

### **Short WORKSHOP REPORT FORM**

**Number and title of workshop:** WS 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:** Peter Brew, IBLF

**Rapporteur:** Aleksandr Shkolnikov, CIPE

#### **Panellists**

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

#### **Main Issues Covered**

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).

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 and 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](http://www.fightingcorruption.org). One of the tools Siemens tried to implement was 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.

In Colombia, 90% of pipeline manufacturers came together to establish a 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 an 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.

RESIST tool focuses on the demand side of corruption – solicitations and extortions by government officials. The tool is developed by companies and 4 major international organizations – UNGC, WEF, ICC, and TI. 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 a company on what to do in different situations. The cases presented in the tool can be customized to companies' own compliance programs.

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, it is 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 the 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.

#### Q&A

Why would companies engage in these efforts – why would they set aside money to deal with this when the business purpose is not necessarily clear? How to connect this to corporate social responsibility programs and create incentives for being transparent? There are positive and negative incentives. In the case of Siemens, all senior managers have targets for collective action in their contracts.

You could use the idea of white-listing companies as a positive incentive for transparent behaviour, rather than just blacklists.

Another incentive – promoting supply chain transparency initiatives.

Need to build skills in cross sector engagement.

Focus on business schools to promote anti-corruption education and raise the next generation of business leaders that embrace transparency and don't accept corruption as a normal part of doing business. Example of the international anti-corruption academy in Vienna – which will boost education for both the public and the private sector.

What about the role of government as an example of good, transparent behaviour. There are examples in the region – Hong Kong, Korea, and Singapore, where the government has set a high standard.

It is difficult to get the major market participants/market share owners into one boat as far as

fighting corruption. One of the dangers is concern over anti-trust, so there is a role for intermediaries.

One of the recent OECD recommendations – engage business associations in anti-corruption programs. Not all associations are the same, some would be interested in fighting corruption and some may not.

### **Main Outcomes**

Participants agreed on the difficulties of implementing collective action.

Collective action initiatives should not be driven by governments.

Civil society plays a crucial role in making collective initiatives work, especially in instances of public/private sector programs.

### **Main Outputs**

n/a

### **Recommendations, Follow-up Actions**

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

Create positive incentives for companies to behave ethically, not just negative incentives.

### **Workshop Highlights (including interesting quotes)**

Collective action is not a sprint, it's a marathon.

Debate on the role of civil society as independent monitors – in many instances civil society plays a crucial role, but we should not over-rely on civil society and work to ensure ethical behaviour by business.