COLLECTIVE ACTION
Against Corruption

Tangier, Morocco
June, 2019
Rania Uwaydah Mardini
INTRODUCTION TO THE WORKSHOP ON COLLECTIVE ACTION AGAINST CORRUPTION

Why We Are Targeting the Private Sector

How to Mobilize the Private Sector

Understand the Private Sector

Influence the Private Sector

Understand Collective Action
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

Cost

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

Most Common Drivers:

1. No Sanctions and/or Weak Enforcement
2. Receipt of undue advantage
3. Acceptance as the norm: lack of alternatives
4. Perception as business necessity: to avoid short-run disadvantage
5. Prisoner’s Dilemma: lack of trust
Why does the private sector engage in corrupt practices?

<table>
<thead>
<tr>
<th>Corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>Cost</td>
</tr>
</tbody>
</table>

PROFITS
How do you influence the private sector?
Influence the Private Sector to Act with Integrity

CREATE THE BUSINESS CASE FOR INTEGRITY

- Expenses
- Cost of Finance
- Penalties
- Length of Procedures
- Subsidies

Cost

Revenue

- Reputation
- Finance
- New markets
- Networks

PROFITS:
Volume AND Sustainability
What Can The Public Sector Offer Private Sector Actors?

**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

**LEGAL, COMMERCIAL, and REPUTATIONAL**

**AS A LEGISLATOR, A LAW ENFORCER, and A MAJOR BUYER GOODS & SERVICES**
What Can Private Sector Actors Offer Each Other?

**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?**

**By Whom?**

**How?**

- Agree to uphold high ethical standards & good/clean business practices
- Losers of the Status Quo, Together
- 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

- One stakeholder group
- Sector-specific
- Local
- All stakeholder groups
- Cross-sectoral
- International

STAKEHOLDERS’ ROLES

INITIATOR
- Identify the main issue(s)
- Draft the course of the CA initiative
- Identify and convene other actors
- Manage the initiative

FACILITATOR
- 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

PARTICIPANT
- Commit to and abide by the provisions of the CA initiative

MONITOR
- Assess, as a neutral 3rd party, compliance with provisions
- Assess progress
- Identify areas of improvement
MODELLING THE CA INITIATIVE

**COMMITMENT**
- Ethical
- Peer pressure — public opinion — monitoring — audits — sanctions
- Principles-based
- External enforcement
- Formal written contract

**TIMEFRAME**
- Project — transaction — series of transactions — permanent commitment
- Short-run
- Long-run

**ACTIVITIES**
- Knowledge sharing — education & training — specific policies, procedures...
- High-level principles
- Specific provisions
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?
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.