

## ANTI-CORRUPTION COLLECTIVE ACTION

The private sector is joining forces to address corruption risks collectively



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The development and implementation of a compliance programme is an important step for every company to effectively manage its corruption risks. And although anti-corruption compliance has received a lot of attention over the past decade, many companies still find it challenging to translate anti-corruption requirements into practice. Due to limited resources, anti-corruption measures are often insufficiently developed and implemented, and for many smaller operations compliance does not extend far beyond internal regulations, such as a Code of Conduct.

Taking a look at the big picture, beyond the confines of one's own company, can be a worthwhile exercise as more and more companies are joining forces with other stakeholders to develop effective solutions to address corruption risks. Collective solutions, in the form of Collective Action initiatives, for instance, can support companies to establish and effectively implement robust and practicable compliance programmes.

### What is Collective Action and why engage?

The term Collective Action describes cooperation between companies and other stakeholders, such as other civil society institutions and sometimes the state too, in an effort to develop joint solutions to strengthen integrity and to address business risks in particular markets. Initiatives of this sort have proved to be particularly effective when it comes to addressing the practical challenges of bribery. Ultimately all market players – as well as consumers, benefit from fewer bribes being demanded and paid. Stemming bribery can also contribute to building trust in a market, encourage greater competition through more companies offering their goods and services, and help to level the playing field amongst competitors who compete on terms of quality, price and service rather than winning through bribes.

Small and medium-sized companies (SMEs) can benefit from Collective Action initiatives where they can learn from their multi-national customers. Such initiatives enable suppliers to develop their anti-corruption compliance programmes based on a clear understanding of what their customers expect and how to implement the standards. Given that SMEs often have fewer resources and experience in developing compliance programmes they are keen to learn and open to receiving assistance from their business partners who have well developed compliance management systems in place.

Collective Action, whether in the form of an alliance of like-minded SMEs or as an alliance with multinational

companies, reduces the burden on the individual company and offers the advantages of joining forces to more effectively tackle corruption. By sharing information and lessons learnt when implementing compliance systems or conducting risk assessments, Collective Action can generate new insights that can help all companies improve their internal guidelines and further develop their compliance programmes.

## Conditions for setting-up a Collective Action initiative

Perhaps the greatest challenge when initiating and setting-up a Collective Action initiative is taking the first step to establish an initiative and then to develop trust among competitors. In such a situation a neutral facilitator is imperative to minimise the risk of any anti-competitive behaviour between participating companies and to support the development and implementation of common objectives and strategies. The full support of the top tiers of management is also essential, in the same way as the effective implementation of a compliance system requires tone from the top of a company.

## Looking ahead: Establishing anti-corruption Collective Action as a compliance norm

The concept of Collective Action is supported by the leading international organisations working in the field of anti-corruption,<sup>1</sup> as well as the UN Convention Against Corruption, which call on both governments and companies to implement and engage in Collective Action as an innovative approach for addressing corruption and enhancing conditions for fair competition.

At the national level too, the concept is increasingly attracting attention, as evidenced by the [UK's Guidance on the Bribery Act 2010](#), which identifies Collective Action between peer companies as a recognised tool for organisations to show their commitment to prevent bribery. The UK government also supports internationally operating SMEs through its [Integrity Initiative](#), to enter new markets

by supporting the development of their compliance programmes and the establishment of Collective Action in markets with a higher risk of corruption.

Integrating Collective Action into compliance programmes at the corporate level so that it's actively considered in the mitigation of bribery risks could be a significant game changer for markets and industry sectors.

The success stories told by the numerous existing Collective Action initiatives give us an indication of the full potential that could be realised through Collective Action. Now it is time to establish Collective Action as a recognised compliance norm in order to fully exploit the potential offered by these initiatives.

## Collective Action in practice

What do initiatives of this sort look like in practice? Collective Action initiatives are implemented in a number of different forms and since there is no standard model, the structure and implementation mode of existing Collective Action initiatives can vary.

One of the earlier forms of Collective Action are **anti-corruption declarations** which describe loose associations of companies that commit to avoid corrupt business practices. Numerous companies have signed anti-corruption declarations, as initiated for instance by the [United Nations Global Compact](#). There are also many sector-specific initiatives of this sort that can be found all over the world. Although infringements of these types of declarations rarely leads to any repercussions in form of sanctions, anti-corruption declarations are an important tool to create mutual trust between companies and provide a good basis for further cooperation.

Collective Action Initiatives have also been instrumental in developing compliance tools to support companies in their fight against corruption such as the [Alliance for Integrity](#), which helps SMEs, in particular, put in place practicable compliance structures. The development and provision of innovative digital platforms, including [TheIntegrityApp](#), allows companies to monitor their compliance in real-time and to benefit from workshops and targeted information packages to strengthen and develop their compliance capacities.

<sup>1</sup> Organisations include the Organisation for Economic Co-operation and Development (OECD), the United Nations Office on Drugs and Crime (UNODC), UN Global Compact and the World Bank among others.

In a **standard-setting initiative**, participants take things a step further. This involves developing and setting anti-corruption standards for a specific sector, country, or even at the global level. This collectively developed standard becomes the prerequisite for membership, and any violation of the standards has clearly defined and agreed-upon consequences. Two well-known examples of initiatives of this sort are the [Wolfsberg Group](#) and the [Banknote Ethics Initiative \(BnEI\)](#). The Wolfsberg Group brings together financial institutions and has become an active contributor to the international standards that are promulgated by the Financial Action Task Force. BnEI comprises representatives of the banknote industry who come together to implement and further develop ethical standards in their industry. Compliance with these standards is ensured within the framework of a certification process.

[Integrity Pacts](#) which were originally developed by Transparency International (TI) for infrastructure projects are now implemented in over 32 countries and cover a wide range of different industry sectors. Along with the relevant state institutions, companies undertake to ensure greater integrity and transparency in the commissioning and execution of public-sector projects. Strict control measures and effective arbitration mechanisms guarantee compliance with and implementation of the integrity agreement.

One of the greatest success factors of Collective Action is that it does not prescribe a one size fits all methodology but enables each initiative to tailor their mode of working to the specific context and needs of the companies engaged, as a result, the transition between the different types of Collective Action initiatives described are fluid.

## Find out more about Collective Action

The [Collective Action Division](#) of the [Basel Institute on Governance](#) offers a [resource platform](#) for different Collective Action initiatives. It operates worldwide as an online knowledge centre and facilitator for private sector-driven initiatives. It gathers and provides information about active initiatives, practical examples, typology, analyses, and research projects. Thanks to its wide network of institutional partners, the Collective Action Team can draw on an extensive pool of resources, practical experience, and academic expertise. The Basel Institute is involved in establishing and providing facilitation services to a variety of Collective Action initiatives in various industry sectors. This experience is available to anyone interested to finding out more about Collective Action.

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