

COLLECTIVE ACTION Against Corruption

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INTRODUCTION TO THE WORKSHOP ON COLLECTIVE ACTION AGAINST CORRUPTION



***Why is the
private sector
important?***



MODULE 1

Why is the private sector important?

- A key economic constituent → 70% of Egypt's labor force
- Envisioned to contribute 55% of necessary financing to achieve national sustainable development priorities → Egypt Vision 2030

***How to mobilize
the private
sector?***



MODULE 1

How to Mobilize the Private Sector?

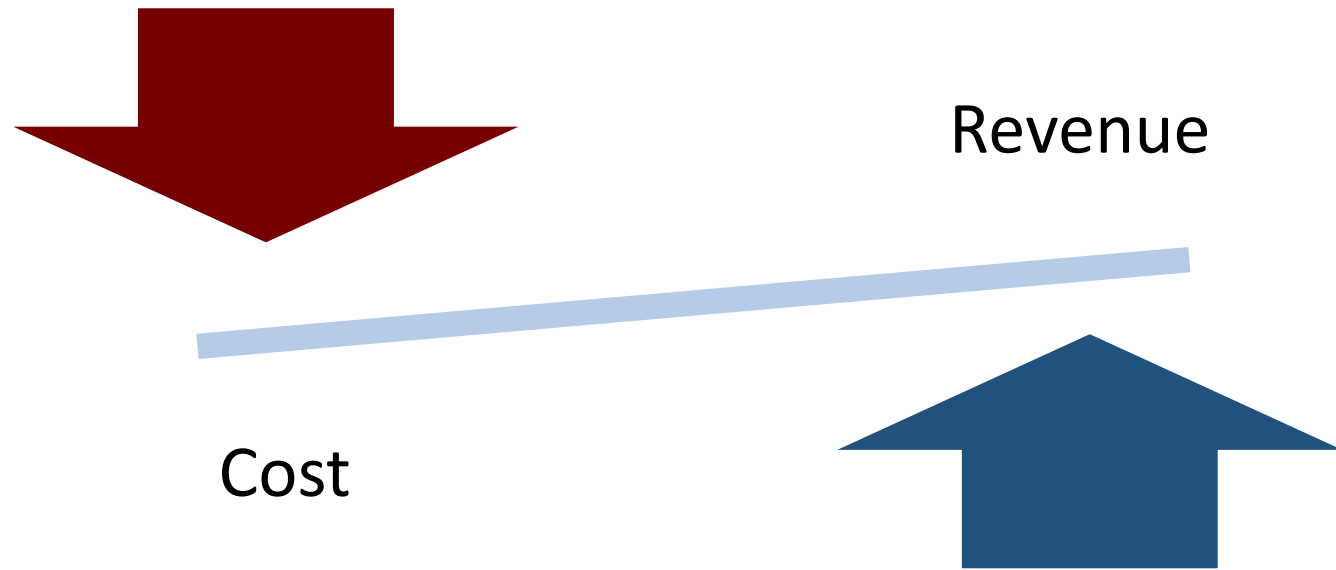
- Ethics → emotional discussions → ST
- LT success
 - sustainable outcomes
 - win-win situation
 - survival and growth

*Fighting Corruption Should Make **GOOD BUSINESS SENSE!***

***What drives the
private sector?***



What Drives the Private Sector?



PROFITS

***Why does the
private sector
engage in corrupt
practices?***



Why does the private sector engage in corrupt practices?



**No Sanctions
and / or
Weak
Enforcement**



**Receipt of
undue
advantage**



**Acceptance
as the norm:
lack of
alternatives**



**Perception
as business
necessity: to
avoid short-
run
disadvantage**

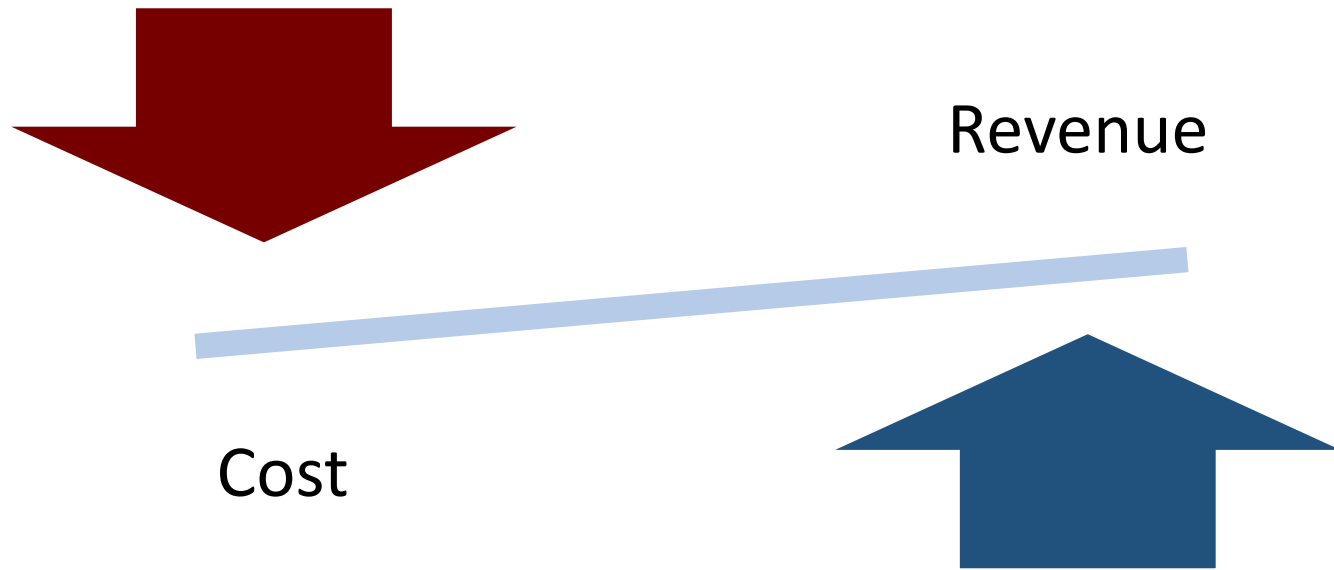


**Prisoner's
Dilemma:
lack of trust**

MOST COMMON DRIVERS

Why does the private sector engage in corrupt practices?

Corruption



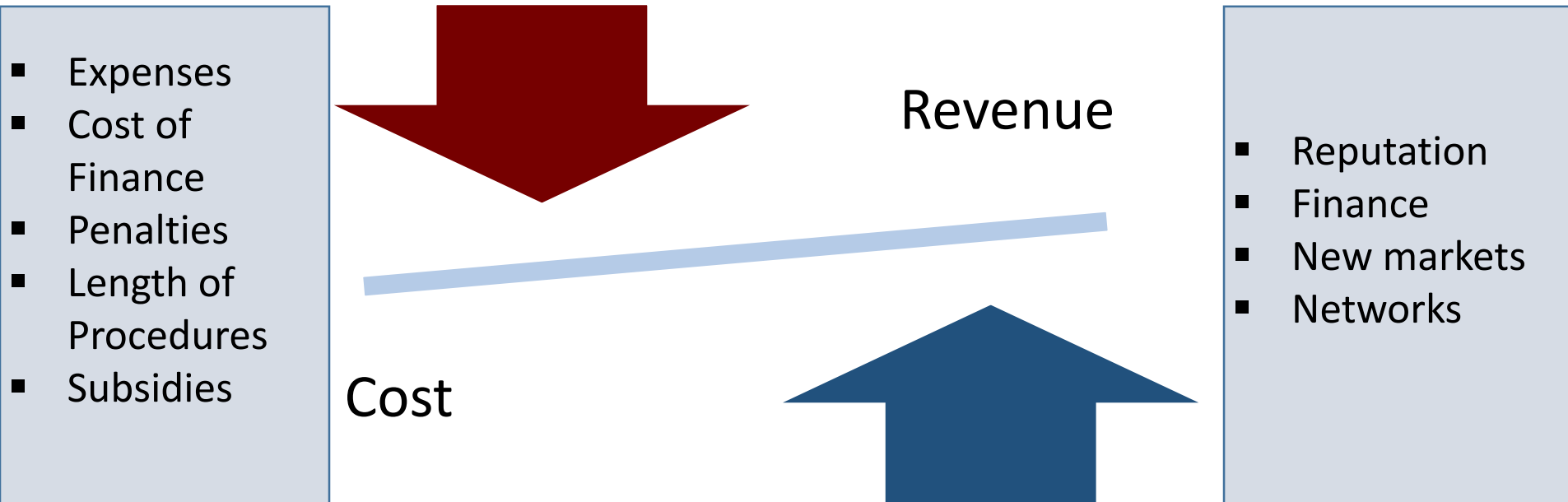
PROFITS

***How do you
influence the
private sector?***



Influence the Private Sector to Act with Integrity

CREATE THE *BUSINESS* CASE FOR *INTEGRITY*



PROFITS:
Volume AND Sustainability

What Can The Public Sector Offer Private Sector Actors?

LEGAL, COMMERCIAL, and REPUTATIONAL

INCENTIVES

- Preferred standing: procurement transactions
- Fast tracked procedures
- Reduced sanctions / fines
- Lower tariffs / duties
- Tax credits / exemptions
- Positive publicity
- Access to subsidies
- Faster payment

DISINCENTIVES

- Disqualification
- Confiscation of goods
- Suspension of business operations
- Heavy fines
- Imprisonment
- Negative publicity
- Loss of subsidies

AS A LEGISLATOR, A LAW ENFORCER, and A MAJOR BUYER GOODS & SERVICES

What Can Private Sector Actors Offer Each Other?



COMMERCIAL and REPUTATIONAL

INCENTIVES

- Preferred standing: procurement transactions
- Fast tracked procedures
- Reduced costs/ interest rates
- Access to finance / Enhanced credit facilities
- Partnership and revenue opportunities
- Access to international markets
- Expanded network / distribution channels
- Positive publicity
- Capacity-building assistance

DISINCENTIVES

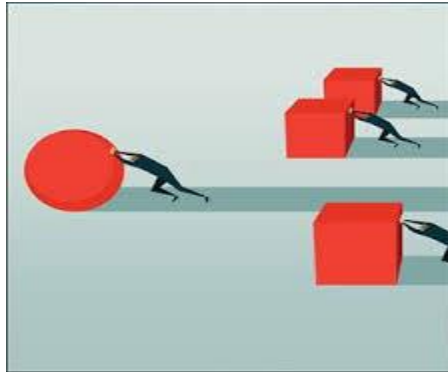
- Suspension of business operations
- Contractual penalties / compensatory damages due in case of anti-corruption clause violations
- Increased cost of capital
- Difficulties to penetrate the market (anywhere across the supply chain)
- Negative publicity

***What is collective
action?***



Transforming Clean Business Into Competitive Advantage by Acting Collectively

To Do What?



AGREE TO UPHOLD HIGH ETHICAL
STANDARDS & GOOD / CLEAN
BUSINESS PRACTICES

By Whom?



Losers of the Status Quo, Together

How?

Align Interests

Build Trust

COLLECTIVE ACTION FOR INTEGRITY

Collective Action: a COMPLIMENTARY Tool

Integrity becomes the norm

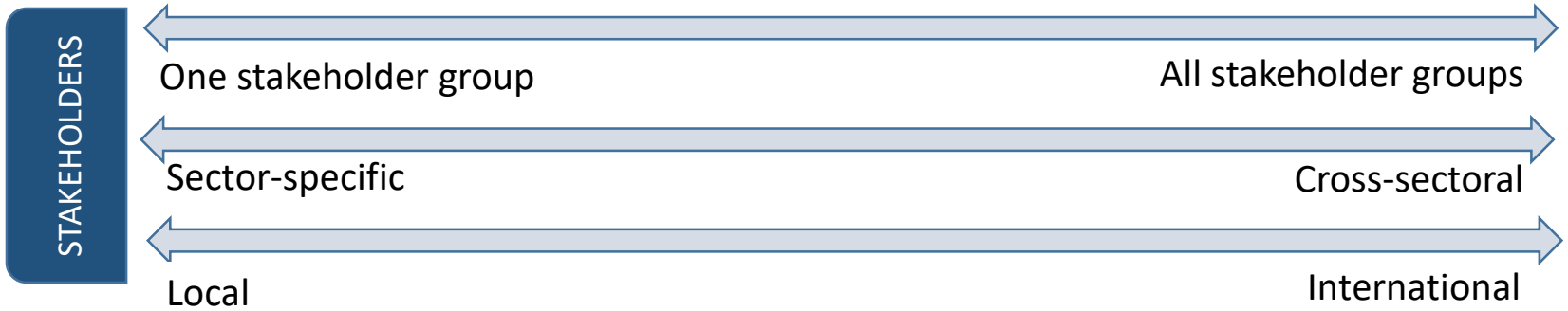
→ Power of social networks to shape behavior

No need to wait for legal reform

A step towards legal reform

Legal reform: Incentives and disincentives

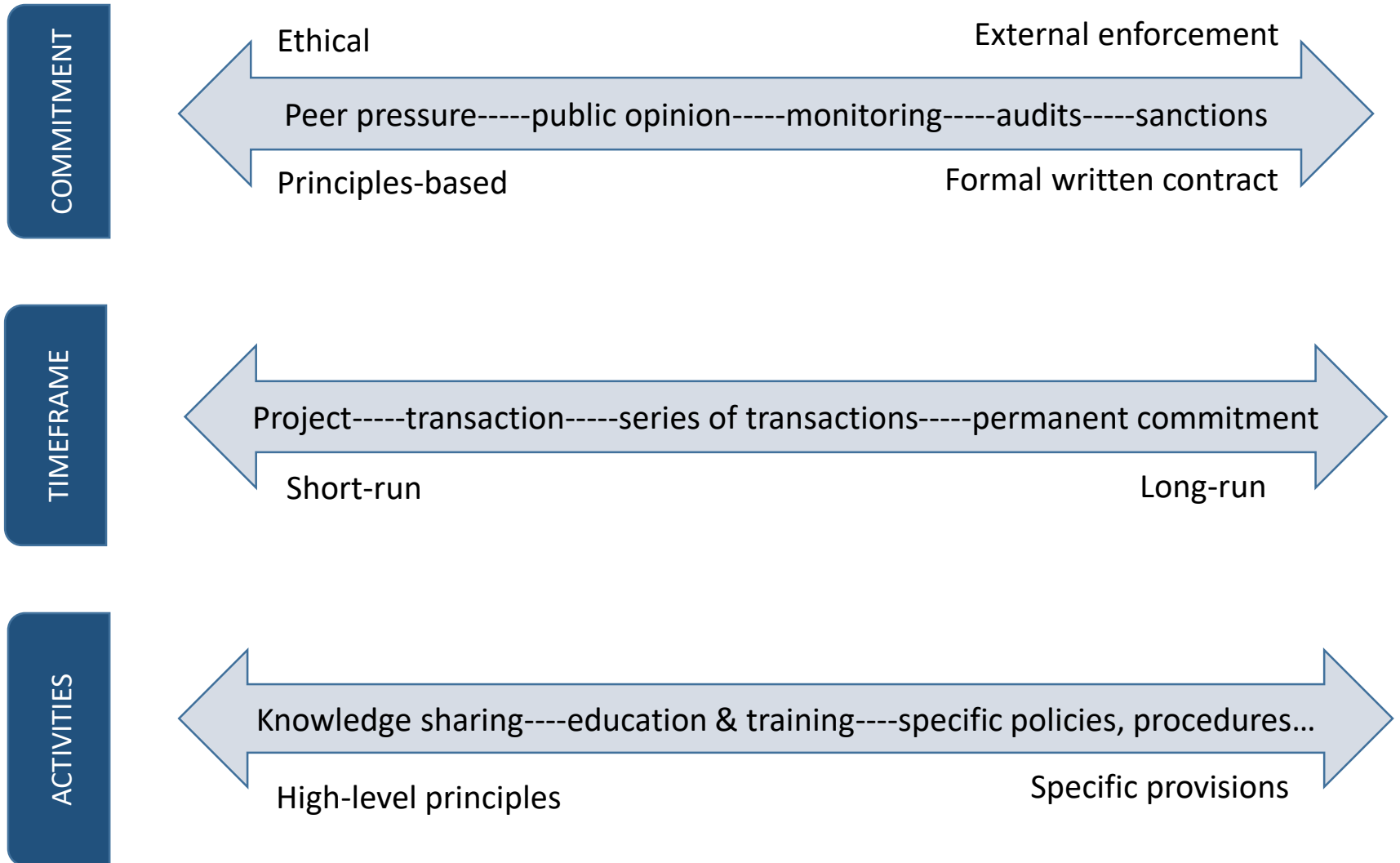
MODELLING THE CA INITIATIVE : FLEXIBILITY



STAKEHOLDERS' ROLES

INITIATOR	FACILITATOR	PARTICIPANT	MONITOR
<ul style="list-style-type: none"> • Identify the main issue(s) • Draft the course of the CA initiative • Identify and convene other actors • Manage the initiative 	<ul style="list-style-type: none"> • Convene other actors in a neutral context • Assist other actors in the application of measures: Simplify, expedite, support, empower, etc... • Mediate between different actors & / or competitors, as a neutral 3rd party • Manage the process 	<ul style="list-style-type: none"> • Commit to and abide by the provisions of the CA initiative 	<ul style="list-style-type: none"> • Assess, as a neutral 3rd party, compliance with provisions • Assess progress • Identify areas of improvement

MODELLING THE CA INITIATIVE



What Can Civil Society Offer?

CHARACTERISTICS

Credibility

Neutrality

Expertise

Network



IMPLICATIONS FOR POTENTIAL ROLE

- ✓ **Convene** stakeholders that otherwise do not know and / or trust each other
- ✓ Carry out or assist in **monitoring and assessment** activities
 - *Participate in public tenders*
 - *Monitor and assess compliance with CA provisions*
 - *Monitor and assess implementation of sanctions*
- ✓ **Communicate** information
- ✓ Contribute **resources and expertise** to the CA initiative: information, staff, compliance training, etc...
- ✓ Carry out awareness-raising and capacity-building **activities**
- ✓ Enhance **reputational incentives and disincentives**:
 - *Publicize ethical behavior (reinforce peer pressure]*
 - *Publicize corrupt activity*

IMPORTANT CONSIDERATIONS

Stakeholder Composition

- Size, ownership
- Homogeneity vs. heterogeneity
- Level of understanding, ability /willingness to learn
- Approach to the problem
- Power Balance

Governance & Project Management

- Planning (clearly defined objectives)
- Organization
- Implementation
- Monitoring and Evaluation
- Communication

Trust & Enforcement

SUSTAINABILITY and REPUTATION

***What are some
examples?***



- **Convention on Business Integrity (Cbi); Nigeria Corporate Governance Rating System (CGRS)**
 - In cooperation with Nigerian Stock Exchange
 - Integrity Standard → monitoring → listing criterion
 - Companies working internationally, seeking finance / listing:
 - Access to finance/ international markets
 - Reputational benefits
 - Competitive edge

- **The Nigerian Port Sector**
 - Maritime AC Network (Private Sector), UNDP, ACAs, the Nigerian Port Sector; Civil Society
 - Activities:
 - **Training and certifying** 70 local corruption risk assessors drawn from the public sector (federal and state), anti-corruption agencies, and civil society to conduct on-site assessments in private sector entities, government agencies, and other public sector organizations.
 - **Corruption risk mapping and identification** of significant governance issues (by aforementioned risk assessors).
 - Multi-stakeholder engagement to recommend risk mitigation and prevention measures.
 - ACAs developed a “risk reduction plan”
 - MACN developed an action plan to promote the implementation of these measures.

- **Construction Sector Transparency Initiative (CoST); Malawi**
 - CAI engaging media stakeholders
 - Capacity building to enable them to analyze / report on relevant info
 - 25 media practitioners / 7 media organizations

- **Coalition for Ethical Operations (CEO); South Africa**
 - Formal integrity pledge
 - Best practice sharing sessions / pub.-priv engagement
 - **Supply Chain Ethics and Anti-Corruption Program (SCEAP)** → training instrument for SME suppliers → certified as ethically aware

***What can you
think of?***



Individual / Group Exercise



Identify a potential collective action initiative against corruption (needs, constraints, resources, parties) for your country? Consider potential elements of such an initiative. How do you see your role in this initiative?

Private Sector in Egypt: Some facts to consider

- A prevalence of **micro enterprises** → **58% of the labor force**
- Existing structures for **public-private dialogue**: the General Authority for Investment and the Investor Service Center → capacity-building required
- **PSE through development co-operation largely comes from multilateral development finance institutions (DFIs), followed by Development Assistance Committee (DAC) donors and their implementing agencies and bilateral DFIs**
- Sectors of focus: Finance, energy, manufacturing and agriculture
- Large domestic private sector actors are the most prominent partners in reviewed PSE projects (62% of projects), (MSMEs) accounted for only roughly 8%.
- **MSMEs receive support in terms of access to finance and capacity development from development partners.**
- **The government, as well as the Central Bank of Egypt, are committed to supporting financing windows for MSMEs**
- **The MSME Development Agency is the main government entity responsible for coordination of national MSME development policies and direct MSME support.**