



Code of Conduct: Gateway to Anti-Corruption

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منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM



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The Jordan Strategy Forum (JSF) is a not-for-profit organization, which represents a group of Jordanian private sector companies that are active in corporate and social responsibility (CSR) and in promoting Jordan's economic growth. JSF's members are active private sector institutions, who demonstrate a genuine will to be part of a dialogue on economic and social issues that concern Jordanian citizens. The Jordan Strategy Forum promotes a strong Jordanian private sector that is profitable, employs Jordanians, pays taxes and supports comprehensive economic growth in Jordan.

The JSF also offers a rare opportunity and space for the private sector to have evidence-based debate with the public sector and decision-makers with the aim to increase awareness, strengthening the future of the Jordanian economy and applying best practices.

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EXECUTIVE SUMMARY

Corruption is one of the main problems to sustainable economic, political and social development. It undermines public trust in government and private companies, causes injustice, creates inefficiencies in operations, obstructs ability to retain quality staff and/or attract business investment, and wastes resources and money. It is estimated that the cost of corruption equals **more than 5% of global GDP or 2.6 trillion USD** (OECD, 2014), with **over 1 trillion USD paid in bribes each year** (World Bank, 2017).

If unrestrained, corruption affects societies in a multitude of ways. The cost of corruption can be divided into four main categories:

1. Economic
2. Environmental
3. Political
4. Social

According to the IMF and Transparency International. From these four categories, the effects can be summarized. There could be a decrease in the efficiency of aid, exposure of the country to currency crisis, greater inequality and high incidence of poverty, loss of government's legitimacy and public trust, lower investment (including FDI), natural resource depletion and destruction of ecological systems, lesser economic growth, and shift of government spending from more productive to less productive activities.

Private business can, also if corruption is unchecked, turn into a force that undermines fair competition, stifle economic growth, and ultimately undercut its own existence. For private businesses and organizations, the effect of corruption can cause difficulty in doing business and expensive costs. The World Economic Forum (2011) stated that **corruption increases costs by up to 10% on average worldwide**. According to the World Bank Group Enterprise Surveys 2016,

53.2% of companies in the MENA region found corruption to be a major obstacle to doing business.

In the case of entrepreneurs, corruption disproportionately affects innovation for start-ups, as they are subject to either more difficult or greater quantity of regulations than established business. This in turn affects productivity negatively, which leads to less profit. Furthermore, entrepreneurship may appear less attractive due to the increased costs and uncertainty in the market, as well as reduced profitability of investment. **This chain of effects is likely to reduce how many individuals opt to open their own business, or even their willingness to accumulate the necessary human capital after starting up.**

Businesses profit from anti-corruption and corporate transparency stances. Linking anti-corruption activities and corporate transparency to companies' sustainability agenda will attract customers, investors, employees and suppliers who are concerned about risks as well as those who value ethical practices. These two commitments convert into three main tangible benefits:

1. Cost Savings
2. Risk Reduction
3. Sustainable Growth

The Corruption Perception Index's top five countries, in decreasing order, were Denmark, New Zealand, Finland, Sweden, and Switzerland. Higher-ranked countries tend to have greater degrees of access to information, press freedom, strong standards of integrity for public officials, and independent judicial systems. For the MENA region, some of the top ranking countries in the CPI were the United Arab Emirates (#24), Qatar (#31), Jordan (#57), and Saudi Arabia (#62). The failure to fight corruption explains the sharp drop of most

Arab countries in the index with 90% of them having scored below 50, which is a failing grade, including Jordan who scored 48 for CPI 2016.

90% of most Arab countries scored below 50 in CPI 2016

Jordan ranks 57 and scores 48/100 for CPI 2016

In Jordan's case, the United Nations Convention against Corruption (UNCAC) was ratified in the year 2005, and since then has implemented laws to address corruption within the country. These laws include the Penal/Criminal Code (#16, 1960), Anti-Corruption Act (#62, 2006), Anti-Money Laundering Act (#46, 2007), Right to Access Information Law, Economic Crimes Act (#11, 1993), Ombudsman Law (#11, 2008), Law of Illicit Enrichment (#21, 2014), and Integrity and Anti-Corruption Act (#13, 2016); which merged Anti-Corruption Act and Ombudsman Law and nullified them.

As evident, Jordan has made progress in setting up a legal and institutional framework to combat corruption. Nevertheless, an effective anti-corruption program for Jordan requires co-operation between the public and private sector. The American Chamber of Commerce published in 2016 a framework code of conduct for the private sector to be approved by the Jordan Integrity and Anti-Corruption Commission (JIACC). In addition, there have been programs released and revised by the Jordanian government such as the Golden List Programme. The Customs Department released and revised a Golden List Programme, which encourages good corporate citizenship amongst trading companies and international best practice for trade across borders (Customs.gov.jo, 2014). The government and organizations within Jordan have recognized the need for initiatives and reforms in the private sector. Unfortunately, these initiatives have not been enough in significantly reducing corruption. The reasons why any attempt

to reform have not worked in the past for Jordan are:

1. Cultural resistance
2. Lack of professionalism in HR management
3. Lack of services and auditors that can help companies adopt a code of conduct, and lack of knowledge and awareness for the process of certification
4. Lack of stakeholder involvement to help promote the code (E.g. media, business, academic, NGO)
5. No uniform ethic code

Although prosecution of corrupt individuals is important to demonstrate that corruption is not to be tolerated, and that no one is immune from misbehavior, **anti-corruption is not only about punishing. Holistic approach to addressing corruption involves preventing it.** This is done by:

1. Building transparent systems of governance,
2. Strengthening the capacity of civil society and the media,
3. Improving public integrity,
4. Strengthening the personal ethics of individuals, and
5. Challenging social norms that encourage corruption.

Creating and establishing a well-designed code of conduct is the first step, and main foundation, to fight and prevent corruption. A code of conduct (CoC) is a set of rules outlining the rules, and responsibilities of an individual or an organization (PAIB Committee, 2007). The document does not need to be complex; it should establish what is expected from the entire company. Codes of conduct can be an important step in creating an "inclusive culture". It also helps companies enforce and implement legal as well ethical policies and procedures for all kinds of decision-making. The CoC is typically the cornerstone for companies' "ethical framework". The main purpose of the code is to act as a detailed description of what is

the most legal and ethical behavior expected out of the business and its representatives.

CoCs should not be considered a burden to the company. In fact, it is the foundation of the core values of a business and the better the code of conduct, and its implementation, the better the company will do in the market, as it keeps the business on track due to its direct link to decision-making.

However, it should be noted that while codes of conduct are necessary, they are not sufficient alone in the fight against corruption, especially in the private sector. If the private sector does not comply with corporate governance rules, compliance rules, disclosure, transparency, accountability and whistle blowers protection in the long-term, codes of conduct will not work. Codes of conducts, or their variates, fail when there are ineffective ethics program and deficiencies in corporate culture (Webley and Werner, 2008).

As such, there is a growing need for certified compliance programs in Jordan. This will not only benefit businesses locally, as mentioned previously, but will also prove to be greatly important for Jordanian companies that intend to work with international business. By creating and adhering to a code, Jordan's sectors can **ease the path towards foreign business, and empower themselves**. This can be accomplished thru an anti-corruption and compliance program **certified by the ISO 37001* standard**.

To help Jordanian companies adopt a code of conduct, the following are recommended:

1. Spread awareness of the importance and benefits of having CoCs for private businesses, communities, and the country, with the help of media and civil societies.
2. Train Jordanian audit/management consultant companies on creating CoC, preparation of

compliant anti-corruption and compliance programs, and meeting ISO 37001 requirements.

3. Help 3-5 companies in Jordan adopt tailor-made CoC, and assist them in establishing anti-corruption and compliance program that can be certified by Ethic Intelligence** and/or recognized partners of theirs. These companies will set an example and cause other members of Jordan's sectors to follow their example.
4. Encourage government to provide incentives to companies that adopt their own CoC and anti-corruption and compliance program, which have been certified.
5. Motivate the government to set an example by adopting their own CoCs, and attain certification for all government owned companies.
6. Advocate for the Social Security Investment Fund (SSIF) to adopt a CoC, and request all companies that it is investing in to adopt that CoC, with appropriate modifications, as well as establishing an anti-corruption and compliance program, and receive certification.
7. Encourage SSIF in making a pre-request for any company seeking SSIF investment to first comply with a CoC, and be certified.
8. Improve effectiveness and enforcement of laws in Jordan that have been set to address anti-corruption, namely: Integrity and Anti-Corruption Law (#13, 2016), Anti-Money Laundering Law (#46,2007), Competition Law (#33, 2004), Economic Crimes Law (#11, 1993), Income and Asset Disclosure Law (#54, 2006), Law of Illicit Enrichment (#21, 2014), Penal Code (#16, 1960), Privatization Law (#25, 2000), and Trade Secrets and Unfair Competition Law (#15, 2000).

*ISO 37001 standard: Refer to section 4.2 in this report for brief, and Annex F for a link to the terms of reference

**Ethic Intelligence: Please refer to Annex F for link to their webs

INTRODUCTION

Corruption is one of the main problems to sustainable economic, political and social development. It undermines public trust in government and private companies; causes injustice through advantaging some at the expense of others, creates inefficiencies in operations, makes it difficult to retain quality staff and/or attract business investment, and wastes resources and money. It is estimated that the cost of corruption equals more than 5% of global GDP or 2.6 trillion USD (OECD, 2014), with over 1 trillion USD paid in bribes each year (World Bank, 2017).

The United Nations Convention against Corruption (UNCAC) is the world's first inclusive legal instrument in the fight against corruption that addresses action within the private sector. These actions specifically are mentioned in the following articles: Article 12 Private Sector, Article 21 Bribery in the Private Sector, and Article 22 Embezzlement of Property in the Private Sector (UN General Assembly, 2003). The 167 states to the convention pledged to take measures: 1. to prevent corruption involving the private sector, 2. enhance accounting and auditing standards, and 3. when appropriate, provide penalties for failure to comply. Jordan was the first Middle-Eastern country to sign and ratify this accord on February 24, 2005 and has initiated several reforms in similar spirit over the last two decades; including a code of conduct for the public sector in 2006. Furthermore, the government with Jordan's National Integrity System (NIS), developed in 2012, drafted an action plan to address corruption.

The government and organizations within Jordan have recognized the need for initiatives and reforms in the private sector. The American Chamber of Commerce of Jordan published in 2016 a framework code of conduct for the private sector to be approved by the Jordan Integrity and Anti-Corruption Commission (JIACC).

A code of conduct (CoC) is a set of rules outlining the rules and responsibilities of an individual or an organization (PAIB Committee, 2007). International standards, such as the UNCAC and the United Nations Global Compact principles, highlight the importance of both adopting and implementing a code of conduct in the private sector as an anti-corruption and corporate governance tool. The document does not need to be complex; it should establish what the company expects from each employee. Codes of conduct can be an important step in creating an 'inclusive culture', but it is not a solution on its own. Organization's leaders who present their ethics in their attitudes and behavior create an ethical culture for the company. Studies of codes of conduct, in the private sector, show that implementation should be part of a learning process that requires training, consistent enforcement, and continuous measurement as well as improvement.

These standards also emphasize that to be effective the code cannot stand-alone. The code should be part of a broad anti-corruption program that takes into consideration the main corruption risks of the sector and region where the company operates.

CORRUPTION

The following section will address corruption; why does it occur, its forms, who and what does it affect, and why should it be fought and prevented by both the public and private sector.

3.1 Definition of Corruption

Transparency International has described corruption as “the abuse of entrusted power for private gain”. Not only does it apply to a public servant or politician, the admissions officer to a private school or hospital, but also a ranking individual of a company such as the CEO. Note that an action can be corrupt even if it does not result in financial gain. For example, corruption may occur when an official awards a procurement or building contract to a company because a family member owns the company.

Defining corruption in a comprehensive manner is difficult, as it is a hidden phenomenon and varies across all societies. Transactions are kept secret as both sides exchange currency, power, or privileges. This secrecy makes it problematic to determine how extensive corruption has penetrated economy, political, and social life. Moreover, what is deemed being friendly in one place may be considered unacceptable behavior elsewhere.

When financial gain is part of the abuse, corruption may be classified as grand, petty, or political depending on the total currency lost and the sector where it occurred. **Grand Corruption** encompasses acts committed at a high level of government that alters policies or the central functioning of the state, thereby enabling leaders to benefit at the expense of the public good. **Petty Corruption** covers everyday abuse of power by low and mid-level public officials in their interactions with citizens, typically those who are attempting to access basic goods or services from public places like hospitals, police divisions, and/or schools. **Political Corruption** occurs when

political decision-makers, who abuse their position to sustain their power, status and wealth, manipulate policies, institutions and rules of procedure in the allocation of resources and financing (UNODC, 2004). It should be noted that there are two sides of the same coin; the briber, the active side of corruption, and the bribee, the passive side. In some countries, like Jordan, the law states that both sides are to be considered as criminals.

It should also be noted that there are three claims about serious effect of corruption on 1. developing countries, 2. the poor and marginalized, and 3. equality and injustice.

1. A striking correlation that comes up in a variety of datasets [Faccio (2006), and Sequeira and Djankov (2010)] is the strong negative relationship between income and corruption: based on their measures, richer countries appear less corrupt. If corruption hinders economic activity as reported by Mauro in 1996, then it is easy to see how low levels of corruption could cause countries to become rich. However, the relationship in the other direction is less obvious (richer countries become less corrupt e.g. United States of America or United Arab Emirates).

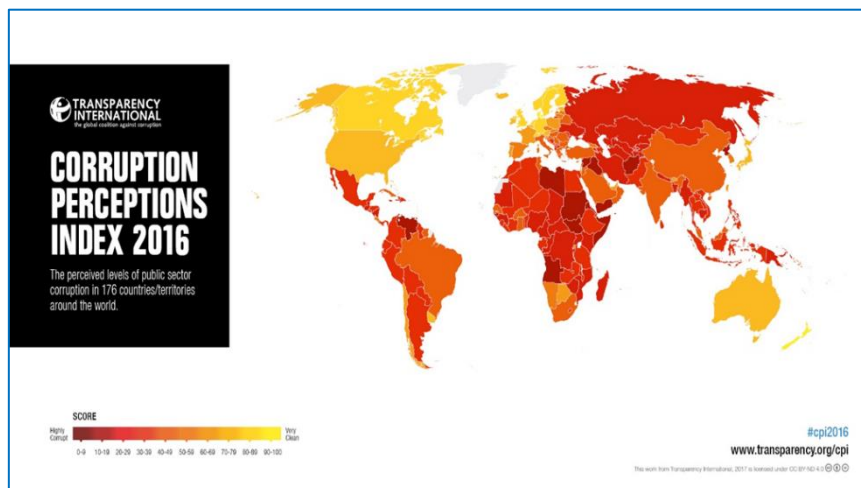
2. Chop Fine* Human Rights Impact of Local Government Corruption and Mismanagement for Nigeria in 2007 documented how corruption particularly affects the poor and marginalized. This is because corruption undermines accountability, which subverts the provision of basic services at the local level.

3. Corruption is known to divert funds intended for development and the government’s ability to provide basic services for the people, which contribute to the sense of inequality and injustice amongst the people (Rothstein, 2011).

Regardless, addressing corruption has become a major factor for both developed and developing countries. This is due to the world's current environment where growth and employment prospects in many countries remain restrained and numerous high profile corruption cases have fueled moral outrage amongst the public. It also arises because there is a growing consensus that corruption is macro-critical, as it can seriously undermine inclusive economic growth (IMF, 2016). As an example, in a corrupt environment, entrepreneurs may need to deal with the cost of formality such as "red tape" and bribe payments.

Directly, corruption affect entrepreneurial returns, while "red tape" affects them indirectly through waste of productive time and resource. As such, some entrepreneurs might find it desirable to operate in the informal sector. In the IMF report "Regional Economic Outlook: Middle East and Central Asia" 2011, the extent of the informal economy in Jordan was 26 % of the GDP. Illustrating the overall point is figure (1) published by Transparency International to demonstrate the perceived levels of public sector corruption in 176 countries around the world.

Figure 1: Corruption Perceptions Index 2016



As shown in Figure (1), corruption is widespread in emerging countries because conditions are ripe for it (Mauro, 1996). The following are some of the main conditions:

- Bureaucratic paperwork and/or regulations are unclear or not enforced
- Ethic and law principles are poorly developed
- Limited access to free information and media
- Opportunities to engage in corruption are plentiful
- Political instability and weak political will
- Population relative to natural resources is large
- Weak judicial systems and legislative

3.2 Forms of Corruption

Corruption can take many forms in both the public and private sector, even on a global-scale. Bribery, for example, is the offering of an advantage as an incentive for an action that is illegal or unethical. These incentives can take the form of fees, gifts, rewards or other advantages (taxes, services, donations, favors, etc.). From the World Bank Group Enterprise Survey 2016 data, table (1) shows the percent of firms that experience at least one bribe payment request from each of the economic regions listed in the table.

Table 1: Economies and Bribery Incidence

Economy	Bribery Incidence (Percent of firms experiencing at least one bribe payment request) [%]
East Asia & Pacific	30.4
Europe & Central Asia	18
Latin America & Caribbean	10.4
Middle East & North Africa	24
South Asia	24.8
Sub-Saharan Africa	22.6
High-Income: non-OECD	7.3
High-Income: OECD	1.9
All Countries	17.7

In the Middle East and North African (MENA) region, the term *wasta* is used to describe the most frequently used form of corruption. Having *wasta* means being an influential person with good connections who can assist or give the means to complete smoother interactions or grant opportunities or privileges otherwise not possible. Roughly translated, *wasta* is equivalent to connections and/or influence. The use of *wasta* is widespread in the MENA region. Although this is an Arabic term and rampant in the Arab world, it is not exclusive to that area. Forms of *wasta* can be found everywhere in the world. Networking and social connections are two such types of *wasta* in every culture. While *wasta* is prevalent around the globe, some societies view using it as unethical, unfair and/or showing lack of integrity, such as Nordic countries.

Other major demonstrations of corruption are the following:

- **Collusion**, an arrangement between two or more parties intended to accomplish an improper purpose including influencing, inappropriately, the actions of another party.
- **Embezzlement**, to steal, misdirect or misappropriate assets placed in one's trust

or under one's control. From a legal point of view, embezzlement need not necessarily be or involve corruption.

- **Extortion** is the use of obtaining something of value, typically money, with force or threats.
- **Fraud**, the act of deceiving someone in order to gain an illegal advantage (financial, political or otherwise).
- **Illicit Enrichment**, the significant increase in the assets of a public official that cannot reasonably be explained in relation to their real income.
- **Cronyism**, the appointment of friends and associates to positions of authority, without proper regard to their qualifications.
- **Favoritism**, the practice of giving unfair preferential treatment to one person or group at the expense of another.
- **Nepotism**, the practice among those with power or influence of favoring relatives or friends, especially by giving them jobs.
- **Patronage**, the power to control appointments to office or the right to privileges.

3.3 Effects of Corruption on Societies

Corruption affects societies in a multitude of ways. In the worst cases, it costs lives; at best, it costs people their freedom, health, and/or money. The cost of corruption can be divided into four main categories: economic, environmental, political, and social according to the IMF and Transparency International.



Economically, corruption depletes national wealth. Corrupt politicians invest public resources in projects to earn money rather than benefit communities, and prioritize high-profile projects such as pipelines and refineries over lesser, but more urgent, infrastructure projects such as schools, hospitals and roads. Corruption also hinders the development of fair market and distorts

competition, which in turn discourages investment.



Environmentally, environmental degradation is another consequence of corrupt systems. The lack of, or non-enforcement of, environmental regulations and legislation means that precious natural resources are carelessly exploited, and ecological systems are wasted. From mining, to logging, to carbon offsets, companies across the globe continue to pay bribes in return for unobstructed actions.



Politically, corruption is a major obstacle to democracy and the rule of law. In a democratic system, offices and institutions lose their legitimacy when they are misused for private advantage. This is harmful in established democracies, but even more so in newly emerging ones as it becomes more challenging to develop accountable political leadership in a corrupt climate.



Socially, corruption undermines people's trust in their country's political system, its institutions and leadership. A distrustful or apathetic public can then become yet another hurdle to challenging corruption. Corruption also weakens institutions, reduces productivity, hinders development, worsen poverty, marginalize the poor, and may even create social unrest.

Summarization of the effects are as follows:

- Decreasing the efficiency of aid
- Exposing the country to currency crisis
- Greater inequality and high incidence of poverty
- Loss of government's legitimacy and public trust

- Lower investment, including foreign direct investment
- Natural resource depletion and destruction of ecological systems
- Reduced economic growth
- Shift of government spending from more productive to less productive activities

3.4 Effects of Corruption on Private Businesses

As Transparency International's Global Corruption Report 2009 illustrates, private business can also, if corruption is unchecked, turn into a force that undermines fair competition, stifle economic growth, and ultimately undercut its own existence.

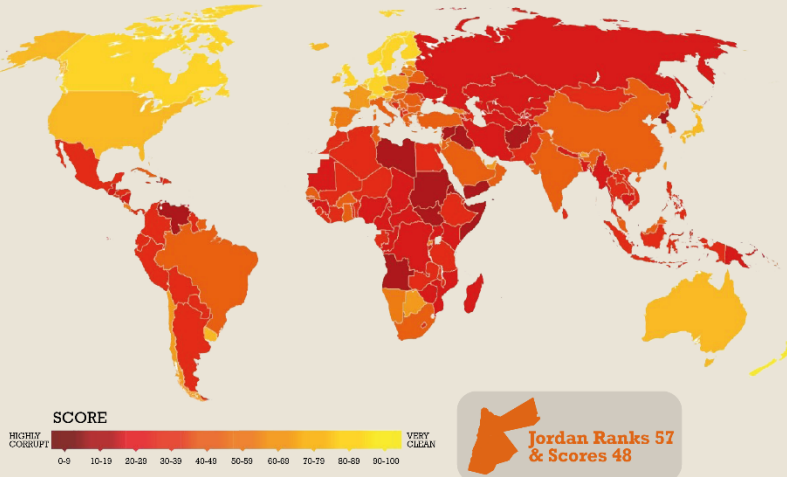
When news about corrupt business is revealed, customers and stakeholders lose respect and trust, requiring company officials to spend valuable time and resources to monitor the fallout and reassure clients that the company is still worthwhile. Legal fees, penalties and public relations efforts switch resources from core business thereby leading to an inefficient use of company funds and staff.

In addition to the inefficient use of resources, corruption can affect other aspects of business. Employee ranks often are inflated to cover up a corrupt worker's activities. The cost of increasing employee ranks, in addition to any potential embezzlement, then trickles down to consumers in the form of higher prices. Prices can also increase when corruption takes place outside a company in the form of corrupt government officials who take bribes. Customers then pay the costs of vendor corruption when purchasing agents require payoffs, or when vendors skim profits and raise prices to cover their actions.

The illustration on the next page shows a summary of the effects of corruption on different aspects.

Corruption's Negative Impacts

The perceived levels of public sector corruption in 176 countries around the world, according to Corruption Perceptions Index



BUSINESSES



1. Undercuts Business Existence
2. Undermines Fair Competition
3. Stifles Companies Growth

ECONOMY



1. Discourages Investment
2. Hinders Development
3. Depletes National Wealth

ENVIRONMENT



1. Wastes Ecological Systems
2. Exploits Precious Resources
3. Degrades Environment

POLITICS



1. Impediment for Rule of Law
2. Obstacle to Democracy
3. Decreases Efficiency

SOCIAL



1. Reduces Productivity
2. Undermines Public Trust
3. Worsens Poverty

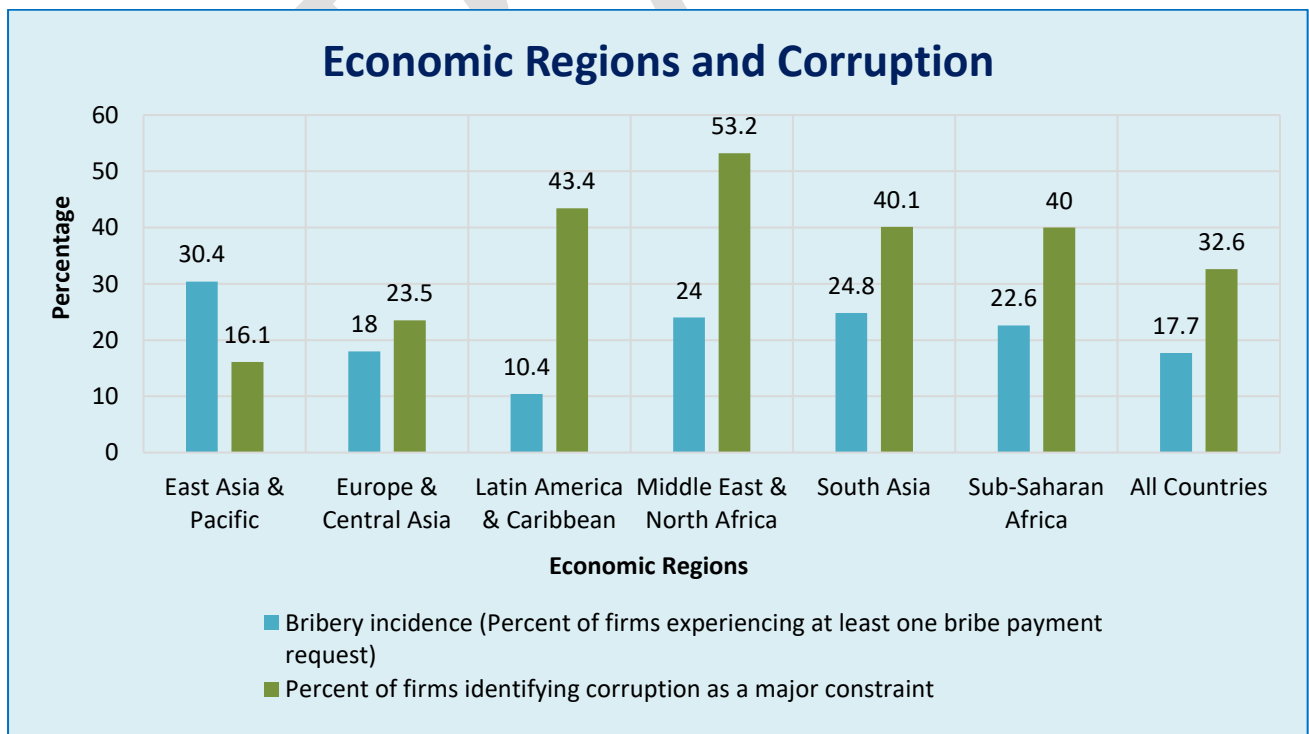
Date: July 2017

Source: JSF Study "Code of Conduct: Gateway to Anti-Corruption" and "Transparency International"

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For private businesses and organizations, the effect of corruption can cause difficulty in doing business and expensive costs. According to the World Bank Group Enterprise Surveys 2016 and World Economic Forum, 32.6% of companies worldwide find corruption to be a major obstacle to do business and corruption increases costs by up to 10% on average, respectively. This can be seen in figure (2).

Figure 2: Cost of Corruption for Companies, WB Group Enterprise Surveys 2016



Investors are distrustful of doing business with companies and municipalities that are infamous for corruption. Willing investors are few when bribes or in-kind favors are required or the business has a history of corruption. Competition is unfairly affected when investors' risk is multiplied by changing business climates that follow corrupt business practices. Due diligence is defeated when the facts change according to the current levels of corruption. As such, investors typically avoid businesses with a corrupt history.

It was stated in Aterido et al. 2007 paper that corruption impedes employment growth in companies of all sizes. In terms of incidence of bribes, corruption seems to increase the growth of micro firms (Those with less than 10 employees). This could be explained by the fact that micro-enterprises may benefit from operating in the informal sector. A paper published by Seker and Yang in 2012 analyzing data from Latin America and the Caribbean found that bribery is a serious obstacle to firm growth, especially so for new and low-revenue-generating businesses.

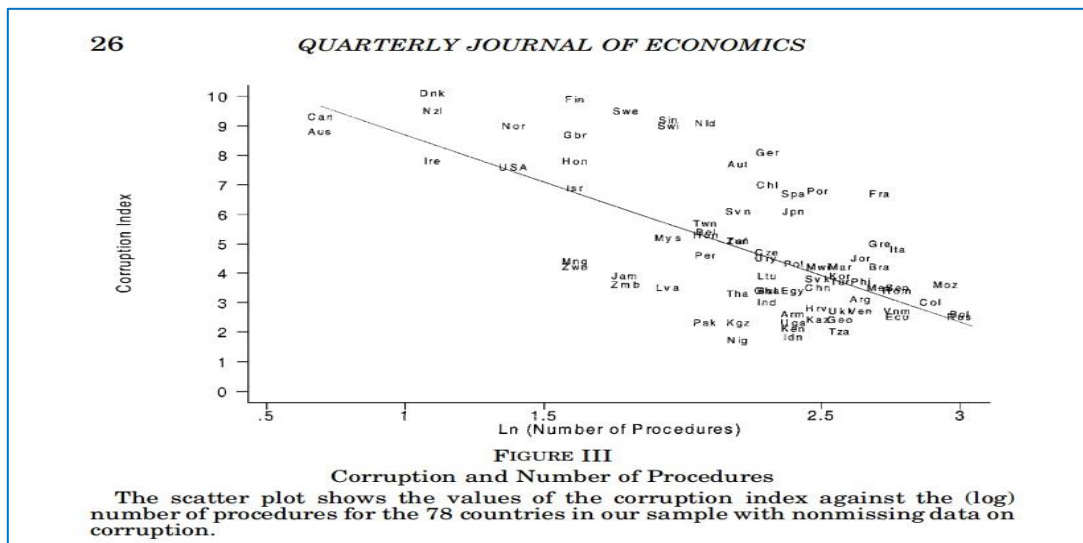
De Rosa et al. in 2010, using statistics for the economies of Central and Eastern Europe and the Commonwealth of Independent States (CIS), examined the effects of corruption on productivity. They discovered that bribes have a significant negative impact on firm-level productivity. This supports the idea that bribery is more damaging for firm-level productivity in countries with higher levels of aggregate corruption and weaker legal frameworks.

Productivity can be affected by corruption through its impact on innovation. Anokhin and Shulze (2009), using longitudinal data for 64 countries, found that countries that were more successful in controlling corruption displayed higher levels of innovation. Mahagaonkar (2010), using data for African firms from the World Bank's Enterprise Survey, discovered a strong and significant negative link between corruption and product innovation. Businesses capable of innovation, without the interference of corruption, enhance their productivity and thereby increase profits.

Furthermore, corruption is viewed as one of the causes for the presence of large informal sectors in developing economies. Those with difficult regulations impose on firms such high costs of entry that can only be avoided in paying a bribe. Friedman et al. (2000), using the International Country Risk Guide (ICRG) corruption index, showed that corruption fosters informality. They argue that regardless of a country's level of GDP per capita, a one-point improvement in the corruption index is connected with a 9.7% reduction in the size of the informal sector.

Djankov et al (2002), using a dataset that was the basis for the World Bank's Doing Business Project, determined that countries with heavier regulation of entry have higher corruption and unofficial economies. The figure below indicates that there is a correlation between the number of procedures to start a new business and corruption. A negative relationship is noticed because the corruption index assigns a higher value to economies that are more transparent. Figure (3) below is a scatter plot that shows Djankov et al. (2002) results on this matter.

Figure 3: Corruption and Number of Procedures by Djankov et al (2002) pg. 26



3.5 Importance of Fighting and Preventing Corruption in Business

Despite corruption scandals and the lack of accountability and transparency that allowed those scandals, there has been encouraging and real progress towards stronger corporate integrity worldwide. After the first wave of anti-corruption activism and corporate social responsibility (CSR) activities, businesses worldwide now have a clearer responsibility, greater self-interest and potential to take a role in the fight against corruption. Annex A describes how businesses profit from anti-corruption and corporate transparency stances.

Apart from the three personal tangible benefits for companies in Annex A, there are the Sustainable Development Goals (SDGs) by the United Nations Department of Economic and Social Affairs (UN DESA).

UN DESA is a vital interface between global policies in the economic, social and environmental spheres and national action. Its work is guided by the universal, integrated and transformative 2030 Agenda for Sustainable Development, along with a set of Sustainable Development Goals and associated targets adopted by the United Nations General Assembly in 2015. UN DESA’s mission, to

promote development for all, underscores the need for all stakeholders – governments, UN and other international organizations, civil society and the private sector – to do their part to improve economic and social well-being.

The global indicator framework for these goals was developed by the Inter-Agency and Expert Group on SDG Indicators (IAEG-SDGs). In total there are 17 goals, though the focus for this report is on goal 16 as it is to “Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels” (UN-DESA). Goal # 16, specifically sub-goals 16.5, 16.6, 16.7 are geared towards anti-corruption and transparency, as written in table (2).

Table 2: SDG Goal # 16.5, 16.6., and 16.7

<p>16.5 Substantially reduce corruption and bribery in all their forms</p>	<p>16.5.1 Proportion of persons who had at least one contact with a public official and who paid a bribe to public official, or were asked for a bribe by those public officials during the previous 12 months.</p>
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	16.5.2 Proportion of businesses that had at least one contact with a public official and that paid a bribe to a public official, or were asked for a bribe by those public officials during the previous 12 months.
16.6 Develop effective, accountable and transparent institutions at all levels	16.6.1 Primary government expenditures as a proportion of original approved budget, by sector (or by budget codes or similar).
	16.6.2 Proportion of the population satisfied with their last

	experience of public services.
16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels	16.7.1 Proportions of positions (by sex, age, persons with disabilities and population groups) in public institutions (national and local legislatures, public service, and judiciary) compared to national distributions.
	16.7.2 Proportion of population who believe decision-making is inclusive and responsive, by sex, age, disability, and population group.

GLOBAL BEST PRACTICES FOR COMBATING BRIBERY AND CORRUPTION IN BUSINESS

Currently, the private sector can be a source of dynamic innovation and growth. Entrepreneurship and private economic activity have potentially never been more intertwined with the economic prosperity, environmental sustainability, and political stability of societies than they are at present. As such, this section provides an overview of guidelines and standards that were published to assist in combating bribery and corruption in business.

4.1 International Standards for Private Sector

Some of the international conventions (such as the UNCAC) require holding legal persons liable for corrupt practices, as does the OECD Anti-Bribery Convention. Additionally, some of the instruments expressly promote the adoption by businesses of compliance programs and codes of conduct. The OECD Recommendation for Further Combating Foreign Bribery, adopted in 2009, asks member countries to encourage companies to develop and adopt adequate internal controls, ethics and compliance programs or measures for the purpose of preventing and detecting foreign bribery. In support of this provision, the OECD issued the document, “Good Practice Guidance on Internal Controls, Ethics, and Compliance”. The African Union (AU) Convention also requires state parties to establish mechanisms to encourage participation by the private sector in the fight against unfair competition, respect of the tender procedures and property rights. The World Bank’s sanctions system complements this international anti-corruption framework. The Bank may issue a public letter of reprimand to the sanctioned party, order its debarment or demand restitution of ill-

gotten gains to the government or to the victim of the corruption. In addition to regular debarment, the Bank can impose conditional non-debarment and debarment with conditional release. To assist in the development and implementation of a successful anti-corruption and compliance program within an enterprise, standards were released by several international sources and are included in Annex B.

4.2 International Compliance Guidelines for Private Sector

The following are a list of either certifiable training or certifications that businesses may apply for to verify their compliance through own checklist or by hiring external auditors:

- AS 8001-2008; An Australian standard that provides an outline for an approach to controlling the risk of fraud and corruption control for entities across all industry sectors and in government with Australian business.
- BS 10500:2011 and BS ISO 37001:2016; A British standard in response to the UKBA 2010 to put the legal requirements of the act into practice for businesses that operate in United Kingdom areas. BS ISO 37001:2016 has superseded it and was produced to help organizations prevent, detect and tackle bribery and comply with anti-bribery laws and voluntary anti-bribery commitments. The standard specifies requirements and provides guidance for establishing, implementing, maintaining, reviewing and improving an anti-bribery management system.
- International Compliance Association (ICA) Certification: Courses that provide global qualification at the end of the training, which

are globally recognized benchmarks for the fields of anti-money

- Laundering, financial crime prevention, governance, and risk and compliance.
- TRACE Certification: A global compliance credential for companies interested in obtaining their own verified due diligence information for sharing with all of their global business partners.
- ISO 19600: 2014; Overall global compliance management system set of guidelines; meant to replace Australian Standard for Compliance AS 3806:2006 since ISO 19600 is based on AS 3806 and developed by a committee based in Australia.
- ISO 37001: 2016; Certifiable ISO standard specific to anti-corruption compliance; first specific anti-corruption certification designed to address bribery; risk based standard.

4.3 Anti-Corruption Certification

Anti-corruption certification is one of the means to prevent corruption in an organization. To accelerate being granted an anti-corruption certification, the following are the basic outline of necessary steps; refer to Annex C for detailed steps:

1. Corruption-related risk assessment: This step is essential to identify corruption-related risks the company may face in Jordan's market and sectors where it does business. This should be done on a regular basis (At least annually). With the assessment, a risk strategy may be developed to minimize the overall risk exposure and identified residual risks.

2. A personalized code of conduct: A personalized code, tailor made for an organization, should include the organization's vision and mission, and be designed to prevent corruption and risks for the organization based on the findings of the risk assessment. In Jordan's case, there should be a section dedicated purely to wasta. Usually codes of

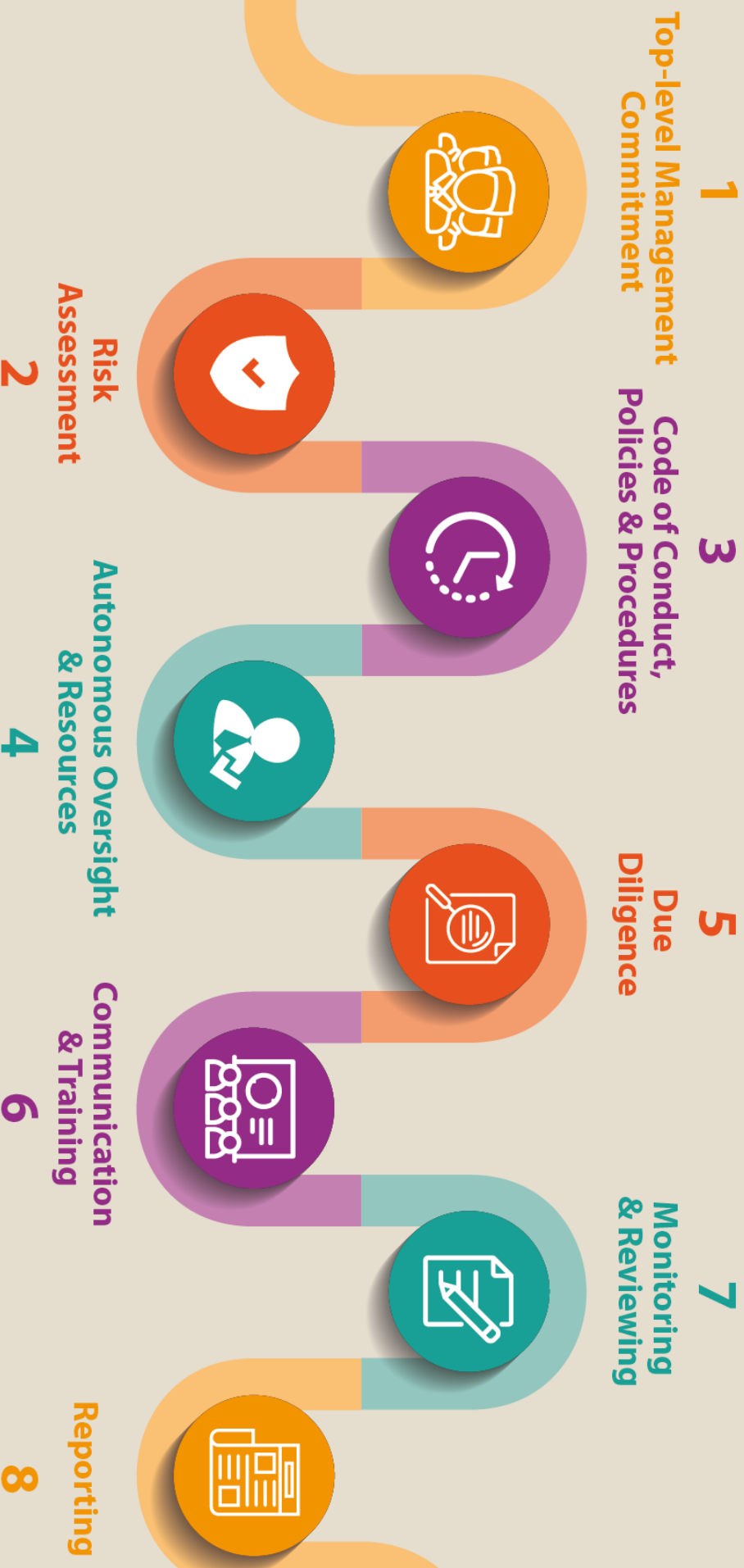
conduct/ethics are based on principles or rules that follow the theme of integrity, teamwork, respect, innovation and client focus.

3. Anti-corruption and compliance program: A compliance program includes internal programs and policy decisions made by a company in order to meet the standards set by government laws and regulations. Company will often have a compliance team that examines the rules set forth by government bodies. The compliance team then creates a compliance program that assures the company is following the rules. For Jordanian companies, the subsequent steps (shown in the illustration on the next page) should be taken.

4. Third-party ethic counsel: The director or an equivalent body has the ultimate responsibility for the oversight of the implementation, monitoring, and improving the program and should appoint a separate unit to provide expertise and support. Typically, this unit would be referred to as an Audit, Compliance, or Ethics Committee that supports the director in their oversight. This unit should be comprised of experienced, third-party personnel from reputable sources.

5. Certification: With the accomplishment of the previous steps, companies get certification with the ISO 37001 standard, a certifiable international standard consistent with ISO 19600 and dedicated to anti-bribery management systems.

Steps for Anti-Corruption & Compliance Program



Date: July 2017

Source: JSF Study "Code of Conduct: Gateway to Anti-Corruption"

www.jsf.org



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[@JSFJordan](https://twitter.com/JSFJordan)

4.4 Top Five Corruption Perception Index Ranking Countries in the World

The Corruption Perception Index (CPI) scores and ranks countries based on how corrupt a country's public sector is perceived to be. It is a composite index, combination of surveys and assessments of corruption, collected by a variety of reputable institutions (Transparency International, 2017). A country's score indicates the perceived level of public sector corruption on a scale of 0-100, where 0 means that a country is perceived as highly corrupt and a 100 means that a country is perceived as very clean. A country's rank indicates its position relative to the other countries included in the index. No country, in 2016, was close to attaining a perfect score.

Figure 4: Corruption Index Perceptions Index 2016, Best & Worst



As illustrated in figure (4), the CPI's top five countries, in decreasing order, were Denmark, New Zealand, Finland, Sweden, and Switzerland. Four out of the five are located in Europe, with New Zealand being part of Asia Pacific region. For the past five years, these countries have maintained similar scores with either a point increase or decrease. Higher-ranked countries tend to have greater degrees of access to

information, press freedom, strong standards of integrity for public officials, and independent judicial systems. However, they cannot afford to be complacent; these countries are not immune to closed-door deals, conflicts of interest, illicit finance, and loose law enforcement that can twist public policy and exacerbate corruption at home and abroad. For an in-depth look at one of the higher-ranked countries, Annex D shows Singapore's stance, ranking at #7 in the world and top in the Asia Pacific region.

4.5 Top Corruption Perception Index Ranking Countries in MENA

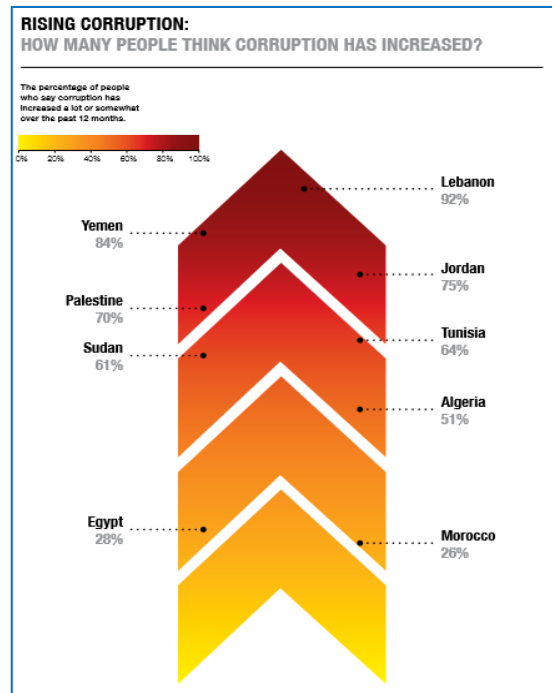
For the MENA region, the top Arab ranking countries were the United Arab Emirates (#24), Qatar (#31), Jordan (#57), and Saudi Arabia (#62). These countries all have dropped in score from 2015; Qatar dropped ten points from 71 in 2015 to 61 in 2016 partially due to being implicated with FIFA corruption scandals to host the 2022 World Cup. The failure to fight corruption explains the sharp drop of most Arab countries in the index with 90% of them having scored below 50, which is a failing grade; Jordan is one of these countries with a score of 48. Annex E shows U.A.E's case as the top among the MENA countries and #24 in the world.

The Global Corruption Barometer (GCB) 2016 was implemented by the Afrobarometer network and by several national partners in the Arab Barometer network; it was conducted with face-to-face survey methodology. The survey samples were selected and weighted to be nationally representative of all adults aged 18 and above living in each country with a 50/50 split of male and female. Respondents amounted to 10,797 from September 2014 to November 2015 in nine MENA countries: Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine, Sudan, Tunisia and Yemen.

When questioned as to whether they thought corruption has increased a lot or somewhat over the past year, the majority (61%) across the region

thought that the level of corruption had increased. At the same time though, 58% of people felt empowered to help fight corruption; younger people were more likely than older people to feel empowered, with no difference between genders, to help.

Figure 5: GCB MENA 2016 Question 2



JORDAN'S EFFORTS

This section delves into Jordan's legal framework for combating corruption, and initiatives for private sector.

5.1 Jordan's Legal Framework for Combating Corruption in the Private Sector

Jordan ratified the UNCAC in the year 2005 and has since implemented laws to address corruption within the country. These laws include:

- Penal/Criminal Code (#16, 1960)
- Anti-Corruption Act (#62, 2006)
- Anti-Money Laundering Act (#46, 2007)
- Right to Access Information Law
- Economic Crimes Act (#11, 1993)
- Ombudsman Law (#11, 2008)
- Law of Illicit Enrichment (#21, 2014)
- Integrity and Anti-Corruption Act (#13, 2016); which merged Anti-Corruption Act and Ombudsman Law and nullified them

There are institutions that are meant to deal with corruption as well, such as:

- Jordan Integrity and Anti-Corruption Commission (JIACC)
- Audit Bureau
- Jordan Securities Commission
- Ombudsman Bureau
- Financial Disclosure Department
- Anti-Money Laundering Unit
- Inspectorates (internal control bodies within each ministry)
- Ministries of Justice and Interior
- Judicial Council
- General Security Directorate
- Office of the Public Prosecutor

As evident, Jordan has made progress in setting up a legal and institutional framework to combat corruption given that fighting corruption is a priority in the National Agenda:

- Integrity and Anti-Corruption Commission Law drafted and enacted

- Jordan Integrity and Anti-Corruption Commission (JIACC) established
- National Anti-Corruption Strategy (2008-2012, 2013-2017, and newly released 2017-2025) developed by JIACC

An effective anti-corruption program for Jordan requires co-operation between the public and private sector. The aim of the National Anti-Corruption Strategy of Jordan 2013-2017 is to set up joint objectives for these sectors to enhance the functionality of anti-corruption mechanisms. The objectives of the National Anti-Corruption Strategy of Jordan 2013-2017 are as follows:

1. Rising of awareness on anti-corruption
2. Strengthening the prevention of corruption through functional integrity system, transparency and good corporate governance
3. Strengthening the capacity of the Jordan Integrity and Anti-Corruption Commission
4. Promote the active participation of the society in the anti-corruption activities
5. Promote investigation, prosecution and court proceedings of corruption
6. Develop and apply a proactive approach to international cooperation in the anti-corruption
7. Develop national anti-corruption legislation to comply with international standards and requirements of the operational environment and ensure its efficient implementation
8. Enhance prevention of informal economy

Unfortunately, these initiatives have not been enough in significantly reducing corruption. The reasons why any attempt to reform have not worked in the past for Jordan are:

1. Cultural resistance

2. Lack of services and auditors that can help companies adopt a code of conduct, and lack of knowledge and awareness for the process of certification
3. Lack of stakeholder involvement to help promote the code (media, business, academic, NGO)
4. Lack of professionalism in HR management
5. No uniform ethic code

5.2 Jordan's Private Sector Initiatives

The American Chamber of Commerce published in 2016 a framework code of conduct for the private sector to be approved by the JIACC. In addition,

there have been programs released and revised by the Jordanian government such as the Golden List Programme. The Customs Department released and revised a Golden List Programme, which encourages good corporate citizenship amongst trading companies and international best practice for trade across borders (Customs.gov.jo, 2014). The government and organizations within Jordan have recognized the need for initiatives and reforms in the private sector. This is evident by the National Anti-Corruption Strategy of Jordan published for 2008-2012, Royal Commission on Integrity and the National Integrity Charter, and the Integrity and Combating Corruption Strategy 2017-2025.

A HOLISTIC CODE OF CONDUCT


Although prosecution of corrupt individuals is important to demonstrate that corruption is not to be tolerated, and that no one is immune from misbehavior, **anti-corruption is not only about punishing. Holistic approach to addressing corruption involves preventing it.** This is done by building transparent systems of governance and strengthening the capacity of civil society and the media as well as improving public integrity, strengthening the personal ethics of individuals, and challenging social norms that encourage corruption. Creating and establishing a well-designed code of conduct is the first step, and main foundation, to fight and prevent corruption for businesses as the code is considered a tool for corporate governance. The illustration below shows the main pillars for the success of an Anti-Corruption & Compliance Program with the Code of Conduct as one of the bases.




6.1 What is a Code of Conduct

A code of conduct (CoC) is a set of rules outlining the rules, and responsibilities of an individual or an organization (PAIB Committee, 2007). The document does not need to be complex; it should establish what is expected from the entire company. Codes of conduct can be an important step in creating an 'inclusive culture'. It also helps companies enforce and implement legal as well ethical policies and procedures for all kinds of decision-making.

The CoC is typically the cornerstone for companies' "ethical framework". The main purpose of the code is to act as a detailed description of what is the most legal and ethical behavior expected out of the business. There are many parties interested in knowing how a company operates in terms of ethics and legally:

 **Customers** want to learn about whether they can expect a company's employees to interact with them responsibly and meet the company's commitments to customers.





Employees want to know what leadership says about its commitment responsible conduct and to support employees in making responsible decisions and supporting their own decision-making efforts.



Investors and shareholders look to discover whether a company has in place a strong risk management program that will help to avoid or responsibly handle problems.



Suppliers want to know what a company expects of them and what sort of business partner they can expect the company to be.



Communities look for whether a code addresses issues of concern to them, such as a commitment to environmental protection, human rights, relations with government and political officials, community volunteerism or other matters important to a company's communities tells them about that company's interests



Government seeks to understand how serious the company is about ethical business conduct and what it is doing to support its commitments.



Non-governmental organizations (NGOs), labor unions, activist groups and other organizations that are keenly interested in a company's business practices want to know about a company's level of commitment regarding certain issues and the steps it is taking to meet and sustain that commitment.

A study conducted by Kaptein in 2004 assessing 200 of the largest companies in the world found that more than 50% had adopted a code of ethics. A similar study conducted in 2007 found that more than 80% already had their codes. More than half of the codes contain provisions describing the company's responsibilities regarding the quality of

products and services; 57% contained requirements of adherence to local laws and regulations; 52% contained provisions on conflicts of interest; and 46% contained provisions dealing specifically with corruption. Other issues regulated included transparency, fairness, confidentiality and appropriate conduct among employees, among others (Kaptein, 2004). In 2008, a study concluded that 52% of codes of conduct adopted by businesses contain a mix of principles and rules; 13% of codes are principle-based and 35% are rules-based (KPMG International, 2008). The study also shows that the most common cited core values of codes of conduct (CoCs) are integrity, teamwork, respect, innovation and client focus.

CoCs should not be considered a burden to the company. In fact, it is the foundation of the core values of a business and the better the code of conduct, and its implementation, the better the company will do in the market, as it keeps the business on track due to its direct link to decision-making. Some of the benefits, considered by Transparency International, of having a code of conduct:

- Builds a reputation of the company in the market
- Enhances the company's core values and sets the right culture
- Fosters an environment of trust and ethical behavior
- Gives a vision and mission to the company
- Keeps the company and its employees from violating laws and regulations

However, it should be noted that while codes of conduct are necessary, they are not sufficient alone in the fight against corruption, especially in the private sector. If the private sector does not comply with corporate governance rules, compliance rules, disclosure, transparency, accountability and whistle blowers protection in the long-term, codes of conduct will not work. Codes of conducts, or their variates, fail when there are ineffective ethics program and

deficiencies in corporate culture (Webley and Werner, 2008).

6.2 Main Topics for an Effective Code of Conduct

Typically, a code of conduct is concise such as Google's. However, the main idea of a code of conduct is that the principles or rules of the company is easy to locate and understand, for example PepsiCo's (These examples can be found in Annex F). This ties proper corporate governance for the company with an anti-corruption stance. As the code of conduct guides companies based on global principles, several topics are universal:

- **Standards of business conduct, or business practices for short**, discusses several items including compliance with laws and regulations (e.g. anti-money laundering), ethical standards in all business transactions (e.g. free competition), and interaction with local government (e.g. anti-bribery). Principles are also usually mentioned in this section such as integrity, honor, ethics, and **loyalty**.
- **Respectful environment, or workplace environment**, describes human rights, diversity and inclusion, anti-discrimination, and anti-harassment; in addition, it talks about health, safety, security, and substance abuse.
- **Environment** refers to the company's involvement with the community and Earth's environment, such as striving to buy, sell or

utilize environmentally friendly products, instilling environmental responsibility as a corporate value, and encouraging all partners to share in this mission (proactively addressing the environmental impacts of company's operations).

- **Product and/or service information** talks about never compromising product quality, responsible marketing, and treating customers fairly so as to not mislead them. Integrity is a large part of this section as it links to a company's reputation for the products and/or services it provides to its customers.
- **Data privacy** regards securing and disclosing company's information, for example confidential information, insider knowledge, intellectual property, records management, and external communications.
- **Conflicts of interest** section is dedicated to ensuring that employees are to act in the best interest of the company at all times, and not engaging in activities that compete with company interests or provides preferential treatment to family members or one's self. To clarify, having a conflict of interest is not a violation, but failing to disclose it is.
- **Reporting violations of the code** discusses the several channels that are available for individuals to seek guidance or to report a violation; whistleblower protection or non-retaliation policies may also be included in here.

FINDINGS AND RECOMMENDATIONS

- Businesses profit from anti-corruption programs and corporate transparency stances. These programs and stances show to others that corporates care about sustainability. Linking anti-corruption activities and corporate transparency to companies' sustainability agenda will attract customers, investors, employees and suppliers from around the globe. Studies have indicated that companies that engage in such practices out-perform their counterparts over the long term.
 - One of the first few steps towards companies' adoption for anti-corruption programs is for a company to have a code of conduct. Codes of conduct can also be an important step in creating an 'inclusive culture'. However, to be effective the code cannot stand-alone; it should be part of a broad anti-corruption program that takes into consideration the main corruption risks, and result in certification.
 - There is a growing need for certified compliance programs, and this needs to be recognized as greatly important for Jordanian companies that intend to work with international business. By achieving certification, Jordan's sectors can ease the path towards foreign business, and empower themselves. An anti-corruption and compliance program may be certified by the ISO 37001 standard, a certifiable international standard consistent with ISO 19600 and dedicated to anti-bribery management systems.
 - It is important that Jordanian companies are encouraged to seek such certification, not only because it will lead to proper governance and anti-corruption, but will also add value for these companies, which will come in the form of opportunities to cost savings, risk reduction, and sustainable growth.
- Anti-corruption certification is one of the means to prevent corruption in an organization. To accelerate being granted an anti-corruption certification, it is recommended that companies: perform corruption-related risk assessment, create and personalize their own code of conduct, implement an anti-corruption and compliance program, hire third-party ethic counsel or equivalent.
 - Stakeholders from the public sector and civil society have the potential to motivate business, both Jordanian or foreign, to counter corruption by applying incentives themselves or through facilitating the application of measures by the business sector and civil society.
 - **Public sector has the potential to motivate other sectors in preventing and combatting corruption through two methods:**
 - a. **Improve overall context and facilitate the application of incentives by others thru** promoting the advancement of laws through voluntary standards and supporting collective action initiatives, as well as increasing transparency through access to information and freedom of expression.
 - b. **Provide incentives to businesses with certified anti-corruption and compliance program:** These incentives may include financial and non-financial rewards including contracts/preferred supplier status, monetary recompense/tax credit, publicity/public award, and gain access to bidding lists of companies and public institutions
 - **Civil society groups can advocate incentives to Jordanian companies:** These

groups may advocate for the combined approach of incentives by Jordan's public sector as well as the business sector, and can play a role in the practical application of these. For example, civil societies can, raise awareness about corruption through education and awareness campaigns, provide guidance and training on anti-corruption ethics and compliance programs, and support the monitoring efforts of incentive processes of other stakeholders (E.g. Integrity Pacts from Transparency International).

- Jordan should improve law provisions and maintain effective enforcement on certain laws. Additionally, improving certain laws and maintaining effective enforcement would allow the public sector and civil society to be better equipped to influence business. The following are some laws related to corruption and civil and political rights:

- **Civil and Political:**

- Article 19 of the International Convention on Civil and Political Rights; right to freedom of all expression
- Article 32 of the Arab Charter on Human Rights (ACHR); equal opportunity in regards to work
- Article 15 of the Constitution; dedicated to the right of opinion and freedom
- Article 17 of the Constitution; involves demands by Jordanians to access information that touch upon them individually or that are related to public affairs
- Right to Access Information Law (2007)

- **Corruption-related:**

- Article 10 of the United Nations Anti-Corruption Convention; enhancing transparency in public administration
- Penal Code (#16, 1960)
- Integrity and Anti-Corruption Law (#13, 2016)
- Anti-Money Laundering Law (#46, 2007)

- Competition Law (#33, 2004)
- Economic Crimes Law (#11, 1993)
- Income and Asset Disclosure Law (#54, 2006)
- Privatization Law (#25, 2000)
- Trade Secrets and Unfair Competition Law (#15, 2000)

To help Jordanian companies adopt a code of conduct, JSF recommends the following:

- Spread awareness of the importance and benefits of having CoCs for private businesses, communities, and the country, with the help of media and civil societies.
- Train Jordanian audit/management consultant companies on creating CoC, preparation of compliant anti-corruption and compliance programs, and meeting ISO 37001 requirements.
- Help 3-5 companies in Jordan adopt tailor-made CoC, and assist them in establishing anti-corruption and compliance program that can be certified by Ethic Intelligence and/or recognized partners of theirs. These companies will set an example and cause other members of Jordan's sectors to follow their example.
- Encourage government to provide incentives to companies that adopt their own CoC and anti-corruption and compliance program, which have been certified.
- Motivate the government to set an example by adopting their own CoCs, and attain certification for all government owned companies.
- Advocate for the Social Security Investment Fund (SSIF) to adopt a CoC, and request all companies that it is investing in to adopt their own CoC as well as establishing an anti-corruption and compliance program, and receive certification.

- Support SSIF in making a pre-request for any company seeking SSIF investment to first comply with a CoC, and be certified.
- Improve effectiveness and enforcement of laws in Jordan that have been set to address anti-corruption, namely: Integrity and Anti-Corruption Law (#13, 2016), Anti-Money Laundering Law (#46,2007),

Competition Law (#33, 2004), Economic Crimes Law (#11, 1993), Income and Asset Disclosure Law (#54, 2006), Law of Illicit Enrichment (#21, 2014), Penal Code (#16, 1960), Privatization Law (#25, 2000), and Trade Secrets and Unfair Competition Law (#15, 2000).

ANNEX A: IMPORTANCE OF FIGHTING AND PREVENTING CORRUPTION IN BUSINESS

Businesses profit from anti-corruption and corporate transparency stances. From these stances, and their actions, they show that they are acting as responsible corporate citizens that care about their sustainability. Studies indicate that companies that engage in sustainability practices and reporting out-perform their counterparts over the long term, both in terms of stock market and accounting performance (Eccles et al., 2014). Linking anti-corruption activities and corporate transparency to companies' sustainability agenda will attract customers, investors, employees and suppliers who are concerned about risks as well as those who value ethical practices. These two commitments convert into three main tangible benefits: cost savings, risk reduction, and sustainable growth.

Cost savings fall under two points: lowering the cost of capital, and reducing operational costs. Couple of studies suggest that the market gives a higher value to companies that are open with investors and analysts (DeBoskey and Gillett 2011 and Firth et al., 2014). This is due to the idea that more free information equates to more certainty and therefore lower risk. Transparent companies may benefit from favorable risk evaluations. This can translate into greater access to capital, lower interest rates for borrowing or higher stock price valuations (Wilkinson, 2012). Companies also increase cost savings by access to preferential treatment, improved internal processes, and reduced dependencies.

Risk reduction gives two benefits overall, minimizing the likelihood of harmful events, and mitigating the impact of penalties. Those with anti-corruption programs and codes of conduct were found to have up to 50% less occurrences of corruption and less likely to lose business opportunities than companies without (Transparency International, 2009). Under national laws, such as the United States and United Kingdom, companies that show efforts to lessen the risks of corruption are being treated more favorably. In such laws, reduction of penalties imposed on companies may be given if strong anti-corruption programs and practices are in place (Wegner, Schöberlein, and Biermann, 2013). Therefore, an anti-corruption stance helps prevent barring from markets, criminal liability, loss of contracts, monetary fines, and negative press.

Sustainable growth is demonstrated through two groups: attractiveness to customers and talented workforce. When companies are open in regards to what and where they do business, and who benefits from it, they are more attractive to customers. Wall Street Journal in its article "Does Being Ethical Pay?" pointed out that ethical companies are more highly regarded by consumers, while disreputable companies are more likely penalized if they are caught in unethical or illegal activities. This argument is supported by a KRW International study covered in the Harvard Business Review 2015, which showed that companies led by a CEO who, as rated by their employees, demonstrated high levels of integrity, responsibility, forgiveness and compassion, on average saw a 9.35% growth in return on assets over a two-year period. This compared to companies with CEOs who rated on the lower end of the integrity scale, with 1.93% growth. In addition, 75% of participants in a survey showed that corporate transparency is one of the most effective means in building trust between businesses and society (KPMG Canada and Global Reporting Initiative, 2014). Furthermore, a study found that having an anti-corruption program and publicizing it is seen as valuable to a company's brand by 86% (PricewaterhouseCoopers, 2008). It also demonstrates that a company takes ethical conduct seriously, and thereby motivates employees to be proud of their organization. This is what in turn enticed the employees to work there from the start. As an example, a survey in Asia and the Pacific revealed, "nearly 80 percent of

those surveyed said that they would be unwilling to work for organizations involved in bribery and corruption” (Ernst and Young, 2015).

ANNEX B: INTERNATIONAL STANDARDS FOR PRIVATE SECTOR

B.1 Dedicated bribery and anti-corruption standards

- TI - Business Principles for Countering Bribery: It assists corporations to develop effective approaches to countering bribery in all of their activities. It was created with multi-stakeholders in mind. The principles outline the following areas in which corrupt actions can occur: bribes, charitable contributions and sponsorships, facilitation payments, gifts, political contributions, hospitality and expenses.
- GoodCorporation - Framework on Bribery and Corruption: This framework details methods of avoidance for corrupt activities in any type of organization. It provides management practices that can be assessed to determine how well an organization’s safeguards work in reality in relation to six areas: top-level commitment, communication and training, risk assessment, due diligence, key business functions, report and monitoring lines.
- ICC - Rules on Combating Corruption: The rules assist organizations to comply with their legal obligations (including applicable national laws) and the many anti-corruption initiatives at international level.
- ICGN - Statement and Guidance on Anti-Corruption Principles: The statement identifies why corruption is a concern for investors and shareholders i.e. how corruption is detrimental to shareowner value. The guidance, established by the ICGN Anti-Corruption Practices Working Group, identifies four areas of organizational practice on anti-corruption for investors to consider: policy, procedures and enforcement, transparency, and voluntary initiatives.
- PACI - Principles for Countering Bribery: The aim was to provide a framework for good business practices and risk management strategies for countering bribery; intended to assist companies to eliminate bribery, demonstrate their commitment to countering bribery, and make a positive contribution to improving business standards of integrity, transparency and accountability wherever they operate. The PACI Principles mostly replicates the content of the TI Business Principles for Countering Bribery. They add “Advisers and Other Intermediaries” and “Subcontractors” to the list of third parties. By signing the initiative, companies commit themselves to a zero tolerance policy towards bribery and the development of a practical and effective implementation program.
- World Forum on Governance - Prague Declaration on Governance and Anti-Corruption: The declaration is comprised of ten principles that address bribery at a government, public sector and business level. Principle 5 applies to corporations and states that companies should have zero tolerance anti-corruption and bribery policies in place, which are supported at board level and applied to all parties the company does business with including suppliers, vendors, etc. The company should regularly report progress in the implementation of the policies to relevant stakeholders including investors and public authorities, for assurance purposes. Corporations

should also develop best practices regarding the disclosure of corporate payments to governments.

B.2 Standards incorporating a section on anti-bribery & corruption

- OECD Guidelines for Multinational Companies (Article 6: Combating Bribery): The guidelines are recommendations proposed by governments to multinational enterprises operating in or from their countries. Article 6 in the guidelines specifically focuses on the issue of combating bribery, bribe solicitation and extortion. The most recent edition of the guidelines was published in 2011 following an update.
- UN Global Compact (Principle 10: Anti-Corruption): It is a voluntary strategic policy initiative covering anti-corruption, the environment, human rights, and labor standards. Organizations can become signatories to the Global Compact. Businesses are expected to advocate publicly the UNGC and its ten principles through a “Corporate Commitment” by the CEO, clearly supported at the board level. Companies are required to embed the UNGC Principles into business strategy and decision-making, engage in partnership and advocacy activities to promote responsible business practices, and to publish in their annual report (or equivalent) a description of the ways in which they are supporting the Global Compact and its principles. The latter is referred to as a Communication of Progress (COP) report, and will be published on the UN Global Compact website. The implementation guidelines on the Tenth Principle set out how companies are expected to create, implement, and report on their anti-corruption policy. Internal (introduction of anti-corruption policies and programs within business), external (COP report; and sharing experiences and best practices), and collective action (working together with other industry peers and stakeholders to scale up anti-corruption efforts) are three components that the UNGC suggests companies consider when implementing the 10th principle. For further detail, refer to Annex F for links to UNGC’s guides.

B.3 Other tools and frameworks

- TI - Assurance Framework for Corporate Anti-Bribery Programs: The Assurance Framework builds on the TI Business Principles for Countering Bribery. The framework gives measures for organizations to self-assess their bribery and anti-corruption programs. It also provides a number of “control objectives” organizations should have in place, to reinforce their anti-bribery policy: control activities, organizational environment, risk assessment, information and communication, and monitoring.
- Resisting Extortion and Solicitation in International Transactions (RESIST): RESIST is a tool that provides practical guidance for organizations in implementing processes and systems to:
 - Reduce the probability of demands being made for bribery.
 - How to react to demands for bribes. The tool sets out twenty-two scenarios and includes good practice guidance for each.
- The TRACE Standard – Doing Business with Intermediaries Internationally: TRACE Standard is for business people, compliance officers, and those responsible for vetting their company’s international business partners. It explains the significance of each step and, where appropriate, the risk involved in permitting intermediaries to side step a requirement. This applies to:
 - The selection of intermediaries
 - The investigation of intermediaries
 - The management of contractual partnerships with intermediaries

B.4 Reporting guidelines

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines: The GRI sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.

ANNEX C: ROADMAP TO ACC PROGRAM FOR JORDAN'S BUSINESSES

1. **Jordan, in all sectors, needs to recognize the importance of an anti-corruption and compliance program:** A code of conduct, embedded within a compliance program, needs to be recognized as highly important for Jordanian companies that intend to work with international business. At this time, reconstruction for Iraq and Syria requires the use of Jordan's access and industries. By creating and adhering to a code, Jordan's sectors can ease the path towards foreign business, and empower themselves.
2. **Companies, which operate in Jordan, perform corruption-related risk assessment:** Identify corruption-related risks the company may face in Jordan's market and sectors where it does business. This should be done on a regular basis (At least annually). With the assessment, a risk strategy may be developed to minimize the overall risk exposure and identified residual risks.
3. **Jordanian business' top-level management actively promote company stance on anti-corruption:** Senior management should understand that anti-corruption and compliance is not just for public relations. Management needs to demonstrate strong, explicit, and visible support/commitment on the company's stance. A written and signed letter in regards to zero tolerance for corruption from the head of the organization would help signify their dedication. In addition, they should provide sufficient resources for the future implementation of their stance in Jordan.
4. **Experienced, third party hiring for ethic counsel in doing business within Jordan:** The director or an equivalent body has the ultimate responsibility for the oversight of the implementation, monitoring, and improving the program and should appoint a separate unit to provide expertise. Typically, this unit would be referred to as an Audit, Compliance, or Ethics Committee that supports the director in their oversight. This unit should be comprised of experienced personnel from reputable sources. Director or the equivalent are to receive regular reports, and to evaluate senior management performance regarding implementation, execution, and continuous improvement of the anti-corruption program.
5. **Organizations operating in Jordan create a code of conduct personalized to them:** The code should include the organization's vision and mission, and be designed to prevent corruption and risks for the organization based on the findings of the risk assessment. In Jordan's case, there should be a section dedicated purely to wasta. Usually codes of conduct/ethics are based on principles or rules that follow the theme of integrity, teamwork, respect, innovation and client focus.
6. **All Jordanian entities related to business develop an anti-corruption and compliance program in line with their code:** A compliance program is the internal programs and policy decisions made by a company in order to meet the standards set by government laws and regulations. Company will often have a compliance team that examines the rules set forth by government bodies. The compliance

team then creates a compliance program that assures the company is following the rules. For Jordanian companies, the subsequent steps should be taken:

- a. Form an accurate understanding of the business' geographic scope, industry sector, products and services, government interactions, third-party agents and customers to produce a code of conduct.
 - b. Work out policies and procedures to outline responsibility for the compliance system, internal controls, and auditing practices, documentation practices and disciplinary procedures.
 - c. Adopt protocols on co-operating with law enforcement authorities.
 - d. Implement appropriate financial and accounting procedures and relevant internal controls.
 - e. Outline assistance and reporting channels.
 - f. Communicate the policies with all members of the company and provide training to company representatives.
 - g. Assign a person with adequate authority, autonomy and sufficient resources as responsible for the overall compliance program to ensure effective implementations.
 - h. Make sure that company policies and procedures apply to all company personnel.
- 7. Businesses in Jordan acquire international certification for anti-corruption and compliance program:** The ISO 37001 standard is a certifiable international standard consistent with ISO 19600 and dedicated to anti-bribery management systems.
- 8. Jordanian government provide incentives to businesses with certified anti-corruption and compliance program:** These incentives may include financial and non-financial rewards including contracts/preferred supplier status, monetary recompense/tax credit, publicity/public award, and gain access to bidding lists of companies and public institutions.
- 9. Public sector within Jordan improve overall context and facilitate the application of incentives by others:** Stakeholders from the public sector have the potential to motivate business, both Jordanian or foreign, to counter corruption by applying incentives themselves or through facilitating the application of measures by the business sector and civil society. This can be done by:
- a. Promoting the advancement of laws through voluntary standards
 - b. Strengthening opportunities for civil society to participate in public tenders (e.g. monitoring)
 - c. Promoting and supporting collective action initiatives
 - d. Increasing transparency through access to information and freedom of expression
- 10. Civil society groups advocate incentives to Jordanian companies:** These groups may advocate for the combined approach of incentives by Jordan's public sector as well as the business sector, and can play a role in the practical application of these. For example, civil societies can,
- a. Raise awareness about corruption through education and awareness campaigns
 - b. Provide guidance and training on anti-corruption ethics and compliance programs
 - c. Advocate for the further application of incentives by public and private sector
 - d. Support the monitoring efforts of incentive processes of other stakeholders (E.g. act as independent monitors in public procurement processes that include incentives for good performance)
- 11. Jordan's private sector extend relations with other sectors for a better partnership:** Support from the Jordanian government and the third sector would help the private sector in fostering an ethical and trust business environment. Multinational enterprises have the biggest potential for influence; however, small and medium-sized enterprises (SMEs) are also critical as they usually make up the largest part of the sector. Collectively, by refusing to bribe, raising awareness, and increasing transparency change can be stimulated. A few examples would be:

- a. Engaging in collective action initiatives with industry peers
- b. Support business associations in capacity building
- c. Lobby for effective policies and anti-corruption regulations with local and national governments
- d. Work towards the inclusion of civil society organizations in public procurement as monitors (E.g. Integrity Pacts from Transparency International)

12. Jordan should maintain and improve effective enforcement on certain laws: This would allow the public sector to be better equipped to influence business; civil society organizations will be better able to speak out publicly against corruption where civil and political rights such as freedom of information, speech, and assembly are respected.

ANNEX D: CASE STUDY OF TOP 10, SINGAPORE (#7)

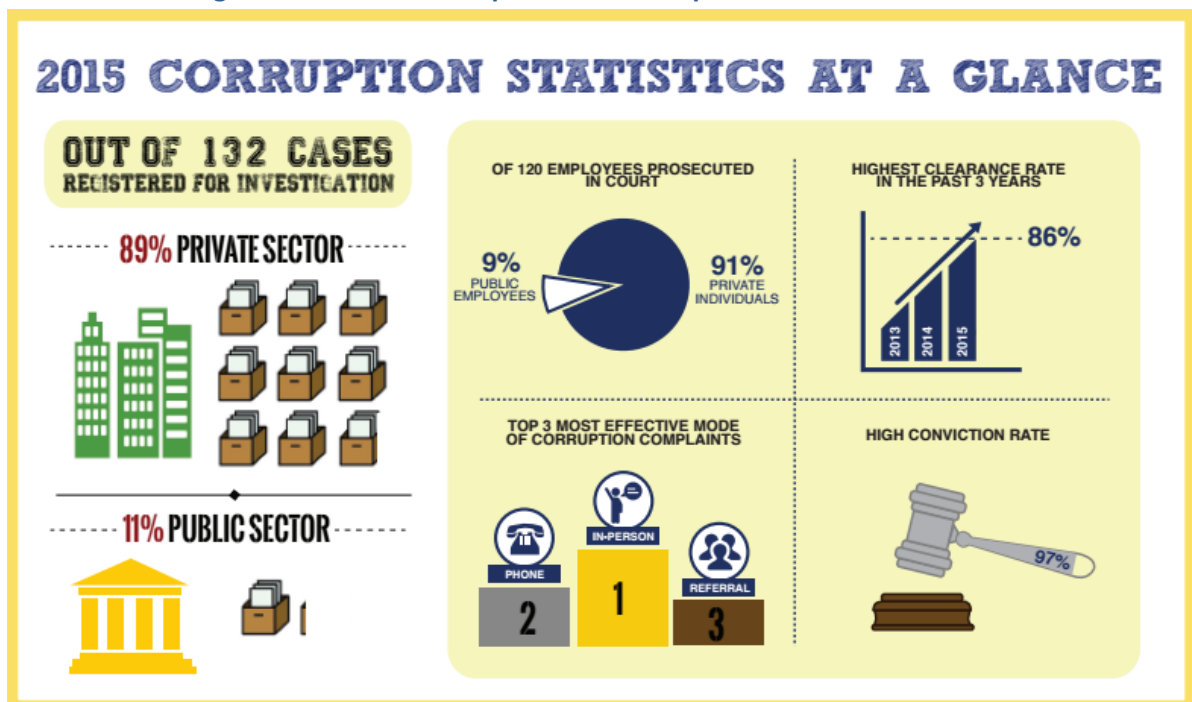
These days Singapore benefits from the reputation of having a high level of incorruptibility. The success of Singapore in fighting corruption is the result of an effective corruption control framework. This framework would not have been as successful without the political will of the country and zero tolerance for corruption by the people. Those two factors are part of the foundation of why Singapore has remained in the top ten of Transparency International's Corruption Perception Index (CPI) since its inception. The following four are the pillars that allow for low rates of corruption according to the Singaporean Corrupt Practices Investigation Bureau (CPIB):

1. **Effective Laws**
2. **Independent Judiciary**
3. **Effective Enforcement**
4. **Responsive Public Service**

CPIB, formed in 1952, is the sole independent agency responsible for the investigation and prevention of corruption in Singapore. In 2015, CPIB reported that they received 877 complaints, and 132 cases of those complaints received were registered for investigation by CPIB, a 3% decrease from the 136 cases registered in 2014.

The private sector forms the majority, 89%, of all the cases registered for investigation by the CPIB, a 4% increase from 2014. Most of these cases involved private individuals giving, offering or receiving bribes. In contrast, public sector cases have been declining since 2013. Public sector corruption cases accounted for 11% of all registered cases for investigation in 2015, a drop of 4% points from 2014 (CPIB, 2015).

Figure 6: CPIB Annual Report 2015: Corruption Statistics at a Glance



Singapore ranked first in the Annual Survey 2015, conducted by the Political and Economic Risk Consultancy (PERC), on corruption in 14 Asian countries, Australia and the United States. In 2016, Singapore took rank #7 in Transparency International's Corruption Index, with a score of 84. To put in perspective, the Asia Pacific region has an average score of 43, with New Zealand (88) at the top end and North Korea (8) at the lower end. Furthermore, 68% of countries worldwide and 53% of G20 countries score below 50 out of 100 in the index. Singapore's competitiveness scores have also been high. In the World Economic Forum Competitiveness Report 2016-2017, the country attained rank #2 (for six years consecutively) with a score of 5.72.

ANNEX E: CASE STUDY IN MENA, U.A.E (#1)

The United Arab Emirates is one of the most resilient economies in the world. Its ruling families predicted the risks of over-reliance on oil years ago, and have since made efforts to diversify the economy. This created a myriad of opportunities in the market and businesses for the U.A.E.

Monitoring organizations such as GAN Integrity and Transparency International describe the corruption environment as low-risk, and rate the U.A.E highly with regard to anti-corruption efforts both regionally and globally. In 2015, there were two key developments in the United Arab Emirates (UAE) in the anti-corruption area. These developments demonstrate the positive progress being made within Abu Dhabi and Dubai to combat bribery and corruption.

1. **Announcement of a new anti-corruption unit based in Abu Dhabi** (within Abu Dhabi Accountability Authority). The idea is that the establishment of the new unit will accelerate the enactment of an U.A.E legislation to address the gaps identified by the UNCAC Implementation Review Group 2013, including the need to pass legislations regarding:
 - Protection of witnesses and victims, insofar as they are witnesses, and of reporting persons
 - Implementation of Article 16 of UNCAC outlawing bribery of foreign public officials and officials of public international organizations
 - Criminalization of the active form of bribery in the private sector
 - Criminalization of the active form of trading in influence (wasta)
 - Expansion of the general scope of predicate offences and to increase the number of predicate offences relating to conduct committed outside the jurisdiction of the U.A.E
2. **Enactment of a new Data Law in the emirate of Dubai**, which will see residents of that emirate enjoy enhanced access to certain types of information, thereby establishing an Open Data and Shared Data regime. The government has the "Smart Dubai" (at www.smartdubai.ae), a site that provides valuable information on various initiatives being undertaken across the emirate, including the Dubai Data Law. Among the objectives of this are:
 - a. Establishing a culture of creativity and innovation in the emirate
 - b. Enhancing transparency
 - c. Raising the efficiency of services provided by UAE Federal and Dubai government bodies

Businesses, and individuals, that produce, publish or exchange any data related Dubai, may be required to make that data available freely, or at least exchange that data with other "Data Providers". Which makes this possibly the first regime in the world that may potentially require private bodies to make certain data they hold Open Data or Shared Data.

Currently, the U.A.E has laws, regulations and enforcement against corruption. For example, the UAE Federal Penal Code and Federal Human Resources Law criminalize the acceptance of bribes by public and private sector workers as well as embezzlement. The Dubai Financial Fraud Law applies to persons convicted of a crime in Dubai and criminalizes receipt of illicit monies or public funds. The State Audit Institution (SAI) and the Abu Dhabi Accountability Authority investigate corruption in the government. The U.A.E in 2016 took rank #24 in Transparency International's Corruption Index, with a score of 66. To put in perspective, member states of the Gulf Cooperation Council (GCC) have scores ranging from 61 (Qatar) at the top end, to 41 (Kuwait) at the lower end. While growth and improvements have slightly dropped recently for GCC members, U.A.E's competitiveness scores are still the highest in the MENA region. In the World Economic Forum Competiveness Report 2016-2017, the country attained rank #16 (a rank higher than last year) with a score of 5.26.

Annex F: Examples/Tools

Name	Use	Location
<i>An Anti-Corruption Ethics and Compliance Programme for Business: A Practical Guide by the UNODC</i>	May be used as a checklist for a robust anti-corruption and compliance program	https://www.unodc.org/documents/corruption/Publications/2013/13-84498_Ebook.pdf
<i>Anti-Corruption Procedures from PGS Group</i>	An example of anti-corruption operating procedures	https://www.pgs.com/contentassets/c0e6c1e8010b437ab932654dd14e8cc3/anti-corruption-procedures.pdf
<i>UN Global Compact: 10th Principle</i>	Guidelines for businesses, with respect to corporate sustainability with integrity	https://www.unglobalcompact.org/what-is-gc/mission/principles/principle-10
<i>Google's Code of Conduct</i>	An example of internet industry code of conduct; easy to read and understand, and conversational	https://abc.xyz/investor/other/google-code-of-conduct.html
<i>PepsiCo's Code of Conduct</i>	An example of a beverages and food processing industry code of conduct; very detailed and has specific instructions	http://www.pepsico.com/company/global-code-of-conduct
<i>Living Our Purpose and Values, PwC's Code of Conduct</i>	An example of a professional services industry code of conduct; uses illustrations and stories from employees	http://www.pwc.com/gx/en/ethics-business-conduct/pdf/living-our-purpose-and-values-pwc-code-of-conduct-2016.pdf
<i>Ethic-Intelligence ISO Certification</i>	Terms of reference for ISO 37001 certification	http://www.ethic-intelligence.com/certification/18-certification-terms-of-reference/

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