

Taking responsibility for bribery

The multinational corporation's role in combating corruption

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Corruption is an under-appreciated impediment to the realisation of human rights in developing countries. While government officials profit from bribes taken from multinational corporations and others, many citizens' rights are compromised. Like any economic transaction, corruption has both a demand side and a supply side. Public officials demand bribes, and private citizens or organisations, such as businesses, supply the bribes. Any system to control corruption by attacking only one side of the transaction will surely fail. An effective anti-corruption system requires a variety of measures attacking corruption from all sides (Dunfee and Hess 2001). In this chapter, we focus on the attempts made to control the supply side.

The chapter proceeds by reviewing the impact of corruption on human rights. In the following section, we evaluate the international efforts to outlaw corruption and their effectiveness to date. Next, we discuss a corporate principles approach to controlling bribery in international business transactions and review current corporate practices. The final section looks specifically at Royal Dutch/Shell's efforts at combating corruption.

20.1 Corruption as an impediment to the realisation of human rights

A common understanding of international human rights laws and obligations is established in international treaties and declarations. The most well known of

these are the Universal Declaration of Human Rights (UDHR), the International Covenant on Economic, Social and Cultural Rights (ICESCR), and the International Covenant on Civil and Political Rights (ICCPR) (Green 2001). In addition to establishing the content of substantive human rights, such agreements also place obligations on states to allow the realisation of these rights. For example, the ICESCR proclaims:

Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and co-operation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means.

One of the greatest impediments to the realisation of rights recognised under such international agreements is corruption. Corruption's pernicious impact takes many forms. Most directly, corruption diverts critical resources in ways that personally enrich public officials, instead of being used to promote human rights. The scope of diversion can be mind-boggling. As just one example, in the 1990s, two South Korean presidents were convicted for corruptly amassing a fund of over US\$900 million (Hess and Dunfee 2000). International assistance may be diverted to private hands in a gross distortion of its humanitarian purposes. Foreign aid sent to Zaïre (now known as the Democratic Republic of Congo) in the 1980s and 1990s was allegedly sent to the offshore accounts of President Mobutu Sese Seko. While Seko accumulated one of the world's largest fortunes, ever-increasing numbers of his country's citizens were reduced to abject poverty (World Bank 1998; Dunfee and Hess 2001). Locally, funds intended for domestic development may be skewed towards projects where bribes can be extracted, such as construction, and away from public projects that would allow the realisation of the rights to education and health (Tanzi 1998). In addition, these construction projects can be so heavily influenced by corruption that they fail to provide the citizens with any benefit. For example, the corrupted 'bean curd' bridges of China were collapsing on completion, causing numerous deaths and injuries (Hess and Dunfee 2000).

Corruption also prevents a country from developing its economy. In addition to rights recognised under the ICCPR and the ICESCR, the United Nations adopted the Declaration on the Right to Development in 1986 (Sengupta 2002). While the right to development has been controversial in the past—the United States voted against the 1986 declaration—the Vienna Declaration at the 1993 UN World Conference on Human Rights, and similar actions at subsequent intergovernmental conferences, have established this right as an 'undeniable fact' (Sengupta 2002: 842). Included in this right is a process of development whereby the underprivileged can have their 'living standard raised and capacity to improve their position strengthened' (Sengupta 2002: 848). Although the obligations and duties of governments are not necessarily to provide the realisation of development, they must establish the conditions for individuals to realise that right (Sengupta 2002).

By engaging in corruption, governments are not creating the conditions necessary to allow its citizens to realise their right to development. In addition to the factors discussed above, corruption significantly hinders a country's economic

development. A recent study found that corruption acts as a significant 'tax' on foreign direct investment and reduces such investment (Wei 2000). Due to its secrecy, corruption acts more as a distortion to the economy rather than as a simple tax. For example, allocative efficiency is likely to be distorted when country leaders accept payments to limit entry by certain firms or to grant monopolies (Shliefer and Vishny 1993). The reduction of corruption makes it more likely that economic development will not simply lead to greater income inequalities and a continued reduction of the income-earning potential of underprivileged citizens (Tanzi 1998). Instead, the benefits of economic development are more likely to be fairly distributed.

20.2 International efforts to combat corruption

The worldwide focus on combating corruption has increased tremendously in the past ten years. Most significantly, the members of the Organisation for Economic Co-operation and Development (OECD) signed the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions in 1997, which entered into force in February 1999. This convention requires the signatory countries to criminalise the payment of bribes to foreign officials and to prohibit practices that allow the concealment of bribe payments (e.g. off-the-books accounts). As of October 2002, 34 countries have passed legislation ratifying the convention.¹

The OECD Convention, apparently, has not had a major impact on multinational firms. In 2002, Transparency International conducted a survey of executives of foreign and domestic corporations operating in 15 emerging market economies.² Only 19% of the respondents to this survey stated that they were either familiar with the Convention or at least knew something about it.³ In addition, only 27% of respondents stated that the level of corruption by foreign companies of senior public officials had decreased in the past five years. The private sector's (and general public's) limited awareness of the international efforts to outlaw bribery restricts the effectiveness of these attempts.

Binding the entrenched practice of bribery will require aggressive enforcement of the new anti-bribery legal regime. Although it is too soon to know whether there

1 The 34 countries are: Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the Czech Republic, Turkey, the United Kingdom, the United States. Source: OECD website for Fighting Bribery and Corruption, www.oecd.org/EN/home/0,,EN-home-86-3-no-no-no-00.html (last visited 10 December 2002).

2 Those 15 countries were: Argentina, Brazil, Colombia, Hungary, India, Indonesia, Mexico, Morocco, Nigeria, the Philippines, Poland, Russia, South Africa, South Korea and Thailand.

3 Transparency International Bribe Payers Index 2002, available online at www.transparency.org (last visited 10 December 2002).

will be adequate prosecutorial effort, there is some heartening evidence of a willingness to prosecute bribe-paying companies. In Lesotho in 2002, the government prosecuted a Canadian company, Acres International Ltd, and imposed a US\$3.5 million fine (Yew 2002). Acres was charged with paying US\$320,000 to the engineer overseeing the Lesotho Highlands Water Project. The case has gained notoriety because it is one of the few times local authorities have attempted to prosecute the corporation paying the bribe, as they typically focus only on the official receiving the bribe. In this case, the official receiving the bribe from Acres was sentenced to 18 years in jail (Yew 2002). It is important to note that, at the time of writing, Acres was appealing its conviction.

While the Acres case is encouraging, enforcement of anti-corruption laws will require a significant amount of resources by various countries. It is yet to be seen how many countries are willing and able to expend these resources. In addition, many think that corrupt practices will simply adapt around these laws and continue to thrive (Berenbeim 2000). For example, in Transparency International's index of countries whose corporations are perceived as most likely to pay bribes, the United States (where the Foreign Corrupt Practices Act has been in place since 1977) ranked 13th out of 21 countries in a ranking from least likely to pay bribes to the most likely. This placed the US behind such countries as Canada, the UK and Australia.

To eradicate corruption, a criminal law approach by itself is not likely to work. Instead, the government must work with the private sector and civil society. Only with various initiatives attacking corruption from different angles will it be possible to reach a 'tipping point', after which we will see a continuous and increasing decline in corruption (Dunfee and Hess 2001). The remainder of this chapter focuses on the initiatives of the private sector.

20.3 A corporate principles approach to combating corruption

Corporations know where they are paying their bribes, or, at a minimum, know where they are at the greatest risk of their agents paying bribes. By this fact alone, the private sector is a crucial element in ending corruption. Corporations must be able to stand up to demands for bribes and must also reward employees for doing so. To do this, corporations need assurances that their competitors are behaving in the same manner.

Two recent initiatives to achieve this goal are the C² Principles (Combating Corruption) adopted by the Caux Round Table (see Box 20.1) and the Business Principles for Countering Bribery published jointly by Social Accountability International and Transparency International. The Business Principles consists of two simple principles: namely, 'The enterprise shall prohibit bribery in any form whether direct or indirect' and 'The enterprise shall commit to implementation of a Programme to counter bribery'. These principles are accompanied by a list of areas a company's anti-corruption programme should cover and the requirements

C² Principles

1. To disclose publicly and make widely known its endorsement of the C² Principles
2. To establish a clearly articulated written policy prohibiting any of the firm's employees from paying or receiving bribes or 'kickbacks'
3. To implement the policy with due care and take appropriate disciplinary action against any employee discovered to have made payments in violation of the policy
4. To provide training for employees to carry out the policy, and to provide continuing support, such as help-lines, to assist employees to act in compliance with the firm's policy
5. To record all transactions fully and fairly, in accordance with clearly stated record-keeping procedures and accounting controls, and conduct internal audits to assure no improper payments are made
6. To report annually on the firm's bribery and corruption policy, along with a description of the firm's experiences implementing and enforcing the policy
7. To have the annual report in Principle 6 audited either by an independent financial auditor or an independent social auditor, or both
8. To require all agents of the firm to affirm that they have neither made nor will make any improper payments in any business venture or contract to which the firm is a party
9. To require all suppliers of the firm to affirm that they have neither made nor will make any improper payments in any business venture or contract to which the firm is a party
10. To establish a monitoring and auditing system to detect any improper payments made by the firm's employees and agents
11. To report publicly any solicitations for payments, or report privately to a monitoring organisation or a social auditor
12. To establish a system to allow any employee or agent of the firm to report any improper payment without fear of retribution for their disclosures

Box 20.1 C² Principles

for implementing the programme. While the C² Principles require a company to publicly adopt the principles, the Business Principles do not, as they are meant only for purposes of creating a 'starting point' for companies and establishing benchmarks for best practices.

To simplify matters, we have classified the C² Principles into the basic themes of policies, procedures and publication (Hess and Dunfee 2000). Principles 1–4 establish required policies, Principles 5, 8, 9, 10 and 12 set forth necessary procedures, while Principles 1, 6, 7 and 11 set forth required disclosures that the organisation should publish or otherwise make known. In general, these themes also apply to the anti-corruption programme recommendations of the Business Principles.

The theme of policies refers to the establishment of an anti-bribery policy for the company. This includes establishing a code of conduct that clearly articulates a prohibition on bribery. Currently, many companies address the issue of bribery in

their codes of conduct, but the depth of treatment the topic receives can vary greatly from company to company. One reason for this disparity in treatment is the lack of a universal agreement on what constitutes corruption (Gordon and Miyake 2001) owing to the absence of a dialogue on the topic. For example, in the year of Transparency International's founding (1993), few governments would even openly discuss the issues of bribery and corruption (Boswell 1999). Now, with the recent OECD convention and other inter-governmental initiatives, a consensus is developing to provide companies with guidance.

Two recent studies on the treatment of bribery in multinational corporations' codes of conduct provide insight into extant practices. Gordon and Miyake (2001) considered 118 codes issued by individual firms and 128 codes issued by industry associations and NGOs, while Berenbeim (2000) surveyed companies on their anti-corruption practices and received 151 responses from corporations headquartered all over the world. In these studies, while corporations appear to find it easy to provide a general definition of corruption, they find it significantly more difficult to define a workable standard to guide employees (Gordon and Miyake 2001). Among the difficulties in providing a working definition of bribery are: how to deal with such matters as gifts and entertainment; facilitation payments (small payments to lower-level public officials to encourage them to perform their duties more quickly, such as providing a licence to conduct business); and how to operate in different cultural environments. For example, for gifts, Gordon and Miyake (2001) find that some companies establish specific monetary limits, others direct their employees to follow local law, and others simply leave discretion to the employee (e.g. 'not excessive'). In response to these difficulties, many codes provide only a general prohibition on bribery, without further defining it or providing guidance to the company's employees. A 1995 study of 109 US companies found that, while 36% of the companies had anti-bribery provisions, only 14% defined 'grease' payments (Spalding and Reinstein 1995).

The legal environment of a company also affects its choice of definitions. Berenbeim (2000) found that, owing to the Foreign Corrupt Practices Act (FCPA), US companies are more likely to provide a detailed definition of bribery based on the statute. Non-US companies, on the other hand, are more likely to use only general terms. Presumably, as the OECD Convention gains more recognition, it will influence non-US corporations' definitions of bribery for their employees.

To ensure that employees comply with these policies, the next theme—procedures—is required. The necessary procedures include appropriate accounting and auditing processes, as well as procedures to ensure that all agents employed by the firm are aware of the firm's anti-bribery policies and that management uses due diligence when selecting these agents (e.g. avoid the hiring of agents with a reputation for paying bribes). Finally, procedures must be in place to allow employees to report any violations of the company's policy.

Corporations seeking to reduce corruption recognise the importance of these procedures. Gordon and Miyake (2001) found that company codes mentioning bribery are twice as likely to discuss issues of record-keeping, whistle-blowing and internal monitoring than company codes that do not mention bribery. These basic compliance measures were found to be similar to other financial control practices, thus allowing managers to use existing knowledge to implement anti-bribery

procedures (Gordon and Miyake 2001). Such firms were also commonly seen to require local managers to certify that they have complied with the corporation's policies. In addition, Berenbeim's (2000) study found that companies with more effective anti-corruption programmes often require joint-venture partners and agents to explicitly accept compliance with their corporate anti-bribery policies. These companies recognised a duty to prevent corruption and not to pass that obligation on to another actor in the channel of distribution.

Unfortunately, many of these practices are not currently widespread. For example, Spalding and Reinstein's (1995) study of US corporations found that, while 93% of the companies had codes of ethics, only 20% monitored compliance with the code and only 35% had compliance with the code certified annually by management. With respect to the FCPA, only 26% of companies had their compliance efforts independently audited and only 11% reported FCPA compliance to the board's audit committee. Many view these controls as necessary because it is common in FCPA violations for management to override internal accounting controls (Spalding and Reinstein 1995).

One of the most valued procedures in the fight against corruption is a whistle-blowing programme. These programmes encourage employees to report violations of the company's policies and to ask questions about anti-bribery rules without fear of punishment. To achieve these goals, company programmes typically allow the anonymous reporting of violations. While whistle-blowing has been a valuable tool for US companies, it faces significant challenges in other parts of the world. Berenbeim (2000) reports a resistance to whistle-blowing in Western Europe. Some suggest that this is due to concern about returning to an 'informal society'. Likewise, Husted (2002) argues that whistle-blowing works well in countries with cultures like the US, but will not work as well in Latin American cultures. The specific cultural factors that Husted considers are individualism/collectivism and power-distance relationships. In Latin America, Husted argues, the cultures are more collectivist and leaders are accorded more power compared with the US. These factors work against whistle-blowing, as trust in leadership will only be undermined by extreme cases of abuse of power and members of society will work to protect the in-group, rather than follow an obligation to society in general.

On the other hand, others argue that an appreciation and acceptance of whistle-blowing can become an effective tool against corruption throughout the world if implemented appropriately (Berenbeim 2000). The key is for management to understand the potential cultural barriers to effective implementation and to develop sound policies to address those concerns. Creating an organisational culture accepting of whistle-blowing is one of the challenges facing global business in establishing an effective anti-corruption culture.

The final theme is publication, which is a requirement of disclosure. Included in this theme are a public commitment to upholding the principles and the disclosure of company efforts in implementing an anti-corruption programme. This theme works to control both the supply of corruption and the demand. To reduce the demand side of bribery, Principle 11 of the C² Principles requires the disclosure of bribe solicitations. This is consistent with the recent Publish What You Pay initiative, which has gained the support of numerous NGOs and UK Prime Minister,

Tony Blair.⁴ Under this initiative, oil, gas and mining companies are encouraged to disclose all payments made to developing-country governments (including taxes, fees and royalties). Through this disclosure, citizens and other interested parties can better determine where these payments are going and work to increase government accountability. For example, in Angola, some estimate that US\$1 billion of oil payments to the government goes missing every year. At the same time, the country receives US\$200 million annually in foreign aid to help reduce hunger (Harden 2002).

On the supply side, publication works to establish best practices for combating corruption. By publishing a detailed code of conduct for operations in a certain country, a company provides assistance to its employees in resisting bribery. With disclosure, however, such codes can also assist other companies in combating corruption. For example, managers attempting to promote non-discrimination in apartheid South Africa in the 1980s stated that the disclosure of company practices under the Sullivan Principles allowed them to better implement their own policies (Hess and Dunfee 2000). In other words, these managers were not forced to reinvent the wheel, but could build on the experiences of others. In addition, disclosure provides information to the public, which encourages a dialogue to develop on appropriate norms of behaviour (Dunfee and Hess 2001).

Overall, the adoption of anti-corruption principles works to push all corporations to develop anti-corruption cultures. Through a principles approach, corporations do not have to worry that they will be acting alone in the fight against corruption. Those corporations that are serious in their attempts to reduce bribe payments should start with industry-wide initiatives to adopt the principles. An industry-based strategy will ensure that a corporation's competitors are playing by the same rules, as any firms attempting to free-ride on the 'no bribes' policies of others should be easily identifiable (Hess and Dunfee 2000). Industry-based initiatives are also of value because the publication aspect furthers the transfer of knowledge on fighting corruption. This sharing of experiences allows best practices to emerge, which is to the benefit of all in the industry. In addition to pressure from industry associations, NGOs and other parties can also play a significant role. For example, some argue that the World Bank could have considerable influence by requiring all firms bidding on World Bank-financed contracts to have an appropriate code of conduct (Dunfee and Hess 2001).

The C² Principles and the Business Principles both push companies to go beyond simply having a compliance culture with respect to corruption and towards a culture of integrity. Key to establishing such a culture is the active involvement of senior management, coupled with an emphasis on communicating the importance of the programme to all employees (Paine 1994; Berenbeim 2000). For example, management must acknowledge and actively reassure employees that lost business may be the consequence of following an anti-bribery policy, but employees will only be punished for not following the policy. That is, any incentives must reward resisting corruption and not obtaining a contract at any cost.

There are of course barriers to the adoption and effective implementation of anti-corruption principles. Corruption and bribery may exist at any point in the channel of distribution of a good. Corporations must not pass their anti-corruption

⁴ See www.publishwhatyoupay.org (last visited 2 December 2002).

tion obligations on to another actor, but instead ensure that their suppliers, agents and partners are all adhering to a 'no bribes' policy (see Principle 9 of the C² Principles). These responsibilities will be difficult to implement for complex global enterprises, but they are not unlike the challenges facing SA 8000-certified companies to ensure that their suppliers and subcontractors are meeting appropriate labour standards. Other barriers include the short-term costs of refusing contracts that require a bribe payment. While the long-term benefits of operating in a corruption-free environment will outweigh these costs, the short-term costs may be significant when less scrupulous companies continue to supply bribes. To lessen these free-rider problems, we encourage industry associations to push all their members to adopt anti-corruption principles and to monitor each other. In addition to the strong interests of corporations in ensuring that their competitors are operating in a bribe-free manner, other stakeholders also have a strong interest in achieving this goal. These pressures are discussed in the following section.

20.4 Stakeholder pressures and anti-corruption principles

Key corporate stakeholder groups should be in support of the adoption of anti-corruption principles. Investors will be behind anti-corruption initiatives because bribe payments reduce profits and skew competition (making it more difficult for shareholders to value their investments). In addition to grand corruption,⁵ which the World Bank estimates at 5% of all foreign direct investments into corrupt countries (Walsh 1998), even facilitation payments can significantly reduce efficiency and lower profits. While facilitation payments are often referred to as 'grease' or 'speed' payments, they actually encourage government officials to reduce the speed of bureaucracy in order to extract more bribes (Tanzi 1998). The most recent empirical evidence finds that these payments force managers to spend more time with government officials, not less (Kaufman and Wei 2001).

Other aspects of paying bribes that hurt investors include civil and criminal fines. While the risk of punishment has not been high in the past, a greater push from countries adopting the OECD Convention may encourage home-country enforcement. Furthermore, the recent case of Acres International in Angola suggests that developing countries may also start prosecuting multinational firms.

In addition to investors, consumers may also push for corporations to adopt anti-corruption principles. Similar to the consumer backlash against companies employing sweatshop labour, consumers may place pressure on companies that continue to engage in corrupt practices. With a greater public awareness of the connection between corruption and human rights problems, a company that is prosecuted for bribery, or fails to demonstrate that it has an effective anti-

5 Grand corruption involves significant bribes to high-ranking public officials to encourage them to take actions that they were not likely to have done without the bribe payment.

corruption programme, may suffer significant damage to its reputation in the marketplace. In addition to the efforts of NGOs such as Transparency International, a corporate principles approach can greatly assist in raising that public awareness. While we cannot accurately forecast the negative impact of a reputation for being a bribe payer on a firm's performance in the market, we are optimistic that the impact of such a reputation will only increase as the public's understanding of corruption and its harmful effects continues to improve.

Recent changes in the social reporting guidelines issued by the Global Reporting Initiative (GRI) provide evidence of the growing importance of the issue of corruption among interested stakeholders. Established in 1997, the GRI has become one of the most influential initiatives in terms of establishing standards for organisations to measure and publicly report their economic, environmental and social performance.⁶ As part of its mission, the GRI promulgates a set of guidelines on social reporting that is updated to reflect the latest experience of corporations and the comments of interested parties. In the most recent set of guidelines (issued in 2002), the GRI added a social performance indicator for bribery and corruption. Based on the input of its stakeholders, the GRI recognised the importance of this issue and listed it alongside performance indicators for such issues as child labour, discrimination, and customer health and safety (GRI 2002).

20.5 The anti-corruption efforts of Shell

The Royal Dutch/Shell corporation is often praised for its 'no bribes' policy. Shell is an oil, gas and chemical company operating in over 100 countries. In response to various public relations crises in the mid-1990s (including the controversy surrounding the disposal of the Brent Spar and the execution of Ken Saro-Wiwa in Nigeria), Shell recommitted itself to operating under a set of business principles of appropriate behaviour and to greater transparency in its actions. Through this recommitment, Shell established its 'no bribes' policy. This policy clearly states that bribery will not be tolerated and that employees engaging in corruption will have their employment terminated and will, if possible, be prosecuted. To implement this policy, Shell developed a programme based in part on its study of best practices at 15 multinational corporations. Overall, Shell's anti-corruption programme (see Box 20.2) is based on a set of practices similar to the C² Principles.

As part of this effort, Shell published its policies on bribery in a booklet entitled *Dealing with Bribery and Corruption: A Management Primer*.⁷ This document provides its employees with an understanding of what constitutes bribery and distinguishes bribery from facilitation payments and gifts. For example, to help employees distinguish between a bribe and a gift, the *Management Primer* notes that gifts can be given directly and openly, while bribes must be given in secret and often

6 For further information about the Global Reporting Initiative, see www.globalreporting.org (last visited 24 January 2003).

7 Available online at www.shell.com (last visited 9 December 2002).

Shell's Policies and Procedures

1. Senior management commitment
 - * Set the ethical tone 'at the top'
2. Written policies
 - * Company-wide policies should be supplemented by codes for local conditions
3. Internal controls and record-keeping
 - * Including an 'ethics ledger' of requested facilitation payments
4. Auditing
 - * Ensure that employees and third parties are complying with the 'no bribes' objectives
5. Communication channels
 - * Hotlines to report corruption problems and assurances that employees will not suffer for reporting problems or losing business due to adherence to integrity principles
6. Accountability
 - * Require managers to certify compliance with the principles
7. Training
 - * Include extra training for employees in positions of high risk for corruption
8. Third-party checks
 - * Due diligence processes for selecting and continuing relationships with suppliers and contractors
9. Investigations
 - * Investigate allegations of bribery

Box 20.2 Shell's Policies and Procedures

Source: Royal Dutch/Shell 1999

through intermediaries. With respect to facilitation payments, Shell does not condone them, but also does not place an absolute prohibition on them. Instead, it instructs the individual Shell companies to address these matters in their local business guidelines for employees ('with the aim of eliminating it') and at all times to obey local law. In recognition of the difficulty of establishing bright line rules in such areas of bribery, Shell provides short case studies of actual situations from the company's experience to assist employees in their training.

Company compliance with the policies is monitored by the Audit Committee and Social Responsibility Committee, which oversees the implementation of Shell's business principles and control mechanisms. One such control procedure is the letter of representation. A letter of representation is a formal document signed by the chief executive officer and chief financial officer of that country's company and sent to the Shell Group's comptroller. In the document, these officers state that all transactions have been recorded properly and that no bribes have been paid. In situations where facilitation payments have been made or bribes discovered, these payments are included in the document and the officers are required to provide follow-up reports on how they have attempted to deal with the problem.

Shell also publishes its efforts. Each year, Shell distributes a report entitled *People, Planet and Profits*, which details its performance on environmental and social matters. KPMG and PricewaterhouseCoopers verify components of this report. Included in *People, Planet and Profits* reports are details of the bribery solicitations received or offered by the company's employees for the year. In 2001, Shell reported that its employees either solicited bribes or were offered bribes in 13 situations (with a total estimated financial value of US\$26,000), up from only four cases in 2000 (total estimated financial value of US\$89,000). Shell also reported that employees had refused bribes in nine cases, employees were dismissed in three cases, and one case was not yet settled. In addition, Shell reported two cases where non-employee agents offered or solicited bribes. The accuracy of these numbers can be challenged, however, as they do not reflect allegations of corruption that the company could not prove, and, of course, instances that were not detected or reported. Overall, though, Shell has demonstrated a willingness to combat corruption and to begin the process of obtaining the experience necessary to remove all forms of bribery in its business transactions throughout the world.

20.6 Conclusion

Reducing corruption is a win-win situation in that it is simultaneously pro-business and pro-human rights. The reduction of corruption reduces barriers to investment in foreign countries, allows a more efficient use of capital and promotes economic growth. This provides a more conducive environment for business while, at the same time, improving the human rights conditions in developing countries, including the right to development. To attain these benefits, corporations must play a vital role in ending corruption. As indicated in our review of corporate codes of conduct, many corporations are demonstrating a willingness to get out of a cycle of corruption. These companies are experimenting with policies and procedures to ensure that corruption does not exist at any point along the chain of distribution of their goods or services. While many companies' efforts may be seen as potentially ineffective, best practices are emerging. In addition to developing successful anti-corruption programmes, a key challenge facing these companies is reining in those competitors that persist in supplying bribes. To achieve all these goals, adopting anti-corruption principles is an important first step.