BEST PRACTICES OF GOOD GOVERNANCE – INSTITUTIONAL INTEGRITY

PIARC Technical Committee B.1
Good Governance of Road Administrations

WORLD ROAD ASSOCIATION
MONDIALE DE LA ROUTE

AIPCR PIARC

STATEMENTS

The World Road Association (PIARC) is a nonprofit organisation established in 1909 to improve international co-operation and to foster progress in the field of roads and road transport.

The study that is the subject of this report was defined in the PIARC Strategic Plan 2008 – 2011 approved by the Council of the World Road Association, whose members are representatives of the member national governments. The members of the Technical Committee responsible for this report were nominated by the member national governments for their special competences.

Any opinions, findings, conclusions and recommendations expressed in this publication are those of the authors and do not necessarily reflect the views of their parent organizations or agencies.

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The Technical Committee was chaired by Paul Van Der Kroon (Netherlands) and André Bernard (France), Brendan Nugent (Australia), and Carmen Picon Cabrera (Spain, in conjunction with Alberto de Benito Lombardero) were respectively the French, English and Spanish-speaking secretaries.

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EXECUTIVE SUMMARY

With increasing global integration and the resulting need for greater levels of comparability, accountability and transparency within the public domain, the need to take targeted action to promote institutional integrity in corporate governance and to act decisively against corruption is increasingly recognised as a priority for all sectors worldwide. This counts the more for the roads sector which has proven to be particularly vulnerable for corruption.

Corruption has financial, reputational, societal and economic effects. It leads to significant material and financial losses, for example, inflated project costs, unviable or overdesigned projects, and hindrance of fair market structures. It can also result in long-term intangible consequences such as loss of investor confidence and reputational harm for both the public sector and private sector suppliers. In many countries, road administrations and their supply chain partners face suspicions or accusations of corruption. Whether justified or not, these must be countered in a comprehensive and systematic manner; experiences and lessons learnt must be exchanged, evaluated, and solutions implemented on a national and international level. In addition, pro-active efforts to fight corruption in the roads sector and promote integrity of all stakeholders across the supply chain must be promoted and communicated effectively to the public.

The World Road Association has a key role to play in these efforts, working with other bodies such as the United Nations, World Bank and Transparency International. Within this context, Working Group 1 of Technical Committee B.1 '*Good Governance of Road Administrations*' has focused specifically on the subject of institutional integrity and the aim of combating corruption as a central area of investigation.

The overarching goal of this Working Group was to identify the existing situation governing business ethics for road administrations worldwide, specifically in terms of anti-corruption measures, and the implementation of these measures within different organisations and management systems. The key outputs of Working Group 1 are:

- key definitions, terminology and review of literature pertaining to corruption and institutional integrity;
- a survey of PIARC members of their policies and preparation of measures to tackle corruption;
- a range of case studies of policies and processes that help ensure institutional integrity and a small number of descriptive case studies based on previously identified instances of corrupt behaviour;
- a conceptual model, the *"cycle of integrity"* and an associated integrity toolkit of measures to prevent, identify and enforce against corrupt behaviour and practices;

- analysis of societal (macro) and project/programme (micro) implications of the model/toolkit; and
- a Final Report (this document) providing an overall analysis and set of recommendations from the above.

Main Methods and Findings: Questionnaire and Cycle of Integrity

The questionnaire survey *"Organisational Integrity – Principles, Policies and Practices related to Preventing, Identifying and Tackling Corruption"* was a major part of the work programme for this cycle. The questionnaire was circulated between April 2009 and July 2009 to assess the current situation relating to anti-corruption policies and measures and their implementation and their effectiveness within the road sector.

The evidence presented through responses to the questionnaire revealed that there are a range of approaches already in use to prevent and combat corruption within organisations across the road sector, although the perceived effectiveness and efficiency of different measures appears to vary quite widely. The analysis also showed that:

- the development of effective management systems;
- a positive corporate culture, including leadership by top management;
- initiatives to raise employee satisfaction and motivation; and
- improvements to procurement processes (and contract implementation and management);

are important for reducing the likelihood of corrupt behaviour taking place, or if it does, in that behaviour being detected and the perpetrators dealt with.

Some organisations reinforce these approaches with internal codes of practice and guidance to employees setting out corporate expectations with regards to ethical behaviour and the consequences if these are not followed in daily working practice. It is also important that the existence and nature of effective internal management systems is promoted and made known to staff through broad staff communications.

Above all, the survey concluded that in order to reduce corruption on a long-term basis, organisations must focus on the development and implementation of coherent and comprehensive anti-corruption measures on a systematic and multi-tiered basis.

Based on this research, case study analysis and work from previous PIARC cycles, the conceptual model of the cycle of integrity, and the toolkit of anti-corruption measures, were developed.
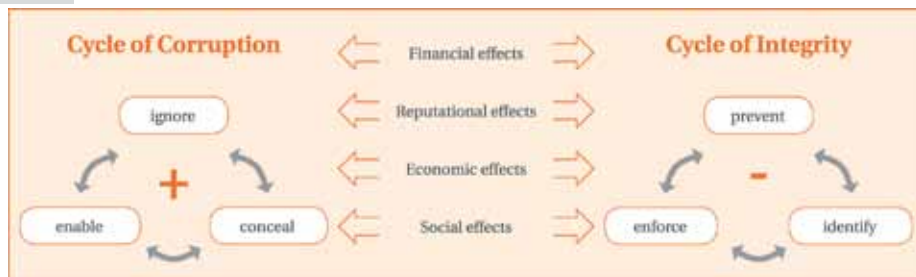
CYCLICAL MODEL OF INTEGRITY

The cyclical model of integrity describes the procedure for preventing or tackling corruption on various levels and at various stages. This cycle of integrity is contrasted with the cycle of corruption – its opposite manifestation. This cyclical model comprises several stages whose reciprocal interactions and induced effects can be depicted in two opposing directions.

Identification and exploitation of these interactions is a prerequisite for the implementation of efficient and effective corporate anti-corruption measures. Numerous discussions throughout the work programme show that organisations must take active and sustained measures to prevent corruption, identify instances of corrupt behaviour where they occur, and then to instigate consistent and rigorous enforcement activity.

We recommend that the toolkit of anti-corruption measures can be used as a checklist for an organisation intending to implement active, coordinated measures as part of the cycle of integrity. It is important, however, for measures in different areas to reflect respective local conditions, culture and practices. We also recommend that in parallel with the toolkit, organisations focus the development of effective internal management systems and processes for monitoring financial transactions, contracts and tendering and the detection and management of risk.

We also recommend that work in future PIARC cycles consider the broader societal aspects of integrity and the relationship between perceptions, and actual levels, of corruption in different countries. Finally, we recommend that the World Road Association establish an *"Integrity Commission"* at the highest level as a permanent standing structure to further raise the profile of the issues raised in this report and work with other bodies such the World Bank, OECD and Transparency International to tackle the scourge of corruption at an international level.

INTRODUCTION

Context

With increasing global integration and the resulting need for greater levels of comparability, standardisation, accountability and transparency, the need to take targeted action to promote institutional integrity in corporate governance and to act decisively against corruption is increasingly recognised by policy makers as a priority for all sectors worldwide. The roads sector is no exception.

The function and operations of road administrations – and organisations making up their supply chains – involve the planning, financing, construction, maintenance, operation and, in some cases, toll collection, for highway infrastructure and associated services. The diversity and complexity of these activities require extensive processes, structures and projects involving a multitude of public and private sector stakeholders, often with different and, in some cases, conflicting economic, environmental and political interests. These conditions and the proximity and direct involvement of public administrations, high contract values, complex contractual arrangements and multiple interfaces provide opportunities for corrupt behaviour and practices at a number of levels.

Indeed, surveys reveal corruption to be higher in the construction sector – of which road infrastructure is a key element – than in any other sector of the economy[1] with bribery and deception being accepted by many as common practice and a necessary price of doing business.

Corruption has the potential to lead to significant material and financial losses, for example, inflated project costs, unviable or overdesigned projects, and hindrance of fair market structures. It can also result in long-term intangible consequences such as loss of investor confidence and reputational harm for both the public sector and private sector suppliers. In many countries, road administrations and their supply chain partners face suspicions or accusations of corruption. Whether justified or not, these must be countered in a comprehensive and systematic manner; experiences and lessons learnt must be exchanged, evaluated, and implemented at the appropriate level. In addition, pro-active efforts to fight corruption in the roads sector and promote integrity of all stakeholders across the supply chain must be promoted and communicated effectively to the public.

The World Road Association has a key role to play in these efforts. Compared to other sectors, the evidence base on current policy and practice around institutional integrity and tackling corruption specifically in the road sector is relatively small

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[1] Transparency International Bribe Payers Index 2002.

and incomplete. Within this context, between 2008 and 2011, Technical Committee B.1 has therefore focused on *"Governance and Structure of Road Administrations"* that considers the case for, and best practice of, exemplary, transparent and commendable decision-making and implementation processes within road administrations and their supply chain. Within this topic, Working Group 1[2] has focused specifically on the subject of institutional integrity and the aim of preventing and combating corruption as a central area of investigation.

This technical report sets out the results of this work that will form the basis for discussion at a number of sessions at the Mexico City Congress in October 2011.

Terms of Reference

The original Terms of Reference of Technical Committee B.1 set out the following thoughts in terms of aims and activities over the 2008 to 2011 cycle:

WORKING GROUP 1 – WORK PROGRAMME
In the search for finding policies and ways for fighting corruption, the previous Technical Committee (TC 1.3 'Performance of Road Administrations') acknowledged the fact that besides corruption, collusion (a secret agreement between partners to conduct something not ethical) is an important issue regarding the relationship with the private sector. Secondly it is the strong feeling by experts that these issues of corruption and collusion should be addressed in a more positive way. **The advice for undertaking activities in this cycle is to broaden the scope from avoiding corruption towards a new concept of institutional integrity.** Many Road Administrations already have several tools, for instance a code of conduct, making it clear to staff how to behave. There would be benefits to listing these tools in a Good Practice Guide or an equivalent framework. However, besides specific deliverables, it is the strong opinion of experts that constantly and consistently discussing this topic in the open, and so improving the awareness of the key issues across the whole roads sector, is of prime importance. **The advice is therefore to make as an output the setting up and/or conducting an awareness campaign throughout out the whole PIARC Community.**

Several changes have been required from these original Terms of Reference. For example, due to 2008 – 2009 global financial crisis, some active WG1 members faced budget restrictions, were not able to travel and moved to corresponding

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[2] There are two other working groups within TC B.1. Working Group 2 is focused on Customer Orientation, whilst Working Group 3 is focused on Human Resources for the Future.

members. WG1 members left through workplace changes or retirement and the work programme had to be revised according to the resources available. These resource impacts reduced the scope of some of the Terms of Reference, but changes were determined in consultation with the World Road Association. In response to these and other factors, Working Group 1 established the following specific objectives for its final work programme:

- to gather background literature, data and other evidence around key definitions, causes, extent and consequences of corruption in the roads sector, as well as measures to tackle corrupt activities and promote institutional integrity;
- to supplement this evidence with primary data collection as appropriate, for example through surveys and direct discussions with stakeholders;
- to produce concepts, tools and products to inform decision-making within organisations operating within the roads sector for the promotion of institutional integrity and targeted action to tackle the causes and consequences of corrupt activity;
- through the development and dissemination of these concepts and tools, and through ongoing discussion on the key issues at PIARC meetings and supported events, to raise awareness of the key issues relating to institutional integrity and tackling corruption; and
- to provide a firm basis for further activity in this area in subsequent work by PIARC.

The Working Group believes these objectives have been fully delivered with the primary outputs described in this report.

It is noted that the focus of the work reported here is on integrity and tackling corruption at the institutional (or organisational) level. However, wider dimensions supporting or restricting corrupt activities have also been investigated, including the societal (macro) level, and consideration of systems and processes at the individual project life cycle (micro) level.

In particular, it should be emphasised that on a global level, corruption by and within organisations is often a symptom of an ineffective governance framework for the wider public sector and society as a whole. The measures set out in this report, therefore, will be most effective when they are backed up with an explicit commitment from the roads sector, government and representatives of civil society at the highest level to a governance framework which promotes transparency, integrity, accountability and the rule of law.

Methodology and Programme

In response to the terms of reference, key terminology was reviewed, in mid 2008, along with existing literature and research undertaken by previous PIARC

Technical Committees. Following this, a work programme was drawn up, consulted on amongst Technical Committee colleagues and then finalised. It was kept under review throughout the cycle with minor modifications to reflect progress made and new information received. The work programme consisted of four stages, shown diagrammatically in .

Stage I – Review of Evidence

As a first step, a standard terminology was drawn up based on a comparative study of existing definitions used by international organisations with a remit for addressing corruption in general (e.g. United Nations, Transparency International, Global Infrastructure Anti-Corruption Centre) and also those with a focus on the roads sector Existing international regulations and guidelines (e.g. EU, OECD) and their influence on national laws and regulations were assessed.

The conclusions and guidance from PIARC Technical Committee 1.3 '*Performance of Road Administrations*', developed during the 2004 – 2007 PIARC cycle, were reviewed and integrated into the analysis. At the same time road administrations represented on the Technical Committee were approached to obtain their current codes of conduct and internal governance as they apply to tackling corruption amongst staff, contractors and other associated stakeholders. Key references emerging from this exercise are included in the reference section at the end of this report.

Stage II – Data Collection and Analysis

In order to identify the status quo of anti–corruption measures within road administrations, their effectiveness and current level of implementation, a questionnaire was designed, consulted on and circulated to all members of the Technical Committee. To capture all necessary information, the questionnaire covered the following aspects:

- general questions about each responding organisation;
- perceptions of general reasons for corruption and corruptive behaviour;
- legal requirements and guidelines concerning anti-corruption within the organisation;
- currently applied management systems and preventative and enforcement measures targeting corrupt behaviour;
- whistleblower protection systems and their implementation within the organization; and
- planned future developments concerning anti-corruption measures and their implementation.

Circulation and return of the questionnaire was completed by mid-2009, with analysis and reporting of results by late 2009. The questionnaire survey form is included in Appendix 1.

The analysis of the questionnaire was also intended to help to identify examples for best practice case studies that might provide the basis for more detailed interviews and analysis. In the event, the collection of such case studies, where specific instances of corrupt behaviour had been identified and tackled, proved problematic; a decision was taken to adapt the methodology to focus on the development of a higher-level framework through that organisations might review themselves in their ability to prevent, identify and tackle corrupt activities by their employees, suppliers and stakeholders.

As well as the questionnaire, information on corruption and wider issues of integrity, specifically in relation to developing countries, was collected during a technical seminar held by the Technical Committee in Bamako, Mali, in December 2009.

INPUT	ANALYSIS	OUTPUT	PRODUCT

TERMINOLOGY & KEY DEFINITIONS

CONCLUSIONS AND GUIDANCE FROM 2004-2007 WRA CYCLE

COLLATE AND TRIANGULATE EVIDENCE

CONCLUSIONS ON EXISTING EVIDENCE

REVIEW OF EVIDENCE – E.G. TRANSPARENCY INTERNATIONAL, OECD

SCOPE AND PILOT QUESTIONNAIRE SURVEY

UNDERTAKE QUESTIONNAIRE SURVEY

SURVEY RESULTS AND ANALYSIS

ROUTES / ROADS ARTICLE 1 (SURVEY RESULTS)

MALI (BAMAKO) TECHNICAL SEMINAR

IDENTIFY AND DOCUMENT CASE STUDIES

CONSULTATION WITH TECHNICAL COMMITTEE

ASSESS EVIDENCE AND NEEDS FOR ROADS SECTOR

CONCEPTUAL MODEL AND INSTITUTIONAL TOOLKIT

ROUTES / ROADS ARTICLE 2 (TOOLKIT)

SOCIETAL AND PROJECT LEVEL APPLICATIONS

TC INTRODUCTORY REPORT

FINAL REPORT SCOPE, STRUCTURE AND CONTENT

COLLATE REPORT AND SUMMARY PRESENTATION

FINAL REPORT ON INSTITUTIONAL INTEGRITY

MEXICO CITY CONGRESS SESSIONS
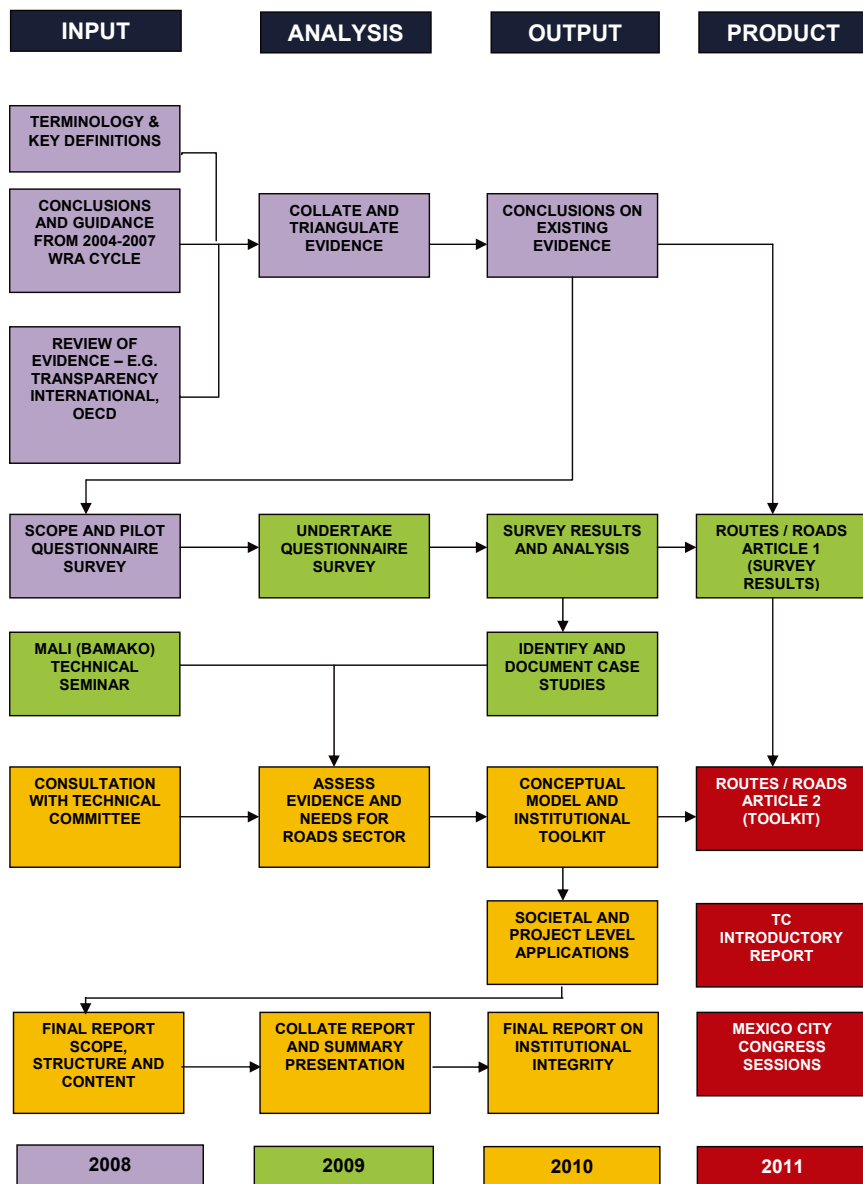
2008	2009	2010	2011

FIGURE 1 – OVERALL APPROACH TO WG1 WORK PROGRAMME

Stage III – Development of concepts and products

Following analysis of the questionnaire and discussions in Mali, a number of concepts and products were developed for organisations within the roads sector to prevent, identify and tackle corruption. Central to these were the cycle of integrity and an associated integrity toolkit. These products were developed in early 2010, followed by testing and finalisation with input from colleagues across the Technical Committee over the remainder of the year. Representatives from the World Road Association itself were also briefed on the developing products.

In testing the products, it became apparent that measures to tackle corruption and promote integrity must be considered at levels other than individual organisations (the institutional level), requiring application of products to the societal (macro) and individual programme or project life cycle (micro) level. The Working Group therefore carried out some additional work in these areas, including consideration of recommendations for future work in the next work cycle.

Stage IV – Reporting and dissemination

Following analysis of the existing evidence, the questionnaire and development of the cycle of integrity, the key findings, best practice elements and recommendations to road administrations and stakeholders have been drawn together, reported and published. Specifically, this includes:

• the preparation of a technical report (this document) *"Best Practice for Good Governance: Institutional Integrity"* as the key formal deliverable of the work programme;
• two articles published in Routes/Roads on the results of the questionnaire survey and the cycle of integrity and integrity toolkit respectively; and
• the preparation of a part of the Introductory Report for discussion on the Technical Committee's sessions at the Mexico Congress.

Based on these documented outputs, the Working Group plans a full programme of activity at the Mexico City congress in October 2011, including contributing to Technical Committee B.1's own technical session and relevant special sessions organised by the World Road Association.

The Working Group has also been conscious of the need within the work programme for constantly and consistently discussing this topic in the open, and so improving the awareness of the key issues across the whole roads sector. It has therefore provided regular updates on issues pertaining to institutional integrity to all Technical Committee meetings as well as strategic coordination meetings of all Technical Committees involved in Strategic Theme B.

Institutional Integrity has also been a focus of the two technical seminars that the Technical Committee has supported during the 2008 – 2011 cycle. In particular, the seminar held in December 2009 in Bamako, Mali, included extensive discussions on societal and institutional corruption, its causes and consequences, with representatives of road administrations in West Africa. The key learning elements from this seminar are summarised in this report, as well as being cited in two articles in Routes/Roads in May 2010 and January 2011.

Looking ahead, the Working Group is keen that this report, and the concepts and products included in it, are disseminated widely at and beyond Mexico City and incorporated into work programmes developed for subsequent PIARC cycles.

Key Outputs

Based on the approaches set out above, the key outputs of Working Group 1 in this area are as follows:

- key definitions, terminology and review of literature pertaining to corruption and institutional integrity;
- a survey of PIARC members into their preparation of measures to tackle, corruption in the roads sector;
- a range of case studies of policies and processes that help ensure institutional integrity and a small number of descriptive case studies based on previously identified instances of corrupt behaviour;
- a conceptual model, the cycle of integrity and an associated integrity toolkit of measures to prevent, identify and enforce against corrupt behaviour and practices;
- analysis of societal (macro) and project/programme (micro) implications of the model/toolkit;
- a final technical report (this document) providing an overall analysis and set of recommendations from the above; and
- wider awareness of the key issues pertaining to corruption and institutional integrity from the ongoing work of the Technical Committee itself, technical seminars and activity planned in Mexico City.

Structure of this Report

Following this introductory chapter, the remainder of this technical report is structured as follows:

- *Chapter 1, page 19* sets out some key definitions for corruption and institutional integrity, the causes of corruption and its consequences, based on the existing literature and advice from bodies such as Transparency International;

- *Chapter 2, page 33* presents evidence gathered specifically by PIARC in relation to the topic, including findings of the previous Technical Committee, the questionnaire survey and evidence from Mali;
- *Chapter 3, page 51* introduces and explains the cycle of integrity and the integrity toolkit focused on the institutional (organisational) level;
- *Chapter 4, page 68* expands on the relevance of the cycle and the toolkit to the societal (macro) and project life cycle (micro) levels;
- *Chapters 5 and 6, pages 81 and 84* set out our overall conclusions and recommendations feeding into discussions in Mexico City and form the basis for consideration of work programmes for future Technical Committees and PIARC more widely; and
- Key References.

There are two appendices, containing the survey questionnaire and full details of the integrity toolkit respectively.

Other Outputs by Technical Committee B.1

This report should be read in conjunction with outputs from other Working Groups of Technical Committee B.1, which along with institutional integrity have been placed within a context of a wider model of Public Value which reflects organisational capabilities, the authorising environment and stakeholder expectations on road administrations. In particular, WG2 has focused on '*Customer Orientation*' and WG3 has considered issues in relation to '*Human Resource Management*'. These Working Groups have each produced separate technical reports as well as the key findings and recommendations for all Working Groups (including WG1) being incorporated into an Overview Report within the Public Value context.

Key WG1 findings and key lines of enquiry for further discussion are also incorporated in the Technical Committee's Introductory Report for the Mexico City Congress.

1. BACKGROUND TO INSTITUTIONAL INTEGRITY

1.1. KEY DEFINITIONS

There is no universal legal definition of corruption. However, in its narrowest and most basic sense, it is taken to be *"the abuse of entrusted power for private (corporate or personal) gain while disregarding universally applicable codes of conduct such as moral standards, official obligations or laws"[3]*.

In its wider sense, however, corruption comes in many guises and includes a large range of behaviours and practices that abuse entrusted powers, roles and responsibilities. These include bribery, extortion, fraud, trading in influence and money laundering *(figure 2, table 2, page 29)*. Even the most straight-forward acts of bribery need not involve the exchange of money. Other gifts such as membership of an exclusive club, free holidays or promises of scholarships for children have been used as *"sweeteners"* to clinch deals. Understanding the multi-faceted dimensions of corruption is essential to identifying workable ways of dealing with it.

Corrupt activities usually constitute criminal offences in most jurisdictions, although the precise understanding, definition and penalties for the offence may differ.
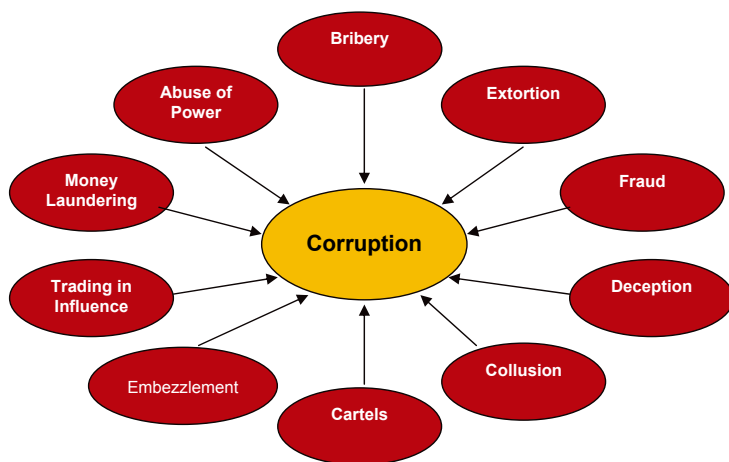

FIGURE 2 – DIFFERENT DIMENSIONS OF CORRUPTION

A full glossary of behaviours consistent with the wider definition of corruption is provided by the General Infrastructure Anti-Corruption Centre[4] (GIACC). However,

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[3] Transparency International

[4] www.giaccentre.org/what_is_corruption.php

whichever form it takes, corruption is always a two way transaction; it requires a supply side (for example, one who offers or gives a bribe) and a demand side (for example, one who demands or receives a bribe). Analysis and measures to address the issue must tackle both sides of the equation if they are to be effective.

TABLE 1 – KEY DEFINITIONS	
Term	**Definition**
Corruption	Abuse of a position of trust concerning administrative, judiciary, economical, political and non economic organisations in order to gain material and non material benefit. Corruption also includes terms such as bribery, extortion, deception, arrangement, cartel, abuse of power, embezzlement and monetary laundering.
Bribery	An action where one person offers or gives some benefit to another person as an inducement to act dishonestly.
Extortion	A form of blackmail where one party makes threats against another party of adverse consequences unless demands, usually for payment, are met.
Fraud	One person or party deliberately or recklessly deceiving another in order to gain some financial or other advantage.
Collusion	Agreement between bidders to cooperate in order to rig a bid in favour of one of the parties or to fix prices uncompetitively in advance of bids being submitted.
Bribe	Payments or other inducements that are offered from one person to another to in order to encourage the latter to act dishonestly. These payments are used to obtain advantage or prevent certain actions, or to create a situation of trust between these two persons.
Cartel	Activity where two or more bidders unlawfully collude to rig a bid to favour of one bidder or to exchange or fix prices in advance of tendering.
Money laundering	Activity where one party moves cash or assets obtained from criminal activity from one location to another.
Abuse of power	A person in public office deliberately or recklessly acting in a way that is contrary to his/her duty and in breach of his/her position of public trust.
Accepting inappropriate gifts	A situation where one person receives, and accepts, a gift that transcends a defined limit from another person that might give rise to providing unfair advantage or dishonest activity.

Corruption may occur on difference scales. Some commentators distinguish between *"petty"* corruption and *"grand"* corruption. The former usually involves small sums paid tactically to low level officials to *"grease the wheels"* or cut through bureaucracy and red tape. The latter may compromise public policy making, its design and implementation on a higher level; certainly headline making cases of large multinational companies paying millions of dollars to government leaders or politicians to obtain major contracts are examples of corruption on a much more significant scale than individual acts of bribery to minor officials. The distinction does not, however, imply that some forms of corruption are worse than others.

Indeed, petty corruption can have very serious consequences if it interferes with the delivery of basic services, exposes the public to poor levels of service or risks of accidents and injury, and maintains many in society in poverty and deprivation.

In addressing issues of corruption, the concept of integrity offers a more positive and alternative set of values and manner of behaviour. Integrity is defined as the steadfast adherence to a strict moral or ethical code consistency between one's actions and one's principles, methods and measures. Applied at the institutional level, integrity implies an organisation that defines, and acts within, a strong code of ethical conduct and positive values, and that adopts no tolerance of attitudes, actions and activities by its employees or partners that deviate from that code.

This is closely linked to the concept of transparency, a principle that allows those affected by administrative decisions, business transactions or charitable work to know not only the basic outcomes of those transactions, but also the mechanisms and processes through which they have been derived. In particular, it is the duty of public servants, managers and trustees to act visibly, predictably and understandably[5]. This report therefore considers not only measures to tackle corruption specifically, but how the positive concepts of integrity and transparency may be taken forward.

1.2. CAUSES OF CORRUPTION

Corruption usually occurs because some individuals who are willing to use illegal or illicit means to maximise personal or corporate gain. However, in order for these individuals to become involved in corrupt activities, circumstances must exist that encourage, or at least do not prevent or discourage, them to do so. These motivating factors may include:

• *Voluntary inclination -* with corrupt practices being undertaken by an individual or organisation with the deliberate intention of gaining a competitive advantage (e.g. award of a contract or an employment contract) or obtaining additional unjustified compensation (e.g. a bribe) over and above what would otherwise be provided or allowed by law or regulation;

• *Levelling the playing field -* for example a contractor may feel compelled to offer a bribe if it believes competitors for a project may do likewise. Alternatively, a contractor may feel justified in inflating a claim for payment if it believes the project sponsor will unjustifiably reduce the contractor's claim or make artificial counter-claims to reduce the payment;

• *Extortion -* with a bribe extorted from the payer. For example, a contractor may be informed that it will not receive a contract award, or a payment that it is entitled,

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[5] Transparency International

without the payment of additional monies to key officials within the sponsoring organisation; and

• *"Normal" business practice* – an extension of the *"playing field"* concept above, with some offences committed in the mistaken belief that such practices, such as the inflation of claims or wrongful reduction of payments due, are normal in order to accomplish business transactions and do not constitute criminal or civil offences in law.

On top of these overall motivators, there are a range of factors that particularly facilitate corruption within the roads – and wider infrastructure - sector.

1.2.1. The Nature of Infrastructure Projects

The first of these is the nature of infrastructure projects themselves that often have complex contractual structures, require a diversity of skills, different phases and enable the concealment of some items of work by other items. All contribute to a situation where it is more difficult to prevent or detect bribery, extortion or fraud.

For example, infrastructure construction projects frequently have a large number of participants linked together in a complex contractual structure. Each link may have its own contractual documentation and particular risks and difficulties. The project sponsor may work with funding agencies, consultants and a main contractor to plan and construct the project, with the latter letting key parts of the project to sub-contractors that may sub-let their work further and purchase equipment and materials from other suppliers. The resultant contractual structure may therefore result in dozens or even hundreds of separate contractual relationships, each one of which presents the potential for corrupt practices, for example the extortion or payment of a bribe or the opportunity for fraud. Even after construction has finished, the operational phase of a project provides the opportunity for corruption in relation to the maintenance or public use of the infrastructure, or indeed the concealment of sub-standard design parameters or materials that may have been substituted during construction.

Infrastructure projects are often large and unique. Consequently, rates for labour, equipment and materials may be more difficult to standardise and will vary by market demand and technical specification. As a result, costs are often difficult to compare, especially for large projects, making it easier to inflate costs and hide bribes and additional unjustified costs.

1.2.2. Extent of Public Sector Involvement

Secondly, the extent of public sector involvement in the infrastructure sector remains significant in many countries, with many projects being government owned or sponsored and even private ventures requiring government approval. Road administrations themselves are usually publically owned and accountable. This

inflates the power wielded by public officials or politicians who may commission projects for their own purposes or seek to extract bribes in exchange for the award of contracts, approval of planning consent or ignoring inflated contract prices or fraudulent claims.

1.2.3. Lack of a Culture of Transparency

Thirdly, there is some evidence that corruption is encouraged by a historic lack of a culture of transparency within the infrastructure sector. There has often been little requirement for project sponsors, funding agencies or project participants to make public details of project funding, technical specifications or procurement arrangements. Commercial confidentiality has often taken precedence over the wider public interest and there may often therefore be inadequate inspection of accounts or other records that might uncover malpractice. Without such transparency, it is more difficult to detect, for example, suspicious funding arrangements, potential collusion between project participants, fraudulent contract pricing or unexplained differences between the original project specification and the final outputs delivered on the ground.

Whilst there has been some movement in this situation over the past few years, there remain many parts of the infrastructure industry that explicitly or implicitly continue to accept the status quo and make little active effort to change it. Bribery and deceptive practices have become ingrained in some parts of the world and are accepted by many as the norm with views such as:

- *"Corruption is an accepted part of life in this country. The people there see nothing wrong with it;"*
- *"Bribery and deceptive conduct are not really crimes. They are just age old business practices. They are part of the game. Everyone does it;"* and
- *"If we stop [providing bribes], our competitors will not. Therefore we have to continue in order to remain competitive."*

1.2.4. Factors at Government Level

Fourthly, these factors may be exacerbated by factors at Government level in both the developed and developing worlds. Such corruption may occur, for example, where politicians extract bribes, require projects to be carried out for personal or sectoral benefit, award contracts to favoured parties or protect their personal contacts from prosecution at home or abroad. This may be reinforced by a lack of a consistent anti-corruption policy, and associated legislation, within government, especially if the priority is seen as promoting business profitability rather than ethical standards and behaviour, or differing ministries adopt varying attitudes and approaches to the problem. Governments may also provide inadequate or unclear channels for citizens or their own employees to report cases of suspected corruption or ensure that such

reports will be consistently followed up. Inadequate prosecution will further facilitate corruption, including if action is confined to low level employees and officials rather than targeting malpractice at whichever level it occurs, including senior ranks.

In many countries, government officials sponsoring infrastructure projects may be vulnerable to corruption for a variety of reasons. They may, for example, have little direct incentive to maximise value for money for the government and taxpayers. They may have limited public accountability and poor controls over the selection and management of projects and contractors. In some countries, officials may also be poorly paid, providing a powerful incentive to seek further financial reward elsewhere in order to reach and maintain a given standard of living.

1.2.5. International Factors

Finally, international factors may come into play. There has historically been insufficient cooperation between governments in identifying, investigating and prosecuting corruption between jurisdictions. This may allow companies to be involved in corrupt activities overseas, but remain free from prosecution in their home country. Only recently are there indications that this position has begun to change.

There has also been insufficient action by funding agencies to limit corruption on projects that they support, sometimes regarding the imposition of conditions on receiving countries as politically incorrect. Funding agencies may turn a blind eye to corruption they suspect or know to be occurring, support inadequate levels of due diligence or, on occasion, local officials may be complicit within corruption themselves. As with governments, the lack of publicly available data on project specification, procurement arrangements and contract awards may allow corruption to remain concealed and free of public scrutiny.

There has also generally been a lack of cooperation between contractors, consultants and business and professional associations. This may be reinforced by a lack of prosecution or debarment of companies suspected to be involved in corruption. Without such cooperation and sanctions, it will be difficult to establish a new level playing field within that all contractors and consultants adopt equivalent ethical standards. As a result, those companies seeking to adopt an approach based on strong values of institutional integrity will be disadvantaged in the market by the willingness and ability of their more unscrupulous competitors to engage in corrupt practices. Many contractors and consultants are now seeking to take a lead on this issue.

1.3. EXAMPLES OF CORRUPTION

The following examples illustrate the breadth of actions and activities that may constitute corruption, adapted and extended from cases prepared by GIACC[6].

Case 1 – Bribery to Obtain Main Contract Award

A contractor who is tendering for a major contract is approached by an agent who claims to be able to assist the contractor in being awarded the project. They agree that, if the contractor is awarded the project, he will pay the agent 5% of the contract price. The agent is then appointed under a formal agency agreement that states that he will carry out specified services to the contractor should he win the contract.

However, the fee being paid to the agent is well in excess of the services actually being provided and the agent then agrees to pay part of his future commission to a representative of the project owner to ensure that the contractor is awarded the contract.

The contractor pays the agent his commission and the agent pays the representative of the project owner a bribe out of this commission. The contractor is subsequently awarded the project and the project owner, unaware that one of its officials has been bribed, pays the cost of the (inflated) commission as part of the overall contract price.

Case 2 – Price Fixing

A group of contractors who routinely compete in the same market secretly agree to share the market between them. Whilst they will each apparently compete on all major tenders, they will agree in advance that contractor should win each one.

For any particular tender, the contractor agreed by the others as winning the project will notify them prior to tender submission of their tender price. The other contractors will then ensure they submit tenders in excess of this bid so as to ensure the chosen contractor wins. The winning contractor can therefore secure a higher price than would be the case in the event of genuine competition. If contracts are awarded in sufficient volume, then all contractors should have the opportunity to win a project at a higher price. This results in the project owner paying more to tender and deliver its projects.

Case 3 – False Invoicing: Supply of Inferior Materials

A concrete supplier for a construction project is contracted to supply concrete to a particular specification. The supplier knowingly and deliberately supplies concrete

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[6] Examples of Corruption in Infrastructure. GIACC. Catherine and Neill Stansbury 2008.

of a cheaper and poorer specification, but submits an invoice for the original specification.

Case 4 – False Variation Claim

A contractor carries out work that is not in compliance with the contract specification. Under the contract, the project owner's programme manager is responsible for issuing variations. The contractor offers the manager a bribe if he confirms in writing that the work was carried out in response to a contract variation formally issued by the project owner.

The programme manager issues the variation and the contractor receives additional fees for the non-compliant work.

Case 5 – Refusal to Issue Final Certificate

A contractor has properly completed the specified works and is entitled to issue the final certificate and receive all outstanding fees on the project. The engineer appointed by the project owner refuses to issue the certificate unless the contractor pays him personally 5% of the final certificate value.

Case 6 – False Job Application

In order to obtain employment, an applicant for the post of contract manager includes previous experience that has been made up. He also has a relative on the selection panel, but neither the applicant nor the relative declare this to the rest of the selection panel. The applicant is successful at interview and, because past employment is not checked, is awarded the post.

1.4. THE COSTS OF CORRUPTION

The costs of corruption are broad-ranging and essentially four-fold: political, economic, social, and environmental.

On the political front and on a grand scale, 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 established democracies, it is more so in newly emerging ones. Accountable political leadership cannot develop in a corrupt climate.

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 at the expense of less spectacular, but more necessary, activity, including

basic maintenance. Furthermore, it hinders development of fair market structures and distorts competition, deterring investment.

The effect of corruption on the fabric of society can be substantial. In the extremes, it undermines people's trust in their political system, institutions and leadership, resulting in a weak civil society.

Environmental degradation is another consequence of corrupt systems. The lack of, or non-enforcement of, environmental regulations and legislation has historically allowed developed countries to export their polluting industries to developing countries. At the same time, careless exploitation of natural resources by both domestic and international agents has led to degradation of natural environments. Environmentally damaging projects may be given preference, because they are easy targets for siphoning off public money for private gain.

It is extremely difficult to quantify the costs of corruption. Some experts use regression analyses and other empirical methods in order to try to put a dollar figure on the cost of corruption. However, payments of bribes are not publicly recorded and there is no data on how much money is being *"invested"* in corrupt officials annually. Indeed, bribes do not take only monetary form: favours, services, presents and so on are just as common. At most, one can research the correlation between the level of corruption and, say, democratisation, economic development or environmental degradation. The social costs of corruption are even less quantifiable, and, in any case, any estimation would be inadequate to the task of measuring the human tragedy loss of employment or career development, illiteracy, or inadequate medical care.

Nevertheless, figures from the World Bank[7] suggest that:

- corruption adds up to 10% of the total cost of doing business globally, and up to 25% on the cost of procurement contracts in developing countries;
- in total, the costs of corruption are equivalent to more than 5% of global GDP (US$ 2.6 trillion), with over US$1 trillion in bribes paid each year; and
- moving business from a country with a low level of corruption to a country with medium or high levels of corruption is equivalent to a 20% tax on foreign business.

A range of wider impacts of corruption on different stakeholders is summarised in *table 2, page 29*.

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[7] Clean Business is Good Business: The Business Case Against Corruption. International Chamber of Commerce, Transparency International, World Economic Forum and United Nations (2008).

QUANTIFYING THE COSTS OF CORRUPTION

The following example illustrates the dilemma of pressing the issue into facts and figures.

A new road project is being built somewhere in the world, at a cost of US$ 100 million. It could be argued that - were it not for corruption - the cost could have been as low as US$ 80 million. The financial damage to the public would then be US$ 20 million.

In practice, projects may be planned solely so that those involved can make substantial private profits rather than any established need or policy objective. In this case, assuming that the road was superfluous, the financial damage would have to be assessed at the full US$ 100 million. However, the project also has an environmental impact with increased pollution, a lowering of land prices, resettlement of local residents and an increased debt burden for the country, over and above the basic price. If built with substandard design or materials, there may also be increased maintenance costs, congestion and safety risks for users, resulting in extra deaths or injuries over the life of the project.

This calculation of the costs of corruption – even for one project – is therefore complex.

	Cost	Project Owners	Funding Agencies	Contractors and Suppliers	Project Officers and Employees	Government Officials	Taxpayers and General Public
TABLE 2 – SUMMARY OF THE COSTS OF CORRUPTION TO STAKEHOLDERS							
Financial		• Theft of project funds • Waste of project funds • Cost of bribes paid	• Total or partial loss of investment • Reduced profitability • Cost of bribes paid	• Bribes paid (by successful and unsuccessful tenderers) • Wasted tender costs • Increased contract operating costs	• Loss of income due to loss of employment or disciplinary action • Civil and criminal fines	• Loss of income due to loss of employment or disciplinary action • Civil and criminal fines	• Loss of earnings • Loss of taxpayers' money
Economic		• Increased price of projects • Increased maintenance, repair and replacement costs • Additional financing costs • Reduced operating profits • Loss of business opportunity and investment	• Loss of business opportunity and investment • Opportunity cost to invest elsewhere • Reduced ability to support physical, economic and social development	• Loss of payment or profit • Reduced returns to shareholders • Termination of contracts • Loss of work • Loss of business opportunity and investment	• Reduced household income due to loss of employment • Reduced value of public service	• Reduced household income due to loss of employment • Reduced value of public service	• Poor or inadequate infrastructure • Dangerous infrastructure • Increased costs of maintenance or operation • Reduced spending on infrastructure • Reduced foreign investment
Social		• Reduced output/benefit for users, communities and taxpayers	• Reduced output/benefit for target users and social groups	• Loss of reputation • Debarment from future work	• Loss of reputation and standing the community	• Loss of reputation and standing the community	• Reduced quality of life • Damage to the environment • Displacement of people • Less cohesive society
Legal		• Damages for civil liability • Fines for criminal liability • Legal fees	• Damages for civil liability • Fines for criminal liability • Legal fees	• Damages for civil liability • Fines for criminal liability • Legal fees	• Fines and penalties for civil and criminal proceedings • Imprisonment or execution	• Fines and penalties for civil and criminal proceedings • Imprisonment or execution	• Increased resources to prosecuting corruption
Other		• Loss and damage to individual officers and employees	• Loss and damage to individual officers and employees	• Loss and damage to individual officers and employees	• Death or serious injury	• Death or serious injury	• Death or serious injury

1.5. TACKLING CORRUPTION

The 1990s witnessed a proliferation of initiatives to tackling corruption at the national, regional and international levels. These include the OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the Council of Europe's Criminal Law Convention on Corruption. Most countries have also ratified the United Nations Convention Against Corruption that creates mechanisms for international enforcement, cooperation and information exchange.

Corruption legislation has also been toughened up in many countries with the result that public agencies and private companies can face fines and individuals can face imprisonment to a far greater degree than before. The ten largest prosecutions in the United States under the Foreign Corrupt Practices Act, for example, cost the companies involved nearly US$ 175 million, excluding costs of compliance and implementing new internal controls. Organisations are also increasingly facing prosecution in one country for corrupt acts committed in another, or even in relation to any financial or business transaction related to corruption wherever in the world it is committed. This has also substantially increased the reputational risk to organisations, as well as the prospect of facing disbarment from public works contracts if convicted.

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THE REGULATORY LANDSCAPE

A number of global organisations have adopted international conventions to tackle corruption, including:

- the United Nations Convention Against Corruption;
- the Organisation of American States' Inter-American Convention Against Corruption;
- the Council of Europe's Conventions on Corruption and the European Union's Instruments on Corruption;
- the African Union's Convention on Preventing and Combating Corruption; and
- the Organisation for Economic Cooperation and Development's Convention for Combating Bribery of Foreign Officials in International Business Transactions.

Increasing numbers of countries are choosing to become signatories to such conventions, as well as developing domestic legislation to allow enforcement action against corrupt practices. Examples include:

- Australia: Criminal Code Amendment (Bribery of Foreign Public Officials) Act and the Protected Disclosures Act;
- France: Criminal Code and the Code of Criminal Procedure;
- United States: Foreign Corrupt Practices Act and the Sarbanes-Oxley Act;
- United Kingdom: Anti-Terrorism and Security Act and the Bribery Act.

Driven by wider considerations of Corporate Social Responsibility and the growing risk of corporate prosecution of corrupt practices, the private sector is also taking action to demonstrate anti-corruption leadership, for example through:

- the International Chamber of Commerce Commission on Anti-Corruption;
- World Economic Forum Partnering Against Corruption Initiative (PACI);
- the United Nations Global Compact 10th Principle;
- Transparency International Business Principles for Countering Bribery; and
- the World Federation of Engineering Organisations' Anti-Corruption Action Statement.

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Nevertheless, many observers argue this is not enough and there is a view that many sectors – including infrastructure – need to move further and quicker in securing a step change in attitudes and behaviour. Certainly, there is evidence that corruption remains pervasive around the world as demonstrated by Transparency International's Corruption Perceptions Index[8].

For example, a recent survey of nearly 1,200 major companies in over 30 countries[9] found that one in four had experienced an incidence of bribery in the past two years and 23% of respondents knew that someone in their company had been asked for a bribe in order to retain business. Some 18% of respondents also said that they knew that their company had lost business to a competitor who had paid a bribe.

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[8] See *chapter 4, page 68*

[9] Corruption or Compliance   Weighing the Costs. Tenth Global Fraud Survey. Ernst and Young (2008).

1.6. THE IMPORTANCE OF INSTITUTIONAL INTEGRITY

Evidence presented in this chapter allows some interim conclusions to be drawn. A decision on whether to tackle corruption should be made on the basis that no individual, organisation or country is immune from the potential for corrupt behaviour and the problem is present in the developed as well as the developing world.

The extent of corruption is to some significant degree a function of the extent of anti-corruption measures in place, whether at the organisational level or within wider government and civil society. It therefore stands to reason that the fewer anti-corruption measures and the weaker sectoral governance in place, the greater the risk of corruption actually being present and resulting in financial and other losses.

Against this, there is a strong, and growing, case for organisations – whether in the public or private sectors – to promote a more positive philosophy of institutional integrity. Benefits include:

- more efficient, effective and consistent delivery of government economic, social and environmental objectives, and organisational goals within this framework;
- infrastructure and service delivery that maximises public benefit and minimises leakage of these benefits for private gain;
- greater competition and the creation of a level playing field overcoming *"the prisoners dilemma"*;
- reduced costs of doing business and burdens on tax payers;
- secure additional funding from global development organisations, NGOs and international investors, including attracting investment from ethically orientated investors;
- stronger employee morale, empowerment, motivation and productivity, and increased ability to recruit and retain capable and principled employees;
- positive publicity, reputation and corporate image;
- reduced risk of claims for damages, investigation, legal sanctions, reputational damage, criminal prosecution and substantial fines;
- improved public and stakeholder trust in the public sector and business; and
- increased trust and integrity in social justice and the rule of law.

Ultimately, it is a basic assumption that the costs of implementing measures to promote institutional integrity and specifically identify and prevent corruption will be lower in the long-run than the financial, economic, social and other costs of allowing corrupt activities to continue.

This chapter has presented evidence from the infrastructure sector as a whole. In the next chapter, we move onto more specific evidence for the roads sector based on direct research and data collection carried out by Working Group 1 for this PIARC 2008 – 2011 cycle.

2. EVIDENCE OF CURRENT POLICY AND PRACTICE IN THE ROADS SECTOR

2.1. INTRODUCTION

The previous chapter has set out evidence on the definition, types, costs and impact of corruption within a general context, based principally on a review of literature and guidelines elsewhere. However, evidence specifically in relation to the roads sector and the management and operation of road administrations is comparatively sparse.

This chapter therefore presents new evidence of relevance to the World Road Association that has been collected and analysed directly through the activities of Working Group 1. This evidence falls into three main categories:

• a brief restatement of the conclusions and recommendations of the previous PIARC cycle 2004 to 2007;
• a questionnaire survey of TC B.1 members on issues of corruption and institutional integrity relating to their sponsoring organisations; and
• a small number of specific examples arising from the survey and ongoing engagement within TC B.1 over the 2008 – 2011 cycle.

It was recognised at an early stage of the work programme that there was a risk that evidence gathering might produce an over-representation of developed country experience and examples. Discussions on corruption and institutional integrity therefore formed a major part of the programme for technical seminar organised by TC B.1 PIARC (with the African Road Maintenance Funds Association - ARMFA and the African Road Managers and Partners - AGEPAR) in Bamako, Mali. The issues relating to the experience of corruption in a developing country context are therefore included in this chapter.

2.2. FINDINGS OF PREVIOUS PIARC RESEARCH

Issues of corruption and institutional integrity have been considered by PIARC in former cycles. In particular, the work of former TC 1.3 '*Performance of Road Administrations*' between 2004 and 2007 included initial examination of issues around good governance and integrity, and concluded that the road sector is just as vulnerable, if not more so, to corruption compared to other sectors and that corruption is a complex and multi-faceted problem requiring an integrated response around pro-active policies and regulations, and specific targeted anti-corruption measures.

TC 1.3 concluded from its work in this area that *"integrity is first base in ensuring good governance in all economies."*

"If integrity is not assured, the performance of road administrations will always be endangered. Given the large sums involved and the long worldwide history of collusion and corruption in the roads sector, awareness of the integrity issue and measures to guard integrity should remain a major element of the governance architecture of road administrations all over the world. The negative impact on road organisations, economy and democracy cannot be underestimated."

It is this overall conclusion that provides the basis and mandate for the work programme carried out by TC B.1 in the current cycle.

2.3. SURVEY OF TECHNICAL COMMITTEE MEMBERS[10]

2.3.1. Survey Objectives and Background

The evidence base on current policy and practice around institutional integrity and tackling corruption in the road sector is relatively incomplete. Within this context Technical Committee B.1 undertook a questionnaire survey to assess the current international situation. The overarching goal was to identify the existing international situation governing business ethics, specifically in terms of anti -corruption measures and guidelines, for Road Administrations worldwide, and their implementation and effectiveness within different organisations and management systems.

The analysis of the questionnaire was also intended to help to identify examples for best practices case studies which provided the basis to set out key principles, critical success factors and implementation issues *(see chapter 3, page 51)*.

The questionnaire survey *"Organisational Integrity – Principles, Policies and Practices related to Preventing, Identifying and Tackling Corruption"* was a major part of the overall work programme for this cycle. The questionnaire was developed and evaluated in the course of two Masters Dissertations[11] [12]. The questionnaire focused on the following key issues:

• reasons for corruption;
• legal and regulatory frameworks;
• analysis of the management systems;

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[10] See also Routes/Roads. Number 347, 3rd quarter 2010. *Institutional integrity - A survey of current practice in the road sector.* Alexander Walcher, Rainer Stempkowski, Marianne Apfalter and Jonathan Spear.

[11] Zötsch Mark: *"Integrity"* - Grundlagen und Rahmenbedingungen für die Prävention und Bekämpfung von Korruption, *(Principles and general conditions for preventing and combating corruption)*, thesis written at the University of Applied Sciences Fh Joanneum, 2009.

[12] Bostijancic Katja: Integrity - *Internationale analyse der Aktuellen Usetzung von Anti-Korruptionsmaßnahmen, (International analysis of the current implementation of anti-corruption measures)*, thesis written at the University of applied sciences Fh Joanneum, 2009-2010.

- prevention of corruption;
- enforcement of anti-corruption measures;
- whistleblower system and whistleblower protection systems; and
- future developments.

The survey form is provided in Appendix 1. The questionnaire was circulated between April and July 2009 among the members of TC B.1. The evaluation and analysis of results was completed in December 2009.

A total of 24 international organisations (representing the sponsoring organisations of members of TC B.1) responded to the questionnaire between April and July 2009. These responses came from a combination of public and private sector organisations, including road administrations themselves, government departments and agencies, contractors and consultants. In geographical terms, completed and returned questionnaires came from Australia, Austria, Belgium, Canada, Finland, Great Britain, Hungary, Japan, Madagascar, Republic of Mali, the Netherlands, Norway, Portugal, Slovakia, South Africa, Sweden, Switzerland and the USA.

When interpreting the results of the questionnaire as set out below, it is important to note that the participating respondents were mainly developed countries. It should also be recognised that most of the questionnaires were completed by road managers working in the public sector rather than private sector suppliers. These organisations are mainly involved in the area of development and planning of national or provincial roads, the awarding of planning and construction services, and road maintenance and operation. Main findings concerning the situation of developing countries are described and outlined in *section 3.4, page 60*, based on discussions at the technical seminar in Bamako, Mali in December 2009.

The main findings of this questionnaire analysis are presented in this chapter.

2.3.2. Factors Contributing to Corrupt Activities

Reasons for Corruption from a Recipient's Perspective

In order to define appropriate measures against corruption, we must identify and analyse the reasons that lead to corrupt actions in the first place. It should be noted in this regard that for any particular transaction a recipient and a provider (e.g. of a bribe) must be involved so that the action qualifies as corruption.

Figure 3, following page, shows a list of possible reasons for corruption and the relevance of these from the perspective of those receiving or benefiting from a corrupt act. The recipient in this context is defined as that person (e.g. employee of a public organisation or company) who accepts gifts of any kind (e.g. cash sums,

vouchers, gifts in kind) from a company that is, for instance, interested in securing a business, or who enters into agreements with bidders in order to obtain a commercial advantage or a personal gain for the staff involved.

According the respondents to the questionnaire, personal greed or opportunity for personal gain (e.g. financial payments) is the most important factor behind corrupt activities. Furthermore, factors relating to attaining or maintaining a higher standard of living or taking advantage of a higher social position were rated as strongly linked to corrupt activities.

The possibility of corrupt acts as a result of being blackmailed due to corrupt activities in the past appears to be less important with only 15% of the respondents believing this to be a very relevant reason for corruption. Similarly, personal desire for revenge or vindictiveness seems to be, on its own, of lesser importance in motivating corrupt activities.
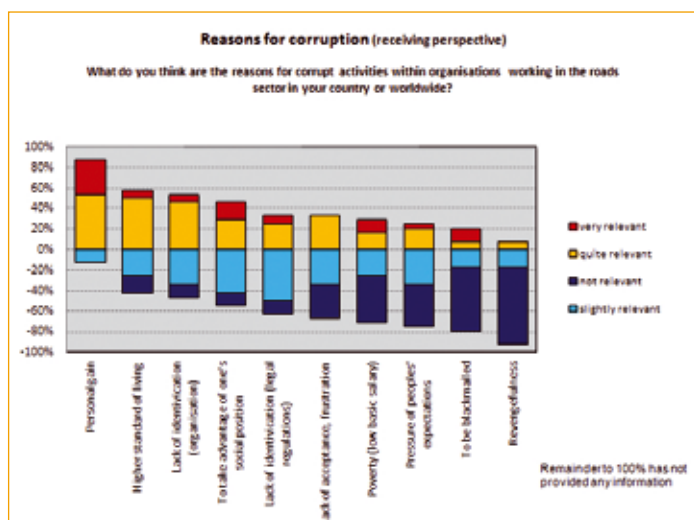
FIGURE 3 – RELEVANCE OF SELECTED REASONS FOR CORRUPTION FROM A RECIPIENTS PERSPECTIVE

Interestingly, poverty (e.g. due to low basic salary) is viewed by the respondents in our survey as a comparatively weak factor behind corrupt activities. However, as noted, the majority of respondents to the questionnaire are from developed countries where public officials are generally paid correspondingly high salaries and with good terms and conditions. The situation in developing countries may often be different, with public service employees sometimes being paid very low salaries with the result that poverty – in the sense of a basic salary being too low relative to the cost of living – represents one of the main motivations for corruption. Discussions at the technical seminar in Mali broadly confirmed this perspective.

Other important aspects contributing to corrupt activity include a lack of identification between employees and the organisation and its values, as well as frustration in the workplace. While road administrations and supply chain partners may find it difficult to implement measures that address motivating factors such as personal greed and poverty, internal measures may work better in reducing frustration at the workplace. Measures may also focus on improving the working environment and developing a management style that offers employees greater recognition and reward. The latter can be regarded as promoting integrity and reducing the scope for corruption. The effectiveness of such measures should be monitored over time.

Reasons for Corruption from a Provider's Perspective

The questionnaire considered the reasons for corruption from the perspective of those providing a benefit (e.g. a bribe to win a contract) within a corrupt act; the results are shown in *figure 4*. The provider of corrupt transactions usually hopes to gain an advantage from their activities, such as personal gain, insider knowledge or competitive advantage.
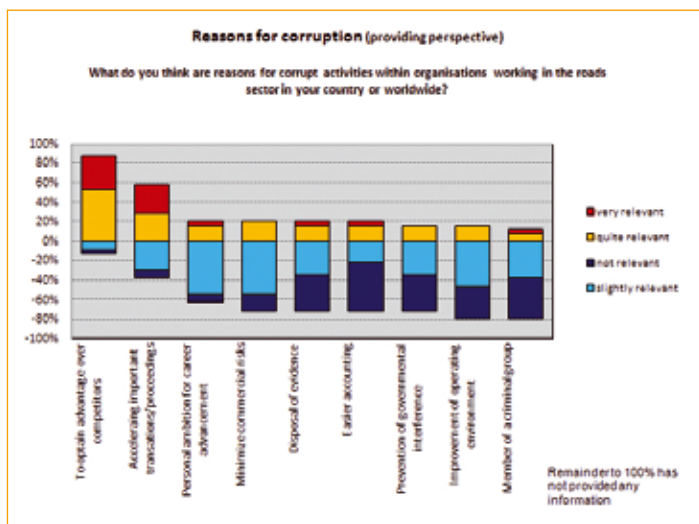
FIGURE 4 – RELEVANCE OF REASONS FOR CORRUPTION FROM A PROVIDER'S PERSPECTIVE

In the opinion of the respondents – and it should be noted that the majority of these have a role within a road administration – the main motive for corrupt suppliers is to obtain advantages over competitors, for instance by receiving additional information prior to tendering, or through receiving favourable assessments during the tender process.

Another motive for initiating corrupt activities is to accelerate transactions or proceedings with the aim of securing financial or commercial benefits. For example,

delays in projects in some countries (e.g. due to a lack of official permits to agree safety certificates or approve key project milestones) may impact negatively on project costs, cash flow or profitability; scheme promoters may therefore be keen to minimise these as far as possible, sometimes to the point of offering inducements to remove obstacles.

The majority of the other factors suggested in the questionnaire, such as improvement of the operating environment, easier accounting, prevention of governmental interference, or also personal ambitions of the provider are mainly rated as not, or only slightly, relevant by the majority of respondents, and considered to be significant only in a few individual cases.

2.3.3. Effectiveness of Laws and Regulations

As noted in *chapter 1*, a large number of international and national laws, conventions and regulations exist for preventing or tackling corruption. As part of the survey, the questionnaire therefore asked what laws against corruption exist in various countries and how the respondents rated the effectiveness of these laws *(figure 5)*.
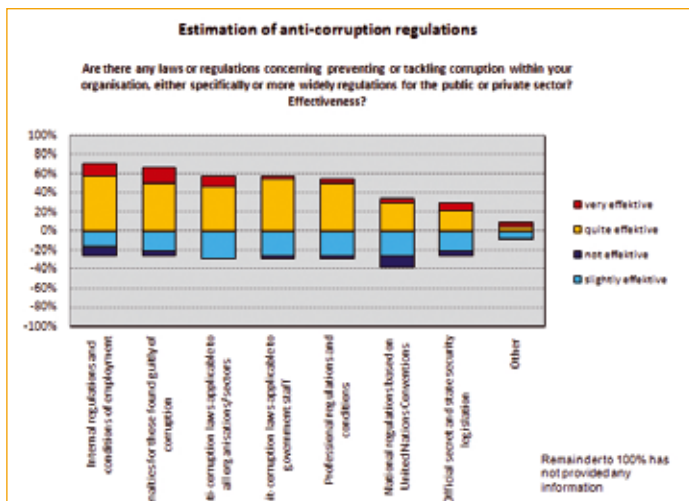

FIGURE 5 – EFFECTIVENESS OF EXISTING LEGAL PROVISIONS FOR TACKLING CORRUPTION

In principle, appropriate legislation was in place in all 20 countries surveyed. However, when evaluating the effectiveness of anti-corruption laws and regulations, it is evident that only about two-thirds of respondents rated the national anti-corruption provisions as effective or very effective.

The remaining third of respondents believed that the anti-corruption laws in their countries were only slightly effective or ineffective. Further analysis showed that for those organisations that have well-developed management systems in place, especially for quality management, corporate social responsibility and internal control, these measures are likely to be more effective than higher-level legal provisions and requirements.

Those national rules based on the UN convention against corruption fare relatively poorly in terms of their perceived effectiveness. One of the reasons for this may be limited awareness of international rules and regulations at the national and local level compared to more local laws, regulatory frameworks and internal controls.

In general, all respondents stated that in-house rules for employees that aim to identify and combat corruption are the most effective provisions. One reason for this appears to be that the consequences of breaking internal rules is felt more directly (for example through disciplinary action or dismissal). For domestic and especially international rules, the connection in this regard is not that direct, unless reinforced by investigations, prosecutions and other enforcement action by the authorities.

2.3.4. Development of Management Systems

One of the theses behind Working Group 1's initial work is that corruption is less pronounced in organisations with more developed and actively implemented management systems. When measures to promote institutional integrity have been implemented within the context of the overall effective and efficient management of the organisation as a whole, there is usually also a much higher awareness among employees concerning corruption, its unacceptability and its prevention. In this regard, it should be considered that many cases of corruption are committed (or exacerbated) due to a lack of awareness and understanding of the wider management system.

Analysis of the questionnaire responses shows that more than 85% of the surveyed organisations have well implemented management systems. These are divided into quality management systems, health and safety management systems, corporate social responsibility systems, and internal control systems.

As can be seen in *figure 6, following page,* the quality management system and the internal control systems are best developed within the road administrations and other organisations responding to the questionnaire. In the area of the health and safety management and of corporate social responsibility (CSR), a significant need for further development still exists at some cases.
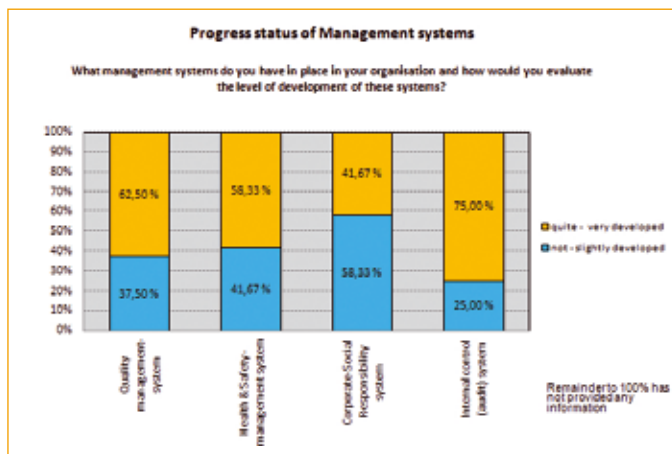
FIGURE 6 - CURRENT LEVEL OF DEVELOPMENT OF MANAGEMENT SYSTEMS

One of the important basic principles of any management system is an approach that uses comparisons between expected and actual transactions as a basis for control measures. The mere existence of functioning control systems often suffices to quickly identify – and deter – acts of corruption. Cost control systems, risk analysis, deviation analysis, offer reviews and, above all, detailed audits of the accounts and additional costs are only some examples of important controls in practice that help prevent corruption. These elements of good corporate governance may be as important as dedicated anti-corruption policies and measures themselves.

It is important that the existence and nature of functioning management systems is promoted and made known to staff through effective internal communications. This can create greater awareness of the need for strong business integrity and the checks and balances in place to detect and deal with corrupt activities should they arise.

Many of the organisations surveyed have internal ethics guidelines; some also deal with issues of integrity and tackling corruption through team meetings, staff appraisals, training centres or workshops.

2.3.5. Identification of Corrupt Behaviour

An essential aspect in any targeted action against corruption is the successful identification of corrupt behaviour should it occur. *Figure 7, following page,* shows in what form and by what measures the organisations responding to the questionnaire currently identify corrupt behaviour.
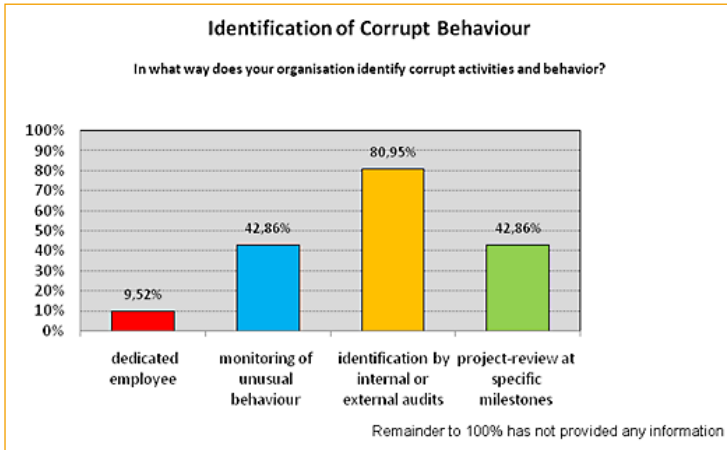
FIGURE 7 – MEASURES USED FOR THE IDENTIFICATION OF CORRUPTION

In most cases (more than 80% of the organisations surveyed) corrupt behaviour is identified by audit activity. These audits are conducted as part of internal processes, by external auditors or by state monitoring bodies, for example the comptroller's office.

The systematic review or analysis of individual projects by specific milestones may lead to the identification of some cases of corruption. Finally, unusual and conspicuous behaviour by employees is often a key indicator. In this context, above-average spending, conspicuous overseas travelling, expensive cars and similar signs may be indications of illegal activities or corrupt gifts and gratuities.

Only a minority of the surveyed organisations, less than 10%, currently make use of a dedicated employee in each part of the business as an in-house anti-corruption officer for uncovering cases of corruption. However, more provide staff or systems that allow staff to report suspicions they may have (e.g. to senior management) so that they can be investigated in due course. This is discussed further below.

Another central question in this context is to whom and in what form the information about any suspected cases of corruption or suspected corruption cases in an organisation can or should be reported. *Figure 8, following page,* shows the existing measures cited by respondents to the questionnaire for reporting suspected corrupt behaviour.

Reporting Corrupt Behaviour

What opportunities exist in your organisation to report suspected corrupt behavior?

Remainder to 100% has not provided any information
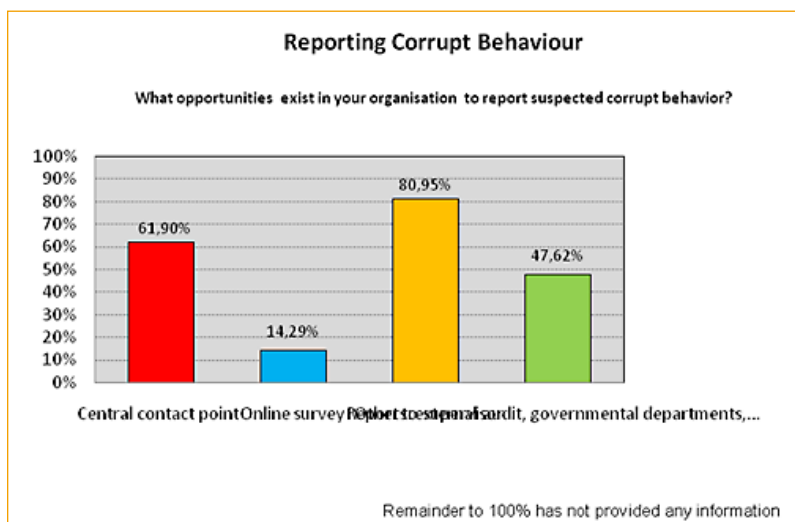
FIGURE 8 – MEASURES USED FOR REPORTING CASES OF CORRUPTION

An open and inclusive climate within the organisation, where employees feel free to discuss or report any suspected cases of corruption to their superiors is regarded as the most effective and most commonly used option.

Furthermore, in more than 60% of cases, a central contact point within a responsible department, that is normally informed and trained on how to proceed in such cases, is used. When choosing a person of trust, it is important to ensure that such person is widely known and accepted among employees and that he or she has high moral standing and competence. Furthermore, it is important that employees who report any suspected cases in good faith will not face any negative consequences (e.g. bullying, personal threats, demotion) whether or not the charge of alleged corruption is eventually proved.

At almost 50% of the surveyed organisations, it is possible to report any suspected cases to other staff or managers in external offices away from the location where the corruption is alleged to have taken place. In comparison, electronic channels (e.g. online survey) for passing on suspicions, in some cases even anonymously, are regarded only as a secondary option and appear to be rarely used, compared to the more personal approaches highlighted above. The controversial debate about *"whistleblower systems"* of this type and the potential for malicious allegations or bullying of unwanted or unpopular employees by anonymous but incorrect reporting, however, also shows the difficulty and sensitivity of such fully automated models.

2.3.6. Preventing Corruption

Preventive measures are of crucial importance in the fight against corruption, and organisations need to commit to developing specific measures and their active implementation.

The questionnaire analysis shows that most road sector organisations have already recognised this and are making use of diverse measures to prevent corruption. Several companies have designated contact points or organisational units for the prevention of corruption, with internal audit playing an important role as already highlighted. Qualified staff within the internal audit department can be very important in supporting management teams with regard to raising awareness among employees, checking and ensuring implementation of all relevant regulations, codes of conduct and working methods.

In the analysis, the following preventive policies, as shown in *figure 9*, are identified by the respondents as widely used and suitable.
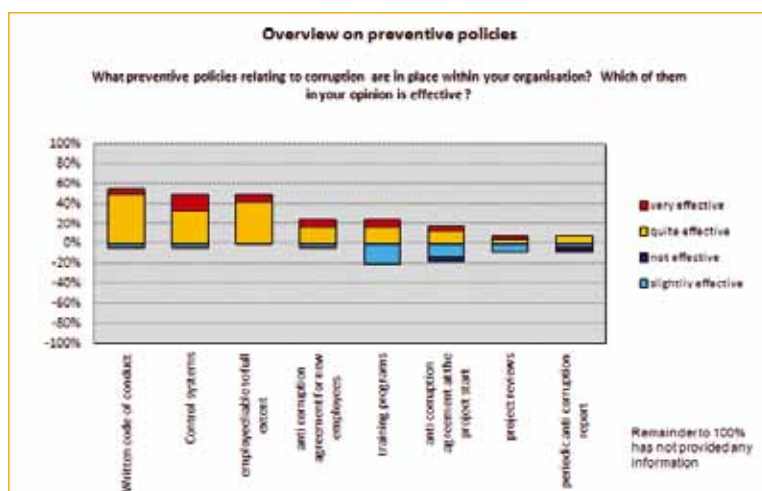
FIGURE 9 – EVALUATION OF THE EFFECTIVENESS OF PREVENTIVE POLICIES AGAINST CORRUPTION

Written codes of conduct are an essential foundation for an informed awareness of business ethics and corruption in an organisation. The international analysis shows that the majority of the respondents regard written codes of conduct as an effective and goal-oriented preventive measure in the fight against corruption. It should be noted, however, that the written document in itself does not result in any major effect. Since awareness is to be created, appropriate accompanying and/or recurring measures such as discussions, workshops and training programmes are additionally required, that are also rated by many as quite effective in the survey.

The transfer of responsibility (with each employee becoming liable for corrupt acts to the full extent of their conditions of employment and the law) and subsequently the creation of the awareness of personal responsibility with all the related consequences is considered an effective preventive measure.

The existence of internal control systems, that are indispensable for effective corporate governance, are important. The possibility alone that individual employees could be detected by such systems is sufficient deterrent for many. In this regard, it is important also to develop effective cost control systems so that any suspicious financial transactions and movement of funds can be identified quickly and easily and followed up with the employees involved.

Within day-to-day operations, there is less agreement that anti-corruption agreements as part of project inception or commencement or as part of negotiating and agreeing individual contracts is effective. It is certainly correct that repeated signing of such an agreement will contribute to raising awareness among all parties involved. However, this measure in itself provides a deterrent to deliberate corruption only to a limited extent unless other measures are in place.

A periodic anti-corruption report is rated as only slightly effective by respondents. Depending on the content, however, an annual report on current corruption cases and rates of detection, disciplinary action or conviction – potentially including those outside the organisations – could be potentially quite effective in setting examples for staff.

2.3.7. Enforcement Action Against Corruption

For those cases where preventive measures have been ineffective, it is essential to define and implement the clearest possible procedure when cases of corruption have been identified.
However, experience has shown that there are rarely very clear cases of corruption. In many cases, there is a suspicion of corruption at first, sometimes vague indications that are not always easy to verify. For this reason, the approach to be followed to combat cases of (suspected) corruption cannot always be clearly and unequivocally defined in practice.

Figure 10, following page, shows what measures are currently used by the organisations within our questionnaire and how their perceived effectiveness.

In principle, there are several levels of possible response to a case of corruption. Initially, the responsible/involved employees may be informally warned. An internal disciplinary hearing may be the next step; this can lead to specific consequences for the employee depending on the result.

A direct disciplinary consequence, for instance dismissal, may represent another important measure. Where corruption cases have been proven, such a measure is indispensable as it also acts as an example to other employees, demonstrating that corrupt activities will not be tolerated.

The advantage of an initial internal disciplinary procedure is that it makes it possible to investigate any suspected cases without the need to react by dismissing the employee only based on a suspicion. If a dismissal is found to be insufficiently proven or even unfounded during employment tribunal or legal proceedings, then claims for re-instatement or compensation may be opened up.

Depending on the severity of the corruption case, criminal prosecution may be the ultimate sanction. The final sentence for the employee suspected of corruption is then decided by the courts and may include fines, imprisonment, and in a small number of countries, for extreme cases, the death penalty. In most cases, the road administration or company management is legally obliged to report cases of suspected corruption to the criminal authorities so that these are investigated by the relevant prosecution body.
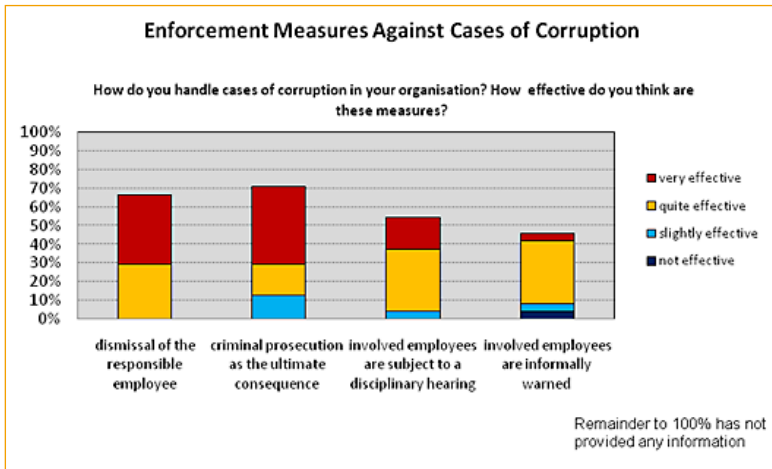

FIGURE 10 – ENFORCEMENT MEASURES AGAINST CASES OF CORRUPTION

In practice, only a small proportion of corrupt activities within the road sector are believed to result in criminal prosecution; the onus remains on organisations to develop their own internal checks and processes for preventing and dealing with instances of corruption when they arise.

2.3.8. Summary of Questionnaire Survey Findings

Issues of institutional integrity and tackling corrupt activities appear to be receiving more recognition and are becoming increasingly important for all organisations in the road sector. The main motivation on organisations appears to reduce the considerable inefficiencies and financial and reputational damage resulting from corruption and improve the image of the sector overall. The World Road Association has a key role to play in this agenda and the results of the questionnaire show that companies in the sector are already sufficiently engaged with a high level of awareness.

The survey reveals that there are a range of approaches already in use to prevent and combat corruption, although the perceived effectiveness and efficiency of different measures appears to vary quite widely. The analysis also shows that the development of management systems (staff management, internal control and audit systems, project management system and the like) is important for lowering the likelihood of corrupt behaviour taking place, or if it does, in that behaviour being detected and dealt with. Some organisations appear to reinforce this with internal codes of practice and guidance to employees setting out corporate expectations and requirements with regard to ethical behaviour and the consequences if these are not followed in daily working practice.

It is important that the existence and nature of functioning management systems is promoted and made known to staff through effective internal communications. This can create greater awareness of the need for strong business integrity, and knowledge that checks and balances are in place to detect and deal with corrupt activities should they arise.

It is clear that within the most organisations, there are at least some specific anti-corruption measures in place. However, the type of measures and their degree of development and implementation in practice appears to vary widely. It also appears that the capability and synergies of coherent anti corruption measures are not yet fully achieved in many cases.

In order to reduce or prevent corruption on a long-term basis, companies must above all focus on the development and implementation of coherent and comprehensive anti-corruption measures on a systematic and multi-tiered basis. This will be explored more fully in *chapter 5, page 81*.

2.4. CASE STUDIES

A small number of specific case studies where road administrations or supplier organisations had experienced corrupt or unethical behaviour were included in responses to the questionnaire and were followed up by Working Group 1. These are

summarised below and set out the circumstances where corrupt behaviour was suspected or demonstrated, the response and the longer-term lessons learnt by the organisations concerned. The organisations involved have been reported anonymously.

CASE 1 – UNITED KINGDOM – PROCUREMENT FRAUD

A surveyor worked on a contract basis for a local authority for six years. He was responsible for managing and letting the authority's minor works contract and was allowed to do so unsupervised. Over a period of approximately four years, one particular company was awarded almost 90 per cent of the work under the contract. It subsequently emerged that a senior director of the company in question was a family relation, but the surveyor had not declared this at the time of awarding the contracts.

In view of the apparent conflict of interest and the suspicion of corruption and fraud, the surveyor was dismissed from his employment with the local authority. Internal checks and controls relating to his successor were implemented.

CASE 2 – AUSTRIA – OVER – PAYMENT OF A CONTACTOR

An internal audit of a particular project uncovered evidence of payment of a subcontractor with no service provided in return. There was also evidence of recharging of some expenditure by means of fictitious quotes and invoices that had been cleared for payment by a project manager within the organisation.

The acting project manager was instantly dismissed. A special working group was also set up to conduct an in-depth examination of the project at hand and all of the other projects in that the manager had been involved.

The case is now studied by other managers within the organisation as part of training courses. Internal QM systems were also revised so that only sealed quotes may be received for contracts with a high value.

CASE 3 – SOUTH AFRICA – COVER PRICING AND COLLUSION

On an advertised tender, the site meeting was held with eight companies represented. Only 3 of them submitted tenders with one submitting a markedly lower price than the other two.

It was apparent that there was a 'gentleman's agreement' in 'one company's territory' that ensured that if one company was desperate for a contract, the others would not 'price'. The collusion was revealed by secret recording of a meeting where the collusion was agreed.

The director of the *"successful"* company was arrested and sentenced to jail, and resigned from the company. The contract was also re-tendered and awarded to a company that did not respond to the initial tender.

CASE 4 – SOUTH AFRICA – ANONYMOUS PHONE CALLS

A contracting organisation received complaints from several contractors who had tendered for work about anonymous phone calls received. The caller claimed to be an employee in the organisation and promised the contractors the award of a tender if they transferred money into a specific bank account.

On investigation of the bank account number, it was evident some contractors had been swindled and they had transferred funds into the account number. These contractors will also be in trouble for corruption when charges are laid, as paying a bribe is corrupt.

When the organisation was informed about this, it immediately set up a forensic investigation. This investigation has not been completed and is still going on.

CASE 5 – AUSTRALIA – FRAUDULENT CONTRACTS, FALSE INVOICING AND BRIBERY

A state road administration uncovered evidence of corrupt behaviour concerning the award and management of contracts for the management of tidal flow services, the provision of traffic management equipment, generation of fraudulent or inflated invoices and the bribery of a public official. The costs of these corrupt practices equated to well over AU$500,000 over three years.

These losses commenced when a senior operations manager conspired with a businessman who was a long-term friend in the award of tidal flow contracts. These contracts were then used by the businessman to submit and receive payment for a range of false invoices for work that had not been undertaken, invoices containing inaccurate or exaggerated information, and invoices for work that had in fact been carried out by other organisations. These invoices were signed off as accurate by the operations manager who received regular payments into his personal bank account from the businessman.

When the corrupt practices were discovered, the operations manager resigned immediately and an investigation was launched by an independent commission. This investigation confirmed the corrupt behaviour, recommended criminal prosecution of the former manager and the businessman concerned and proposed a wide range of changes to corporate practices governing procurement, contract management, processing of invoices and internal audit. The commission's report was published and debated in the media. Whilst this resulted in further reputational damage to the road administration, arrangements were subsequently put in place to avoid similar events in future.

The case studies above relate specifically to instances identified by the organisations responding to the questionnaire. Other examples of codes of practice, internal reporting and other measures to prevent, detect or enforce against corruption are set out in *chapter 4, page 68*.

2.5. EVIDENCE FROM THE DEVELOPING WORLD – THE TECHNICAL SEMINAR IN MALI

The questionnaire survey was strongly influenced by responses from developed countries and countries in transition; the response from developing countries was much more limited. However, the technical seminar held in Bamako, Mali, in December 2009, by the World Road Association in association with the Mali Ministry of Public Works, ARMFA and AGPAR, offered a useful opportunity to correct this and provide a focused examination of corruption issues in a developing world context. The event was attended by one hundred participants from 18 countries with representatives of the World Bank and European Union. The closing session was presided over by Mali's National Roads Director and was also attended by the Minister of Public Works and Transport.

The seminar was successful in providing an open and frank discussion around issues of corruption. In particular, it was recognised that corruption is a very significant problem at the societal level within the developing country context, with efforts to tackle it incomplete and often ineffective. The high economic and financial losses were fully appreciated by seminar attendees, along with environmental degradation, compromises to road safety and risks to organisations' reputation and confidence amongst investors. There was also general agreement that the roads sector in Africa is especially vulnerable due to institutional shortcomings, the significant funding streams, and the multiplicity of government ministries, other public agencies and private companies involved. It was also accepted that corruption in the developing world carried risks for multi-national consultancies and contractors if corrupt behaviour committed in Africa could increasingly be investigated and prosecuted in those companies' home countries.

Other key points[13] included:

• the issue of corruption is highly sensitive, so participants were positive that the Government of Mali had provided a local perspective on the issue;
• there is an important distinction between petty (small-scale) corruption and grand corruption embedded throughout public and private bodies as well as the political and economic system, with many developing countries suffering from both dimensions;
• the problems and risks of corruption cannot be tackled in the road sector alone. It is a part of a wider problem in society, but this does not absolve responsibility or impacts for road administrations to do something themselves;

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[13] See Routes and Roads, Number 346, 2nd Quarter 2010. Summary Paper on the PIARC International seminar Entitled *"Human Resource Management: Governance and Public Procurement"* Bamako Mali. Jean-Francois Corte

- there is an urgent need for awareness and openness about corruption, and a recognition that the risks lie in all parts, and all functions, of road organisation from recruitment, to land and property purchase, procurement procedures, processing of contractor payments, certification of work and the like;
- an important contributing factor for many public servants is the perceived low salary levels and poor terms and conditions of employment that weaken loyalty to the organisation and encourage individuals to seek second incomes or solicit income from bribes;
- the trend in the developing world is towards greater openness and transparency – encouraged by funding agencies such as the World Bank. However, actual progress has been slower than hoped for;
- effective action must involve all stakeholders – users, NGOs, contractors, consultants, and procurement bodies, public finance agencies – within the road sector; and
- vital elements for combating corruption will be building respect within civil society, creating positive values and role models and setting up effective enforcement bodies;

It was agreed that combating corruption, building integrity and establishing credibility requires time, determination and consistency. In particular, the seminar saw a need for:

- political intervention at the highest level, as well as on coordinating joint Ministerial actions;
- the need for the media to play the role of whistle blower on suspected cases of corruption;
- the need for a continuous action campaign designed over the long-term; and
- the requirement for all industry actors to be involved.

Following on from this, the eight members of the West African Economic and Monetary Union (UEMOA), including Mali, have adopted directives based on transparency and fairness in their market management policies and practices. The transposition of these directives in the public procurement code has helped to improve the rules of works management and opened up the transparency of the procurement process.

The seminar also discussed the link between institutional integrity and human resource management – linking the topics undertaken by WG1 and WG3 of the Technical Committee. In particular, the importance of establishing a style of human resource management, where recruitment, remuneration and public servants' career management are based on merit, was fully recognised, with directions needed for:

- clear definitions of profiles needed to full key positions;
- a competitive recruitment process based on open job descriptions;

- the establishment of effective systems to evaluate competencies and agents' performance;
- the definition and effective implementation of career plans based on objectives criteria, taking into account the competency and performance of key agents;
- the diminution of discretionary powers of senior executives for nomination of agents and potential recruits without recourse to published technical and human resource criteria and rules for the recruitment process.

The Mali seminar is considered by Working Group 1 as having raised some extremely useful perspectives in some areas usually considered too sensitive for open debate. In addition, it has raised the need for senior leadership within developing countries to raise and actively respond to the issues of corruption and wider societal integrity if the value of public assets is to be protected and wider social objectives are to be successfully pursued. As one speaker at the seminar remarked *"A guinea fowl looks at the comb of its predecessor"* meaning that leaders must set the example for others to follow.

The Working Group recommends that further work in researching and publicising the issue of corruption in the roads sector in developing countries is undertaken, both in subsequent Technical Committee programmes and also at the highest levels of the World Road Association. This is discussed further in .

2.6. FINAL REMARKS

This chapter has presented a wide range of evidence in relation to current causes, consequences and responses to corruption in the road sector. The following chapter now takes this evidence further in developing a systematic approach to tackling the problem and promoting more positive policies and practices for institutional integrity.

3. A TOOLKIT FOR INSTITUTIONAL INTEGRITY

3.1. CONCEPTUAL MODEL – THE CYCLE OF INTEGRITY

Building on the findings of the questionnaire survey, Working Group 1 developed a cyclical model which describes the procedure for preventing or tackling corruption on various levels and at various stages. This *"cycle of integrity"* comprises several stages whose reciprocal interactions and induced effects can be depicted in two opposing directions. *Figure 11, following page,* shows the individual elements in this model.
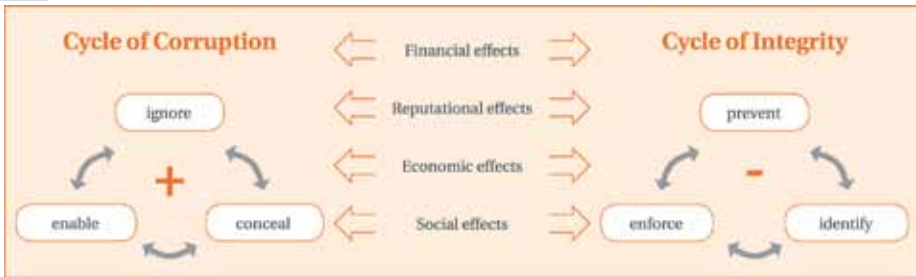
FIGURE 11 – CYCLE OF CORRUPTION - CYCLE OF INTEGRITY

3.1.1. Cycle of Corruption

The cycle of corruption starts with the issue of corruption being ignored. The organisation does not implement any countermeasures. There is no reaction to incidents of corruption and the organisation does not generally recognise the topic as an issue. In many cases the subject of corruption is trivialised or it is asserted that there is most certainly no corruption in the organisation; there is therefore no need to implement measures. By *"actively"* ignoring the subject the first steps towards corruption have been consciously facilitated.

The second stage is conscious concealment of corrupt activities. Although corrupt activities in the organisation are known, no countermeasures are taken. On the contrary, results are consciously falsified, for example, to deceive (external) monitoring bodies and thus conceal corrupt activities. The failure to introduce effective counter measures can also be instrumental in concealment.

The third and final stage is the intentional planning and execution of corrupt activities. Conditions are consciously created that enable systematic implementation of corruption. These include tendering systems that restrict competition or promote collusion, exclusion of monitoring bodies, conscious creation of *"problems"* to compel payments (e.g. bribes) from organisations and the use of corrupt activities across several management levels (a system of distribution to accessories and participants). Such systems enable various employees to act in a corrupt manner without having to particularly fear the consequences.

3.1.2. Cycle of Integrity

The cycle of integrity offers the opposite paradigm to the cycle of corruption. In this case the subject of corruption is recognised as an issue by the organisation and appropriate measures are taken. The positive, self-reinforcing cycle starts with active prevention of corruption. These preventative measures include, for example, developing employee education and awareness at all levels, development of

transparent, inclusive and accountable management systems, specification of open procurement and order processing processes, effective project management arrangements, and measures to improve employee identification with the organisation and its values.

The second stage is concerned with creation of appropriate framework conditions, which enable and promote timely detection of any cases of corruption. The most important measure is the development and application of active monitoring systems as part of management systems. These must be implemented at all levels of the organisation (project, departmental and corporate). Furthermore, systems for notifying suspicious cases, for example so-called *"whistle blowing"* processes, are developed.

The third stage deals with rigorous enforcement of specific sanctions against cases of corruption that have occurred within the organisation. Clear measures for dealing directly with cases of corruption are to be defined as part of corporate policy, and rigorously implemented in the case in question. For individual staff, depending on the nature and seriousness of the offence, these may include verbal warnings, internal disciplinary action, termination of contract, or notification of the authorities for civil proceedings or criminal prosecution.

3.2. INTERACTIONS WITHIN THE SYSTEM

The model described above is characterised by various intrinsic system interactions. On the one hand these occur within the cycle itself, and the two directions of the cycle also interact with each other as a result of the effects induced.

3.2.1. Interactions within the Cycles

The model of the interacting cycle is characterised by the respective features or stages reciprocally determining integrity, especially within the cycle and having an enabling or a constraining effect. In order to achieve a positive strengthening of integrity in the system, it is necessary for individual measures to be interlinked and coordinated at the respective stages. It is furthermore essential for there to be equal focus at all stages in order to create a comprehensive and effective system. Conversely, it is not productive if an organisation concentrates exclusively on prevention, but the accompanying identification or enforcement measures are not equally mature. The system can only be as efficient and effective as its weakest part, according to the cycle's nature.

It is also worth emphasising that the system in question is a dynamic one, which is to be regularly adapted to current knowledge. This means knowledge gained in the course of revealing a case of corruption, for example, can be used to inform ways of tackling similar cases in future and in developing wider corporate systems and processes.

3.2.2. Interaction between the Corruption and Integrity Cycles

In practice the corruption and integrity cycles interact in numerous ways that are analysed below. The effects in question will be stronger or weaker depending on which direction of the cycle is more marked. However, it can generally be said that quantification of the impact of corruption is extremely complex and carries substantial uncertainties.

Financial Effects

The effect that can be quantified most clearly is the effect of corruption or active integrity on an organisation's financial performance. In every case of corruption, it is the organisation that is damaged, to the benefit of the people who are involved in the corruption on the part of the principals and contractors. This often results in an unjustified increase in project costs and restriction of competition at project and organisational level. Active corporate integrity enables a corporate structure, based on economic and efficient project implementation that is more competitive and sustainable in the long term.

Reputational Effects

The damage caused by corruption to the organisation's reputation must also be considered in addition to the immediate economic damage. Reputational damage is difficult to quantify, but it is known from past cases that cases of corruption that come to light and are discussed in public have entailed substantial, lasting damage to the organisation and its management. In severe cases, individual incidents may be sufficient to bring the entire organisation and its employees into disrepute. A damaged reputation can lead to loss of trust and to a worse competitive situation, which in turn feeds back to the financial effects.

Societal Effects

Corruption also has a considerable impact at the level of society and state. How big (even, to a certain extent, quasi-public) organisations handle corruption and enforcement action against them acts as an example to the whole of society in the country concerned. When it is known that corruption is tolerated at top government level, or by organisations, or is even commonplace, then the threshold at that people are inhibited from also being corrupt is much lower. Politicians and senior executives must actively live out the integrity cycle in order to promote this ideal to society as a whole. This provides the basis to encourage the society to promote and uphold moral standards and dignity.

A greater degree of integrity is also reflected in a higher level of service and greater customer satisfaction where infrastructure organisations are concerned. A high-quality and safe infrastructure system can be made available to society as part of economic and efficient corporate management. In this context it is again important that this corporate attitude is also communicated within the organisation that in turn highlights interactions with reputation.

Economic Effects

The economic damage caused to the state and thus, in turn, to society as a whole by corrupt corporate behaviour can be immense. Above all, this affects efficiency of general deployment of resources, the structure and competitiveness of markets and the pricing framework. The multiplier effects that infrastructure organisations, especially quasi-public organisations, have on the macro-economy with their large, multi-layered contracts, can be regarded as decisive. Through active integrity, every organisation can therefore contribute to a long-term stable, socially just and competitive national economy, from that the organisation itself profits.

3.3. INSTITUTIONAL INTEGRITY TOOLKIT

Based on the cycle of corruption and cycle of integrity models, findings from international studies and work by bodies such as Transparency International, a comprehensive toolkit of anti-corruption measures has been devised, in order to effectively and efficiently implement the cycle of integrity within an organisation. Division of the essential anti-corruption measures into the relevant fields of prevention, identification and enforcement is characteristic of this overview.

The toolkit can be used as a checklist for an organisation intending to implement active, coordinated measures as part of the cycle of integrity. It must be stressed that it is not always necessary or sensible to implement all measures depending on specific local conditions. Organisation-specific priorities and development and implementation plans must be developed instead.

The individual measures have been specified in greater detail as the toolkit has been developed. The full version of the integrity toolkit including a detailed description of the measures is included in Appendix 2.

3.3.1. Measures for the Prevention of Corruption

Development of Business Ethics and Anti-Corruption Strategy – Awareness–Raising and Educational Measures

Theory: In many cases there is a lack of awareness about the definition, nature and consequences of corrupt behaviour. Awareness-raising measures therefore need to be provided as a priority for all employees and, if possible, for all contractors. Measures included within the toolkit under this category include:

- ethics guidelines;
- ethics workshops and other dissemination events;
- internal and external corporate publications;
- self-tests for employees;
- signature of an anti-corruption agreement;
- anti-corruption report; and
- integrity declaration by tenderers.

Organisational Measures (at Organisation and Project Level)

Theory: Creating an appropriate organisational framework enables many opportunities for corrupt behaviour to be prevented, since a number of people need to be involved in all relevant decisions.

- two (or more) person control principle;
- signature regulations;
- substitution arrangement;
- job rotation;
- disclosure of secondary employment or other commercial links;
- disclosure of close personal relationships; and
- involvement of service departments.

Development or Further Development of Management Systems

Theory: The better developed the management and control systems of an organisation, the easier it is to implement effective anti-corruption measures, the higher the likelihood of uncovering cases of corruption and the lower the readiness of employees to act in a corrupt manner. Measures included in the toolkit under this category include:

- project plan and information system;
- risk management system;
- cost management system;

- project management; and
- project sign-off.

Specification of Procurement Processes

Theory: Being at risk of corruption, the procurement process in particular needs to be developed and regulated in an unambiguous way, using clear and comprehensive processes. Clear regulations must prevent *"misinterpretations"* by employees with clear *"gateway"* arrangements on key decisions. Measures included in the toolkit are:

- standardisation of the invitation to tender;
- procurement - deviation from the standard;
- notification requirement and duty to obtain consent;
- evaluation process of tenders;
- in-depth tender evaluation of prices;
- in-depth internal tender evaluation of large projects;
- opening of tenders by committee;
- documentation and potential publication of all tender award decisions; and
- variety of tenderers to promote competition.

Development in the Area of Order Processing

Theory: All areas in order processing where corruption may occur must be defined sufficiently clearly so that misunderstandings can be avoided and so that all employees are aware of areas that are at risk of corruption. Measures included in the toolkit are:

- development of guidelines for the settlement of services; and
- development of guidelines for additional orders.

Corporate Culture and Improved Identification with the Organisation

Theory: The more developed the corporate culture, and the higher the degree of employee identification with the values of the organisation, the less willing employees will be to engage in corrupt activities. Measures include:

- corporate culture;
- stronger identification with the organisation;
- role model effect of senior management; and
- positive mistake culture.

Increasing Employee Satisfaction

Theory: The higher the level of employee satisfaction within the organisation, the less willing employees are to engage in corrupt activities. Among dis-satisfied employees, the likelihood of corruption is much higher. Measures included in the toolkit are:

- basic salary levels, terms and conditions;
- personal recognition and respectful feedback;
- clear job and personal objectives;
- dealing with suggestions for improvement;
- employee appraisals;
- improving the working environment and conditions;
- team building;
- anti-bullying measures;
- preventing burn-out syndrome;
- employee counselling and access to assistance; and
- performance-related pay.

3.3.2. Measures for the Identification of Corruption

Development of Management Control and Monitoring Systems

Theory: One of the most important conditions to identify corruption is a *"total"* (comprehensive) control system as a part of the management system in the organisation. The system to take enforcement action against corrupt behaviour can only be as good as the system to identify corruptive behaviour. Measures within the toolkit include:

- further development of systems of control;
- internal control at project level;
- internal control at department level;
- internal control at organisation level;
- internal audit; and
- external audit and control.

Systems to Report Suspected Cases of Corruption

Theory: To encourage employees to announce suspected cases it is necessary to install reliable reporting systems. Each system to prosecute corrupt behaviour can only be as good as the system to identify it in the first place. Systems to detect corrupt behaviour within the toolkit include:

- contact for suspected cases of corruption;
- *"ombudsman/ethical person of trust"*;
- anonymous reporting systems (*"whistle blowing"*);
- other internal reporting systems (*"whistle blowing"*);
- external reporting systems; and
- notification of price fixing, cartel behaviour or anti-competitive practices.

3.3.3. Measures for Enforcement Action against Proven Cases of Corruption

Definition of Clear Guidelines

Theory: Very clear regulations do not just deter employees from becoming involved in corrupt activities; they also provide senior management with a clear framework and support them in dealing with proven cases of corrupt activity by employees or representatives of suppliers and other stakeholders correctly and consistently. The toolkit therefore includes measures for:

- clear and transparent regulations for dealing with suspected cases of corruption; and
- standardised procedures, systems and processes.

Assignment of Responsibility for Handling Cases of Corruption

Theory: Where corruption is discovered, instigated by, or affecting, individuals within the organisation, investigation and decisions on resulting action must be independent, transparent and clear. The organisation should therefore assign specific responsibility for taking final action, whether within management structure or independent of it. The toolkit therefore includes provision for:

- appointment of an independent investigator and decision maker on sanctions; and
- communication of results of investigations to the individuals concerned or the wide organisation.

Consistent Implementation of Measures (Internal)

Theory: If consequences set by the organisation, and defined within guidelines, are not executed in practice, employees or suppliers may lose their fear of individual consequences if they engage in corrupt behaviour. The toolkit therefore advocates the following options for enforcement action against corruption should it be discovered:

- informal warning;
- formal warning (left on record);
- formal disciplinary procedure;

- request for employee to leave post/consider position;
- dismissal with or without notice, and penalties or termination of contract;
- disciplinary procedures against senior managers (if they fail to act on cases of suspected corrupt behaviour); and
- reference to the authorities for civil proceedings or criminal prosecution, for employees found guilty on the basis of available evidence.

3.4. EXAMPLES OF ACTIVITIES IN DIFFERENT ORGANISATIONS

The following case studies show examples of codes of practice, internal reporting and other measures to prevent, detect or enforce against corruption that are already successfully implemented within different organisations. These examples are field reports and show how different measures could work within the organisations.

CASE 1 – SOUTH AFRICAN NATIONAL ROADS LIMITED

SANRAL's core activities are in the public works, construction and maintenance industry. The organization is keenly aware of the dangers of fraudulent and corrupt activities affecting its business, particularly within the transforming South African economy. Problems emanating from collusion and other corrupt practices are challenges on project sites. Vigilance in monitoring and education is seen as critical in managing the conduct, relationships and activities of the role players in any project: consultants, main contractors and sub-contractors.

As an aid to its objective of spreading the message of zero tolerance to all such malpractice, SANRAL subscribes to a fraud hotline service that is operated by Tip-Offs Anonymous, a service provider independent of SANRAL. This whistle-blowing service, is available for anyone, within the organization or external, to anonymously and without fear of victimization, report on suspected wrongdoing, unethical behaviour, theft, corruption, fraud or other incidences that could harm SANRAL's operations and reputation.

All substantive allegations undergo a forensic investigation process for that expert investigators may be engaged. All investigations are conducted in a transparent, fair and objective manner respecting the rights of the individuals implicated. The intention is that SANRAL's intolerance to malpractice be communicated in no uncertain terms within the contracting community.

It is also therefore important that quality governance and responsible risk management are developing as an integral part of SANRAL's organizational culture – with every employee and director being a custodian of the core values of service excellence and integrity. These are the values that SANRAL strives to nurture and uphold for all its stakeholders. Board members and management are committed to the achievement of high standards. SANRAL endeavours to create an environment of trust and openness and encourages a culture of individual accountability. In the final analysis, SANRAL accepts that it is the people, especially those who wield power, that make or break the practice of good governance.

CASE 2 – SWEDISH ROAD ADMINISTRATION

Vägverket, the Swedish Road Administration, now part of the Swedish Transport Agency, adopted an Ethical Business Policy in 2002 that covers all ordering, procurement, contracting, letting and sales operations of the organisation. The Policy includes clauses that require all managers and employees to:

• work for the good of the client without benefiting from unauthorised interests;
• promote healthy competition without improper contact with potential bidders in terms of prices, geographical division or any other context that may hinder fair competition;
• refrain from damaging the reputation of any bidder, supplier or competitor by the expression of unwarranted or unjustified criticism of their work; and
• take a firm stance against contact and relationship-furthering benefits.

The policy is the ultimate responsibility of the Director General, ensuring its recognition and adoption at the highest levels of the organisation.

CASE 3 – NEW SOUTH WALES ROADS AND TRAFFIC AUTHORITY

The New South Wales Roads and Traffic Authority, now part of Transport New South Wales, publishes a range of corporate policy statements as part of its human resources manual, including a number that relates specifically to ethical behaviour.

Policy 007 concerns bribes, gifts and other benefits and sets out that RTA staff must not, under any circumstances, solicit or accept a bribe or substantial gifts or benefits of any kind. They may not accept a gift or benefit that could reasonably be perceived as having been provided with the intent of influencing the carrying out of their duties. Money or alcohol may not be accepted regardless of quantity or value.

Where gifts are accepted, they must be approved by a director and recorded in a formal gifts and benefits register.

The RTA may take disciplinary action (including termination of contract) against any staff member found to be breaching the Policy. Breaches may also be reported to the police and/or the Independent Commission Against Corruption (ICAC).

Policy 017 concerns corrupt conduct and maladministration and explicitly states that RTA employees may not engage in any corrupt or unlawful conduct in the performance of their duties. Staff are encouraged to report suspected corrupt conduct, maladministration or serious waste of public money internally or to an external investigating body.

Action under the latter is covered under the Protected Disclosures Act 1995 that aims to ensure that staff who wish to report suspected corrupt behaviour, can do so with confidence that claims will be properly investigated and with legal protection from reprisals from the perpetrators.

The policy includes specific examples of actions deemed to be corrupt behaviour so that employees are in no doubt as what is and what is not acceptable. The RTA may take disciplinary action (including termination of contract) against any staff member found to be breaching the policy. The Chief Executive is also obliged to report any corrupt conduct to the Independent Commission Against Corruption (ICAC).

The Policy is supported by a documented procedure for staff wishing to make a protected disclosure, how these will be dealt with and how outcomes will be reported back to staff. An internal Ethics Helpline provides further advice and support.

CASE 4 – HUNGARIAN DIRECTORATE OF ROAD MANAGEMENT AND COORDINATION

The Hungarian Directorate of Road Management and Coordination (DRMC) has adopted an ethical code governing public servants and relations with partner organisations that includes a number of specific clauses around institutional integrity as follows:

- employees of DRMC are liable to perform their duties in a manner that does not conflict with the requirements of fair competition and free market;
- it is forbidden for public servants of DRMC to be involved in any kind of illegal economic activity – mainly in a way that would harm or jeopardize in any manner the legal interests of DRMC;
- DRMC will not tolerate bribery, including any offer for unethical payment either for, or on behalf of, individuals or organisations; and
- DRMC condemns any activity or attitude conflicting on ethical grounds with its business objectives and interests of fairness and equity and will take action against perpetrators even in the absence of specific regulations relating to the behaviour in question.

In addition, employees are explicitly required to avoid any kind of conflict between their personal financial interest, personal relationships and their duties and activities of employment. They may not accept or initiate contact or cooperation by DRMC with enterprises in that they, or relatives, have a financial or other interest.

Co-workers are required to report to senior management instances where they believe conflicts of interest, bribery or other improper behaviour to exist. Where such behaviour relates to an employee's line manager, then a more senior manager should be approached.

If misconduct under the Code causes reputation or financial damage to DRMC, public servants involved may be liable to pay damages.

CASE 5 – JAPAN NATIONAL INSTITUTE OF LAND AND INFRASTRUCTURE MANAGEMENT

The National Institute for Land and Infrastructure Management (NILIM), part of the Ministry of Land, Infrastructure, Transport and Tourism, has a discipline committee that consists of 17 internal members including the Director General, and 3 external members: a civil engineering professor, a professor who has experience working for the Board of Auditors, and a lawyer. The committee discusses whether or not to make revisions or updates to the regulations and training programs regarding ethics and discipline. The regulations include such items as follows:

Working Environments

The Director General shall prevent confidential information from being divulged by implementing the following measures: i) posting a notice to notify and disseminate the message that access to officials in charge of preparing specifications and designs is restricted; and ii) ensuring there are meeting rooms for more than one official to meet business operators.
Officials shall endeavour to keep appropriate environments in the office at all times to prevent confidential information from being divulged through loss or other mishaps and make their best efforts to manage and control such information.

How to Meet Business Operators

Officials shall avoid meeting business operators at their desk privately. A meeting room shall be used with the attendance of more than one official. If only one official is available, prior approval must be obtained from the head of the officials' department and business operators must be met in the meeting room with the door open.

Reporting

Upon confirming or receiving information about corrupt behaviour, officials shall report that fact to the committee or lawyers who serve as a contact point established outside the NILIM so that officials can report anonymously. The officials shall not be treated unfairly or adversely because of the fact that they made such report. It shall not be possible to search or identify the name of officials if they do not wish to have their name disclosed. The Director General shall conduct investigations to confirm the facts and take the necessary action, which includes punishing any officials involved in the corruption and developing measures to prevent such corruption from recurring.

Training and Seminars

The Director General shall provide training, seminars and similar events to increase the officials' awareness about compliance with applicable laws and regulations regarding ethics and discipline.

CASE 6 – JAPANESE NATIONAL PUBLIC SERVICE ETHICS BOARD

The Japanese National Public Service Ethics Board, part of the National Personnel Authority, publishes documents on ethics to make officials who work for ministries and relevant organizations further understand ethics codes. One of these documents is a leaflet that contains specific examples and Q&As as follows.

1. National public officials are not allowed to receive money, goods, and real estate from stakeholders. However, they are allowed to receive such things as follows:

Sales promotion items and novelties to be widely distributed (for example, calendars with company logos or books which are distributed to commemorate anniversaries).

Sensible amounts of congratulatory money and condolatory money that are offered from stakeholders due to their relationships with parents and the like, at wedding parties and funerals of parents.

2. National public officials are not allowed to receive hospitality from stakeholders in the form of food and drink. In the following circumstances, however, they are allowed to drink and dine at the expense of stakeholders without paying for their own expenses.

Buffet-style parties that many people attend (about 20 people or more). For example, when attending buffet-style New Year parties attended by business people or anniversary parties of companies.

Simple drinking and dining in meetings and conferences that national public officials attend as their assignments. For example, when eating lunch which is served during, before, or after a meeting or a conference that national public officials attend as their assignments.

Drinking and dining in ceremonial meetings of a public nature. For example, when attending a dinner party held at an international award ceremony that organizations which are stakeholders are hosting as celebrations.

3. National public officials are not allowed to travel or play games with stakeholders even when they pay their own expenses. However, they are allowed to engage in these activities with stakeholders in the following circumstances:

When they play golf with stakeholders by chance in an OB session of stations they belong to or a golf competition of a prefectural club (as long as there are about 30 to 40 participants and several stakeholders).

When they travel to conduct official duties.

When travelling with stakeholders by chance in a tour conducted by a travel agency.

3.5. IMPLEMENTATION AND FURTHER DEVELOPMENT OF THE TOOLKIT

Corruption and integrity exhibit important reciprocal influences and interactions. Identification and exploitation of the required actions as a dynamic and comprehensive system is a prerequisite for the implementation of efficient and effective corporate anti-corruption measures. Numerous discussions during the course of our research show that organisations must take active measures to prevent or discourage corruption in the first place, but also to identify specific cases of corrupt activity and then to undertake rigorous enforcement activity.

It is important, however, for measures in the different areas to be coordinated depending on the respective framework conditions, and developed in a balanced relationship. Corruption and integrity must be recognised as separate, but inter-related, issues and promoted equally within road administrations and partners within their supply chains. Based on our earlier survey, the most important measures to achieve this include development of management systems, development of a positive corporate culture and specific anti-corruption measures linked to the procurement process.

We recommend that the toolkit of anti-corruption measures should have the active support of all those organisations in the roads sector wishing to take active measures in terms of improved integrity. For example, the Anti Corruption Forum UK, provides a platform where integrity is discussed across the transport sector and particularly within consulting firms' arena.

Further information and detailed descriptions of the measures can be found in Appendix 2.

3.5.1. Situation Analysis of Existing Measures within Organisations

As well as providing a basis for action from first principles, the toolkit can also be used for a comprehensive situation analysis of existing measures that are already being planned or implemented within organisations. In the toolkit, as set out in Appendix 2, a distinction is made between the following categories:

- measures are fully implemented;
- measures are partially implemented; and
- measures are not implemented.

On the basis of this situation analysis, gaps can be identified and the need for future measures can be derived. In the toolkit set out in Appendix 2, a distinction is also made between the following categories for measures:

- to be introduced; and
- to be developed further.

Once this analysis is undertaken, and potentially reflecting the perceived or actual level of corrupt practices and behaviours within the organisation, the next step in implementation within the organisation is to develop a detailed action plan. As well as road administrations themselves, it is recommended that this includes key supply chain partners.

3.5.2. Action Plan

Following on from the previous discussion, a possible approach to the implementation of the measures shown in the toolkit is to develop an action plan in that the measures proposed to prevent, identify and take enforcement measures against corrupt practices are ranked in order of likely effectiveness, cost and overall priority. It is also recommended that each measure is assigned an individual sponsor (e.g. department or manager) and an implementation date.

In terms of the timetable for implementation, a distinction can be made between:

- short-term measures;
- medium-term measures; and
- long-term measures,

in order to take into account the urgency of implementation or the implementation options (e.g. resources available).

In terms of the importance of the individual measures for the organisation, a distinction can be made between *"very important measures"*, *"important measures"* and *"supplementary measures"*.

In order to be able to implement measures in a traceable (and verifiable) way, they need to be defined as specifically and in as much detail as possible and must be clearly demarcated. Subsequently, implementation needs to be monitored regularly. Monitoring the effect of individual measures represents a challenge: quantification is not always possible, but the effectiveness of the measures should nevertheless be evaluated using a number of indicators, for example: number of identified cases of corruption, number of employees who have attended ethics workshops, general employee satisfaction and quality of the management system (e.g. cost security).

4. WIDER DIMENSIONS OF INTEGRITY

4.1. DIFFERENT APPLICATIONS OF THE CYCLE AND TOOLKIT OF INTEGRITY

During the development of the cycle of integrity and integrity toolkit, it became apparent that, as well as individual organisations, the key principles can be applied at the societal (macro) and project (micro) level in the sense of developing specific policies, tools and practices to prevent, detect and enforce against corrupt behaviour. Essentially, this involves:

• developing a set of values and principles that can be assessed and applied at the level of the overall social, political and economic context within that road administrations and their supply chain partners operate; and
• developing and implementing measures and controls at the level of individual projects as they are identified, planned, procured and implemented.

This chapter briefly considers these levels in further detail, although it is recommended that further work is undertaken within the next PIARC cycle to take the principles forward. We will elaborate on this in .

4.2. INTEGRITY AT THE SOCIETAL LEVEL

The cycle of integrity applies principally to the level of the individual organisation – for example a road administration or a company offering consultancy or contractor services as part of its wider supply chain. However, there are a range of societal factors that can act as barriers or enablers to the achievement of institutional integrity.

With the purpose to establish whether the surrounding community is supportive or not of measures to prevent, identify and prosecute corrupt practices, organisations should assess the societal factors, developed during discussions by the Working Group, that are listed below:

• the existence, or not, of a strong tradition of the rule of law and widespread respect for, and adherence to, laws and regulation;
• the existence of specific laws and regulations that define corruption and set out clear civil or criminal proceedings for breaches and offences;
• well publicised examples where penalties against offenders have been applied, regardless of their position, social rank or level of influence within society;
• the existence of independent and focused institutions for regulation, scrutiny and inspection of public and private sector organisations, with commensurate leadership, powers and resources to accomplish their role;

- a broad agreement, at societal and corporate level, of the unacceptability, costs and wider impacts of corrupt practices, reinforced by an independent media;
- values and norms that grant no tolerance to corruption;
- political leadership, zero tolerance of corruption and an open, transparent and effective political process subject to clear rules, regulations and accepted means of operation;
- an active focus from the press on corruption and freedom for journalists to publicly pursue suspected cases; and
- dependence, or lack of dependence, on additional informal sources of income by employees of public and private sector organisations.

Through these mechanisms, each society can influence the potential of developing or achieving institutional integrity at the organisational level. If there is a high degree of focus, awareness and political priority that corruption will not be tolerated, it is easier to support integrity – and the application of the toolkit – at the institutional level. If there is not, the individual organisation must work harder on its own internal systems, processes and interfaces.

As with the toolkit itself, assessing these factors can provide an indication of whether the interaction between the organisation and the wider society supports or inhibits the development of integrity, split broadly into four categories:

- very strong (supportive);
- strong;
- moderate; and
- weak (unsupportive).

Examples of the application of this framework are shown below for Denmark, Austria, UK, France, Hungary and Japan. However, the framework can be applied to any country as appropriate.

CASE 1 – DENMARK
In Denmark, there is a high degree of support against corruption in the society in general and especially in the public sector. Therefore, in this case, the Danish Road Directorate has decided not to develop specific policies against corruption in the organisation, since these are seen as superfluous to the norms that exist within wider Danish society and the political nd economic system. Denmark is second place world-wide in Transparency International's Corruption Perceptions Index with a score of 9.3. That suggests that Denmark is one of the least corrupt countries in the world.

SOCIETAL ASSESSMENT – DENMARK				
Societal Factors – Denmark	**Very Strong**	**Strong**	**Moderate**	**Weak**
A strong tradition of the rule of law and social respect and adherence to laws and regulation	x			
Specific laws or regulations against corruption, with clear civil or criminal penalties for breaches and well	x			
Publicised examples where these penalties have been applied	x			
Institutions for regulation, scrutiny and inspection of public and private sector organisations				x
A broad social and corporate awareness of the costs of corruption	x			
Values and social norms that grant no tolerance to corruption	x			
Political leadership, zero tolerance of corruption and an open, transparent and effective political process subject to clear rules, regulations and accepted means of operation		x		
An active focus from the press on corruption and freedom for journalists to publicly pursue suspected cases	x			
A tradition for corruption and acceptance by key players that this is *"the norm"*				x
Society at various levels dependent on money from corruption				x

Denmark is characterised by a high degree of morals in respect to corruption on the one hand, but on the other hand there is not a systematic approach to the fight of corruption in many individual organisations. In general Denmark can therefore be described as very supportive in the fight against corruption, reducing the need for institutional specific measures.

CASE 2 – AUSTRIA
Austria is characterised by a high degree of morals in respect to discouraging corruption. This general social approach is legally implemented by the ratification of relevant laws and regulations. Based on the relevant legislations most individual organisations implement specific (and stronger) measures to outline how they advance their ambition of enforcing against corruption. Austria is in the 16th place world-wide in Transparency International's Corruption Perceptions Index 2009 with a score of 7.9.

SOCIETAL ASSESSMENT – AUSTRIA				
Societal factors – Austria	**Very Strong**	**Strong**	**Moderate**	**Weak**
A strong tradition of the rule of law and social respect and adherence to laws and regulation	x			
Specific laws or regulations against corruption, with clear civil or criminal penalties for breaches and well	x			
Publicised examples where these penalties have been applied		x		
Institutions for regulation, scrutiny and inspection of public and private sector organisations	x			
A broad social and corporate awareness of the costs and implication of corruption		x		
Values and social norms that grant no tolerance to corruption		x		
Political leadership, zero tolerance of corruption and an open, transparent and effective political process subject to clear rules, regulations and accepted means of operation	x			
An active focus from the press on corruption and freedom for journalists to publicly pursue suspected cases	x			
A tradition for corruption and acceptance by key players that this is *"the norm"*				x
Society at various levels dependent on money from corruption				x

Concerning the enforcement of corruption, Austria can be therefore described as supportive.

CASE 3 – UNITED KINGDOM
A wide range of relevant laws and regulations are in place. These are reasonably well enforced by independent bodies such as the Serious Fraud Office and also promoted by professional bodies. However, individual organisations still have their own measures, especially following a number of high-profile instances of industry collusion and corrupt practices. The UK is in the 17th place world-wide in Transparency International's Corruption Perceptions Index 2009 with a score of 7.7.

SOCIETAL ASSESSMENT – UNITED KINGDOM				
Societal factors – United Kingdown	Very Strong	Strong	Moderate	Weak
A strong tradition of the rule of law and social respect and adherence to laws and regulation	x			
Specific laws or regulations against corruption, with clear civil or criminal penalties for breaches and well	x			
Publicised examples where these penalties have been applied		x		
Institutions for regulation, scrutiny and inspection of public and private sector organisations	x			
A broad social and corporate awareness of the costs of corruption		x		
Values and social norms that grant no tolerance to corruption		x		
Political leadership, zero tolerance of corruption and an open, transparent and effective political process subject to clear rules, regulations and accepted means of operation	x			
An active focus from the press on corruption and freedom for journalists to publically pursue suspected cases	x			
A tradition for corruption and acceptance by key players that this is *"the norm"*				x
Society at various levels dependent on money from corruption				x

2010 BRIBERY ACT

The Bribery Act 2010 was passed into the statute book on 8th April 2010. It defines four new criminal offences:

• offering or paying a bribe;
• requesting or receiving a bribe;
• bribing a foreign public official. (in line with the OECD Convention); and
• a corporate offence of failing to prevent bribery being undertaken on its behalf.

The act defines *"bribery"* in wide terms, to capture the differing ways in which bribes are made or received. It sets out several scenarios, or *"cases"*. The one which is expected to apply to most businesses is the offence of giving a bribe, specifically:

"The defendant offers, promises or gives a financial or other advantage intending to induce another person to perform improperly one of their functions in their position of trust and responsibility, or as a reward for improper performance".

The legislation applies to all companies, partnerships and individuals based in the UK, as well as foreign companies and individuals doing business in the UK. It has a global reach, applying to acts or omissions taking place anywhere in the world.

CASE 4 – FRANCE
France has laws and regulations to prevent, detect and punish corruption. These laws and regulations are reasonably well enforced and examples of penalties are regularly publicised. On the contrary, several recent or current affairs with international audience have negative effect on France's image abroad and within national borders.
France is in the 25th place world-wide in Transparency International's Corruption Perceptions Index 2010 with a score of 6.8.

SOCIETAL ASSESSMENT – FRANCE				
Societal factors – France	Very Strong	Strong	Moderate	Weak
A strong tradition of the rule of law and social respect and adherence to laws and regulation		x		
Specific laws or regulations against corruption, with clear civil or criminal penalties for breaches and offences	x			
Publicised examples where these penalties have been applied		x		
Institutions for regulation, scrutiny and inspection of public and private sector organisations	x			
A broad social and corporate awareness of the costs and implication of corruption		x		
Values and social norms which grant no tolerance to corruption		x		
Political leadership, zero tolerance of corruption and an open, transparent and effective political process subject to clear rules, regulations and accepted means of operation		x		
An active focus from the press on corruption and freedom for journalists to publicly pursue suspected cases	x			
A tradition for corruption and acceptance by key players that this is *"the norm"*				x
Society at various levels dependent on money from corruption				x

Concerning the enforcement of anti corruption measures, France can be described as supportive.

CASE 5 – HUNGARY
Over the last 50 years, Hungary has struggled to raise standards against corruption in society. However, due to increasing media scrutiny, awareness of this problem and its consequences is being raised, and the relevant laws are being introduced and becoming more and more specific and systematic.

Therefore, in this case, the Hungarian Road Administration has correctly implemented the relevant laws and rules in its daily work. Further details have already been set out in *chapter 3*.

Hungary is in the 46th place world-wide in Transparency International's Corruption Perceptions Index 2009 with a score of 5.1. |

| SOCIETAL ASSESSMENT – HUNGARY				
Societal factors – Hungary	**Very Strong**	**Strong**	**Moderate**	**Weak**
A strong tradition of the rule of law and social respect and adherence to laws and regulation			x	
Specific laws or regulations against corruption, with clear civil or criminal penalties for breaches and well	x			
Publicised examples where these penalties have been applied		x		
Institutions for regulation, scrutiny and inspection of public and private sector organisations		x		
A broad social and corporate awareness of the costs and implication of corruption			x	
Values and social norms that grant no tolerance to corruption			x	
Political leadership, zero tolerance of corruption and an open, transparent and effective political process subject to clear rules, regulations and accepted means of operation		x		
An active focus from the press on corruption and freedom for journalists to publically pursue suspected cases	x			
A tradition for corruption and acceptance by key players that this is *"the norm"*			x	
Society at various levels dependent on money from corruption		x		

Concerning the enforcement of corruption Hungary can be described as supportive.

CASE 6 – JAPAN
Japan has laws and regulations to discourage and prevent corruption and the National Public Service Ethics Board, part of the National Personnel Authority, provides leaflets that contain specific examples of corruption. The aim is to ensure national public officials clearly understand what actions are considered corrupt. Also to raise awareness about ethics, the first week of December is designated as a campaign period. During this time, DVD and self-checking cards are distributed so that national public officials can review their own conduct and ensure they are not behaving corruptly. Japan is in the 17th place world-wide in Transparency International's Corruption Perceptions Index 2009 with a score of 7.7.

SOCIETAL ASSESSMENT – JAPAN				
Societal factors – Japan	**Very Strong**	**Strong**	**Moderate**	**Weak**
A strong tradition of the rule of law and social respect and adherence to laws and regulation	x			
Specific laws or regulations against corruption, with clear civil or criminal penalties for breaches and well	x			
Publicised examples where these penalties have been applied	x			
Institutions for regulation, scrutiny and inspection of public and private sector organisations	x			
A broad social and corporate awareness of the costs and implication of corruption	x			
Values and social norms that grant no tolerance to corruption	x			
Political leadership, zero tolerance of corruption and an open, transparent and effective political process subject to clear rules, regulations and accepted means of operation	x			
An active focus from the press on corruption and freedom for journalists to publically pursue suspected cases	x			
A tradition for corruption and acceptance by key players that this is *"the norm"*				x
Society at various levels dependent on money from corruption				x

Developing Countries

We do not have country specific information about the significance of the societal factors described for developing countries. However on the technical seminar held in

Bamako, Mali, in December 2009, by PIARC in association with ARMFA and AGPAR, a broad debate on corruption issues took place. Conclusions from the seminar are presented in this report in *section 3.5*.

At this seminar, it was recognised that corruption is a very significant problem at the societal level within developing countries and the risk and actual incidence of corruption cannot be tackled by road administrations alones. In these cases, the factors promoting integrity at the level of civil society are comparatively weak, and strong political leadership, open dialogue and debate and specific legal interventions are required to address the issue.

THE CORRUPTION PERCEPTIONS INDEX

Corruption remains a serious problem in most parts of the world and across sectors, but quantifying it across countries remains problematic.
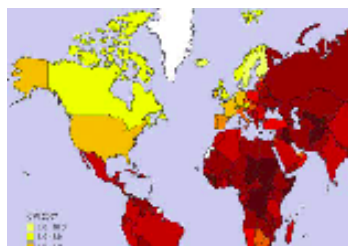
In response, Transparency International has developed the Corruption Perceptions Index (CPI). This looks at perceptions of public sector corruption in 180 countries and territories based on 14 expert opinion surveys. It scores countries on a scale of 1 to 10, with zero indicating high levels of perceived corruption and ten indicating low levels.

A strong correlation between corruption and poverty is evident in the CPI. Some 40% of those scoring below 3, where corruption is indicated to be acute, are classified by the World Bank as low income countries. Many of the countries in this category are also impacts by civil unrest and conflict. Somalia and Myanmar share the lowest score of 1.4, whilst Denmark shares the top score of 9.4 with Finland and New Zealand.

Low scores in the CPI indicate that public institutions are heavily compromised, often with little transparency in financial management or accounting, oversight or control of corrupt officials. Staffing of such institutions, at least at senior level, may also be based on patronage or nepotism, rather than recruiting or promoting on the basis of skills or merit. There may be limited recourse through the legal system or judiciary to prosecute offenders if judicial proceedings are subject to political interference, powerful individuals are seen as *"untouchable"* and the Police, prosecutors and judges are themselves open to bribery, extortion or threats.

High income countries, largely in Europe, East Asia and North America tend, by contrast, to have high CPI scores, reflecting comparatively cleaner public sectors, enabled by political stability, well established conflict of interest or freedom of information regulation, and a civil society free to exercise oversight and enforce laws.

Nevertheless, high profile cases of corruption continue to occur in high income countries. In addition, multi-nationals from these countries – or their subsidiaries and foreign offices – may pay bribes or offer other inducements to public officials to secure business in poorer countries. Global financial centres and banking institutions may also be complicit in the movement, concealment and re-investment of funds that are the result of corrupt activities, or hold up the repatriation of funds shown to be obtained illegally.

4.3. INTEGRITY AT THE PROJECT AND PROGRAMME LEVEL

Within individual organisations, some key elements of the integrity toolkit may be applied to individual projects and programmes as planned, financed and delivered, either in-house or through consultants and contractors within the supply chain.

Figure 12 sets out a generic life cycle for an infrastructure project[14] from inception and option generation through detailed planning and design to construction and opening. We are not concerned with the project per se, but this could be a new road, widening of an existing road, major junction improvement, improvements to traffic management, installation of an ITS system and the like. Key stages of the project life cycle offer the potential for corrupt activities, either by public officials within the road administration or by private companies bidding for, and undertaking, technical work in support of the scheme in question.
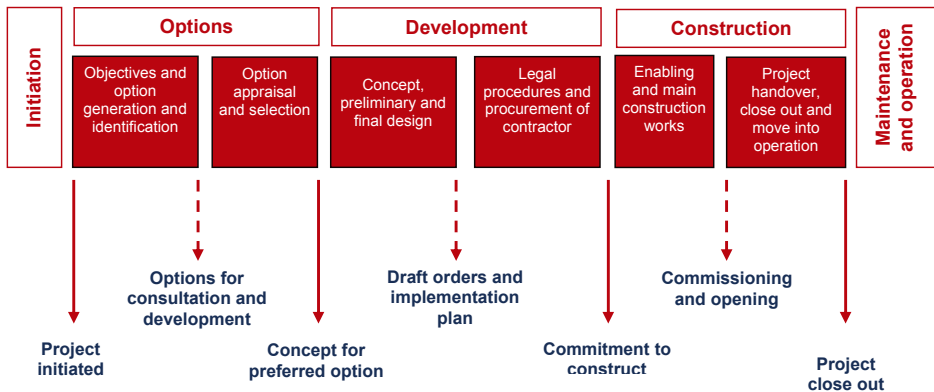
FIGURE 12 – GENERIC PROJECT LIFE CYCLE

Examples of the potential for corruption might include:

• the project itself may be conceived with a corrupt purpose in mind, for example to provide an investment opportunity for money laundering, to open up access to land owned by the a senior official, or to create opportunities for the provision of bribes in return for contracts;
• the designer or architect of the scheme may specify (in exchange for a concealed payment) an overly complex design that only one contractor can actually deliver;
• bidders for the main construction contract may collude to fix the price, include a *"losers fee"* in their bids, or set the *"winner"* by bidding higher rates;

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[14] Based on the UK Highways Agency (2008) Project Control Framework.

- the main contractor or sub-contractor may submit false invoices or work certificates, or prepare contract variations for work that is unnecessary;
- the main contractor or sub-contractor may deliberately conceal sub-standard work, but still charge the road administration the full amount;
- a project manager for the road administration may refuse to sign off key stages of the project or authorise payment of invoices unless the contractor pays a bribe; or
- a project engineer for the main contractor may refuse to issue the final works certificate to a sub-contractor unless the latter pays a fee equivalent to a percentage of the final payment.

In order to counter these opportunities, there is potential to apply a range of measures set out in the Toolkit of Integrity and also other frameworks such as GIACC's Project Anti-Corruption System (PACS) and the World Bank's Sourcebook for Deterring Corruption and Improving Governance in Road Construction and Maintenance.

These include:

- the preparation of a dedicated Anti-Corruption Action Plan as part of formal project inception and management procedures and documents;
- staff from key funding, sponsoring and contracting organisations to openly declare all interests with subsequent decisions on whether they should continue to be involved in the project cycle;
- appointment of an independent assessor with a duty to monitor and assess the project(s) for corrupt activities and make appropriate reports. An anti-corruption report should be prepared and updated at key stages of the project cycle;
- transparency in the sense of all project information being available at all stages to the public in an easily accessible and comprehensive form (for example, being placed online and accessible via the Internet);
- public and community participation in project selection and design, supported by technical advice and support as appropriate and necessary;
- fair and transparent procurement procedures that do not provide an improper benefit or advantage to any individual or organisation, including public opening of tenders, and publication of all bids received, reviewing bids for unusual patterns and consistent registering of complaints from bidders or the public;
- two person control principles on the preparation, tendering and sign-off of new contracts, within a recognised hierarchy of authority;
- documented, clear and consistent contract variation procedures, with verification of additional work carried out, and clear rules and guidelines for conditions under which contract re-negotiation will be undertaken;
- project anti-corruption commitments signed by the project funder, owner and contractor(s) that explicitly cover the main types of corruption, and that oblige them to implement anti-corruption measures, with remedies specified in the event of breach of these commitments;

- these commitments should also include statements by relevant government departments to minimise extortion by their officers in the issuing of permits, licences and approvals;
- raising awareness amongst all project staff of the damages and risks of corruption by posting anti-corruption rules at all project and site offices, providing anti-corruption training and implementing a gifts and hospitality policy;
- comprehensive financial, technical and value for money audits, with any deficiencies due to corruption clearly identified and acted upon; and
- clear and robust enforcement measures for breach of anti-corruption commitments, including 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 also be highlighted.

Our findings from the questionnaire survey, set out in *section 2.3*, indicated that respondents believed project procurement to offer the greatest potential for corruption within the commissioning organisation or for collusion between bidders and, therefore, specific measures should be targeted at this part of the project cycle. Whilst important, however, it is likely that effective action on procurement may move corrupt activities to other areas such as project implementation, supervision, commissioning and maintenance and operation[15]. It is vital therefore that a comprehensive approach to addressing the potential for corruption throughout the project life cycle is adopted and implemented if economic, social and environmental benefits are to be maximised.

Clearly, these measures should be adapted to local requirements, taking account of local laws and procedures. However, the advantage of implementing them is that the measures will:

- reduce project costs;
- improve project quality, resilience, and outcomes against objectives;
- provide a level playing field for companies taking on works and services;
- reduce the risk of a project participant being a victim of corruption in that project; and
- satisfy the public and stakeholders (including funding agencies) that corruption is being tackled.

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[15] For example, contract claims and variations offer potential for client representatives to demand bribes or for contractors to inflate the costs of additional work carried out without proper verification of outputs.

MEASURES TO COMBAT COLLUSION IN ROAD PROJECTS IN THE PHILIPPINES[16]

The first phase of the National Roads Improvement and Management Programme (NRIMP-1) 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. During implementation, however, the World Bank encountered multiple bids exceeding estimated construction costs, in some cases by more than 30%. In a number of instances, it rejected proposals to carry out work on suspicion of collusion to fix prices by the bidders.

The Bank postponed the second phase of the NRIMP (NRIMP-2) pending further investigations. These investigations resulted in the debarment of seven firms and one individual, in January 2009, for engaging in collusive bidding practices.

NRIMP-2 learns from this experience and includes new anti-corruption measures to avoid the problems which occurred during NRIMP-1. These include:

• using an independent procurement evaluator;
• enhancing procurement controls, including more reliable contract cost estimates, increased bid analysis and increased supervision of contracts following award;
• strengthening internal controls and internal audit capability;
• adopting enhanced business practices; and
• promoting independent oversight in civil society, by forming a coalition of citizens – *"Road Watch"* – to provide feedback on the quality of road services and ensure proper allocation of Government funds.

4.4. INTEGRITY FOR INDIVIDUAL EMPLOYEES

Ultimately, of course, individual officers and employees of road administrations and supply chain partners can play a crucial role in preventing corruption. In doing so, they will preserve their dignity and help avoid damage to their own, and their organisation's reputation and standing, but they will also be acting in accordance with professional and ethical duty to ensure they work for the wider good of society as a whole.

Measures which can be taken by individual employees include:

• refusing to participate in any activity which they believe or suspect involves dishonesty or corrupt practices;
• as far as safe to do so, report any activity which they believe involves dishonesty or corrupt practices, including any specific channels for this purpose provided by employers or wider authorities;

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[16] Adapted from Deterring Corruption and Improving Governance in Road Construction and Maintenance. World Bank Transport Sector Board, 2009.

- understanding and actively abiding by any code of conduct set out by their employer or professional institution, for example in relation to declaration of interests, register of gifts and corporate hospitality, or personal relationships with contractors;
- in training and mentoring more junior staff, emphasising the need for ethical conduct at all times and lead by example;
- encouraging their organisations to adopt anti-corruption measures, including those set out in the Toolkit, at the institutional and project-levels; and
- encouraging their professional institutions to publically speak out against corruption and support the development of codes of conduct, guidelines and other supporting frameworks.

It is especially important that individual behaviours target temptation and opportunity for fraud and corruption at the most senior levels of each organisation, supported for example by codes of conduct, annual declaration of interests and the like. Only by leadership from the top can the key messages of integrity and probity be fully instilled and embedded across staff at all levels.

5. CONCLUSIONS

5.1. THE CASE FOR INSTITUTIONAL INTEGRITY

With increasing global integration and the resulting need for greater levels of comparability, standardisation, accountability and transparency, the need to take targeted action to promote institutional integrity and act against corruption is increasingly recognised as a priority for all sectors worldwide.

The roads sector is no exception. The function and operations of road administrations involve the planning, construction, operation, maintenance, financing and, in some cases, toll collection, of road infrastructure and associated services. The diversity and complexity of these activities requires extensive processes, structures and projects involving a multitude of stakeholders, often with different and, in some cases, conflicting economic, environmental and political interests. These conditions and the proximity and direct involvement of public administrations, high contract values, complex contractual arrangements and multiple interfaces provide opportunities for collusion and corrupt behaviour and practices at a number of levels.

Corruption, however, leads not only to significant material and financial damage (e.g. inflated project costs, overdesigned projects, hindrance of fair market structures), but can also result in long-term intangible consequences such as loss of investor confidence and reputation harm for both the public sector and private sector suppliers. In many countries, organisations responsible for road administration face suspicions or accusations of corruption. Whether justified or not, these must be countered on a broad basis through targeted and effective measures; experiences must be exchanged,

evaluated, summarised and implemented on an international level. In addition pro-active efforts to fight corruption in the roads sector and promote integrity of all stakeholders across the supply chain must be promoted and communicated effectively to the public.

Issues of institutional integrity and tackling corrupt activities appear to receiving more recognition and are becoming increasingly important for all organisations in the road sector. The main motivation on organisations appears to reduce the considerable inefficiencies and financial and reputation damage resulting from corruption, and to improve the image of the sector overall. The World Road Association has a key role to play in this agenda and the findings presented in this report show that organisations in the sector are already sufficiently engaged with a high level of awareness. Within this, there is a strong, and growing, case for all institutions – whether in the public or private sectors – to promote a more positive philosophy of institutional integrity.

Benefits include:

- more efficient, effective and consistent delivery of government economic, social and environmental objectives, and organisational goals within these frameworks;
- infrastructure and service delivery that maximises public benefit and minimises (illegitimate) leakage of these benefits for private gain;
- greater competition and the creation of a level playing field for companies taking on the provision of goods and services, overcoming *"the prisoners dilemma"*;
- reduced costs of doing business and burdens on tax payers;
- maintenance of, or additional, funding from global development organisations, NGOs and international investors, including attracting investment from ethically orientated investors;
- stronger employee dignity, morale, empowerment, motivation and productivity, and increased ability to recruit and retain capable and principled employees;
- positive publicity, reputation and corporate image;
- reduced risk of claims for damages, investigation, legal sanctions, reputation damage, criminal prosecution and substantial fines;
- improved public and stakeholder trust in the public sector and business; and
- increased trust and integrity in social justice and the rule of law.

Ultimately, we strongly believe that the costs of implementing measures to promote institutional integrity and specifically identify and prevent corruption are lower in the long-run than the financial, economic, social and other costs of allowing corrupt activities to continue.

The evidence presented in this report reveals that there are a range of approaches already in use to prevent and combat corruption across the road sector, although the perceived effectiveness and efficiency of different measures appears to vary quite widely. The analysis also shows that the development of management systems (staff

management, internal control and audit systems, project management system and the like) is important for lowering the likelihood of corrupt behaviour taking place, or if it does, in that behaviour being detected and the perpetrators dealt with. Some organisations appear to reinforce this with internal codes of practice and guidance to employees setting out corporate expectations and requirements with regard to ethical behaviour and the consequences if these are not followed in daily working practice.

5.2. THE CYCLE OF INTEGRITY AND IDENTIFYING GOOD PRACTICE

One of the results of Working Group 1's programme between 2008 and 2011 towards the Mexico Congress is the development of a cyclical model, which describes the procedure for preventing or tackling corruption on various levels and at various stages. This *"cycle of integrity"* comprises several stages whose reciprocal interactions and induced effects can be depicted in two opposing directions. Details are presented in *section 3.1* (Conceptual Model – The Cycle of Integrity) of this report.

Corruption and integrity exhibit important reciprocal influences and interactions. Identification and exploitation of these actions as a dynamic system is a prerequisite for the implementation of efficient and effective corporate anti-corruption measures. Numerous discussions throughout the work programme show that organisations must take active measures to prevent corruption on the one hand, and on the other to identify instances of corrupt behaviour where they occur and then to instigate consistent and rigorous enforcement activity.

It is important, however, for measures in the different areas to be coordinated depending on the respective local conditions, and developed within a balanced relationship. Corruption and integrity must be recognised as separate, but inter-related, issues and promoted equally within road administrations and their partners within their supply chains. Based on our earlier survey, the most important measures for the achievement of this is the development of comprehensive management systems, development of a positive corporate culture and specific anti-corruption measures linked to the procurement process. Senior leadership is essential for these measures to be developed, adopted and sustained over time.

6. RECOMMENDATIONS

6.1. RECOMMENDATIONS FOR INSTITUTIONAL INTEGRITY

Based on the corruption and integrity cycle, findings from international studies and work by bodies such as Transparency International, a comprehensive toolkit of anti-corruption measures has been devised. We strongly recommend using the toolkit presented in this report (and detailed in Appendix 2) as a basis for the further implementation of measures to prevent corruption and improve integrity.

The toolkit can be used to carry out a current status quo analysis of measures within an organisation that are already implemented or planned within the organisation. The need for future measures can then be derived from the results of this analysis and an evaluation of their effectiveness.

As next step, the individual measures can then be ranked in order of priority within an action plan with each measure being assigned an individual owner, implementation date and other milestones. In order to be able to implement measures in a clear and transparent way, they need to be defined specifically in as much detail as possible and must be clearly demarcated. Subsequently, implementation needs to be monitored regularly in order to be able to assess the effect of the measures, both individually and in combination.

In parallel with the focused application of the toolkit, we recommend that ongoing development of management systems within organisations. The evidence suggests that organisations with highly developed management systems are less susceptible to corruption than organisations without clear structures and detailed processes. For example, the more clearly defined and organised contract tendering and award, the more developed cost planning and cost monitoring systems, the more transparent risk management systems and the better financial controlling is organised, the fewer opportunities exist for corrupt activities, and the greater the likelihood that corrupt activities can be quickly identified so that decisive action can then be initiated.

Furthermore, we recommend that the existence and nature of functioning management systems is promoted and made known to staff through effectively internal communications. This can create greater awareness of the need for strong business integrity, and knowledge that checks and balances are in place to detect and deal with corrupt activities should they arise. In order to reduce or prevent corruption on a long-term basis, companies must, above all, focus on the development and implementation of coherent and comprehensive anti-corruption measures on a systematic and multi-tiered basis.

6.2. RECOMMENDATIONS FOR SOCIETAL AND PROJECT INTEGRITY

The greater part of this report has focused on institutional integrity and tackling corruption at the institutional level. However, there are a range of measures emerging from the toolkit, and parallel frameworks such as GIACC's Project Anti-Corruption System (PACS) and the World Bank's Sourcebook on Deterring Corruption and Improving Governance in Road Construction and Maintenance, that can be implemented at the scale of individual projects planned and implemented by, and on behalf of, road administrations. These are fully consistent with the approach adopted by the toolkit, but could usefully be developed further in subsequent work by PIARC in future cycles.

The application of integrity at the societal level has greater implications. Discussion in *chapter 4* has shown that key influences at country level include:

- the existence, or not, of a strong tradition of the rule of law and widespread respect for, and adherence to, laws and regulation;
- the existence of specific laws and regulations that define corruption and set out clear civil or criminal proceedings for breaches and offences;
- well publicised examples where penalties against offenders have been applied, regardless of their position, social rank or level of influence within society;
- the existence of independent and focused institutions for regulation, scrutiny and inspection of public and private sector organisations, with commensurate leadership, powers and resources to accomplish their role;
- a broad agreement, at societal and corporate level, of the unacceptability, costs and wider impacts of corrupt practices, reinforced by an independent media;
- values and norms that grant no tolerance to corruption;
- political leadership and tolerance of corruption and an open, transparent and effective political process subject to clear rules, regulations and accepted means of operation;
- an active focus from the press on corruption and freedom for journalists to publicly pursue suspected cases; and
- dependence, or lack of dependence, on additional informal sources of income by employees of public and private sector organisations.

Much of the research for this report has been focused on institutions within the developed world where – in general – positive contributors towards societal integrity tend to be stronger. Nevertheless, discussions at the Technical Committee's seminar in Bamako, Mali, show that significant issues arise in the application of these factors in a developing world context. The high economic and financial losses were fully appreciated by seminar attendees, along with environmental degradation, compromises to road safety and risks to organisations' reputation and confidence amongst investors. There was also general agreement that the roads sector in parts of the developing world is especially vulnerable due to institutional shortcomings, the significant funding streams involved, and the multiplicity of government ministries, other public agencies and private companies involved. It was accepted that corruption in the developing world carried risks for multi-national consultancies and contractors if corrupt behaviour committed in Africa was subject to investigation and prosecution in those companies' home countries.

The trend in the developing world is towards greater openness and transparency – encouraged by funding agencies such as the World Bank. However, actual progress has been slower than hoped for and effective action must involve all stakeholders – users, NGOs, contractors, consultants, and procurement bodies, public finance agencies – across the road sector; combating corruption, building integrity and establishing credibility at the societal level requires time, determination and consistency. In particular, there is a need for:

- political intervention at the highest level, as well as on coordinating joint Ministerial actions;
- the media to play the role of whistle blower on suspected cases of corruption;
- a continuous action campaign designed over the long-term; and
- the requirement for all industry actors to be involved.

We recommend that such awareness building strategies need to be pursued and extended by means of individual reflection on those measures capable of being implemented at all administrative levels.

6.3. RECOMMENDATIONS FOR FUTURE PIARC WORK

Overarching Context

As previous PIARC work, including that conducted for the 2008 - 2011 cycle, has shown, the roads sector is vulnerable for corruption at all levels, with substantial financial, economic, social and environmental costs to road administrations, their supply chain partners, the sector as a whole and wider society. For this reason, successive Technical Committees have studied various aspects of the topic over the past decade, with the result of raising awareness amongst PIARC members and developing useful guidelines and advice for practical application.

However in all cycles it has been difficult to address the issue from a global perspective, because input from all states, particularly from developing countries, has remained absent or unsubstantial. It is also important to stress that the participation of members from countries will only be effective to the extent they are backed up by an explicit commitment at the senior sector level promoting transparency, integrity and accountability from the top down.

Future work should be organised such that First Delegates in each country which nominates staff to contribute to PIARC work on integrity should be to a higher level than has previously been committed.

Corruption Perceptions Index

There is quite a difference in perceived corruption, under Transparency International's Corruption Perception Index, between countries in the developed world. In countries like Denmark, New Zealand, Singapore, Sweden and Norway the indication of levels of perceived corruption is very low (above 9); in countries like US and UK, levels are intermediate (around 7) and in countries like Italy and Greece levels can be seen as low (around 3).

In a country like Denmark, the level of perceived corruption is characterised by a high degree of morals and ethics in respect to corruption on the one hand, but on the other hand there is not a systematic approach to the fight of corruption in many individual organisations.

This leads to two questions for further investigation in further cycles:

• What is the relationship between perceptions of corruption (for example as measured by the Corruption Perceptions Index) and the active development and application of anti-corruption measures at institutional and societal level?
• What are successful policies in implementing and maintaining measures and achieving lower levels of corruption?

We recommend that both questions form key lines of enquiry for future cycles.

The Role of the World Road Association

The experience of TC B.1 has also demonstrated that activities at Technical Committee level, have relatively limited power and influence in addressing issues of corruption at the societal level, including the conduct of national governments, agencies and wider civil institutions. Such *"bottom up"* initiatives therefore need to be complemented by more *"top down"* approaches which involve and co-opt civic leaders, commerce and the political system.

Ultimately, this requires mechanisms for engaging on corruption which lie at the highest levels of the World Road Association. For this reason, we recommend that PIARC establish an *"Integrity Commission"* at Executive level as a permanent standing arrangement. This should act as a means of liaising with organisations such as the World Bank, United Nations, OECD and Transparency International, further raising the issues associated with corruption amongst all members, and identifying further research and practical development of products and practices at Technical Committee level. This could include, for example, further investigation and dissemination of detailed case studies, development of a formal *"code of conduct"* amongst PIARC members, and publication of best practice in institutional, societal, project or personal integrity.

APPENDIX

GLOSSARY	
ARMFA	African Road Maintenance Funds Association
AGEPAR	African Road Managers and Partners
CPI	Corruption Perception Index
CSR	Corporate Social Responsibility
EU	European Union
GIACC	Global Infrastructure Anti-Corruption Centre
ICC	International Chamber of Commerce
OECD	Organisation of Economic Cooperation and Development
PACI	Partnering Against Corruption Initiative
PIARC	World Road Association
TC	Technical Committee
TI	Transparency International
UEMOA	West Africa Economic and Monetary Union
UN	United Nations
WG	Working Group

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1. SURVEY FORM

QUESTIONNAIRE ON ORGANISATIONAL INTEGRITY

Principles, Policies and Practices Related to Preventing, Identifying and Tackling Corruption

PIARC TC B1

Contact (Questionnaire)

FH | JOANNEUM

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PURPOSE OF THIS QUESTIONNAIRE:

Dear Committee Member

You are kindly requested to respond to this questionnaire, which has been developed for a research project to support the development of good practice in organisational integrity for Road Administrations, with a particular focus on measures to prevent, identify and tackle corruption. This work is being undertaken as part of the wider work programme for our Technical Committee and was decided to carry forward at our last meeting in Sydney (Aus).

The aim of this questionnaire, which we ask you to answer to the best of your knowledge, is to document current policies and practices concerning the promotion of organisational integrity and preventing/tackling corruption. The research project is designed to identify as many examples of best practice and experience as possible. Following the questionnaire, the next step within this research project is to analyse this experience in detail in order to facilitate further understanding and take-up for all stakeholders. For these reasons we request that you to answer especially the open questions in as much detail as you are able using as many examples as possible.

INDIVIDUAL RESPONSES WILL BE KEPT CONFIDENTIAL AND NOT RELEASED OUTSIDE THE RESEARCH TEAM.
You will also receive a copy of the questionnaire analysis report in due course.

We ask you to either complete this questionnaire yourself on behalf of the Committee, or to pass to the representative within your organisation best placed to respond on this particular topic.

If you have any questions, please do not hesitate to contact me (mark.zoetsch@fh-joanneum.at). Again, we kindly ask you to participate in this research project and to return this questionnaire as soon as possible.

Thank you very much in advance for your participation!

In order to report back on our upcoming meeting in Malmo (Swe) 8/9 of June the deadline for return of the questionnaire has been set up: 29th May 2009.

We kindly ask you to respect this date!

Paul Van der Kroon (Msc. civ. eng.)
Appointed Chair of PIARC TC B 1
Good Governance in the Road Adminsitration

CONTENTS

1. GENERAL QUESTIONS

1. **What type of organisation do you represent within the roads sector?**

   ☐ Governmental/public sector road administration
   ☐ Semi-private / private road administration
   ☐ Consultant / contractor
   ☐ Other (Specify):

   _____

2. **Which activities within the road sector is your organisation involved with?**
   (More than one answer is possible)

   ☐ Development   ☐ Construction
   ☐ Planning/ design   ☐ Operation
   ☐ Contracts of planning and construction services   ☐ Construction & operation
   ☐ Other roles (Specify):

   _____

   _____

   _____

3. **Within which department, within your organisation, are you employed?**
   Please fill in the name of your department and your function/position.

   Department:

   _____

   Function/position:

   _____

   Other comments (e.g. specific role in relation to prevention or identification of corruption):

   _____

   _____

   _____

   _____

   _____

2. REASONS FOR CORRUPTION

4. What do you think are reasons (generally) for corrupt activities within organisations working in the roads sector in your country or worldwide?

a) From the receiving perspective (e.g. asking for a bribe)

	not relevant 1	slightly relevant 2	quite relevant 3	very relevant 4
Poverty (undervalued or low basic salary)	☐	☐	☐	☐
Individual greed for personal gain (e.g. money)	☐	☐	☐	☐
To take advantage of one's social position	☐	☐	☐	☐
To maintain a higher standard of living	☐	☐	☐	☐
Pressure of peoples' expectations	☐	☐	☐	☐
Need for additional income				
Lack of acceptance, frustration	☐	☐	☐	☐
Lack of identification with the organisation and its values	☐	☐	☐	☐
Lack of identification with legal regulations	☐	☐	☐	☐
To satisfy one's desire for revenge	☐	☐	☐	☐
To be blackmailed, due to corrupt activities in the past	☐	☐	☐	☐
Other reasons (please specify):				
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐

b) From the providing perspective (e.g. offering a bribe)

	not relevant 1	slightly relevant 2	quite relevant 3	very relevant 4
Enabling or Accelerating important transations/proceedings	☐	☐	☐	☐
To obtain advantage over competitors	☐	☐	☐	☐
Improvement of operating environment	☐	☐	☐	☐
Easier accounting	☐	☐	☐	☐
Disposal/concealment of evidence	☐	☐	☐	☐
Minimize or eliminate commercial risks	☐	☐	☐	☐
Prevention of governmental interference/intervention	☐	☐	☐	☐
Member of a criminal group/organization	☐	☐	☐	☐
Personal ambition for career advancement	☐	☐	☐	☐
Other reasons (please specify):				
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐

Comments (e.g. how prevalent do you think corruption is in your country generally or in relation to the roads sector)?:

_____

_____

_____

_____

3. LEGAL REQUIREMENTS

5. Are there any laws or regulations concerning preventing or tackling corruption in your organisation, either specifically for your organisation or wider regulations and measures applicable to the public or private sectors in your country?

☐ No   ☐ Yes

If yes, which ones? Do you think that these legal frameworks are effective?
(Please choose between not effective and very effective and tick the box)

Please tick (more than one is possible)	not effective	slightly effective	quite effective	very effective
	1	2	3	4
☐ Anti-corruption laws applicable to all organisations/sectors	☐	☐	☐	☐
☐ Anit-corruption laws applicable to government staff	☐	☐	☐	☐
☐ Professional regulations and conditions	☐	☐	☐	☐
☐ Official secret and state security legislation	☐	☐	☐	☐
☐ Internal regulations and conditions of employment	☐	☐	☐	☐
☐ Penalties for those found guitly of corruption	☐	☐	☐	☐
☐ National regulations based on United Nations Conventions	☐	☐	☐	☐
☐ Other (specify):				
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐

Comments:

_____

_____

_____

_____

_____

4. CURRENT MANAGEMENT SYSTEMS

6. How is corruption in your organisation defined?

    Please give a short description:

    _____

    _____

    _____

    _____

7. Which regulations/policies for handling corrupt activities does your organisation have in place?

    Please give a short description (and send us enclosures):

    _____

    _____

    _____

    _____

8. How long have the arrangements above been in place in your organisation?

    For the last _____ years

    Comments:

    _____

    _____

    _____

    _____

9. **What management system do you have in place in your organisation and how would you evaluate the level of development of these systems?**
(Please choose between not developed and very developed and tick the box)

	not developed 1	slightly developed 2	quite developed 3	very developed 4
Quality management-system	☐	☐	☐	☐
Health & Safety - management system	☐	☐	☐	☐
Corporate-Social Responsibility system	☐	☐	☐	☐
Internal control (audit) system	☐	☐	☐	☐
Other controlling systems:				
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐
Other regulations:				
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐

10. **Are anti-fraud elements included as a part of the systems mentioned above? And what are they?**

Please give a short description or send us enclosures:

_____

_____

_____

_____

_____

_____

5. PREVENTION OF CORRUPTION

11. Is there a department or person who is responsible for avoiding and tackling corruption in your organisation? If yes, please give a short description or send us enclosures.

☐ Yes   ☐ No

If yes, where is the anti corruption department located in your organisation?
(More than one answer is possible)

☐ Board of directors
☐ Administrative department
☐ Part of the quality management department
☐ Part of the project management department
☐ Independent department within the company
☐ Human resource department
☐ Others:

☐ Executive board
☐ Invidual project managers
☐ Indivual project staff
☐ Audit department (internal / external)
☐ Department external to the organisation
☐ Internal control department

_____

_____

_____

12. How long have the arrangements above been in place in your organisation?

For the last _____ years

13. How many people in your organisation are involved in the anti fraud function?

_____ number of people (If no precise numbers are available please provide an estimate)

14. What opportunities exist in your organisation to report suspected corrupt behaviour?
Please give a short description:

☐ Central contact point of the
responsible department (telephone, mail...)
☐ Report to supervisor

☐ Online survey
☐ Others:

_____

_____

_____

Comments:

_____

_____

_____

15. **What fraud preventive policies are in plan within your organisation, list them**
Which of them in your opinion is effective, list them.

Please tick (more than one is possible)	not effective 1	slightly effective 2	quite effective 3	very effective 4
Having an anti corruption agreement at the start of each project.	☐	☐	☐	☐
Signing an anti corruption agreement is obligatory for new employees.	☐	☐	☐	☐
Each employee is liable to the full extent. in his/her own area of responsibility.	☐	☐	☐	☐
Written code of conduct includes clauses on corruption	☐	☐	☐	☐
In order to prevent corrupt behaviour of employees, different control systems are implemented	☐	☐	☐	☐
Training programs help to avoid and identify corruption	☐	☐	☐	☐
It is obligatory for each employee to fill out an anti corruption report on a periodical basis in order to confirm that neither the employee nor any other employees in his/her surrounding are involved in corruption	☐	☐	☐	☐
After finishing a project discussions and project reviews between employer and employee are obligatory. In this meetings potential corruption issues are also addressed	☐	☐	☐	☐
Other preventative measures:				
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐

16. **In what way does your organisation train its employees in order to prevent corruption? Do you think that these education programmes are effective?**

If yes, please tick (more than one is possible)	not effective 1	slightly effective 2	quite effective 3	very effective 4
☐ Corruption training is included in standard induction	☐	☐	☐	☐
☐ Training programs for personnel management help to inform and motivate the leading managers concerning the issue of corruption.	☐	☐	☐	☐
☐ Workshops highlight or point out the complex problems of corrupt behaviour and the negative resulting consequences	☐	☐	☐	☐
☐ Use of "real life" case studies to check individual responses to specific situations where corruption might influence the outcome	☐	☐	☐	☐
☐ Other measures:				
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐

17. **How does your organisation supervise preventative measures and their effectiveness?**

Please give a short description:

_____

_____

_____

Comments:

_____

_____

_____

6. ENFORCEMENT OF CORRUPTION

18. How do you handle cases of corruption in your organisation? How applicable and effective do you think are these measures?

Please tick (more than one is possible)	not effective 1	slightly effective 2	quite effective 3	very effective 4
☐ The responsible / involved employees are informally warned.	☐	☐	☐	☐
☐ If there is a case of corruption in the organisation those responsible or involved are subject to a disciplinary hearing.	☐	☐	☐	☐
☐ Indications of corrupt behaviour may lead to the demotion or dismissal of the responsible employee.	☐	☐	☐	☐
☐ The ultimate consequence of corrupt behaviour is criminal prosecution and a fine/imprisonment.	☐	☐	☐	☐
☐ No measures are currently in place.	☐	☐	☐	☐
☐ Other procedures applicable to your organisation				
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐

19. In what way does your organisation identify corrupt behaviour? Please tick.

☐ Each part of the company has a dedicated employee, who is specially trained to identify corrupt behaviour in order to report certain activities as soon as possible.

☐ Corrupt behaviour is identified by internal or external audits which may also identify how it should be dealt with.

☐ Other possibilities to identify corrupt behaviour:

☐ Unusual behaviour by employees is monitored, for example concerning substantial property (for example: very expensive houses, cars, holidays etc.).

☐ Review of projects at key contractual milestones carried out by a manager external to the project

_____

_____

_____

7. WHISTLE BLOWER PROTECTION

20. Is there a whistle blower protection system in your organisation?
How effective do you think this system is for your organisation?
(Please choose between not effective and highly effective)

☐ Yes   ☐ No

	not effective 1	slightly effective 2	quite effective 3	very effective 4
If yes ...				
Effectiveness of whistle blowing protection	☐	☐	☐	☐

How does your system work?

_____

_____

_____

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21. Is the anonymity of whistleblowers preserved? If yes, please give a short
description how.

☐ Yes   ☐ No

Short description:

_____

_____

_____

22. Do you have measures in place to prevent the misuse of whistle blowing?
If yes please specify which measures and safeguards.

☐ Yes   ☐ No

Short description:

_____

_____

_____

_____

23. Which legal foundations and guidelines referring to whistle blower protection are used in your organisation?   Please send descriptions or enclosers.

Please tick (more than one is possible) ↓	not effective 1	slightly effective 2	quite effective 3	very effective 4
☐ National laws and regulations	☐	☐	☐	☐
☐ Organisational guidelines	☐	☐	☐	☐
☐ Protection measures for whistle blowers	☐	☐	☐	☐
☐ External investigations of whistle blowers' concerns	☐	☐	☐	☐
☐ Rewards for whistle blowers if claims are substantiated	☐	☐	☐	☐
☐ Laws and regulation on data protection	☐	☐	☐	☐
☐ Others:				
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐
_____	☐	☐	☐	☐

Comments:

_____

_____

_____

8. FUTURE DEVELOPMENTS

24. What future measures are planned to avoid and fight corruption in your organisation?

    a) in your organisational policies

       Please give a short description:

_____

_____

_____

_____

    b) development of specific anti corruption measures

       Please give a short description:

_____

_____

_____

_____

    c) implementation of specific anti corruption measures

       Please give a short description:

_____

_____

_____

_____

    d) measures to increase the efficiency of monitoring and audit

       Please give a short description:

_____

_____

_____

_____

9. OTHER ISSUES CONCERNING CORRUPTION

25. Is there anything else you want to to tell us, not covered by the questions above?

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10. CASE STUDIES

26. We are seeking specific case studies across Road Administrations on the topic of Integrity. This would involve the publishing of summary details of the control measures you have within your organisation and interviews with your representatives on their effectiveness. The aim is to share good practice within the PIARC community. Would your organisation consider supporting specific case studies in this context?

☐ Yes   ☐ No

If yes, please write me an email or call me:

Name: _____

Mail / Tel.: _____

27. We are also seeking specific case studies of specific experiences and instances of corruption. These case studies would be made anonymous though we would be seeking to understand and publish details of the experience and lessons that can be learnt. Would your organisation consider being a specific case study (subject to detailed agreement on information to be published)?

☐ Yes   ☐ No

If yes, please write me an email or call me:

Name: _____

Mail / Tel.: _____

Comments:

_____

_____

_____

THANK YOU VERY MUCH FOR PARTICIPATING IN THIS SURVEY!

Individual results will be treated confidentially.
You will get a report with the results of this survey.

2. INTEGRITY TOOLKIT

Based on the corruption and integrity cycle, findings from international studies and work by bodies such as Transparency International, a comprehensive toolkit of anti-corruption measures has been devised, in order to effectively and efficiently implement the cycle of integrity within a organisation. Division of the essential anti-corruption measures into the relevant fields of prevention, identification and enforcement is characteristic of this overview.

The toolkit can be used as a checklist for an organisation intending to implement active, coordinated measures as part of the cycle of integrity. It must be stressed that it is not always necessary or sensible to implement all measures depending on specific local conditions. Organisation-specific priorities and development and implementation plans must be developed instead.

MEASURES	DESCRIPTION OF MEASURES
PART A - Measures for the prevention of corruption	
1 – Development of business ethics and anti-corruption strategy - Awareness - Raising and educational measures	
Theory: In many cases there is a lack of awareness about the definition, nature and consequences of corrupt behaviour (*"trivial offence"*). Awareness-raising measures therefore need to be provided as a priority for all employees and if possible for all contractors.	
Ethics guidelines	Ethics guidelines with summary of the organisation's mandatory (and legal) policies and practices in the areas of business ethics and anti-corruption applicable to all departments and all employees. Clear definition of what constitutes corruption and rules of conduct in the context of encountering perceived or actual corrupt behaviour. Basic understanding of the organisation's ethics philosophy. Sources of further advice, information and support.
Ethics workshops and other dissemination events	Regular completion of ethics workshops and other dissemination events for the training of employees and for the internal discussion of current issues, overview of the current regulatory framework and consequences (e.g. accepting gifts, damage to the organisation, damage to other market participants).
Internal and external corporate publications	Explicit coverage of issues relating to business integrity and tackling corruption in corporate literature, including publicising specific examples of corruption within the sector, country or discipline and clear *"zero tolerance"* message to employees, suppliers and other stakeholders.
IT self-test for employees	Introduction of (voluntary or mandatory) IT-based (e.g. intranet) self-test to learn about the current regulatory framework and enhance awareness raising.
Signature of an anti-corruption agreement	Signature of a formal agreement to ensure that employees comply with anti-corruption conditions and regulations; periodic refresh of signature to ensure issue remains uppermost in employees' minds and *"ignorance is no excuse."* Nature of agreement may be tailored to employees' level of seniority and position. Consequences and sanctions in event of breaking agreement must be made clear.
Anti-corruption report	Regular completion (with potential for random audit) of an anti-corruption report by employees on project award, inception, implementation, commissioning and close-out (based on clearly defined stage gates around the project cycle).
Integrity declaration by tenderers	During tender procedures, all tenderers must sign and submit an integrity declaration including a stated clear understanding of sanctions arising from the discovery of corrupt behaviour or inducements as part of their tender.

MEASURES	DESCRIPTION OF MEASURES
2 – Organisational measures (at organisation and project level)	
Theory: Creating an appropriate organisational framework enables many opportunities for corrupt behaviour to be prevented since a number of people need to be involved in all relevant decisions.	
Two (or more) person control principle	Relevant decisions at project and organisational level, especially those involving tendering and other commercial and financial transactions, should in principle always be explicitly made by two or more people, for example in an *"originator"* and *"approver"* arrangement.
Signature regulations	There must be a clear regulation of the hierarchical structure of the organisational and at project level when documents are signed. The greater significance of a decision, the more senior the officer required to sign it off. This should also include regulations on internal correspondence, letters of guarantee, and the approval and ordering of services.
substitution arrangement	Implementation of extensive substitution arrangements to ensure that knowledge is not bunched at one person (minimize the potential of misue of knowledge). The definition of the rights and obligations of the representative is essential. The provision of appropriate personnel resources for reasonable implementation of the substitution arrangements is essential. This measure determiones also a relief of the employees.
Job rotation	Introduction of a personnel rotation system in areas that are at risk of corruption, such as procurement, financial reporting, treasury, central purchasing etc. Note such a policy may also increase the career development and diversity of skill sets of employees within the organisation.
Disclosure of secondary employment or other commercial links	Compulsory disclosure of intended secondary employment by employees and necessity for approval by the superior. Disclosure of commercial or other links to other organisations with potential for conflict of interest (e.g. shareholding). The superior must check for conflicts of interest - the basis for this is a precise definition of *"secondary employment"* - with clear sanctions if such disclosures are not made by the employee.
Disclosure of close personal relationships	Compulsory disclosure of close personal relationships between employees, tenderers and other organisations which may raise a conflict of interest (e.g. family or similar relationships) and necessity for approval by the superior - the basis for this is a precise definition of *"close relationship"*. The superior must check for conflicts of interest - with clear sanctions if such disclosures are not made by the employee. Possible re-assignment of duties within the organisation to avoid situations where personal relationships may present a conflict of interest.

MEASURES	DESCRIPTION OF MEASURES
Involvement of service departments	Involvement of service departments and/or specialist divisions (such as procurement, building and construction, etc.) in the planning and tender process and when the order is extended, with specific measures and dedicated resources in place to prevent, detect and deal with the receipt or offer of corrupt practices.
3 – Development or further development of management systems	
Theory: The better developed the management and control systems of a organisation, the easier it is to implement effective anti-corruption measures, the higher the likelihood of uncovering cases of corruption and the lower the readiness of employees to act in a corrupt manner.	
Project plan and information system	Development and introduction of a project plan and information system to improve the management of projects by senior management and for improved analysis of discrepancies.
Risk management system	Development and introduction of a risk management system to increase the transparency of delicate issues and to develop specific risk checklists for topics and areas at risk of corruption.
Cost management system	Development and introduction or further development of a cost management system to track costs for increased transparency in cost developments and discrepancies.
Project management	Development and introduction or further development of the project management system for more professional handling, improved documentation and greater transparency.
Project sign-off	Clear procedures for project and transaction sign-off against clear demonstration of deliverables to estimated cost, quality and timing, including potential use of two (or more) person control principle listed above.
4 – Specification of the procurement process in the context of the Quality Management system	
Theory: Being at risk of corruption, the procurement process in particular needs to be developed and regulated in an unambiguous way, using clear and comprehensive processes. Clear regulations must prevent *"misinterpretations"* by employees with clear *"gateway"* arrangements on key decisions.	
Committee decisions	Approval of all relevant decisions in the contract award procedure (such as direct awards, approval of tender documents, determination of the best tenderer, cancellation of a tender procedure, withdrawal of tenderers, and the like) by committees of two or more people to safeguard against preferential treatment being given to tenderer.
Standardisation of the invitation to tender	Standardisation of the tender documents in order to be able to compare tenderers and to increase transparency, taking into account contract award conditions in accordance with contract award law.
Procurement - deviation from the standard	Definition of the stage at which who (e.g. service departments) should be involved in which topics in the event of deviations from standard procedures, costs or processes.

MEASURES	DESCRIPTION OF MEASURES
Notification requirement and duty to obtain consent	Clear regulations relating to notification requirement and duty to obtain consent to the executive board, board of directors or supervisory committees in the context of the procurement process, such as approval of announcement or approval of award to the best tenderer.
Evaluation process of tenders	Definition of the evaluation process of tenders in QM as a procurement process, including detailed description of the evaluation process in individual evaluation steps.
In-depth tender evaluation of prices	Compulsory in-depth tender evaluation (e.g. in terms of appropriateness and plausibility of prices and checking of amounts in the event of conspicuous prices). Compilation and analysis of a detailed price comparison list as a control measure to prevent speculation. In-depth analysis when price fixing is suspected.
In-depth internal tender evaluation of large projects	Definition of framework for internal tender evaluation for large projects (solely by employees and at the client's premises under strict supervision and with appropriate restrictions).
Opening of tenders by committee	The tender opening process, including the definition of the items in the announcement, must be laid down in detail as part of the procurement process or conditions of the invitation to tender. All tenderers must be entitled to participate. Tenders must be opened by a committee.
Documentation and potential publication of all tender award decisions	Formal documentation of all tender award decisions with this information available to all tenderers and potentially to the wider public so that the basis of such decisions is open and transparent. Possible *"cool off"* period between announcement of intention to award contract and actual award to all scrutiny and potential challenge (if based on issues of corrupt behaviour, collusion etc.).
Variety of tenderers to promote competition	Deliberate alternation of tenderers to extend competition, e.g. for invitation-only award procedures, targeted invitation of new tenderers, relaxation of excessively restrictive references as suitability criteria. Two-person control principle when approving list of those to be invited to tender. Avoidance of large associations of tenderers (provided that they are not an absolute necessity in order for the service to be rendered).
5 – Development and further development of processes in the area of order processing	
Theory: All areas in order processing where corruption may occur must be defined sufficiently clearly so that misunderstandings can be avoided and so that all employees are aware of areas that are at risk of corruption.	
Development of guidelines for the settlement of services	Specification of processes and guidelines for the settlement of construction work and services using processes and codes of practice such as the type and scope of settlement, type and level of detail of the audit, procedure in the event of discrepancies in the settlement compared with the contract.

MEASURES	DESCRIPTION OF MEASURES
Development of guidelines for additional orders	Specification of processes and guidelines for the award, evaluation and settlement of additional orders using the further development of standard guidelines, samples, codes of practice and regulations.
6 – Corporate culture and improved identification with the organisation	
Theory: The more developed the corporate culture, and the higher the degree of employee identification with the values of the organisation, the less willing employees will be to engage in corrupt activities	
Corporate culture	Definition of measures to improve the (formal and informal) corporate culture and strengthen values, such as those relating to the way in which employees interact with each other within the organisation (open criticism and open and respectful communication) as well as to how employees behave towards those outside the organisation. Inclusion of themes around *"integrity"*, *"honesty"* and *"respect"* within corporate vision and mission statement, and promotion of these values to staff in practice.
Stronger identification with the organisation	Development of measures to further strengthen cohesion (e.g. team building) and promote positive cooperation. increased involvement of employees in strategic issues relating to the further development of the organisation, joint development of values, visions etc.
Role model effect of senior management	The role model effect of senior management also plays a key role in defining the corporate culture. Management must *"lead by example,"* avoiding any suspicion of actual or perceived behaviour which is corrupt or liable to bring the organisation's reputation into disrepute. Senior managers should consider their positions if found to be indulging in, condoning or covering up corrupt activities (aside from internal or external action).
Positive mistake culture	Open communication and respectful handling of identified mistakes. Avoidance of a *"blame culture"* and recognition of mistakes as *"treasure"* (the opportunity to learn) in the continuous improvement process (CIP).
7 – Increasing employee satisfaction	
Theory: The higher the level of employee satisfaction within the organisation, the less willing employees are to engage in corrupt activities. Among dissatisfied employees, the likelihood is much higher.	
Basic salary levels, terms and conditions	Ensure that basic pay and conditions within the organisation reflect costs of living, are competitive with equivalent organisations in the public and private sector and do not, as far as possible, give grounds to encourage the need for additional income to provide subsistence. Ensure that all employee pay is in line with contractual terms and conditions, paid on time and regular income is guaranteed.

MEASURES	DESCRIPTION OF MEASURES
Personal recognition and respectful feedback	Recognising the work of employees and providing respectful and honest feedback about their successes and failures in order to significantly increase personal recognition and thus employee satisfaction.
Clear objectives	Clear assignment of tasks for all employees, including regular critical reflection on objectives, prevents overload and dissatisfaction.
Dealing with suggestions for improvement	Recognise and appreciate employees' suggestions for improvement that could have advantages for the organisation implement the suggestions (including notification to the employee) or explanation as to why the suggestions cannot be implemented.
Employee appraisals	Employee appraisals enable the superior to deal with the employee's positive achievements and areas where there is scope for further development (e.g. personal advancement, personnel development) in a structured way. The employee appraisal also allows trends in employee satisfaction to be monitored.
Improving the working environment and conditions	A positive working environment also depends on pleasant working conditions being provided for employees. This means that appropriate measures need to be taken to create an employee-friendly working environment.
Team building	Active team development, strengthening cohesion within teams and departments and across departments (Effective teamwork also increases the chance of corrupt activities by individuals being noticed and reported by other members of the team).
Anti-bullying measures	Taking measures to detect bullying at an early stage and to prevent it; definition of clear consequences for bullying and being prepared to action these in practice.
Preventing burn-out syndrome	Preventative measures to avoid burn-out syndrome, fast assistance for employees suspected of being under stress, provision of sufficient personnel resources for the tasks to be carried out.
Employee counselling and access to assistance	Informal channels (outside of line management) for employees to raise and discuss personal issues and problems - including those which may leave them vulnerable to corruption, extortion, blackmail etc.
Performance-oriented pay	Pay relating to the degree of responsibility and achievement of agreed personal and corporate results, taking into account personal commitment and performance, and payment for overtime generally increases employee satisfaction and motivation.

MEASURES	DESCRIPTION OF MEASURES
PART B - Measures for the identification of corruption	
8 – Development or further development of management control and monitoring systems	
Theory: One of the most important conditions to identify corruption is a *"total"* (comprehensive) - control system as a part of the management system in the organisation. The system to take enforcement action against corrupt behaviour can only be as good as the system to identify corruptive behaviour.	
Further development of systems of control	Development and introduction or further development of systems of control to help by identifying vulnerable corrupt decisions, to analyse those who are involved in the project and the key figures obtained from this analysis.
Internal control at project level	Implementation of ongoing self-monitoring by the project management using key figures, checklists and deviation analysis to early detect irregularities, deviations or corrupt practices.
Internal control at department level	Implementation of ongoing self-monitoring by the department management using reporting, analysis of key figures, deviation analysis, random detailed checks, etc. to early detect irregularities, deviations or corrupt behaviour.
Internal control at organisation level	Checking compliance of processes with quality management standards by, for example, internal specialist departments, service departments or legal department as an process to identify irregularities, deviations or corrupt operations.
Internal Audit	Audits of projects, programmes and other corporate activity by internal review during award, implementation and finalisation of project. Checking compliance of processes with quality management standards, random detailed analyses including fraud audits as an indication of corrupt activities or irregularities.
External Audit and Control	Introduction of external checks (e.g. acorganisationing checks) with delicate and large orders as an additional control body with a reporting obligation. The main duty of this external control is the identification of incorrect or corrupt practices and outcomes.
9 – Systems to report suspected cases of corruption	
Theory: To encourage employees to announce suspected cases it is necessary to install reliable reporting systems. Each system to enforce corruption can only be as good as the system to identify corrupt behaviour.	
Contact for suspected cases of corruption	Creation of points of contact for employees affected by or involved in suspected cases of corruption - notification of specific internal persons of confidence.
Ombudsman / Ethical person of trust	Personal contact person with a highly acceptability and position of trust by all employees. Personal discussion as registration office in a suspected case. Absolute discrete approach during an suspected case will help provide confidence in each employee.

MEASURES	DESCRIPTION OF MEASURES
Anonymous reporting systems (*"whistle blowing"*)	Reporting office for suspected corrupt actions on an anonymous basis (e.g. hotlines, anonymous E-mail System, internal post). Linkage to arrangements for investigating claims, confirming or refuting allegations and taking up follow-up action. (Note need to decide rights of individuals accused of corrupt activities if claims are made anonymously and how evidence can be gathered to confirm or disprove claims).
Other internal reporting systems (*"whistle blowing"*)	As above, but with those making claims of corruption providing their names and personal details - this may assist in gathering and confirming evidence of claims made, but important to protect rights of those making claims regardless of outcome of investigation (unless allegations are made maliciously).
External reporting	External helpline or bureau for the reporting of corrupt activity independent of the organisation - may be applicable if investigation process is to be seen as completely independent or claims relate to senior management.
Notification of price fixing, cartel behaviour or anti-competitive practices	Notification to the authorities (e.g. competition commission) when price fixing, cartel behaviour or other anti-competitive practices are suspected by one or more companies during tendering or project delivery stages.

MEASURES	DESCRIPTION OF MEASURES
PART C - Measures for enforcement action against proven cases of corruption	
10 – Definition of clear guidelines	
Theory: Very clear regulations do not just deter employees from becoming involved in corrupt activities; they also provide senior management with a clear framework and support them in proceeding with dealing with proven cases of corrupt activity by employees or representatives of suppliers and other stakeholders correctly and consistently.	
Clear and transparent regulations	Definition of clear and transparent regulations in the event of corrupt behaviour, and their widespread dissemination to employees and others via a range of printed and electronic means. These regulations should clearly set out sanctions to be taken against individuals and organisations if corrupt activities are uncovered and proven.
Standardised procedure, systems and processes	Definition of steps for a standardised procedure that is the same for all employees in the event of corruption.
11 – Assignment of responsibility for handling cases for corruption	
Theory: Where corruption is discovered instigated by, or affecting individuals, within the organisation, investigation and decisions on resulting action must be independent, transparent and clear. The organisation should therefore assign specific responsibility for taking final actions, whether within management structure or independent of it.	
Appointment of independent investigator and decision maker on sanctions	Appointment of specific manager, either internal or external to the organisation, charged with investigating and tackling cases of corruption internally or with suppliers and stakeholders. This manager should be independent of the departments and parts of the organisation affected by the claims of corrupt behaviour.
12 – Consistent implementation of measures (Internal)	
Theory: If consequences set by the organisation, and defined within guidelines, are not executed in practice, employees or suppliers may lose their fear of individual consequences if they engage in corrupt behaviour.	
Informal warning	May be appropriate if case of corruption is very minor, no previous offences on record or allegations cannot be proven with total confidence. No formal record kept on file.
Formal warning	Warning given in the event of suspected cases in accordance with predefined guidelines and thresholds. Formal record put on file.
Disciplinary procedure	Institution of a disciplinary procedure in the event of suspected cases in accordance with predefined guidelines and thresholds. Sanctions may include loss of pay and privileges, move to another department or organisation, demotion or suspension of rights to promotion within a specified period.
Request for employee to leave post/consider position	If instance of corruption is serious, but with mitigating factors, employee may be asked to leave the organisation within a specified period.

MEASURES	DESCRIPTION OF MEASURES
Dismissal without notice	Dismissal without notice in the event of uncovered cases of corruption where there is no doubt, where seriousness of offence exceeds certain thresholds or threats of verbal or physical violence have been made.
Penalties or termination of contract	Where a supplier or tendering organisation has been found complicit in corrupt activities, option of suspending, enacting penalty clauses or terminating contract for work. In serious cases, the supplier concerned may be disbarred from bidding for future contracts for a set period of time or permanently.
Disciplinary procedures against senior managers	As well as employees implicated in corrupt activities, line and senior managers may be disciplined if they failed to implement or enforce corporate guidelines, systems and processes for the prevention and identification of corrupt activities, even if they had no knowledge of the activities themselves. This action may also be appropriate if once aware of the corruption, managers did not follow corporate guidelines in tackling it (e.g. dealing informally when formal disciplinary action may have been more appropriate).