

Collective action and the private sector

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A distinctive contribution of the Institute concerns collective action against corruption. The idea is simple to state. A company that refuses to pay bribes in a market where its competitors pay them risks losing business, which is why individual integrity may be economically irrational. If the competitors in a sector agree on common standards, monitor each other and create mechanisms for reporting violations, the dilemma disappears. Collective action initiatives take several forms, from anti-corruption declarations and integrity pacts for particular procurement projects to long-term coalitions with certification and external monitoring.¹

The Basel Institute has become one of the main centres of expertise in this field. It manages an online platform on collective action, which was developed with the support of the B20, the business dialogue of the G20, and which collects information on initiatives worldwide. It organises international conferences on collective action, maintains a database of initiatives and advises companies and business associations in setting up and evaluating such arrangements. It has also worked on the question of how enforcement authorities should take part in collective action in a company's favour when it assesses the adequacy of compliance programmes. The work reflects the experience of Mark Pieth in the OECD Working Group on Bribery, where the supply side of corruption, the companies that pay bribes, became the object of international regulation through the OECD Anti-Bribery Convention of 1997.²

Collective action has a particular relevance for the industries of the Basel region. Pharmaceutical companies, which Part G will examine, deal with public health systems, hospitals and regulatory authorities in almost every country. Their sales and distribution practices have repeatedly been the subject of anti-corruption enforcement in the United States and elsewhere. Commodity traders, logistics companies and engineering firms in the trinational region face similar risks. Industry codes and collective

initiatives in these sectors help to set common standards, although their effectiveness depends on monitoring and sanctions. Part G, Chapter V will return to anti-bribery compliance in the life sciences industry.³

1 Notes

1. On the concept of collective action against corruption (anti-corruption declarations, integrity pacts, principle-based initiatives, certifying business coalitions), see the typology published by the World Bank Institute, *Fighting Corruption through Collective Action: A Guide for Business*, 2008, and the publications of the Basel Institute on Governance. To be verified. ↩
2. On the B20 Collective Action Hub managed by the Basel Institute on Governance, its database of initiatives and the international collective action conferences organised by the Institute, see the website of the Collective Action Hub and the annual reports of the Basel Institute on Governance. On the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of 17 December 1997, see the text of the Convention. Dates of the Hub's launch to be verified. ↩
3. On anti-corruption enforcement against pharmaceutical companies under the US Foreign Corrupt Practices Act and comparable laws, and on industry codes in the sector, see the enforcement statistics of the US Department of Justice and the Securities and Exchange Commission and the codes of the International Federation of Pharmaceutical Manufacturers and Associations. To be verified. ↩

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