

# Achieving Verifiable Outcomes in the Mining and Minerals Sector

Royal Institute of International Affairs

15 October 2001





*A case in point.*

---

# Combating Corruption

A Central Issue in Corporate  
Social Responsibility





# Why this issue?

- It illustrates dilemmas - boundaries of responsibility between corporations (central and local) and governments (domicile and overseas)
- It leads to major negative economic, social and environmental impacts
- Options for moving forward – regulation and/or voluntary initiatives- are difficult
- The difficulty of building trust - accountability and metrics - is very real





# Mining is vulnerable

- Operations in remote places
- Property rights often contested
- Corruption endemic in many locations
- Licence to operate (law and custom) often highly discretionary
- 'Facilitation payments' the norm
- Large inward investments and often large inward earnings





# Evidence and Allegation

- The apparent correlation between the locations of extractive industry projects and the T.I. Corruption Perception Index
- Specific instances - sometimes confirmed by members of the industry
- External whistleblowers
- The evidence of the past
- But no systematic survey thus far





# The state of play

- OECD Convention
- Human rights convention and norms
  - and national legislation to implement them
- Great ignorance and many practical issues on implementation
- E.g. facilitation payments or 'grease money'





# Work thus far

- Transparency International as a partner of MMSD in this area of work
- 30 person stakeholder meeting in Berlin
  - NGOs, companies, academia, OECD Governments, Labour
- Ideas tested at TI Conference in Prague
- Recommendations based on Convergence and S.M.A.R.T. criteria





# Companies acting alone

- Clear leadership from the top
- Clear internal rules and sanctions
- Positive affirmations of compliance
- Help-lines and back up
- Training
- Declare “no-go” policies
- Independent audit and review?





# Companies acting together in a corrupt environment

“Alliances for good” – Collaboration with other sectors and actors in host countries

- Oil and gas
- Forest industries
- Infrastructure
- NGOs
- Academia
- Labour





# Acting together (2)

- Declarations
- Exchange of methods and information
- Prosecutions
- Liaison with international institutions and governments

Key Dilemma - Who is running who?  
Multinationals or Electorates?





# Companies acting together worldwide

- Register of all payments (royalties, tax, etc.)
- Case study library
- Common disclosure policies - issues of competition
- Confidential briefings and shared intelligence - with governments and international NGOs
- Warranties for asset exchange
- Common positions
- Ombudsman for allegations





# The business case?

- Reputation and risk management
- Consistency matters as news spreads
- Employee satisfaction - personal ethics
- Long-run benefits

**But**

- Big will win
- Opportunities and discoveries will be lost





# Dilemmas

- Local versus national - double taxation
- Disclosure opposed by governments
- Right-to-know issues – E.g. ‘Who owns the Geneva bank account?’
- Loss of business to free-riders
- Juniors early in the cycle
- Unintended corruption
- Corruption in the west – E.g. Mafia in NYC





# Conclusions

“Doing things better or  
Doing better things?”

We have a long way to go to move from a  
“trust me” to “show me” to “involve me”

but

“All that is necessary for evil to prevail is for  
good men to do nothing”

*Edmund Burke*