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## **Global Expert Workshop “Collective Business Action and National Initiatives on Anti-corruption” Barcelona / Spain, 10 – 11 July 2006**

### **Meeting Report**

The Global Compact Office, the International Business Leaders Forum, Transparency International and the World Bank Institute with the support of the Barcelona Center for the Global Compact hosted a global expert workshop to discuss "Collective business action and national initiatives fighting corruption" on 10-11 July in Barcelona/Spain.

Business fighting corruption often requires collective solutions where companies work with each other, with procurement agencies and with other stakeholders. The objective of this workshop was to share experiences from different collective approaches by bringing together facilitators, business representatives and other experts that have already been involved in devising some kind of collective solution. Furthermore, the meeting aimed at a deeper understanding among participants about the success factors and frameworks of such initiatives.

There are a good number of examples from around the world where local businesses or business associations have come together to tackle particular aspects of corruption – e.g. the China Business Leaders Forum, Transparency International Columbia and its work on integrity pacts, the Makati Business Club in the Philippines, and the World Economic Forum PACI. It may seem far-fetched to bring together people that worked on the local implementation of the Extractive Industries Transparency Initiative with Malawi’s national initiative against corruption; however, we firmly believe that they share common features and dynamics that deserve further exploration. Although local contexts vary, we believe valuable common lessons can be extracted from these initiatives and can serve as examples of future collective efforts toward upholding the Global Compact’s 10th principle.

### **Follow up from the meeting in Barcelona**

#### **- Development of a ‘Corruption Impact Assessment and Response Guide’:**

A number of company representatives identified a need for a practical risk assessment tool. This tool would assist local business managers with the implementation of anti-corruption policies, and it would provide generic corruption dilemmas that a local company manager might encounter in his/her daily business operation. Examples could be pooled from the different organisations present at the meeting and with further input from other companies. Such a tool should be simple to use and should include potential responses and scenarios on how managers can avoid corruption. It should also refer to other resources and tools designed to assist business managers in opposing corruption. Initial project team: IBLF, WEF, TI, ICC, Statoil, GC.

- **Development of a training tool on ‘Collective Business Action against Corruption’:**  
One of the objectives of the meeting was to provide input in the development of a training tool on collective business action. The tool, developed by the World Bank Institute and the Global Compact, will outline common success factors for collective action; provide examples of how collective action was used as a potential tool to fight corruption; and list the challenges that were faced while doing so. The tool would mainly aim at business associations, Global Compact participants and network focal points. Participants are welcome to provide additional case stories that could become part of the tool.
  
- **Global Compact network activities:**  
Six Global Compact network representatives from Argentina, Brazil, Bulgaria, Malawi, Mexico, South Africa were present at the meeting. They come from networks that currently explore further activities in fighting corruption or are active in this area. The Global Compact Office, together with its networks, will continue to work on concrete implementation plans for these countries. Proposals will be shared with the group; support and cooperation with other initiatives is welcome.
  
- **Cooperation between GC, ICC, WEF, TI:**  
The four organisations will continue to cooperate. The next potential project includes organizing a joint seminar where companies from all four institutions can discuss concrete dilemmas. The four organisations proposed an additional project; that of preparing a flyer which establishes the business case for companies to actively work against corruption.

### **Outcome of discussions**

The main issues discussed were:

- How to make national collective business initiatives against corruption work
- How to implement a global initiative against corruption on the national level
- How can business contribute to national coalitions against corruption?

When using the term *collective action*, we must ensure that there exists a common understanding of what it means. While all participants recognized the importance of collective solutions, some used the term to describe advocacy and awareness-raising by business associations, while others had in mind deeper collaborations between companies; for instance, they envisioned a small group of companies developing and implementing a joint code of conduct. Ultimately, participants agreed that it is not sufficient for businesses to fight corruption individually, and that some kind of collective approaches are often required.

### **How to make national collective business initiatives against corruption work**

Participants acknowledged that in order to fight corruption collectively companies must implement anti-corruption policies at the individual company level. When internal management systems that include training and reporting are in place, company employees are well prepared to engage in collective initiatives. Frequently, only when internal efforts are insufficient, companies are more likely to engage with other companies and stakeholders to find joint solutions.

In recognizing that business often needs several convincing arguments in order to work collectively, (i) participants agreed on the importance of articulating the business case for collective action, including making the argument that business may benefit more by working collectively from the start rather than taking an individual approach; and (ii) they agreed that facilitation and a neutral convening platform must to be provided..

Based on the discussion, the following elements for successful collective action were considered as crucial:

- Create trust
  - Look for a champion company and include existing partners
  - Provide neutral facilitation and secure funding to sustain the initiative
  - Focus on concrete and local activities
  - Monitor the implementation
- **Trust.** The creation of trust between companies and stakeholders was cited as the biggest challenge for collective action.
- To create the desirable level of trust, it was considered critical that discussions – even multi-stakeholder ones – be kept confidential and that parties genuinely recognize that information and opinions disclosed should not be used outside the group.
  - It was proposed that a discussion around broader topics, such as ‘economic development’ or ‘competitiveness’, could be used to provide initial and overall context, allowing participants to establish trust and address the more sensitive issue of corruption as discussions progress over time. Trust can be further built by first engaging businesses in small projects that with time, will lead to the tackling of more challenging issues.
  - Identifying persons willing to provide leadership (champions) was also seen as important to creating trust.
  - A neutral convener for collective action (such as business associations, international organisations, civil society etc.) was seen as helpful in creating trust.
- **Champions and Partners.** Companies that provide leadership and are prepared to address sensitive issues and provide coordination were seen as a critical component to successful initiatives. Such leaders need to be identified in the early stages of a collective action effort.
- Leadership is also required in order to give credibility to the process and to send a signal to company employees that the issue is taken seriously by management. Collective business action also appears to be more successful when there are a relatively small number of competitors involved. This suggests that it is advantageous if such initiatives are sector-specific and relatively local, addressing practical needs of the participating companies.
  - The use of existing networks in order to facilitate dialogue between companies and in order to build trust should be considered. Business associations play an important role in providing a platform for dialogue and could be used to develop structures and coordinate activities (training etc.), especially for SMEs. Other partners that could be included are auditors/accountants, which often provide valuable insight in identifying patterns of corruption challenges that have emerged. The inclusion of civil society organisations at an early phase of the process enables access to valuable information and technical support, and increases the credibility of efforts undertaken.

- **Neutral facilitation and funding.** To bring together a group of companies and other stakeholders experienced facilitation skills and a good understanding of the local business environment is required. Facilitation is largely about making everyone understand the value of the initiative, identifying the right participants and partners, and assisting the participants in defining activities and outcomes.
  - Experiences suggest that a neutral party – facilitator/convenor - must have the trust and confidence of the participants. This is critical for progress and for overcoming initial reluctance or doubts some may have with a collective approach. However, in the medium-term collective business action should be business led in order to remain sustainable and relevant.
  - If some sort of initial facilitation is required, funding may be necessary to sustain such a joint effort. Participants concluded that advantages exist in sharing the costs among companies and other involved stakeholders (such as representatives of civil society, international organisations and government agencies). Organisations that make a financial contribution are always more likely to remain engaged and to demand practical results. Some suggested setting up an international anti-corruption investment facility which would pool funding earmarked for collective efforts in fighting corruption. As with any funding proposals, requests should have a clear scope, concrete time-frames, impact assessments, and concrete country or sectoral activities with outcome indicators.
  
- **Focus on concrete and local activities.** Local collective action may flourish best when it addresses local issues relevant to a company’s daily business operations.
  - Therefore, it is important to first analyse the existing environment and identify circumstances where corruption can occur. Only then can participants hold further discussions about concrete activities and potential solutions that are relevant to these local circumstances.
  - Once participants establish trust, based on initial research or joint discussions about corruption challenges they are likely to identify the practical steps they can take together. This may include the development of a sector-specific and detailed code of conduct, joint training, a dialogue with government institutions or an information gathering and reporting system.
  - Some participants felt that it was important not to overlook smaller initiatives in the quest for scalable solutions.
  
- **Example of activities.** If a smaller group of companies has been brought together, the group is likely to self identify the practical actions it may wish to focus on. An external facilitator can provide some ideas, but ultimately the companies themselves need to decide on what they should aim to achieve together. The following are examples of activities: Integrity pacts or codes of conduct as requirements for public tenders; collection and sharing of data about existence of corruption; survey on perception of corruption among companies; public debates about corruption; joint training sessions with journalists; organising training on ethics or anti-corruption processes for companies; setting up inspection registries or complaint units; developing sectoral agreements; providing access to information on tax or customs procedures; and public campaigning.

- **Monitor implementation.** Collective business action is more likely to be successful if it proves it made a difference and if participants feel they can trust that others implemented the actions that were agreed upon. Therefore, it is desirable if performance and impact of a collaborative project is measured, surveyed, monitored or otherwise evaluated. Some participants suggested that sanction schemes could be considered if companies choose to engage in a voluntary collective initiative but later fail to implement the agreed measures, for example a joint code of conduct. For example, a monitoring scheme could take the form of a requirement to perform a self-evaluation of progress when a company implements an internal program. In some cases it may even be appropriate for external organisations to verify progress when a company implements internal codes and policies. In other circumstances, participants felt it may be necessary to shame non-performers in order to bring about change. Others proposed to look at aggregated data, survey instances of corruption and then issue statements of recommendation; for example, in Colombia as part of a sectoral agreement, groups of companies established an ethics committee that collates complaints and issues statements about wrong-doings during a procurement process.
- Collective action approaches were often described as being a long-term, resource-intensive process mainly because of the trust-building phase but also because sustaining such efforts requires facilitation.

### **How to implement a global initiative against corruption on the national level - From global policy to local action**

A particular category of local collective initiatives is the local implementation of global policy initiatives such as the Extractive Industries Transparency Initiative (EITI), the International Chamber of Commerce Code of Conduct and the Partnering Against Corruption Principles for Countering Bribery. In addition to the above critical elements for collective initiatives, the following more broadly identifies the important aspects of ensuring local implementation of global policy initiatives:

- **Coalition between international and national champions:** Of critical importance, one or more companies involved in the initiative globally must also be prepared to take the lead locally and encourage and work together with other national champions. The identification of local partners and the creation of a critical mass of willing local business leaders is possibly the most important step in the local implementation of such initiatives.
- **Local adaptation:** In order to secure genuine local buy-in and to recognize local specificities, there must be a willingness to adapt and interpret the global initiative – set of principles, standard, code of conduct – into what is locally relevant. However, this is not done by compromising the underlying purpose of the initiative; for example, if a code prohibits facilitation payments, watering down this commitment with reference to local cultural circumstances is not considered local adaptation.
- **Training and follow-up:** Local implementation requires a long-term perspective and often follow-up that systematically engages and trains business representatives in order to ensure compliance. Often such activities start with initial awareness raising, discussions about specific local circumstances, training seminars on the implementation of codes, etc. Capacity building for SMEs and the implementation of an initiative throughout the supply chain often requires particular attention.

## **Business contributions to national coalitions against corruption**

Another kind of collective initiative worthy of discussion involves groups of companies that participate in a broad national coalition against corruption. The Malawi National Campaign against Corruption, the South African National Anti-Corruption Initiative, and the Brazilian Pact against Corruption and for Transparency are examples of such coalitions.

In addition to the above, the following were identified as particularly important aspects of successful business contributions to national campaigns:

- **Leadership:** Although business associations provide an important platform and act as a representative body in national campaigns, involving individual business champions to convey the message to their peers is also critical. The Malawi National Campaign offers a good example of leadership. Here, several highly respected business leaders started an open discussion and came up with practical solutions. In addition, if the public sector takes the national initiative seriously and involves senior level public officials who are willing to engage in dialogue with the private sector then business involvement at a senior level is greatly enhanced.
- **High level commitment needs to be translated into business relevant activities:** A challenge often encountered is that a general desire to improve the business climate is not translated into practical actions. Unless a number of concrete projects can be quickly identified momentum and business commitment may be lost. In identifying practical activities it may sometimes be necessary to focus on sector-specific challenges and working specifically with a few willing business champions rather than trying to unearth the ‘silver bullet’ solution for everyone.
- **Reward and incentive system:** It was felt that it might be important to demonstrate that company leadership in tackling corruption is also rewarded. This could be linked to public procurement where the implementation of anti-corruption policies becomes a pre-condition for tenders or a rating system which reflects the progress made in implementing policies. However, any ‘reward’ system will only be credible if linked to a monitoring system that builds trust and rewards companies based on real actions.
- **Communication channel for complaints:** Companies felt that the possibility to issue complaints and to discuss them with public officials in an open manner is an important step to creating a dialogue and building trust between business and government officials. Examples of communication channels given were:
  - Establishing a Complaints Hearing Units or a hotline within business associations or sectoral associations that would pool complaints and discuss them with officials
  - Upholding frequent meetings between all stakeholders where problems can openly be discussed
  - Engaging in ‘private legal action’ where companies investigate corrupt behaviour of competitors and forward the information to relevant authorities.

Voicing a complaint is a first step, but only seen as relevant if those who violate the law will also face prosecution. A weak legal system may fail to provide this punishment function; this is seen as the biggest challenge and makes it difficult for companies to deal with free-riders.

### **Other issues discussed during the two-day meeting in Barcelona**

- **SMEs and Corruption:** SMEs are often referred to as “the canaries in a coal mine” – the first ones to get negatively affected by corruption, due to their lack of negotiating power. Some participants felt that in many instances larger companies could do more to aid smaller companies along their supply chain. Tools, such as those currently being developed by DANIDA, can provide SMEs with information on which level they can expect solicitation of bribes. As a result, this can help SMEs with their risk assessment and planning phase of a project. SMEs would particularly benefit through collective action or coalition building against corruption (as seen through business associations). Current projects already focused on SME development, could expand their programs to include anti-corruption issues.