

# U4 Expert Answer



## The role of business associations and chambers of commerce in the fight against corruption

### Query

**Please provide specific examples or initiatives led by or supported by Chambers of Commerce and Business Associations in helping business fighting against corruption, highlighting experiences from Asia?**

### Purpose

To identify good practices, where these organisations play a lead or supporting role in promoting collective action among businesses.

### Content

1. How can business associations support the fight against corruption?
2. Examples of business associations fighting corruption in practice
3. How to assess whether a business association is a good partner?

There are several ways in which business associations and chambers of commerce can support anti-corruption efforts. They can facilitate collective action, collectively advocate for reforms and encourage more transparency and accountability in government decisions, as well as promote good corporate integrity among its members.

Examples show that chambers of commerce and business associations have played an important role particularly in setting integrity and anti-corruption standards for businesses mainly through certification programmes and the adoption of codes of conduct. This is the case for example in Thailand and the Philippines. Other areas of intervention include trainings, awareness raising and advocacy as implemented by business associations in China and Vietnam.

### Summary

Companies are more likely to behave ethically and act against corruption if they are confident that their competitors also adhere to the same ethical standards. Business associations and chambers of commerce can potentially offer a good platform for companies operating in a given sector to collectively engage in the fight against corruption and level the playing field between competitors.

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## 1 How can businesses associations support the fight against corruption?

### Overview

The private sector has an important role to play in the fight against corruption. Therefore, to effectively fight corruption, governments, civil society organisations (CSOs) and donors should seek to systematically and constructively engage with the private sector as a source of corruption, but also a potential supporter in the fight against corruption (Transparency International 2009).

Recent initiatives such as the United Nations Global Compact have called on the private sector to “work against corruption in all its forms” (Principle 10). However, individual companies, afraid of competition or of sharing confidential information, may be reluctant to engage in the fight against corruption by themselves. A collective action approach, where companies join forces to commit to behave ethically and fight corruption, is presented as a possible solution to this problem (Weimer 2007; World Bank 2008).

Within this framework, chambers of commerce and business associations have been considered as possible facilitators of this process. While different in nature, both chambers of commerce and business associations represent the interest of businesses and provide a platform for discussion and dissemination of relevant issues (Weimer 2007). Guided or supported by chambers of commerce or business associations, individual companies may have more incentives to behave ethically and advocate for reforms, particularly if these actions are also endorsed by their competitors.

This answer thus discusses how business associations/chambers of commerce can support the fight against corruption, highlighting the role they can play in facilitating collective action, and provides examples from the Asia Pacific region as well as other regions.

### *The role of business associations and chambers of commerce in fighting corruption*

Companies are more likely to act against corruption if their competitors are also doing so. Business associations can thus offer a good platform for

companies operating in a given sector to engage in the fight against corruption.

There are several ways in which business associations can support anti-corruption, including by facilitating collective action, collectively advocating for reforms, and promoting good corporate integrity among members.

### *Facilitating collective action*

Collective action is defined by the World Bank as “a collaborative and sustained process of cooperation between stakeholders. It increases the impact and credibility of individual action, brings vulnerable individual players into an alliance of link-minded organisations and levels the playing field between competitors. Collective action can complement or temporarily substitute for and strengthen weak local laws and anti-corruption practices” (World Bank 2008).

Within this framework, collective action is seen as a strategic approach where businesses, unified around common standards, work together with CSOs, the public sector and other stakeholders to fight corruption (Morrell and Bettcher 2013).

Collective action can include short or long term approaches as well as a variety of initiatives such as integrity pacts, certification mechanisms, and anti-corruption declarations, among others (Morrell and Bettcher 2013; World Bank 2008)<sup>1</sup>.

According to the literature, collective action approaches tend to be more successful when supported by a facilitator. Potential facilitators include CSOs, chambers of commerce, business associations, or trade unions, among others (World Bank 2008). However, the engagement of chambers of commerce and business associations as collective action facilitators is still limited (Pieth 2012). To date, the majority of collective action approaches have been promoted by CSOs, who have been playing an instrumental role in bringing together the private and public sectors, particularly in developing countries (Transparency International 2010).

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<sup>1</sup> Integrity Pacts are a tool, developed by Transparency International, for preventing corruption in public contracting. They are essentially an agreement between the government agency offering a contract and the companies bidding for it that they will abstain from bribery, collusion and other corrupt practices for the extent of the contract.

While the support of CSOs is seen as instrumental and important to bring more credibility to the process, business associations could play a bigger role when it comes to mobilise companies and bring competitors and suppliers to collectively fight corruption (Sullivan and Shkolnikov 2008),

### *Advocating for reforms*

Business associations can also play an important role advocating for institutional and legal reforms. Companies are in a unique position to assess the areas in the public administration that are most prone to corruption, and business associations/chambers of commerce can lobby for reforms in a collective (and often stronger) manner. Advocacy efforts may include, for instance, demands for more transparency and accountability in public procurement processes, and simplified procedures for doing business in a country (Sullivan and Shkolnikov 2008; Morrell and Bettcher 2013).

### *Enhancing integrity within companies*

Business associations and chambers of commerce may support good corporate governance in a variety of ways, including by (Sullivan and Shkolnikov 2008; Weimer 2007):

- Establishing a code of conduct where members commit to do business without resorting to corruption
- Increasing awareness about the detrimental effects of corruption through seminars, conferences, and studies, among others
- Compiling information on best practices and expected standards related to compliance and internal anti-corruption policies
- Promoting companies' adherence to transparent accounting
- Providing training on corruption-related issues as well as ethics and integrity
- Providing certification

### *How to assess whether a business association is a good partner?*

As mentioned, a good understanding of the country's social, economic and political environment is a prerequisite for developing an anti-corruption strategy. Assessing the independence, commitment, and legitimacy of possible partners is also crucial. In the case of chambers of commerce and business associations, it is important to ensure that these organisations have a large membership base and that

they fully represent the interests of their members. Also instrumental is to ensure that its members are not involved in corrupt dealings and that the organisation is effectively managed.

The World Bank has prepared a list of things to be considered prior to engaging with business associations and chambers of commerce. They include internal and external considerations (World Bank 2008).

Internal considerations may include:

- History of organisation's establishment
- Independence from any particular commercial or political interest
- Demonstrated support to open market competition and the rule of law
- Track-record of promoting ethical business
- Demonstrated facilitation skills and experience with public policy advocacy
- Proper accounting and disclosure of its own operations
- Proper governance mechanisms
- Local knowledge and credibility
- Broad representation of business community

External considerations may include:

- Association's standing in the community, based on views from the media, public officials, CSOs, and members, among others.
- Credibility among other NGOs and business associations

## 2 Examples of business associations fighting corruption in practice

Business associations and chambers of commerce have been leading/supporting the fight against corruption in several countries. However, studies analysing the impact and effectiveness of such initiatives are scarce, making it difficult to highlight what could be considered as best practice. In any case, there is a broad consensus that there is no blueprint regarding the best approach to be used by business associations when engaging in the fight against corruption and promoting collective action approaches.

The literature highlights the importance of taking into consideration the country context, the opportunities and challenges for reform as well as social and political

barriers before defining any anti-corruption strategy in a country (Sullivan and Schkolnikov 2008), including the engagement with business associations and chambers of commerce. In addition, the involvement of other stakeholders such as civil society organisations is crucial not only to lend more credibility to the process but also to help assessing the corruption environment in the country (Sullivan and Schkolnikov 2008; World Bank 2008).

Examples show that chambers of commerce and business associations have played an important role particularly in setting integrity and anti-corruption standards for businesses mainly through certification programmes and the adoption of codes of conduct. This is the case in Thailand and the Philippines. Other areas of intervention include trainings, awareness raising and advocacy as implemented by business associations in China and Vietnam.

## Examples from Asia

### China

#### Sequa programme

The project received funds from the Siemens Integrity Initiative in 2011 and it aims at enhancing the role of Chinese Business Membership Organisations, in this case the Chengdu General Chamber of Commerce and the Hunan Provincial Chamber, in the fight against corruption.

The programme relies on the expertise of German chambers of commerce and sectoral associations as well as on the expertise of GIZ. The idea is to promote a dialogue between the public and private sectors, provide capacity building to Chinese chambers of commerce and businesses associations, including trainings on ethics, integrity and anti-corruption policies, as well as establish industry specific standards to create a fairer business environment.

During the first year of implementation of the project, several initiatives were undertaken, including drafting a code of conduct by the Hunan Chambers of Automotive Suppliers and Industry and Metal Industry, trainings on management tools to prevent corruption and on compliance organised by chambers of commerce, the creation of a helpdesk and a hotline. A conference was also organised by the Chengdu sector chamber for food industry with 300 companies and members of the government and focussed on revising public

procurement procedures and establish a collective call for integrity (Siemens Integrity Initiative, 2013).

For more information please see Sequa's [website](#) (in German).

### Malaysia

In 2011, the Federation of Malaysian Manufacturers in partnership with Transparency International organised a conference aimed at raising awareness of the business community on the importance of establishing anti-corruption programmes as well as encouraging companies to improve their corporate governance programmes. Prior to that, Transparency International Malaysia, the Federation of Malaysian Manufacturers and other chambers of commerce in the country launched an anti-corruption pledge where companies committed to doing business without resorting to corruption.

For more information please see TI Malaysia's [website](#).

### Thailand

#### Private sector collective action coalition against corruption

In 2010 the Thai Institute of Directors (IOD) established a coalition against corruption that includes the largest and most influential business associations in the country. The coalition is supported by the Center for International Private Enterprises (CIPE) and it aims, among other things, at raising awareness of corruption risks in the private sector and building the necessary support to prevent and fight corruption.

As part of its activities, the coalition has been developing a series of best practice standards and sharing anti-corruption experiences and practices to motivate other companies to join their efforts.

Other activities conducted by the coalition include:

- Certification mechanism: the coalition certifies companies that have put in place anti-corruption and integrity policies. The verification is done by an external auditor and a list of certified companies is provided online. According to experts, this certification mechanism is well respected among government agencies and often used by private funds as criteria to evaluate in which companies to invest.

- Anti-Corruption Business Principles: where companies commit themselves to prohibit bribery in any form and to establish an effective programme to counter bribery.
- Declaration of Intent: every new member is obliged to sign a declaration of intent where the company commits to enter a process of collective action with Government, civil society, media, and international organisations to foster cleaner business practices.
- Code of Conduct for Business: members are also obliged to abide by the business integrity and transparency principles defined in the code of conduct.
- Self-evaluation tool for countering bribery: This tool was adapted from Transparency International's Business Principles for Countering Bribery. It aims at enabling companies to assess the adequateness and effectiveness of their anti-bribery policies and procedures.
- Training programmes: recently, with the support from CIPE, IOD developed two new training programmes. One is targeted at corporate directors on sources of corruption risks, policies to address these risks, and employee training. The second training focuses on compliance and internal audit.
- Integrity pacts: the network has been advocating for more transparency and accountability in public procurement processes and has signed an agreement with the country's anti-corruption commission to include integrity pacts in government procurement processes.
- White Organisation Award: an award has been given in recognition of organisations with good corporate governance policies.
- Anti-corruption declaration: members of the network have committed not to pay bribes in exchange for government contracts.
- A hotline centre where individuals may report corruption has been created.
- Corruption Situation Index: a study has been conducted in cooperation with the University of the Thai Chamber of Commerce that aims at investigating corruption perception and the government's efficiency in fighting corruption in the country.

For more information please see [here](#).

### *The Philippines*

#### **Integrity Initiative**

In 2009, the Makati Business Club, a business association founded in 1981 and composed of senior executives from large corporations in the country, and the European chamber of commerce launched the integrity initiative.

The initiative aims at establishing common standards of ethics and integrity among businesses operating in the country as well as fostering collective action, effectively cooperating with government, civil society organisations and the private sector.

Many activities have been developed to encourage and support companies operating in the Philippines to act honestly and engage in the fight against corruption. The main project is the SHINE (Strengthening High Level Commitment for Integrity Initiatives and Nurturing collective action of Enterprise advocating for fair market conditions). Funded by Siemens, this four year project which started in 2011 aims at establishing a certification and accreditation system, where companies will be audited, accredited, and certified based on compliance to ethical business practices and strict integrity standards. In order to support the development of such a system, several other tools/activities have been conducted, including:

The coalition is respected and has managed to attract media attention which in turn has helped to bring new members (Morrell and Bettcher 2013). Nevertheless, there is no concrete information on whether the coalition has had any impact in reducing corruption in the country.

For more information please see IOD's [website](#).

#### **Anti-corruption network**

In 2011, the Thai Chamber of Commerce under the leadership of Dusit Nontanakorn launched a network alliance of public and private sectors to fight corruption in the country, the Anti-Corruption Network (ACN).

As of December 2012, the network had 46 members, including more than 30 industry associations. Other members include the United Nations Development Programme (UNDP) and non-governmental organisations. The network seeks to bring together the government, civil society, and the private sector.

The ACN has been promoting several activities to fight corruption in Thailand, including:

- The enactment of a unified code of conduct for business: the code sets basic ethical principles related to business practices covering areas identified by businesses as critical such as compliance with the law, handling third parties, and complaints, among others.
- The creation of an Integrity pledge through which companies commit to ethical business practices and to support a collective effort to fight corruption in the Philippines. The pledge is to be signed by CEOs or other senior representative, setting the “tone from the top”. Signatory companies enjoy some benefits, such as the status of preferred supplier for private and government contracts, access to a hotline and helpdesk that can be used to prevent and detect unethical business practices; public recognition as “clean companies” – the initiative’s website lists all companies to have signed the pledge.
- The creation of an integrity assessment: companies that are signatories of the integrity pledge may use this assessment tool to verify whether their policies are aligned with the unified code of conduct.
- The conduct of awareness raising events such as integrity concerts, film festivals and seminars.

Achievements of the programme in 2012 included the organisation of an integrity summit with the participation of more than 500 companies. Companies with good practices were encouraged to share their policies and practices during an integrity forum. In addition, approximately 30 professional and industry associations signed the Integrity Consortium Cooperation which will enable a longer-term approach to developing ethical practices in the private sector (Siemens Integrity Initiative 2013).

For more information please see the [Integrity Initiative website](#).

### Coalition against corruption

The Makati Business Club is also one of the founders of the Coalition against Corruption in the Philippines. The coalition, founded in 2004, includes groups representing the private sector, academia, civil society organisations and the church. Its main objective is to strengthen public participation in government decisions, limiting the space for corruption to flourish. The coalition also relies extensively on volunteers to monitor service delivery and public procurement processes, and for that

it offers training to citizens willing to volunteer their time to monitor how public money is being spent.

For instance, volunteers from the Makati Business Club, the Management Association of the Philippines and the Bishops Businessmen’s Conference have served as observers in procurement processes conducted in more than 23 public agencies.

For more information please see the [Coalition against Corruption website](#).

### Vietnam

#### Integrity and Transparency in Business Initiative for Vietnam (ITBI)

In 2010, the Vietnam Chamber of Commerce and Industry received a grant from the Siemens Integrity Initiative to establish a three-year project in partnership with the International Business Leader Forum and the United Kingdom. Through a collective action approach, the initiative aims at raising awareness of the detrimental effects of corruption and mobilise businesses to behave ethically and act against corruption by conducting research to enhance business understanding about corruption in the country, advocating for reforms and enforcement of the law, as well as conducting trainings on integrity and anti-corruption.

For instance, the Vietnamese Chamber of Commerce conducted a research to analyse the main forms, scale and impact of corruption in the business sector. The findings of the study were discussed with members of civil society organisations as well as the Vietnamese government.

As part of its advocacy efforts, the ITBI project has organised a series of policy dialogues with state agencies, and supported the revision of the anti-corruption law and the law on complaints and denunciations, among others. In 2012, a press network was established with the aim of strengthening the press role in boosting integrity, publicity and transparency in business in Vietnam.

For more information please see the Siemens Integrity Initiative website and the Vietnam Chamber of Commerce [website](#).

## Other examples

### Germany

In Germany, after corruption scandals involving the construction industry in the 1990s, the Bavarian construction industry association established the Certifying Business Coalition, an initiative aimed at fostering integrity in the construction sector, preserving industry reputation as well as pre-qualifying companies to take part in procurement processes (World Bank 2008).

In addition, in 2006 the Association launched a broader anti-corruption initiative - the Ethics Management Initiative. Companies interested in joining have to commit to the ethical principles put forward by the association and accept to be audited one year after they join. A certificate is given to those companies that abide by the association's principles. The failure to comply with anti-corruption and integrity policies can lead to the exclusion of the company from the association (CGU no year).

For more information please see the Bauindustrie Bayern [website](#) (in German).

### Paraguay

#### **Pacto Ético Comercial (PEC)**

The Business Ethics Pact [*Pacto Ético Comercial*] in Paraguay was founded in 2005 by the Paraguayan American Chamber of Commerce and the Advertiser's Chamber of Paraguay with the support of the American Embassy with the main objective of promoting ethical behaviour among businesses. The activities conducted by the pact include certification process for members, random audits as well as trainings and workshops.

As of 2010, nearly 150 companies have committed themselves to the principles of ethics and integrity put forward by the pact. More than 100 companies have submitted their internal financial records to prove their compliance with national laws and tax regulations. In addition, trainings on how to develop codes of conduct have been conducted in more than 80 companies and 15 companies had already been disseminating their ethical codes. Four companies have been certified.

Besides bringing businesses together in the fight against corruption, the pact has built alliances with the public sector and CSOs.

For more information please see the Business Ethics Pact [website](#) and their [Facebook page](#).

### Russia

#### **Regional Coalitions Representing Small Business**

In Russia, from 2002 to 2011, 225 chambers of commerce and business association received support from the Center for International Private Enterprise (CIPE) and the US Agency for International Development (USAID) to build advocacy coalitions with the aim of reducing the opportunities for corruption and reducing the barriers to businesses (Morrell and Bettcher 2013).

These coalitions developed regional business agenda advocating for changes regarding business procedures, access to information, corruption, and property rights, among others. The coalitions managed the approval of 138 legislative changes at the regional level covering the areas mentioned above.

The success of these regional coalitions may be partly attributed to the four-step mechanism to collective action developed, which is based on building consensus among participants, creating a common and unified approach to fight corruption and unfair business regulations, monitoring the implementation of existing laws and regulations and communicating widely the findings, and promoting the dialogue between the private sector and other relevant stakeholders (Morrell and Bettcher 2013).

## International level

### **RESIST**

The International Chamber of Commerce (ICC), in partnership with Transparency International, the UN Global Compact and the World Economic Forum developed the RESIST (Resisting Extortions and Solicitations in International Transactions) tool. Based on real-life scenarios, the tool raises employee's awareness of how to prevent illegal demands from being made, and provides recommendations on how to act ethically when they cannot be avoided.

For more information please see the ICC's [website](#).

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