

Combating Bribery in the Supply Chain: Multi-National Companies and the UN Global Compact

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United Nations Global Compact (UNGC)

- “A strategic policy initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.”
- Over 5500 corporate participants and stakeholders from over 130 countries
- Principles 1 through 9 concern Human Rights, Labour Standards, and the Environment.
- Principle 10: “Businesses should work against corruption in all its forms, including extortion and bribery.”

UNGC Working Group on 10th Principle

- UNGC business participants, representatives of civil society, labour, and international organizations (~50 members)
- Third meeting in Vienna, June 2008
- Following meeting, formed sub-working group on Multi-National Company (MNC) dealings with suppliers and contractors (supply chain)

MNCs and Corruption in the Supply Chain

- MNCs seem to have less urgency about corruption in the supply chain than about the other nine UNGC Principles
- Many MNCs have robust programs for dealing with human rights, labour, and environmental issues among suppliers (see Nike), but much less concerning corruption
- Less stakeholder (consumer, shareholder, NGO, media) interest and pressure on MNCs about corruption than about human rights, labour and the environment

Corruption in the Supply Chain

- The supply chain generally has the highest risk for corruption:
 - Supply chain has more touch points with loci of corruption (more temptation, opportunity)
 - Supply chain often are small and medium size local businesses that may be awash in a corrupt culture
 - Small and medium size businesses have less leverage than MNCs to resist corruption and influence institutions

MNCs and Corruption in the Supply Chain

- MNCs have incentive and opportunity to influence and support their supply chain to combat corruption
- MNCs are victims of corruption in their supply chain
 - Corruption in the supply chain contributes to locally corrupt business environment
 - Increases costs of doing business
- Cooperation among MNCs is key
 - Level Playing Field — Avoid free riders and holdouts
 - Efficiency — Common suppliers often face inconsistent requirements, repetitive monitoring activities
 - Leverage — Common action by purchasers reduces ability of suppliers to reject tough standards from one purchaser

UNGC 10th Principle Sub-Working Group on Supply Chain

- Sub-working group to develop a common framework for dealing with corruption in the supply chain

- Proposed deliverables:
 - Set of guidelines and working principles (global and industry specific), as well as tools, including:
 - Code of business conduct for suppliers
 - Recommended contract language
 - Due diligence and qualification standards
 - Auditing and questionnaire protocols
 - Training materials

UNGC 10th Principle Sub-Working Group on Supply Chain

- Common guidelines and tools are just one element of collective action to fight corruption

- Sub-working group will liaise with industry associations and other groups promoting cooperation and collective action to fight corruption. For example:
 - UNGC Local Networks
 - AIM-PROGRESS
 - Partnering Against Corruption Initiative
 - World Bank Institute
 - Center for International Private Enterprise

UNGC 10th Principle Sub-Working Group on Supply Chain

- Actions taken and next steps:
 - Benchmarking of MNC best practices
 - questionnaire and call for materials
 - Share best practices, practical concerns and obstacles
 - Finalize deliverables and work streams
 - Report on progress at Fourth UNGC 10th Principle Working Group in New York, February 2009

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