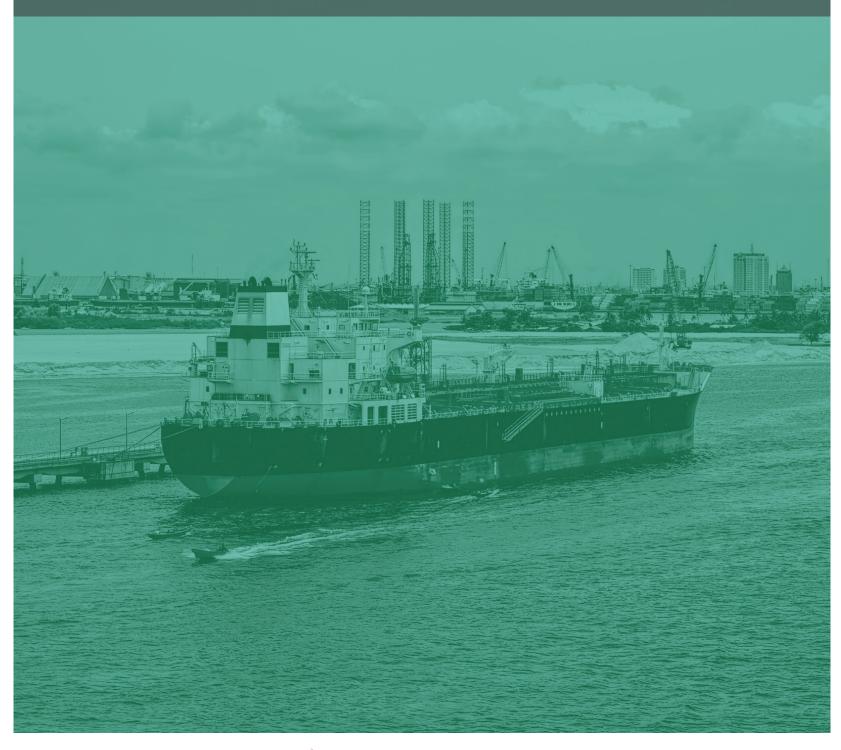


Nigeria Collective Action

MACN Impact Report













About This Report

This report provides a summary of the Collective Action project launched by the Maritime Anti-Corruption
Network (MACN) in Nigeria in 2012. The report
describes the key milestone of the project including the
development of a government training program on ethics
and integrity that was successfully rolled out in Nigerian
ports in 2015. The brief also provides an overview
of how MACN, through its collective action approach,
works towards its vision of a maritime industry free of
corruption that enables fair trade to the benefit of society
at large. This brief is written by the MACN Secretariat.
Please direct all comments to macn@bsr.org

Acknowledgments

MACN would like to express appreciation to all individuals and organizations who made this project possible. We are particularly grateful for the keen commitment and support provided by the United Nations Development Programme (UNDP), the Technical Unit on Governance and Anti-Corruption Reforms (TUGAR), the Bureau of Public Procurement (BPP), the Independent Corrupt Practices and other related Offenses Commission (ICPC), and all members of the project steering committee. Our sincere appreciation to our implementing partners at Danish Shipping, GAN Integrity, the Convention on Business Integrity (CBi), and to Basel Institute for Governance and Reed Smith for providing technical support to the project.

We would finally like to express our gratitude to the donor organizations who have financially supported the project. We would like to thank Danida, the Danish Maritime Fund, Lauritzen Foundation, and Orient Fonden for supporting the implementation phase of the project, and UNDP for supporting the risk assessment and scoping phase of the project.

Executive Summary

Nigeria is one of the most challenging countries to do business in as requests for cash and in-kind payments are very common. Many government agencies frequently make corrupt demands during port calls related to alleged irregularities of documentation (e.g. yellow fever certificates, crew contracts) or operations (e.g. ballast water discharge documentation, onboard practice in general). When practices are challenged, threats of heavy delays are common. One of the main challenges faced by shipping companies is the officials' wide individual discretionary powers. This leads to unpredictable interpretation of laws, making it difficult to prepare for port calls and governmental actions.

In response to challenges like the above, MACN launched its first collective action project in Nigeria in partnership with the United Nations Development Programme (UNDP) in 2012. The project was developed on a multi-stakeholder approach, involving stakeholders such as the National Ports Authorities, the maritime industry and the Customs Service.

Working with local authorities since 2012, MACN strengthened integrity across six Nigerian ports, and the project has delivered and contributed to a number of key achievements since its inception. These include:



Developed new harmonized port call and vessel clearance procedures (SOPs), and governance guidelines across all ports in Nigeria and government authorities;



Disseminated port call and vessel clearance procedures through an E-governance portal (Port Service Support Portal);



Implemented a port sector grievance mechanism hosted by Nigerian Shippers Council (acting as the economic regulator of the ports), giving industry players and external stakeholders a reporting channel to escalate corrupt demands;



Supported the development and implementation of anti-corruption policies across port sector authorities;



Implemented integrity train-thetrainer's module for 1000 local stakeholders (private and public sector);

Based on survey data collected from MACN members and port sector stakeholders it is evident that both private and public-sector stakeholders report that the above listed project deliverables are well received, useful and have an impact on reducing corruption in the ports. However, the survey results also demonstrate that MACN and the government must work further to raise awareness and incentivize adoption of new procedures and tools to achieve impact.

MACN and our partners have, therefore, defined several actions to mitigate the low impact reported by stakeholders that we plan to take forward in the coming year, with an aim to incentivize broad adoption of the grievance mechanism and uptake of the new procedures and tools developed. Furthermore, learnings from this project are already being put to use in other countries where MACN is making similar interventions, including Indonesia, Argentina and India.

About the Maritime Anti-Corruption Network (MACN)

MACN is a global business network working toward its vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large. Established in 2011, MACN is composed of vessel-owning companies, ship managers, cargo owners, and service providers within the main sectors of the maritime industry. In 2018, MACN has 100 global members in the network.

MACN and its members work towards the elimination of all forms of maritime corruption by: taking collective action to tackle corruption in the maritime sector, raising awareness of the challenges faced; implementing the MACN Anti-Corruption Principles and co-developing and sharing best practices, collaborating with government and non-governmental organizations, working with civil society to identify and mitigate the root causes of corruption, and creating a culture of integrity within the maritime community.









About BSR (Business Social Responsibility)

BSR is the Secretariat and lead facilitator of MACN. BSR is a global non-profit organization that works with its network of more than 250-member companies to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.

BSR (hereafter referred to as "MACN Secretariat") is responsible for governance and oversight of MACN's work streams (including MACN's 2020 strategy), and for managing MACN's day-to-day operation, including engagement with member companies, third parties, and funders. MACN's activities are overseen by the MACN Steering Committee, with active participation of the full MACN membership.



About Our Project partners

The Convention on Business Integrity Ltd. (Gte.)

was set up in 1997 to encourage a Nigerian society that prefers integrity over corruption. It seeks to do this by influencing the behavior of systems and institutions; by minimizing risk of deviance from acceptable benchmarks through the wide publication of ratings and rankings performed on such entities; and by enabling more transparent, consistent and predictable transactions that people observe, affect, and benefit from. CBi has acted as the project's local implementing partner in Nigeria. They have been responsible for the day to day interactions with authorities and business and conducted on site training.

Danish Shipping is a trade and employer organization established in 1884. As a collective point for the Danish shipping industry, the organization plays an important and active role in relation to authorities and decision-makers nationally and internationally. The Danish shipping industry is known for being global, responsible and creating value for customers and the society at large. Danish Shipping is an Associated Member of MACN and hence, working towards a total elimination of corruption and facilitation-payment hereby contributing to the Sustainable Development Goal number 16 "Peace, Justice and Strong Institutions".

Danish shipping has supported the project overview and been responsible for the financial governance of the project and the interactions with the donors.

GAN Integrity Solutions (GAN) Founded in Denmark in 2004, GAN Integrity has been helping companies around the world mitigate corporate risk through their innovative compliance

management software. GAN's software transforms the way compliance programs operate by bringing critical applications and data together into a single, fully integrated, cloudbased platform. GAN also produces the Business Anti-Corruption Portal, the world's largest online resource for anti-corruption compliance, and a platform which as been endorsed and sponsored by the European Commission.

GAN has been developing the training toolkit, including both training content and platform and has supported the pilot rolling out the program in its initial phase.

Basel Institute for Governance (Basel) is an independent not-for-profit competence centre working around the world with the public and private sectors to counter corruption and other financial crimes and to improve the quality of governance. The Basel Institute is an Associated Institute of the University of Basel.

Basel has acted as an expert advisor to the project and provided advise to the development of the harmonized port procedures.

Reed Smith is a global law firm dedicated to providing quality business solutions, not just legal answers. Their maritime team acts on wet and dry matters including financing, restructuring, marine casualties, cargo claims, shipbuilding contracts and disputes, sanctions violations, and regulatory and compliance issues. Our shipping lawyers include seafarers and master mariners.

Reed Smith has provided expert insight to the development on a standard template on harmonized port procedures.





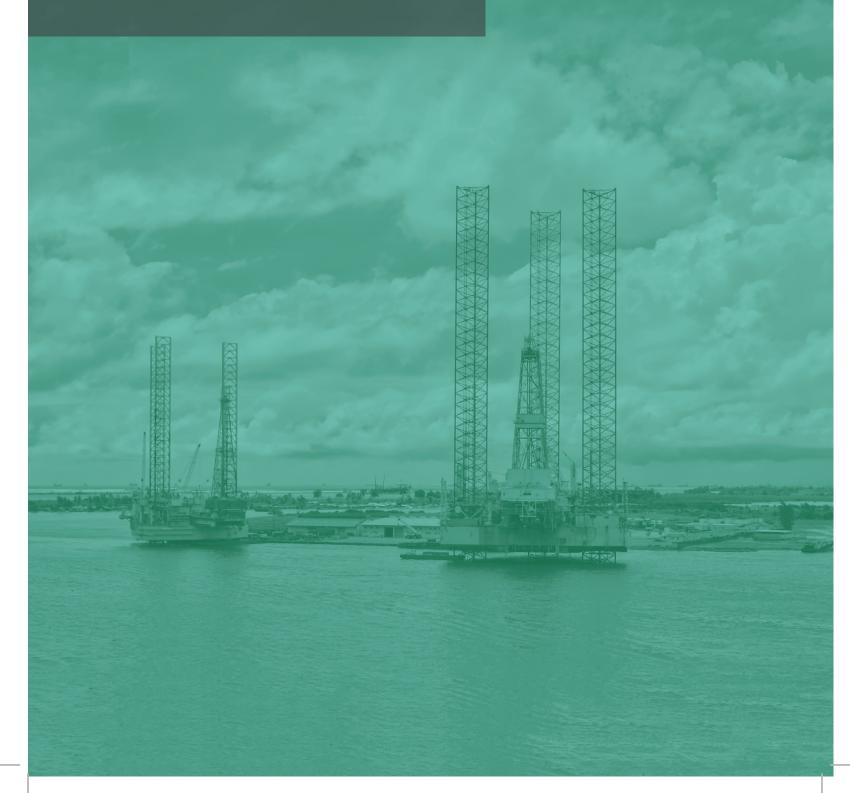






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Introduction

The private sector has a critical role to play in eliminating corruption. While companies recognize that there is a pressing need to take a firm stance against corruption, it is becoming increasingly clear that only by working collectively will the private sector be able to tackle the systemic changes in the operating environment that are required to eliminate corruption. This is particularly true in the global maritime industry, where corruption occurs because of the interplay of a multitude of public and private sector stakeholders.

The maritime value chain plays a crucial role in the global economy, as around 90% of world trade is transported by sea and via ports. In today's highly interdependent world economy, business and societies depend on the efficient clearance of vessels and goods in ports worldwide to function, develop and prosper. However, seaports are in many cases, the most corrupt place in the maritime value chain. Research demonstrates how corruption in the port and maritime sector is driving up trade costs, particularly in developing countries, where trade costs are already the highest.

The World Bank estimates that corruption constitutes an additional cost on business totalling as much as 10% of sales in high-risk markets and over 5% in many other countries. A recent OECD study reveals that foreign direct investment is undermined when corruption affects the passing of goods through customs, and that foreign direct investment in corrupt countries is almost 5% less than in countries that are relatively corruption-free. Overall, corruption reduces efficiency and increases inequality. At a global level estimates show that the cost of corruption equals more than 5% of global GDP

(USD \$ 2.6 trillion), with over USD \$ 1 trillion paid in bribes each year. Eliminating corruption in ports, especially in developing countries, is therefore instrumental for promoting development, trade and a more inclusive global economy. As an example, MACN's root cause analysis of the Nigerian port sector showed that it typically takes over 140 signatures to get a vessel and cargo cleared by the local authorities, with port officials having wide discretionary powers over the speed of this process. These challenges lead to an unpredictable operating environment for the private sector, with costly business disruptions and delays.

"Research demonstrates how corruption in the port and maritime sector is driving up trade costs, particularly in developing countries, where the cost of trade is the highest, impeding economic and social development"

Maritime Anti-Corruption Network Strategy

As a global business initiative, MACN believes that sustainable, transformational change requires multi-stakeholder collaboration, that collaboration must provide win-win solutions to motivate and incentivize all stakeholders to contribute, and that business itself must adopt strong anti-corruption management practices.

Since its inception in 2011, MACN has pursued a comprehensive, multifaceted strategy addressing both the supply and demand side of corruption.

Supply side:

MACN focuses on strengthening members' internal anti-corruption programs through building capacity, sharing best practices, creating tools and training programs, policies, and reporting on performance. Increasing MACNs footprint in the maritime industry is important to support and enable more shipping companies to tackle corruption and reject demands in challenging markets.

Demand side:

MACN focuses on contributing to improvements in the operating environment, recognizing that, without this change, internal improvements will not be sustainable. MACN therefore works to raise awareness, report on corruption incidents and trends, and engages directly with senior government representatives in countries where issues occur, with the purpose to catalyze change together with government, international organizations, and civil society.

Collective Action in Practice

The essence of the MACN collective action approach is that successful, lasting changes in the operating environment will take effect only if they are enabled and supported by, and beneficial to, key stakeholders such as industry players, authorities and international organizations. As such, key stakeholders must be involved in both assessing the challenges and devising the solutions. The approach also stresses the importance of transparency throughout the process of engaging in collaborative efforts. Stakeholder inclusiveness, local ownership, and transparency are thus fundamental to the collective action approach by MACN.

MACN plays a key role in its collective action projects, providing industry expertise in identifying the highly specific drivers of corruption in a certain port or country, for example irregular cargo inspections or vessel clearance processes. Importantly, as a collective of significant businesses in the maritime industry, the network wields considerable commercial influence – and provides mutual protection – and can play a major role in shaping an industry free of corruption.

Fighting Corruption in the Nigerian Port Sector

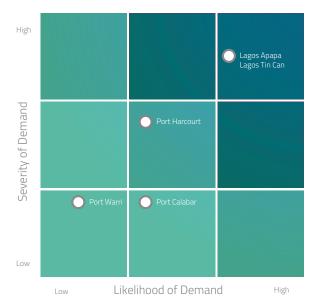
BACKGROUND:

NIGERIAN PORTS BASELINE ASSESSMENT

In 2012, UNPD and MACN joined forces to undertake a risk assessment study in the Nigerian port sector as part of MACN's first collective action initiative. The Nigerian port sector¹ was initially selected following a series of consultations including:

- Survey of MACN membership to identify challenging ports;
- Assessment of governments' and local authorities' willingness to engage and support the initiative:
- The availability of local resources and capacity to participate.

Figure 1: IMPACT AND LIKELIHOOD MATRIX PER PORT



In addition, the capacity of the local UNDP office played an important role in selecting the Nigerian port sector as a partner in the project. The project was set up under the leadership of the main Nigerian anti-corruption agencies: The Independent Corrupt Practices Commission (ICPC), the Technical Unit on Governance and Anti-Corruption Reforms (TUGAR), and the Bureau for Public Procurement (BPP) with the assistance of the Economic and Financial Crimes Commission in Nigeria.

Prior to initiating the project, MACN conducted a baseline survey on the nature and severity of the challenges facing companies calling ports in Nigeria. The survey showed that many government agencies were requesting facilitation payments during port calls. Frequent demands were made by Immigration, Environmental Authorities, Health Inspectors, Quarantine Office, Customs, National Port Authorities and National Drug Law Enforcement Agency. As illustrated in Figure 1, the severity and frequency of the requests for facilitation payments varied between the ports included in the study, with Lagos Apapa Tin Can being the locations with most frequent and severe requests.

¹ Nigerian ports sector includes the following organizations: Nigerian Ports Authority, Nigerian Customs Service, National Environmental Standards and Regulation Agency (Establishment Act or NESREA Act), Nigerian Drug Law Enforcement Agency (NDLEA), Nigeria Immigration Services, State Security Service, Port Health Services, the Nigerian Maritime Administration and Safety Agency (NIMASA), Standards Organization of Nigeria (SON), and National Agency for Food, Drug, Administration, and Control (NAFDAC), as well as private sector stakeholders, including (but not limited to) terminal operators (concessioners) and other port users.

In terms of the nature of the demands being made by authorities, the survey showed that demands were most frequent in relation to alleged irregularities of documentation (e.g. yellow fever certificates, contracts etc.), or operations (e.g. ballast water, cleaning tanks, onboard practice). When these practices were challenged, threats of heavy delays were the most common consequence, followed by threats to make future port calls "more difficult".

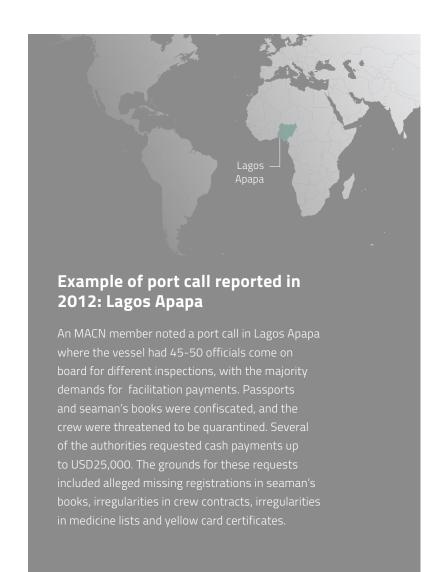
2012-2014:

RISK ASSESSMENT AND SCOPING

Guided by UNDP's risk assessment methodology, a comprehensive assessment was conducted to identify specific forms of corruption, the underlying drivers and possible solutions in the ports of Apapa and Tin Can in Lagos, Port Harcourt, Onne, Calabar, and Warri.

The assessment resulted in a comprehensive report summarizing key risks and recommended mitigation action. Key risks highlighted in the report included:

- Weak internal ethics infrastructure in port agencies (such as lack of codes of conduct and anti-corruption policies).
- Not sufficiently defined standard operating procedures (government official's duties and obligations) for port calls.
- Weak enforcement practices, and underdeveloped systems for investigating complaints of improper demands including no effective system for handling grievances and protecting whistle-blowers.
- Multiple, often overlapping procedures and lack of coordination among government agencies.
- Broad discretionary powers among authorities, often without repercussions.
- Poor infrastructure and facilities.
- In the port of Onne and Warri the reports highlighted indications of State Capture and monopoly.





"Huge red tape within agencies operating the ports is reported by stakeholders. For example,

142 signatures are required from point of entering the port to the ship leaving the port of Tin Can and Apapa. There is overall no consistency in the procedures and number approvals required across the ports studied."

Outcomes of the Collective Action

2015-2017:

IMPLEMENTATION

With the findings and recommendations from the risk assessment at hand, and through financial support from Danida, the Danish Maritime Fund, Lauritzen Foundation, and Orient Fonden, MACN has been working in collaboration with partners and local stakeholders to support the implementation of several tangible deliverables since 2012. The intervention logic of the project is summarized in the theory of change below.

IMPACT	 TABLE 1: THEORY OF CHANGE Promote a culture of integrity and good practices for tackling bribes, facilitation payments and other forms of corruption in the Nigerian port sector Make it easier for the captain to reject demands for facilitation payments during port calls in Nigeria 				
OUTCOME	Improved transparency of regulation and efficiency of business processes in the Nigerian port sector	Strengthened governance frameworks and accountability in the Nigerian port sector		Strengthened capacity on anti- corruption management among maritime sector stakeholders	
OUTPUTS	Standard Operating Procedures & Captains checklist	Port sector Accountability Mechanism	Anti-Corruption Policies	Integrity Awareness Training Workshops	
ACTIVITIES	 Harmonization of port call, vessel clearance procedures and guidelines across port sector authorities; Dissemination of port call and vessel clearance procedures through establishing a Port Service Support Portal 	■ Implementation of a port sector grievance mechanism hosted by Nigerian Shippers Council	Supporting the development and implementation of anticorruption policies across port sector authorities	 Implementation of integrity train-the-trainer's module for 1000 local stakeholders (private and public sector); Delivery of best practice sharing sessions with the Kenyan and Nigerian Port Authorities on integrity and port governance 	





Harmonization and aligning of procedures for port calls between public and private parties in the maritime sector, including the development of Standard Operating Port Clearance Procedures (SOPs) and Captain's Checklist.



Dissemination of port call and vesse clearance procedures through an E-governance portal (Port Service Support Portal).



Implementation of a port sector grievance mechanism hosted by Nigerian Shippers Council, giving industry players and external stakeholders a reporting channel to escalate corrupt demands.



Supporting the development and implementation of anti-corruption policies across port sector authorities.



Implementation of integrity train-the-trainers and training of port authorities and the new port governance framework, in total over 1000 local stakeholders/officials were trained (private and public sector.



Delivery of a best practice sharing sessions with the Kenyan and Nigerian Port Authorities on integrity and port governance.



Supporting the implementation of an automatic ship entry notice system, used by the Ports Authority. "The SOPs represent a great start. If the agencies abide by the timeliness and review regularly to ensure all functions are captured, then it will truly lead to greater efficiency and effectiveness of our ports. This is our vision."

Mrs. Ene Ogenyi, Nigeria Shippers Council

The project has received high level support from the Nigerian Presidency, firstly through the approval of the harmonized port call and vessel clearance procedures and secondly, through the Vice-president's participation in the launch event of the Port Service Support Portal and accountability mechanism.

Furthermore, MACN's integrity training program has been well received and receives high ratings from public and private sector stakeholders. For example, in Calabar 96% of the participants responded that the training content was relevant to their job, 95% responded that the workshop activities stimulated learning and 93% will be able to use what they learned in the training in their daily operations.

"The project has been able to systematically diagnose the corruption risks at the port sector and its recommendations have been useful for policy makers to strengthen measures to prevent corruption."

Anga Timilsina, Programme Manager of UNDP's Global Programme on Anti-Corruption.

"It was informative and gave us an opportunity to see the bigger picture on the problem of corruption in Nigeria."

Feedback from training participant

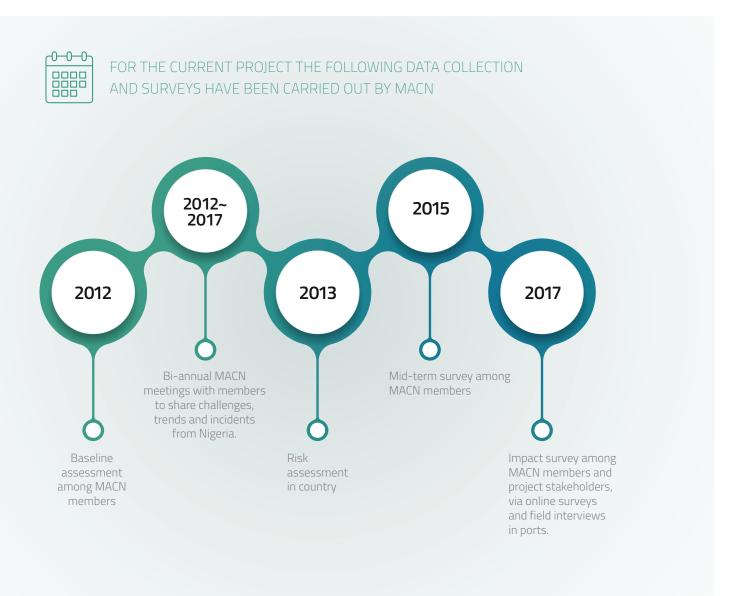
2017:

IMPACT ASSESSMENT



To evaluate the impact of a collective action initiative, MACN's uses multiple indicators of quantitative and qualitative data to establish baseline and compare progress over time.

This includes aggregated incident data from MACN's members, showing the trend over time in frequency and severity of demands for facilitation payments during port calls. It also includes qualitative perception data from industry players and government stakeholders, collected via online or field surveys. In addition, MACN makes use of secondary data sources including Transparency International's Corruption Perception Index and the World Bank Doing Business Index, to assess macro level changes to the operating environment.



Macro Level Trends

It is worth noting that Nigeria has fallen behind on the indicators related to cross border trade in the World Bank Doing Business Index. From being ranked as 149 out of 190 countries in 2012, Nigeria has dropped to 181 in 2017. This illustrates that cross-border trade, including clearance processes, have become more difficult in Nigeria since project inception. In terms of Transparency International's Corruption Perception Index, Nigeria has remained on nearly the same ranking since 2012.

TRADE AND INTEGRITY INDICATORS PER YEAR: NIGERIA



MACN Survey Data

Based on survey data collected from MACN members and port sector stakeholders in mid-2017 it is evident that both private and public-sector stakeholders report that the project deliverables have been well received, useful, and have had an impact on the areas set out in the theory of change model above. The table below gives a summary of some of the most striking impacts reported.

IMPACT AREAS

Integrity Culture	 MACN member companies have been successful in achieving a zero- tolerance approach without threats or delays when calling Nigeria.
	 The integrity training is well received, is being implemented, and there is a local demand for more training among authorities.
Health and Safety	 Harassments and threats to crew and Captain during vessel clearance have become less severe.
Operational Effectiveness & Trade Facilitation	 Terminal operators and agents are actively assisting MACN members in rejecting corrupt demands.
	 Efficiency of pilotage is improving – pilots are more supportive and collaborative.
	Waiting times (Pre-Berth) are decreasing across all ports.

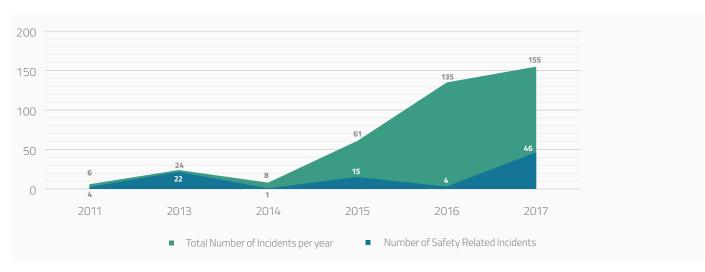
Despite the encouraging improvements listed above, MACN members report receiving corrupt demands during most port calls in Nigeria from several government authorities. Rejecting corrupt demands is still part of daily business in Nigeria for the shipping industry, resulting in harassment of crew, delays and risk to the vessel. From the survey data the following is notable:

LOW IMPACT AREAS

Lack of Awareness Low awareness of the grievance mechanism and fear of and Adoption retaliations among MACN members for making good faith reports to the authorities about the issues faced. Low awareness and adoption among MACN members of the new port call and vessel clearance procedures and guidelines. • Low awareness and adoption among government officials at all levels of the new port call and vessel clearance procedures and guidelines. **Lack of Integrity Culture** MACN members report that corrupt demands are increasing in several ports (Onne, Warri, Port Harcourt & Calabar). Government officials report that they also receive offer for facilitation payments from the industry. • Government officials report that ethical behavior is not rewarded in Government Institutions at all levels.

Looking at data from MACN's incident reporting system, the number of safety related incidents have remained on a steady level since 2011 but are increasing 2017. MACN members report of large cash demands from all authorities boarding the ship during clearance, with threats of arrest of crew and vessel. Members also report receiving fines without any clear reference to official tariffs and without receiving a receipt, despite pushing to obtain such support documents. Since 2012, the total number of incidents reported in Nigeria has steadily increased. This is, however, a reflection of both MACN's growing membership and the increased use of our anonymous reporting system. As such the number of incidents per year cannot be used to make conclusions of how the situation has developed over time.

INCIDENTS REPORTED BY MACN MEMBER PER YEAR: NIGERIA*



¹ MACN has set up an Anonymous Incident Reporting Mechanism, where members of MACN are able to safely and anonymously report their anti-corruption challenges within the Network and provide best practice solutions at port level.

Next Steps

While the project has successfully completed the activities and deliverables originally scoped, it has not yet achieved the impact set out in the theory of change. A key takeaway from the survey data is that the original theory of change underestimated the importance of raising awareness, communication, and incentivizing adoption of new procedures and tools for achieving impact.

MACN and our partners have defined several actions to mitigate the low impact reported by stakeholders that we plan to take forward. These include:

- 1. MACN will encourage and support members to integrate the Harmonized Port Procedures (Standard Operating Procedures) in port calls in Nigeria and monitor the adoption rate within the membership.
- 2. MACN will monitor and assess the impact of reports filed via the grievance mechanism, i.e. are reports acted upon, what is the timeline for actions, do we see retributions.
- 3. MACN will support members who would like to use the grievance mechanism.
- 4. MACN will highlight the good examples of members being successful in rejecting corrupt demands
- (5.) MACN will work through our local partners to escalate issues in ports to the local authorities
- (6.) MACN is launching an industry wide survey to gain broad insight to the challenges in the ports, and will present the survey findings to senior leaders in the Nigerian government.
- 7. MACN will seek further dialogue and engagement from Nigerian ports sector stakeholders to elevate their support to the project. MACN will call on ports sector stakeholders to:
 - Actively increase awareness and adoption of new SOPs and grievance mechanism among port officials.
 - Ensure implementation of SOPs in all ports and agencies.
 - Push for stronger local leadership on integrity by implementing and raising awareness about anticorruption policies and conducting ethics training.
 - Boost communication about this project within their organization from top level management.
- 8. To encourage adoption of SOPs, the grievance mechanism and promote a culture of integrity more broadly, MACN is seeking funding to launch an Integrity Port Rating Index where each major port in Nigeria is scored and ranked on an annual basis based on its integrity performance. The rating will generate information for regulators, business and the public that can be used to push for reforms, and will create a local commercial incentive that may compel some less transparent and corrupt ports to adopt anti-corruption best practices as adopted in another port.

Global Outcomes from the Nigerian Project

MACN has gained valuable experience from this project on how to implement concrete initiatives on the ground and in challenging markets.

Thanks to the financial contributions to this project, MACN and our project partners have been able to develop a solid portfolio of port tools including the integrity training, standard operating procedures and guidance on how to establish grievance mechanisms.

As a result of this project MACN is in a strong position to advise and engage with governments globally and to replicate use of these port tools in other markets.

About MACN: MACN is a global business network working toward the vision of a maritime industry free from corruption that enables fair trade to the benefit of society at large.



