

2D.1 Case Story: The Brazilian Programme for Promoting Integrity and the Fight against Corruption

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“The purpose of the Pact is to promote social responsibility through public policy in order to create an environment of transparency and active participation in the fight against corruption.”

On 9 December 2005, the International Day against Corruption, Brazilian businessmen presented the Private Sector Pact for Promoting Integrity and Fighting Corruption at the Stock Exchange in Sao Paulo.

The Pact was initiated to reduce corruption in Brazil by increasing transparency in relations between the public and private sectors. Inspired by the United Nations Convention against Corruption and the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, the Pact was developed by Ethos Institute of Business and Social Responsibility in

partnership with Patri Relacoes Governamentais and Politicas Publicas, United Nations Development Programme (UNDP), United Nations Office against Drugs and Crime (UNODC), and the Brazilian Committee of the United Nations Global Compact.

The Pact consists of nine recommendations for businesses that will bring transparency to their transactions, particularly regarding contributions to electoral campaigns. Those who sign the document commit to making contributions within the strict limits of the law, to verify the accurate registration of contributions and to declare any irregularity.

Ricardo Young is the President of the Ethos Institute, and Oded Grajew is the President of the United Nations Global Compact Committee.

Context

In the recent history of Brazil, the democratic progress lives side by side with both documented and suspected cases of corruption. The population alternates from celebrating democratic achievements to lamenting the destructive effects of corruption. This situation provides a test for those who built democracy and who are trying to exercise their citizenship.

The enactment of the Federal Constitution of 1988, which provided for direct elections for president, were part of the achievement of democracy. After 29 years, the right to vote for president of the republic was re-established. Two years after the election, the press published accounts of great scandals. Discontentment mobilized most segments of the society, including members of the Congress.

Over the last decade, many cases of corruption have occurred in different states and municipalities. Legislators and leaders of the executive power have had their mandates revoked and have even suffered penal sanctions. Public agency and judiciary officials have also been investigated. Some of the people responsible for those illegal actions were convicted, while others have gone unpunished.

Nationwide, the situation has been no different. From the beginning of the 1990s, the press have published accusations involving executive, legislative and judiciary officials, as well as public and state companies. Currently, there are several corruption charges under investigation by CPIs (Comissões Parlamentares Mistas de Inquérito, "Parliamentary Commissions of Enquiry") and public institutions, including the federal government controller (CGU), federal audit office (TCU), federal police and the federal Public Prosecutor.

There seems to be no end to the fight against the evil of corruption with its horrific social, economic and political effects. Corruption destroys the possibility of reducing inequalities and sabotages the prospect of growth and sustainable development.

On the other hand, the extreme situation awakened a feeling of urgency. Values and attitudes are being

discussed in several sectors of the Brazilian society. Now is the time to act. Corporations have begun to establish procedures for fighting corruption. The first step is to make relations between the public and the private sectors transparent.

Response of civil society and the private sector

In response to the recognized need to combat corruption, the Ethos Institute of Companies and Social Responsibility in partnership with Patri Relações Governamentais and Políticas Públicas, United Nations Development Programme (UNPD), United Nations Office against Drugs and Crime (UNODC), Brazilian Committee of the United Nations Global Compact created the "Business Pact for Promoting Integrity and Fighting Corruption."

The success of company pacts to fight slavery and to eradicate child labour encouraged more businesses to participate in this new anti-corruption initiative.

The draft of the new Pact was based on the following documents: Letter of Social Responsibility Principles, United Nations Convention against Corruption, the 10th principle against corruption of the United Nations Global Compact, the Organisation for Economic Co-Operation and Development (OECD) Guidelines for Multinational Enterprises, and records of the seminar "Challenges to Fight against Corruption—The Role of Companies" held in São Paulo and Rio de Janeiro.

History of the Pact

The first seminar of Pact adherents was held in September in São Paulo, gathering around 50 company executives and CEOs. It addressed four themes connected to the practice of corruption: public acquisitions, financing of voting campaigns, misuse of public resources and government advertising. On the day of the seminar, *Jornal Valor Econômico*, a major periodical for economics and busi-

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nesses, circulated with the enclosure “Companies against Corruption” (in Portuguese), presenting situations, cases and legislation.

The second seminar in November, gathered 30 executives and CEOs of companies to address the following issues: tax dodging and bribery of public agents in small and medium companies, organized crime, and money laundering.

In the seminars the businessmen deepened the debate about alternatives and realistic possibilities to reduce practices of corruption. The outcomes were integrated into the draft of the Pact. This draft contains a set of suggestions, guidelines and procedures to be adopted by companies and entities in their relationships with legislative, executive and judiciary powers.

To expand the participation of companies in the process and to legitimate the initiative, the coordination group formed a Mobilization Council with company and civil society members (see list below).

On 9 December, the World Day of the Fight against Corruption, the coordination entities and the Mobilization Council launched the draft of the Pact opening it to public review and consultation for a period of three months, so the interested parties could suggest changes they deemed necessary.

The Council will promote the review and consultation process, and incorporate new additions from the participating entities.

Many effective changes can be incorporated in the relationships between private sector and government, and between companies and the market, as well as in the company culture. The continuous fight against corrupt practices can be adopted by companies as an element present in all business relationships.

The Pact promises to be one of the strongest mechanisms for integrating anti-corruption criteria in the field of self-regulation.

What needs to be done

Four steps are fundamental for the success of the Pact and need to be implemented in 2006 and 2007:

1. Conclude the public consultation process:

- Complete the review and consultation process together with the Mobilization Council;
- Continue the process of disseminating information through seminars, meetings of the Council members and other entities;
- Record and organize all suggestions and integrate them into the draft of the Pact.

2. Promote commitment to the Pact:

- Launch the Pact nationwide;
- Hold seminars in partnership with members of the Mobilization Council to increase adherence to the Pact;
- Maintain a permanent and updated list of the companies committed to the Pact.

3. Provide guidance in implementation of the Pact:

- Create and distribute guidance material for the companies implementing the commitments of the Pact;
- Event for launching the manual;
- Support service hotline for companies committed to the Pact to further implement the principles and procedures in their interactions with collaborators, suppliers and other market forces;

- Organize seminars to present success stories on relevant themes to promote integrity and fight against corruption.

4. Install and manage a website for the Pact:

- Publish the terms of the Pact;
- Disseminate case scenarios, mechanisms and common practices of corruption to aid companies in adhering to the Pact;
- Present the best practices for promoting integrity and fighting against corruption;
- Publicize “real-time” seminars, expanding their impact and allowing virtual participation;
- Promote online debates.

Follow-up actions

After implementing the above actions, it will be necessary to:

- Create a database with the best practices of integrity for the company’s relationships, including the various possible corruption scenarios and methods for handling them;
- Structure a permanent forum (real and virtual) about concrete situations affecting one or more companies to promote discussion and collective action;
- Develop a project to compile, analyse and forward suspected cases of corruption to the competent authorities.
- Create a toll free number for denunciations.

The Programme for Promoting Integrity and the Fight against Corruption

The Pact is the engine that drives all actions of the Programme for Promoting Integrity and the Fight against Corruption. The Fight Against Corruption Programme was jointly initiated by the Instituto Ethos and Patri (Brazilian Government Relations and Public Policies Company) on September 2005. Its cooperating partners are the Avina Foundation, the Brazilian Committee of the United Nations Global Compact, the United Nations Development Programme (UNDP), the United Nations Office on Drugs and Crime (UNODC) and the newspaper Valor Economico.

The initiative is based on the adoption of the 10th Principle to the United Nations Global Compact, which targets Anti-Corruption and intends to tackle economic, ambient and social instability, including common corruption practices of politicians. In order to reduce corruption on a global level, the United Nations Global Compact encourages and supports companies and entrepreneurs to form coalitions against all kinds of corruption practices.

General purpose

The purpose of the Programme is to promote practices of corporate social responsibility in public policies and to subsequently create an environment of transparency and active participation in the fight against corruption. In order to do so, the Programme strives to mobilize businessmen to adopt the fight against corruption and implement integrity policies.

Specific purposes

To fulfil the goal of the Programme, members must take the following steps:

- Promote an environment for debate about the issues related to political campaigns, transparency and methods to fight corruption;

“Only those companies that proactively tackle existing corruption will be capable of strengthening their position among competitors.”

- Stimulate ongoing discussions between public and private agencies to establish parameters for public acquisitions and public-private partnerships;
 - Engage an increasing number of companies in alliances and partnerships to fight corruption;
 - Implement methods for tracking the chain of production and mechanisms for fighting corruption;
 - Implement mechanisms to monitor and evaluate established relationships (transparency monitoring);
 - Improve the legal mechanism—Law 8.666, Administrative Law—that regulates public biddings and tenders;
 - Finish the process of public consultation about the Private Sector Pact for Promoting Integrity and Fighting Corruption, and promote debate about the principles within the Pact.
 - Mobilize companies and guide them in implementing and adhering to the Pact;
 - Promote discussion and dissemination of Pact principles, practices and results (on the Pact website).
- Private Sector Pact for Promoting Integrity and Fighting Corruption (9 December 2005);
 - Sector pacts to fight corruption;
 - Seminars and round-tables:
 - ✦ *Inaugural debate—September 2005: Jornal Valor Auditorium*
 - ✦ *Suggestions presented by union and business leader*
 - ✦ *Second Seminar—November, 2005; Rio de Janeiro (Suggestions presented by union and business leader)*
 - Mapping of established methods for corruption monitoring;
 - Establishment of a satisfactory relationship between public and private agencies through regulation mechanisms (improvement/reformulation of bidding law 8.666);
 - Specific website about the theme, with an area to exchange information, experiences and news.

Activities

- Publications:
 - ✦ *Manual of Best Practices to Fight Corruption*
 - ✦ *How to Finance Political Campaigns in Voting Processes*
 - ✦ *Manual—How Corruption Happens*

Conclusion

In the context of the global Corporate Social Responsibility movement, combating corruption is one of the key challenges. To achieve sustainable economic growth, private sector principles and practices need to reach a sound level of social and environmental sustainability, and companies need to ensure competitiveness in local, regional and global markets.

As social inequalities constitute one of the major barriers for prospering markets and societies, only those companies that proactively tackle existing corruption, among other obstacles, will be capable of strengthening their position among competitors.

To provide fair and equal opportunities to all companies, democratic governments have to explicitly foster transparency and vigorously counter corruption, which has a negative effect on democracy in the medium and long terms. Governments must also formulate public policies that distinguish legal and legitimate practices from illegal practices within private and non-governmental sectors.

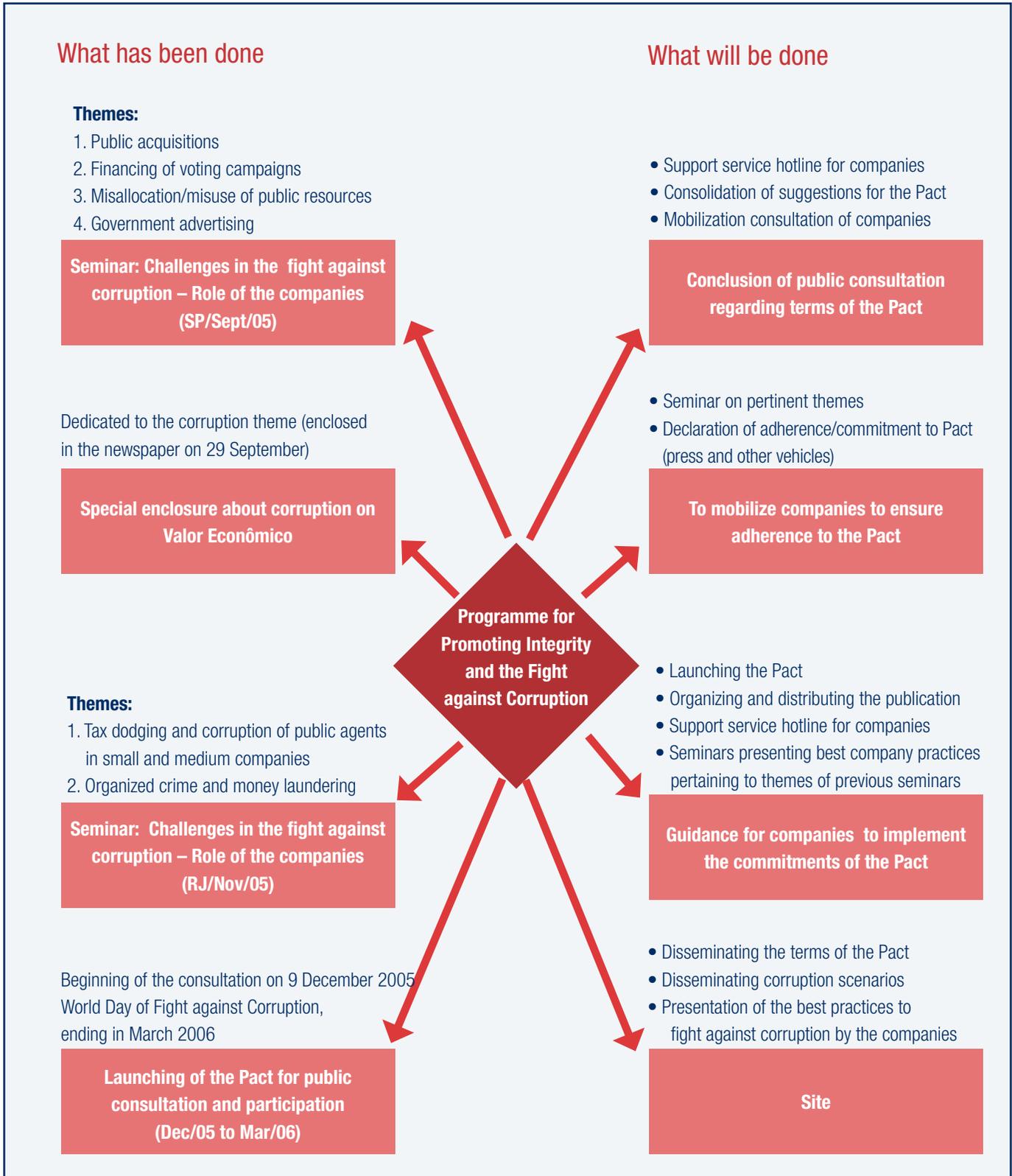
By expressing a clearly dismissive position towards corruption and taking explicit measures to eliminate it, companies can contribute to the reduction of economic and political vulnerability not only through their own actions but also by insisting on the application of ethical principles and practices in their supply chain.

Entities that organized the Pact

- Brazilian Committee of the Global Compact
- Ethos and Uniethos Institutes
- PATRI—Relações Governamentais E Políticas Públicas
- UNDP—United Nations Development Programme
- UNODC—United Nations Office Against Drugs And Crime

Members of the Pact's Mobilization Council

1. Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais—APIMEC
2. Associação Brasileira das Entidades Fechadas de Previdência Complementar—ABRAPP
3. Associação Brasileira da Indústria Têxtil e de Confecção—ABIT
4. Associação Brasileira de Empresários pela Cidadania—CIVES
5. Centro das Indústrias do Estado de São Paulo—CIESP
6. Confederação das Associações Comerciais e Empresariais do Brasil—CACB
7. Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável—CEBDS
8. Federação das Indústrias do Estado de Minas Gerais—FIEMG
9. Federação das Indústrias do Estado do Paraná—FIEP
10. Federação das Indústrias do Estado do Rio de Janeiro—FIRJAN
11. Federação das Indústrias do Estado de São Paulo—FIESP
12. Fundação SEMCO
13. Instituto Akatu pelo Consumo Consciente
14. Instituto Brasileiro de Governança Corporativa—IBGC
15. Instituto DNA Brasil
16. São Paulo Stock Market—BOVESPA



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Purposes	Results expected	Activities to carry out	Result Indicators	Means of monitoring
To finish the process of public consultation about the Private Sector Pact for Promoting Integrity and Fighting Corruption, and to promote the debate about the principles within the Pact	Pact procedures finalized with full participation of the companies Increase in Pact participation and expansion of Mobilization Council	<ul style="list-style-type: none"> To make the Terms of the Pact available for consultation by various means of communication To create a support service to clear doubts 	<ul style="list-style-type: none"> Number of calls to support service hotline for companies Number of suggestions recorded 	<ul style="list-style-type: none"> Reports of Pact adherents Record of the support service hotline for companies
To mobilize companies to ensure they adhere to Pact principles and procedures	Mobilization Council in action	<ul style="list-style-type: none"> Support service to clear doubts Visits to the entities Seminars promoted by the entities to clear doubts about the Pact 	<ul style="list-style-type: none"> Number of companies adhering to the pact Number of adherents from each member entity in the Mobilization Council 	<ul style="list-style-type: none"> Letters from companies declaring commitment to Pact
To guide companies in implementing Pact procedures	Exchange of information between Pact companies and the public	<ul style="list-style-type: none"> Publication completed and distributed Support service to clear doubts Five regional seminars on best practices for Pact companies 	<ul style="list-style-type: none"> Number of pieces of information required Number of companies participating in the seminar Number of cases of best practices presented 	<ul style="list-style-type: none"> Records of phone calls, e-mails and letters received Records of seminars held
To promote dialogue among the committed companies, interested companies and the public in general (via Pact website)	Companies and public exchanging information	<ul style="list-style-type: none"> Create a Pact website Keep information updated 	<ul style="list-style-type: none"> Number of hits to the website Number of cases recorded Number of chats held 	<ul style="list-style-type: none"> Records of hits to Pact website Articles published on Pact website