Development of an Anti-corruption Agreement with the Water pipe Manufacturing Companies in Colombia

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• Companies in the water conduction sector.
• The problem.
• The Agreement.
• Results.
• Monitoring set of indicators
• Why companies still in the Agreement?
• Future challenges.
Companies signatory to the Agreement


- AMERICAN PIPE AND CONSTRUCTION.
- COLOMBIANA DE EXTRUSIÓN – EXTRUCOL S.A.
- FLOWTITE ANDERCOL S.A.
- PVC GERFOR S.A.
- PAVCO S.A.
- CELTA S.A.
- TITAN MANUFACTURAS DE CEMENTO S.A.
- DURMAN ESQUIVEL.
- PAM COLOMBIA S.A.

- They represent 95% of pipe sales at national level.
- They account for 100% of the pipe manufacturers selling to the State.
- They operate at national and international level.
How to enable companies to prevent corruption?

- Companies must assume that they have a responsibility to solve a problem.
- Companies have to define actions to solve the problem.
- Companies need to generate benefits out of their actions.
Corrupt practices in business relations of the sector’s companies with an emphasis on sales to the public sector.
THE AGREEMENT

A self-regulation agreement: An alternative to purely legal framework

- Specifically addresses the fight against corruption within the private sector.
- Responds in a collective way.
- Defines common standards.
- Demonstrates its effectiveness to others.
- Generates conviction because it is based on the capacity to establish their own rules.
- Promotes respect for law as a basic ethical requirement.
THE AGREEMENT STEPS

• Risks associated with the problem

  1. Lack of an anti-corruption corporate culture
  2. Absence of internal ethical standards
  3. Weaknesses of pricing policy
  4. Tolerance of bribery practices in the distribution scheme
  5. Lack of transparency in contracting.

• Measure to counter risks.
• Compliance mechanisms.
• Monitoring.
1. **Lack of an anti-corruption corporate culture.**
   - Employee training on the agreement's content.
     - Addendums to labor contracts.
     - Selection – induction processes.
   - General managers and treasures reports.
   - Boards of Directors formally supporting the Agreement.
RESULTS

2. Absence of internal ethical standards.

- Detailed guidelines.
- Agreement dissemination.
  - Regional meetings to launch the Agreement.
  - Corporate image for the Agreement.
    (logo and promotion material)
  - Meetings with public officers.
  - National media publications.
  - Internal communications.
3. Weaknesses of pricing policy.

The gap between the list price and the real price in the market was reduced by 30%.
RESULTS

4. Tolerance of bribery practices in the distribution scheme.

• Regional meetings with distributors to train them on the Agreement (6 at national level).

• Out of approximately 167 distributors, 79 have signed the declaration of adhesion to the Agreement.
5. Lack of transparency in contracting.

- Rules beyond legal statutes.
- Encourage parallel work in the public sector.
- Means of differentiation between suppliers.
IMPLEMENTATION STAGES

Kick off of the Ethics Committee

• Create the Ethics Committee.

• Define operating rules of the Ethics Committee.

• Emphasize on the preventive approach in order to develop the duties of the Committee.

• Implement reporting and consultation channels.

• Constitute it as a “FILTER” for reports presented to the “presidential programme against corruption”.
MONITORING SET OF INDICATORS

3 perspectives to Measure the compliance of the Agreement

- Within the companies.
- Agreement management
- Impact on fresh water supply and the sanitation sector.
Why companies still in the Agreement?

• They believe it reduces corruption.
• They prefer a self-regulation scheme based on common rules.
• It maintains an open dialogue.
• It provides a means of recognition.
• It encourage pears control
• It allows social pressure.
FUTURE CHALLENGES

• Control distrust and scepticism regarding the compliance of the Agreement within a competitors environment.
• Look for new measures when facing new risks
• Keep the commitment of companies by means of an assessment and monitoring system.
• Promote within companies the confidence and loss of fear for reporting breaches of the Agreement.
• Formalize the adherence to the Agreement by distributors.