

Mark Pyman

New horizons in anti-corruption: sector-specific corruption prevention

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Ladies and gentlemen, good afternoon.

Some of you will have been following the Rugby World Cup taking place in Japan. The scary Australian in this photo was playing in the Australia-Wales match on Sept 29th last month. You may

well not have noticed in the press that one of the senior coaches for the Welsh team was sent back to the UK the week before; because of a report that he might have been bribed to pass information. What was interesting about this case was

that the tip-off came from the betting company, not from the sports integrity unit. The betting companies now actively monitor huge volumes of betting transactions, trying to spot suspicious betting movements, then informing the sporting authorities. This is a good example of companies and the authorities working collaboratively to solve corruption problems.

Conversely, the Serious Organised Crime Agency (SOCA) in the UK says there has been a sharp increase in the number of corrupt police officers dealing heroin, cocaine, amphetamines, and a startling rise in the number of officers abusing their power 'for sexual gratification'^{1,2}. To investigate corruption within the police, the police rely on their anti-corruption units, called the 'Internal Affairs Departments'. They are typically resourced at the level of 1% of the workforce – so a force of 30,000 police, like the London Metropolitan Police, would have 300 people in their Internal Affairs dept; They use sophisticated tools like covert surveillance and integrity testing - but still it is insufficient.



SPORT: Each sport has own Integrity Unit. Betting company units actively seek out suspicious transactions and inform the sport

POLICE: 'Internal Affairs Departments' seek out corruption in their force. Typically 1% staffing.

¹ Spectator magazine 2015 at <https://www.spectator.co.uk/2015/03/the-shocking-truth-about-police-corruption-in-britain/>

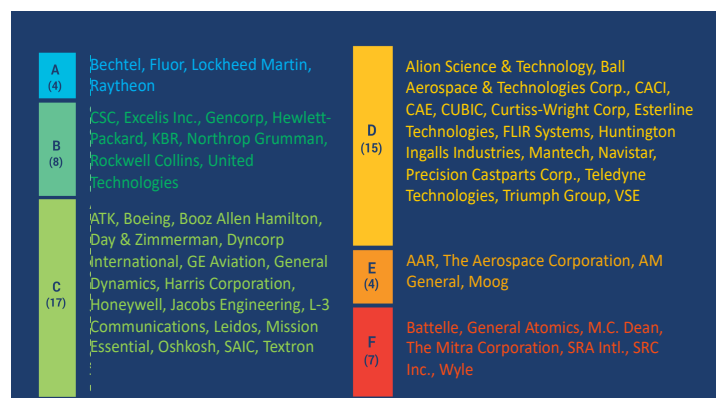
² Further, of a survey of 17,200 officers and staff in 2015, nearly half of them said that "if they reported corruption among their colleagues, they did not believe their evidence would be treated in confidence and would fear 'adverse consequences'. This lack of protection for whistle-blowers has become commonplace

Now here is the point: while both these situations may be called corruption, they are hugely different phenomena. Corruption takes very different forms from one sector to another. Corruption reforms are equally different.

Here are reform examples from two sectors, the defence sector and shipping. The defence example is my own, because I founded Transparency International Defence and Security and led it for 12 years.

After five years of really getting to understand the sector, we realised that for defence as a whole to change, it needed **external metrics and public comparisons** of their performance. For the companies in the sector, we analysed, in detail, the quality of the ethics & compliance programmes of the 160 largest global companies. This slide shows some of the results, just for the US companies: 'A' is the best ranking, 'F' is the worst. As you can imagine, we had a lot of interaction with the companies, some friendly, some not-so-friendly.

DEFENCE: Transparency International Defence publishes in-depth independent analysis of compliance programmes in the sector (Data for US Companies 2015)



Source: <http://companies.defenceindex.org>



Then, we did the analysis again, three years later, we found there had been *significant improvement* across many of the companies, and we found that we could quantify that improvement, question by question, company by company.

DEFENCE: Such independent analyses also shows the change in quality of company programmes over time

- Despite the questions being approximately 7% harder in 2015..
- 60% of 127 defence companies have better programmes in 2015 over 2012
- 33% of defence companies have improved by one band or more
- 26 defence companies are in Bands A & B, compared with only 10 in 2012
- There was improvement in all regions of the world

Similar analyses could be developed for every sector



You can see the comparison in the slide opposite. We were able to get right inside the level of preparedness of many of the companies – with their agreement and with a confidentiality agreement – because we did the analysis twice: the first time using only publicly available data, the second time using all the internal policy, performance and training data that the companies chose to share with us.

Key to success was that we had a team doing the company evaluations who were very knowledgeable, very professional, it was way deeper than just ticking boxes. As a result, the defence companies index had a lot of credibility and most companies were very engaged. If there are defence companies here in the hall today, I hope they will be able to confirm that this technical comparison tool has had a real impact across the whole sector.

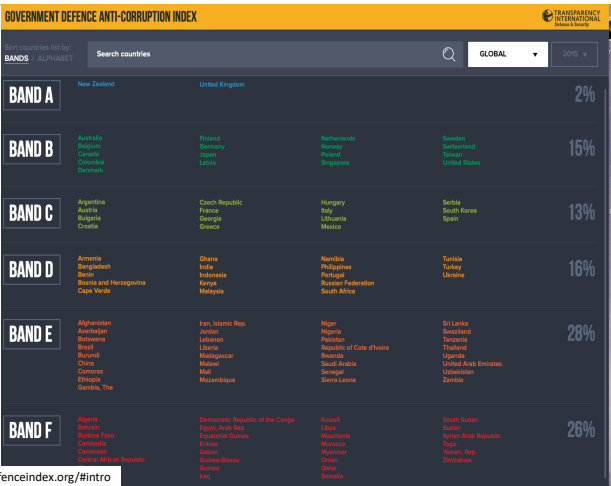
Staying with defence, it is obvious - but often ignored - that tackling corruption requires action by the companies AND by the governments. So, we developed a comparative methodology for corruption vulnerabilities in government defence establishments - the Ministry of Defence and the military. This is more complex than for companies, requiring a broader range of questions, such as ‘What percentage of your defence budget is secret?’, for example.

Here is the result from the 2015 analysis. Again, Band A shows the best result, Band F the worst. Again, we did this professionally, with multiple expert teams, several of them former members of defence ministries, plus three levels of peer reviewers, plus inviting the government in each country to cooperate, plus referencing all sources. For every country there is a public 50-page report on the web, complete with the peer review comments and the government comments.

AND they can be developed for the relevant government ministry and organisation

Many national defence ministries are using the TI Government Defence Anti-Corruption Index

Source: <https://government.defenceindex.org/#intro>



Obviously, we had some unhappy countries and some very annoyed Defence Ministers, but we also had many countries using the questions as the basis for their own defence improvements plans, and this continues today. Countries can use the methodology without TI-DS being present.

The methodology is based on a list of all the corruption issues that happen in defence and which must be protected against. Here is the list.

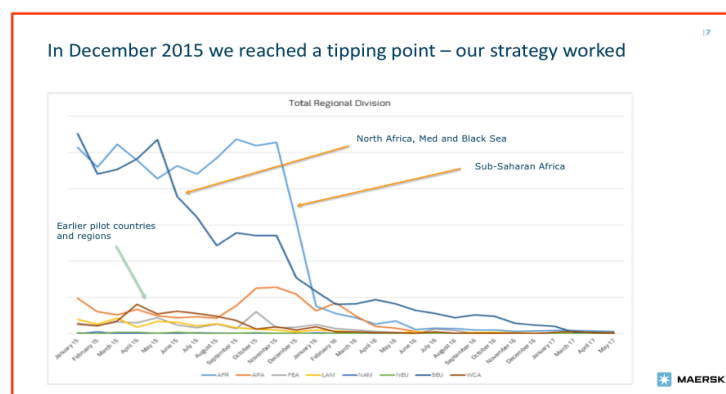
Finally, a key tool for each sector is the **typology of specific corruption issues** (or risks)

These cover the full range of corruption risks in the sector.

29 DEFENCE CORRUPTION RISKS		
POLITICAL	PERSONNEL	PROCUREMENT
Defence and Security Policy 10	Leadership Behaviour 4	Technical Requirements / Specifications 7
Defence Budgets 7	Payroll, Promotions, Appointments, Rewards 5	Single Sourcing 2
Nexus of Defence & National Assets 1	Conscription 2	Agents / Brokers 1
Organised Crime 2	Salary Chain 2	Collusive Bidders 1
Control of Intelligence Services 2	Values & Standards 4	Financing Packages 1
Export Controls 1	Small Bribes 1	Offsets 3
FINANCE	OPERATIONS	Contract Award, Delivery 3
Asset Disposals 2	Disregard of Corruption in Country 2	Subcontractors 1
Secret Budgets 6	Corruption within Mission 1	Seller Influence 1
Military-owned businesses 2	Contracts 1	
Illegal Private Enterprises 1	Private Security Companies 1	

Now an example from shipping. This slide shows the results of a Maersk initiative to address the petty bribery that captains have to engage in for their ships to enter and leave port in a timely manner. The horizontal axis is time, and the vertical access is the number of gifts given out each month as the ships entered ports around the world. Maersk

SHIPPING: Maersk worked with captains and ports to eliminate whisky & cigarette gifts. Graph shows ship-board/global IT system recording all such gifts



developed an active strategy for how to curb this. The Captains were the key authority group within the company who needed to see the possibilities and the benefits of a change. The change was enabled through training: educating the captains in how they could refuse such requests without giving offense. As a result, the number of cartons of cigarettes and bottles of whiskey that captains have to give out has plummeted. The outcome is better business as well as a stronger corporate culture for Maersk, better reputations for these ports, and a global reputational gain for Maersk³.

It's time to finish. The message from me is positive and, I hope, clear: it's at sector level that you really solve most problems (not all, the sector approach won't help you much with shell companies, for example)

The sector-lens works for stakeholders who have real interests in finding solutions, and it engages with functional professionals who usually really want their systems to work properly and professionally.

In each Sector

Public entities +
Private companies +
State companies +
Market regulators +
Sector multilaterals +
Sector NGOs +
The profession

... Are/Should be doing
the real work together

Agriculture	Mining
Construction	Oil & Gas services
Defence & military	Policing
Electricity & power	Professional services
Environment	Property
Financial services	Shipping
Fisheries	Sport
Forestry	Telecommunications
Healthcare	Tourism & culture
Media	

Finally, if you haven't got my message yet, here it is one more time:

sectors, sectors, sectors; AND solving corruption problems, not just mitigating risk. Thank you.

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³ See <https://www.fcpablog.com/blog/2019/7/23/from-maersk-aec-and-shell-inspiring-stories-about-changing-c.html>