World Bank helps lead global shift to clean development

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The private sector has long been a critical partner for the World Bank Group, providing necessary goods and services to countries in need while stimulating economies by creating new jobs.

Business has benefited from World Bank Group-financed contracts and the enhanced image and credibility that come from working on projects that help the greater good.

What should be a mutually beneficial relationship can quickly sour when corruption enters the picture. The World Bank Group's online list of debarred firms, currently at 634 entities, makes clear exactly which firms have run afoul of its policies. The list amounts to "naming and shaming," much to the chagrin of those firms and the countries in which they are headquartered -- countries which are members of the World Bank Group.

While we have long maintained that bribes are bad for business, companies were not always convinced. However, more firms today and in particular those that have recently weathered the storm of scandal are delivering the message themselves, often to greater effect.

"Businesses that have had, and dealt with, an 'ethical problem' are often best placed to objectively assess the benefits of doing business cleanly," says a former participant in the World Bank's Voluntary Disclosure Program.

He adds, "Bad practice may secure a contract, but ensuring an acceptable profit on that particular—and subsequent -- contracts gets harder. It is ultimately unsustainable unless the 'good' contracts are used to sustain costs attached to winning and delivering 'bad' contracts. From our experience, when bad clients know you will only do business cleanly, they either will not ask for bribes, or they simply don’t invite you to bid."

Mabey Bridge is the only firm in the World Bank's Voluntary Disclosure Program which has forgone anonymity. It suffered the consequences of a corporate ethics investigation, experiencing a downturn in international trade, job losses, and a stain on its reputation. CEO Chris Droogan reports that his company took immediate steps to root its operations in business ethics, restructure its board, and put in place a robust anti-bribery system.

Other firms were compelled to sort out corporate governance issues in the public eye, and with the zeal of the converted, some have seemingly emerged with enhanced reputations. Faced with a growing controversy over suspicious payments, Siemens sought to ensure the survival of the firm through rapid changes in personnel, organization, and culture. Following a four-year debarment of its Russian subsidiary by the World Bank, and a $100 million settlement in support of worthy anti-corruption causes, Siemens's ongoing cooperation with World Bank investigations should help hold more corrupt firms and individuals accountable.

The case of Siemens alerts businesses everywhere that the risk of prosecution, fines, debarment, and damage to reputation can hit their bottom line hard. Of course, the greater loss is to people, especially in areas experiencing dire need for infrastructure, health, education and other projects to break the cycle of poverty. Money that finds its way into the pockets of the corrupt is money that is not spent on development.

The actions of major firms undoubtedly influence their competitors, and can create a spillover effect across entire sectors. The publishing firm Macmillan was debarred by the World Bank Group in 2010, indirectly prompting Oxford University Press (OUP) to look into its own operations. OUP ultimately settled with the World Bank Group, agreeing to the debarment of two of its units for corruption and a $500,000 payment. (It also paid nearly £1.9 million ($3.2million) in fines in the UK following action by the Serious Fraud Office.)

The CEO wisely recommitted the company to employing the highest ethical standards and bolstering its compliance program.

Matthew Herrington, partner at Steptoe & Johnson in Washington, DC, has represented a number of firms that have faced legal action under the US Foreign Corrupt Practices Act. Herrington said he has seen a "revolutionary change" in the past decade. According to Herrington, risk management has become a top concern for executives, and corporate culture is changing accordingly. "More and more, a significant compliance-related dimension is factored into executive compensation."

The above-mentioned firms are back in business, qualifying to bid on World Bank-financed projects, and it remains to be seen whether they can continue to run clean operations indefinitely. Andreas Pohlmann, a former compliance expert for Siemens and who is now at the Canadian firm SNC-Lavalin offers his inside perspective: "Once facing a compliance crisis, companies learn the hard way: Good corporate governance and being a good corporate citizen are the foundation of sustainable business success."

Heightened corporate compliance is not a panacea to fighting corruption in development. The instability that is percolating around the world is yet another facet of an already complex problem. The link between corruption and instability and their stifling impact on development is undeniable. Sound governments, strong institutions, and the rule of law will always be of utmost importance.

But while political stability around the world seems to grow more tenuous by the day, the positive shift among many private sector firms to embrace clean business is something worth capitalizing on.

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Leonard McCarthy is the Integrity Vice President of the World Bank Group, a position he has held since June 2008. The mandate of the Integrity Vice Presidency (INT) is to anticipate, detect, deter and prevent fraud and corruption in Bank Group-supported activities. Prior to joining the World Bank Group, Mr. McCarthy headed the Directorate of Special Operations (DSO) in South Africa.
