

REGIONAL BUSINESS INTEGRITY CONFERENCE

CULTURE OF BUSINESS INTEGRITY – PATHWAY TO SUSTAINABILITY AND SUCCESS

06 – 07 MARCH 2017, SINGAPORE



SUMMARY OF DISCUSSIONS

A. EVENT OVERVIEW

The Regional Business Integrity Conference was organised by the ASEAN CSR Network (ACN) on 6 March 2017 in Singapore. It served as a platform for different stakeholders to discuss potential solutions to fight against corruption and restore business integrity in ASEAN, creating a level playing field and promoting long-term sustainability and success for businesses as well as the ASEAN region as a whole.

This conference was also a part of the business integrity series under [SCOPE – the Sustainability Consortium of Professionals and Educators](#), a network that ACN co-initiated and launched in July 2016 with the Centre for Governance, Institutions and Organisations (CGIO), National University of Singapore (NUS) Business School.

The Conference attracted more than 100 representatives from the private sector, government and civil society, including academics and unions from ASEAN countries.

Alongside with the Conference, the 6th Meeting of the Regional Working Group on Business Integrity in ASEAN was held on 7 March 2017. The Meeting witnessed the launch of the Regional Integrity Pledge called the “Integrity Has No Borders” Pledge. By signing up the Regional Integrity Pledge, organisations show their commitment and support for the business integrity movement in ASEAN.

The Conference was supported by the Government of Sweden through its Embassies in Bangkok and Singapore, the UK Foreign and Commonwealth Office through its Prosperity Fund, and the Government of Canada through its Mission to ASEAN and its Embassy in Singapore.

B. CONFERENCE HIGHLIGHTS – 6 MARCH 2017

SESSION 1 – OPENING SESSION: “BUILDING A CORRUPTION-FREE AND SUSTAINABLE ASEAN COMMUNITY: OPPORTUNITIES AND CHALLENGES”

This session aimed at understanding the importance of business integrity towards sustainable development, and the challenges and opportunities of building a corruption free and sustainable ASEAN community. Speakers included:

- **Ms. Yanti Triwadiantini**, Chair of ACN
- **H.E Scott Wightman**, British High Commissioner to Singapore
- **H.E Håkan Jevrell**, Swedish Ambassador to Singapore and Brunei Darussalam
- **H.E Lynn McDonald**, Canadian High Commissioner to Singapore
- **Mr. Michael Tang**, Vice President, Head of Listing Policy and Product Administration, Regulation, Singapore Exchange (SGX)



Ms. Yanti Triwadiantini, Chair of ACN made the welcoming remarks highlighting the significance of good governance, transparency, culture of integrity and anti-corruption in the ASEAN 2025 agenda. She emphasised that integrity needs to be cultivated to become a cultural norm and businesses need to say 'no' to corruption, regardless of where they are in ASEAN, to pave the way for shared growth and prosperity. With the UN Convention Against Corruption, and the recently launched ISO37001 Standard on Anti-Bribery Management System being in place, together

with existing extraterritorial regulations such as the UK Bribery Act, she hoped that corruption can be addressed more effectively and substantially reduced in all their forms. Ms. Triwadiantini also announced the accreditation of ACN as an official ASEAN entity, and reaffirmed ACN's commitment towards building a more inclusive and sustainable ASEAN.



H.E Scott Wightman, British High Commissioner to Singapore spoke of how corruption funds international terrorism, fuels drug, people and illegal wildlife trafficking and traps people in poverty. He emphasised the British government's commitment to fighting corruption, and called on all governments, business and civil society to work together to tackle corruption. CSR and good governance needs to be at the very heart of the business and any rules-based economy, he said.

H.E Håkan Jevrell, Swedish Ambassador to Singapore and Brunei Darussalam highlighted Sweden's strong stance against corruption, including its updated legislation against bribery which does not make a distinction between bribery and facilitation payments, meaning facilitation payments are criminal. He also stressed the importance of free and independent media as well as research, along with teaching of sustainable business practices, including how to counteract corruption. Most importantly, companies need to be the key drivers in fighting corruption, not only by implementing their own policies and activities but also by contributing to enhanced enforcement of regulations.



H.E Lynn McDonald, Canadian High Commissioner to Singapore shared about Canada's multi-faceted and robust CSR approach which focuses on fostering relationships and networks, facilitating multi-stakeholders dialogues, strengthening the environment affecting responsible business practice, and promoting recognised CSR guidelines. She also emphasised Canada's commitment to promoting sound and responsible business practices in the ASEAN region, with priority areas such as the promotion of the rights of women and migrant workers, the sustainability of SMEs, as well as investment in infrastructure, extractive sector governance, and agriculture in ASEAN. As the ASEAN economic community continues to grow, investing in tools, processes and frameworks that promote business integrity, including support for good governance and corporate transparency, remains of the utmost importance to ensure lasting benefits for all, she noted.



Mr. Michael Tang, Vice President, SGX spoke of the need to have the twin controls of good corporate governance and mandatory disclosures as strong forms of checks and balances to ensure business integrity in ASEAN. He shared that, in Singapore, the Singapore Companies Act mandating listed companies to establish an audit committee and maintain a system of internal accounting controls to ensure that assets are safeguarded and transactions are properly authorised and recorded. Listed companies are now also obliged to make mandatory disclosure of all material information. He said market discipline would eventually bring to light and discourage bad behaviours.



L-R: Mr Thomas Thomas (CEO, ACN); Mr Frederick Ho (Secretary of Global Compact Network Singapore, Trustee of ACN); Ms Helen Orande (Executive Director of League of Corporate Foundations Philippines, Trustee of ACN); Ms Tengku Ida Ismail (Vice Chairman of International Chamber of Commerce Malaysia, Trustee of ACN); H.E. Scott Wightman (British High Commissioner to Singapore); Mr Michael Tang (Vice President, SGX); Ms H.E. Lynn McDonald (Canadian High Commissioner to Singapore); Ms. Yanti Triwadiantini (Chair, ACN); H.E. Håkan Jevrell (Ambassador of Sweden to Singapore and Brunei Darussalam); Professor Christopher Hodges (Professor of Justice Systems, University of Oxford); Ms Elaine Tan (Executive Director of ASEAN Foundation, Trustee of ACN) and Professor Lawrence Loh (Director, Centre for Governance, Institutions and Organisations (CGIO), NUS Business School)

SESSION 2 – PANEL DISCUSSION: “ENABLING A CULTURE OF INTEGRITY IN BUSINESS: ENFORCING ETHICAL BUSINESS REGULATIONS”

This session discussed how to understand and control corporate behaviour through regulatory techniques, and how to build a collaborative regime between different stakeholders in order to enforce ethical business regulations and enable a culture of business integrity in ASEAN. Speakers included:

- **Professor Christopher Hodges**, Professor of Justice Systems, Head of the Swiss Re/ CMS Research Programme on Civil Justice Systems at the Centre for Socio-Legal Studies, University of Oxford (**Keynote speaker**)
- **Mr. Francesco Checchi**, Anti-Corruption Adviser, Regional Office for Southeast Asia and the Pacific, UN Office on Drugs and Crime (UNODC)
- **Ms. Tengku Ida Ismail**, Vice-Chairman, International Chamber of Commerce (ICC) Malaysia; Executive Director, Legal and Secretarial, Nestlé Malaysia, Singapore & Brunei; Trustee, ACN
- **Mr. Loh Yoon Min**, Senior Assistant Director (Financial Investigations Branch), Corrupt Practices Investigation Bureau (CPIB) Singapore
- **Mr. Chan Yoon**, Regional Attorney for Asia Pacific and Japan, Microsoft
- **Professor Lawrence Loh**, Director, Centre for Governance, Institutions and Organisations (CGIO), NUS Business School, National University of Singapore (**Moderator**)



The Keynote Speaker **Professor Christopher Hodges**, University of Oxford stressed the importance of understanding cognitive and behavioural psychology in anticipating and managing corporate behaviours. He said that people will obey rules where the rule is made fairly, applied fairly, and corresponds to the individual’s internal moral values. This implies that the regulatory system will be most effective in affecting the behaviour of individuals where it supports ethical and fair behaviours. In addition, he emphasised that regulatory systems need to be based on collaboration between the private and public sectors in order to maximise performance, compliance and innovation.

In response to Professor Lawrence Loh if there is a contradiction in culture and regulation, Professor Hodges said he believed that most people are inclined towards good, but what determined their actions to behave ethically was based in their culture and if it rewarded their good conduct or punished it. To him, both regulatory oversight and culture are two sides of the same coin.



Mr. Francesco Checchi, UNODC Regional Anti-Corruption Adviser spoke of the necessity of strong structures and stringent processes in enforcing ethical business behaviour. In response to an audience member who asked him as to why regulations are often ignored by businesses in many parts of South East Asia, Mr. Checchi responded that it is due to the weak enforcement of regulations in the region, which in turn encourages companies to engage in illicit behaviours that result in them entrenching themselves in the system, creating a rent-seeking system that heavily benefit them and make it more difficult to implement regulatory policies.

Mr. Loh Yoon Min, Senior Assistant Director, CPIB said that both demand and supply of corruption are mainly from the private sector. He shared that companies were involved in about 85% of corrupt practices investigated by CPIB. According to Mr. Loh, fairness is essential to ensure good corporate governance and integrity. He spoke of his experience in the CPIB and how objective investigation and stringent enforcement of laws helped curb unethical behaviour.



Ms. Tengku Ida Ismail, Vice Chairman, ICC-Malaysia said that business integrity must be adopted by both the private and government sectors. While enforcement and implementation of regulations is necessary, it is a short term solution to corruption. Instead, developing a global culture of business integrity would be more beneficial in the long run as it would provide a strong and uniform referential framework of checks, balances and principles.



According to **Mr. Chan Yoon**, Regional Attorney, Microsoft, ethical and unethical behaviour is not a simple black and white question. Citing an event that occurred in Microsoft, Mr. Yoon noted that despite there being 50 people who were aware of severe misconduct and cheating and Microsoft having a robust compliance system, no one was able to successfully whistle-blow. This event led to the conclusion of Microsoft that it was culture that determined compliance with ethical standards.

Interventions from the floor raised a concern over the application of ethical business regulations theory in the East where there the priorities of businesses are more self-centred compared to the dominant view of regulations in the West. It was agreed that culture and regulation were necessary to drafting fair rules for business and government practices and that a mixture of hard and soft measures had to be applied in order for a sustainable business culture to arise.



L-R: Professor Christopher Hodges (University of Oxford); Ms. Tengku Ida Ismail (ICC- Malaysia); Mr. Francesco Checchi (UNODC); Mr. Chan Yoon (Microsoft); Mr. Loh Yoon Min (CPIB); Professor Lawrence Loh (CGIO)



SESSION 3 – PANEL DISCUSSION: “TOWARDS SUSTAINABILITY: INCORPORATING ETHICS AND INTEGRITY INTO BUSINESS STRATEGY”

This session examined the business case for cultivating ethics and integrity into business strategy, and discussed how to engage business in the region in Sustainable Development Goals (SDGs) implementation.

Keynote by **Mr. Rapee Sucharitakul**, Secretary-General, Securities and Exchange Commission, Thailand who was absent due to illness was delivered by **Mr. Thomas Thomas**, CEO of ACN.

Members of the panel included:

- **Ms. Elodie Beth**, Programme Advisor, Governance and Peacebuilding Team, Bangkok Regional Hub, United Nations Development Programme (UNDP)
- **Mr. Ian Hong**, Partner, Sustainability Advisory & Assurance, KPMG Singapore
- **Mr. Ian Prescott**, Senior Vice President, SNC Lavalin
- **Mr. Daniel Quek**, Vice President, Group Corporate Affairs, Suntory Beverage & Food Asia
- **Professor Ann Florini**, Professor of Public Policy; Director, Master of Tri-Sector Collaboration, Singapore Management University (**Moderator**)



Mr. Rapee Sucharitakul

In his keynote speech, **Mr. Rapee Sucharitakul**, Secretary General of the Securities and Exchange Commission, Thailand highlighted the necessity of nurturing a “right mind set” of the organisations and creating an ecosystem that supports sustainability built around three pillars of discipline: Regulatory, Market and Self. Though all three were essential to ethical conduct, he stressed the importance of Self-discipline as the primary driver of integrity based conduct. To him, Self-discipline comes from three main factors: (i) timely and effective enforcement of the law to act as deterrents; (ii) integrity of the company’s board of directors who set the tone at the top; and (ii) market force, which relies on the stewardship of shareholders and investors participating in and exercising their rights at the shareholders’ meetings as well as active citizens being involved.



Ms. Elodie Beth, Programme Advisor for the Peacebuilding Team, Bangkok Regional Hub of the United Nations Development Programme (UNDP) said that she believed the private sector is the key actor towards achieving the SGDs as they account for up to 90% of job creation, and as such, are essential for social development. While she maintained that regulations are not the primary enforcers of business integrity, she agreed that globally reaching regulatory laws could create pressure on companies to act both ethically and inclusively. In response to a question from the audience concerning the incorporation of CSR into SMEs, she noted that a UN project in Indonesia leveraged large multi-national companies familiar with international standards to train and disperse that knowledge through SMEs.



In response to a question from Moderator Professor Ann Florini, concerning changes in expectations of private sector actors, **Mr. Ian Prescott**, Senior Vice President of SNC Lavalin, stated that the days of corporate responsibility that only valued profitability was now long gone. Values extended towards social issues now, and is reflected in investor confidence on sustainable and unsustainable projects. Asked by an audience member about how a culture of integrity could be spread throughout Asia, Mr. Prescott stated that each country possesses a different culture and has to be motivated or pressured into ethical conduct through different ways. Using Singapore as an example, he spoke of how the country's first Prime Minister Lee Kuan Yew had strictly enforced laws and regulations to stamp out corruption. In China, concerns for environmental sustainability arise from a concern for the future of the next generation as health issues amongst children become more commonplace. As such, each Asian country would require different approaches as their impetuses towards change would vary widely.

Mr. Ian Hong, Partner for Sustainability, Advisory & Assurance of KPMG Singapore mentioned how investors in Asia are becoming unusually more interested in transparency. From the procedures to the impact of the actions a company takes to achieve profitability, to the company awareness of its actions, investors are beginning to have more than a monetary investment in their corporations. The big challenge he noted, is that while companies in Asia are becoming more socially conscious, they are either unable or uncertain as to how to incorporate CSR into their business plans or processes.



Mr. Daniel Quek, Vice President of Group Corporate Affairs for Suntory Beverage & Food in Asia stated that currently, a company's values are a reflection of the values held by their consumers and founders or board. Citing Suntory as an example, he spoke of how the founders had environmentally friendly and sustainable practices in mind when they first began their company and how this has transformed into company culture and transmitted to every activity they undertake in their supply chain.



Mr. Thomas Thomas, CEO of ACN delivering keynote address on behalf of Mr. Sucharitakul



L-R: Mr. Daniel Quek (Suntory); Professor Ann Florini (SMU); Ms. Elodie Beth (UNDP); Mr. Ian Prescott (SNC Lavalin); Mr. Ian Hong (KPMG)



(BREAKOUT) SESSION 4 – CASE STUDIES: “RESTORING BUSINESS INTEGRITY: WHAT WORKS, WHAT DOES NOT?”

This breakout session aimed at understanding practical challenges in the fight against corruption in ASEAN through actual corruption cases as well as exploring potential solutions and possibility of scaling up good business integrity practices and private sector – led anti-corruption initiatives.

The session was divided into two parts:

- **Part 1** focused on legal and institutional perspective;
- **Part 2** focused on business and compliance’s perspective.

PART 1: FROM LEGAL AND INSTITUTIONAL PERSPECTIVE: LESSONS FROM THAILAND, INDONESIA AND GLOBAL CASES

Speakers included:

- **Mr. Kulvech Janvatanavit (Colin)**, Principal Project Advisor, Private Sector’s Collective Action Coalition against Corruption (CAC), Thai Institute of Directors (cum **Moderator**)
- **Mr. Pahala Nainggolan**, Deputy for Prevention, Corruption Eradication Commission (KPK), Indonesia
- **Mr Gerard Forlin QC**, Member of Cornerstone Barristers in London, Member of Denman Chambers in Sydney, Member of Maxwell Chambers in Singapore, Regulatory Barrister of the Year in England 2016



Mr. Kulvech Janvatanavit, Thai CAC, Institute of Directors shared about Thai CAC’s experience and lessons on engaging the Thai private sector in the fight against corruption. As a way to help companies revisit and improve their anti-corruption controls, he said that Thai CAC provides ethical leadership/practical guide training programmes and other supports to encourage and enable companies to join CAC and become certified by CAC. By signing up to be members of CAC, companies agree to assess their corruption risks, implement anti-corruption policies and compliance programmes, share internal policies, experiences and best practices, and reach out to industry peers, suppliers and other stakeholders to expand coalition network.

Currently, CAC membership includes 803 signatory companies, of which 200 are certified. Mr. Janvatanavit also

stressed the importance of helping SMEs help themselves and encourage larger companies to be “change agents” by addressing their supply chains.



Mr. Pahala Nainggolan, Deputy for Prevention of the Corruption Eradication Commission (KPK), Indonesia noted that it is essential to address the integrity issue in businesses. He shared that in 2016, out of 99 corruption cases handled by KPK, 80% were bribery, and 14% in procurement. 28% of suspects in these cases were from the private sector. Companies were also involved in all 17 red handed operation in 2016. Therefore, in 2016, KPK and interested parties, both public and private, initiated the anti-corruption initiative – Professional with Integrity Movement (PROFIT) to address the corruption issue in the private sector.

PROFIT encourages public and private entities to prevent private sector to pay bribe for public services, promote good governance within organisations and improve public service transparency and accountability. He cited example of mandatory e-procurement programme which made procurements easier and fairer by taking place completely online, thereby only allowing companies to compete based on their bids. He also spoke of the need for laws that held companies accountable for unethical behaviour, thereby forcing them take on more stringent policies that would not only protect themselves, but highlight employees acting outside of protocol.



Queen's Counsel Gerard Forlin, Member of the Cornerstone Barristers in London, as well as the Denman Chambers of Sydney and the Maxwell Chambers of Singapore believed that successfully tackling corruption also means ensuring good corporate governance throughout all the processes. Using the Rolls Royce scandal as an example, he showcased how systems are only as good as the people who manage them. Questions should always be asked even if things are going well, because success in a region be may sometimes be obtained through unethical means in other parts of the world. If a company is not aware of its processes, it could end up disgraced and facing criminal charges much like Rolls Royce and find itself under legal scrutiny globally as well.

PART 2: FROM BUSINESS AND COMPLIANCE'S PERSPECTIVE: LESSONS FROM MALAYSIA, SINGAPORE, VIETNAM AND PHILIPPINES

Speakers included:

- **Dr. Muhammad Mohan**, Secretary General, Transparency International (TI) Malaysia
- **Mr. G. Balasubramaniam (Bala)**, Compliance Advisor and Personal Coach
- **Mr. Florian Beranek**, Lead Expert on Societal Responsibility (SR) and Responsible Business Conduct (RBC), United Nations Industrial Development Organisation (UNIDO) Vietnam
- **Mr. Peter Angelo Perfecto**, Executive Director, Makati Business Club Inc.; Vice President for Operations, Integrity Initiative Inc. (Philippines) (cum **Moderator**)



Dr. Muhammad Mohan, Secretary General, TI-Malaysia highlighted the necessity of checks and balances in corporate governance and the need for tighter controls in global financial institutions for large capital inflows and outflows. Speaking in depth about the 1MDB scandal, Dr. Mohan showcased how money laundering on a national scale can turn into a global scandal as the money trail leads to areas where there are lax regulation policies and little oversight. Without uniform global policies or regulations over how financial institutions assess and accept clients, such scandals are likely to repeat in future. The impact of the case on Malaysia has been the irreparable loss of trust in the government and its institutions by the public, with more than 60% of surveyed Malaysians expressing the belief that corruption has increased in the country.

Mr. G. Balasubramaniam (Bala), Compliance Advisor spoke of how for many companies, compliance is an afterthought that can be outsourced to third parties which in turn opens up the company to many vulnerabilities and risks. To resolve this, Mr. Balasubramaniam suggested that compliances should be treated as a responsibility and the reasoning and spirit behind the regulations set in place should be well understood by both employers and employees, in order to create a culture that is unafraid of whistleblowing. On top of this, compliance procedures and audits both internal and external should be recorded and carefully studied, as the data extracted from these reports can prove valuable in assessing risks within the company.



Mr. Florian Beranek, Lead Expert on SR and RBC, UNIDO Vietnam spoke of the importance to create a corporate culture that is supported by compliance, transparency and integrity. While citing French Philosopher Albert Camus “integrity has no need for rules”, he noted that organisations still need some frameworks to survive, operate and succeed which comprise of laws, values and ethics. However, he suggested rather than forcing mandatory regulations and limiting the actions of employees, a better approach is to mould their ethical foundation through encouragement, use simple language to communicate core values and implement laws and regulations that match up to those values. Mr. Beranek believed that a culture of integrity can be created through trust and respect which has the foundation to support stable and equal development.



Mr. Peter Angelo Perfecto, Executive Director, Makati Business Club Inc., and Vice President for Operations, Integrity Initiative Inc. (Philippines), spoke of the Integrity Initiative – a business-led collective action initiative aimed at building culture of integrity where both private and public sector commit to ethical business practices and good corporate governance and work together to achieve a level playing field that benefits both producers and consumers in the Philippines. He also shared that apart from the companies, the Integrity Initiative also focuses on churches because of the importance of churches in Filipino society. The Initiative also focuses on schools and young children because it is believed that instilling values at an early age are much better deterrent against unethical action in the work place.



*L-R: Mr. Kulvech Janvatanavit (Thai CAC);
Mr. Pahala Nainggolan (KPK); Mr Gerard Forlin QC*



*L-R: Mr. G. Balasubramaniam (Compliance Advisor); Dr.
Muhammad Mohan (TI-Malaysia); Mr. Peter Angelo Perfecto
(Integrity Initiative Inc.); Mr. Florian Beranek (UNIDO)*



(BREAKOUT) SESSION 5 – WORKSHOP: “MITIGATING RISKS IN PUBLIC PROCUREMENT: TOOLS AND GOOD PRACTICES”

Led by UNDP Bangkok Regional Hub, this workshop aimed at improving the understanding of the challenges and solutions to mitigate risks in public procurement in ASEAN as well as recommending practical solutions for upholding integrity standards, including through multi-stakeholder initiatives.

The workshop was divided into two parts:

- **Part 1** focused on integrity risks in public procurements;
- **Part 2** focused on strategies to mitigate risks building on international good practices.

The Workshop, moderated by Ms. Yanti Triwadiantini, Chair of ACN and Associate Sustainability Adviser to Indonesia Business Links, and facilitated by Ms. Liviana Zorzi, Programme Officer, Governance & Peacebuilding Team, UNDP Bangkok Regional Hub, alternated presentations and group work discussions addressing the following questions:

- How does corruption in ASEAN impact on companies’ access to government contracts?
- What are the major challenges faced by companies?
- What are the possible solutions building on international standards and good practices?

PART 1: INTEGRITY RISKS IN PUBLIC PROCUREMENT

Speakers included:

- **Dr. Mark Lovatt**, CEO, Trident Integrity Solutions
- **Ms. Elodie Beth**, Programme Advisor, Governance & Peacebuilding Team, UNDP Bangkok Regional Hub



Dr. Mark Lovatt, CEO of Trident Integrity Solutions, presented an overview of the costs of corruption at the global level:

- The cost of bribery is currently estimated at US\$1.5 to US\$2 trillion (2% of global GDP) annually (IMF, 2016)
- WEF (2008) estimates corruption costs are up to 25% to the cost of procurement contracts in developing countries
- In 2012 the cost of private sector corruption was over US\$500 billion in 105 developing countries, 3x all foreign assistance given in that year. This excludes public sector corruption (CSIS, 2014).

Dr. Lovatt said public work contracts & construction is the sector most prone to corruption. Companies trying to access government contracts face a series of challenges, connected to abuse of power assuming a variety of forms: rigged bidding; conflicts of interest; information leakage; expectations regarding gifts and hospitality.

Ms. Elodie Beth, Programme Advisor at UNDP Bangkok Regional Hub spoke of the main challenges faced both from the government side and from the companies' side:

Main challenges for governments in the region	Main challenges and risks for companies
<ul style="list-style-type: none">▪ Undue political interference▪ Lack of professionalisation and career stream for procurement staff▪ Lack of cooperation between anti-corruption agencies and public procurement agencies▪ Deficient IT infrastructure, e-procurement still new▪ Collusion amongst companies▪ Poor quality of products and services procured	<ul style="list-style-type: none">▪ Pressure to bribe public officials to get contracts▪ Conflict of interest which can hamper the fairness of the competition▪ Political interference▪ Bid rigging which can impede the participation of honest companies, in particular MSMEs▪ Lack of transparency on procurement opportunities (e-procurement systems) & red tape▪ Weak redress mechanisms for dispute resolution▪ Lack of whistle blower protection and fear of retaliation



Ms. Beth noted that risks exist throughout the public procurement process, from the pre-bidding phase and bidding phase, to the post bidding phase. She said UNDP has been working with governments and private sector to mitigate integrity risks in public procurement, with intervention on four areas:

- Integrity Risks management
- Legal and regulatory framework
- Curriculum development and professionalization
- Strengthening partnership between state and non-State actors.

She also shared that UNDP is currently finalising the Guidebook on *“Preventing Waste and Corruption in Government Contracts: An Accelerator for Sustainable Development in Asia Pacific.”* Aimed at promoting integrity risk management measures as a way to strengthen public procurement systems, as well as to offer a handy tool

to support countries in the Region which have recently committed to invest efforts in this area to fast-track the implementation of the UNCAC¹.

GROUP DISCUSSION 1: IDENTIFYING THE CHALLENGES

Participants then split into three groups and tried to answer to three questions:

- What are the major challenges you face?
- What are the main risks you encounter – among those previously mentioned – or others?
- How does corruption impact on companies' access to government contracts?

The challenges identified include:

- Bid rigging (especially related to collusion)
- Tailored specifications in the terms of reference to favour a company
- Leakage of information (from public officials to favor a company)
- Bribery
- Lack of policies on gifts and hospitality
- Lack of clarity of the laws and regulations on procurement, including some conflicting laws
- Lack of awareness of the legislation, especially among SMEs
- SMEs are operating in a highly constrained environment - where red tape and corruption make them highly vulnerable – and their existence might depend on contracts where they are required to engage in corrupt behaviour
- Lack of incentives to stop corrupt behavior leading to immediate benefits (i.e. tax evasion, bribery, etc.), lack of long-term vision on their dreadful effects
- Misuse of CSR programmes by local governments and politicians, requesting private companies to fund public works in name of CSR for political reasons (for example to gain popularity and win the elections)
- Difficulties identifying measurable indicators of corruption / inefficiency risks
- Sacrificing quality when choosing only the lowest price to avoid auditing and scrutiny
- Undue influence (hidden decision makers)
- In the media industry the undue influence manifests itself in the dependence on advertising expenditure



L-R: Ms. Elodie Beth (UNDP); Ms. Yanti Triwadiantini (ACN); Dr. Mark Lovatt (Trident Integrity Solutions)



Ms. Liviana Zorzi (UNDP)



¹ Regional Conference: Fast Tracking Implementation of UNCAC for Economic and Social Development in Southeast Asia 31 Jan - 3 Feb 2017 (Bangkok) – see this [link](#) for further information.

Speakers included:

- **Mr. Francesco Checchi**, Anti-Corruption Adviser, Regional Office for Southeast Asia and the Pacific, UNODC
- **Mr. Kittidej Chantangkul**, Project Coordinator, Private Sector's Collective Action Coalition against Corruption, Thai Institute of Directors



Mr. Francesco Checchi, Regional Anti-Corruption Advisor at UNODC, provided an overview of the provisions on public procurement (Article 9) of the UN Convention Against Corruption. The three fundamental principles that should govern public procurement to ensure fairness and value for money are transparency, objectivity and competition. UNCAC recommends States to ensure the application of the three principles by:

- Public distribution of information
- Publication of conditions for participation
- Use of objective criteria for decision-making
- Effective systems of domestic review
- Adopting regulation/ defining responsibilities of public officials
- Introducing effective remedies systems (bid protest system) which ensures the right to turn to an independent review body with the power to grant different types of remedies and corrective measures.

Mr. Checchi said different tools to prevent corruption can be adopted by governments and also on the supply side:

Demand side (governments)	Supply side (companies)
<ul style="list-style-type: none"> ▪ Integrity plans ▪ Exclusion, suspension, debarment ▪ Whistleblowing ▪ E-procurement ▪ Open Data and open contracting ▪ Disclosure of beneficial ownership 	<ul style="list-style-type: none"> ▪ Compliance framework for business: US Foreign Corrupt Practices Act and UK Bribery Act ▪ Promotion of business ethics ▪ Work with business associations ▪ Integrity pacts ▪ UN Global Compact



Mr. Kittidej Chantangkul, Project Coordinator of the Private Sector's Collective Action Coalition against Corruption (CAC), Thai Institute of Directors, shared their experience of concerted action to fight corruption in government contracts. Besides arranging regular training and education activities for executives and staff of the companies to promote internal anti-corruption policies, Thai CAC also certifies companies complying with the standards to prevent corruption. This certification process is considerably more advanced than regional peers and many countries have expressed their interest in applying the model in their respective countries. The CAC of course does not work in isolation, but cooperates closely with the Governments'

National Anti-Corruption Commission (NACC) and the civil society Anti-Corruption Organisation of Thailand. CAC was a major actor in pushing forward the recent reform leading to the adoption, in February 2017, of the first Public Procurement Act of Thailand. CAC also promoted the adoption of the Integrity Pacts, with the involvement of civil society in the bidding committees of public tenders.

GROUP DISCUSSION 2: RECOMMENDING SOLUTIONS

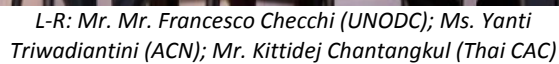
Participants split into two groups and tried to answer to following questions:

- What are the possible solutions to address the risks and challenges identified?
- Which risk mitigation strategies should be adopted?

Participants were also asked to share good practices and develop recommendations on risk mitigation for governments, private sector and multi-stakeholder initiatives.

A series of actions were recommended by participants to the different actors involved in the procurement process (Governments, Private sector, Civil society):

Governments	Private sector	Civil society
<ul style="list-style-type: none">▪ Ensure transparency (i.e. adopting e-procurement systems)▪ Design specifications fairly and involve third parties for independent control▪ Provide tender lots, to enable also MSME to apply and participate in the competition to access government contracts▪ Ensure sufficient time to competitors to prepare the bid▪ Carefully review the bids received to identify red flags and possible collusive agreements▪ Set up competition authority to avoid the creation of cartels▪ Set up independent review and protest mechanisms to settle disputes without recurring to formal justice system▪ Empower public officials by providing training and motivating them through rewards for achievements	<ul style="list-style-type: none">▪ Set up collective platform/agreements among companies, to avoid the “first mover disadvantage” and make sure that all the companies involved in the competition refuse corruption and bribery▪ Multi-national companies, in compliance with USFCPA and UK Bribery Act, need to ensure that corruption prevention mechanisms are put in place along the supply chain. They can train the MSMEs of their supply chain on integrity and compliance with international standards and regulations	<ul style="list-style-type: none">▪ Train citizens to monitor public contracts▪ Cooperate with private sector to hold the Governments accountable
<ul style="list-style-type: none">▪ Integrity Pacts are a tool developed by TI for preventing corruption in public contracting. An Integrity Pact is both a signed document and approach to public contracting which commits a contracting authority and bidders to comply with best practice and maximum transparency. A third actor, usually a civil society organisation (often TI local chapter) monitors the process and commitments made. Monitors commit to maximum transparency and all monitoring reports and results are made available to the public.▪ The adoption of Open Government models and initiatives enhances transparency, accountability and dialogue. Governments and Companies have the responsibility of operating transparently, and civil society of participating and checking that their operations serve the public good.		

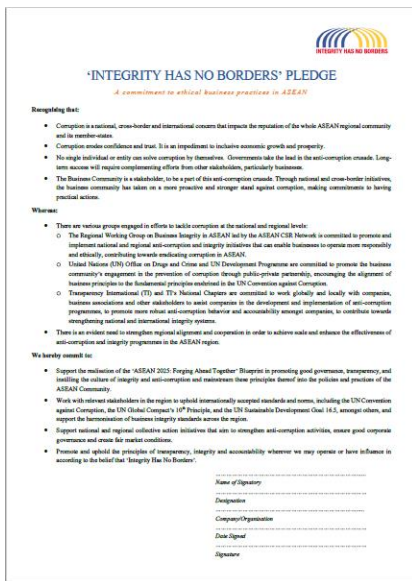


C. INTEGRITY HAS NO BORDERS PLEDGE



Alongside with the Conference, the 6th Meeting of the Regional Working Group on Business Integrity in ASEAN was held on 7 March 2017. One of the key outcomes of the Meeting is the launch of the Regional Integrity Pledge called the “Integrity Has No Borders” (IHNB) Pledge (*see Appendix*).

(Picture: Working Group Meeting participants)



- The IHNHB Pledge is a voluntary document that allows a company or an organisation to make a commitment to uphold ethical values at the enterprise/organisation, national and regional level.
- The IHNHB Pledge also serves as a compliment to the existing National Integrity Pledges.
- Not only companies but governments, civil society organisations and international agencies can sign the IHNHB Pledge.
- The signing of the IHNHB Pledge by a company/ an organisation does not in any way imply certification, review or assessment conducted by regulatory authorities or other parties.

Following are the steps for signing the IHNHB Pledge:

1. Download the Pledge directly from the IHNHB website at www.integrityhasnoborders.com OR use the Appendix of this Report
2. Authorised person to sign and stamp the Pledge
3. Scan the Pledge and send a copy of the signed Pledge to info@asean-csr-network.org
In the email, please clearly indicate **contact details** for follow-up
4. Send original signed Pledge by post to the following address:

Attention: Integrity Has No Borders Pledge

ASEAN CSR Network Ltd.
10 Hoe Chiang Road
#08-03 Keppel Towers
Singapore 089315

Note:

- The signing can also be done through national initiatives, providing that national initiatives are part of the Regional Working Group on Business Integrity or support work of the Regional Working Group. Current members of the Regional Working Group are:
 - Integrity Initiative (Philippines);
 - Indonesia Business Links;
 - International Chamber of Commerce – Malaysia;
 - Global Compact Network Singapore (formerly known as Singapore Compact for CSR);
 - Vietnam Chamber of Commerce and Industry;
 - Private Sector Collective Action Coalition against Corruption (Thailand)
- By signing the IHNHB Pledge, the company/organisation can be listed in the register of signatories that is carried on the IHNHB website at www.integrityhasnoborders.com and on the websites of Members of the Regional Working Group on Business Integrity or other national initiatives wherever applicable.

D. PARTICIPANTS BREAKDOWN

Total number of participants: 109

- Day 1: **109** Day 2: **41**
- Men: **64** Women: **45**
- Sectors breakdown: **24** business **37** government **48** civil society
- Country breakdown: **17** countries

Belgium	1
Cambodia	4
Canada	2
Denmark	1
EU	1
Germany	2
Indonesia	5
Lao PDR	1
Malaysia	6
Myanmar	3
Norway	1
Philippines	5
Singapore	55
Sweden	2
Thailand	11
UK	4
Vietnam	5

'INTEGRITY HAS NO BORDERS' PLEDGE

A COMMITMENT TO ETHICAL BUSINESS PRACTICES IN ASEAN

Recognising that:

- Corruption is a national, cross-border and international concern that impacts the reputation of the whole ASEAN regional community and its member-states.
- Corruption erodes confidence and trust. It is an impediment to inclusive economic growth and prosperity.
- No single individual or entity can solve corruption by themselves. Governments take the lead in the anti-corruption crusade. Long-term success will require complementing efforts from other stakeholders, particularly businesses.
- The Business Community is a stakeholder, to be a part of this anti-corruption crusade. Through national and cross-border initiatives, the business community has taken on a more proactive and stronger stand against corruption, making commitments to having practical actions.

Whereas:

- There are various groups engaged in efforts to tackle corruption at the national and regional levels:
 - The Regional Working Group on Business Integrity in ASEAN led by the ASEAN CSR Network is committed to promote and implement national and regional anti-corruption and integrity initiatives that can enable businesses to operate more responsibly and ethically, contributing towards eradicating corruption in ASEAN.
 - United Nations (UN) Office on Drugs and Crime and UN Development Programme are committed to promote the business community's engagement in the prevention of corruption through public-private partnership, encouraging the alignment of business principles to the fundamental principles enshrined in the UN Convention against Corruption.
 - Transparency International (TI) and TI's National Chapters are committed to work globally and locally with companies, business associations and other stakeholders to assist companies in the development and implementation of anti-corruption programmes, to promote more robust anti-corruption behavior and accountability amongst companies, to contribute towards strengthening national and international integrity systems.
- There is an evident need to strengthen regional alignment and cooperation in order to achieve scale and enhance the effectiveness of anti-corruption and integrity programmes in the ASEAN region.

We hereby commit to:

- Support the realisation of the 'ASEAN 2025: Forging Ahead Together' Blueprint in promoting good governance, transparency, and instilling the culture of integrity and anti-corruption and mainstream these principles thereof into the policies and practices of the ASEAN Community.
- Work with relevant stakeholders in the region to uphold internationally accepted standards and norms, including the UN Convention against Corruption, the UN Global Compact's 10th Principle, and the UN Sustainable Development Goal 16.5, amongst others, and support the harmonisation of business integrity standards across the region.
- Support national and regional collective action initiatives that aim to strengthen anti-corruption activities, ensure good corporate governance and create fair market conditions.
- Promote and uphold the principles of transparency, integrity and accountability wherever we may operate or have influence in according to the belief that 'Integrity Has No Borders'.

.....
Name of Signatory

.....
Designation

.....
Company/Organisation

.....
Date Signed

.....
Signature