

Confederation of International Contractors' Associations



Transparency of Procurement and the Battle Against Corruption

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Transparency of Procurement and the Battle Against Corruption

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TRANSPARENCY OF PROCUREMENT and the Battle Against Corruption

1. INTRODUCTION

1.1. The main objective of this work is to offer a global vision on bid transparency, supported by the improvements in Latin America and at an international level, through some relevant cases of what has been done in favor of bid transparency and against corruption; some conclusions and concrete proposals to improve bid transparency in our sector, including quoted references, relevant websites, graphics, statistics, methodologies proposed by governmental and non-governmental organization and, finally, some of the most specific problems shared by bidders in Latin America.

1.2. "Knowledge will always govern over ignorance"

James Madison (August 4th, 1822)

Madison's observation is as valid nowadays as it was 200 years ago. Access to information is still a mined field throughout the world. Knowledge is power and those who detain it have the power to govern.

This concept is problematic enough in many industrialized countries, but is it specially provocative in those countries in which colonial style government systems were implemented, marked by the concern of keeping as a secret even the most trivial information, and where accountability was not for its own people but for the remote metropolitan capital cities. Therefore, it is fair to say that trust was non-existent.¹

The struggle for the right to information is, from beginning to end, a struggle for accountability. At the World Summit on Sustainable Development in Johannesburg, where we participated, this fight was related to the communities throughout the developing world that should have the right to access information, which will enable them to be accountable for their acts if and when they pollute the environment and affect the health of their peoples.²

1.3. Corruption and lack of transparency of procurement, among other consequences, distorts prices and market conditions, reduces confidence in authorities, affects national and corporate sustainable economic development, hinders investment, increases uncertainty in commercial transactions, and increases the operating costs of companies.

¹RE: World Summit on Sustainable Development in Johannesburg, South Africa, August 26-30th, 2002.

There is no doubt that globalization is a good source of opportunities, as well as challenges. With the increase of economic activities through the borders, the negative side effects related to corruption and criminal practices in the international political scenario have increased as well due, in many cases, to a lack of transparency in the bidding processes and in the game rules. For those entrepreneurs who have global activities it is essential to count on a work frame that is fair, predictable and transparent.

Throughout the world an increasingly large number of companies and governments recognize that corruption and lack of transparency raise the costs and increase all kinds of risks in transactions. Bankruptcy of important transnational companies, millionaire fines and the latest corporate crisis facing the markets have made it necessary for both sectors to work in coordination to improve transparency in global economies, strengthen the policies and practices of the corporative government and reinforce the game rules.

1.4. For a long time, the problem of corruption was considered as a national phenomenon. Multilateral efforts for fighting corruption and improving transparency started a long time later. Globalization caused that many of these problems that had been considered local, were turned into problems with global solutions.³

Thus, The United Nations Organization (UN), the Organization of American States (OAS), the Organization for Economic Cooperation and Development (OECD), the European Council (COE), the World Bank (WB) and other Non-Governmental Organizations (NGOs) such as The Committee of Organizations of the Treadway Commission, (COSO) Transparency International (TI) and its 90 national chapters throughout the world, focused their efforts on the war against corruption and on improving transparency.

1.5. As a result of the technology that makes it easier to exchange precise and updated information, the media and the society are increasingly demanding accountability from the public and private sectors. Under this scrutiny from these and other civil organizations, governments are now implementing the necessary measures to encourage the cause of transparency. From Chile and Brazil to South Korea and India, the propagation of e-government (electronic government) involves a wide spread use of the Internet for spreading the information that belongs to the public realm and to open to society the offering process in public bids.⁴

2. ADVANCEMENTS IN LATIN AMERICA

2.1. Almost all over Latin America, the scope of public bids has been, traditionally, a focus of corrupted practices, influence traffic, wrongful management of privileged information, preferential treatment, etc.. Despite various legal reforms that have been implemented in several countries, regardless of the introduction of new technologies such as the Internet, despite an increased vigilance by the civil society, the scope of public bids is still being perceived as highly problematic.

In this context, a first regional project on this issue is being developed, headed by Transparency International Latin America and the Caribbean (TILAC)⁵. As a first case, it is making a regional risk map of the potential vulnerabilities along the bidding processes. In the process of organizing this risk map, a structured electronic moderated discussion on this issue is being organized. Parallel to this, national workshops will be held in order to obtain the largest and most varied participation.

These are the objectives and results obtained to this date:

“Outlines of the Regional Prioritized Project”

PROJECT OBJECTIVES:

1. To impel, from the civil society, more transparency in public contracts in Latin America.
2. To reduce corruption as much as possible in public contracts in Latin America.
3. To create the conditions for civil control over public contract processes in Latin America.

RESULTS:

1. There is a common legal guideline for legislative reformations in each country.
2. Acquisition regulations have been negotiated with the multilateral agencies in accordance to the legal guideline, and that are common to the region.
3. Civil actions for corruption control have been encouraged in public contracts.
4. Corruption levels in public contracts are being monitored, based on indicators⁵.

2.2. In the case of negotiations of the Free Trade Area of the Americas (FTAA), formed by 29 countries, the intention is to establish some basic principles that are being promoted at a bi-lateral level and at a national level with the same strength, in order to ensure transparency, public information and civil participation in the whole area of public bidding (services or goods).

During the VI Commercial Forum of the Americas in Buenos Aires, Argentina (April, 2001), the private sector gave a priority character to transparency in the negotiating processes of the FTAA⁶. In addition, those members who participate in the workshops on acquisition, investments and services, also summoned for laws, regulations and more transparent processes in the bids.

2.3. In the last twelve months, the International Financial Institutions (IFIs), as well as the World Bank (WB) and the Inter American Development Bank (IADB), have increased even more their scope of attention to issues related to corruption⁷. For the donors, it is a more common concern, that financing for development is being granted to corrupted governments, so now they are conditioning the issuing of loans to the implementation of safety measures against corruption.

The IADB offered loans to support anti-corruption and transparency initiatives to several countries in South America during 2001-2002, including Chile, Bolivia, Argentina, Brazil, Ecuador, Peru, Uruguay and Venezuela⁸.

In January 2002, the Organization of American States (OAS) decided to follow the implementation of the Inter American Convention against corruption. Even though no judicial formal sanctions will be taken against the countries that have not reached the full implementation of the Convention, the reports that must be delivered on the evaluation made will be useful for demanding that the governments change or improve the issues that the Expert Committee, formed by government technicians from the member States, consider as being unaccomplished⁹. Up to now, the three non-member countries that have adhered to the Anti-Bribery Convention of the Organization for Economic Cooperation and Development (OECD) are South American: Argentina, Brazil and Chile. Argentina and Brazil have ratified the convention that adopts common regulations to sanction the companies and persons involved in bribery transactions, and that penalizes bribery payments to foreign countries¹⁰.

RE: FTAA countries: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Brazil, Canada, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Estados Unidos, Grenada, Guatemala, Haití, Honduras, Jamaica, Mexico, Nicaragua, Paraguay, Peru, Dominican Republic, San Kitts and Nevis, St. Vincent and Granadinas, Surinam, Trinidad and Tobago, Uruguay y Venezuela.

Inter American Convention Against Corruption (AEO) March 2000
Anti-Bribery Convention, of the OECD November 21- 23, 1997

The United States Agency for International Development (USAID), concentrated its anti-bribery programs at a more local level in Colombia, Ecuador, Paraguay and Peru.¹¹

In Panama, the Transparency Law in Public Administration was approved on December 200. It grants civilians free access to the information on governmental activities. In Mexico, the Commission for Transparency and War Against Corruption of the Federal Public Administration has been created as an Inter-Secretarial Commission with permanent character¹², together with the National Program of War Against Corruption and Transparency and Administrative Development Encouraging 2001-2006¹³, as well as the new Federal Law on access to Public Realm Information, and the introduction of the e-government systems, www.tramitanet.gob.mx and www.declaranet.gob.mx The World Bank establishes that corruption takes around 9% of Mexico's Gross Domestic Product, amount that is higher than the total expense in education in that country. In the case of Colombia, the cost of corruption is approximately 2,600 million a year, equivalent to the 60% of the country's debt.

Chile received a better mark than many countries in Eastern Europe in the Corruption Perception Index 2002, issued by Transparency International (TI)¹⁴.

During the last year, new e-government initiatives (electronic government initiatives) have been issued in the region in order to provide online information on institutional procedures, programs, accounts, expenses and services of the governmental dependencies. The government of Argentina, for example, launched "active control" www.controlactivo.com.ar a web site that seeks to increase the degree of civil participation and to monitor the biddings and contracts within the public sector¹⁵.

The Internet has turned to be a very useful tool to reduce corruption in public biddings, in publishing the bids, making a follow-up of all the public buys and publishing online the results of those bids. Brazil and Chile, by establishing www.comprasnet.gov.br and www.compraschile.cl became pioneers of their region regarding this issue. The Colombian government site www.gobiernoenlinea.gob.co and the one in Mexico www.compranet.gob.mx are already working, and Peru is about to install a similar electronic model.

3. INTERNATIONAL OVERVIEW

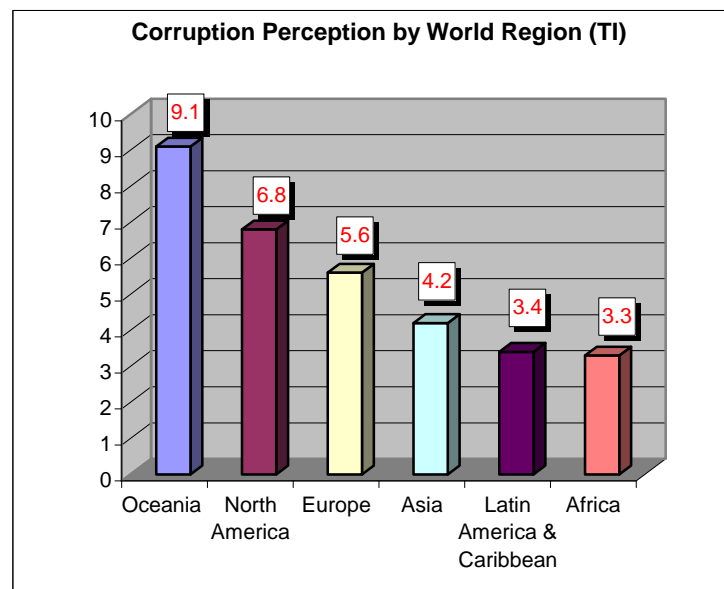
3.1. The World Bank has mentioned that, in Palestine, corruption is the second biggest limitation for growth, after political instability and uncertainty. In Morocco, the entrepreneurs that were consulted by Transparency Moroc, which is a member of TI, expressed that corruption is the second most important challenge after high taxes. Corruption costs Rumania thousands of millions of dollars a year, according to a report by the accountant and audit world company PriceWaterHouse Coopers (www.pwc.com). They state that the direct foreign investment of 1,300 million in 2001 was one third of what could be attracted to the country. An inquiry made by Social Weather Stations at the end of 2001 revealed that entrepreneurs in the Philippines were willing to invest 2% of their corporative net income to financing programs against corruption. They have estimated that preventing corruption would result in an increase of 5% in their net income and that they would save 10% in the contracts, at the same time that the government would be saving 15%-20%. We can state that the lack of bid transparency is a huge limitation to growth. Since the Law for Diffusion of Information was promulgated in Japan in April 2001, citizens are guaranteed the right to access information.¹⁶

4. WORLD STATISTICS

(Refer to annex I) References 17 and 18

Oceania	9.1
North America	6.8
Europe	5.6
Asia	4.2
Latin America & Caribbean	3.4
Africa	3.3

Note: Excepting Chile, the Latin America figure would go down to 3.2 (the lowest)



Finally, a quote for reflection:

“We believe that the function of a modern non-governmental organization is to participate in the search for solutions and not just to agree on identifying problems and demanding a change”.

Dr. Peter Eigen
President of Directory
Transparency International
Annual Statement 2001

5. CONCLUSIONS

5.1A change is needed in the culture between what is public and what is private, through the creation of ethical codes that increase confidence within the communities to whom they belong and which they serve.

5.2. There is no doubt that in a context of total openness towards globalization, adopting the standards proposed by the different international organisms contributes to strengthen the world's governability and to establish defined and clear rules for economic international transactions.

5.3. The private sector has its own needs with regard to accessing complete and reliable public information, specially the one related to public bid regulations and procedures that some countries have started to make known through the Internet.

5.4. The register management systems must guarantee the transparency of the bid through the information that the contractors have the right to receive, and this information must be exact, complete and easily accessed.

5.5. The lack of bid transparency will keep on growing if the different parties avoid exerting their functions. “Transparency has come to replace trust”.

6. PROPOSALS

6.1. To search for, analyze and divulge the methodologies, control mechanisms, follow-ups and developments in the bid processes that have been proposed or recommended by international organisms (governmental and non-governmental) such as the IFIs, UN, OECD, OAE and TI. The latter proposes new figures such as integrity pacts, social witnesses and unilateral integrity declarations, among others, to evaluate bid transparency and to prevent any kind of irregularity, illegality or dishonesty during the contract adjudication process (Refer to Annex II)

6.2. To stimulate information access in order to generate bid transparency, (and this may be the most powerful weapon in the war against corruption).

6.3. To support institutional efforts as well as the efforts of the international organisms such as WB, IDB, UN, OAE, OECD and TI, among others, to move forward in the task of achieving transparency and in fighting against corruption along the work bidding processes.

6.4. To stimulate a culture of transparency in our sector considering that this phenomenon causes serious moral and political complications, wears out the economic development and distorts competitive international conditions.

6.5. That the companies belonging to the member Federations consider, within their policies and procedures, those elements that could be used against corruption and lack of transparency during the bidding negotiations.

6.6. To stimulate conduct codes and compliance mechanisms in the company policies between our members, in order to direct them towards a new culture of transparency.

6.7. To promote international events that encourage bid transparency and war against corruption.

6.8. To establish among the Confederation, the Federations, the Chambers and the affiliates, a commitment for transparency and war against corruption, looking forward to strengthen ethical behaviors and values in order to achieve credibility and confidence, both internal and external, within the member organizations, through a joint declaration.

Elements that could be included in the Declaration:

- Ø To support "decisively" those construction companies that feel they are being affected by corruption practices.
- Ø To preserve free concurrence and fair competence in international bids.
- Ø To stimulate among our members a thorough training regarding bid transparency and war against corruption.

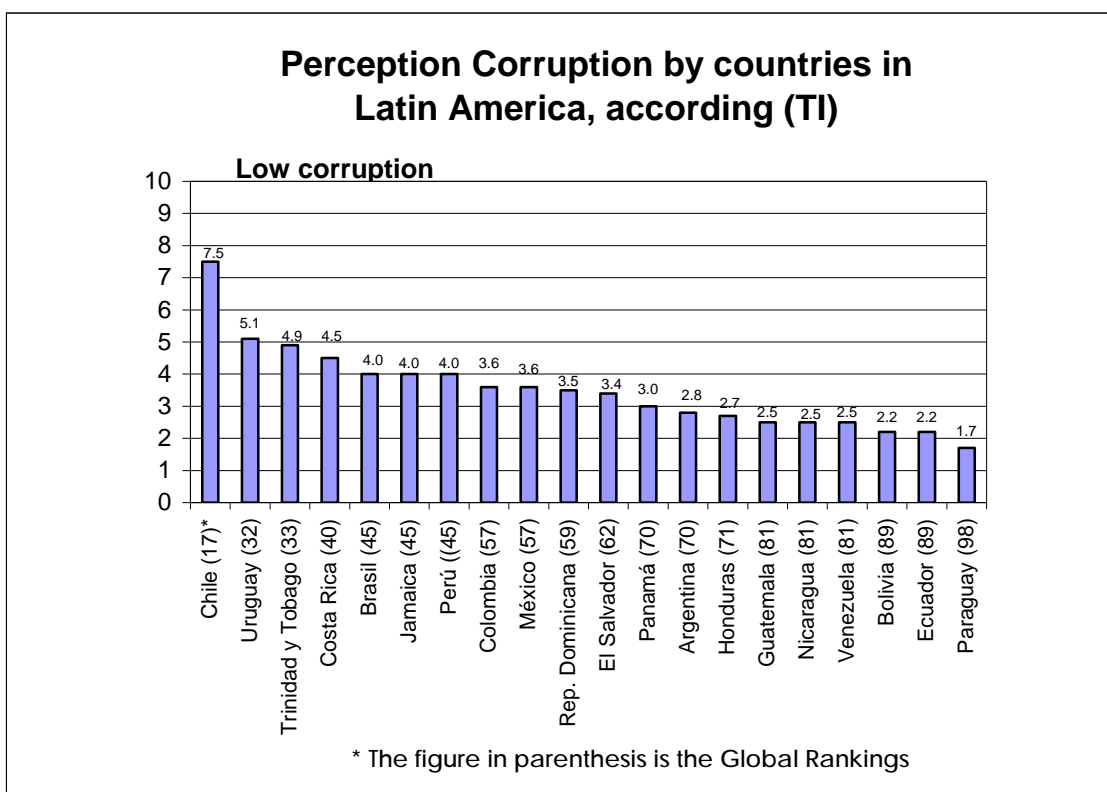
7.

ANNEX I
GRAPHICS AND STATISTICS^{17 Y 18}

Country	Score	
Chile (17)*	7.5	This index of corruption perception (ICP), is recognized all over the world, and were determined by Transparency International. It belongs to the 2002 edition. It reflects the corruption levels in the public sector, as perceived by entrepreneurs, analysts and civil citizens. It keeps showing alarming corruption levels in most of the countries, which include many of the poorest in the world.
Uruguay (32)	5.1	
Trinidad and Tobago (33)	4.9	
Costa Rica (40)	4.5	
Brazil (45)	4.0	
Jamaica (45)	4.0	
Peru ((45)	4.0	
Colombia (57)	3.6	
Mexico (57)	3.6	
Dominican Republic (59)	3.5	
El Salvador (62)	3.4	
Panamá (70)	3.0	
Argentina (70)	2.8	
Honduras (71)	2.7	
Guatemala (81)	2.5	
Nicaragua (81)	2.5	
Venezuela (81)	2.5	
Bolivia (89)	2.2	
Ecuador (89)	2.2	
Paraguay (98)	1.7	

- In this first graphic 20 countries were classified from Latin America and the Caribbean.

* Note: Excepting Chile, the Latin America figure would go down to 3.2 (the lowest).



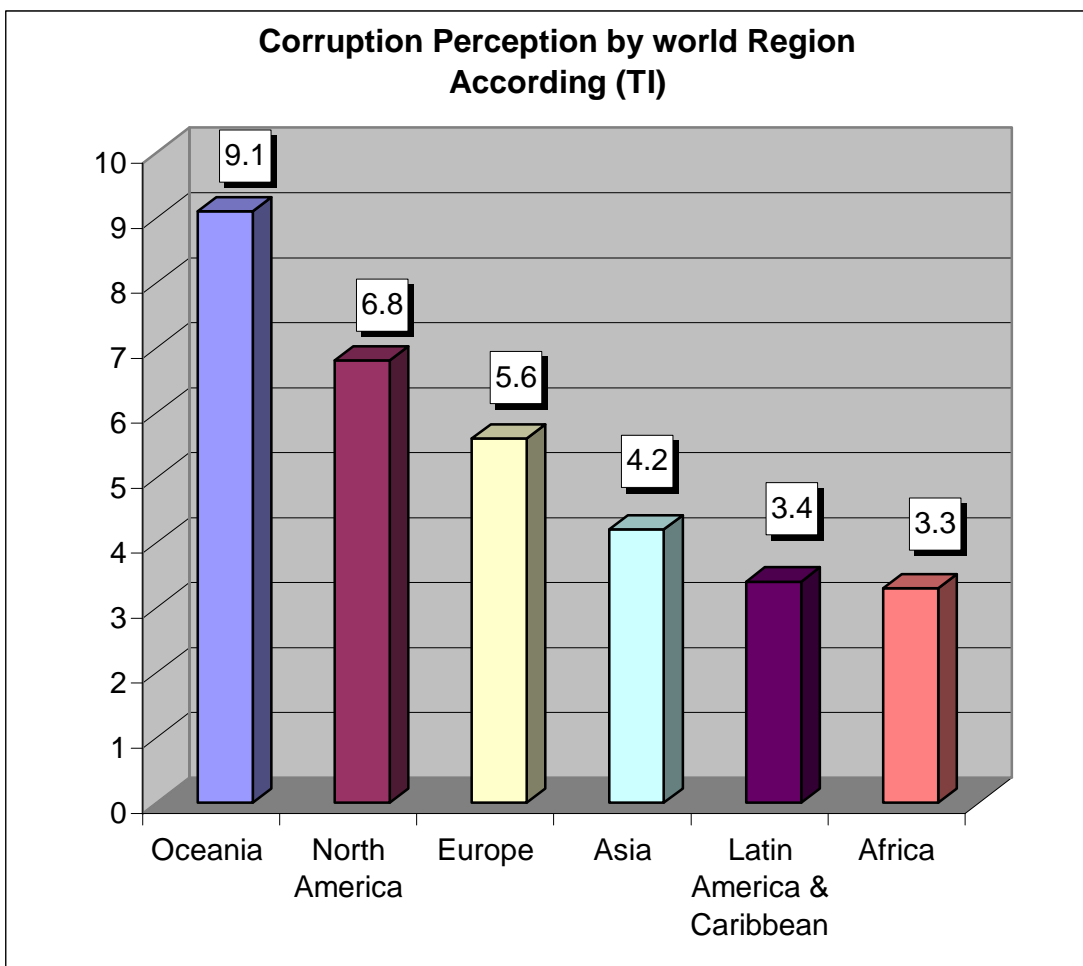
Index of Corruption Perception (ICP), according (TI)
the table 102 countries are classified, 10= highly clean, 0= highly corrupt

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Rank	Country	Score	Rank	Country	Score
1	Finland	9.7	52	Czech Republic	3.7
2	Denmark	9.5		Latvia	3.7
	New Zealand	9.5		Morocco	3.7
4	Iceland	9.4		Slovak Republic	3.7
5	Singapor	9.3		Sri Lanka	3.7
	Sweden	9.3	57	Colombia	3.6
7	Canada	9.0		México	3.6
	Luxembourg	9.0	59	China	3.5
	Netherlands	9.0		Dominican Republic	3.5
10	United Kingdom	8.7		Etiopía	3.5
11	Australia	8.6	62	Egypt	3.4
12	Norway	8.5		El Salvador	3.4
	Switzerland	8.5	64	Thailand	3.2
14	Hong Kong	8.2		Turkey	3.2
15	Austria	7.8	66	Senegal	3.1
16	USA	7.7	67	Panama	3.0
17	Chile	7.5	68	Malawi	2.9
18	Germany	7.3		Uzbekistán	2.9
	Israel	7.3	70	Argentina	2.8
20	Belgium	7.1	71	Ivory Coast	2.7
	Japan	7.1		Honduras	2.7
	Spain	7.1		India	2.7
23	Ireland	6.9		Russia	2.7
24	Botswana	6.4		Tanzania	2.7
25	France	6.3		Zimbabwe	2.7
	Portugal	6.3	77	Pakistan	2.6
27	Slovenia	6.0		Philippines	2.6
28	Namibia	5.7		Roumania	2.6
29	Estonia	5.6		Zambia	2.6
	Taiwan	5.6	81	Albania	2.5
31	Italy	5.2		Guatemala	2.5
32	Uruguay	5.1		Nicaragua	2.5
33	Hungary	4.9		Venezuela	2.5
	Malasia	4.9	85	Georgia	2.4
	Trinidad and Tobago	4.9		Ukraine	2.4
36	Belarus	4.8		Vietnam	2.4
	Lithuania	4.8	88	Kazakhstan	2.3
	Africa	4.8	89	Bolivia	2.2
	Tunisia	4.8		Cameroun	2.2
40	Costa Rica	4.5		Ecuador	2.2
	Jordan	4.5		Haití	2.2
	Mauritius	4.5	93	Moldovia	2.1
	South Korea	4.5		Uganda	2.1
44	Greece	4.2	95	Azerbaijan	2.0
45	Brazil	4.0	96	Indonesia	1.9
	Bulgaria	4.0		Kenya	1.9
	Jamaica	4.0	98	Angola	1.7
	Peru	4.0		Madagascar	1.7
	Poland	4.0		Paraguay	1.7
50	Ghana	3.9	101	Nigeria	1.6
51	Croacia	3.8	102	Bangladesh	1.2

The Graphic shows the Corruption score by World Regions

Oceania	9.1
North America	6.8
Europe	5.6
Asia	4.2
Latin American and Caribbean	3.4
África	3.3



The Index of Bribery Sources (IBS) 2002, that complements the ICP, reflects the tendency of companies in the main exporting countries in the world to pay bribes in the export markets. Several of the main bribery payers have signed the Anti-Bribery Convention of the OECD. The IBS also includes a classification of the different sectors of the economy according to the corruption level that is perceived in each one of them.

More than 800 business experts from 15 countries with emergent markets answered the following questions:

With regard to the sectors of the economy to which you are most familiarized, please indicate what is the probability of companies from the following countries will pay or offer bribes in order to get or to keep business in this country.

What is the probability that high ranking public servers in this country (the interviewed person's country) will demand or accept bribes in, for example, public bidding processes, regulations or license granting, in the following economic sectors:

Index of Bribery Sources (IBS), according (TI)

Classification for Countries

Classification for Sector of the Economy

Rank	Country	Score
1	Australia	8.5
2	Sweden	8.4
	Switzerland	8.4
4	Austria	8.2
5	Canada	8.1
6	Netherlands	7.8
	Belgium	7.8
8	United Kingdom	6.9
9	Singapoure	6.3
	Germany	6.3
11	Espain	5.8
12	France	5.5
13	USA	5.3
	Japan	5.3
15	Malaya	4.3
	Hong Kong	4.3
17	Italy	4.1
18	South Korea	3.9
19	Taiwán	3.8
20	Popular Republic of China	3.5
21	Russia	3.2
22	National Companies	1.9

A perfect mark, indicating that no tendency to pay bribes has been perceived is 10. The classification list starts with the countries that have been perceived as having a low tendency to pay bribes abroad.

Sector	Score
Public Works / construction	1.3
Armament and defense	1.9
Petroleum and gas	2.7
Real estate	3.5
Telecommunications	3.7
Generation / transmition energy	3.7
Mining Industry	4.0
Transport / storage	4.3
Pharmaceutic Products /medical care	4.3
Heavy Industry	4.5
Bank and Finances	4.7
Civil airspace	4.9
Sylviculture	5.1
Information Services	5.1
Fishery	5.9
Light Industry	5.9
Agriculture	5.9

The marks are an average of all the answers in a scale from 0 to 10, where 0 represents the perception of very high corruption levels, and 10 represents the perception of extremely low corruption levels.

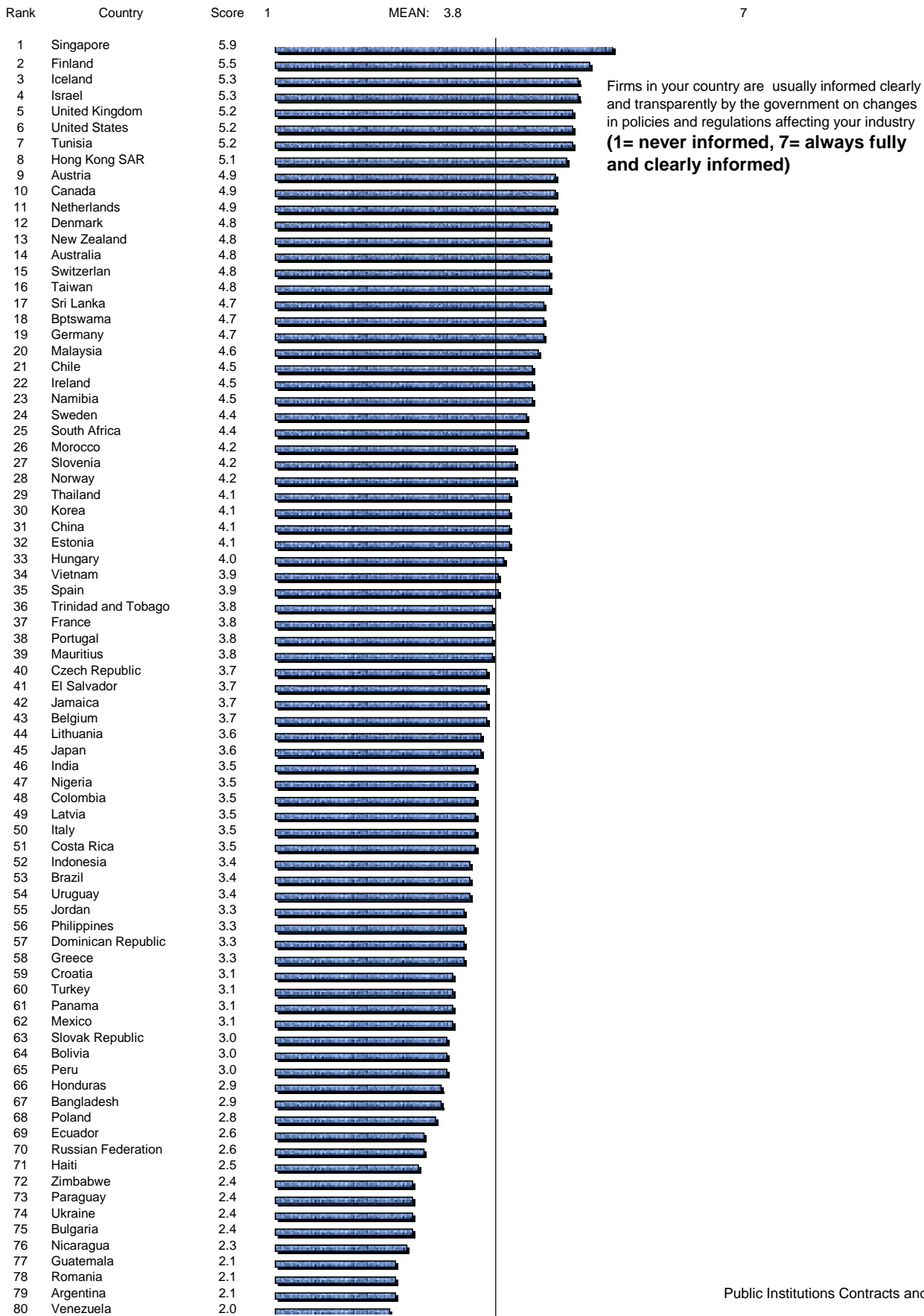
The highest marks are in the public works and construction sectors.

6.08-I

Transparency of government policymaking

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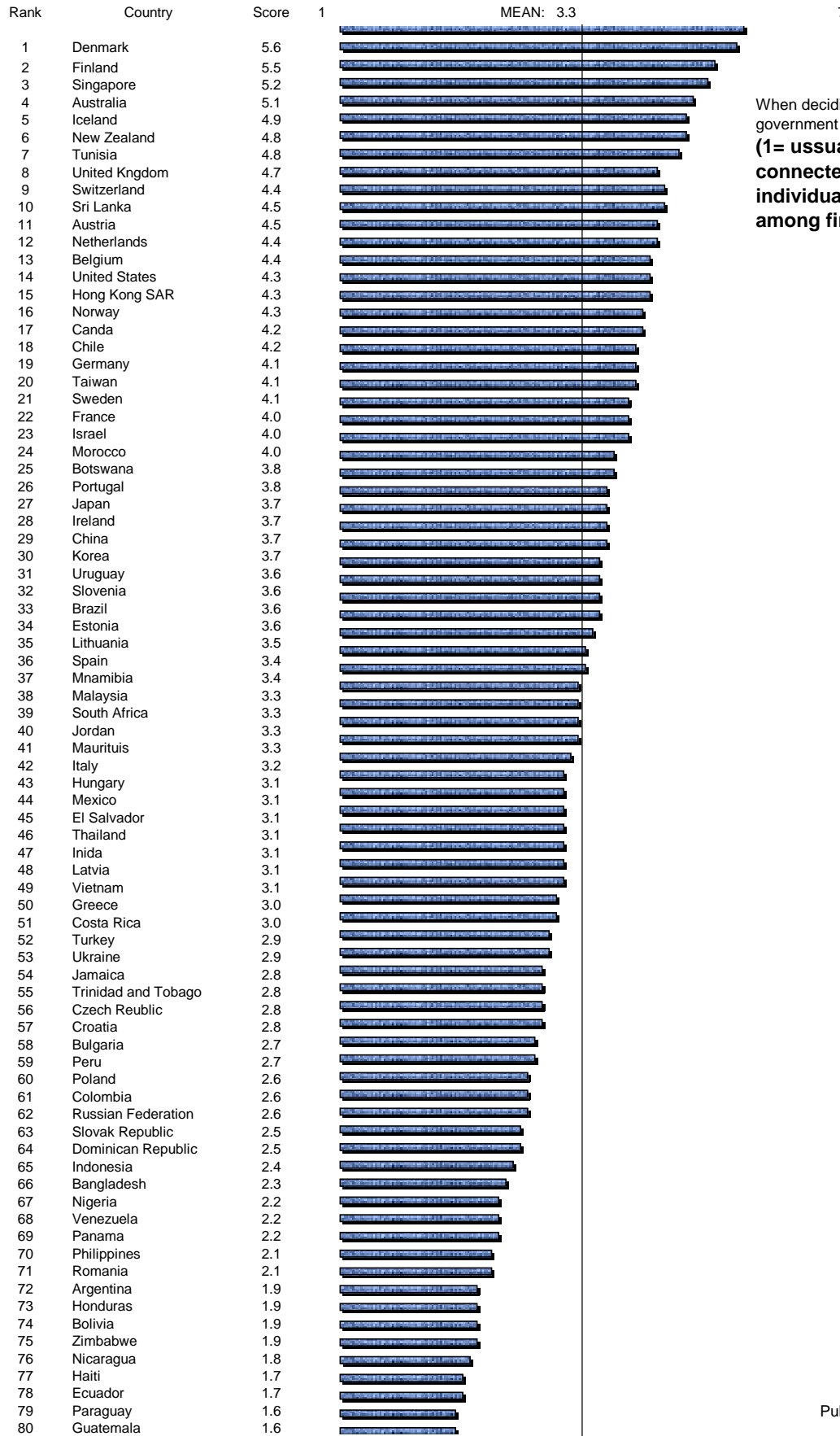
According to The Global Competitiveness Report World Economic Forum 2002-2003



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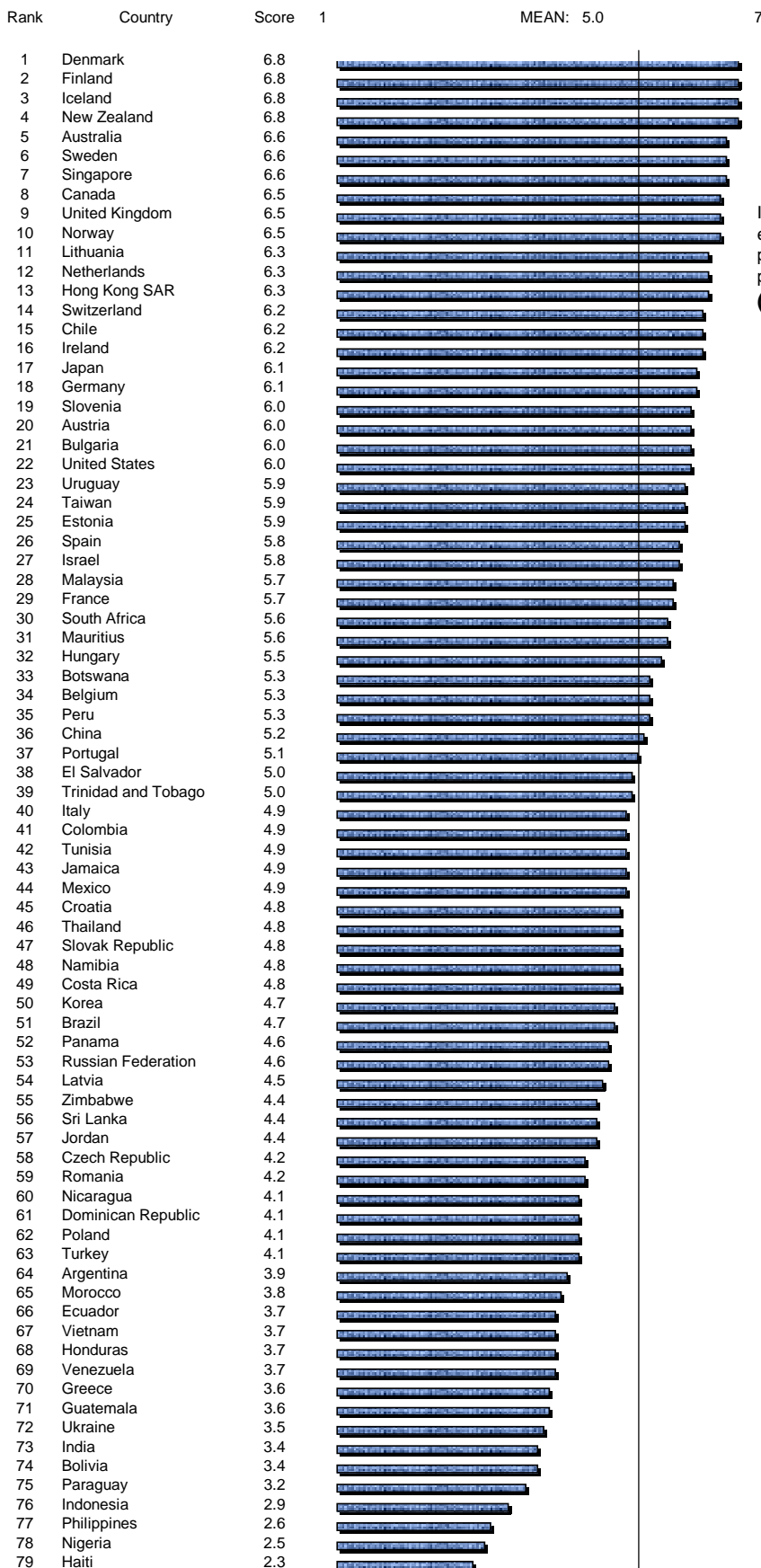
Favoritism in decisions of government officials
According to The Global Competitiveness Report World Economic Forum 2002-2003

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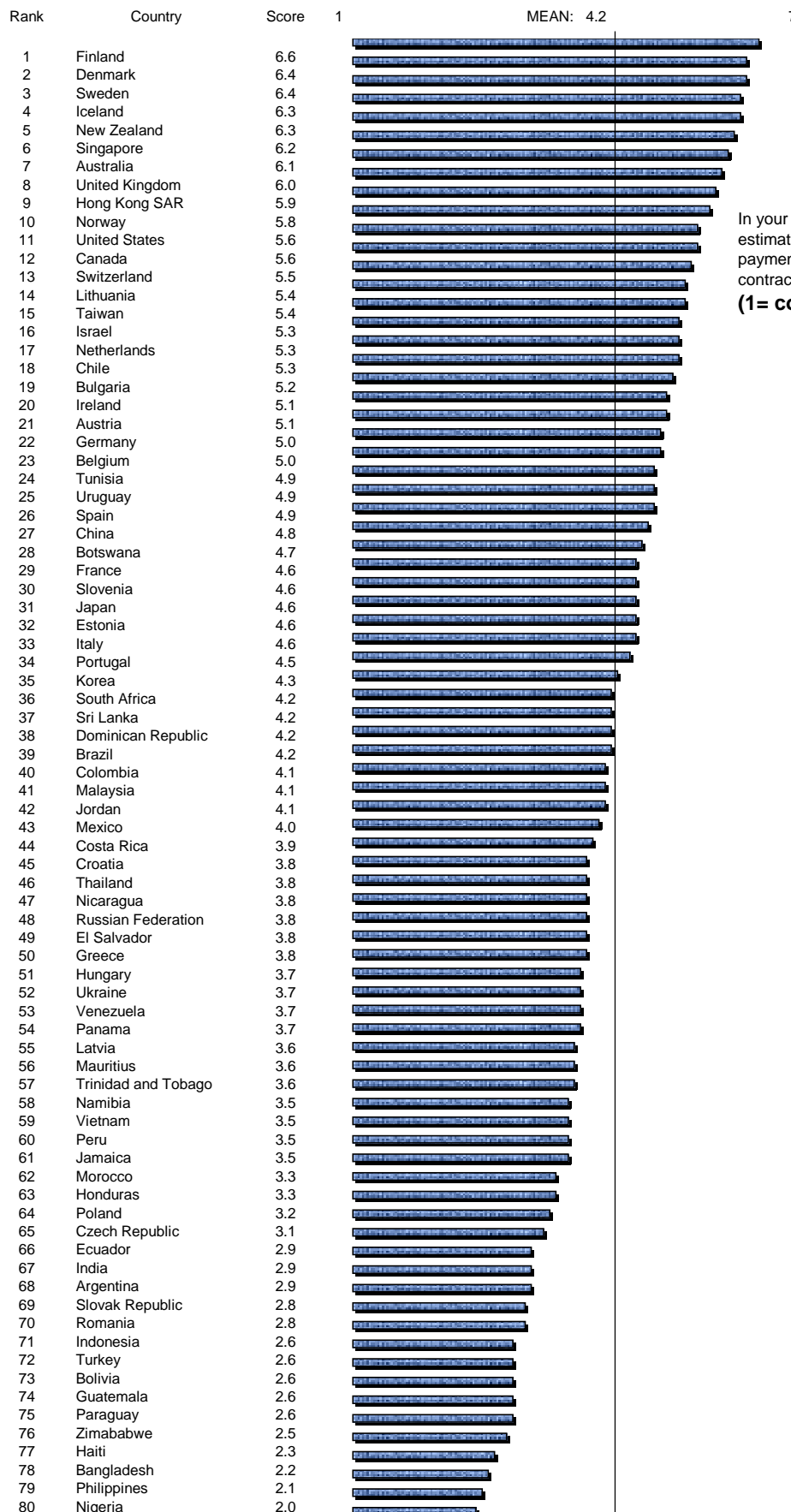
When deciding upon policies and contracts, government officials
(1= usually favor well - connected firms and individuals, 7= are neutral among firms and individuals)

Irregular payments in tax collection
According to The Global Competitiveness Report World Economic Forum 2002-2003



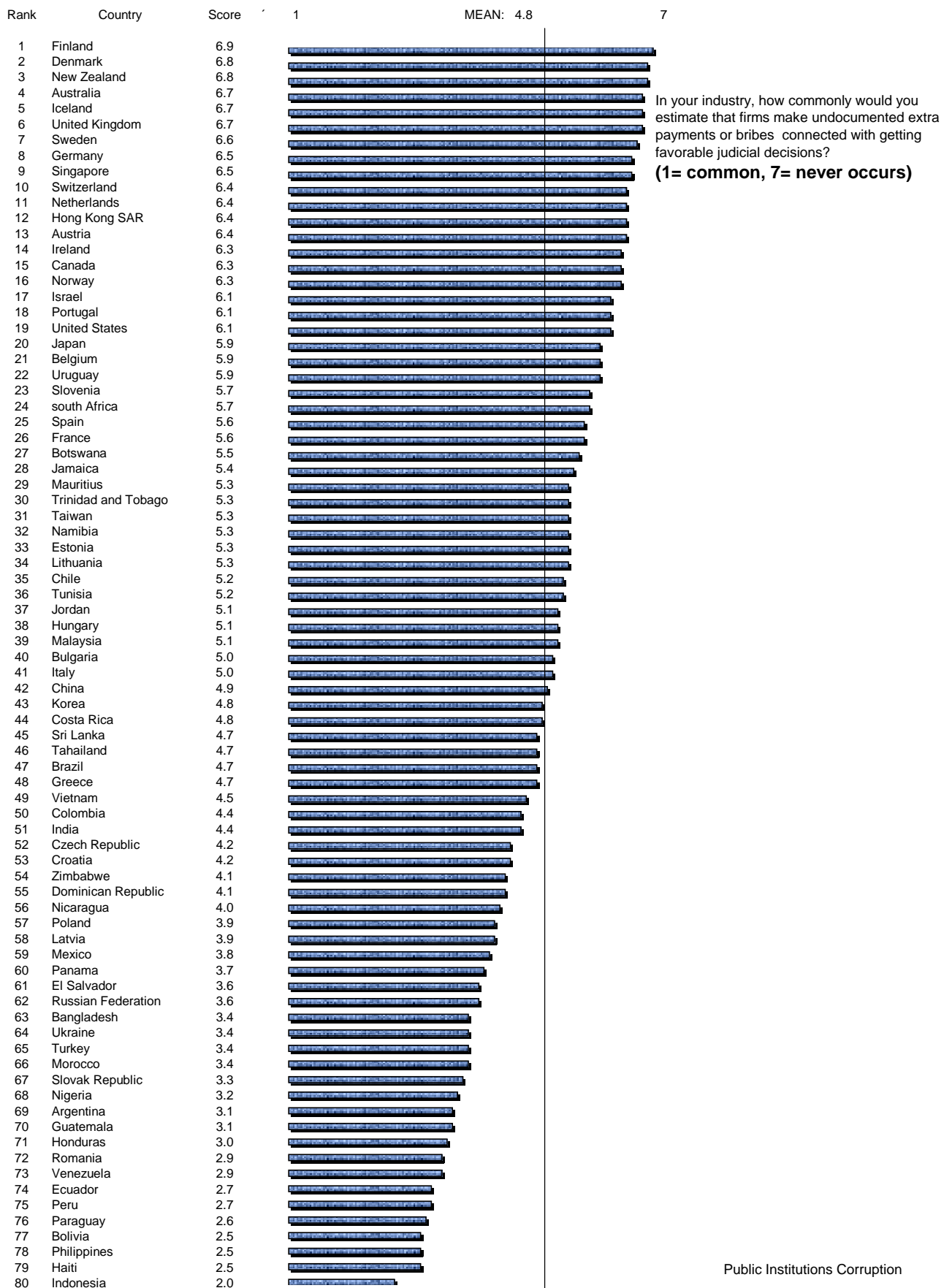
In your industry, how commonly would you estimate that firms make undocumented extra payments or bribes connected with annual tax payments?
(1= common, 7= never occurs)

Irregular payments in public contracts
According to The Global Competitiveness Report World Economic Forum 2002-2003



In your industry, how commonly would you estimate that firms make undocumented extra payments or bribes connected with public contracts (investment projects)?
(1= common, 7= never occurs)

Irregular payments in judicial decisions
According to The Global Competitiveness Report World Economic Forum 2002 - 2003



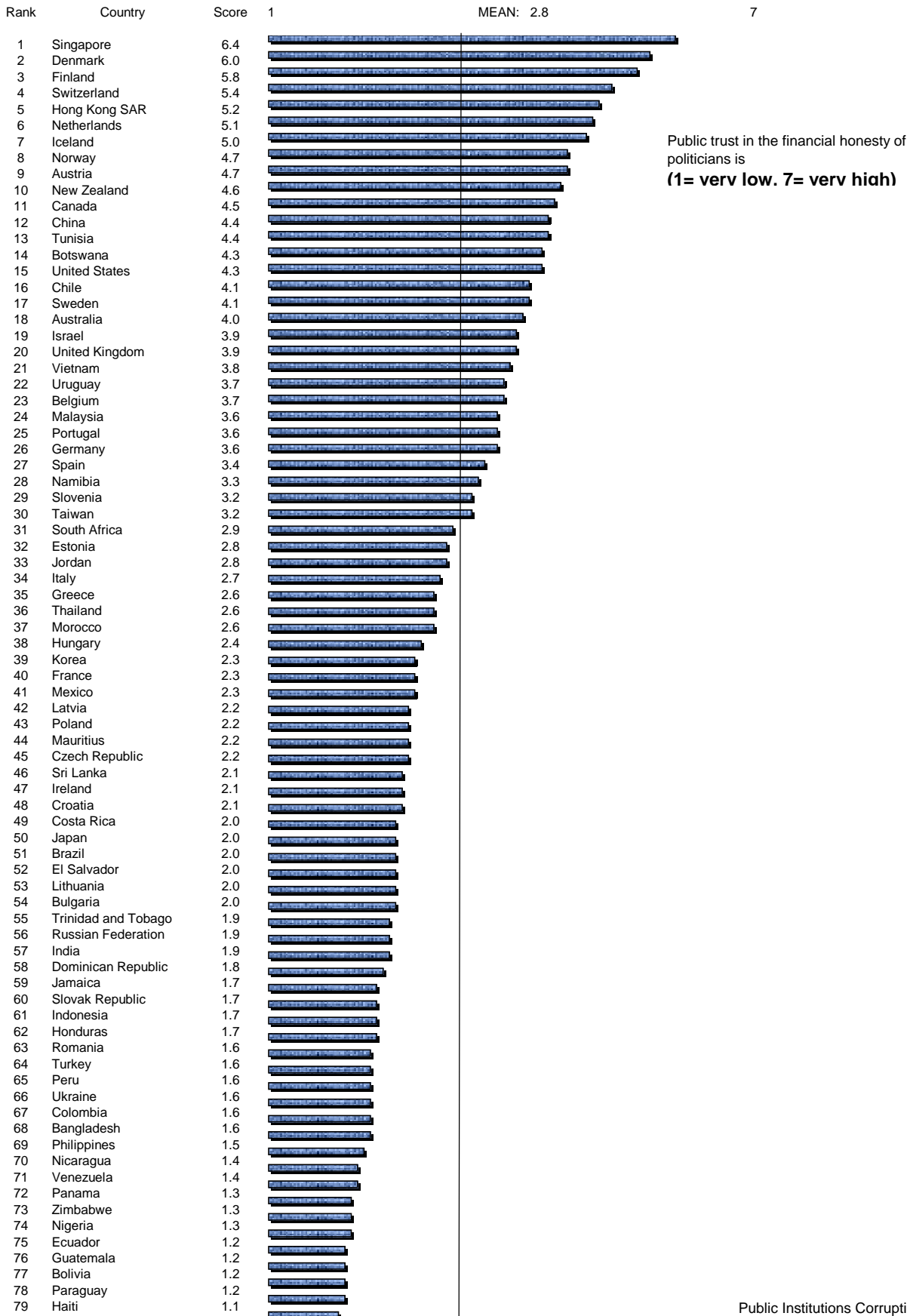
Business costs of corruption
According to The Global Competitiveness Report World Economic Forum 2002-2003

Rank	Country	Score	1	MEAN: 4.8	7
1	Finland	6.9			
2	Iceland	6.8			
3	Denmark	6.8			
4	Australia	6.7			
5	Aunited Kingdom	6.7			
6	Norway	6.6			
7	New Zealand	6.4			
8	Singapore	6.3			
9	Hong Kong SAR	6.3			
10	Ireland	6.2			
11	Switzerland	6.2			
12	Sweden	6.1			
13	Canada	6.0			
14	Austria	6.0			
15	Israel	6.0			
16	Netherlands	6.0			
17	United States	5.9			
18	Germany	5.7			
19	Portugal	5.7			
20	Belgium	5.5			
21	Spain	5.5			
22	Estonia	5.4			
23	Japan	5.3			
24	Hungary	5.3			
25	South Africa	5.3			
26	Slovenia	5.1			
27	Chile	5.1			
28	Italy	5.0			
29	France	5.0			
30	Taiwan	4.9			
31	Greece	4.8			
32	Uruguay	4.8			
33	Namibia	4.8			
34	Korea	4.8			
35	Botswana	4.8			
36	Mauritius	4.8			
37	Tunisia	4.7			
38	Lithuania	4.7			
39	Malaysia	4.7			
40	Latvia	4.7			
41	Slovak Republic	4.6			
42	Trinidad and Tobago	4.6			
43	Jamaica	4.6			
44	Turkey	4.6			
45	Jordan	4.6			
46	Thailand	4.5			
47	Costa Rica	4.4			
48	Croatia	4.4			
49	Brazil	4.4			
50	China	4.4			
51	India	4.4			
52	Russian Federation	4.3			
53	Panama	4.2			
54	Romania	4.2			
55	Peru	4.2			
56	Poland	4.2			
57	Meico	4.0			
58	Bulgaria	3.9			
59	Bolivia	3.9			
60	Sri Lanka	3.9			
61	Czech Republic	3.9			
62	Argentina	3.8			
63	Nicaragua	3.7			
64	Honduras	3.7			
65	Haiti	3.7			
66	Vietnam	3.7			
67	Dominican Republic	3.7			
68	Morocco	3.6			
69	Colombia	3.6			
70	Ukraine	3.5			
71	Zimbabwe	3.5			
72	El Salvador	3.5			
73	Philippines	3.5			
74	Ecuador	3.5			
75	Paraguay	3.4			
76	Nigeria	3.4			
77	Indonesia	2.9			
78	Venezuela	2.9			
79	Bangladesh	2.8			

Do other firms' illegal payments to influence government policies, laws, or regulations impose costs or otherwise negatively affect your firm?

(1= impose large costs, 7= impose no costs/not relevant)

Public trust of politicians
According to The Global Competitiveness Report World Economic Forum 2002-2003



Frequency of payments or bribes
According to The Global Competitiveness Report World Economic Forum 2002-2003

Rank	Country	Score	1	MEAN: 4.1	7
1	Israel	6.3			
2	Taiwan	5.7			
3	Spain	5.6			
4	Belgium	5.3			
5	singapore	5.3			
6	China	5.2			
7	Estonia	5.2			
8	France	5.1			
9	Croatia	5.1			
10	Ireland	5.1			
11	Korea	5.1			
12	Australia	5.0			
13	Finland	4.9			
14	Canada	4.8			
15	Mexico	4.8			
16	Slovenia	4.8			
17	Brazil	4.8			
18	Italy	4.8			
19	Lithuania	4.8			
20	El Salvador	4.8			
21	Japan	4.7			
22	Hong Kong SAR	4.7			
23	Portugal	4.6			
24	Botswana	4.6			
25	United States	4.6			
26	Latvia	4.6			
27	Malaysia	4.6			
28	Austria	4.5			
29	United Kingdom	4.5			
30	Norway	4.4			
31	Tahailand	4.4			
32	India	4.4			
33	New Zealand	4.4			
34	Turkey	4.4			
35	Czech Republic	4.3			
36	Uruguay	4.3			
37	slovak Republic	4.3			
38	Tunisia	4.3			
39	Mauritius	4.3			
40	Switzerland	4.3			
41	Vietnam	4.3			
42	Greece	4.2			
43	Sri Lanka	4.2			
44	Denmark	4.2			
45	Jordan	4.1			
46	Namibia	4.0			
47	Colombia	4.0			
48	Iceland	4.0			
49	Sweden	4.0			
50	Bulgaria	4.0			
51	Dominican Republic	4.0			
52	Hungary	4.0			
53	south Africa	4.0			
54	Morocco	3.9			
55	Costa Rica	3.9			
56	Poland	3.8			
57	Russian Federation	3.8			
58	Germany	3.8			
59	Netherlands	3.8			
60	Peru	3.7			
61	Chile	3.6			
62	Nigeria	3.5			
63	Honduras	3.5			
64	Philippines	3.5			
65	Ukraine	3.4			
66	Indonesia	3.4			
67	Ecuador	3.3			
68	Argentina	3.3			
69	Jamaica	3.3			
70	Trinidad and Tobago	3.1			
71	Nicaragua	3.0			
72	Paraguay	3.0			
73	Romania	2.9			
74	Haiti	2.8			
75	Panama	2.6			
76	Bangladesh	2.5			
77	Bolivia	2.4			
78	Zimbabwe	2.4			
79	Venezuela	2.1			
80	Guatemala	2.0			

In the past three years, the frequency and extent of additional payments or bribes such as those listed in questions 7.01-7.07
(1= has increased significantly, 7= has decreased significantly)

ANNEX II
METHODOLOGY PROPOSED

BY TRANSPARENCY INTERNATIONAL (TI)

- Ø “Integrity Pacts” (IP) They guarantee a broad participation and fair competence in equal conditions promoting transparency, openness and trust virtuous circles in public biddings. The IP are formal agreements between the governments or their dependencies and the participants in a bidding process, that are established in order to prevent irregular or corrupted practices from distorting the competitiveness and affecting the rationality of an administrative decision. The IP are signed in the presence of Social Witnesses, which are members of the civil society, during a bidding process of a good or service that has been offered to the government or its dependencies.
- Ø “Social Witness” (SW) This is a new figure that will have full access to the linked information and documentation through the whole bidding process, and it may constitute an extraordinary and healthy precedent in favor of legality and transparency, being a witness in compliance with norms and regulations. The social witness enhances the access to public information by means of bulletins and information given to the media. The SW must be a recognized and trusted public figure and must have specific capacity and general recognition regarding the issue he will witness. As a sine qua non condition, he must be absolutely independent from all the parties involved in the process, in order to avoid conflicts of interest. A conflict of interest is basically an ethical issue. It belongs to the conscience, and a person of principles knows perfectly well in which cases he must excuse himself from participating in an issue subject to his consideration, deciding not to be involved. In the IP, the SW, supported by the work team he designates, participates, among others, in: checking the basis of the bid and the bidding notice; he/she is present in all the sessions that are held with possible bidders to clarify any doubts they may have; he receives the unilateral integrity declarations from the parties and he witnesses the delivery of technical and economical proposals, as well as being present at the session where the awarding will be announced.
- Ø “Unilateral Declarations of Integrity” this instrument contemplates the commitment (individual) of ethics and morals in the bidding process as the essence of the IP and it is formed by the individual and the unilateral declarations of integrity from both parties: the public officers and the general directors of the bidding companies. The level of those who sign these declarations of transparency and integrity establishes the degree of commitment that is being assumed by the parties and will model the behavior of those who are participating. It makes transparency immanent.

ANNEX III
SOME OF THE MOST SPECIFIC PROBLEMS COMMON TO THE BIDDERS IN LATIN AMERICA

Ø Lowest solvent proposal

The procurement of public work at the lowest price means the acceptance, by the entrepreneurs, to execute the projects with prices that are not remunerative. This results in:

- Descapitalization of the construction companies;
- Abandonment of the works;
- Low quality of the works;
- Omitting employers' fiscal obligations

Ø Bid calls and bidding bases:

- An excess of documentation when registering in a bid for public work that can be used for disqualifying the bidders due to the discretionary criteria of the public officers.
- It is a general practice to summon a bid without having the finished projects and the work engineering, thus generating variations in volume and additional concepts that were not considered in the original project, all of which lessens the original budget of the companies, that will have to establish additional agreements.
- The executing times of the works are not set according to the magnitude and complexity of the works.
- The requirements and documents requested are not always compliant with the complexity and magnitude of the works.

Ø Clarification meetings:

- It is common that during these clarification meetings, the answers given to the entrepreneurs' doubts are not totally clear, which causes different interpretations among the bidders.

Ø Presentation and proposal opening (technical and economical):

- Disqualification for reasons that deal with the way of presenting the documentation (order of the documents, color of the tabs, the lack of a signature in the documents).
- The lack of an adequate review of the technical and economical proposals that can effectively determine which proposals are solvent and reliable, instead of just considering the costs.

Ø Decision on the bid:

- § Lack of a detailed analysis of the proposals and of the foundations of the bidding criteria.
- § Adjudication to the lowest proposal and not to the lowest and most reliable, because public officers fear appeals from the companies.
- § Presentation of the companies' appeals as a result of the bidding, which will cause delays and overpricing in the works.

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9. INTERESTING WEBSITES

World Bank www.worldbank.org/publicsector/anticorrupt/

International Chamber of Commerce (ICC) www.iccwbo.org

E-government Mexico www.compranet.gob.mx

Ethics Resource Center www.ethics.org

Council of Europe (COE) www.coe.fr

Committee of Sponsoring Organizations of the Treadway Comisión (COSO) www.coso.org

Financial Action Task Force on Money Laundering (FATF) www.oecd.org/fatf

Organization of American States (OAS) www.oas.org

