear retaliation by the perpetrators or alternatively that they might be implicated in the corrupt practice itself.
3. *Inadequate or non-existent reporting structures*: There can be few if any official channels to ensure that corruption can be both safely reported by citizens and allegations addressed.

In virtually every region of the world, whistle-blowing is playing a role in uncovering the activities of wrongdoers.

PWC 2007

To encourage officials, employees and aggrieved citizens to report instances of ethical misconduct, waste, fraud and other forms of corruption in local government, whistleblower protection is crucial. In some countries, social taboos about "denouncing" fellow citizens have to be overcome. Raising public awareness in these matters is much talked about, but is left almost entirely to the civil society to address.

If whistle blowers can be given realistic protection, the likelihood of realistic investigations is improved. Anonymous complaints can also be filed with institutions such as anti-corruption commissions or Ombudsman offices, or through telephone "hotlines". Complainants must be assured that their complaints will be taken seriously, and that they themselves will not be placed at risk.

Box 17: Poddala Jayantha, whistleblower and victim of corruption

Attotage Prema Jayantha is better known to Sri Lankans as Poddala Jayantha, his pen name during two decades of courageous investigative journalism. Refusing to turn a blind eye to corruption, Jayantha dedicated his career to fearlessly exposing injustice in Sri Lanka's health, education and transport sectors. One of his reports uncovered what some officials have called Sri Lanka's biggest ever tax scam, involving the alleged misappropriation of INR 3.6 billion (USD 37 million) in Value Added Tax. Following numerous threats on his life, Jayantha was abducted by unidentified assailants in June 2009 and brutally beaten. He was left permanently disabled and now lives in exile. No arrests have been made and the case has since been dropped.

Jayantha's pursuit of the truth resonates with journalists in many parts of the world who encounter such challenges to their work.

Source: Transparency International

5.2 Strengthening civil society participation

Local communities play a vital role in detecting corruption and making pressure on public institutions to uncover the responsible and correct the drawbacks. Where local communities are empowered to act they can play a vital role in whistle blowing. Unfortunately, there are many countries where corruption rules give few opportunities to the citizens to play such a role. Developing a public voice can therefore be a powerful medium for change. An example of community protest in Uganda against poor road construction is given in Box 18.

Box 18: Community protests against poor road construction work in Uganda

"Fort Portal protests over poor road works" read the newspaper headlines in the Rwenzori region of Uganda in June 2007. For some people it was unbelievable to see religious leaders, the Mayor of Fort Portal municipality, Civil Society Organisations (CSOs) and students, side by side in peaceful protest, despite their different political backgrounds and ideologies.

However, for the Kabarole Research and Resource Centre (KRC), the sight of Fort Portal residents taking to the streets together, with placards that read "No to corruption and shoddy work, where is value for money", was a testament to their successful work educating local communities about their rights.

For a number of years KRC has worked towards stimulating awareness of the responsibility of individuals, local leaders and CSOs to contribute towards development and good governance. Brainstorming fora, such as dialogues, retreats, and radio programmes, are used to facilitate a process in which local stakeholders can understand conflict, development, corruption, political harmonisation and the potential for reconciliation in the Rwenzori region and Uganda as a whole. Retreats held at the Kasunga Training and Conference Centre have identified challenges such as corruption in public and private institutions, and the need for economic empowerment in the region. Open discussion and reflection on these issues has enlightened local stakeholders on their rights and entitlements, particularly in the area of service delivery.

Development partners are awakening to the concept that knowledge is power, and that for critical analysis of development programs the community must be empowered with information. KRC has spear headed the process with its 'Poverty Resource Monitoring and Tracking Model' (PRMT) and the 'Civil Society Radio Program' (CSRP), which has the sole aim of empowering local communities to actively advocate for their entitlement to improved service delivery and sustainable development initiatives. As a result of these sensitisation activities and the space afforded by retreats and radio talk shows to engage with their leaders, communities are actively demanding accountability from their service providers.

The Fort Portal protests reflected the concern of local stakeholders about the work done by the China Chongquing International Construction Corporation (CICO) on the Fort Portal to Hima Road. Areas of the completed road were already developing potholes. A petition was handed to Mr Ndiwa Chepkongin Chemasuet, Resident District Commissioner (RDC) of Kabarole District. Due to the demonstration, the Commissioner of Roads from The Ministry of Works, the Chinese Embassy, the Ministry of General Duties and local leaders, were forced to inspect the road and several action meetings were held. An agreement was reached that no payment would be made to CICO until the construction was improved to the required standard.

Source: Christopher Busiinge, Kabarole Research and Resource Centre in IFRTD Newsletter Vol14, Issue 1, 2007

International experience shows that public participation can increase transparency and accountability in roads projects. When communities are involved in selecting projects and identifying appropriate project specifications, there is less opportunity for officials and bidders to benefit from inappropriate project design. This scrutiny tends to work well when independent people with technical knowledge – such as academics, professional transport experts in private practice, and government officials – combine with citizen groups that are concerned about road services and corruption, to question government and sector plans.

Public agencies talking to non-government stakeholders to learn their views on sector problems may be useful as they have differing perspectives and may also have less to lose, and more to gain, in exposing corrupt practices. Focus group discussions with selected stakeholders can be useful for this purpose, provided they are openly and properly conducted and not a sham. Groups that may be able to provide valuable information include:
- Consumer organisations;
- Neighbourhood associations;
- Chambers of Commerce and other industry associations;

Box 19: Non-governmental organisations taking on corruption in the Philippines

In the Philippines, the Concerned Citizens of Abra for Good Governance (CCAGG) monitors infrastructure projects in their province. The group got involved when a news article identified 20 infrastructure projects that had been completed, and they decided to verify the information. What they found were widespread discrepancies and anomalies between government reports and outcomes on the ground, including ghost projects and incomplete works. CCAGG asked the government to investigate, and teams were sent in by the public works department, the National Economic Development Authority and the Commission on Audit (COA). As a result of the investigation, COA filed cases against eleven public works engineers.

The activities of CCAGG came under attack by some government agencies and private companies and some of its members were threatened, but eventually the accused engineers were found guilty. The group relies heavily on the media to influence public opinion and empower the people to demand good governance. As a result of CCAGG's efforts, systemic corruption has been reduced and government officials have become more cautious so they don't become "CCAGGed" as it is known locally when the anomalies are exposed.

Source: Dennis Arroyo. "Pinoys can fight corruption." Inquirer News Service. July 26, 2004.

- Professional associations whose members work in the sector (for instance, consulting engineers, lawyers);
- Non-governmental organisations working in the transport sector;
- Unions operating in the sector.

The example of the Philippines (Box 19) shows the benefits public review can offer in detecting corruption. Another country case study from Indonesia, given in Box 20, demonstrates that local participation may increase the benefits of road projects while reducing costs by up to 56 %.

Box 20: Decentralised project selection and financing in Indonesia

In Indonesia, a 1997 survey of 48 villages found that less than 3 % of village development requests proposed through the government's development planning system received funding. To address this gap, the Kecamatan Development Program (KDP), began to emphasise participatory community appraisals during project selection. Financing for the projects was provided by a combination of village and local funding and direct central government support. These features have helped to ensure that local priorities are the key to setting project prioritisation. In the KDP, project budgets, financing and procurement decisions are discussed publicly and displayed on village information boards. Each village has an independent committee to oversee contracts and implementation. Journalists and NGOs are invited to act as watchdogs over the procurement and implementation process. In addition, there is an anonymous complaints mechanism that brings concerns to project authorities. KDP projects that met high local demand and were characterised by close local oversight and involvement produced savings of between 25 to 56 % over conventional infrastructure projects and carried economic rates of return ranging from 33 to 83 %.
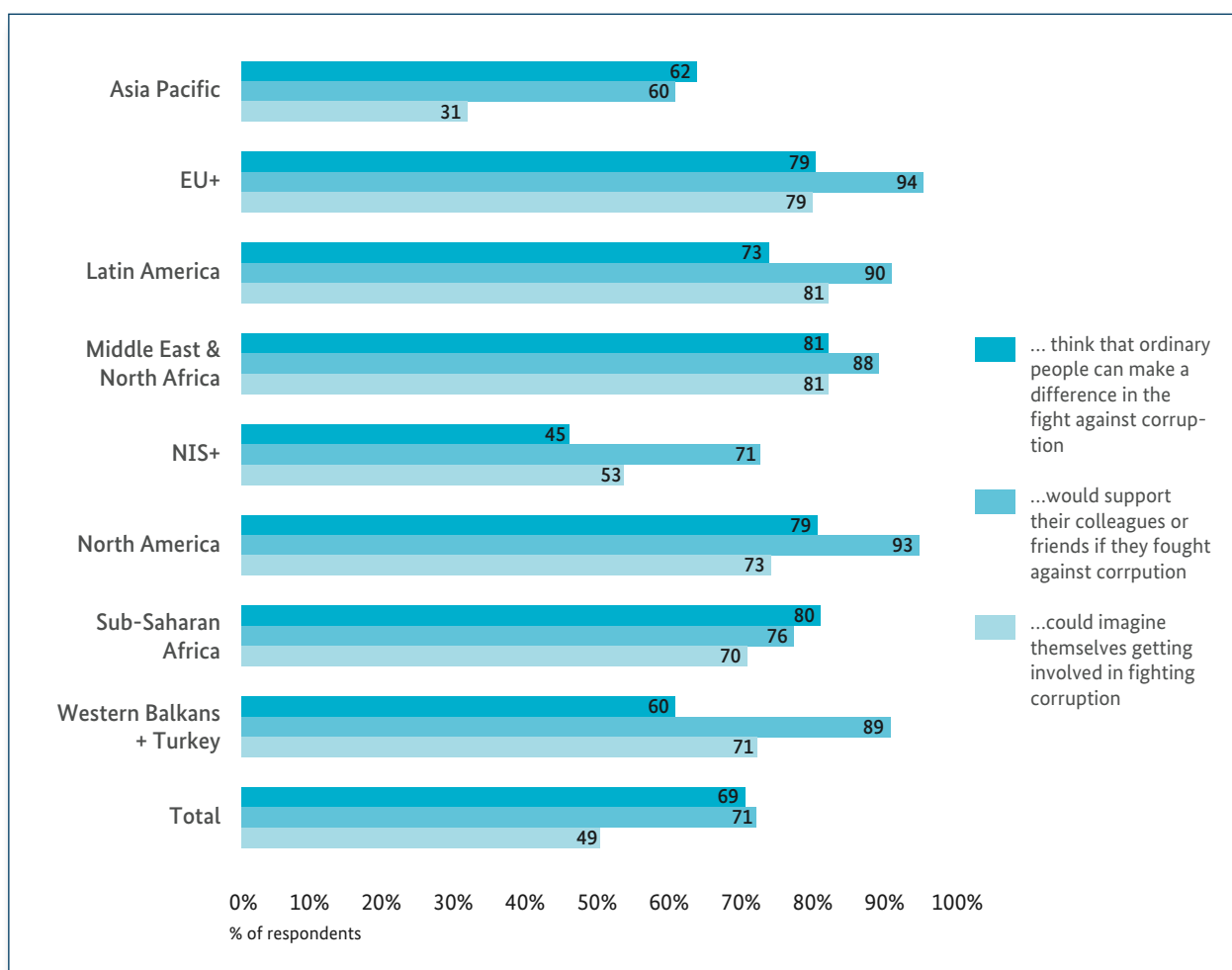
Based on: Wong, *et al.*, 2005

Figure 17: *People's potential engagement in the fight against corruption, by region.*
Source: TI Global Corruption Barometer 2010, p. 31

The development and promotion of effective action can be assisted by the creation of infrastructure anti-corruption forums at national, regional and international level. These forums may be viewed as anti-corruption alliances between the participants in the sector. A forum could be predominantly a private sector forum, and involve the industry (represented by business and professional associations, and the companies supplying the work, equipment and services) and civil society (represented by civil society organisations with interests in the infrastructure sector). These private sector forums would agree on anti-corruption actions in the infrastructure sector, and would liaise with governments, project owners, banks and other national bodies to implement these actions. Alternatively, a forum could have a wider membership, and could also include representatives of banks, project owners and/or government.

Figure 18: *Complaints box at the District Councils office in Kenya.* Photo by Niklas Sieber

A good example of the success of an anti-corruption forum in Palestine is given in Box 21. More information may be retrieved from the UK Anti-Corruption Forum (http://www.anticorruptionforum.org.uk).

Box 21: Anti-Corruption Forums

A vast number of Palestinians in the West Bank live in abject poverty. Many lack access to health and education facilities, and countless buildings, roads and sewage systems are in urgent need of repair. Instances of government officials misusing public funds have fuelled calls for the Palestinian Authority to introduce tighter controls on public sector spending.

Through its work with the public, Transparency International Palestine (AMAN) received a number of complaints about the use of government cars. In 2009, more than 6 000 civil servants owned one, and EUR 18 million was being spent on their fuel, maintenance and licensing. Many of the cars were frequently used for private journeys, or by friends and relatives. Some were reportedly even being sent abroad.

AMAN took its findings to the Ministry of Transport. The Ministry admitted that it was aware of the problem, but lacked the resources to tackle it. So AMAN undertook to assist them. It launched a broad-based media campaign comprising radio, billboard and newspaper advertisements, encouraging citizens to phone in incidents of public vehicle misuse via AMAN's free hotline.

The initiative was a huge success. Within a short space of time AMAN logged more than 150 complaints, which were relayed back to the Ministry of Transport for further investigation. Knowing that this was unlikely to bring about lasting change, however, AMAN called on Prime Minister Salam Fayyad to address the issue more systematically.

Consequently, Palestine's Council of Ministers (PNA) declared a ban on the use of all government vehicles outside office hours, with the exception of the Prime Minister and his deputy. In 2010 around 6 200 vehicles were reclaimed from civil servants. Some of them were given to the government ministries for shared use, but the majority could be purchased by civil servants to use privately. AMAN realises that this is only one step towards reform, and a lot of work remains to be done to bring integrity and transparency to government spending.

Source: TI Global Corruption Barometer 2010, p7

Various participatory systems for analysing public services by citizens have emerged over the years. One of the established ones is the Report Card[18] which has been applied in a number of countries including India and the Philippines. Report Cards are instruments to encourage public accountability. Modelled on a private sector practice of conducting client satisfaction surveys, report cards solicit user perceptions on the quality, efficiency, and adequacy of the various public services that are funded by taxpayers. Qualitative user opinions are aggregated to create a "score card" that rates the performance of service providers. The findings present a quantitative measure of overall satisfaction and perceived levels of corruption among an array of other indicators. By systematically gathering and disseminating public feedback, report cards can serve as a "surrogate for competition" for monopolies – usually government owned – that lack the incentive to be as responsive as private enterprises to their client's needs. They are a useful medium through which citizens can credibly and collectively "signal" to agencies about their performance and pressure for change.

Social auditing is another important means of involving the public in corruption prevention. Box 22 gives an example on successful social auditing in India. More information about social audits and Public expenditure tracking is given in Sundet (2008).

On the local level a Neighbourhood Corruption Alert Systems may be established whereby the local residents in the area surrounding the road project are formally notified of the project, and are provided with contact details for the independent assessor, and an outline account of matters which should arouse their suspicions of corruption. They should then be encouraged to report any suspicious circumstances to the independent assessor or to a locally appointed ombudsman. Such reports could be particularly helpful in detecting corruption in planning matters, material deliveries, defective workmanship and extortion of local staff.

5.3 Reduce corruption through the private sector

The private sector has a potentially crucial role in reducing corruption. On the one hand is considered as a major player in corruption. On the other hand it is generally

[18] Transparency International, UNHABITAT (2004)

Box 22: Social audits in Rajasthan, India

MKSS is an organisation that was started in 1990 in Rajasthan, India's largest state. The organisation's original objective was to campaign for the payment of the minimum wage in public works and land redistribution. MKSS assisted labourers who complained that they had not been paid for work they had done for the local authorities. When they asked to see the records of work and payment, the authorities refused them, citing the Official Secrets Act. This sparked the beginning of the MKSS "Right to Information" campaign.

Sit-ins, rallies, and public lobbying finally succeeded in the local government passing an order allowing citizens the right to inspect records. Later, they were also provided with certified photocopies. The first inspections of the records uncovered a number of irregularities. In the process of verifying the records and consulting with villages, the tool of public hearings was developed. Using public hearings to cross-check payrolls and records of performed work, MKSS started to amass a considerable body of evidence of fake payrolls, recorded public work that was never done, overbilling, and underpayment. Experts and government officials were invited to take part in the public hearings, where they had to answer questions from the public.

The public hearings had a dramatic impact. Workers who had not been paid for years were finally compensated. In many cases, the elected village representative would pay in person to ensure that the payment was made, in order to avoid being called to testify at the next public hearing. Action was also taken against officials convicted of embezzling funds. The success of the public hearings mobilised support throughout the state. Following intense lobbying and mass demonstrations, the Rajasthan legislature passed a Right to Information Law in 2000. The campaign then continued at the national level, and India's parliament finally passed a Right to Information Law in 2005. In another development, the public auditor's office in Rajasthan, which was frustrated by the poor implementation of its recommendations, has started sharing its findings with MKSS and invited the organisation to publicise them.

Source: Ramkumar 2007

considered as offering fewer opportunities for corruption as compared to the public sector (Kenny 2007). Private companies generally prefer a corruption- free environment that reduces costs and thus increases profits. In addition, competition increases in the absence of corruption, and thus macro-economic benefits are generated for the whole society, including the private sector.

What we know about corruption in the transport sector and Central Asia suggests that a private-sector dominated industry may be less prone to corruption.

(Kenny 2007)

5.3.1 Creating a competitive private sector

Despite widespread participation in corrupt activities in construction and related fields, the private sector is generally considered as less corrupt than the public sector (Kenny 2007). For example, we have evidence from Indonesia that, where government officials are responsible for the construction of infrastructure, theft can be significant. A physical audit of a community-driven development programme that focused on road construction in Indonesia found that an estimated 24 % of expenditures were 'lost' in materials theft, probably orchestrated by village heads who oversaw projects (Olken, 2004).

Higher efficiency and less corruption was the justification for a paradigm that dominated in past 20 years: private enterprises should take over as many public activities as possible. The public sector reforms, mentioned in Chapter 5.1.2, have entailed privatisation, outsourcing, contracting out, and implementation of public agencies of public sector activities.

However, this optimistic view on corruption in the private sector is blurred by research from Maravić (2005) who observed that privatisation changes the form of public corruption. In a survey of 38 German auditors, 58 % stated that privatisation of communal services increased corruption. The auditors confirmed as well that privatisation entails a reduction of control usually executed by the community through the auditors and thus boosts corruption risks. Therefore, privatisation requires the strong and efficient regulation and control.

The potential therefore exists for corruption reduction through increased private sector participation, so long as parties involved are adequately regulated and can prove they have adequate anticorruption systems in force. This requires a strong and competitive private sector and an adequate regulation through government laws and agencies. Regulation of private firms is a vital role for government, because monitoring technical standards in construction is both complex and central to ensuring quality.

However, worldwide the weakness of the regulating authorities is the weakness of privatisation. In addition, exactly those strong contexts are lacking in developing countries and even where they are present – as in developed countries – the construction sector often is ripe of corruption.

The privatisation process itself can unfortunately be prone to considerable corruption. In a number of countries, privatisation of construction firms has been to the benefit of the few (Copplestone, 2006). Increasing the transparency and competitiveness of the privatisation process itself should be an important precursor to this element of sector reform.

5.3.2 Fight corruption in private business

Ernst and Young (2008) interviewed nearly 1 200 major companies in 33 countries. Their results indicated that corruption is a growing problem for businesses and executives:

- One in four of our respondents said their company had experienced an incident of bribery and corruption in the past two years;
- 23 % of respondents knew that someone in their company had been solicited to pay a bribe to win or retain business;
- 18 % of respondents said that they knew that their company had lost business to a competitor who had paid a bribe;
- Over a third of all the respondents felt that corrupt business practices were getting worse.
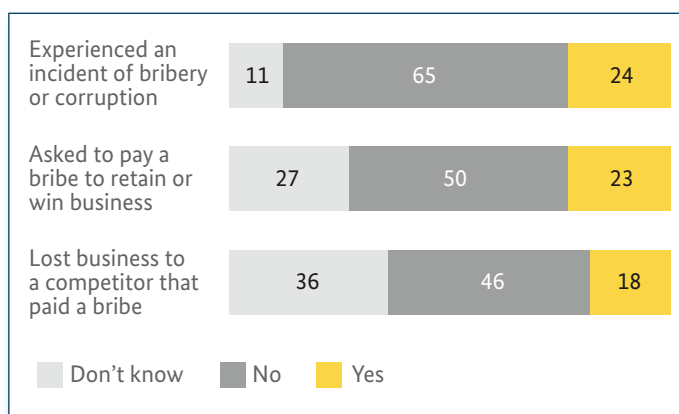
Experienced an incident of bribery or corruption	11	65	24
Asked to pay a bribe to retain or win business	27	50	23
Lost business to a competitor that paid a bribe	36	46	18

Don't know   No   Yes

Figure 19: *Evidence of corruption in the private sector.*
Source: Ernst & Young 2008

However, companies are recognizing the risks and claim to be doing more to implement anti-corruption policies and procedures into their compliance programs.

■ More than half company respondents cited increased training and awareness assisted in reducing the risks.

■ More than 45 % of the respondents claim to routinely conduct anti-corruption due diligence prior to an acquisition.

■ Over two-thirds of the companies believed that their internal audit teams had sufficient knowledge to detect bribery and corrupt practices and half thought compliance-focused audits were successful in mitigating these risks.

However, the survey (Ernst and Young 2008) found out, that basic anti-corruption compliance is lacking when companies' standard processes, such as acquisition and bidding are questioned:

■ 43 % of our respondents indicated that their company did not have specific procedures in place for dealing with government officials,

■ 44 % of our respondents indicated that their company did not have specific procedures in place for identifying parties related to government officials.

■ companies often failing to effectively weigh corruption risks during due diligence.

The hidden costs of corruption are almost always much higher than companies imagine.

The Economist

The following actions are recommended to curb corruption in construction and engineering companies:

■ Implement a code of conduct that commits the company and its employees to a strict anti-corruption policy. The code should contain management, training, reporting and disciplinary procedures. Examples are the Integrity Management System of the International Federation of Consulting Engineers (FIDIC)[19] and the corruption initiative of the World Economic Forum[20]. More details for both are given in the Toolbox chapter of this document.

■ Employ effective due diligence on agents, joint venture and consortium partners, subcontractors and suppliers, so as to be reasonably certain that they will not engage in corrupt practices in connection with the company's business.

■ Ensure that all contracts between the company and its agents, joint venture and consortium partners, subcontractors and suppliers; require the parties to comply with strict anti-corruption policies.

According to the Ernst & Young Survey, internal audits are an adequate measure against corruption. Some 72 % of the respondents indicated that internal audit was successful in detecting bribery and corrupt practices.

Incorporating an anticorruption Programme into your business activities does not have a detrimental effect on business development activities.

Source: Pricewaterhouse et al., 2007

[19] http://www1.fidic.org/resources/integrity

[20] http://www.weforum.org/issues/
partnering-against-corruption-initiative

Box 23: Improving the effectiveness of internal audit teams

Boards, senior management, and key stakeholders are increasingly relying on internal audit teams to do more to address the risk of bribery and corruption as regulatory compliance demands escalate. Teams can increase their effectiveness if given the resources to:

- Select site visits and audits based on potential anti-corruption risks;
- Develop and perform specific bribery and corruption audits;
- Include risks related to bribery and corruption in the wider risk assessment process when developing audit plans;
- Modify current audit scope and procedures to specifically address bribery and corruption risks;
- Develop specific protocols for the investigation of identified issues, including: Involvement of counsel and required communications (*e.g.* senior management, audit committee, external auditor);
- Bring the audit team together with the internal investigations/integrity team when conducting audits so that each team has a better understanding of the processes used by the other;
- Achieve as much local language and cultural knowledge as possible in field teams;
- Complete bribery and corruption training at least once every two years.

In addition, audit teams can take some simple steps to build up their knowledge of bribery and corruption issues inside the companies. These include conducting regular reviews of incidents reported to the compliance hotline and preparing a list of red flags based on incidents that have already been investigated, including a list of internal controls that have been breached. Compiling a database of all reported incidents — not simply those labelled as "significant" at the time — is vital for identifying patterns and trends. It also provides a document that can be shared with senior management and other divisions within the company to give a sense of current compliance issues.

Source: Ernst & Young 2008

An additional option is to employ an anti-corruption compliance certification program. Many companies have formal programs to certify and re-certify senior employees regularly on anti-corruption compliance. Certifications will not stop the deliberate wrongdoer, but the requirement will serve as a continuing reminder of the manager's compliance responsibility. Certification processes also may identify issues that otherwise might not have surfaced.

The Global Compact Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

5.4 Reform the roles of international agencies

International agencies play a critical role in both conceptualizing and funding projects in transport as well as other sectors where government plays a heavy role in the developing nations of the world. As bankers to countries where corruption is rife, they should therefore have substantial leverage in setting both conditions of operation and a management environment geared to eliminating problems of corruption.

Many of the approaches to controlling corruption outlined above are difficult or impossible for developing country governments to implement unaided. Even if there are many civil servants of good will, the reality is that corruption usually goes along with power and that those with stakes in corrupt income are often in a position to block attempts at government reform designed to eliminate corrupt practices.

Even in the most corrupt governments, there are usually civil servants who love their country and insist on honourable behaviour. When they lack support, however, they are liable to harassment from their corrupt peers and are rendered powerless.

Because of the difficulty of dealing with the disease from within, international agencies must play the key role in catalysing necessary change. While agencies such as the World Bank have established anticorruption branches to address corrupt practices in client countries, the regular agency workforce, primarily technical in nature, should also participate more heavily in governance issues.

Richmond (2011) has suggested the following actions to improve project performance along with governance and control corrupt practices.

Because of the difficulty of dealing with the disease from within, international agencies must play the key role in catalysing necessary change.

5.4.1 A new language of development

International agencies focus heavily on technical issues in discussions with client governments, but must recognise that the best technical plan will fail if governance issues are not addressed. In addition, the presence of governance planning may suggest overall project approaches that are different from ones that seem optimal from a technical perspective, but may have a higher probability of corruption-free implementation.

International funding agencies should therefore move from a primarily technical approach to one that:
- is discursive,
- allows for negotiation and consensus formation,
- confronts client governments with flaws in governance and decision-making,
- brings international, local communities together for frank discussions on both program and governance issues, and
- facilitates transformation of failing systems.

5.4.2 Agencies should facilitate organisational change

Development agencies often work with governments that lack the necessary management structure for proper project implementation. (i) Conditions for approving funding should be set that require demonstration of a capacity to manage new facilities, reflect on necessary processes of change, and develop new management systems where required. (ii) Reforms to improve governance should be required as a basis of funding. A modern bus system cannot be effectively developed, for example, where the regulatory system continues to levy corrupt industry levies, and such issues should be addressed both

before funding approval and as components in subsequent project work. (iii) Funding should be provided to address both development of improved management and governance/accountability structures.

5.4.3 Empowering the honest and the promising

The corrupt people form coalitions. Agency officials working in the field should:
- Build coalitions to help empower those with integrity;
- Focus those of good intent on transformation;
- Practice consensus-building to create a constituency for change;
- Empower the young who most often desire reforms.

Agencies often have contacts primarily at the senior levels of government organisations. There may however be substantial numbers of young professionals new to the organisation and opposed to corruption. Contacts with lower levels of organisations are therefore important.

International agencies should build opportunities for young professionals to be involved, perform well, and develop careers in their home countries. Additionally they may fund programs targeted at professional development of the young and talented.

5.4.4 Facilitate structural change to incentive-based organisations.

Easterly (2006) has written that the international agency approach focuses on giving big plans to bureaucracies lacking in motivation. He calls instead for systems that build motivation through reward, as described in Chapter 5.1.2. Specific financial assistance should be offered to develop positive incentive systems and improve governance.

Within this context international agencies need to change hiring and training. A new type of staffing is needed to facilitate processes of reflection and transformation.
- Develop skills in communication, conflict resolution and negotiation, organisational learning, and organisational development.
- Have staff working directly with promising public officials as teachers/facilitators/friends not just watchdogs.

■ Integrate staff culturally, make them part of the team.

International agency staff with power should be located in the field as much as possible during all major projects. It is often desirable for consultants to be appointed to guide client governments or review tender or work processes. To ensure integrity, they should be hired and be remunerated by the international agency rather than the client government and report regularly to the international agency.

It is difficult to take this step under corruption – but this is where critical effort must be focused and aid stopped in the absence of willingness to demonstrate improvement in governance.

5.4.5 Promote public participation

Chapter 5.2 has demonstrated the important role that public participation has in strengthening democratic processes and fighting corruption. International agencies should facilitate the set up of review committees for all projects and require them to meet regularly and work with project staff and consultants. They should ensure that major stakeholders and the general public are represented on these committees. It should be compulsory that committees monitor and report on projects with a requirement that minority opinions be represented in reports.

5.5 Conclusion[21]

Since corruption in transport has many faces, a large number of counter measures exist and all stakeholders have their part to play. Governments should ensure proper implementation of anti-corruption measures. Donors should take greater responsibility for individual projects from inception through to completion. Contractors should be pro-active in preventing corruption within their organisations. Professional organisations should promote the adoption of anti-corruption codes. Civil society has proved its important role in detecting corruption and therefore should be encouraged by governments and donors to participate in the fight against corruptions.

In the public sector, good governance is the key for fighting corruption in transport. This relates not only to the development of sound transport policies and the reform of transport institutions, but as well to proper planning procedures and anti-corruption measures in procurement. The latter is of major importance, since here large amounts of money are involved and numerous leakage holes need to be mended. Integrity Pacts have proven to effectively curb corruption by establishing an agreement between government and all bidders for a public contract. Additionally, a number of tools have been developed that prevent financial leakage in the public sector, such as Public Financial Management, anti-corruption audits and Asset Management Tools.

Civil society increasingly gains importance in fighting corruption. The critical public assessment of transport projects and services has proved to be essential for corruption prevention. In some countries audits and Public Financial Management are effectively controlled by civil society organisations. Individuals may contribute as well by participating in anti-corruption forums and neighbourhood alert groups or by blowing the whistle against corruption. Since this is often extremely dangerous, whistleblowers should be protected by the state. Governments should not only encourage public participation but provide as well transparent information during the whole project cycle from planning to implementation.

Private business is not only one of the major sources of corruption, but as well a means to fight fraud. Generally, private enterprises are deemed to be less prone to corruption than the public sector. However, this requires a competitive private sector regulated by a sound framework and controlled by powerful institutions. Even though it is in each company's proper interest to reduce corruption, much more can be done in the future. A first measure would be to establish a code of conduct for employees and management combined with anti corruption training.

Perhaps most significantly, not only is change needed in developing country governance and management in many nations, but the operating procedures of international agencies require an overhaul to put a greater focus on facilitating such change as against the overly technical emphasis currently taken by funding agencies. By making a link between the availability of funding and improvements in management and governance and supporting often complex processes of organisational change, international agencies can play the most vital

[21] Partly based on Stansbury (2007).

role in cutting out corruption and fostering positive development.

It is now regarded as acceptable to introduce project systems and regulations to improve health and safety. A similar approach should be taken to corruption. Stringent anti-corruption measures which impact on all major project participants should be systematically applied. Such measures should include anti-corruption monitoring by an independent professional person, proper due diligence on the project and its participants, anti-corruption commitments by all participants, raising awareness of the risks of criminal liability for corruption, greater transparency, and proper means for reporting corruption and enforcing the appropriate penalties. Such measures should be tailored to the size of the relevant project. They will add to the cost of individual projects but given the enormous damage caused by corruption this is money well spent.

6 Resources

6.1 General corruption tools and websites

6.1.1 TI: Corruption Fighters' Tool Kit

Transparency International

The Corruption Fighters' Tool Kit, developed by Transparency International, is a compendium of practical civil society anti-corruption experiences described in concrete and accessible language. It presents innovative anti-corruption tools developed and implemented by TI National Chapters and other civil society organisations from around the world.

The publication highlights the potential of civil society to create mechanisms for monitoring public institutions and to demand and promote accountable and responsive public administration. The Corruption Fighter's Tool Kit, and its Special Edition: Teaching Integrity to Youth, offers the reader a dynamic, ever-growing, collection of tools. Together they will provide ideas and inspiration to their readers. At present, the Corruption Fighters' Tool Kit includes 46 exciting tools from around the world. http://www.transparency.org/tools/e_toolkit

6.1.2 UN: Anti-Corruption Toolkit

United Nations Office on Drugs and Crime (2004): UN Anti-Corruption Toolkit, The Global Programme Against Corruption, 3rd Edition, Vienna. http://www.unodc.org/documents/corruption/publications_toolkit_sep04.pdf

This is a comprehensive toolkit with nearly 600 pages covering the spectrum of anticorruption measures, with no special emphasis on transport.
- Assessment of the nature and extent of corruption
- Institution building
- Situational prevention
- Social prevention
- Enforcement
- Monitoring and evaluation
- International legal cooperation
- Recovery and return of proceeds of corruption

6.1.3 Anti Corruption Resource Centre

The U4 Anti-Corruption Resource Centre assists donor practitioners in more effectively addressing corruption challenges through their development support. The U4 Resource Centre is operated by the Chr. Michelsen Institute (CMI), Bergen, Norway – a private social science research foundation working on issues of development and human rights.
http://www.u4.no

6.1.4 GATEway Inventory of Assessment Tools on Corruption and Integrity at Country Level

The world of corruption assessment tools is expanding. Yet the various tools used to assess aspects of corruption and anti-corruption are often only known at the national or local level, or indeed in a particular GATEway is all about collecting, sharing and expanding the knowledge on corruption assessments so that those who wish to measure corruption can match their needs with existing tools.

The approach involves mapping, codifying and clustering existing tools, and providing tool users with guidance on the strengths, weaknesses of the different assessment approaches. This information will be made available through an online web platform to be launched in late 2011.
http://www.transparency.org/tools/gateway

6.1.5 TI: Anti-Corruption Plain Language Guide

Transparency International (2009): The Anti-Corruption Plain Language Guide, Berlin
http://www.transparency.org/publications/publications/other/plain_language_guide

Transparency International has developed the first "Anti-Corruption Plain Language Guide". The guide provides standardised, easy-to-understand definitions for 45 key terms commonly used by the anti-corruption movement – from 'access to information' to 'whistle blowing'. Each term includes a practical example of how TI approaches these issues and helpful links for further research.

6.1.6 UNCAC Coalition

The UNCAC Coalition is a group of civil society organisations promoting the implementation of the UN Convention against Corruption.
http://www.uncaccoalition.org/en/home.html

6.1.7 TI: Transparency in Local Governance

Transparency International, UNHABITAT (2004): Tools to Support Transparency in Local Governance, Urban Governance Toolkit Series, Nairobi.
http://www.transparency.org/tools/e_toolkit/tools_to_support_transparency_in_local_governance

This Toolkit argues that the quality of urban governance can mean the difference between cities characterised by prosperity and inclusiveness and cities characterised by decline and social exclusion. It describes how increased transparency at the local level can help in combating urban poverty and enhancing civic engagement. Promoting transparency, through the application of a range of public education, public participation, e-governance, ethics and institutional reform instruments, can:
- Reduce citizen apathy, by building trust between local governments and other stakeholders, by reducing the opportunities for corruption at the local level, and by engaging all stakeholders in identifying development needs and setting priorities;
- Make service delivery contribute to poverty reduction, not only in improving the overall effectiveness of services, but also in terms of making services accessible to more citizens on an equitable basis;
- Increase city revenues, by increasing citizen confidence that the taxes collected are being used to improve the city, and by demonstrating the rule of law, particularly regarding contracts and property rights;
- Raise ethical standards, by enhancing the quality of political and professional leadership.

6.1.8 Poverty, Aid and Corruption

Transparency International (2007): Poverty, Aid and Corruption, Policy Paper #1/2007.
http://www.transparency.org/publications/publications/policy_positions/pp_01_2007_aid_corruption

This paper considers key issues in the aid and corruption debate, focusing specifically on abuses that occur in development assistance targeted at poverty reduction.

6.1.9 TI: Global Corruption Report

Annual report published by Transparency International tackling various corruption issues.
http://www.transparency.org/publications/gcr

6.2 Country assessment and indicators for corruption

6.2.1 Corruption Perception Index

Transparency International has developed the Corruption Perception Index which measures the degree to which public sector corruption is perceived to exist. It scores countries on a scale from 10 (very clean) to 0 (highly corrupt). All sources measure the overall extent of corruption, *i.e.* frequency and/or size of bribes in the public and political sectors through the perception of relevant stakeholders. The evaluation of the extent of corruption in countries is done by two groups: country experts, both residents and non-residents, and business leaders.
http://www.transparency.org

6.2.2 World Bank: The Worldwide Governance Indicators (WGI) project

Aggregate and individual governance indicators for 213 economies over the period 1996–2009, for six dimensions of governance:

■ Voice and Accountability
■ Political Stability and Absence of Violence
■ Government Effectiveness
■ Regulatory Quality
■ Rule of Law
■ Control of Corruption

The aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. The individual data sources underlying the aggregate indicators are drawn from a diverse variety of survey institutes, think tanks, non-governmental organisations, and

international organisations.
http://info.worldbank.org/governance/wgi/index.asp

6.2.3 World Bank Country Assistance Strategy

World Bank Country Assistance Strategy includes information on corruption risks at a country level. It can draw attention to high levels of corruption risk in a given country and even to specific risk areas. If the relevant CAS indicates high country level corruption risks, it would be sensible to assume that the transport sector is also at risk of corruption.
http://go.worldbank.org/4M75BI76J0

6.2.4 Bribe payers index

The TI Bribe Payers Index evaluates the supply side of corruption – the likelihood of firms from the world's industrialised countries to bribe abroad.
http://www.transparency.org/policy_research/surveys_indices/bpi

6.2.5 Global corruption Barometer

The Global Corruption Barometer is a survey that assesses general public attitudes toward, and experience of, corruption in dozens of countries around the world.
http://www.transparency.org/policy_research/surveys_indices/gcb

6.2.6 TI: National Integrity Systems

National Integrity System assessment tool, developed by Transparency International, provides a comprehensive evaluation of the main public institutions and non-state actors in a country's governance system. It measures a country's 'pillars of integrity' in terms of capacity, independence, transparency, accountability, integrity and role in promoting the overall integrity of the national governance system.
http://www.transparency.org/policy_research/nis/nis_reports_by_country

6.3 Curb corruption in road construction and public procurement

6.3.1 World Bank: Corruption in road construction

The World Bank (2009): Deterring Corruption and Improving Governance in Road Construction and Maintenance, Washington DC, World Bank Transport Papers TP-27, September 2009
http://siteresources.worldbank.org/EXTGOVANTI-CORR/Resources/3035863-1285189243778/Transport_Governance_Sourcebook.pdf

This is a sourcebook on road construction and maintenance developed by the World Bank. It contains a large number of practical examples of how corruption occurs, lists the red flags and sources of information that may be used to detect corruption. The book provides a large number of examples for corruption experienced in World Bank projects that illustrate the issue. It gives as well many practical hints, how to curb corruption in road construction projects.

6.3.2 Handbook for Curbing Corruption in Public Procurement

Kostyo, Kenneth (ed) (2006): Handbook For Curbing Corruption In Public Procurement, Published by Transparency International, Berlin.
http://www.transparency.org/publications/publications/other/procurement_handbook

This Handbook for Curbing Corruption in Public Procurement is meant to be a basic introduction for all stakeholders to the challenge of overcoming corruption in the field of public procurement. The intention is to provide the readers with real world examples of successful actions that have been taken against corruption in a variety of Asian countries. The hope is that these experiences can be "translated" and "exported" to other situations and countries with similar success.

6.3.3 Monitoring Road Works

Alexeeva, Victoria; Padam, Gouthami and Cesar Queiroz (2008): Monitoring road works contracts and unit costs for enhanced governance in Sub-Saharan Africa, World Bank, Transport Papers TP 21.
http://siteresources.worldbank.org/INTTRANSPORT/Resources/336291-1227561426235/5611053-1229359963828/tp_21.pdf

Alexeeva, Victoria; Queiroz, Cesar and Satoshi Ishihara (2011): Monitoring Road Works Contracts and Unit Costs for Enhanced Governance in Europe and Central Asia, World Bank, Transport Papers TP 33.
http://siteresources.worldbank.org/INTTRANSPORT/Resources/336291-1227561426235/5611053-1229359963828/TP-33-RoadContracts-ECA.pdf

These studies are intended to develop a list of quantitative indicators to recognise and track vulnerability to corruption in roads projects. It is based on the procurement and implementation of road works contracts. The studies developed new cross-country databases with information on bidding, costs, performance, and other details of road works contracts. An inventory of risks is compiled for each contract using a checklist of alert indicators or red flags defined from the study database. The data analysis captures a pattern of indicators consistent with the presence of allegations of corruption. This is achieved through comparison of the indicators with the road works contracts where complaints were received by the World Bank's Department of Institutional Integrity (INT) and other contracts in the sample.

6.3.4 Global Infrastructure Anti Corruption Centre (GIACC)

The Global Infrastructure Anti Corruption Centre (GIACC), is an independent not for profit organisation which provides resources and services for the purpose of preventing corruption in the infrastructure, construction and engineering sectors.
http://www.giaccentre.org

GIACC examples on corruption in construction:
http://www.giaccentre.org/documents/GIACC.CORRUPTIONEXAMPLES

6.3.5 Project Anti-Corruption System (PACS)

The Project Anti-Corruption System (PACS) is an integrated and comprehensive system designed to assist in

the prevention and detection of corruption on construction projects. It uses a variety of anti-corruption measures, which can be integrated into project management. These measures have impacts on all project phases, on all major participants, and at a number of contractual levels. The following modules are available:

PS 1: Independent assessment
PS 2: Transparency
PS 3: Procurement
PS 4: Pre-contract disclosure
PS 5: Project anti-corruption commitments
PS 6: Fund anti-corruption commitments
PS 7: Government anti-corruption commitments
PS 8: Raising awareness: Implementing a gifts and hospitality policy
PS 9: Compliance
PS 10: Audit
PS 11: Reporting
PS 12: Enforcement

http://www.giaccentre.org/project_anti_corruption_system_home.php

6.3.6 Corruption in the transport sector

Paterson, William D. O. and Pinki Chaudhuri (2007): Making Inroads on Corruption in the Transport Sector through Control and Prevention, in: The Many Faces of Corruption: Tracking Vulnerabilities at the Sector Level, Edited by J. Edgardo Campos and Sanjay Pradhan, Washington, D.C., p. 159–189

This chapter in a reader on sectoral corruption gives an overview on corruption in the transport sector and preventive measures. Strong emphasis is laid on adequate institutional structures and independent audits of the agencies.

6.3.7 Global Transport Knowledge Partnership

Three short descriptions on corruption in transport:
http://www.gtkp.com > gTKP focus area: Governance in Transport > Controlling corruption >

6.3.8 CoST

CoST is an international multi-stakeholder initiative to increase transparency and accountability in the construction sector. It is supported by the Department for International Development (DFID) and the World Bank and piloted in eight countries. CoST seeks to achieve transparency through the public disclosure of information at various stages of the construction project cycle in a way that helps stakeholders to hold the project agency accountable for value and quality. Disclosure covers, for example, the purpose and value of the project for beneficiaries, project scope and cost, the agencies and firms involved, the award of contracts, and variations in the cost, scope, and delivery time during construction. An assurance process adds value to the disclosure by verifying the information and highlighting issues in plain language so that citizens and oversight agencies can understand and react when appropriate.
http://www.constructiontransparency.org

6.3.9 OECD: Fighting Corruption and Promoting Integrity in Public Procurement

This volume comprises papers presented at the OECD Global Forum on Governance: Fighting Corruption and Promoting Integrity in Public Procurement held in Paris in November 2004.
http://www.oecd.org/document/35/0,3746
,en_2649_34855_38447139_1_1_1_1,00.html

6.3.10 Research Methodology to combat corruption

Cavill, S.; Sohail, M. (ed) (2007): A note on research methodology for combating corruption, Accountability arrangements to combat corruption, Loughborough.
http://www.dfid.gov.uk/r4d/PDF/Outputs/Regcomp/
WEDC-MethodologyNote.pdf

This document gives practical hints about a research methodology that can be used for custom surveys of corruption in infrastructure. It outlines the research process, and describes research techniques for detecting and assessing corruption including interviews, informal discussion, and focus groups. The note provides examples of the following research instruments: corruption diary; observation checklist, guide for focus group discussions,

semi-structured interviews for service providers, and a household questionnaire.

6.4 Curb corruption in the private sector

6.4.1 TI: Integrity Pacts

Developed by Transparency International (TI) during the 1990s, the integrity pact is a tool aimed at preventing corruption in public contracting. The pact is essentially an agreement between a government or government department (at the national, sub-national or local level) and all bidders for a public contract. It stipulates rights and obligations to the effect that neither side will: pay, offer, demand or accept bribes; collude with competitors to obtain the contract; or engage in such abuses while executing the contract.

TI has seen the pact tried and tested over ten years in hundreds of contracts in over 15 countries. What makes it a unique tool is the introduction of an independent monitoring system under the leadership of civil society, which ensures increased accountability of public resources.
http://www.transparency.org/global_priorities/public_contracting/integrity_pacts

6.4.2 TI: Business Principles for countering bribery

Transparency International (2009): Business Principles for Countering Bribery, A multi-stakeholder initiative led by Transparency International,
http://www.transparency.org/global_priorities/private_sector/business_principles

Changes to foreign bribery laws and a recent trend towards more vigorous enforcement of such laws have shown that a failure to address bribery can exact a very high cost on companies. The Business Principles for Countering Bribery is a useful and current tool for companies dealing with the challenge and risks posed by bribery. The tool reflects recent developments in anti-bribery practice worldwide and incorporates approaches by business, academia and civil society.

Since its initial publication in 2003, the Business Principles have been used by many leading companies around the world to benchmark their own anti-bribery policies

and procedures. The tool has also served as a solid basis for the development of other anti-bribery codes and voluntary initiatives

6.4.3 FIDIC Integrity Management

The International Federation of Consulting Engineers (FIDIC) has developed Business Integrity Management System (BIMS) for supply side procurement; a Government Procurement Integrity Management System (GPIMS) for public, demand-side procurement.
http://www1.fidic.org/resources/integrity

6.4.4 PACI: Partnering Against Corruption Initiative

The World Economic Forum Partnering Against Corruption Initiative (PACI) is a global anti-corruption initiative, developed by companies for companies. PACI offers a risk mitigation platform to help companies:
1. Design and implement effective policies and systems to prevent, detect and address corruption
2. Benchmark internal practices against global best practice through peer exchange and learning
3. Level the playing field through collective action with other companies, governments and civil society
http://www.weforum.org/issues/partnering-against-corruption-initiative

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7 Annexes

Annex I: Definitions of corruption

Source: Global Infrastructure Anti-Corruption Centre (GIACC)

Bribery

Bribery is a criminal offence in most jurisdictions. In general terms, bribery is committed where a person (A) offers or gives some benefit to another person (B) as an inducement for that person (B) or another person (C) to act dishonestly. It may also occur where B requests or solicits a benefit from 'A' as an inducement for 'B' or another person 'C' to act dishonestly. In such cases, all those persons involved (A, B and C), as well as other persons who were complicit in the offence, may be guilty of the bribery.

Nature of a bribe: A bribe may be a cash payment, or it may be a non-cash advantage (such as the promise of a future contract, or a holiday). The dishonest activity includes any dishonest act or omission. It may be an act or omission done by someone in relation to his employer's or principal's business. For example, a government officer acting on behalf of a government department may, if offered a bribe, dishonestly award a contract.

Institutional bribery refers to a situation where a bribe may be paid or received with the full approval of the organisation which is the employer of the individual paying or receiving the bribe. This may occur, for example, where a contracting company authorises its commercial director to pay a bribe to win a tender.

Personal bribery refers to a situation where a bribe may be paid or received by a representative of an organisation without the approval of that organisation. This may occur, for example, where a government officer receives a bribe to award a contract, where the government department in question would not approve the bribe.

Supply-side bribery refers to those persons or companies who are responsible for offering or paying bribes.

Demand-side bribery refers to those persons or companies who are responsible for demanding or receiving bribes.

A "facilitation payment" is the term often used in relation to payments made to officials so as to obtain or expedite services to which the payer is entitled (for example, the obtaining of contract payments which are due, import or work permits, or installation of telephone lines). The amounts which are paid are often quite small, yet the consequences of not paying can be serious. (For example, a contractor may not receive a large part of contract payments due, or a delay in issuing an import permit could delay a project, which could increase the contractor's costs and cause the contractor to have to pay liquidated damages to the project owner for delay.) In practice, the following distinction is sometimes made between bribes and facilitation payments. A bribe is regarded as being a payment made to someone to act in a way in which he should not act (for example, by wrongly awarding a contract to the bribing party, or wrongly releasing a party from a legal obligation) whereas a facilitation payment is regarded as being a payment (other than the fee required by law) made to a person to do something which he should already be doing (for example, issuing a visa or customs clearance that is properly due). However, although there may be this distinction, most countries treat the payment and receipt of facilitation payments as a form of bribery.

Examples of bribery: Bribery in relation to an infrastructure project can occur in numerous ways. For example:
- A project owner may bribe a government official in order to obtain planning permission for a project.
- A bidder may bribe the project owner's designer to design a project in a manner which improperly favours that bidder over other bidders.
- A bidder may pay a bribe to the project owner's representative to win the contract.
- A contractor may pay a bribe to the project owner's representative to have defective or non-existent work approved.

■ The project owner may pay a bribe to the project engineer in return for the engineer refraining from issuing a payment certificate or an extension of time to a contractor.

■ If the parties are in dispute in relation to the construction of the project, one party may bribe a witness, expert, arbitrator or judge in order to give false evidence, or to give a favourable opinion or verdict.

■ A maintenance contractor may pay a bribe to a representative of the project owner in return for being awarded a contract to maintain the project during its operation.

Extortion

Extortion is a criminal offence in most jurisdictions. It is a form of blackmail where one party makes threats against another party of adverse consequences unless demands, usually for payment, are met by the other party. Such blackmail may constitute, for example, refusal to provide customs clearance for equipment or materials, or refusal to make payments or issue certificates that are due. Sometimes such threats may involve threats of physical harm. If the party who is the victim of the extortion provides the payment or other benefit, it will normally become liable for the offence of bribery. However, the party making the extorted payment may have a defence to bribery if the threat was of imminent death or personal injury. For examples of how extortion may occur in the different phases of the project cycle, see 'How Corruption Occurs'. For detailed examples of extortion, see Corruption Examples.

Fraud

Fraud is a criminal offence in most jurisdictions. It is sometimes referred to as "deception". Fraud usually involves one person (or group of persons) deceiving another person in order to gain some financial or other advantage. In the context of an infrastructure project, fraud offences may include:

■ Manipulation of pre-qualification or tender requirements so as to favour a particular bidder;
■ Concealment of defects;
■ Dishonestly levying liquidated damages;
■ Dishonestly withholding payment;
■ Dishonestly exaggerating the quantum of a claim;
■ Fabricating or falsifying evidence to support claims.

Parties may be liable for the offence of fraud where they deliberately undertake the fraudulent action with full knowledge of the circumstances. Alternatively, it is possible for a party to be liable for fraud if it was reckless as to the circumstances. For example, a company may be liable for fraud if it submits a claim for additional payment which it suspects is inflated but fails to take reasonable steps to determine that the claim is accurate. For examples of how fraud may occur in the different phases of the project cycle, see How Corruption Occurs. For detailed examples of fraud, see Corruption Examples.

Cartels

Cartel activity is a criminal offence in most jurisdictions. It occurs where two or more bidders unlawfully collude to rig a bid to favour one bidder or to exchange or fix bid prices in advance of tendering.

Abuse of power

Abuse of power is a criminal offence in many jurisdictions. It occurs generally where a person in public office deliberately or recklessly acts in a way that is contrary to his duty and in breach of his position of public trust. This can include an official allowing a conflict of interest to affect his judgment, or favouring friends or relatives for appointments or contracts (nepotism or "cronyism"), or victimising or intimidating staff so that they make decisions which support the official's view or stay silent in the face of the abuse of power. For example, a government official may secretly own, or be a director of, a tenderer, and may wrongly make a decision in favour of the tenderer (either as a result of deliberate corruption, or because the conflict of interest affects his impartial judgment).

Money-laundering

Money-laundering is a criminal offence in most jurisdictions. It occurs where a party moves cash or assets obtained by criminal activity from one location to another. For example, a company submits a fraudulent claim to a project owner for work which it did not carry out. The project owner pays the fraudulently obtained sum into the company's bank account with Bank 'A'.

If the company then moves the payment to Bank 'B', this may constitute the offence of money-laundering. Money-laundering is often used to conceal the criminal source of funds.

The relationship between bribery and fraud

Bribery normally involves a degree of fraud. A bribe paid to win a project will normally be concealed by some fraudulent act with the aim that the project appears from the outside to have been won on a genuine arms-length basis. Fraud (such as collusion during bids and submission of false claims) does not necessarily involve bribery. However, many acts of fraud may need an act of bribery in order to complete the fraud. For example, a contractor may submit a false claim to a project owner (which is fraud) and then may bribe the certifier to approve the claim (which is bribery). Alternatively, a project owner may wish fraudulently to withhold payment from a contractor and may bribe the certifier to certify falsely that liquidated damages or costs for rectification of defects are payable by the contractor. Although bribery normally receives a higher public profile, the financial wastage in a project due to fraudulent practices such as claims inflation is often higher than that attributable to bribery.

Other related offences

Corruption offences may also involve breaches of tax and accounting laws and stock market regulations. For example, a bribe wrongly shown in the accounts as an agency commission for legitimate services would constitute a false accounting entry which may be in breach of accounting laws and stock market regulations and may also constitute other types of criminal offence. Deduction of a bribe against tax may also constitute a breach of tax law. Prosecutors may find it easier to prosecute under accounting or tax laws rather than bribery laws as proof may be easier. Thus, a wide range of people may be caught in both the initial offence (such as bribery or submission of fraudulent claims), which may involve site and commercial staff, and in subsequent offences, which may involve accounting and legal staff.

Annex II: Red Flags in Road Construction

Source: World Bank 2009

PRE-SOLICITATION PHASE

- Release of information by firms participating in project design to contractors competing for the contract;
- Designing "pre-qualification" standards or specifications to exclude otherwise qualified contractors;
- Splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval;
- Information leaks to contractors or their representatives by technical or contracting personnel;
- Justifications for sole source or negotiated procurement signed by officials without authority or bypassing required levels of review.

SOLITATION PHASE

Preparation of Bidding Documents

- Rigged specifications to meet the qualifications of one particular contractor;
- Placing any restrictions in the solicitation documents to restrict competition;
- Restricting procurements to exclude or hamper any qualified contractor;
- Limiting the time for submission of bids so that only those with advance information have adequate time to prepare bids;
- Revealing any information about procurement to one contractor, which is not revealed to all (from either technical or contracting personnel);
- Conducting bidders' conference in a way which invites bid rigging or price fixing, or permits improper communications between contractors;
- Failure to assure that a sufficient number of potential competitors is aware of the solicitation;
- Improper communication with contractors, or improper social contact with contractor representatives;
- Government personnel or their families acquiring a financial interest or employment in a contractor or subcontractor;
- Special assistance to a contractor in preparing bid;
- Referring a contractor to a specific subcontractor.

Proposal Submission

- Improper acceptance of late bid;
- Falsification of documents or receipts to get a late bid accepted;
- Withdrawal of the low bidder (who may become a subcontractor to the higher bidder who gets the contract);
- Collusion or bid rigging between bidders (Indicators of bid rigging: (i) identical bids are received; (ii) a number of bids are received that are much higher than published costs of previous contracts of the same type, or of previous bids by the same firms for similar contracts; (iii) fewer firms bid than would normally be expected from that industry; (iv) there is an inexplicably large gap between the winning bid and all other bids; (v) apparent recurring patterns of low bids, such as corporations always winning a bid in a certain geographical area, or other patters indicating collusive division of territory, or in a particular rotational sequence vis-à-vis other bidders; (vi) the successful bidder subcontracts work to companies that submitted higher bids on the same project; (vii) bids are very close on non-standard items with no suggested retail price; (viii) correlation between contractor that win the bids and the size of the contracts; (ix) certain contractors always bid against each other or conversely certain contractors do not bid against one another; (x) competing contractors regularly socialise, or contractors and government procurement personnel socialise.
- False certifications/information of contractor (size of business certification; certification of independent price determination; financial capabilities; performance; companies conducting business under several names; etc.)
- Change in bid after other bidders' prices are known.

Bid Evaluation

- Improperly disqualifying or discarding the bid or proposal of a contractor;
- Accepting non-responsive buds from preferred contractors;
- Unnecessary contacts with contractor personnel by persons other than the contracting officer during; solicitation, evaluation and negotiation processes
- Any unauthorised release of information to a contractor or other person;
- Any exercise of favoritism toward a particular contractor during the evaluation process;

- Use of biased evaluation criteria or biased individuals on the evaluation panel;
- Documents from competing firms contain similar or identical: (i) company names; (ii) handwriting/signatures; (iii) company stationary; (iv)invoice numbers (in sequence); (v) telephone numbers.

POST-SOLICITATION PHASE

Contract Attribution and Signature

- Award of a contract to a contractor who is not the lowest responsible, responsive bidder;
- Disqualification of any qualified bidder;
- Allowing a bidder to withdraw without justification;
- Failure to forfeit bid bonds when a contractor withdraws improperly;
- Material changes in the contract shortly after award;
- Awards made to contractors with an apparent history of poor performance;
- Awards made to the lowest of a very few bidders without re-advertising considerations or without adequate publicity;
- Awards made that include items other than those contained in bid specifications;
- Awards made without adequate documentation of all pre-award and post-award actions including all understandings or oral agreements;
- "Back-dated" or after-the-fact justifications may appear in the contract file or may be signed by persons without the authority to approve non-competitive procurement;
- Contractor misrepresentation as to costs during negotiations;
- Failure of government personnel to obtain and rely upon pricing data.

Execution, Supervision and Control

- Receipt of works and services is certified even though physical inspections have not been performed;
- Contractors fail to meet the contract terms but nothing is done to force compliance;
- Unsuccessful bidders become subcontractors after the contract is awarded;
- The labour of government employees is used to perform parts of contracted work;
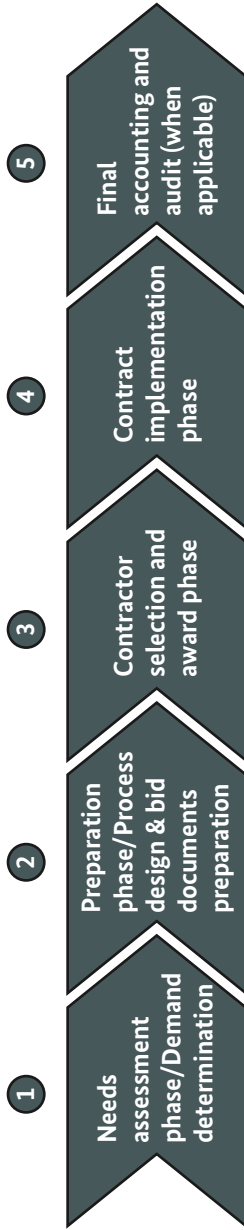- Contract files are either incomplete or missing required documents;

- Contract documents are altered, backdated, or modified to cover deficiencies;
- Fictitious or inordinate time frames and dates are entered on contractor records (*e.g.* maintenance; inspection; receipt of reports);
- Contract deviations by means of changes requested and granted immediately after contract award;
- Used or inferior products are substituted for the product actually ordered;
- Defective pricing, which might include: (i) persistent defective pricing; (ii) repeated defective pricing involving similar patterns or conditions; (iii) failure to correct known system deficiencies; (iv) indications of falsification or alteration of supporting data; (v) protracted delay in release of data to government to preclude possible price reductions; (vi) identical or nearly identical high salary history data on employees or consultants.
- Employment of people known to have previously perpetrated fraud against the government.

Payments

- Contractors are overpaid or paid twice for the same items/services and there is no attempt to recoup the overpayments;
- Accounting reconciliation is not performed regularly relative to (i) contract payments; (ii) daily transactions; (iii) inventory;
- Cost proposal data that is incorrect or less than current or complete;
- Billings (including progress payments) not adequately supported by project status or reliable cost data (including duplicate or altered invoices; double billing; etc.);
- Significant increase in price without corresponding increase in work;
- Substantial subcontracting without the knowledge and approval of contracting officer;
- Failure to meet specifications.

Annex III: Handbook For Curbing Corruption In Public Procurement (2006)

Source: Kostyo, Kenneth (ed) (2006): Handbook For Curbing Corruption In Public Procurement, Published by Transparency International, Berlin.

1 Needs assessment phase/Demand determination

2 Preparation phase/Process design & bid documents preparation

3 Contractor selection and award phase

4 Contract implementation phase

5 Final accounting and audit (when applicable)

Manifestations of corruption	Critical issues/Red Flags	Things to do
Needs assessment phase/Demand determination		
The investment or purchase is unnecessary. Demand is induced so that a particular company can make a deal but is of little or no value to the society. ■ Instead of systematic leak detection or grid loss reduction (both of which offer little reward), new capacity is installed (which offers bribe potential). ■ The investment is economically unjustified or environmentally damaging. ■ Goods or services that are needed are overestimated to favour a particular provider. ■ Old political favours or kickbacks are paid by including in the budget a tagged contract (budget for a contract with a certain, pre arranged contractor). ■ Conflicts of interest (revolving doors) are left unmanaged and decision makers decide on the need for contracts that impact their old employers.	During this stage, special attention should be placed into the following questions: ■ Are the goods or the services to be acquired needed at this time? ■ For investment projects: Is additional capacity truly needed, or could the demand gap be met by better performance on reducing losses or effecting repairs in the existing system? ■ Is the planned capacity or quantity or extent of the service actually needed in the foreseeable future (in order to avoid unneeded or oversized project investments)? ■ What are the optimal location, capacity and design for the investment?	Public hearings to discuss the design and the bidding documents. ■ This allows the public to comment on the design and the potential bidders to express in advance their concerns and identify potential problems in the bid design that could favour just one bidder; and ■ Pro-active disclosure by government agencies of relevant information via website

Manifestations of corruption	Critical issues/Red Flags	Things to do
Preparation phase/Process design & bid documents preparation		

■ Bidding documents or terms of reference are designed to favour a particular provider so that in fact, competition is not possible (or restricted).
■ Goods or services needed are over- or underestimated to favour a particular bidder.
■ Unnecessary complexity of bidding documents or terms of reference is used to create confusion to hide corrupt behaviour and make monitoring difficult.
■ Design consultants prepare a design that favours a particular bidder.
■ Grounds for direct contracting are abused.
	■ Absence of, or non-compliance with, a procurement plan;
	■ Contracts for similar goods are not packaged but split;
	■ Justification for direct contracting not given or a fake one given;
	■ Deviation from standard bidding documents;
	■ Technical specifications are weak and do not allow for evaluation of the contractors' quality of performance;
	■ Bid specifications are narrow or appear tailored; references to work being performed to National Standard Specifications in place of more detailed descriptions;
	■ Global procurement notice not issued;
	■ Restricted advertising or insufficient notice given;
	■ Advance release of bid documentation or relevant information to one bidder;
	■ Vague or unclear pre-qualification requirements;
	■ Insufficiently advertised;
	■ Inadequate time given for preparing applications;
	■ Lack of publicly known standard evaluation procedures;
	■ Exclusion of experienced applicants on minor technicalities; Requirement to be pre-registered on a government-approved roster;
	■ Failure to answer requests for clarification in good time;
	■ Only selected bidders are informed of the employer's contract cost estimate;
	■ Failure to keep accurate minutes of pre-bid meetings, including questions and answers;
	■ Clarification sought by bidders is not answered in writing nor circulated to all bidders;
	■ Delay between deadline for submitting bids and opening them;
	■ Different location for receiving bids and opening them;
	■ Bids submitted and accepted after the submission deadline;
	■ Bids not opened in public;
	■ Names of attendees, names of bidders and offer prices not recorded at bid opening;
	■ Failure to provide secure storage of, and restricted access to, bids received; and
	■ Lack of transparent procedures for handling complaints and determining remedies.
		■ Debarment: Exclude from bidding processes bidders that have been involved in corrupt deals;
		■ Implement Integrity Pacts before the process has;
		■ Use open competitive bidding whenever possible. Use non-competitive processes (restricted bidding or direct contracting) only where truly justified and fully explained and documented;
		■ Ensure that during the bidding clarification phase (questions and answers), the questions and the answers given are shared with all the bidders and not just given to a few;
		■ Restrict or manage contact between bidders and procurement staff or members of the decision committee to avoid unclear situations to both and the other bidders;
		■ Set up and use a conflict of interests register for officials that allows managing possible conflicts of interests with bidders and officials involved in the selection and decision making processes;
		■ Develop and use strict rules regarding civil servants that ensure they are well selected, trained, paid, supervised and controlled, that they have to provide disclosure of assets and income (their own and their families), and that outside jobs require approval; and
		■ Develop Red Flags for staff such as
		  › Expensive lifestyle unexplained by known income;
		  › Frequent social contacts with suppliers and contractors and other clients;
		  › Unapproved external jobs;
		  › Absence of complaints where complaints are to be expected;
		  › Frequent award of contracts to the same bidder; and
		  › Unexplained and undocumented delays in the process as compared to the time plan.

Manifestations of corruption	Critical issues/Red Flags	Things to do
Contractor selection and award phase		
■ Decision makers are biased (bribes, kickbacks, or conflicts of interest are involved). ■ Selection criteria are subjective in ways that allow biases to play a role and remain unattended. ■ An advantage to a particular bidder is granted through the exchange of confidential information before bid submission or during the clarification period. Clarifications are not shared with all the bidders. ■ Confidentiality is abused and extended beyond legally protected information making monitoring and control difficult. ■ The grounds for the selection of the winner are not made public (transparency of bid evaluation). ■ Excessive (unnecessarily high) price as a result of limited or non-existent competition.	■ Bid evaluation committee members do not have the technical expertise necessary to properly evaluate bids; ■ The bidding process is controlled by a small number of persons in the Project Management Unit/Project Implementation Unit (PMU/PIU); ■ Qualified bidders drop out voluntarily as the bidding process progresses such that only one firm is left in the post-qualification stage; ■ Unreasonable delays in evaluating the bids and selecting the winner; ■ High number of complaints about bid process and evaluation received from losing bidders, especially when lower bids are declared non-responsive; Information necessary to evaluate the procurement process is missing; ■ Only photocopied documents are available for review; ■ Incorrect method of procurement noted during review (*e.g.* single-source instead of Competitive Bidding); ■ Evaluation criteria are amended after receipt of bids; ■ Same bidders repeatedly participating in similar types of contracts; ■ Same bidder repeatedly winning similar types of contracts; ■ A narrow variance between the estimate and the bid amounts received; ■ Similarities between competing bids (*e.g.* format of bid, identical or nearly identical unit prices, identical (mis)spelling, grammatical and/or arithmetic errors, photocopied documents); ■ Bid bonds are acquired by competing bidders from the same financial institution; ■ Bid bonds have similar date and/or have sequential serial numbers; ■ A bidder lists multiple addresses; ■ Unit prices in competing bids vary inconsistently by amounts greater than 100%; ■ Unit prices in competing bids are identical; ■ Bidders propose identical items (*e.g.* the same make and model); ■ Common ownership in the bids of competing bidders; ■ The Bid Evaluation Report has been revised or re-issued; ■ The Bid Evaluation Report has been performed in an unrealistically short time; ■ An arithmetic check of the bid(s) is not performed or results in a bidder being favoured inappropriately; ■ An evaluated bidder should have been disqualified based on the information submitted in their bid; ■ The lowest bidder is disqualified and the explanation, if any, provided is weak; ■ Seeking clarification is used as a cloak for financial negotiations: ■ Vested interests or conflict of interest are identified among members of bid evaluation committee; ■ Falsification of curricula vitae in consultant services proposals;	■ Bid evaluation criteria should be clear and determined from the outset, and should be made public; ■ Ideally, different people should make the bid evaluation and the award decision; ■ The award decision should be made by a group of people and not a single individual; ■ The evaluation process and the award decision should be publicly available; ■ Pro-active disclosure by government agencies of relevant information via website and other means, and openness to requests for information from the public; and ■ Regular staff rotation, *i.e.* no officer or staff may remain in a position long enough to develop improper connections with, or dependencies on, potential bribers.

Manifestations of corruption	Critical issues/Red Flags	Things to do
	■ Unreasonable delays in negotiating and executing the contract; ■ Contract is not in conformity with bid documents (*e.g.* specification and quantities); ■ Contractor's name differs between Contract and Bid Evaluation Report; ■ Contract amount is different from amount in Bid Evaluation Report; ■ Contract includes allowances for variations which are not part of the bidding documents; ■ Subcontracting requirements are imposed; ■ Rigorous system for handling contract variations and evaluating claims is not defined in the contract; ■ Staff involved in contract award decisions becomes involved in contract supervision.	
Contract implementation phase		
■ Winning bidders/contractors compensate bribes and other extra payments with poor quality, defective or different specifications than those contracted. Faulty or sub-specification work execution, requiring early repairs or expensive correction. ■ Contract renegotiation or change orders introduce substantial changes to the contract, often in small increments that can be decided by site engineer. ■ Price increases during execution through change orders reflecting changes in specifications or cost increases, facilitated often by collusion between corrupt contractor and corrupt control official. ■ False or inexistent claims are filed. ■ Contract supervisors or monitors are bought or are not independent and willing to justify false or inexistent claims. ■ Contract renegotiation is allowed or performed introducing substantial changes that render the bidding process useless.	■ Contract specifications or scope of work altered after contract awarded; ■ Site inspection indicates that work performed was not in accordance with the technical specifications (below-specification civil works, goods and services are accepted); ■ Technical specifications of materials provided do not correspond to the specifications agreed upon in the contract; ■ Site inspection indicates that project completion is less than that certified or that a completed project is not operational; ■ Goods or services not being used, or being used for purposes inconsistent with intended purposes; ■ Wrong quantities of goods and materials being delivered; ■ Delays in the delivery of goods or services in any part of the project implementation process; ■ Replacement of nominated consultant staff by less qualified and inexperienced personnel; ■ Frequent changes in key staff of PMU/PIU; ■ Changes in PIU/PMU and Bank staff responsible for post-procurement verifications; ■ Lack, or low level, of oversight of the physical works; ■ Absence of or insufficient post-procurement verification of scope of work and physical inspections; ■ Site diaries and meeting minutes are not maintained; ■ Instructions are not given in writing to contractors; ■ Incomplete records in PIU/PMU – significant number of missing documents ■ High frequency of Change Orders to the contract;	■ Set up an independent monitoring system that will check contract implementation as for compliance with agreed specifications including quality. Random on-site checks prove to be an effective tool; and ■ Have clear and pre-established limits for contract change orders. Many procurement laws have them incorporated and they can also be incorporated in the contract without the need of a law.

Manifestations of corruption	Critical issues/Red Flags	Things to do
	■ As-built' drawings are photocopies of technical specifications in the bidding documents; ■ The detailed drawings, 'as-built' drawings, back-up data sheets contain errors or repetitive entries; ■ Failure to pay progress payments and invoices on a timely basis; ■ Excessive number of signatures required to approve progress payments; ■ Evaluation of contractors' performance not recorded; ■ Cost overruns are inadequately explained or justified; ■ Customer/Client dissatisfaction with completed facilities.	
Final accounting and audit		
Accountants doing final accounts and Auditors are biased or bought and willing to support false certificates.	■ No control system in place, inadequate or unreliable controls; ■ No or inadequate parliamentary control and oversight in force; ■ No follow-up to indications, suspicion or accusations of corruption; ■ Lack of state or public interest in identifiable or anonymous accusations of corruption and no follow-up; ■ Denying the public or legitimate civil society representatives access to documents and information held by the control and audit institutions, and to their proceedings; ■ Lack of encouragement for whistleblowers; ■ Lack of whistleblower protection system and procedure; ■ Lack of audit requirements and system, much delayed audit or superficial/inconsequential audit; ■ Inadequate or delayed publication of the audit report; and ■ Lack of impact of a critical audit report (absence of (re-)action, *e.g.* by the legislature, the country's Court of Audit, the judicial authorities and/or the administration).	

Annex IV: Designing and implementing a Business Integrity Management System

Source: Jorge Diaz Padilla, GCR 2005

1. Formulation of a code of conduct. In order to ensure commitment, it is essential that the board of directors and senior management develop a code of conduct, which should be clear, simple, and easy to communicate and apply.

2. Formulation of a business integrity policy. The guideline requirements for an integrity policy are based mainly on the OECD Anti-Bribery Convention and FIDIC's code of ethics. The integrity policy hinges upon the fact that corruption is eliminated only by across-the-board honesty and integrity. Honesty is interpreted as freedom from fraud or deception, and integrity as the firm refusing to obtain or keep what does not fairly belong to it. The policy should be in keeping with all local rules and regulations as well as the company's code of conduct. The integrity policy must be documented, implemented, communicated internally and externally, and made publicly available.

3. Appointment of a representative. A senior member of the firm's management staff should be appointed as a representative to ensure that all the BIMS' requirements are met. A member of staff could also be selected to communicate between management and consultants.

4. Identification of requirements for the BIMS. The requirements should focus on the processes in a given firm that are vulnerable to corruption. The requirements might depend on: size and structure of the firm; the nature of its consulting services; local and national regulation and market forces; and the expectations and requirements of all the stakeholders.

5. Analysis and evaluation of current practices. An assessment should be made of how the firm currently deals with anti-corruption issues. The gap between current practices and the BIMS' requirements should be identified.

6. Implementation tools for the BIMS. A consulting firm should use the following tools to support the planning and implementation of its BIMS: a code of conduct; an integrity policy; definition of roles, responsibilities and authority; business integrity procedures for the main processes (proposal bidding and negotiation; project execution and delivery; project

collection); accounting structure; enforcement measures; and a declaration of business integrity in the annual report. The firm must also establish a procedure to evaluate its sub-consultants and external advisers based on their own integrity policies, and keep records of their commitment to business integrity management.

7. Documentation. A BIMS must be well documented in order to provide evidence that all processes that may affect the business integrity of the services offered by the firm have been thoroughly anticipated. The extent of documentation is critical – over-documentation may reduce staff and management interest in using the procedure. The BIMS should be documented in a general Business Integrity Manual and, if required for significant projects, in a Project Integrity Records File.

8. Analysis of current practices. The BIMS must establish actions to be taken in case of failure to comply with the Business Integrity Policy. Appropriate actions in cases where corrupt practices are proven range from admonition to suspension or dismissal from the firm.

Once the BIMS is operating properly, and the consulting firm is confident that the guidelines are met, the firm should initiate an evaluation process to ensure continuous compliance. This process can involve: first-party evaluation, where the management and the staff representative evaluate the BIMS; second-party evaluation based on client feedback; or third-party evaluation, by an outside body. If an external evaluation is undertaken, it may be performed as part of an ISO 9001:2000 quality certification process. In future, a new ISO standard could be developed to certify that a company has a functioning Business Integrity System. Such a standard need not be industry-specific; FIDIC's experience with integrity management could lead to an integrity standard for the construction industry as a whole, or even for other business sectors.

Annex V: Integrity Pacts (PACS)

http://www.giaccentre.org/project_anti_corruption_system_home.php

PS 1:   Independent assessment: An independent assessor should be appointed whose duty is, for the duration of the project, to monitor and assess the project for corruption and make appropriate reports. In the case of a large and complex project, an independent assessor may be appointed specifically for that project. For smaller projects, an independent assessor may be appointed to monitor a number of projects.

PS 2:   Transparency: The government or project owner should disclose project information to the public on a website on a regular basis and in an easily accessible and comprehensible form.

PS 3:   Procurement: The project owner should implement fair and transparent procurement procedures which do not provide an improper benefit or advantage to any individual or organisation.

PS 4:   Pre-contract disclosure: At tender stage, the project owner and each tenderer for a major contract should provide each other with relevant information which could reveal a risk of corruption (for example in relation to their principal shareholders, officers, financial status, agents, joint venture partners, major sub-contractors, criminal convictions and debarment). Each major contractor should do the same with each tenderer for its major sub-contracts.

PS 5:   Project anti-corruption commitments: The project owner and each major project participant should provide anti-corruption contractual commitments which expressly cover the main types of corruption, and which oblige them to implement anti-corruption measures. Remedies should be specified in the event of breach of these commitments.

PS 6:   Funder anti-corruption commitments: The project owner and each project funder (equity investor, bank or guarantor) should provide anti-corruption contractual commitments to each other which expressly cover the main types of corruption, and which oblige them to implement anti-corruption measures. Remedies should be specified in the event of breach of these commitments.

PS 7:   Government anti-corruption commitments: Relevant government departments should take steps to minimise extortion by their officers in the issuing of permits, licences and approvals. They should appoint a senior officer to whom complaints of bribery and extortion can be made, and should publicise a list of fees and time-scales which apply to government procedures.

PS 8:   Raising awareness: Major project participants should raise awareness among their staff of the damage and risks of corruption by:
  – Posting up anti-corruption rules at all project and site offices.
  – Providing anti-corruption training for relevant staff.
  – Implementing a gifts and hospitality policy.

PS 9:   Compliance: Major project participants should appoint a compliance manager who will take all reasonable steps to ensure compliance by the company and its management and staff with their anti-corruption commitments.

PS 10: Audit: Financial audits should be carried out to ensure as far as possible that all payments by the project owner have been properly made to legitimate organisations for legitimate services. Technical audits should be carried out to ensure as far as possible that the project design, specification and construction are in accordance with good technical practice and provide value for money. Auditors should be aware of the risk that any deficiencies they identify may be caused by corruption, and should make appropriate reports.

PS 11: Reporting: Safe and effective systems should be established by which corruption on the project can be reported by the public, by project staff, and by the independent assessor.

PS 12: Enforcement: Enforcement measures for breach of anti-corruption commitments should include civil enforcement (*e.g.* disqualification from tender, termination of contracts, damages and dismissal from employment). The risk of criminal enforcement (*e.g.* fines and imprisonment) should be highlighted.

Annex VI: United Nations International Code of Conduct for Public Officials

51/59. Action against corruption, adopted on 12 December 1996

I. GENERAL PRINCIPLES

1. A public office, as defined by national law, is a position of trust, implying a duty to act in the public interest. Therefore, the ultimate loyalty of public officials shall be to the public interests of their country as expressed through the democratic institutions of government.
2. Public officials shall ensure that they perform their duties and functions efficiently, effectively and with integrity, in accordance with laws or administrative policies. They shall at all times seek to ensure that public resources for which they are responsible are administered in the most effective and efficient manner.
3. Public officials shall be attentive, fair and impartial in the performance of their functions and, in particular, in their relations with the public. They shall at no time afford any undue preferential treatment to any group or individual or improperly discriminate against any group or individual, or otherwise abuse the power and authority vested in them.

II. CONFLICT OF INTEREST AND DISQUALIFICATION

4. Public officials shall not use their official authority for the improper advancement of their own or their family's personal or financial interest. They shall not engage in any transaction, acquire any position or function or have any financial, commercial or other comparable interest that is incompatible with their office, functions and duties or the discharge thereof.
5. Public officials, to the extent required by their position, shall, in accordance with laws or administrative policies, declare business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest. In situations of possible or perceived conflict of interest between the duties and private interests of public officials, they shall comply with the measures established to reduce or eliminate such conflict of interest.
6. Public officials shall at no time improperly use public moneys, property, services or information that is acquired in the performance of, or as a result of, their official duties for activities not related to their official work.
7. Public officials shall comply with measures established by law or by administrative policies in order that after leaving their official positions they will not take improper advantage of their previous office.

III. DISCLOSURE OF ASSETS

8. Public officials shall, in accord with their position and as permitted or required by law and administrative policies, comply with requirements to declare or to disclose personal assets and liabilities, as well as, if possible, those of their spouses and/or dependants.

IV. ACCEPTANCE OF GIFTS OR OTHER FAVOURS

9. Public officials shall not solicit or receive directly or indirectly any gift or other favour that may influence the exercise of their functions, the performance of their duties or their judgement.

V. CONFIDENTIAL INFORMATION

10. Matters of a confidential nature in the possession of public officials shall be kept confidential unless national legislation, the performance of duty or the needs of justice strictly require otherwise. Such restrictions shall also apply after separation from service.

VI. POLITICAL ACTIVITY

11. The political or other activity of public officials outside the scope of their office shall, in accordance with laws and administrative policies, not be such as to impair public confidence in the impartial performance of their functions and duties.

Annex VII: Conventions on anti-corruption

Source: http://www.transparency.org

Global and inter-regional

- United Nations Convention against Corruption (UNCAC)
- United Nations Convention against Transnational Organized Crime (UNTOC)
- OECD Convention on the Bribery of Foreign Public Officials in International Business Transactions (OECD Convention)
- Revised Recommendation of the Council of the OECD on Combating Bribery in International Business Transactions

Africa

- African Union Convention on Preventing and Combating Corruption (AU Convention)
- Southern African Development Community Protocol against Corruption (SADC Protocol)
- Economic Community Of West African States Protocol on the Fight against Corruption (ECOWAS Protocol)

Americas

- Inter-American Convention against Corruption (OAS Convention)

Asia and Pacific region

- ADB-OECD Action Plan for Asia-Pacific (Action Plan)

Europe

- Council of Europe Criminal Law Convention
- Council of Europe Civil Law Convention
- Resolution (99) 5 of the Committee of Ministers of the Council of Europe: Agreement Establishing the Group of States against Corruption
- Resolution (97) 24 of the Committee of Ministers of the Council of Europe: Twenty Guiding Principles for the Fight against Corruption
- European Union Convention on the Protection of the Communities' Financial Interests and the Fight against Corruption and two Protocols
- European Union Convention on the Fight against Corruption involving officials of the European Communities or officials of Member States

United Nations Convention against Corruption

http://www.unodc.org/unodc/en/treaties/CAC/index.html

In its eight Chapters and 71 Articles, the UNCAC obliges the States Parties to implement a wide and detailed range of anti-corruption measures affecting their laws, institutions and practices. These measures aim to promote the prevention, detection and sanctioning of corruption, as well as the cooperation between State Parties on these matters. The UNCAC is unique as compared to other conventions, not only in its global coverage but also in the extensiveness and detail of its provisions.

The UNCAC was negotiated over a two-year period at the United Nations office in Vienna by representatives of more than a hundred countries from all regions. The secretariat for the negotiations was the United Nations Office on Drugs and Crime (UNODC). Representatives of civil society organisations, including Transparency International, also participated in this process. Following the conclusion of the negotiations in October 2003, the text of the Convention was presented for approval by the General Assembly on 31 October 2003. Once approved, it was opened for the states to sign, starting with a signing conference in Merida, Mexico on 9–10 December 2003. (International Anti-Corruption Day on 9 December marks the anniversary of this signing conference.)

The UNCAC was initially signed by 111 states. The 30 ratifications required for entry into force of the Convention were reached on 15 September 2005, making the actual entry into force date 14 December 2005.