

Long WORKSHOP REPORT FORM

Number and title of workshop: 4.9 Strength in Numbers: Collective Action – Business Working in Partnership to Fight Corruption

Coordinator: Susan Cote-Freeman

Date and time of workshop: Friday, November 12, 2010 17.30-19.30

Moderator (Name and Institution): Peter Brew, IBLF

Rapporteur (Name and Institution): Aleksandr Shkolnikov, CIPE

Panellists (Name, institution, title)

Sabine Zindera, Siemens, Vice President, Global Legal and Compliance Department
Johann Le Frapper, Resist Initiative, Global Chair
Alma Rocio Balcazar Romero, TI-Colombia, Private Sector Director
Joel Turkewitz, World Bank, Leader Governance Officer for Asia

Summary

The discussion focused on the concept of collective action in fighting corruption. Collective action, an approach where business works jointly with civil society, governments and other stakeholders, to address bribery and corruption, provides a constructive response to the corruption problem. The workshop provided an overview of collective action, the many forms it can take, its potential initiators, the process entailed to create collective action as well as some of the lessons learnt in recent past. Presenters and participants discussed the strategies for engaging the private sector in fighting corruption, tools that the private sector can use to resist bribery, and successful initiatives in countries like Columbia. One of the main points that participants tried to get across is that in endemically corrupt environments business must be encouraged to work together with other stakeholders to help create a level playing field. This is in the interest of business but also in the interest of the societies they operate in. Collective action is of particular relevance to small businesses which do not have the resources and leverage to resist corruption – in this regard, the participants discussed the role of business associations in protecting small business from the pressures of corruption.

Summary of presentations

Peter Brew. The session started with the definition of collective action against corruption. The overall idea underlying collective action is how to get the private sector to come together to address corruption issues. The various initiatives can be project-based (ensuring transparency in a procurement program, for example) or industry-based (ensuring transparency in the behaviour of all players in the industry).

Sabine Zindera. Siemens' engagement in collective action programs started following its settlement on FCPA violations, as a result of which Siemens had to pay fines and disgorgements amounting to a record sum of \$1.6 billion. Following the scandal Siemens

implemented a strong compliance program, changed its leadership, trained more than 250,000 people around the world. Building on the strong compliance program, Siemens engaged in a number of collective action initiatives – the various approaches are captured in the World Bank Institute-led initiative available on www.fightingcorruption.org. One of the tools Siemens tried to implement were integrity pacts, however, the initiative was often met with resistance by governments in host countries. The other tool Siemens is pursuing is compliance pacts that act as a long-term industry standard of ethical practice. Siemens is also pursuing longer term initiatives with a variety of stakeholders, such as pushing for UNCAC implementation in highly corrupt countries.

Alma Rocio Balcazar Romero. In Colombia, 90% of pipeline manufacturers came together to establish transparent system for operations following a large corruption scandal. The process focused on building trust among many different companies. The system is based on a self-regulating corporate agreement among companies, which commit to ethical practices in procurement and honest competition. TI-Colombia acted as an independent entity that motivated companies to follow through on their commitments under the agreement. The key factors of success – 1) active commitment and responsibility by the boards of companies; 2) implementation of the agreement through supply chains; 3) creation of ethics committee responsible for ensuring compliance among participating companies and promoting implementation in procurement programs. One of the accomplishments - the coalition has reached an agreement between TI-Colombia, a ministry, and the private sector to ensure transparent bidding practices. Overall, the coalition has been effective in ensuing transparent practices by the government.

Johann Le Frapper. RESIST (Resisting Extortions and Solicitations in International Transactions) – jointly developed by the International Chamber of Commerce, in partnership with Transparency International, the UN Global Compact and the World Economic Forum – raises employee awareness of how to prevent demands from being made, and sets out practical measures on how to respond to dilemmas in the most efficient and ethical manner when they cannot be avoided. RESIST tool focuses on the demand side of corruption – solicitations and extortions by government officials. Two major issues – 1) how to prevent solicitation from taking place? 2) if a solicitation takes place, how do you respond? The tool is based on real-life scenarios and can be used to train people within company on what to do in different situations. The cases presented in the tool can be customized to companies' own compliance programs.

Joel Turkewitz. From the World Bank perspective – corruption distorts development, since companies compete for favours rather than growth. Corruption disproportionately affects SMEs. Private-private corruption is just as widespread as private-public corruption. The World Bank addresses private sector corruption problems through several channels - strengthening laws and regulations, promoting corporate governance standards and practices, supporting private-public-civic society engagement in anti-corruption (i.e. overall focus on collective action). There are some good and bad collective action programs. For example, mandating integrity pacts for all programs. One of the major challenges in implementing collective action programs is to have reasonable expectations. Also, its critical that collective action is not imposed by governments on the private sector, because in such a case there is little incentive for the private sector to change its behaviour. We should also avoid over-reliance on independent auditors – there has to be some self-reinforcement tools to act ethically.

The role of civil society is key in implementing integrity pacts. Civil society can build up political will among the public sector and act as an independent facilitator of transparent transactions for the purpose of the public good. Civil society must have capacity to participate in such programs. Independent monitoring provided by civil society gives certainty to all actors that someone will ensure the provision of the public good.

Main Outputs

Participants agreed on the difficulties of implementing collective action. One of the main challenges is building consensus among companies. In highly corrupt environments,

companies will be distrustful of their competitors; it can also be dangerous to share information because it can be used against your company by corrupt competitors.



As governments increasingly get interested in the collective action idea, they seek to implement relevant programs. Panelists warned that collective action initiatives should not be driven by governments; they should be driven by the private sector or civil society.

In fact, civil society plays a crucial role in making collective initiatives work, especially in instances of public/private sector programs. They act as an independent third-party that can mitigate lack of trust that often exists between the public and private sectors in highly corrupt countries.

Recommendations, Follow-up Actions

Facilitate joint private sector/public sector/civil society anti-corruption engagement rather than individual action.

Develop relevant tools that the private sector can use to resist extortion by corrupt public officials.

Develop mechanisms for highlighting the costs of corrupt to business in developing countries and engage companies in anti-corruption campaigns.

Seek how to create positive incentives for companies to behave ethically, not just negative incentives.

Utilize business associations in collective action programs, especially when it comes to small and medium-sized companies.

Highlights

The audience was generally interested in seeing how the private sector can fight corruption. This mirrored the overwhelming focus on the private sector throughout the conference – including opening remarks by Prime Minister of Thailand who talked about the importance of collective action in fighting corruption. Several questions during the panel were in regards to concrete examples, which highlights the need for more examples and success stories, as the private sector is still often perceived to be the root sources rather than a solution to the corruption problem. The role of business associations in collective action generated much discussion as well – business associations can de-personalize anti-corruption programs and allow the private sector more broadly to lead anti-corruption efforts, rather than having individual companies take the blame. Finally, there was a good discussion on the need to develop tools and resources that companies can utilize to ensure that their commitments to fight bribery translate into real action.