Letter from the Chair

Dear colleagues,

I am very excited to be taking on the role of Chair at this critical time for MACN. Through the efforts of each one of you, we have made great strides in 2017 in our fight against corruption in the maritime industry. Many challenges, however, still exist.

Our seafarers and those working in maritime business operations continue to face demands for payments, goods, or favors to carry out business-as-usual operations. These demands have many names: chai (which means “tea” in Hindi), shai bil yasmeen (Arabic for “jasmine tea”), a refresco (Spanish for “soda”), or even for an extra schmear (Yiddish for “spread”)—but the effect is the same. These demands are unethical and illegal, and they endanger the men and women onboard our vessels. But we know that if we work together—and with a range of stakeholders around the world—we can reduce and eliminate these demands. That is MACN’s mandate. Collectively, MACN can have a game-changing effect on corruption and bribery around the world, and that is what we are: a game-changing organization.

The good news is that we made major progress in 2017.

Through our Collective Actions, we have inspired and delivered increased participation in the Suez Canal Say No campaign; developed a new regulatory framework for the dry-bulk vessel clearance process in Argentina, trained over 400 stakeholders, and open-sourced guidance to support implementation; enhanced container tracking in Indonesia; and delivered ethics training for close to 600 government officials in Nigeria.

Our anonymous incident reporting has continued to grow substantially. With over 19,000 incidents of corrupt practices reported to date, MACN has a strong platform to better understand the challenges and to engage with stakeholders, including governments, on shared solutions. MACN has also collaborated with other shipping organizations to address the issue of maritime corruption more broadly in the industry and with maritime regulators.

Last but not least, we now have over 90 companies in our network. Our collective voice and influence grows with our membership.

As I stated when I was elected chair: “We have a lot of work ahead of us but we have the energy, ideas, and motivation to get it done.” I look forward to an exciting 2018.

With warm regards,

John Sympnowich, The CSL Group Inc. and Chair of MACN
About MACN

Who We Are

MACN was established in 2011 as an industry-led collective action initiative, to stamp out corruption in the maritime industry and to promote inclusive trade. With over 90 companies across the maritime industry, MACN’s members represent a significant percentage of the total global tonnage and play a key role in ocean transport. Since its inception, MACN has become one of the preeminent examples of an industry-led network taking tangible collective action to eliminate corruption across the wider supply chain. By working in partnership with the industry, governments, and civil society we have been successful in tackling corruption through country-specific actions in locations as diverse as Nigeria, Indonesia, Egypt, and Argentina.

MACN’s initiatives have been welcomed by these stakeholders and have resulted in tangible outcomes such as the removal of trade barriers, strengthened governance frameworks, and substantially lower levels of corruption in maritime trade.

Our Vision

A maritime industry free of corruption that enables fair trade to the benefit of society at large.

Our Mission

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

MACN Governance

MACN is an initiative under BSR (www.bsr.org), a global business network focused on sustainability. BSR (hereafter referred to as “MACN Secretariat”) provides the secretariat function for MACN.

The MACN Secretariat is responsible for progressing MACN’s strategic workplans (including our 2020 strategy), ensuring good governance, and managing MACN’s “day-to-day” work with its members, third parties, and funders. MACN’s activities are overseen by the MACN Steering Committee, with active participation of the full MACN membership.
MACN: Connected to the SDGs

By engaging in partnerships, conducting capacity building in the shipping industry, and tackling trade barriers, MACN’s activities align closely with the United Nations’ Sustainable Development Goals (SDGs).

In 2017, MACN mapped its impact and links to the implementation of the SDGs. This work will continue in 2018, but the initial results show that MACN supports several of the SDGs at both micro and macro levels.

Through the nature of its operations, MACN is a good example of SDG 17 (Partnerships for the Goals), while tackling corruption has a strong alignment to SDG 16 (Peace, Justice and Strong Institutions). Further, at a macro level, corruption in the maritime sector constitutes a non-tariff trade barrier that is driving up trade costs and impeding economic and social development, particularly in developing countries where trade costs are the highest.

Expanding trade opportunities for low and middle-income countries by reducing corruption in the maritime supply chain is an essential part of integrating these communities into global value chains and attracting much-needed capital, technology, and know-how.

At a micro level, we have created a better work environment for seafarers on the trades where MACN has taken action, for example in the Suez Canal, and have directly promoted responsible business practices in our industry.

**PARTNERSHIPS**

SDG 17 | MACN works in collaboration with industry players, governments, and international bodies to tackle corruption.

**PROMOTING RESPONSIBLE PRACTICES**

SDG 16 | MACN brings a unique business understanding of the drivers of corruption and can act as a catalyst for change. MACN works to eliminate opportunities for corruption in ports.

**CREATING A SUSTAINABLE FUTURE FOR THE GLOBAL ECONOMY**

SDG 2 | MACN strengthens access to food markets by improving port operations.

SDG 8 | MACN helps local business to develop by making export and import procedures easier in ports and by being present in challenging locations.

SDG 9 | MACN supports implementation of new systems to reduce trade barriers e.g. system upgrades for customs.
MACN’s Scope of Work

MACN’s work is organized under three key pillars that guide our 2017–2020 Strategy: Collective Action, Capability Building, and Culture of Integrity. Guided by these focus areas, members engage at a segment or country level. MACN runs two full group “in-person” meetings every year (in Dubai and London in 2017). These meetings serve as an important forum to actively share best-practice, develop group cohesiveness, and move the group forward on key decision points.

Anonymous Incident Reporting

MACN’s anonymous incident reporting system enables maritime players to submit reports on corrupt demands they have faced during port operations. The outputs of the anonymous incident reporting allow members to learn from each other to potentially avoid similar incidents in their own operations. The use of the mechanism has significantly increased over the years. To date, MACN has collected over 19,000 reports of corrupt demands globally. MACN uses this data to analyze trends in frequency of incidents, allowing MACN to target collective action efforts and engage with governments. It has been a successful way to facilitate a constructive dialogue in meetings with governments and other stakeholders. Reporting is anonymous and non-attributable. It is not possible for anyone to identify who has submitted a report, and the incident does not include details that would identify specific dates, ships, or individuals.

Capability Building:
Providing Industry-Leading Innovative Solutions to our Members

In order for captains and other private sector actors to be able to say no to demands for facilitation payments, they must feel supported by strong policies and principles. MACN provides a safe forum for engagement through which members can share challenges and best-practice, collectively assessing the areas for improvement in their internal procedures and approaches, and developing open-sourced solutions. Following the MACN Anti-Corruption Principles, MACN develops shared methodologies, frameworks, trainings, and campaigns, helping each member company to strengthen its approach to tackling corruption.

Collective Action:
Driving and Leading Change in the Operating Environment

Even if all companies have an internal defense against unethical practices, these challenges will continue to exist in the operating environment as long as the root causes of corruption go unaddressed. Collective Action is an important tool to help the private sector take proactive steps to tackle corruption, with companies joining forces and engaging governments and civil society as a group. In MACN collective action projects, member companies unite with stakeholders including port and customs authorities, NGOs, and local governments to undertake root cause analyses and then implement a range of “recommended actions” to tackle corruption in ports and across the maritime supply chain.

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, supported, and beneficial to key stakeholders. Through collective action, MACN members work in partnership with local authorities to develop solutions that are both beneficial to all and realistic to implement. MACN also recognizes that collective actions can have a positive impact well beyond our own industry—due to the volume of world trade that passes through ports. Anti-corruption initiatives targeting ports can have a positive outcome for a wide range of industries across the supply chain and for society as a whole.

Culture of Integrity:
Being a Recognized Contributor to Integrity Standards in the Industry and Society

Culture of Integrity is an attempt not just to generate change for specific stakeholders (e.g. Captains or port authorities) in specific corruption hot-spots, but to drive fundamental change in deep-seated attitudes regarding corruption, creating a permanent trend towards the eradication of facilitation demands. While it is vital to address both corporate capacity to reject payment demands and specific actors that cause problems for shipping companies, MACN members recognize that culture governs the success of achieving deep-seated change. To achieve its vision of a maritime industry free of corruption, MACN must reach out beyond the collective action of its membership and stakeholders to all actors in the maritime industry, and encourage sector-wide alignment on anti-corruption thinking.
Progress on Capability Building

THE MACN ANTI-CORRUPTION PRINCIPLES

Following the MACN Anti-Corruption Principles, MACN develops shared methodologies, frameworks, trainings, and campaigns, helping each member company to strengthen its approach to tackling corruption.

1. Compliance Program Requirements
2. Proportionate Procedures
3. Risk Assessment
4. Training & Communications
5. Monitoring & Internal Controls
6. Reporting, Discipline & Incentives
7. Due Diligence

STRENGTHENING PEER DIALOGUE

By engaging companies in each maritime industry segment and allowing the industry to discuss specific tools or tackle specific issues, MACN can more effectively execute its strategy. MACN has therefore developed industry-specific working groups to strengthen peer-to-peer dialogue and address the challenges of corruption. The purpose of the working groups is to develop consistent integrity standards defined in MACN’s anti-corruption principles. The working groups allow members to share their success stories and lessons learned from implementation of anti-corruption compliance programs. This has been particularly useful for companies that have just joined the network or that are beginning their journey to improve their anti-corruption and compliance programs.

In 2017, MACN formalized the working group activities and defined common outcomes. These activities included:
- Best-practice sharing to implement compliance programs.
- Addressing compliance issues in hot-spot locations.
- Collaborating to develop tools on ethical conduct.

Participation in these working groups increased over 2017. In addition, MACN re-established its tool development and capability building working group.

DEVELOPING FIT-FOR-PURPOSE ANTI-CORRUPTION TOOLS

During 2017, MACN completed the revision of tools under the first of seven MACN principles. These tools included a Code of Integrity Blueprint, which was created with input from members, underwent an external legal review, and was benchmarked against industry leaders outside the maritime industry. MACN developed several frontline tools, including guidance for crew to reject corrupt demands and placards and posters for the ships. MACN also began developing a compliance roadmap, which will focus on helping members to implement anti-corruption compliance programs and increasing the understanding of all elements of anti-corruption programs. This work will be finalized in 2018.
Progress on Collective Action

The collective actions that MACN has implemented to date have proven to be an impactful, effective, and cost-efficient way to promote trade and transparency and to drive private-sector leadership on combating corruption in the ports and maritime sector.

The following MACN collective action projects in Nigeria, Argentina, Indonesia, and Egypt illustrate the activities implemented and the results achieved. In addition, MACN has started to map a potential collective action with the government of India and has gained support for the project from local Indian stakeholders.

ARGENTINA
New regulatory framework, entered into force on November 2017

SUEZ CANAL
Collective “Say No” Campaign implemented

NIGERIA
Implementation of new procedures and in-port Integrity Training for over 570 government officials

INDONESIA
New container tracking IT system implementation and education

*INDIA
Next project in the pipeline

SUEZ CANAL, EGYPT
Start date: 2015

Focus: Tackle facilitation demands during Suez Canal transits by implementing a collective “Say No” campaign.

Challenge: The Suez Canal has been a consistent hotspot for corruption, with Captains facing regular demands for facilitation payments for passage. Incident data has further confirmed that transits can be challenging and associated with safety hazards to both crew and vessel when pilots do not cooperate. To tackle challenges like this MACN launched a “Say No” campaign for the Suez Canal on International Anti-Corruption Day in 2015.

What We Did: The campaign was a true collective effort, with MACN member companies agreeing to reject demands by using a coordinated zero tolerance policy, communication material, and an onboard communication toolkit for Captains developed by MACN.

Progress: Since the launch in 2015, MACN has assessed the impact of the campaign by surveying members and by collecting incident data. The situation has improved every year, and feedback in 2017 showed that companies taking part in the campaign are transiting Suez without any delays or issues. Demands for cigarettes have decreased dramatically, or have been eliminated, while threats to the safety of both crew and vessel have also decreased significantly.

Kevin Leach-Smith, Vice President Operation, Masterbulk, and MACN Steerco member has been monitoring the campaign closely with Masterbulk’s fleet and shares input from the frontline:

“Explaining MACN and the company’s anti-corruption policy significantly reduces the risk of demands for cash or in-kind payments during transits. Our Captains are relieved of the pressure of dealing with these corrupt practices and can focus on the safe navigation of the vessel in the Canal. Overall, our vessels have had smooth transits and, with the support of our agents, they have rejected any type of demand.”

Overall results:
- Frequency of demands has decreased and it is a sustainable improvement
- Companies of all sizes are successful in saying no
- Companies across industry segments are successful in saying no
- Nationality of crew is not a barrier to being successful
- Captains find it easier to refuse demands
- Pilots are less aggressive and more forthcoming
- Increased participation in the campaign from MACN members
Focus: Redrafting regulations for approval of a vessel’s holds or tanks for the loading of agricultural products, and developing a new IT system for processing and registering hold/tank inspections.

Challenge:
Shipping companies operating in Argentina faced challenges in connection with the inspection of holds and tanks, customs declarations, and on-board inspection practices. Data from MACN member companies highlighted a systemic issue with demands for payment for unclean grain holds, including cases of extortion.

Partner:
Governance Latam – Guillermo Jorge, Fernando Basch & Asoc.—a local law firm and well-recognized integrity champion.

What We Did:
MACN and Governance Latam conducted a fact-finding mission to fully understand the nature of the problem before building a strong coalition of local and global stakeholders. Together, this coalition developed and agreed on the key points for a new regulatory framework that would improve operating practices for the vessel inspection process. This framework was officially adopted in 2017—a major success for MACN’s collective action program.

Progress:
The new regulatory framework, which entered into force on November 1, 2017:
- limits inspectors’ discretion by having more precise definitions and objective criteria for hold or tank rejection.
- introduced inspector rotation in ports and terminals, to reduce collusion and development of improper arrangements in certain ports and client interactions.
- increased the timeframe allowed for remedying hold deficiencies.
- strengthened control mechanisms by creating a new Technical Appeals Tribunal; developing a risk matrix based on which inspections will be supervised, and established a trustworthy whistleblowing hotline.

MACN’s local partner also conducted training around integrity and on the new regulations for hull cleaning and inspections. Over 400 private and government surveyors, private maritime agents, and maritime authorities attended the trainings.

Lilian Hansen, MACN member company representative, commented:
“MACN’s project in Argentina has improved the operating environment for dry bulk carriers. By changing the process and reforming the vessel clearance process for loading grains, the opportunities for unethical practices have been eliminated. The process has increased the efficiency, integrity, and transparency of inspections, and reduced the possibility of ships being delayed for unclear or unfounded reasons. Norden is proud to have been engaged in this project and we encourage customers, peers and supply chain partners to take part in this positive change.”

Fernando Basch, Partner at Governance Latam said:
“The results of the collective action process started in late 2014 were finally seen in 2017, with the formalization of the government’s decision to reform the system of inspections of vessels exporting grain, and the implementation of a number of public-private measures to improve transparency and integrity. This included the training of surveyors, maritime agents, and government officials in the most important Argentine ports. Implementation has so far been in line with our expectations, and we’ll keep working with the different collective action stakeholders to ensure the sustainability of this change, which benefits the maritime industry and Argentina’s foreign trade prospects.”
Focus: Face-to-face integrity training, harmonizing operational procedures in ports, and establishing grievance mechanisms.

Challenge:
MACN identified Nigeria as one of the most challenging countries in which to do business, with corrupt demands posing a major risk to member companies, and with cases of extortion, harassment, and threats of violence. Moreover, regulations and procedures in ports were lacking in detail and consistency, giving authorities wide discretionary powers.

Partner:
The Convention on Business Integrity

What We Did:
MACN launched its first collective action project in Nigeria in partnership with the UN Development Program (UNDP) in 2012. The project was developed on a multi-stakeholder approach, involving stakeholders from both the private and public sectors, and from civil society. Guided by UNDP’s risk assessment methodology, a comprehensive risk assessment was conducted to identify specific forms of corruption, underlying drivers, and actions to address root causes across six ports. Since 2013, MACN has been working with local stakeholders from the private and public sectors to implement the actions identified in the assessment.

Progress:
In 2017, MACN pushed for implementation of the harmonized procedures in port and vessel clearance procedures (which were launched in 2016 as part of this project), and MACN’s local partner conducted integrity training in the ports included in the project.
In 2017 we trained over 570 government officials in the ports of Lagos (Apapa), Lagos (Tin Can), Calabar, Onne, and Port-Harcourt. MACN’s integrity training program has been welcomed and received high ratings from public and private sector stakeholders (for example, 90 percent felt this exercise was useful or relevant for their work). The training covered integrity, corruption prevention, the rationale behind the new harmonized procedures in the port and vessel clearance procedures, and the Grievance Mechanism. The training linked well with the Nigerian Presidency’s Executive Orders in 2017, which focused on ease of doing business in Nigeria.

Surveys of MACN members demonstrate this project is having a positive effect on the operating environment. For example, MACN member companies are periodically achieving a zero-tolerance approach to corrupt demands without threats or delays.

However, ensuring sustainable change is an ongoing challenge. Creating sustainable change in this operating environment will be a key focus in 2018. Further, MACN conducted extensive research on the impact of our activities in Nigeria (government and industry), with these results expected to be published in 2018.

Member Testimony
A member company called a port in Nigeria and was cited by authorities for alleged infractions of immigration regulations. The Captain found the allegations groundless and suspected that the fines were not valid. The issue was escalated to the senior government representative through MACN and our local partner. The unethical practices of the port officials were challenged by senior authority representatives and the ship sailed promptly and without consequences.

Soji Aapampa, Convention on Business Integrity
“The MACN training for port officials is quite innovative and I think it will leave a lasting impression with the attendees. We have a few who have asked to be mentored. This is a great compliment to the learning experience!”

Tim Morris, Marine Operations, Ridgebury Tankers:
“We were positively surprised that we got such a prompt reply from the local authorities through MACN’s local partner. It really helps to escalate the issues and these practices need to get attention from senior government representatives. We will continue to challenge and escalate these issues. We are happy that we could support our Captain in this situation.”
Progress on Culture of Integrity

One of MACN’s strategic priorities is to engage organizations, associations, governments, and civil society in the fight against corruption. By engaging with other industry organizations, the shipping industry can gain support to tackle corruption and raise awareness of the challenges we all face.

In 2017, MACN together with the International Chamber of Shipping (ICS), initiated a cross-industry working group with the ambition of attracting engagement from traditional industry organizations and associations to collaborate and address key corruption issues in the shipping industry. By the end of 2017, the working group was well established and in 2018 will continue to work on raising awareness of maritime corruption. MACN also started to explore partnerships with cadet schools in India to share MACN’s Anti-corruption eLearning designed for Captains, and worked with the World Maritime University on a study to measure ethical corporate behavior.

“ICS is a strong supporter of MACN’s work and initiated the cross industry working group as a joint action with MACN in 2017. By forming this alliance, the industry will be in a stronger position to leverage its voice when engaging with the IMO and other institutions on the fight against maritime corruption, and to demonstrate that corruption can present a safety risk for seafarers as well as being a trade barrier.”

John Murray, Marine Director and Head of the Marine Department

Focus: Improving container tracking IT systems, promoting an e-governance system for cashless export licenses, integrating whistleblowing into existing procedures, establishing a stakeholder discussion forum, and raising awareness of laws and regulations in Indonesia’s largest container port, Tanjung Priok.

Challenge:
The MACN membership reported a lack of awareness of container tracking systems in general and a lack of transparency regarding how containers are prioritized and when they need to be relocated.

Partner:
Kemitraan - The Partnership for Governance Reform

What We Did:
To address these issues, MACN and Kemitraan collaborated with Pelindo II and its subsidiary, Jakarta International Container Terminal (JICT), both to consolidate information on existing resources to support container tracking and to upgrade JICT’s online system.

Progress:
After successfully supporting the upgrade of JICT’s online system for container tracking, MACN published a summary overview of the new container tracking system in the port of Jakarta (Tanjung Priok). The summary briefly explained how to track containers in the port and has been shared with MACN members and relevant chambers of commerce in Jakarta, with a view to raising awareness of the new system.

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International Chamber of Shipping
Shipping the Future of Shipping
If you would like more information about how to join MACN, please reach out to the MACN secretariat: macn@bsr.org.

## MACN Members

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- AET
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