



**Consultation on Changes to ECGD's
Anti-Bribery and Corruption Procedures
introduced in December 2004**

The question

“Do the changes made to ECGD’s anti-bribery and corruption procedures in December 2004 have the effect of ensuring that, so far as practicable, (1) taxpayers’ money is not used to support transactions tainted with bribery and/or corruption; and (2) an undue burden is not placed on exporters and/or banks.”

“If you consider that the changes do not possess this balance, please indicate what changes you think would do so.”

ECGD 18th March 2005

Approach

- ⦿ Experience
- ⦿ Why partner
- ⦿ How does bribery take place
- ⦿ What makes bribery endemic
- ⦿ The corporate disconnect
- ⦿ Why business must also challenge bribery
- ⦿ Business culture impact on ECGD
- ⦿ Best practice third party partner management
- ⦿ Recommendations

Why partner?

- ⦿ Need for an indirect channel (agent/consultant) or local business partnership
- ⦿ To harness value
- ⦿ Key to customer relationships
- ⦿ To provide long-term strategic value, and
- ⦿ To promote (but can denigrate!) the brand value and corporate image of the principal in territory.

How does bribery take place?

- ⦿ Market opportunity identified
- ⦿ “Happenstance”
- ⦿ Pressure to secure contract
- ⦿ Local business environment
- ⦿ “Commercially sensitive”
- ⦿ Beat the competition
- ⦿ Generally commercially led
- ⦿ Weak processes and “breeder” culture

What makes bribery endemic?

- Customer
 1. “It’s the way business is done in this country”
 2. Weak institutions, legal framework, enforcement
 3. Power brokers and fixers
 4. Poorly paid officials
 5. Greed
- Principal
 1. Drivers to win the contract
 2. Competitive scenario
 3. Weak commercial discipline and training
 4. Lack of process in the management of third parties
 5. Blind eye to the law

The corporate disconnect



Why business must challenge bribery

- It's the law!
- Economic and social cost to customer country, “companies are a key driver behind the eradication of corruption”
- Corporate governance and investor attitudes
- Potential impact on board and management
- Improved business processes
- Shareholder value
- Profit

Business culture impact on ECGD

- Reputation
 1. ECGD is agency of HMG
 2. Perception of ECGD in customer country
- Disclosure of agent's details - money laundering
- Commission payments - the 5% loophole
- Perception of weakness facilitates "commission creep"

Best practice partner management

- Paper-based to web-enabled system
- Data sharing within appropriate internal walls
- Principal/partner joint setting of strategic targets and objectives
- Employee remuneration part based on encouraging good practices
- Accountability – of directors, management and process administrators and sign off
- Built-in warning signs to alert business under-performance
- Transparency and conformance with the law

Recommendations - 1) taxpayers money

- ECGD has a duty to taxpayers to insist on good governance - whatever
- ECGD is laying itself open to public criticism and challenge e.g. :-
 1. Commons Trade and Industry Committee Report 9th Session 04/05
 2. Africa Commission Report
 3. Evidence from transparency indices

Recommendations - 2) undue burden?

- 8.6.1 Insist on disclosure of agent details with effect from all new offers of cover regardless of rates of commission
= no cost/undue burden to the applicant
- 8.6.2 Insist on disclosure of all commission payments +/- 5%
=no cost/undue burden to the applicant
- Annex C “ Proposal” add *“briefly outline the nature (and if applicable supplier of the system) of your system/processes for the appointment, management of, and payment of commissions to agents”*. And, *“who in your company (name/position) approves and authorises the appointment of said agent?”*
= no cost/undue burden to the applicant



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