

Digging up corruption

Tommy Helsby

Chairman, EMEA

Kroll

KROLL

KROLL

2nd December 2009

Digging up corruption

Tommy Helsby, Chairman Eurasia



Digging up corruption

“I am shocked, shocked to find there’s gambling going on here...”
[Waiter hands him his previous night’s winnings]

--*Claude Rains as Captain Renault in “Casablanca”*



The Resource Curse

“Aspects of the resource curse remain highly contested and have given rise to a wide range of competing theories... Yet there does appear to be a strong consensus ...that much of the problem can be explained by *corruption*.”

--*André Standing, Corruption and the Extractive Industries in Africa, ISS Paper 153*



The business case

“Make me good ... but not yet.”

-- “*The Confessions of St Augustine*”



Reassessing the case

- New initiatives on bribery prosecution
- Government reviews of mining contracts
- Civil recovery of excessive contract costs



Breaking the circle of corruption

- “You can’t trust people to stay bribed...”
- Do the deal, sell out and move on
- Corruption is now a communicable disease

What is to be done?

It depends on what you do:

- Grant mining concessions (“the Minister”)
- Obtain mining concessions (“the Explorer”)
- Acquire concession owners (“the Investor”)



If you are the Investor...

- Thorough political risk review on the target's operating country before you go in—know what to expect, understand who does what for whom
- Careful integrity due diligence of the target—track record (of the company and the management); local partners/shareholders; circumstances and timing of the concession grant; review of performance record for “anomalies”
- Post-acquisition due diligence—know what you have bought and be prepared to report it fully (corruption is a communicable disease)



If you are the Explorer...

- Decide whether you are on the side of the angels
- Communicate your decision clearly to all of your staff and advisors
- Look carefully at local advisors, fixers, introducers (corruption is a communicable disease)
- Be ready to blow the whistle on competitors who have opted for the Dark Side

If you are the Minister...

- Develop a transparent and competitive framework for granting new concessions
 - Separate selection from decision to create checks and balances
 - Ensure accountability for actions
 - Build internal and external coalitions to withstand the pressure
- If you are going to undertake a contract review, be well prepared and do it properly
 - Hire new advisors (you may want to sue the old ones)
 - Review the contract terms, the award process, the operational and the financial performance
 - If you want to cancel or renegotiate, be sure you have a bullet-proof case
- If you want civil recovery for improper actions or performance, be ready
 - Ensure sufficient funding to see the case through
 - Draw on your external coalition for support



Summing up

- **Bribery is no longer an affordable cost of doing business**
- **There is something that can be done about it**
- **If you don't do it, someone else will but at your expense**



Contact information

Tommy Helsby

Chairman, Eurasia

phone: +44 207 029 5000

Email: thelsby@kroll.com

www.kroll.com

KROLL