

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

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Corporación

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CAPÍTULO TRANSPARENCIA INTERNACIONAL



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Companies signatory to the Agreement



Signed On April 13, 2005.

- AMERICAN PIPE AND CONSTRUCTION.
 - COLOMBIANA DE EXTRUSIÓN – EXTRUCOL S.A.
 - FLOWTITE ANDERCOL S.A.
 - PVC GERFOR S.A.3
 - PAVCO S.A.
 - CELTA S.A.
 - TITAN MANUFACTURAS DE CEMENTO S.A.
 - DURMAN ESQUIVEL.
 - PAM COLOMBIA S.A.
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- 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.



THE PROBLEM

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.

THE PROBLEM



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.**

RESULTS



1. Lack of an anti-corruption corporate culture.

- Employee training on the agreement's content.
- Human Resource Management.
 - Addendums to labor contracts.
 - Selection – induction processes.
- General managers and treasurers 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.



RESULTS

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.



RESULTS

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?



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- 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 peers 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.