

INTERNATIONAL ANTI-CORRUPTION CONFERENCE 2024

Vilnius, Lithuania 18-21 June 2024

SESSION REPORT

Please know you may design the structure of this report to better suit the session. It's important to capture the key outcomes and solutions proposed for the future.

Session Title: From Red Flags to Green Lights: Business Integrity Solutions for Public Procurement

Date: 20 June 2024

Time: 6:00 PM - 7:30 PM (GMT +3)

Report prepared by:

Karin Adams
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Transparency International Secretariat

Moderated by:

Kaunain Rahman
Business Integrity Specialist
Transparency International Secretariat

Panellists:

- Vanessa Hans
Head of Private Sector
Basel Institute on Governance
- Lola Adekanye
Program Director for Africa
CIPE
- Ines Castresana
Private Sector & Compliance Program Coordinator
Poder Ciudadano (Transparency International Argentina)
- Valerio Fedele
Head of Group Internal Control System and Reporting
Autostrade per l'Italia

Share the thematic focus of the session, its purpose and corruption risks?

The session brought together specialists who have been putting forward different innovative approaches for incorporating business integrity solutions in public procurement processes.

The workshop's main objective was to showcase actionable solutions to fighting corruption in public procurement.

Public procurement is responsible for trillions in spending globally, with some estimates pointing to 10 – 25% of it lost to corruption. The tested solutions to this corruption risk presented in the workshop focused on reframing businesses as active stakeholders in addressing the problem.

Summary of panelists' contributions & discussion points (please be as detailed as possible)

- In her opening remarks, TI's Kaunain Rahman presented the pervasive corruption risk present in public procurement, and how it harms, among others, small businesses and women-owned enterprises. She furthermore explained how businesses themselves are usually perceived as a silent partner in business integrity discussions, and how collective efforts and multistakeholder approaches are necessary to act upon this corruption risk. Kaunain cites three different angles through which this challenge should be approached: a) collective action, b) robust anti-corruption compliance, and c) integrated ESG strategies. She announced the development by TI of its flagship initiative, a Global Integrity Pact Blueprint, as an example of a collective action solution that involves private sector, civil society and governments to ensure fair and transparent contracting.
- Basel Institute of Governance's Vanessa Hans shared insights and the key success factors in the collective action initiatives facilitated by her organization. She highlighted the outcomes of a collective action approach applied to a highway construction project in Colombia. They implemented a high-level reporting mechanism as a pragmatic solution to suspicions of corruption. The mechanism allowed for suspicions related to technical specificities and the procurement process to be raised to a body composed of independent experts, which found that the procurement process favoured one bidder over another. As a result, the agency changed the specificities of the procurement. The advantage of this approach is that it allows for the project to be carried forward without delaying the deliveries. She singled out trust between the private and the public sector as a crucial component of successful collective action initiatives, and pointed out that the high-level reporting mechanism can be combined with other tools such as Integrity Pacts, which was the case in the Colombia example.
- CIPE's Lola Adekanye explained the "Ethics First" approach to compliance developed by her organization, and how it can guide businesses in navigating ethical dilemmas in public procurement. "Ethics First" is an initiative/product that helps Micro, Small and Medium-Sized Enterprises (MSMEs) in Africa to develop business integrity standards and culture. She points out MSMEs have been largely excluded from government tenders in the continent. In assessing how to address this challenge, they identified tackling the cost of developing compliance programs as a low-hanging fruit. Existing offers are tailored to mega businesses and didn't address the needs of MSMEs. A second challenge concerns capacity. They put a network of consultants in place that would cater to the needs of MSMEs. As a third challenge, Lola cites collective inertia. The Africa Business Integrity Network, currently present in 13 countries and with over 800 companies registered, deals with this challenge. Small businesses can use the platform to connect to service providers and other small businesses and ask for mentorship and assistance. Participants go through a risk assessment and are then connected to professionals who advise them how to follow a step-by-step guideline on developing a business integrity plan.
- Ines Castresana from Poder Ciudadano shared insights into what role civil society organizations on the ground can play in supporting businesses to implement robust anti-

corruption compliance programs, particularly in public procurement processes. She stresses that CSOs have an important role to play in promoting/advocating high standards of integrity, in developing new tools, collaborating in the design of public procurement processes, as well as in monitoring them. Poder Ciudadano has been working to involve the private sector in business integrity solutions. She drew attention to the fact that if there's no transparency in public procurement, corruption ensues, and there is no competitiveness. Solutions to deal with this must engage the public and the private sectors. Society at large is a beneficiary of good procurement processes; involving them ensures good outcomes. In Argentina, Integrity Pacts have been implemented as an example of collective action. They can go beyond merely ensuring obligations of the contracting authority, by including, for instance, a provision of participatory mechanisms that are to be carried out by the contractor or providing detail information to the community of users of the service being contracted. Poder Ciudadano has been working in collective action to improve integrity in the relationship between government and service providers, especially MSMEs, in the energy sector in Argentina. As a part of this initiative, MSMEs receive capacity building on integrity programs. On the advocacy side, the organization has been advocating the public sector for a preferential public procurement policy for MSMEs.

- Valerio Fedele exemplified the private sector's role in proactively promoting integrity practices. His company, Autostrade per l'Italia engages in highway infrastructure throughout Europe, a sector with extremely high risk of corruption. Following OECD's, TI's, the UN's and B20's best practices in business integrity, the company has initiated four years ago a transformation programme to upgrade internal integrity initiatives. The initiative aims to set forth a transformation culture in which ultimately the company is evaluated not only by the profitability aspect, but compliance indicators have the same dignity as performance indicators.
- In reflecting upon the resistance that private sector actors sometimes show regarding joining collective action initiatives, Vanessa Hans is adamant that the way for convincing businesses is to present the initiative with a business case argument. She claims that speaking the same language as the desired targets, in this case companies, is important to successfully reach them. The message should be tailored to the specificities of the markets, size of the companies, etc. She furthermore notes that collective action is gaining momentum as a normative component and is now included by organisations such as the OECD as a tool in wider anti-corruption strategies. Additionally, it is key to think of incentives for businesses to join collective action initiatives, such as conditioning access to a specific market to participating in a collective action initiative or signing a pledge. Lastly, governments need to do their part and enforce the business integrity laws they have in place.
- Lola Adekanye was prompted to reflect on how to convince companies to adopt business integrity standards when they operate in environments where anti-corruption standards may not be as stringent, or where they face competition of other companies that do not play by the rules. She seconded Vanessa's argument about the need to make a business case in order to bring private sector actors on board – explaining to them how it adds value to their bottom line, to their employees, etc. This applies even to big and small businesses alike, because, if companies don't see the business value, it is only a matter of time before they walk away from the initiative. She furthermore draws attention to the fact that companies that do business in settings with high risk of corruption might have normalized unethical behaviour, strengthening the need to focus on capacity development. Businesses can collaborate with regulators to identify needs for change in the legal environment in sectors that have a higher risk of corruption. Finally, she underscores that businesses must be able to implement the business

integrity standards according to capacity. With this in mind, the Ethics First initiative has been designed as a progressive standard, with three different, progressive phases: green, silver and gold.

- Ines Castresano sees the generation of knowledge about corruption risks in public procurement as the most significant contribution that CSOs can make to improve business integrity practices. She sees a need for both the public and the private sectors to reflect on risks. There is a need to break the cycle of MSMEs not participating in public procurement because they mistrust the process and their ability to successfully participate. Integrity Pacts have a role to play in building mutual trust in this regard. CSOs should furthermore engage in training and generating spaces for dialogue, in order to multiply the number of actors that are involved in monitoring public procurement processes.
- Valerio Fedele is an active member of the OECD anti-corruption committee, which put forward a manifesto promoting zero corruption as the 18th Sustainable Development Goal. The Manifesto set up 10 rules that private and public companies should follow to guarantee a just ecosystem, such as changing the way corruption is conceptualized, promoting freedom of press and levelling the playing field. He sees Integrity Pacts as crucial to create a just environment between suppliers and clients. Valerio furthermore believes that using a building block approach is essential for shortening the learning curve in creating a business integrity policy and tailoring it to the businesses' capacity, considering for instance budgetary constraints.

Main outcomes of the session (include quotes/highlights and interesting questions from the floor)

- Businesses have been usually perceived a silent partner in business integrity discussions, but collective action initiatives have been contributing to changing this scenario.
- There is a perception of a new direction arising in business integrity debate, in which sanctions are abandoned to make way for the discussion of the appropriate incentives that will make business proactively adhere to integrity solutions.
- In order for business integrity solutions to become a reality among MSMEs, there is a need to “make the business case” of it, tailoring the message to their reality, restraints and needs.
- Different solutions, such as the High-Level Reporting Mechanism and Integrity Pacts, can be combined for a better outcome.
- Dialogue between the different parties involved in business procurement – governments, private sector and civil society – should be fostered to develop trust relationships between them. This is key to successfully implementing integrity solutions.
- Progressive approaches to business integrity such as the one adopted in Ethics First allow for the adherence of a wider range of MSMEs.

Key recommendations for the future and concrete follow-up actions

- CSOs should combine advocacy and capacity building efforts to foster a widespread adoption of business integrity solutions
- More spaces for dialogue between the different parties involved in public procurement should be created and maintained, so that trust relationships can be developed and innovative and tailor-made solutions to legislation and enforcement can be implemented.

- TI-S has announced the creation of a business integrity community of practice, which interested parties should enter to move the conversation about solutions and strategies further.

What can be done to create opportunities for scaling up the solutions discussed in the session? And by whom?

- Advocacy for legislation change and enforcement provisions to governments and relevant regional and multilateral bodies.

Is there a specific call to action to key stakeholders, such as governments, businesses, funders, civil society, young people, journalists or any other stakeholder that should be noted? Please specify if relevant.

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Rapporteur's name

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Date submitted

22 June 2024

Action! This report needs to be emailed to iacc-av@transparency.org within 24 hours of the session. If you wish to update the report, please do so by 21 July. Thank you.