

## The Journey

Dear Ladies and Gentlemen,

It is a great pleasure to see so many old and new friends today who have travelled together on a journey to place business integrity on the agenda for policymakers and colleagues over the last few years.

When a few years ago, the international business leader's forum and Vietnam Chamber of Commerce and Industry (VCCI) presented for approval the first project on raising awareness about corruption and how it affected business, we were a long way from where we are today. Back in 2008, finding solutions for simpler administrative procedures, transparency in public procurement and robust anti-bribery management systems in business was clearly on the agenda of the global business community. In Vietnam however, few businesses were able to proactively engage with other stakeholders on issues that were seen as very sensitive then.

Since then, the conversation about this important topic has been significantly moved forward. Business views on corruption have clearly begun to shape the agenda of government and international organisations, through important exercises like the Vietnam Provincial Competitiveness Index (PCI), a joint survey by the World Bank and the Government Inspectorate and last year's Vietnam Business Forum's (VBF) membership survey. The 2013 Anti-corruption Dialogue (ACD) between

the government of Vietnam and its international partners represented a milestone in opening a space for the business community to discuss concerns and practical solutions. Throughout last year, we have seen this young tree of business integrity bearing some early but promising fruit.

The Vietnam Business Forum (VBF) – where corruption and integrity issues have regularly featured – has shown leadership in establishing a corporate governance and transparency working group. The Anti-corruption Dialogue itself has resulted in a declaration which spells out a comprehensive set of practical solutions to promote business integrity – in a language which we believe resonates with that used across the region and globally, wherever business leaders seek to come together with partners in government and civil society to work towards cleaner and fairer competition. The government of Vietnam has expressed a commitment to follow up on the recommendations made at last year's ACD, with VCCI taking the lead in developing project 12.

Most encouragingly perhaps, throughout our joint consultations with friends in various business chambers, with business leaders and partners in development and trade promotion agencies – we have perceived a clear appetite to move forward with practical actions to demonstrate business leadership in this area, and to encourage government and supply chain partners to join that journey.

In our follow up work to last year's Anti—corruption Dialogue (with the UK team and others), we have been particularly heartened by the strong interest of EuroCham and the other business chambers represented here today. **Without their leadership, today's event would not have been possible.** In this sense, now seems to be the time to turn motivation into action, and to encourage the establishment of a business led process that can secure sustained efforts and ultimately impact to set the right incentives for clean businesses.

### What the business community said / major issues

Before exploring a number of possible solutions ahead, I propose to turn back briefly to the concerns outlined by the business community throughout last year's process.

Some of the main themes arising out of the various workshops, consultations and surveys during the last year indicated that the areas for action fall in broadly three categories: Necessary reforms to government policy and practice, the need for businesses to come together to identify and drive positive action, and the role of each individual business in safeguarding its operations.

In terms of policy issues: Tax collection, Customs procedures and land-related issues topped the agenda. Public procurement likewise was repeatedly mentioned and concerns here are confirmed by data from the Provincial Competitiveness Index (PCI). In terms of improving the business

climate and enabling fair competition between foreign and state-linked business, ongoing trade pact negotiations were mentioned as a key lever to promote positive change. Lastly, facilitating clean business at the provincial level was a cross-cutting priority. We certainly see in our own work at the provincial level that at least in a number of cases, such concerns are already taken seriously by local government and that concrete scope for improvement exists.

While much remains to be done, there appears to be a growing recognition that progress on control of corruption and improving transparency is a key factor in Vietnam's relative competitiveness as an investment destination.

When it comes to business-led collective initiatives, the discussions pointed to significant interest among business leaders in exploring sector agreements, a cross-sector integrity alliance, and integrity pledges to demonstrate leadership. Strengthening efforts to support supply chain partners on improving their own integrity management was mentioned as another potential area for joint action.

A truly business driven initiative is perhaps one of the most urgently needed efforts in Vietnam. In the context of much activity to drive top-down reform, and significant efforts by individual business (if mainly foreign ones) to ensure their own compliance, **collectively articulated**

**demand and leadership on integrity is still much weaker but fundamentally important.**

Lastly, the conversations over the last year highlighted a strong commitment by leading foreign businesses in Vietnam to apply world-class standards of integrity management in their operations.

This is an excellent signal both to policy makers and the domestic corporate sector that integrity not only matters in business today, but that good businesses stand ready to constructively engage and share their expertise in this area to support the development of Vietnam as a highly competitive and attractive place to do business.

### **Possible Solutions**

Before we turn to further exploring concrete opportunities for business leadership on integrity, it is also important to remind each other briefly about the various important initiatives of other actors that are already underway in Vietnam, which businesses can build on and connect to.

We have outlined on this slide a framework for describing the different levels of change needed to make progress over time to enable and incentivize clean business. This framework is the result of a recent conference of TI chapters in the Asia Pacific region, all of whom are looking to find ways to support the business community as a key actor in driving

transparency and integrity. **Importantly, we believe that across all three spheres of change, collective action is critical to securing lasting change.**

### Concrete examples of Vietnam initiatives underway

The outer circle represents (not necessarily in a fully comprehensive way) the efforts underway to promote critical changes to government policy and practice. We see for example that with the VCCI-led Provincial Competitiveness Index (PCI), key data on issues of concern to business is available in a time-series and incentivizes provincial-level action. The Vietnam Business Forum (VBF) already plays an important role in articulating business concerns to top-level government decision-makers and this role is absolutely critical going forward. Multiple other processes are underway, though progressing at different speeds, to improve public procurement and other areas of concern to business. The World Bank, the UN, ourselves and many others are active in this area. Much remains to be achieved in this area, not just on the policy but the enforcement level. However, entry points exist and can be used to engage constructively.

The innermost circle represents efforts by individual companies to establish robust anti-bribery systems. Many of you are yourselves leaders in this area, so I probably need not delve into too much detail here. However, it is important to recognise that there is still a large gap between the level of development of corporate integrity systems between foreign-owned and Vietnamese companies, those headquartered in strong

enforcement jurisdictions, listed and non-listed, state-owned and private, small and large companies and so forth. One of our own contributions in this area is development of (strictly) not-for-profit tools and support, especially for small Vietnamese businesses who do not have the same access to professional services as larger companies have.

Most importantly for today's discussion, the centre circle remains less developed than the two others. Over the years, a number of well-known international collective action processes such as the Extractive Industries Transparency Initiative (EITI) and the Construction Sector Transparency Initiative (CoST) have been considered in Vietnam. While some progress has been made in this area, so far neither have truly "taken off".

However, it remains absolutely critical in our view to support continued efforts to establish these processes in Vietnam. We are also seeing interest to take action at local level. We are ourselves working now with an Industrial Park in Ho Chi Minh City to assist the park management and tenants in the set-up of a robust and monitored integrity mechanism, committing both the park and companies to good practices (and the resolution of concrete issues that arise).

**What appears to still be lacking in Vietnam is a truly business-led process, bringing together companies themselves to show leadership in this area, which is a critical part of the mix of solutions needed for effective demand and supply of changes.**

As this three-circle framework shows, no single approach can be a silver bullet to effectively address corruption as it affects business. Many actors have different roles to play in each of these spheres. Action in all three circles is needed and will reinforce each other. What we do believe, is that the time may have come to add a strong and sustained business voice and action to this mix. To the extent of our capacity as a young but specialised civil society organisation, we are keen to support any effort in this direction.

### **Click to insert Integrity Alliance**

On this slide, we have placed the Integrity Alliance as a proposed centre point for business leadership. Throughout the discussions following last year's Anti-corruption Dialogue, chambers of Commerce and other business groups have indicated a willingness to participate in a movement for change in the business environment in Vietnam. This will involve creating an entity for practical integrity initiatives, owned and driven by the business community. The Integrity Alliance would provide a vehicle for membership, participation and advocacy by the business community to pursue common goals and objectives.

Feedback received so far confirms that individual companies and chambers of commerce are willing to act providing they are doing so collectively and do not have to attempt to stand on their own. In short, acting together under the umbrella of an Alliance mitigates risks and

generates a powerful voice from the business community. Many opportunities already exist for an Integrity Alliance to make constructive inputs to key policy processes, as well as to drive its own concrete projects.

In time, an Integrity Alliance could become an aspirational brand that companies and associations in Vietnam *want to be associated with*. To be associated, companies would agree to support integrity initiatives and sign-up to a set of shared values and business standards. It is possible that in the future an Alliance could independently monitor standards of integrity.

### Regional experiences

Experience from our neighbours in the South-East Asian region indicates that change in the business environment needs collective action that is led by the business community. It's common for that collective action to be housed under a project initiative or entity that becomes the independent and driving force behind the action.

In the Philippines, the SHINE Project is implemented by the Makati Business Club and the European Chamber of Commerce of the Philippines (represented here tonight by Gerry Constantinos from EuroCham Philippines). In their own words, SHINE aims to initiate a *“Collective Action among ethical foreign and local business enterprises that are... willing to engage themselves in a business culture-changing process that will*

*revolutionize how companies do business with government and with each other.”*

In Malaysia, more than 400 companies have signed a Corporate Integrity Pledge. Being fairly advanced already, stakeholders there are beginning – together with government - to define concrete benefits for signatories as well as robust monitoring by the Malaysian Anti-corruption Commission (MACC). The process in Malaysia is led by a Corporate Integrity Roundtable made up of key stakeholders who act as custodians, promoters and implementation partners. Its representatives are drawn from business, government and civil society.

Over in Thailand, the Thai Institute of Directors formed a **Private Sector Collective Action Coalition Against Corruption (CAC)** *“to create awareness in the private sector of corruption risks and the need for resisting and fighting corruption through the implementation of policies and effective mechanisms to prevent corruption at the company and industry levels.”*

The CAC has a Council of ten members charged with the oversight of activities and regular seminars, as well as training programs aiming to help companies establish effective anti-corruption mechanisms and prepare for certification by the CAC.

## **The What...**

Here in Vietnam, Chambers and leading businesses consulted so far seem to agree that an Integrity Alliance could be the right framework for a

business-led organisation for collective action. A Vietnam Integrity Alliance would be a community of institutions, organisations and professionals who support each other to promote standards of integrity across all sectors and engage collectively in anti-corruption initiatives. The Alliance would aim to advocate and advance principles of business integrity, transparency, accountability and good governance in Vietnam and, importantly, help promote Vietnam as an attractive investment destination. The Integrity Alliance would then host integrity initiatives such as an Integrity Pledge, Codes of Conduct and common business standards.

Led by the business community, it can count on support from a range of actors. In our view at least, it would be important that both foreign and local business are represented and encouraged to become members – although the foreign business community might initially play a leadership role. Ultimately, government support and participation could help the Alliance to be successful and drive the changes required to support Vietnam's further development as an attractive and clean place to do business.

### **Role of Business and Civil Society**

A starting point would be for the business community to take initiative and volunteer to form a Steering Committee charged with determining the structure, charter and operation of the Alliance, and promoting the

Alliance to business associations, industry groups, SMEs and large companies, and government agencies. Steering Committee members will need the capacity to devote time, energy and expertise to the Integrity Alliance over a sustained period of time. Businesses and associations will become members of the Alliance, being prepared to publicly state their commitment to collective action initiatives.

Consistent with the regional examples we have discussed, civil society and professional bodies have an important role to play as advisors and technical experts to the Alliance.

The Steering Committee will initially work closely with a dedicated project team during the set-up phase and engage technical expertise on an ongoing basis. Towards the end of this afternoon's formalities, EuroCham will make a call for leadership to form such a group.

Encouragingly, at the event in Hanoi in Tuesday, a number of Chambers have already expressed their commitment to the Alliance – and there is space and need for more leaders to step forward.

### **Next Steps**

Let me end by reiterating what I have already mentioned here and there during my presentation: The time seems right to take a bold step forward among the business community.

Just looking at our organisation's still recent history in Vietnam, we have seen a very encouraging change in the willingness and determination of various stakeholders to engage in a constructive process of dialogue, and increasingly action, on a topic that is challenging for government as well as business to speak and act on. Of course, this is all still at a beginning in many ways, but it shows that real and positive change is happening despite the occasional setback.

Years ago, corruption was an almost taboo subject that could, if anything, be debated only as a technical matter among experts. We have seen a dramatic change in that, today, the media and a small but growing number of civil society organisations have joined government and international organisations in a constructive dialogue to find solutions to the multi-dimensional problem of corruption.

Various actors already lead important initiatives from producing excellent research, to implementing projects that begin to address the underlying incentive systems.

The engagement of businesses, with their unique set of insights and solutions in this process, would be a vital addition. As business leaders, you know best what will work and what will not. Your ownership and refinement of any of the concepts proposed tonight are therefore critical to success.

From our side, we are committed to supporting the business integrity agenda in the long-term, and we hope that we can be helpful to those among you who are ready to take action.

Thank you very much for your kind attention, and we look forward to the discussion with our distinguished panel and to the opportunity to share a drink with many friends later this evening.

Thank you.