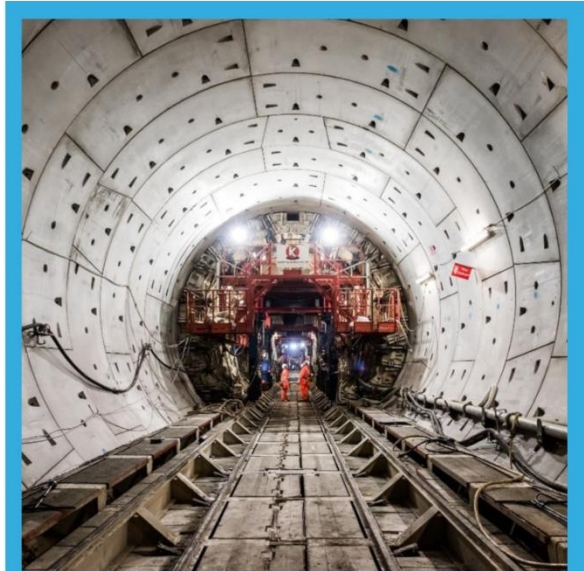




Confederation of International
Contractors' Associations

CICA STATEMENT ON CORRUPTION PREVENTION IN THE CONSTRUCTION INDUSTRY

Established in 1974, the Confederation of International Contractors' Associations (CICA) represents the Construction Industry on a global scale. The Worldwide Construction Industry, involving contractors of all sizes, represents a global turnover of US\$ 7 trillion and employs around 120 million employees.



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INTRODUCTION

For the Confederation of International Contractors' Associations, corruption is the abuse of public or private office for personal gain. It includes acts of bribery, embezzlement, nepotism or state capture. It is often associated with and reinforced by other illegal practices, such as bid rigging, fraud or money laundering.

Corruption is one of the main obstacles to the sustainable development of countries, increasing economic and social inequities, generating discontent and distrust in institutions. Likewise, this scourge is together with low access to financing and government bureaucracy the main economic and political barrier to business.

According to the World Economic Forum, corruption increases the cost of doing business in a country by 10%. On the other hand, the IMF estimates that investment in countries with high levels of corruption is 5% lower than in other countries. In light of the above, investments are not destined to sectors most in need, seriously affecting the most helpless people.

In recent years, globalization has transformed our world, creating economic growth and new opportunities and services to countries, although it has not benefited all countries equally. Many of these benefits of the globalized world are being altered by the distortion that corruption generates, creating unfair competition, discouraging foreign investment and undermining public policies.

Corruption, therefore, cannot be understood in isolation, but within a global context. Businesses transcend borders, facilitating the mobility of corruption between countries. All efforts must be made to achieve collaboration between countries in order to avoid areas that favor bad practices.

To ensure that the society as a whole participates in the benefits of globalization, we must create an environment that promotes integrity in transactions between governments, their agents, companies and citizens, to generate more opportunities in order to reduce inequities, bringing the benefits of globalization to all. International cooperation is essential for its prevention, investigation and prosecution.



CICA AND THE CONSTRUCTION SECTOR

As an international Confederation, through two of its full members, the Inter-American Federation of the Construction Industry (FIIC) and the European Federation of the Construction Industry (FIEC), CICA gathers 44 countries in Latin America and Europe which are complemented with Associate member countries like Canada, Japan and South Korea. In general, its member countries represent 18% of the world population, 40% of GDP and 57% of construction GDP.

As part of its general policy, the European construction industry, through FIEC and EIC (European International Contractors), already in November 2009 published its Statement on Corruption Prevention in the Construction Industry, signed by the Representatives of all FIEC and EIC Member Federations. The FIEC and EIC statement establishes the strong opposition to corruption in its diverse forms as an unacceptable phenomenon in the national and international business transactions. As part of this document, FIEC and EIC expect the public sector to complement private sector initiatives to fight corruption by closing loopholes that allow or encourage unethical behavior on the "demand side", particularly during the tender and the project delivery phases. The content of FIEC and EIC statement has been taken into consideration in the writing of this document. In this context, it is worthwhile mentioning that FIEC and EIC also participated in the drafting of the International Standard ISO 37001 "Anti-bribery management systems – Requirements with guidance for use" (1st edition 15/10/2016) which are applicable to all kinds of organizations, whether public or private.

For its part, since April 2018, the Inter-American Federation of the Construction Industry has begun a work with its 18 countries members, for the fulfillment of standards that must be considered by the Chambers of construction and their members. This includes the implementation of a Code of Ethics, Code of Good Practice, Court of Honor, a whistleblower channel and a safety manual. These measures seek to reduce the possibility of corruptive acts in the construction sector in Latin America. Also, these measures are not mandatory and can be modified according to the particular reality of each country. In general, FIIC is working on the general development of a statement on corruption prevention.

This document takes into consideration the visions of the OECD, ISO, B20, UNCAC, WEF, FIEC, EIC, FIIC and the German Ethics Management in the Construction Industry. These institutions have developed extensive programs to facilitate the implementation of good practices in order to incorporate integrity and transparency in countries, states and companies.

As part of this statement, the joint work of the members of CICA is considered essential, taking into account what has already been established by its member associations and the need to review and / or update this policy as many times as necessary.



CICA STATEMENT

According to different organisms there are specific industries where there are important risks, but at the same time great opportunities for improvement:

1. **Public procurement:** it represents 13% of GDP in OECD countries and remains inefficient and vulnerable to corruption.
2. **Public infrastructure:** it is often an area of poor management and inefficient expenses.
3. **Capture of public policies by particular interests:** decisions that do not consider the general interest can exacerbate inequalities.

As a confederation, CICA wants to focus on one of these risk areas in particular: the infrastructure, where the high amounts of money involved, the complexity of the projects and the discretion of politicians, public officials and their agents regarding investment decisions, make the projects susceptible to influence.

Efforts to improve productivity and increase security have diminishing returns. Significant changes in accident rates or unit costs are only achieved when we face the problem from another perspective, moving on to a new stage. The fight against corruption follows the same logic; we need a new model that takes care of the different dimensions of the problem.

The CICA statement considers the following elements:

- 1) Legal aspects
- 2) Governance
- 3) Leadership and training
- 4) Technology

The combination of these concepts seeks to increase trust and integrity, generating real progress in the fight against corruption.

Legal aspects

- the traditional mechanisms to fight corruption have been based on the generation of laws that typify faults and then apply sanctions. The evidence shows that the enforcement of law alone does not solve the problem. It must be completed by a change of the mentality and awareness of all people involved in the construction process.
- "Organizations have a responsibility to proactively contribute to combating bribery. This can be achieved by an anti-bribery management system, which this document is intended to provide, and through leadership commitment to establishing a culture of integrity, transparency, openness and compliance. The nature of an



organization's culture is critical to the success or failure of an anti-bribery management system." (ISO 37001, Introduction, 3rd paragraph)

- Law enforcement is an important enabler in both the short and long term. Strict and enforced laws are a basis on which other anti-corruption tools can be built.

Recommendations:

- For public contracting authorities requiring the use of ISO 37001 type management systems from tenderers, the use of this standard for their own management systems should be mandatory.

Governance

- Investment in infrastructure is complex. Inadequate governance is one of the reasons why projects and infrastructure very often fail to meet the times, budgets and service delivery objectives.
- The challenges occur throughout the project cycle, for which a systemic view is required that takes into consideration the following challenges:
 - *Develop a strategic vision for infrastructure:* establish a national strategic vision and planning that addresses the needs of infrastructure services. This strategy should be sanctioned politically and coordinated between the different levels of government.
 - *Coordinate the infrastructure policy through the different levels of government:* these mechanisms should encourage a balance between the government's perspective and the regional perspective.
 - *Good project preparation is of utmost importance, and should cover all aspects:* project procurement and delivery strategy, technical aspects, social and environmental impacts, maintenance strategy, etc. Loopholes in project preparation leads almost inevitably to claims, project changes and opportunities for unethical behaviour.
 - *Manage threats to integrity with the appropriate management systems:* entry points of corruption must be mapped for each stage of the infrastructure project and integrity and anti-corruption mechanisms must be improved. Corruption can occur at each stage of the infrastructure project, including selection, bidding and implementation. It must also include government representatives, unions, contractors, engineers or suppliers. The OECD's framework for integrity in public investments proposes a series of tailor-made recommendations that seek to safeguard integrity in each of the stages of an infrastructure project.
 - *Justify the delivery of infrastructure realization:* aspects such as legitimacy, affordability and cost-benefit must be considered. Ensure affordability and

price-quality ratio: projects must be affordable and the investment in general must be sustainable.

- *Ensure good regulatory design:* good regulatory and delivery design are necessary to ensure a sustainable and affordable infrastructure through the useful life of the asset. Public infrastructure must be resilient: the resilience of the infrastructure must be considered along with its capacity for adaptability.
 - *Integrate a consultation process:* this process should be proportional to the size of the project and consider the target audience and relevant stakeholders.
 - *Generate, analyze and reveal useful information:* governments should implement systems that ensure a systematic survey of information and an institutional responsibility for its analysis, dissemination and learning.
 - *Ensure the performance of the assets during their useful life:* ensure the focus on the performance of the asset during its useful life by establishing monitoring and maintenance systems.
 - *Technological changes* can be disruptors of sectors and economies.
- Public-private cooperation appears as a way to develop practical solutions that favor transparency.

Recommendations:

- Development Banks and Financing Institutions should be at the forefront of these commitments and promote them actively towards their clients.
- Both public and private actors should engage in CIES (“Commitment to Integrity and Ethical Standards”), as proposed by B20 Argentina “Integrity and Compliance” Policy Paper (2018).

Leadership and training

- The evidence suggests that trust increases with the perception that others act with integrity.
- Leadership is the most important factor in maintaining integrity. In this sense, moral and ethical reasons are most relevant to create a culture of integrity within the organization.
- Ethical behaviour is the ultimate responsibility of the leaders of a company. Every employee must know that ethical behaviour is expected by him and that the leaders will not look aside, if unethical behaviour is observed, whatever could be perceived as a benefit for the company. The direct involvement and commitment of the management of a company regarding ethics are much more effective than the rules of law alone.



- Each company should make it clear, that cooperation with other companies is only possible, if those other companies follow the same ethical principles.
- Training and education have one of the best results for the impact on trust and integrity in the long term.
- An educational platform and mentoring mechanisms can stimulate good governance and combat corruption within the organization.
- To facilitate ethical behaviour, each company has to establish its own code of ethics and conduct, as well as the corresponding management system.

Recommendations:

- Each big-sized and mid-sized company in the construction industry should establish a management system – compliance-driven and value-driven. With such a self-commitment ethics management in the construction industry aims to create transparency and trust. This compliance and ethics management in the construction industry should consist of four elements.
 - 1) The first element is to codify the most important values of the company in a statement of fundamental values. In such a statement the company lays down the underlying values on which it bases its internal and external corporate activities, for example compliance with the law and integrity (codification).
 - 2) The second task is to put the statement of fundamental rules and values into practice by developing specific standards of conduct, especially including the aspects of fight against corruption or rejecting agreements that restrict competition (implementation). The seriousness and trustworthiness of the ethics management system depends primarily on the monitoring of the implementation.
 - 3) Therefore, the third element is to conduct an external audit on a rotation basis (monitoring).
 - 4) Finally, a member of the company management bears responsibility for the ethics management system and is known in this function to the entire workforce (organization).

Technology

- There are several technological innovations that facilitate trust and integrity:
 - Make reasonable information transparent and accessible to the public using "open data".
 - Reduce human interaction in bidding processes through "e-governance" platforms.
 - Make sure through appropriate technical solutions that the information has not been manipulated. Example: Trough the blockchain
 - Analyze other tools that are in favor of the transparency of information.

CICA committed to global dialogue

Finally, CICA consider its members as FIEC, FIIC, chambers and companies as legitimate stakeholders and vital partners in the global fight against corruption.

As International Confederation, representing the voice of the Construction Industry worldwide, we call upon the bilateral and international organizations and agencies to enter into a serious dialogue with the construction industry, in order to identify efficient tools for the fight against corruption.