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Saudi Arabia in the post-purge anti-corruption era: a princely “New Deal”

Saudi Arabia anti-corruption

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USPA NEWS - In November of 2017, Saudi Arabia was in the headlines for an unprecedented move by authorities. By placing approximately 200 individuals, princes, government officials, and business executives, under house arrest at the Ritz-Carlton in Riyadh, a message was sent across the country as well as the international community. Assets were seized, companies were signed over to the government in settlements, and by all accounts the old methods were no longer accepted.

Crown Prince Mohammad bin Salman, or MbS as he is known, is the man behind the move. The Saudi Arabian Purge spanned two years and involved a severe crackdown on systemic corruption in the world of Saudi business. What is clear is that business in Saudi Arabia is not the same as it once was. Before the Purge, bribery and corruption were synonymous with contract work in the kingdom. In 2016 Embraer SA, the Brazilian plane maker reached a \$206 million deal with US graft investigators over signs of wrongdoing from 2007 and 2012. There is an ongoing investigation by UK authorities into concerns of misconduct at GPT Special Project Management dating back to 2012. And presently, a senior executive at the construction contractor, Petrofac, is also being investigated over signs that he committed multiple counts of bribery between 2012 to 2015 in order to secure lucrative commercial contracts.

What these and many such cases have in common is that they occurred within the Saudi Arabia business ecosystem. Sectors notoriously affected were construction, arms, and oil, in particular, but finance and industry also needed to be truly reconsidered. In the construction sector, for example, three Ben Laden brothers, executives in the Bin Laden Group, were among the former entrepreneurs and businessmen arrested during this major purge conducted by MbS.

Anyway, things won't be the same as before. This "New Deal" imposed by MbS established its rules. Now the terms have changed and newcomers to the market will have to be transparent if they want to convince the Saudi government as well as its international partners. If MbS wants his purge to be followed by tangible facts and real changes, mechanisms have to be put in place so that it becomes clear that corruption is going to be a detail of history: the purge needs to have been effective and lasting.

For this reason, rehabilitation would greatly benefit from the introduction of global standards designed to combat bribery and corruption. ISO 37001 is an example of such a framework building international momentum, which could and should probably be integrated into the Saudi tender process for the awarding of governmental contracts. Not only would this be useful internally for comparing companies, but it would also allow for an effective ranking of internationally recognized companies. Other nations are leading this charge, like Malaysia for instance, where the PM Dr. Mahatir Bin Mohamad declared: “all Ministries, agencies, departments and government-linked companies that have been categorised as high risk will have to implement the international organisational standards of ISO 37001, the Anti-Bribery Management System. This system is aimed at combating corruption and instilling the culture of integrity ».

Since these ISO standards are independent of the industry they assess and because they are universally legitimized, they would allow the Saudi government to raise its transparency requirements to the level of the most demanding countries. All sectors are involved in this move, including the financial one: “Central banks and regulatory authorities are also facing great challenges” which require the design and implementation of cybersecurity regulatory strategies in line with best practices and global standards” declared the governor of the Saudi Arabian Monetary Authority, Ahmed Abdulkarim Alkholifey.

This is already the case for some major new public contracts such as the construction of a seawater reverse osmosis (SWRO) plant in the city of Al Khobar. The contract, worth \$613.5m, was awarded to a joint venture of Al Rashid Trading and the Spanish construction company Acciona Group. The Spanish company is certified ISO 9001 for excellence in management and ISO 37001 since 2018, attesting to its good practices in the fight against corruption. These international standards are therefore already in place in the country and are only waiting to be further disseminated.

The year 2019 also brings with it many large-scale construction contracts. One example is the Red Sea Project, which will eventually see the emergence of a group of luxury hotels with a capacity of more than 30,000 rooms. Such a project obviously attracts the largest international companies. Here too, the kingdom's new anti-corruption policy must be strictly applied. In fact, according to the Saudi

Press Office, the project will be regulated by independent laws and in accordance with international standards.

Even a company such as the German construction and services firm Bilfinger did not obtain the contract with Saudi Arabia for the provision of mechanical, electrical engineering, insulation and asbestos removal services for the national hydrocarbon company Saudi Aramco before having implemented a number of international standards, in particular ISO 37001 for anti-bribery management.

The public finances and the private sector can only benefit from improved transparency, traceability, and security of supply guarantees in Saudi Arabia. As such, steps should be taken to ensure that the old methods no longer prevail in the kingdom.

As in every country, state-level contracts are always just around the corner for Saudi Arabia. It would be a good start for the kingdom to look for a fresh injection of foreign companies in the tender process generally, involving them in institutional contracts. This is particularly important given the taint which hangs over many of the perennial Saudi Arabian operators: newcomers could help legitimize and accelerate the reform effort. Free of the reputational shackles of those already sanctioned by the government for their misdeeds, or for their problematic relations with Qatar and Iran, these newcomers could provide a welcome alternative and the guarantee that a new era has really begun.

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