

# Containing Corruption and Reducing the Cost of Doing Business

For more than a decade the Department of Commerce's Good Governance Program has worked with the private sector in numerous countries to fight corruption and to facilitate transparency in international trade. With its expansion into Latin America, the program has enlisted allies in seven additional countries.

BY MIKE CALVERT AND TIPTEN TROIDL

**T**he impact of corruption on U.S. commercial interests is immense. According to the United Nations, corruption adds 10 percent or more to the cost of doing business in many parts of the world and as much as 25 percent to the cost of public procurement. Corruption also impedes economic growth, distorts competition, and creates serious legal and reputational risks.

The Department of Commerce's Good Governance Program (GGP) works with the private sector to create more transparent business climates. The GGP was first launched in Russia in 1998 and was designed to improve commercial dispute resolution conditions in that country's nascent market economy. The program has since expanded to 15 additional countries in Central Asia, Eastern Europe, and Latin America. The latter region is the program's current focus, under the aegis of the Americas Project Team within the International Trade Administration's Office of the Western Hemisphere.

Currently, programs are operating in seven countries in Latin America: Colombia, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and Paraguay.

## Three Approaches, with Private-Sector Involvement

The GGP is unique among anticorruption efforts because it focuses on strengthening the private sector's leadership and on being involved in the anticorruption dialogue. It does so through a variety of measures, including collective action, capacity building, and public awareness campaigns.

Through its collective action strategies, the GGP assists local businesses, business associations, and civil society in forming coalitions that then work together to reform business climates and to promote a higher standard of business ethics. "The theory," says Alysia Wilson, director of the GGP team at the Department of Commerce, "is that a coalition of businesses will be more willing and more effective in targeting and identifying corruptive practices."

For example, in 2004 the GGP began working in Paraguay with the American Chamber of Commerce and the Advertisers Association to create a local partnership of companies and associations called the Pacto Ético Comercial (PEC). The PEC is committed to responsible business practices. With support from the Inter-American Development Bank, the PEC successfully implemented a certification system for its member companies. By spring 2009, the first certified companies reported benefits from the certification process, such as improved access to financial services and expedited customs facilitation.

## Capacity Building

The GGP provides ethics training designed to strengthen the private sector's ability to implement sustainable business ethics programs. This training involves intensive, three-week "train the trainer" workshops. Those workshops have provided expertise in business ethics to more than 50 participants from 12 countries. The trainees are expected to multiply the training by sharing their expertise with members of the business community in their countries.



Sergio Bustamante (center) of Transparencia por Colombia (Transparency International in Colombia) leads a discussion on business ethics during a workshop held in Baranquilla, Colombia, in November 2009. The workshop, conducted with the Colombian–American Chamber of Commerce, was one of a series sponsored throughout the region by the Department of Commerce’s Good Governance Program. (U.S. Department of Commerce photo)

Over the years, program trainees, alumni, and working group partners have achieved a great deal. For example, one program alumnus wrote an anti-bribery clause that is now included in all contracts awarded by the Panama Canal Authority. The potential impact of this one clause will be substantial because the authority has begun awarding contracts totaling approximately \$5 billion for the canal’s expansion and modernization.

### Public Awareness

Lastly, the GGP works with the private sector to raise awareness of the cost of corruption on economic growth and of the importance of business ethics in society. The public awareness campaigns target various stakeholder groups, such as university students, small and medium-sized enterprises, and professional groups that represent a broad cross-section of the economy. Various media are used, including radio, newspapers, billboards, and advertisements. For example, in Guatemala, the GGP supported Proética, a coalition of Guatemalan businesses and business associations. In 2006, Proética created a special business ethics campaign, which subsequently won a gold Effie Award from the American Marketing Association. (For more information, see [www.proetica.info](http://www.proetica.info).)

### Colombia’s GGP

In September 2009, the GGP launched its most recent activity in Colombia, where it conducted a series of 11 workshops on integrity and responsible corporate practices. Approximately 50 company

managers participated in the workshops, which were given near the port city of Barranquilla. They were organized in partnership with local organizations, including the Barranquilla–American Chamber of Commerce and the Universidad del Norte. Because of the success of the initial workshops, efforts are in progress to establish similar integrity programs in other regions of Colombia.

“Through its 12 years of existence, the Good Governance Program has demonstrated that the private sector can be a powerful agent for change when it comes to corruption and transparency,” noted Wilson. “In the coming years, it will continue its work to make progress on this critical business issue.”

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### For More Information

For more information on the Good Governance Program, visit [www.ita.doc.gov/goodgovernance](http://www.ita.doc.gov/goodgovernance). You may also contact Alysia Wilson, tel.: (202) 482-5327, e-mail: [alysia.wilson@trade.gov](mailto:alysia.wilson@trade.gov); or Tricia Johnson, tel.: (202) 482-5876, e-mail: [tricia.johnson@trade.gov](mailto:tricia.johnson@trade.gov).

### Upcoming: Caribbean Program and Mexican Assessment

In summer 2010, the Good Governance Program (GGP) is scheduled to expand into the Caribbean. In collaboration with the Inter-American Investment Corporation of the Inter-American Development Bank, the GGP has developed a pilot “train the trainer” program for three Caribbean countries: Barbados, Jamaica, and Trinidad and Tobago. The objective is to train business and civil society leaders on anticorruption, antibribery, and anti-money-laundering strategies. Once home, the newly trained business ethics practitioners will host a series of workshops on transparency and social responsibility directed at small and medium-sized enterprises, which make up a bulk of firms in the Caribbean. This year, the GGP is also planning to conduct a preliminary assessment on the feasibility of a program in Mexico.