

GUIDELINES FOR INTEGRITY MANAGEMENT IN THE CONSULTING INDUSTRY

Part I – POLICIES AND PRINCIPLES

1st Edition 2011



Fédération Internationale des Ingénieurs-Conseils
International Federation of Consulting Engineers
Internationale Vereinigung Beratender Ingenieure
Federación Internacional de Ingenieros Consultores



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FIDIC – International Federation of Consulting Engineers

FIDIC is the International Federation of Consulting Engineers. Its members are national associations of consulting engineers.

FIDIC has been charged since its foundation in 1913 with promoting and implementing the consulting engineering industry's strategic goals on behalf of its Member Associations, and with disseminating information and resources of interest to its members. Today, FIDIC membership covers more than 80 countries around the world.

FIDIC key objectives are:

- Represent globally the consulting engineering industry
- Enhance the image of consulting engineers
- Be the authority on issues relating to business practice
- Promote the development of a global and viable consulting engineering industry
- Promote quality
- Actively promote conformance to a code of ethics and to business integrity
- Promote commitment to sustainable development

FIDIC, in the furtherance of its goals, publishes international standard forms of contracts for works and for clients, consultants, sub-consultants, joint ventures, and representatives, together with related materials such as standard prequalification forms.

FIDIC also publishes business practice documents such as policy statements, position papers, guidelines, training manuals, and training resource kits in the areas of management systems (quality management, risk management, integrity management, environment management, sustainability) and business processes (consultant selection, quality based selection, tendering, procurement, insurance, liability, technology transfer, capacity building).

FIDIC organises the annual World Consulting Engineers Conference together with an extensive programme of seminars, capacity building workshops and training courses.

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Preface

FIDIC, one hundred years after its foundation, continues to fulfil one of the Federation's original mandates in preparing documents, guides and manuals to assist consulting engineers worldwide to perform and deliver world-class services. These publications have facilitated the creation of global standards and best practices, currently used by a large and increasing number of consulting firms and their clients.

Certain documents, such as contract forms, are very specific, while others provide guidelines for use by member firms. All FIDIC publications have benefited from the contributions of volunteer members in their production and implementation. The present guide is no exception.

This guide sets out reasons why consulting engineers should apply Integrity Management in their work and provides an introduction to initiating an "Integrity Management System" in their day-to-day consulting practice.

Developing the **FIDIC Integrity Management System** (or **FIMS**) presents an ideal opportunity for a firm to introduce improved business practices designed to enhance the quality of business management. Firms and Member Associations are encouraged to take advantage of the published material, training and professional seminars offered by FIDIC and others on the subject of Integrity Management, and to customise the material to address the specific characteristics of their firm and their clients.

The 2001 test edition of the *Business Integrity Management Guidelines* was developed by a "Joint Working Group on Integrity" organised by FIDIC and FEPAC (Pan-American Federation of Consultants), with Dr Felipe Ochoa, FOA Consulting (Mexico), as Chair. Significant contributions were made by Fatma Çölaşan, ODTM (Turkey), Dr Jorge Díaz-Padilla, Systec (Mexico), Stan Kawaguchi, Parsons'Brinckerhoff (USA), formerly Parsons Brinckerhoff Quade & Douglas, and José Speziale, IATASA (Argentina).

Feedback and comments about the usefulness of the initial guidelines have been received from firms that have gone through the development, implementation and operation phases of an Integrity Management System. Suggestions for improvement made by Member Associations, clients and NGO's working in the fight against corruption have been used for the preparation of this 2011 edition of the FIDIC guidelines.

The preparation of this edition of the guidelines was carried out by the FIDIC Integrity Management Committee comprising: Dr Jorge Díaz-Padilla, Chair, Systec (Mexico); Liu Luobing, Halcrow (Shanghai) Engineering Consulting (China); Khelane Ndwandwe, Asakheni Consulting Engineers (South Africa); John Ritchie, Hatch (Canada); Richard Stump, Stanley Consultants (USA).

1 Introduction

1.1 Purpose of the Guidelines

This guide has the following objectives:

- 1 To provide background information on Integrity Management and to present a convincing business case as to why consulting engineering firms should adopt effective integrity management practices based on clear and easy-to-understand management systems. These practices are intended to help firms identify and manage integrity risks, implement the firm's integrity policies, and help the firm defend itself in the event of an integrity failure.
- 2 To identify the set of integrity management policies and principles that should be adopted by all firms, regardless of size, location, capacity or the particular local conditions in which they do business.

1.2 The FIDIC Integrity Management System

To assist its members, in 2001 FIDIC developed a system, then known as the "Business Integrity Management System" (BIMS®), for a framework that could be used by consulting firms to fight corruption, minimise its risks within a firm, and present a commitment to fair play and integrity in their daily business activities. The current system, FIMS, built on the experience gained from BIMS, replaces the former system and is designed to fight demand-side corruption; its supply-side counterpart, GPIMS (Government Procurement Integrity Management System), can be used by government and commercial procurement agencies for engaging in the corruption-free selection of consultants.

From the outset, it was decided to develop FIMS and GPIMS in a manner analogous to a Quality Management System: as a step-by-step process that would result in a serious commitment in terms of policies and resources, regardless of the size of the firm.

The latest FIDIC survey has shown that only a small number of companies have implemented an Integrity Management System (IMS) in their

organisations. Moreover, the number of other firms considering such a move has not increased significantly since the survey.

Even though most consulting firms are doing their best to define and implement anti-corruption policies, many lack consistency in the day-to-day implementation of such policies. In effect, by establishing their own procedures to ensure integrity and fight corruption they are not following a FIMS road-map. This results in a lost opportunity for obtaining systematic feedback which may improve their integrity management process. In the survey of the industry, several reasons for this situation became apparent:

- While an Integrity Management System offers a significant improvement over home-brewed alternatives, implementation has historically been perceived to be expensive, while potentially placing the firm at a competitive disadvantage when proposing work.
- To date, most clients and funding agencies do not recognize the value of companies with an IMS in place, and during the consultant

1 Introduction

selection process no competitive advantage is given to companies utilising an IMS.

- Firms are questioning the real commitment of their clients to a corruption-free environment. They argue that if the commitment was truly there, the client would ask for evidence of integrity management in the firm as part of the statement of qualifications submitted in response to a request for proposals. They quote the increased incidence of similar demands for information on the health and safety policies of the firm as evidence that many of the same clients are taking a firm stand on project safety but not on integrity.
- Many firms question the efficacy of integrity management systems in situations where there is systemic corruption. They would rather vote with their feet and make a decision not to offer services in such an environment; the risk to a company's reputation is considered too high in such circumstances. At the same time, firms cannot adopt an Integrity Management System universally since local consultants have no choice but to provide their services within these environments.

FIDIC believes that a scalable approach provides the best road-map for FIMS. Alternatives

which may take into account the size, location, capacity, and specific needs of small- and medium-sized companies have not been developed or promoted. Additionally, consultants who must function in environments where corruption is rife should be able to demonstrate to clients that they provide their services with integrity.

The present Guidelines, FIMS - Part I: Policies and Principles, set the common ground for combating corruption in the consulting industry from the enterprise perspective, regardless of the particular details of a specific business.

Some of the alternatives for developing and implementing FIMS are explored in a companion document to these Guidelines, FIMS - Part II: Procedures. These alternatives may vary from an International Standards Organization (ISO) 9000 quality management standard-based system to other less robust solutions. The latter include a baseline integrity system for small- and medium-size enterprises (SME's) or basic integrity checklists.

FIDIC recognises that companies often require flexibility based upon their size, location, resources, and the requirements of clients in their field of service. This is the focus of FIMS.

2 Background

Consulting engineering firms strive to create a business relationship with their clients based on the role of trusted advisor. This is a relationship which cannot prosper unless the firm acts with integrity towards all its stakeholders, whether internal or external to the company. With integrity being such a key component for long-term business success, FIDIC has defined it as a core value, along with quality and sustainability. Moreover, since integrity is a key factor for the well-being of the consulting engineering industry, FIDIC has been actively developing tools and policies in the area for many years.

Many organisations have drawn up policies, frameworks and principles in order to reduce corruption. Perhaps the most significant step was taken by the OECD (Organisation for Economic Cooperation and Development) in response to prompting by the US government to establish a level playing field for commerce worldwide by ensuring that corruption did not become a market barrier. The OECD recommendation of 1994, in which industrialised nations pledged to reduce the supply side of bribery worldwide, became the catalyst for other initiatives. It provided the seed for the 1997 *OECD Convention on Bribery* which was co-signed by 34 countries. This Convention led to the criminalisation of the bribery of public officials of the signatory countries carried out anywhere in the world.

In 1996, the World Bank redefined its corruption policy and began to take a much more proactive stance in public statements and in procurement guidelines for its everyday practice. Shortly afterwards, the International Monetary Fund, the World Trade Organisation and other Multilateral Development Banks (MDB's) such as the Inter-American Development Bank, the Asian Development Bank and the African Development Bank Group, began focusing on ways to reduce corruption. At present, MDB departments are focusing on detecting corrupt activities and identifying any remedial actions that may be

warranted, including the sanctioning of companies and individuals who violate their guidelines and anti-corruption policies. More recently, these departments have concentrated their efforts on identifying symptoms of project delinquency in order to promote prevention and deterrence and to intercept corrupt activities on projects and programmes at an early stage.

Meanwhile, organisations such as Transparency International (TI) publish country ratings. For instance, the annual *TI Corruption Perceptions Index* ranks the worst offenders according to how they are perceived by the business community. Furthermore, TI has released the *Bribe Payers Index*, exposing the degree to which companies located in the leading exporting nations are likely to engage in bribery when doing business abroad; this index is based on the observations of senior business executives.

In 2004, the World Economic Forum published its *Principles for Countering Bribery* and the United Nations incorporated the objective of combating corruption in its *Global Compact* (the 10th Principle). Recently, the concept of social corporate responsibility has been gaining ground and the ISO 26000 social responsibility standard (for guidance purposes) which includes the issue of "fair operating practices" was released in 2010.

Other engineering organisations have become involved in addressing the corruption issue. These include the WFEO (World Federation of Engineering Organizations), which developed an *Anti-Corruption Action Plan*, the ASCE (American Society of Civil Engineers), which has produced a film intended for training on ethical issues, and GIACC (Global Infrastructure Anti-Corruption Centre), which offers resources and consulting services on compliance monitoring, training and devising anti-corruption measures in the infrastructure sector (Appendix D).

Given all of this activity, it is reasonable to ask whether the incidence of corruption around

2 Background

the world has decreased. FIDIC sees no evidence of this taking place as yet. The World Bank estimates the total volume of bribes paid annually at over USD 1 trillion – more than 5 percent of the global Gross Domestic Product. In fact, the most consistent picture that has emerged in recent years has been the gradual withdrawal of many reputable international consulting firms from providing services in parts of the world. In many cases it is impossible to function in certain countries without becoming involved in bribery.

In several countries the problem of corruption is embedded in the very foundations of the public service. In these cases, public servants are not paid a living wage on the assumption that their incomes will be supplemented by the proceeds of bribery and corruption. This is referred to as systemic corruption, which cannot be eradicated without a major shift in government best practice. The voice of civil society is certainly growing louder in calling for transparency and integrity from governments and industry, notwithstanding that integrity must also be demanded of government organisations.

Experience has shown that the chief executive of a company has to be seen to value integrity – in commitments, actions and policies – to convince other staff members that integrity is an important attribute of his or her firm, and that departing from expected behaviour is unacceptable. Similarly, clients need to use every opportunity to demonstrate their adherence to integrity values, and it is essential that they show an interest in the steps taken by their suppliers to provide services in an honest manner. All stakeholders in project execution have an interest in the integrity management process – from the institution funding a project to contract managers, the firms that execute the project, and the people who will benefit from the completed project.

The consulting engineering and construction industries must continue to push

for the development of approaches that limit the opportunity for corruption. FIDIC is seeing improved cooperation in this undertaking: in 2009 FIDIC signed a joint policy statement with CICA (Confederation of International Contractors' Associations) and provided information on its activities and systems to EIC (European International Contractors) as it develops its own anti-corruption initiatives.

Providing visible leadership in the area of corruption mitigation is difficult. At the very least, consulting firms which complain to clients about demands for bribes run the risk of losing projects. More often than not they risk losing their ability to offer services in a given region. MDB's are concerned that if they make loan conditions too onerous, they will not be competitive in relation to commercial banks which have different demands regarding governance and fraud and corruption risks. Governments – particularly in developing country – claim that they cannot afford to pay living wages, and there are certainly many examples of crusaders in those governments who paid with their lives or their livelihoods for their zeal in rooting out corruption.

FIDIC has been energetically promoting integrity for many years and has developed tools to foster integrity management in consulting firms. It continues to argue that a formal and systematic approach towards the management of integrity, adopted by the majority of consulting engineering companies, has a much higher chance of success than sporadic efforts developed by individual companies. However, this concept has been slow to achieve success in the consulting industry. Combating corruption requires a concerted effort by everyone who is involved in projects – clients, contractors, government procurement groups, and funding agencies alike – in helping to prevent, and not simply to sanction, firms and individuals from engaging in illegal activities. The consulting engineering industry cannot solve the problem without its partners.

3 FIDIC and Integrity Management

For a firm to operate successfully in a globalised world under the pressures of free market competition, there is an ever-greater need for the firm's procedures to conform to generally accepted best practice. In particular, this entails the clear demonstration of ethical behaviour with regard to all of its stakeholders, clients, suppliers, owners, and staff and to society in general.

In 2001 FIDIC issued a policy statement as a first step in exploring ways to protect the consulting industry from corruption. This policy statement concluded that:

“corruption, definable as ‘the misuse of public power for private profit’, is morally and economically damaging. Firstly, it jeopardises the procurement process, is always unfair, and often criminal. It saps money from required development projects and adversely affects their quality. Secondly, and worse than being pragmatically wrong in allowing wasteful procurement, corruption is more basically wrong because it undermines values of society, breeds cynicism, and demeans the individuals involved. It is more than stealing funds, it is stealing trust”.

A formal undertaking by FIDIC to identify specific courses of action that could lead to reduced corruption in consulting engineering began in 1998. This led to a proposal for developing a practical tool, namely a comprehensive Business Integrity Management System (BIMS) for consulting firms which is the platform for FIMS. In recognition of the multi-sided nature of corruption, in 2006 a parallel Government Procurement Integrity Management System (GPIMS) was developed for organisations that procure consulting services.

FIDIC chose the term “Integrity Management” for a purpose. The Federation advocates integrity management as a proactive approach to ethical behaviour, rather than “anti-corruption” which implies defensive actions.

It also advocates implementing an integrated management system as a strategy to control and verify integrity-related performance. The FIDIC system begins with a firm's commitment to a Code of Conduct on behalf of all its staff and representatives, and leadership which demonstrates this commitment in a clear and visible way. The firm's chief executive must lead in the formulation of the Code of Conduct and in the allocation of resources to the Integrity Management initiative. There should be no misunderstanding that senior management demands compliance with integrity values and is prepared to take the necessary actions to ensure this compliance.

Communication, coordination, education, and involvement of staff are necessary to ensure the delivery of consulting services with integrity. It is therefore critical to identify potential areas of corruption and to perform control management of key processes for the objective of integrity within the firm. Documentation for these key processes should be continuous in order to demonstrate integrity. Management should periodically analyse and review the firm's FIMS to ensure its continued suitability and effectiveness, and to keep it permanently updated.

Management of the integrity system should be a significant (senior management) role and include direct reporting to the board of directors, chief executive or senior partners of the firm, depending on the firm's size and organisation. Assignment of this task to a specific individual or task force is recommended. The company's senior leadership should periodically satisfy itself that the system is in place and functioning. A statement about the performance of the FIMS should be made in the company's annual report, and this information should be readily available to all staff members.

Consulting firms frequently work with sub-consultants who handle specific aspects of project delivery. In such cases, it is considered

3 FIDIC and Integrity Management

the responsibility of the prime consultant to verify that its sub-consultants are committed to acting with integrity, and preferably have a system in place similar to a FIMS. If a sub-consultant has no such system, the prime consultant may request it to affirm its commitment to the basic principles of integrity as a condition of its engagement by the prime consultant. This can be accomplished through a memorandum of understanding or by incorporating the requirement as part of a sub-consultancy agreement, along with a statement of the consequences of the sub-consultant's violation of the integrity requirement.

One of the integrity areas of highest risk in providing consulting services that might lead to incidents of corruption lies in the appointment of an agent or local representative who acts on behalf of the firm in obtaining contracts. Such appointments are generally made in a country outside of the consultant's home country. The agent or representative may resort to bribes offered or paid with or without the full knowledge of the firm, particularly in countries in which bribery is an accepted practice for obtaining work. The firm hiring the local agent or representative may not even have very detailed knowledge of the character of the individuals involved.

In providing tools to help member firms address such situations, FIDIC developed a *Model Representative Agreement* (2004) that clearly defined the limitations placed on a representative while acting on behalf of the retaining firm. FIDIC recommends that use of this type of agreement be supplemented by appropriate due-diligence processes, so that the firm can be confident it is dealing with a representative with a solid reputation for integrity.

FIMS has been established in such a manner that it can be independently or internally verified as part of a firm's quality management system.

Meanwhile, GPIMS developed for government procurement agencies is an exact analogue of FIMS. It incorporates a code of conduct, leadership requirements, review processes to identify potential weaknesses or opportunities for corruption, the measurement and documentation of critical parameters, and board-level reporting.

4 The business case for Integrity Management

4.1 Why consulting firms should adopt Integrity Management

The pressures stemming from proper management and the successful growth of a business, especially a consulting engineering business, have never been greater. Improvements in communication and connectivity and the speed of project development require consultants to be more flexible and adaptable to new technologies, project delivery methods and client requirements.

Despite the advances that allow consultants to manage more effectively their businesses and to deliver quality services, corruption remains a pervasive constant in the consulting industry. Regardless of the maturity of the market and the size of the firm, consultants are confronted by opportunities to engage in demand-side corruption (by encouraging clients to accept bribes) as well as in supply-side corruption (by responding positively to clients who engage in corrupt activities or require payments as a condition of awarding contracts to a consultant). The global economy has seen numerous high-profile examples of businesses imploding owing to their engagement in corruption, not only in the construction sector, but also in the worlds of

finance, manufacturing, aerospace, and national defence.

Integrity Management is based upon a number of key business principles. It is vitally important for consultants to understand that acting with integrity and in an ethical manner is good, not only for the industry but also for the bottom line of each individual firm within the consulting world:

- 1 Integrity is good for business, financially.
- 2 Integrity represents the morally and ethically correct framework for providing consulting services; it preserves the respect and reputation for the industry of those interested in using its services.
- 3 Integrity protects the firm and its staff from external influences that may lead to corruption.
- 4 Integrity is important for the long-term sustainability of a firm as it grows, adds staff and provides services to existing and new clients.

4.2 Integrity is good for business

The business case for acting with integrity has never been stronger. The adoption of a system such as FIMS is essential for the long-term sustainability of any consulting firm. There are several economic reasons why this is true.

1 Clients

It is a consultants' clients who pay the invoices and allow firms to remain in business. Most clients prefer to do business with companies that conduct themselves in an honest, ethical manner. A commitment to working with clients in an honest manner allows them to know that their investments will result in quality services.

2 Corruption is wrong

Corruption undermines the values of society, demeans the individuals involved, and damages the reputation of the consulting industry and the value of services. It is more than simply stealing funds: corruption is in fact the theft of trust.

3. Corruption results in reduced profitability

If a company is seen to be corrupt and untrustworthy, clients will be less willing to invest in its services. This will have a direct impact on the company's revenue and profitability.

4 The business case for Integrity Management

4 Integrity enhances revenue and growth

Consultants who are perceived as reliable and responsible, with a reputation for honouring their commitments, are looked on by clients as worthy service providers. Clients want to know that their consultants can be trusted to deliver services in the manner promised. This commitment builds a strong relationship between clients and consultants, resulting in repeat business. Clients talk about the services they receive from their consultants, and a client is much more likely to recommend an honest service provider than one who acts in a corrupt or unethical manner.

5 Integrity in business builds client loyalty

A well-designed and implemented FIMS affects all parts of a business, from how it is conducted in the business development process to the services the firm provides once an assignment has been brought to completion. Integrity of business procedures naturally results in an increased integrity and quality of services. This breeds loyalty from clients who, knowing the value and quality of the firm's services, will be inclined to hire the firm again and again.

6 Integrity Management complements quality management

FIDIC advocates best practices in consulting work. It strongly recommends that member firms develop Quality Management Systems (QMS) to enhance the quality of business. FIDIC recognizes that implementing a QMS takes time and resources; not all consultants may work in countries where an ISO-compliant QMS is required, nor do many smaller firms have the capability to implement all aspects of an ISO-compliant QMS. The issue of scalability becomes important in order to allow firms to adopt an appropriate Integrity Management System. From the outset FIDIC decided to develop the IMS concept in a complementary

fashion to quality management; FIMS was designed so that it could add value and generate economies of scale for consulting engineering firms that had established their own formal QMS.

7 Integrity management reduces the risks of possible integrity violations and minimizes conviction risks under anti-bribery laws

As the world's enforcement regimes to combat bribery become tighter, the implementation of compliance mechanisms and programmes becomes increasingly more important for protection against potential wrongdoing and the identification of corruption risks. An integrity framework designed to recognize potential risks and to trigger effective and targeted "damage control" is proving vital for the sustainability of consulting companies in a highly competitive environment. Additionally, active management of a firm's integrity practices makes business conduct more explicit and easier to monitor.

8 Integrity management allows for a firm's long-term sustainability.

As a firm successfully completes projects, adds staff and provides services to new clients, its reputation will precede it. A company with a strong reputation for fairness and integrity in providing services, both internal and external to the firm, will be more likely to become a client's choice than a firm with questionable integrity practices. Many clients are increasingly unwilling to hire companies who have been implicated or prosecuted in corruption probes. The ability of a company to thrive and grow over time hangs on its approach to integrity management and to the enforcement and consistent application of integrity management principles.

5 FIDIC Integrity Policies and Principles

In joining the worldwide effort to combat corruption, FIDIC has adopted a proactive role by supporting anti-corruption initiatives, promoting and applying the highest ethical standards, recommending the development and implementation of integrity management, and cooperating with agencies investigating corruption globally.

Policies

FIDIC therefore strongly recommends that Member Associations and their member firms adopt the following policies and practices.

- Zero tolerance toward bribery, extortion, coercion, fraud, collusion, and conflict of interest

A consulting firm must not offer or accept remuneration of any kind which may attempt to influence the selection or compensation of the company, nor affect its impartial judgement. For the same reasons, staff must neither offer nor accept gifts or be involved in fraud, collusion or conflicts of interest.

- Member firms should formulate and subscribe to an internal Code of Conduct

In joining FIDIC, all Member Associations must subscribe to FIDIC's Code of Ethics which calls for their member firms to perform professional services with integrity (Appendix A). Individual member firms are required to formulate their own Codes of Conduct consistent with their Member Association's Code of Conduct or Code of Ethics, as well as the *FIDIC Code of Ethics* (Appendix B).

- Member firms should develop their own FIMS

Consulting firms should show their commitment to integrity through developing and implementing an Integrity Management System, focusing on corruption prevention, fraud, collusion, and conflict of interest. The level of detail and complexity of the FIMS may vary among firms but, in all cases, the system must demonstrate the commitment of senior management to integrity and should involve the entire staff.

Principles

For these reasons, FIDIC recommends the following:

- Member Associations and their members (firms and individuals) should develop and maintain systems to comply with the highest ethical standards and codes of conduct. They should co-operate candidly with other organisations and industries which seek to reduce corruption. Member firms should associate themselves only with other companies who share similar ethical standards.
- Member firms should demonstrate their commitment to integrity through the implementation of an Integrity Management System, involving all levels of management and every staff member, focusing on corruption prevention.
- Member Associations should assist member firms in developing their FIDIC Integrity Management System, by providing guides, training and general support.
- Member firms should have access to an independent evaluation of their FIDIC Integrity Management System, in accordance with guidelines developed by the industry.
- To reduce the opportunities for corruption in the process of procuring engineering and construction services, quality-based selection procedures for consulting services and competitive tendering for construction projects should be advocated.
- In implementing projects, consulting firms should recommend to their clients the most appropriate and objective procurement process or delivery system, consistent with the demands of the project. Consultants may recommend to funding agencies that an "Independent Engineer" be appointed to assist clients with administration of the procurement process; this appointment will improve the integrity of the process while allowing for capacity building.

5 FIDIC Integrity Policies and Principles

- Funding agencies should be kept fully informed by the consulting firm of procurement steps as they occur. The consulting firm should notify the agencies of any irregularities, so that cancellation or other remedies may be exercised, in accordance with the relevant loan or grant agreement details.
- Member firms should be aware of local laws regarding corruption and should promptly report criminal behaviour to the proper law enforcement authorities.
- FIDIC Member Associations should take prompt disciplinary actions against any member firm found to have violated the *FIDIC Code of Ethics*. This could include, among other actions, expulsion and the publication of the wrongdoer's name. Procedures should be established by Member Associations to ensure that the due process of law is followed in such cases. The procedure for determining whether the expulsion of a member firm is warranted should be conducted confidentially, but expeditiously.
- Member Associations should foster and support the enactment of legislation in their own countries aimed at curbing and penalising corrupt practices. This activity may be pursued with other trade organisations and industries in order to promote the importance of integrity, regardless of the project type or industry.

6 The FIMS Concept

As mentioned in the previous section, it is a FIDIC policy that member firms should develop their own FIMS with the objective of ensuring the ethical delivery of consulting services.

Regardless of the firm's size, its capacity or the particular circumstances in which it operates, the approach taken in developing an effective FIMS should be based upon the following general principles:

- Leadership
- Involvement of people
- A systems approach
- Documentation
- Training

Leadership

The board of directors, senior partners and Chief Executive Officer (CEO) of the firm must demonstrate their full commitment to Integrity Management in a clear and visible way. This commitment must be evident to all staff in words and deeds. The CEO must lead in the initial steps in the formulation of the Code of Conduct and in the allocation of resources to the Integrity Management initiative. Most importantly, the CEO must clearly state that the firm and its employees and representatives will adhere to FIMS requirements. There should be no misunderstanding that senior management demands adherence to integrity values, and is prepared to take the necessary actions to achieve its integrity objectives.

Involvement of people

The involvement of staff is critical to the successful implementation of integrity management in a consulting firm. Every task in the day-to-day operations of a company, and in the conduct of professional services, includes people who have to commit to integrity and seek it out in their responsibilities. Internal and external activities must be considered. A working environment committed to integrity empowers staff.

Effective communication is essential to the successful implementation of integrity management in the consulting firm. The prerequisite for successful teamwork is that all parties involved acquire and maintain the same understanding of a project throughout the performance of the consulting services. This requires proper communication and co-ordination.

A systems approach

The encompassing nature of integrity management means that the processes carried out by a firm in providing a service must be accomplished with integrity. The identification

6 The FIMS Concept

of potential opportunities for corruption and the control of all processes are important activities.

Identifying potential areas of corruption and managing interrelated processes targeting Integrity Management require a systems approach. This means thoroughly reviewing and documenting all relevant project activities and the interrelationships among the various project processes. Procedures and activities, both internal and external, should be considered.

Documentation

Integrity has to be documented for it to be managed. The documented information process should be continuous rather than take place on a single occasion and risk missing important events.

Keeping appropriate records and ensuring that people at the right levels approve critical documents are key elements to monitor the FIMS, and to identify corrective actions that may be required to verify integrity in all phases of the consulting process.

Training

Key issues for the success of FIMS are awareness training for all staff and advanced training for FIMS operating personnel. Training should cover case studies, the discussion of integrity themes, and specialised programmes for relevant personnel.

7 FIMS Development

As mentioned above, these FIMS - Part I Guidelines to the FIDIC Integrity Management system should be adopted as the basis for broad integrity framework which may be used to define the scope and parameters of a comprehensive Integrity Management System.

FIMS - Part I: Policies and Principles identifies the integrity management policies and principles that should be adopted by all firms, regardless of their size, location, capacity, or the particular conditions in which they do business.

A companion document, FIMS - Part II: Procedures presents various examples of how companies have developed their particular systems – examples which may be used by interested firms for guidance and as references.

Different solutions may be tailored for the particular needs of each firm. In some cases an ISO quality management standard-based system

could be developed and, eventually, receive a third-party certification. In others a set of integrity checklists will suffice.

However, in spite of particular details, the development of a FIMS in a consulting firm will involve the tasks described below.

1 Formulation of a Code of Conduct

It is essential that the firm's Code of Conduct be developed by senior management in compliance with FIDIC's own *Code of Ethics* (Appendix A). Appendix B presents a model Code of Conduct for consulting firms that can be customised to meet the needs of a particular firm.

2 Formulation of an Integrity Policy

The Integrity Policy should outline the concept and objectives of a firm with respect to integrity as formally defined and expressed by senior management.

The Integrity Policy must be documented, implemented, communicated internally and externally, and then made publicly available.

3 Appointment of a firm's Integrity Management Representative

A senior member of the firm's management staff must be appointed as a Representative to guarantee that the requirements of the FIMS are met and to facilitate communication with staff regarding the firm's Integrity Management System.

4 Analysis of current practices

In a consulting firm, typical activities may include: marketing of services; engineering design; preparation of tender documents; project execution; construction supervision; issuing of payment certificates to contractors; claims' evaluation.

7 FIMS Development

Based on the firm's size and structure, the type of services being offered, and specific conditions under which the company operates, the FIMS should identify and include key processes where integrity requires special management.

5 Documentation

The FIMS must be well documented in order to provide evidence that all processes which may affect service integrity have been thoroughly addressed and planned.

6 Monitoring

In order to ensure compliance, the implementation of a FIMS requires the continuous monitoring of both activities and service delivery.

8 FIMS as a platform for a Compliance System

In early-2010, five MDB's, namely, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and The World Bank adopted the *Agreement for Mutual Enforcement of Debarment Decisions* by which they agreed to cross-debar firms and individuals found to have engaged in wrongdoing in MDB-financed projects.

As a result of this harmonisation, a firm will need to demonstrate to the MDB's that it has adopted a compliance system in order to be eligible to participate in MDB-funded projects following sanctioning. This conditional release process could be based on a robust FIMS made up of the following components:

- 1 Code of Conduct, with an annual sign-off by key staff and a one-time sign-off by all staff members.
- 2 Awareness training for all staff members. This could be on-line training, which is more efficient to administer and track than in-person training.
- 3 Advanced training for senior staff. This is usually done in-person, but could be done on-line or via conference calls.
- 4 Rigorous and thoroughly documented due diligence processes for representatives and firms engaged to provide sensitive services such as visas, customs clearance, freight forwarding, and the like.
- 5 Agreements for representatives and certain types of sub-consultants which include special compliance clauses.
- 6 Regular audits of projects for adherence to compliance principles.

FIMS Part I and Part II may cover all of these components and an Integrity Management System should be supplemented for expansion to a full compliance system. However, it should be highlighted, again, that the major strength of the FIMS is to systematically prevent and detect potential integrity risks, that is, to perform regular project audits for compliance with FIMS principles and policies. This objective may be expanded to verify compliance with additional MDB or other funding agency policies.

Appendix A FIDIC Code of Ethics

The International Federation of Consulting Engineers recognizes that the work of the consulting engineering industry is critical to achieving the sustainable development of society and the environment.

To be fully effective, not only must engineers constantly improve their knowledge and skills, but society must also respect the integrity and trust the judgement of members of the profession and remunerate them fairly.

All FIDIC Member Associations subscribe to and believe that the following principles are essential to the conduct of members for society to invest the necessary confidence in its advisors.

- **Responsibility to society and the consulting industry**

The consulting engineer shall:

- Accept the responsibility of the consulting industry to society.
- Seek solutions that are compatible with the principles of sustainable development.
- At all times uphold the dignity, standing and reputation of the consulting industry.

- **Competence**

The consulting engineer shall:

- Maintain knowledge and skills on a par with developments in technology, legislation and management, and employ due skill, care and diligence in rendering services to the client.
- Perform services only when competent to perform them.

- **Integrity**

The consulting engineer shall:

- Act at all times in the legitimate interest of the client and provide all services with integrity and faithfulness.

- **Impartiality**

The consulting engineer shall:

- Be impartial in providing professional advice, judgements or decisions.
- Inform the client of any potential conflict of interest that might arise in the performance of services to the client.
- Not accept remuneration which prejudices independent judgement.

- **Fairness to others**

The consulting engineer shall:

- Promote Quality-Based Selection (QBS).
- Neither carelessly nor intentionally do anything to injure the reputation or business of others.
- Neither directly nor indirectly attempt to take the place of another consulting engineer already appointed for a specific job.
- Not take over the work of another consulting engineer before notifying the consulting engineer in question, and without being advised in writing by the client of the termination of the prior appointment for that work.
- In the event of being asked to review the work of another, behave in accordance with appropriate conduct and courtesy.

- **Corruption**

The consulting engineer shall:

- Neither offer nor accept remuneration of any kind which seeks to influence the process of selection or compensation of consulting engineers or to affect their impartial judgement.
- Cooperate fully with any legitimately constituted investigative body that is conducting an inquiry into the administration of any contract for services or construction.

Appendix B Model Code of Conduct for Consulting Firms

It is expected that experience around the world will result in a model company code that is clear, simple and easy to communicate, and that it would apply to all FIDIC member firms.

The code would apply to all of these firms as a common document. In implementing the code as part of its FIMS, individual firms could adopt regulations and operating procedures to fit their particular operations.

These Guidelines propose a model Code of Conduct that synthesizes a number of existing

codes which have been developed by engineering and consulting organisations. It draws on the most important issues and incorporates the principal best practices for consulting work, namely, quality, integrity and sustainability.

FIDIC recommends that consultants base their own Code of Conduct upon the one contained in this Appendix. This model code can be, and should be, adapted by each firm to address the firm's needs and the particular conditions present in the provision of its specific consulting services.

Social responsibility

The firm accepts continuing responsibility for its consulting services before its clients and society.

The firm shall permanently contribute to the benefit of its clients and of society, through sustained staff training and technology development aimed at improving productivity.

The firm will include sustainability as a permanent goal in every project.

Quality of service

The firm shall only undertake project assignments in areas of expertise where it has the capabilities to deliver efficient and effective services to its clients.

The firm is committed to providing high quality services to clients. The firm will focus on quality management as a working methodology, and on permanent improvement as a means to improve the quality of service.

The firm is committed to the continuing improvement of its knowledge base, abilities

and tools in its areas of expertise. The firm will focus on technology management as a working methodology, and will extend to its clients the benefits of its professional achievements.

The firm will provide its services in a professional, courteous and efficient manner.

Objectivity of the firm

The firm will act with loyalty to its clients and will maintain confidentiality of any information from the client that is obtained in the process of performing its services. The firm and its staff will respect all lawful confidentiality agreements with its clients.

The firm will avoid any conflict of interest, and will inform a client beforehand of any potential conflict of interest that could emerge during the execution of consulting services.

The firm will only offer its services under contracting terms that do not interfere with its independence, integrity or objectivity.

The firm will not accept any remuneration that could encourage the firm to offer a biased opinion.

Appendix B Model Code of Conduct for Consulting Firms

Corporate integrity

The firm will only solicit consulting work and participate in private or public competitive bidding under the highest standards of corporate ethics and competitive practices, and with total integrity in its transactions.

The firm will act at all times in the interest of clients, and will carry out services with professional integrity, without jeopardising the interests of society.

The promotional activity of the firm and services the firm provides will uphold the dignity and reputation of the industry. Brochures and other formal documents describing resources, experience, work, and reputation will reflect the firm's actual circumstances in a truthful manner.

The firm will require its staff to act with integrity and to report potential violations of integrity to the appropriate individuals within the firm.

Competition

The firm favours Quality-Based Selection for the contracting of its services.

If solicited to review the work performed by another consultant, the firm will act in accordance with its integrity and objectivity policies.

The firm will not sponsor compensation or contribution arrangements designed to influence or secure consulting work; nor will it seek commissions from suppliers of equipment or services recommended to the client as part of the firm's consulting services.

The firm will not take part in activities that could damage the reputation or business of others.

Appendix C – Definitions

Bribery	The offer, promise, or giving of any payment, gift or other advantage directly or indirectly by a consulting firm to any public official or private client as undue consideration to influence selection, execution or compensation procedures.
Coercion	Threat to use violence with the purpose of conditioning or influencing the selection or execution of an assignment.
Collusion	Actions among bidders designed to fix the process and prevent the client from conducting a fair and open bidding process.
Conflicts of Interest	Situations that may involve potential conflicts between consulting activities with prior or current obligations to other clients, clients' staff, or procurement of goods, works or services.
Extortion	Threatening of any public official or private client, his family or property to influence the selection or compensation procedures or the execution of the assignment.
Fraud	Misrepresentation of data, factors or qualifications to meet the terms of contract during selection or execution, or the diversion of funds from a project.
Integrity	The total set of values, attitudes and attributes of a firm which may enable a rigid adherence to a Code of Conduct and behaviour.
Integrity Management (IM)	The overall management function of a firm that determines and implements its Integrity Policy.
IM System	The organisational structure, responsibilities, procedures, processes, and resources implemented in a firm to accomplish Integrity Management.
Integrity Policy	The concept, approach and objectives of a firm with respect to integrity, as formally defined and expressed by management.

Appendix D Resources

The following list of resources offers assistance in the implementation of anti-corruption measures:

FIDIC - International Federation of Consulting Engineers

<http://www.fidic.org/resources/integrity/>

Guidelines for Business Integrity Management in the Consulting Industry, designed to help consulting businesses deal with integrity risks (2001).

Business Integrity Management Training Manual, designed to help staff who have the responsibility for developing and implementing an Integrity Management System within their organisations (2002).

Model Representative Agreement, for use in the appointment of a local representative who acts on behalf of a consulting firm (2004).

Government Procurement Integrity Management System, designed for organisations that procure consulting services (2006 draft).

Private Sector Statement on Fighting Corruption in the Construction Industry, a joint statement by FIDIC and CICA (Confederation of International Contractors' Associations) regarding the fight against corruption in the construction industry (2009).

OECD - Organisation for Economic Co-operation and Development

<http://www.oecd.org>

Recommendation of the Council on Bribery in International Business Transactions (1994).

Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (2010; adopted by the Negotiating Conference in 1997).

ICC - International Chamber of Commerce

<http://www.iccwbo.org/policy/anticorruption/id870/>

Combating Extortion and Bribery: ICC Rules of Conduct and Recommendations (2005).

TI - Transparency International

http://www.transparency.org/global_priorities/private_sector/business_principles

In conjunction with several leading international organisations, TI has published the *Business Principles for Countering Bribery* suite of documents designed to assist organisations in implementing and managing an effective anti-bribery system.

WEF PACI - World Economic Forum – Partnering against Corruption Initiative

<http://www.weforum.org/issues/partnering-against-corruption-initiative>

GIACC - Global Infrastructure Anti-Corruption Centre

<http://www.giacentre.org>

An anti-corruption resource centre offering anti-corruption information, advice, programmes, and tools.

ACET - Global Anti-Corruption Education and Training initiative

<http://www.niee.org/ethicana/>

"*Ethicana*" (2010), an anti-corruption film and supporting training materials.

Business Anti-Corruption Portal

<http://www.business-anti-corruption.com>

A portal designed and managed by a group of government ministries to provide support to SME's to help them avoid and fight corruption.



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