

Partnering Against Corruption Initiative

The Future of Trust and Integrity

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1. Executive summary

The prevalence of systemic corruption and low levels of trust and integrity continues to widen and deepen societal fissures, exacerbate inequality and impede the efficacy of both public and private investment. Illicit financial flows cost developing countries \$1.26 trillion each year, and have a substantial impact on developed economies: it is estimated that the EU loses more than \$159 billion each year to corruption.¹ Growing evidence suggests that “corruption both feeds on and is fed by the broader crisis of trust, which sustains a vicious cycle that undermines economic health and social cohesion”.² One of the biggest challenges now for leaders globally is ensuring that anti-corruption efforts contribute to building trust, thereby maintaining economic and political stability.

The World Economic Forum's Partnering Against Corruption Initiative (PACI) launched the Future of Trust and Integrity project to examine how to rebuild trust and integrity while simultaneously addressing corruption. When trust and integrity are built into systems, they support a more predictable operating environment, which in turn helps establish a level playing field for all stakeholders.

Having experienced significant scandals, Latin America is showing commitment to address corruption. As the G20 countries continue to strengthen their anti-corruption efforts under the Argentine Presidency, the context in Argentina provides a compelling example of how current levels of trust and integrity affect corruption across stakeholders and how business and institutions can mobilize to effect change globally.

Political will in Argentina to address corruption has never been higher and, combined with a renewed focus on attracting foreign investment and engaging with the global economy, there is a positive trajectory. The Future of Trust and Integrity project found that this positive dynamic is shared among different stakeholders, with the majority of business and public-sector stakeholders seeing a decline in the prevalence of corruption. Indeed, approximately 78% of business leaders perceived a drop in corruption in the previous decade, and almost 90% anticipate further improvement in the next ten years. Understanding how Argentina has begun to counter corruption offers insight for a region rebuilding trust into political and economic systems.

The Future of Trust and Integrity project has identified three key dimensions of trust and integrity – institutional, behavioural and technological dimensions – to effect positive change in corrupt systems (see Figures 1 and 2). To ensure applicability, the project presents case studies demonstrating where business, government and civil society have successfully improved levels of trust and integrity to address corruption.

Institutional dimension

Reflective and resilient institutions contribute to a more predictable operating environment wherein mutually agreed-upon “rules of the road” and the formal and informal mechanisms of enforcement help create a level playing field that enables citizens, government officials and business leaders to cooperate and collaborate.

Strengthening legislation and regulation is particularly important in the Argentinian context. PACI's Expert Opinion Survey revealed that both the public and private sectors see legal obligations as the most important driver of an overall culture of integrity within an organization, yet impunity needs to be addressed.

While new legal requirements can reinforce and substantiate such obligations, bolstering legal enforcement alone is not deemed to be enough. Many firms lack the knowledge and/or institutional capacity to implement newly mandated compliance changes. Efforts must be made to employ regional business institutions and collective action initiatives to provide capacity building and support, thus ensuring that companies are able to adjust to more stringent legal operating environments. Such collective action initiatives have the added potential to shift incentives and to hold actors on both sides of a transaction process within the rule of law.

Behavioural dimension

PACI's Expert Opinion Survey in Argentina indicated that leading by example is considered the most important leadership role across all sectors. This catalyst offers the opportunity for business and institutional leaders to focus on developing responsive and responsible leadership to build trust and address corruption.

The survey also indicated that values and culture are critical enablers of trust and integrity, both in the short and long term, to reinforce behaviour. Providing a spotlight for examples of positive action and leadership can be an effective tool to boost values and culture within an organization. Anti-corruption initiatives often focus on identifying and prosecuting those involved in bad practices, but it is equally important to highlight success stories to foster greater organizational trust and a culture of integrity.

One of the biggest concerns for private-sector entities is that there exist a level playing field on which they can compete. To this end, collective action initiatives are emerging as a principal tool for organizations to effect change in behaviour internally and externally.

Technological dimension

Technology has emerged as one of the greatest allies of transparency and a critical tool against corruption. However, while emerging solutions such as blockchain, open data and big data analytics, e-governance and community-driven technological tools have enormous potential to help build trust and integrity, trust *in* these technologies still varies significantly among stakeholders. For these technologies to fulfil their transformative potential, efforts must be made to bridge this trust gap.

In particular, PACI's Expert Opinion Survey revealed that open data is viewed by the public and private sectors as the most likely technological innovation to enable trust and integrity. However, greater transparency without any accompanying trust-building activities, and in an environment afflicted by corruption, may result in further loss of social trust that could create greater economic and political instability. It is therefore imperative that open data initiatives be conducted in concert with other activities to build trust and integrity back into the system by also inspiring institutional and behavioural dimensions of trust.

The report highlights that technology has its limitations and presents potential risks that must be acknowledged and addressed prior to being applied. The complex nature of many emergent technologies means that only a limited number of people truly understand their functionality. Leaders in business, government and civil society must approach these solutions realistically and with a high level of dedication to mitigating the potential risks that accompany the benefits.



2. Introduction: Building trust and integrity for inclusive growth

The path forward for the Future of Trust and Integrity

To design corruption-free systems and maintain economic and political stability, global leaders need a comprehensive approach that builds trust and integrity back into those systems. Doing so requires simultaneous efforts to stimulate the three key dimensions of trust and integrity.

The prevalence of systemic corruption and low levels of trust and integrity continues to widen and deepen societal fissures, exacerbate inequality and impede the efficacy of both public and private investment. It was in this context that the World Economic Forum Annual Meeting 2018 in Davos-Klosters called on business and government leaders to create *A Shared Future in a Fractured World*. With this theme echoed across the global policy sphere, from the United Nations Sustainable Development Goals (SDGs) to campaigns in countries around the world calling for measures to reduce ever-growing wealth gaps, the spotlight is firmly on the need to promote *inclusive* growth. While there are substantial barriers to this goal in a range of issue areas, it is clear that corruption and the associated low levels of trust in business and institutions need to be redressed.

Although there is considerable evidence indicating that long-term economic growth hinges on eliminating corruption,³ there is less knowledge and awareness as well as fewer concrete examples of the critical relationship between the role of trust and fighting corruption. Growing evidence suggests that “corruption both feeds on and is fed by the broader crisis of trust, which sustains a vicious cycle that undermines economic health and social cohesion”.⁴ Ensuring anti-corruption efforts also contribute to building trust, thereby maintaining economic and political stability, is now one of the biggest challenges for leaders globally. The importance of institutional strengthening, behavioural change and technological adoption are considered the foundations of anti-corruption efforts – yet figuring out how to deploy these solutions while maintaining the stability of the overall system is less well understood.

This report demonstrates that while activities such as institution-building are absolutely necessary, they

are in reality levers of change that are part of a more comprehensive system. A truly sustainable approach to addressing corruption must prioritize a foundation built on trust and integrity.

The World Economic Forum’s Partnering Against Corruption Initiative (PACI) launched the *Future of Trust and Integrity* project to examine how to rebuild trust and integrity while simultaneously addressing corruption. Drawing on the Latin American region and, more specifically, Argentina, the project provides perceptions of trust across and between stakeholders. It highlights trends, solutions and real-world cases where business, government and civil society have raised standards in the fight against corruption and rebuilt trust and integrity to ensure sustainable change.

When trust and integrity are built into systems, they support a more predictable operating environment, which in turn helps establish a level playing field for all stakeholders. When such a culture is “embraced by individuals as well as institutions, [it helps] create a barrier to corruption” (Transparency International). While existing research shows that trust⁵ is an important indicator for overall economic growth and longer-term levels of wealth,⁶ world leaders are only just beginning to see the potential impact that building trust and integrity can have on good governance and curbing corruption.

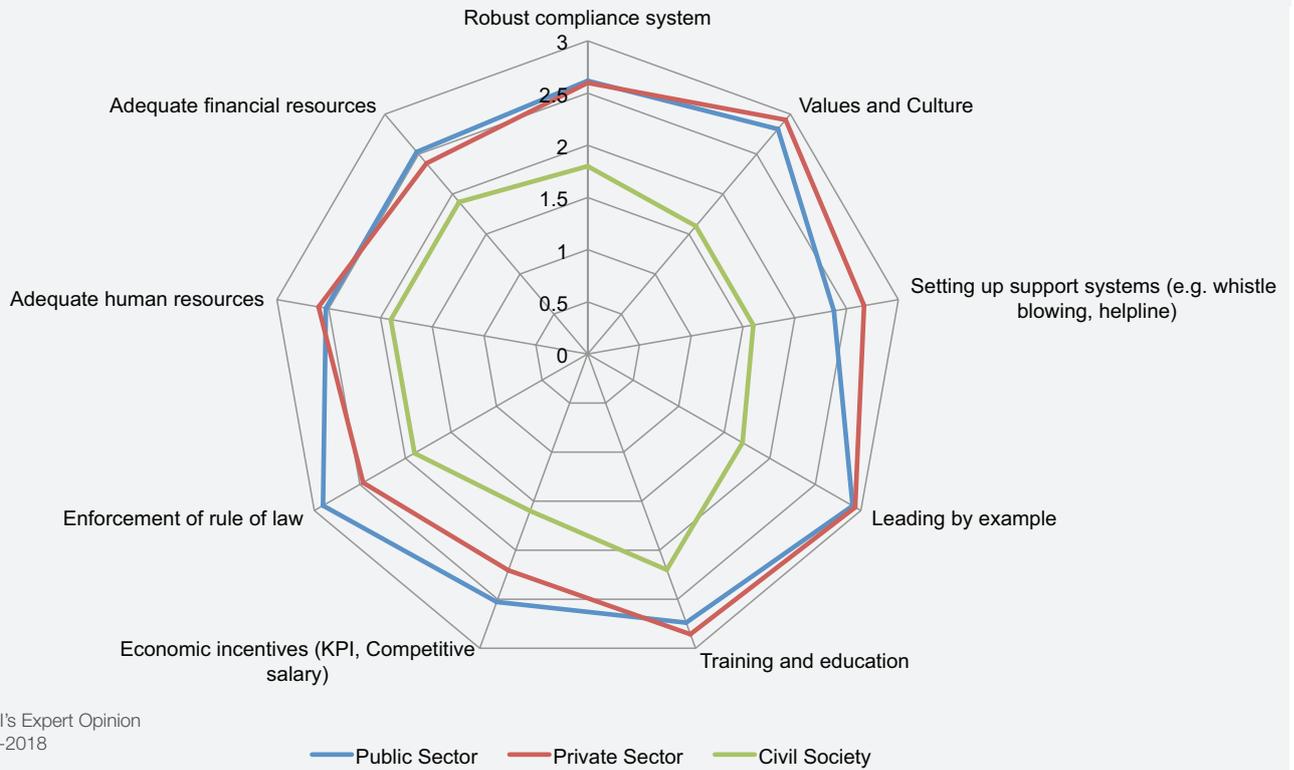
PACI developed an approach identifying three key dimensions of trust and integrity (see Table 1) and their corresponding catalysts that are critical for effecting positive change in existing systems. Specifically, the Future of Trust and Integrity project indicates that the key dimensions of trust and integrity – institutional, behavioural and technological – are critical around the globe and that the specific catalysts of these dimensions are more likely to be country- and context-specific. This report provides emerging findings – supported by case studies and surveys – on how global actors from the public, private and civil society sectors can successfully employ the above dimensions to build trust and integrity, thereby promoting more sustainable and inclusive economic and political systems.



Table 1: Key dimensions of trust and integrity and principal catalysts

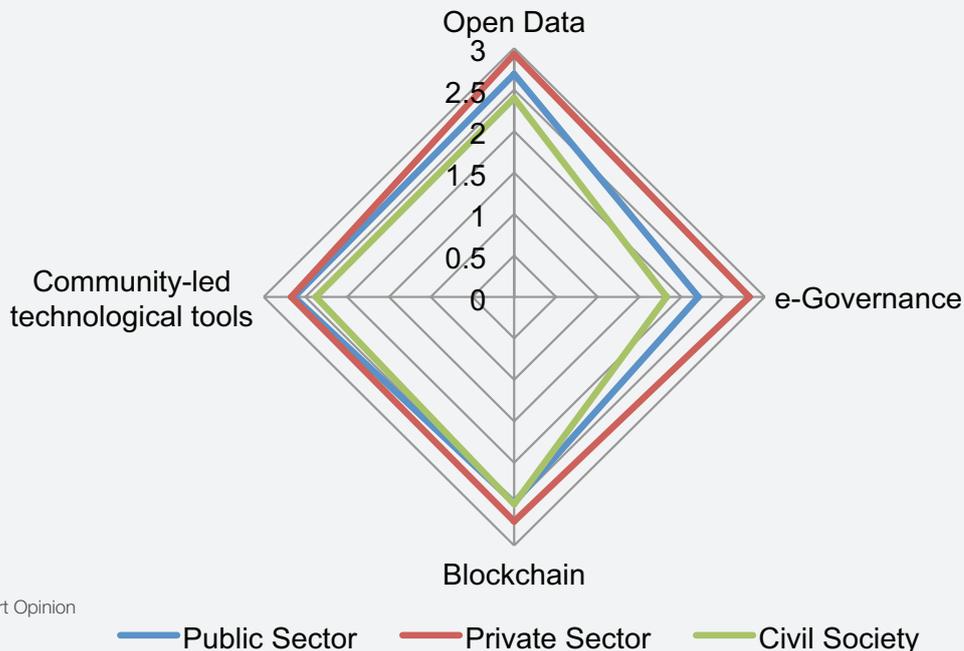
1. The institutional dimension – captures key concepts such as institution-building, for which enforcement of the rule of law, robust compliance systems and training/education programmes are the most significant catalysts.
2. The behavioural dimension – focuses on the role of individuals and organisational culture, where the principal catalysts are leadership (leading by example), values and culture, as well as the effective execution of training and education programmes.

Figure 1: Catalysts of institutional and behavioural dimensions by stakeholder – Argentina



3. The technological dimension – recognizes the significance of implementing emerging technologies, where e-government, blockchain, open data and big data analytics are the principal catalysts.

Figure 2: Catalysts of technological dimension – Argentina



2.1. Methodology: Regional dimensions influencing global practices

To ensure the applicability of the key dimensions and ascertain that their specific catalysts are able to rebuild trust and integrity, the Future of Trust and Integrity project has analysed the dimensions in individual sectors, identified cases that have employed these dimensions successfully, and raised future challenges that must be resolved to create the mature systems needed to address corruption effectively. With the aim of transforming positive intent into tangible impact for governments and businesses around the world seeking to address corruption, the case studies presented demonstrate a wide range of anti-corruption strategies, including collective action, transparency and accountability, all sharing the common theme of promoting trust and integrity to build agile governance.

The **Pilot Phase** of the project, Building Foundations of Trust and Integrity, took place in Mexico in 2016.⁷ Mexico was selected for the positive momentum of actors to establish an innovative anti-corruption system.⁸ This phase identified and mapped key issues and perceptions among stakeholders to assess vulnerabilities and opportunities for improvement. Building on this knowledge, PACI and the Ministry of Justice and Human Rights of Argentina launched the Future of Trust and Integrity project.

Phase One replicates the survey designed in Mexico (outlined in Table 2) and expands the knowledge of the relationship between trust, growth and stability in Latin America. In doing so, it provides further insights into the key dimensions for promoting trust while addressing corruption. Phase One coincides with the Argentinian G20 presidency and provides a key leverage point for action to encourage solutions and institutional recommendations to inform recommendations globally.

To capture G20 countries in diverse economic and political operating environments, **Phase Two** of the project will begin in South Africa to advance a global framework for rebuilding trust and integrity.

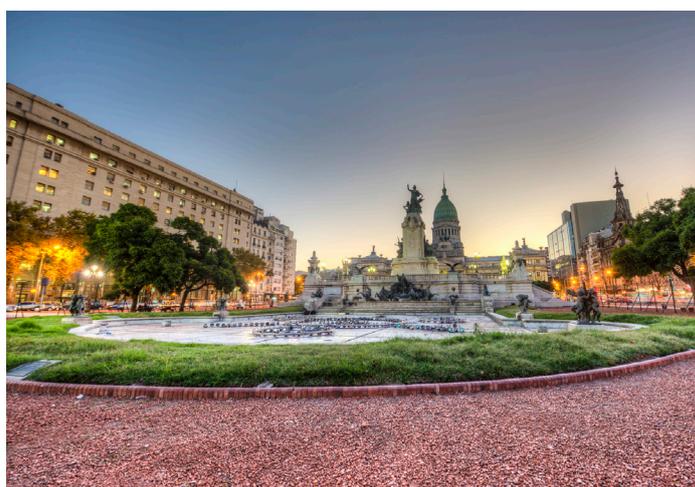
Phase Three seeks to explore dimensions in the Middle East or South-East Asia to develop a global framework, sensitive to sector and regional particulars, for building trust and integrity to address corruption.

PACI has worked with the Ministry of Justice and Human Rights of Argentina and a Steering and Advisory committee of experts and business leaders to direct the project's strategy and contribute to developing key insights for these interim findings (see Section 5: Project Contributors). This paper draws upon the data sources in Table 2 to provide a deeper analysis of the institutional, behavioural and technological dimensions of trust and integrity.

Table 2: Project data sources

- Extensive thought leadership and strategic guidance from the project Steering and Advisory committees. This includes practical case examples on the institutional, behavioural and technological drivers of building trust and integrity. These cases are drawn primarily from the Latin America context, but they span other regions to illustrate the global implications of certain issues.
- Bespoke surveys distributed to public, private and civil society stakeholders in Mexico (2016) and Argentina (2017–2018) (referred to below as “PACI’s Expert Opinion Survey”). The survey captures specific entry points to measure trust and integrity within and between business and government, as well as identifying the institutional, technological and behavioural solutions that contribute to rebuilding trust and integrity.
- Data from the World Economic Forum’s annual global Executive Opinion Survey. The survey is the longest-running and most extensive of its kind, capturing the opinions of business leaders around the world on a broad range of topics, including the incidence of corruption.

While there are political, economic and cultural precursors unique to each nation, understanding how Argentina is restoring levels of trust and integrity, across a region grappling with economic and political instability related to corruption, can provide insight into how countries can adopt similar methods. Likewise, in examining the institutional, behavioural and technological dimensions that have restored economic confidence, gaps and challenges are exposed and provide opportunities for further reform.



2.2. Trust, integrity and growth: The Latin American context

Latin America has significant corruption issues across the public, private and civil society sectors; corruption currently ranks among the top three most problematic factors for business leaders in three of the four largest economies in the region, according to the World Economic Forum's latest Global Competitiveness Index.⁹ Far-reaching bribery scandals have rocked middle-income economies, implicating both government and business leaders. The latest available regional citizen survey data shows that 62% of Latin Americans believe corruption has increased, while only 10% believed there it had declined in 2016.¹⁰

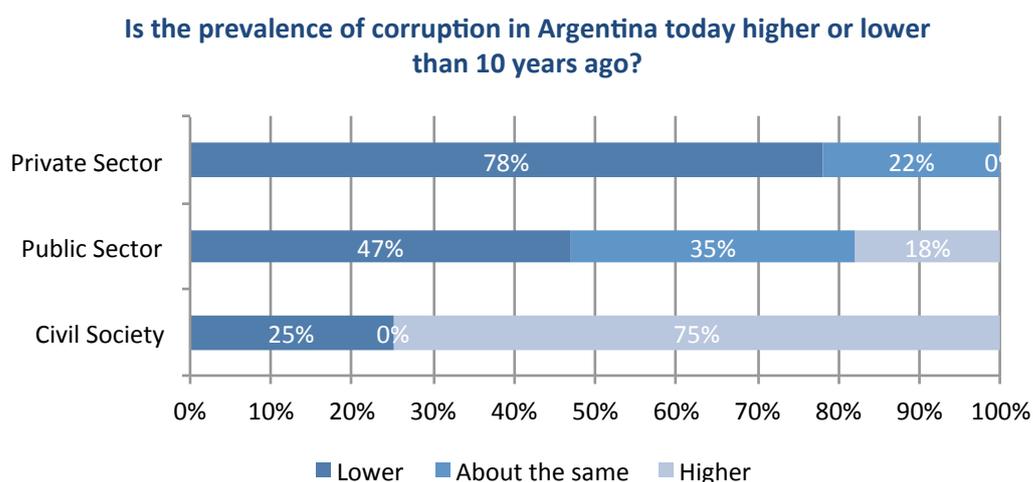
Although Latin America performs poorly on various telling indicators of trust and integrity – public trust in politicians and the independence of the judicial system are major concerns, and there is a significant trust deficit in the region – it is also a region with a history of putting inclusive growth high on the political agenda. From 1990 to 2008, the region enjoyed almost two decades of strong economic growth on the back of booming commodity prices and increased global trade. During this time, extreme poverty in the region halved and childhood mortality decreased by an impressive 65%. The region achieved almost universal primary school attendance and access to safe water. Life expectancy increased by a full eight years. These development outcomes contributed to a reduction in inequality – although this remains a lingering and significant issue – and opened opportunities for more widespread economic progress.

Political will in Argentina towards anti-corruption efforts has never been higher and, combined with a renewed focus on attracting foreign investment and engaging with the global economy, Argentina provides an interesting example for rebuilding trust and integrity. Although corruption is undeniably still a systemic issue, there is a positive trajectory. Unlike in other major regional economies, corruption has now dropped out of the top three problematic factors for doing business (seventh overall), and business leaders see a significant improvement in government efficiency and integrity.

According to PACI's Expert Opinion Survey (see Figure 3a), this positive view is shared across different stakeholders in Argentina, with the majority of business and public-sector stakeholders seeing a decline in the prevalence of corruption. Indeed 90% of private-sector participants expect the prevalence of corruption in Argentina to be lower in 10 years, suggesting confidence in the current anti-corruption strategy. This is in contrast to Mexico (see Figure 3b), where 72% of stakeholders saw corruption worsening over the past decade under similar political commitment to reform.

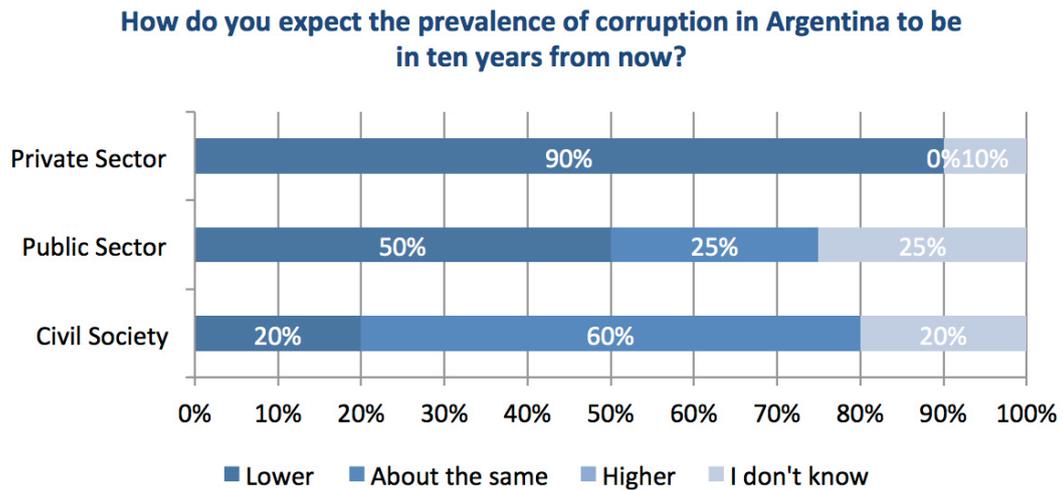
Institutional strengthening and renewed trust are driving Argentina's overall competitiveness, moving it 12 positions up in the World Economic Forum's Global Competitiveness Index to 92nd place. Since 2015, Argentina has seen cautious improvement in terms of public trust of politicians and the independence of its judiciary (see Figure 4). The Argentinian Government is also introducing broader economic reforms, which are expected to strengthen overall governance.

Figure 3a: Present and future perception of corruption in Argentina

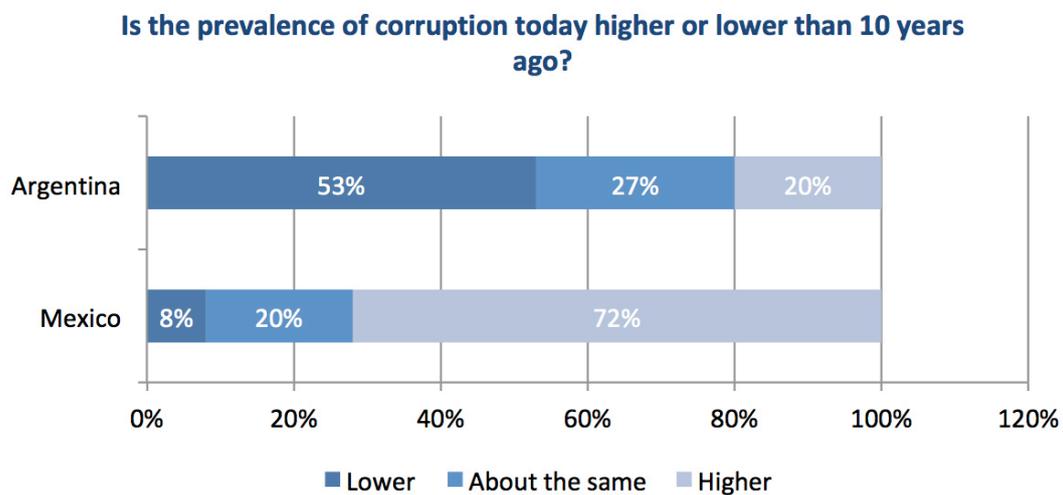


Source : PACI's Expert Opinion Survey 2017-2018

Figure 3b: Comparative perception of corruption over the past 10 years in Mexico and Argentina

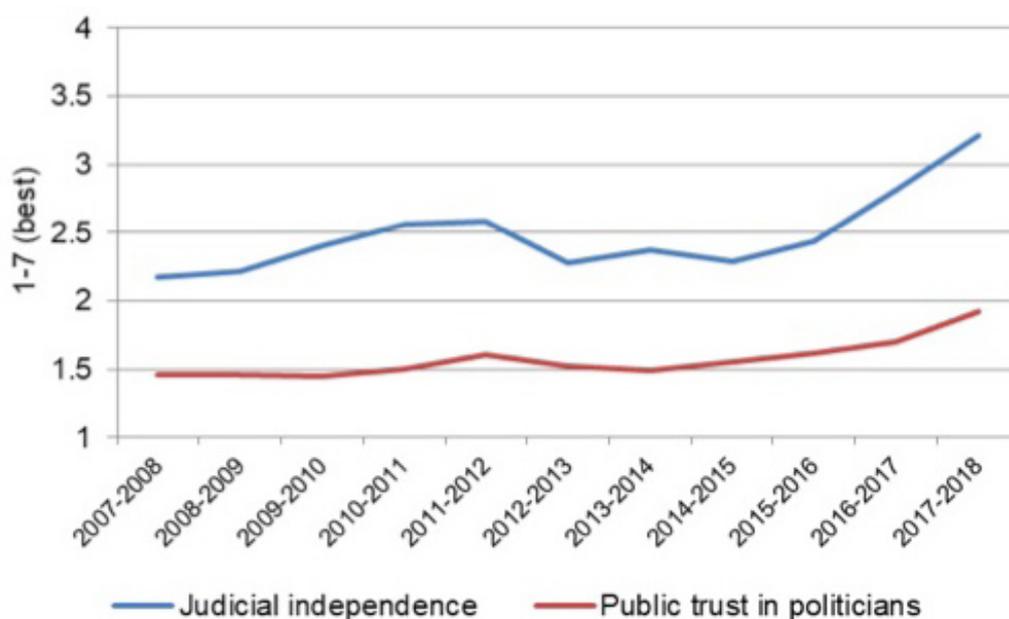


Source : PACI's Expert Opinion Survey 2017-2018



Source : PACI's Expert Opinion Survey 2017-2018

Figure 4: Argentina's judicial independence and public trust in politicians



Source : World Economic Forum's Global Competitiveness Index

3. Employing the key dimensions of trust and integrity

The report aims to identify themes and potential points of action that may be scalable beyond Latin America to improve global impact and understanding of trust and integrity. The following section outlines the emerging findings from the *Future of Trust and Integrity* project across institutional, behavioural and technological dimensions of trust and integrity.

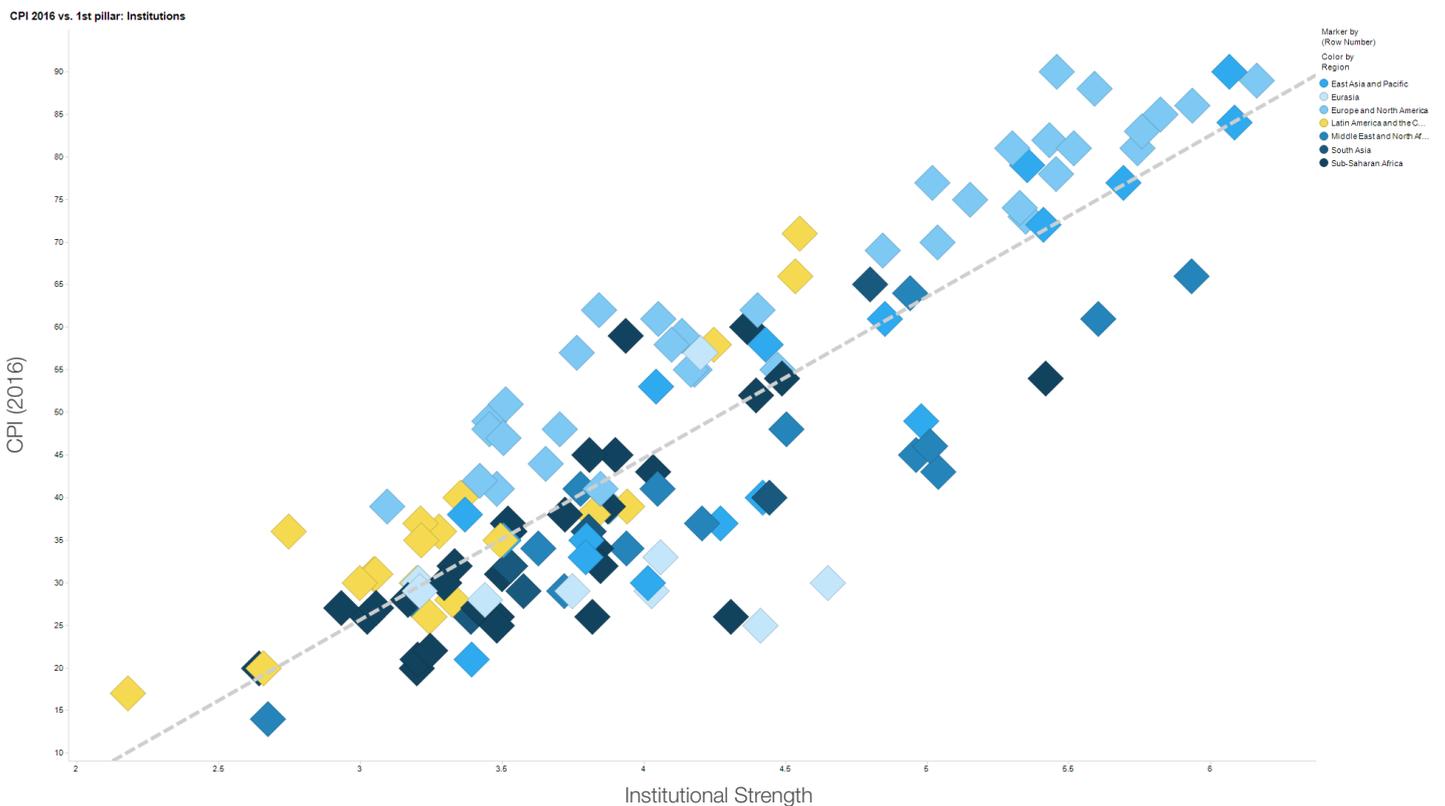
3.1. Institutional dimension

International organizations such as the World Bank, United Nations, International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) have long confirmed the criticality of strong institutions. Reflective and resilient institutions contribute to a more predictable operating environment wherein mutually agreed-upon “rules of the road” and the formal and informal

mechanisms of enforcement help create a level playing field that enables citizens, government officials and business leaders to cooperate and collaborate.

Figure 5 illustrates the relationship between corruption and institutional strength through a comparison of Transparency International’s Corruption Perception Index (CPI) with the World Economic Forum Global Competitiveness Index (GCI) analysis of institutional strength. Here we see the strong correlation between a country’s CPI score and the strength of its institutions, highlighting the importance of inspiring institutional dimensions of trust and integrity to address corruption. (Countries from Latin America and the Caribbean are shown as yellow diamonds.)

Figure 5: CPI (2016) vs. institutional strength



Source: Transparency International’s Corruption Perception Index (CPI) and World Economic Forum’s Global Competitiveness Index (GCI)



3.1.1. Legal obligations and the rule of law as a foundation of trust and integrity

As illustrated in Figure 6, there are a number of institutional drivers for building trust and integrity. Among these, strengthening legislation and regulation is particularly important in the Argentinian context. The PACI Expert Opinion Survey revealed that the public and private sectors see legal obligations as the most important driver of an overall culture of integrity within an organization.

Among the most significant such regulatory tools at the disposal of global governments are corporate liability laws – laws that are also required by the OECD Bribery Convention. The lack of a robust corporate liability system can lead to unfair competition, thereby obstructing investment and development, and raising operational costs – in many cases reaching the level of commercial extortion. While such laws – albeit under varying forms and scope – are required by Chile, Brazil, Mexico, Colombia and Peru, until recently Argentina lagged behind.

Figure 6: Drivers of integrity



Source : PACI's Expert Opinion Survey 2017-2018

Case 1 – Argentina's corporate liability law	
Context	<p>In Argentina, the lack of a system of corporate liability for corruption offences resulted in an uneven playing field between foreign global companies operating in Argentina – that were required to implement anti-corruption programmes by the laws of their countries of origin – and local companies, which were not liable for corruption offences in Argentina. As a result, multinational companies operating in Argentina faced the economically difficult decision of choosing to adhere to international legal operating standards or engaging in corrupt practices so as to maintain their ability to compete with local companies.</p> <p>With a newly invigorated national Anti-Corruption Office, Argentina began to develop corporate liability reform legislation in 2016. This included extensive collaboration and consultation with prosecutors, civil society organizations, legal scholars and representatives from the main business associations, including executives and compliance officers.</p> <p>Argentina's Corporate Liability Law, which was enacted on 1 December 2017 and entered into force on 1 March 2018, establishes corporate criminal liability for active, domestic and transnational bribery, trading in influence and other corruption offences. The legislation encourages firms to crack down on corruption themselves by expanding liability to cover businesses as a whole. Businesses that profit from bribes – even if corporate leadership is not involved – are now legally responsible and open to prosecution. The law must still be interpreted by the prosecutors and courts, and will need to be implemented by the public administration in public procurement procedures, but it represents a new beginning in the building of trust and integrity in Argentina.</p>

Lessons learned and future challenges

While the passing of such legislation is a major victory for any government looking to build trust and integrity, it will likely take some time for the impact of the legislation to be realized as companies strengthen their compliance systems and the overall culture of integrity.

Only 35% of Argentinean firms surveyed in PACI's Expert Opinion Survey appear to have a code of conduct/ethics in place. While the threat of legal repercussions will undoubtedly instigate action, this will not happen overnight. At the individual level (see Figure 6), 72% of survey respondents saw family values or individual principles as the key factors motivating them to act with integrity in the professional environment, while only 15% referred to legal regulations and 5% to organizational codes of conduct. This fact calls into question the potential efficacy of such institutional reform on effecting change in actual behaviour.

To mitigate this concern, it is imperative for companies to implement integrity programmes with the aim of achieving cultural change, thereby enhancing the efficacy of legislative efforts such as Argentina's Corporate Liability Law. However, while PACI's Expert Opinion Survey indicates that there is strong commitment across institutions to implement these governance instruments (with 62% of respondents indicating their willingness to do so as "High"), companies, particularly small and medium-sized enterprises (SMEs), are limited in their ability to do so effectively because of capacity and expertise constraints. The role of business organizations and Chambers of Commerce in bridging this capacity and expertise gap is examined in further detail below.

3.1.2. Private-sector standards and ethical behaviour: Bridging the divide

Latin American countries overall have robust auditing standards and corporate governance institutions (see Figures 7 and 8), but these institutional mechanisms are not translated into a sense of ethical behaviour by firms. Nearly all Latin American countries (depicted as yellow diamonds in Figures 7 and 8) fall below the line-of-best-fit when comparing the ethical behaviour of firms to the strength of auditing and reporting standards, or to the efficacy of corporate boards.

While new legal requirements such as the Corporate Liability Law in Argentina can perhaps reinforce such standards and the efforts of corporate boards by providing "teeth" for

enforcement, bolstering legal enforcement is not enough. Many firms, particularly small and medium-sized enterprises (SMEs), lack the knowledge and/or institutional capacity to implement mandated compliance changes. According to a study carried out and published by Argentina's mainstream business outlet, Apertura,¹¹ 44% of those surveyed acknowledged that they had not initiated any kind of adaptation initiative after the law came into force, and 27% of the respondents (with responsibilities in the matter) admitted not knowing what the regulation consists of. It is in this space that business associations and Chambers of Commerce can be especially effective in bridging the implementation gap, and assisting the efficacy of anti-corruption laws.

Figure 7: Ethical behaviour and corporate boards

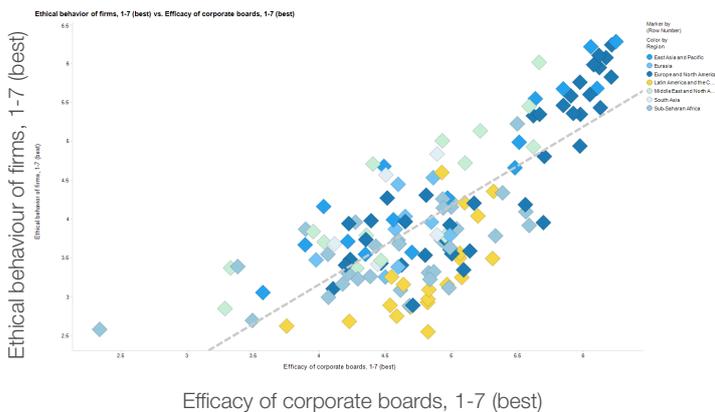


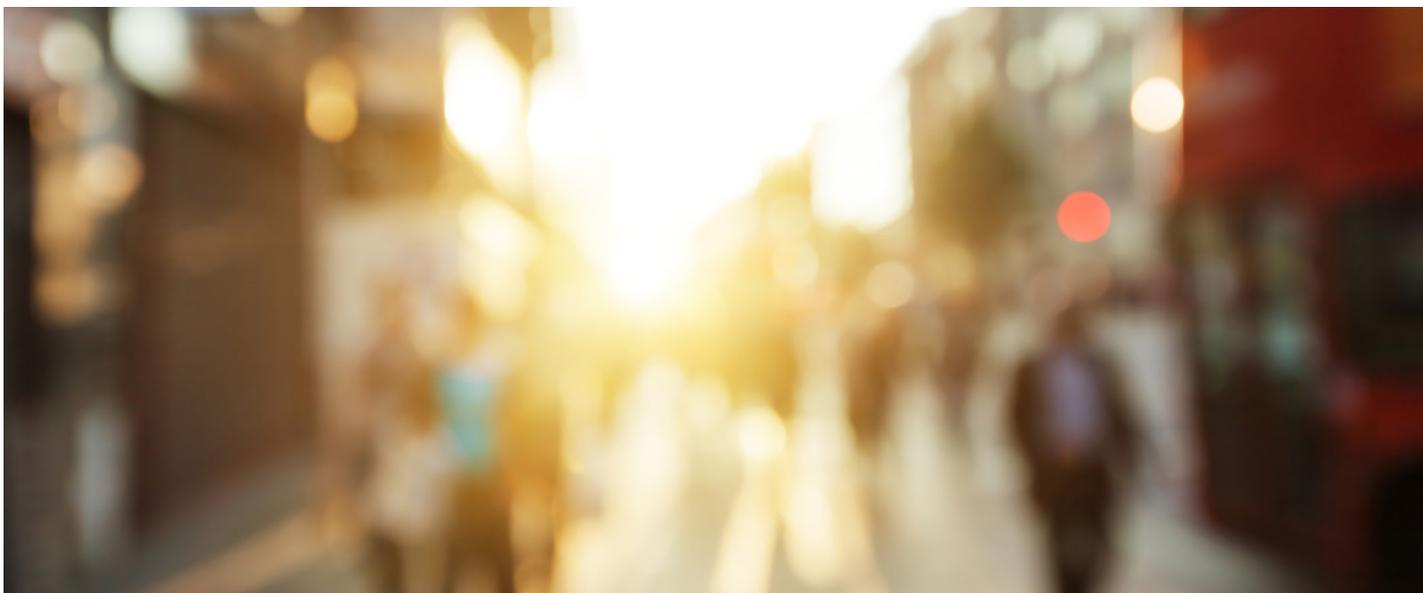
Figure 8: Ethical behaviour and auditing/reporting standards



Source: World Economic Forum's Global Competitiveness Index

Case 2 – Business associations: Employing collective action and collective accountability

Context	<p>Business associations play a critical role in the development and effectiveness of anti-corruption legislation through: 1. direct involvement in the legislative process to make recommendations and the text and implementation requirements of new laws; 2. helping to make companies aware of the changes; 3. providing specific knowledge of the compliance requirements; 4. bridging any capacity gaps to implementation of the new policies.</p> <p>Argentina’s Chamber of Commerce and Services (CAC) is one of the main business organizations in the country. In this role, the CAC is part of the “Group of Six”, which unites the biggest business representative bodies in Argentina.</p> <p>Since the Corporate Liability Law came into effect in Argentina, the CAC is working to help its partners better understand the implementation of the new legal framework, its content, disposals and scope of liability. Business associations can replicate this model and design plans to assist represented companies in these processes – including programmes specific to SMEs that promote the implementation of integrity systems by showing the advantages they could bring. Business association plans may include: 1. the creation of an interdisciplinary group to design and propose ethics and compliance projects and respond to particular concerns; 2. the preparation of business association recommendations to provide partners with a simple and understandable approach to the new legal framework addressing corruption; 3. the planning and execution of ethics and compliance training clinics to avoid corruption in the private sector.</p> <p>To ensure a sustainable solution that boosts companies’ actions in complying with the new legislation, the following activities can be undertaken by business associations: 1. regular meetings of interdisciplinary teams; 2. open dialogues with board members about the issues and the results of plan implementations; 3. strengthening and empowering of the channels of communication with and among members about anti-corruption practices.</p>
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Lessons learned and future challenges	<p>Transparency in the processes in which companies participate in public-private articulation is critical to the construction of a more inclusive system.</p> <p>Good practices and anti-corruption initiatives are as relevant for business associations – particularly Chambers of Commerce – as they are for companies. While mechanisms to overcome implementation challenges are equally applicable to large organizations in developed markets as they are for smaller organizations in developing economies, it is also necessary for business associations to recognize the nuances of their local contexts. This will result in a more effective implementation plan, and one that avoids the pitfalls of one-size-fits-all approaches.</p>
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While collective action efforts can help bridge the gap between intent and reality, the *Future of Trust and Integrity* project also revealed that not all standards and compliance systems are created equal. Comprehensive systems should account for people, processes and systems to be built into the fabric of the organizational design.

Case 3 – Integrating comprehensive compliance programmes to mitigate corruption

Context	<p>Integrating comprehensive compliance programmes into a business’s operational processes can promote compliant and successful operations while mitigating corruption risks. This is especially true in the context of international retail companies requiring real estate, construction, and operating licences and permits in all areas of operation.</p> <p>The international retail company represented in this case example operates in 28 countries (with over 20 different languages spoken) and hundreds of states and municipalities – each with different regulatory frameworks and requirements and varying levels of government infrastructure and technology relating to the application of and payment for licences and permits.</p> <p>Lack of regulatory transparency, accountability and rule of law in certain jurisdictions results in a high level of discretion exercised by government officials. These conditions impose actual costs and risks on companies through, among other things, non-regulated payments, fines for missing or expired licences and permits, and requirements to provide for social, environmental and infrastructure needs.</p> <p>To mitigate the risks associated with operating in such varied environments, the company developed an end-to-end solution for managing licences internationally, focused on: 1. world-class talent; 2. simple and sustainable processes; 3. customized systems.</p> <p><i>Talent</i> – The company identified potential resources by mapping the different operational teams that were conducting work related to licences and permits in each market. The next step was to determine the best team structure and talent profiles to address the needs of each market, taking into consideration anticipated growth, regulatory complexity, diversity of formats and other factors. The company then consolidated the resources into a single function and defined roles and responsibilities for each position on the market licensing and permitting teams. Using a RACI chart (a matrix that assigns roles and responsibilities for certain activities), the company defined and centralized the processes that the licensing and permitting teams would manage in relation to the business. To maintain independence, the licensing and permitting teams were structured to report directly within the compliance function. In addition, training content was developed and delivered to support and standardize the required skills needed for the roles on the teams.</p> <p><i>Processes</i> – The company established a set of standards and controls for associates and third-party intermediaries involved in the licences and permits process. Among those controls are standard operating procedures that govern obtaining, managing and maintaining licences and permits. The company also established periodic self-testing by process owners and direct monitoring of selected processes and controls.</p> <p>For third-party intermediaries, the key controls and processes are set out in the company’s International Anti-Corruption Procedures. Before engagement, the company has a process to identify, screen and conduct due diligence on potential third-party intermediaries. All third-party intermediaries must be approved by the market anti-corruption team prior to any work being performed. Additionally, the company requires third-party intermediaries to agree to contractual commitments to follow applicable anti-corruption laws and the company’s anti-corruption protocols and to complete anti-corruption training before engagement.</p>
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	<p>After engagement, third-party intermediaries are required to report any significant changes in ownership or leadership at the entity, to certify anti-corruption compliance annually, and to renew their anti-corruption training periodically. The company’s market-based licensing and permitting teams also oversee the third-party intermediaries – including reviewing the intermediaries’ work before it is submitted to a government agency.</p> <p>In addition to screening, performing due diligence, requiring contractual commitments and training third-party intermediaries, the company partnered with external experts to develop a methodology for proactively auditing a sample of its third-party intermediaries. These audits are not performed in response to a concern or allegation about the intermediary (those concerns or allegations would be managed through the company’s separate investigations process). Rather, the company proactively selects a sample of third-party intermediaries to audit based on several factors, including the risks associated with the region where the intermediary operates and the type of service that it provides – such as licensing and permitting work. Through this process, the company can mitigate the risk associated with having third-party intermediaries assist in obtaining, managing and maintaining licences and permits.</p> <p><i>Systems</i> – The company developed and deployed a proprietary Global Licence Manager (GLM) system to help identify and track licensing and permitting requirements in each international market, to serve as a single repository for all required documentation and to provide visibility and monitoring capabilities at the market and international levels. The GLM system was designed internally, with key input from the business and different market users to track key steps during the licensing and permitting process, including agency contact, payment request and receipt, application completion, submission to the relevant agency, and receipt and upload of the licence or permit, and other relevant documentation and communications. In deploying the system, the company conducted intensive training for internal adoption and developed guides for system usage.</p> <p>For the purposes of providing oversight of third-party intermediaries supporting licence and permit processes, the company worked with external experts to create an algorithm and system that regularly searches the company’s vendor records for third-party intermediaries and facilitates due diligence. The customized system automates data collection and workflow, delivery of due-diligence reports, and monitoring of intermediaries’ compliance with their contractual and certification requirements. The system also allows for third-party monitoring more broadly, including providing real-time alerts of adverse media, litigation and other red flags relating to third-party intermediaries. In addition, the system is able to pull and track training records for the third-party intermediaries from another system, centralizing the third-party information.</p>
<p>Lessons learned and future challenges</p>	<p>Public- and private-sector organizations would benefit from increased access to and use of systems and technology, such as the above-described systems, in the licensing and permitting space. Technology could increase compliance, sustainability, efficiency, transparency and traceability, among other benefits.</p> <p>Additionally, the importance of having strong people, processes and systems to manage licences and permits and third-party intermediaries cannot be overstated, particularly in view of the company’s large scale and quantity of data.</p>

3.1.3. Legal enforcement and systems of mutual accountability

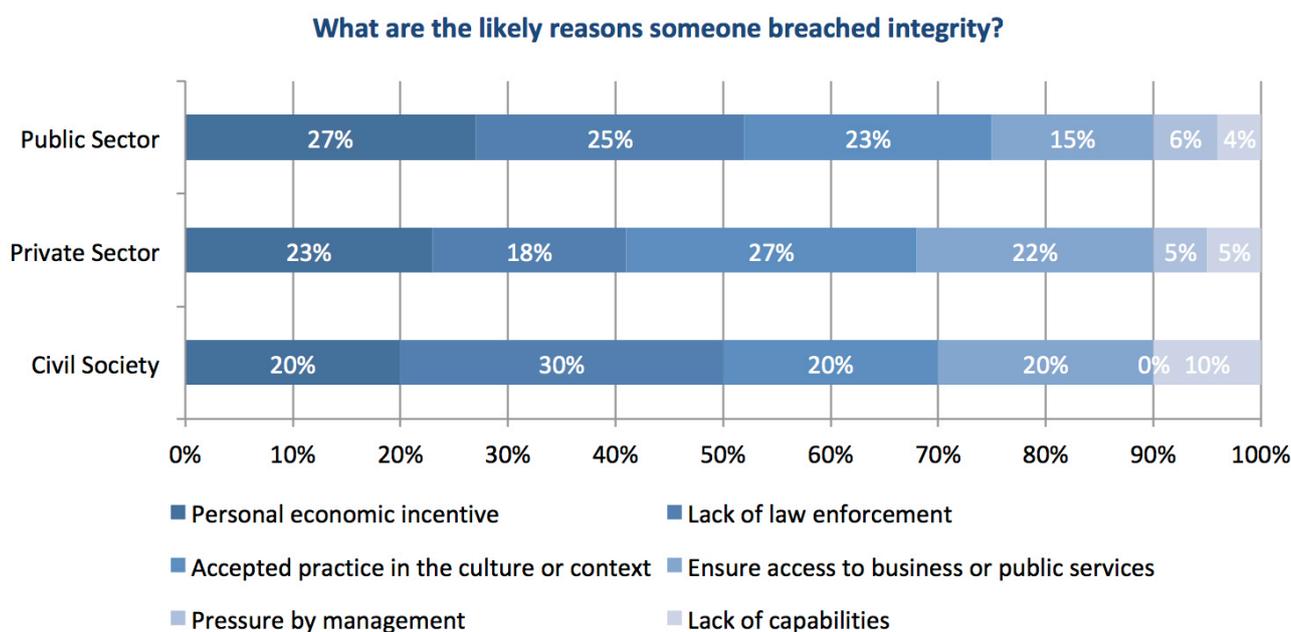
Figure 9 indicates that, along with personal economic incentives (addressed further in Section 3.2: Behavioural dimension of trust and integrity), lack of law enforcement is the primary reason for someone to breach integrity. Indeed, lack of prosecutions and a sense of impunity usurp trust in the overall system.

This sense of impunity is directly linked to the effectiveness of a country's judiciary. In Argentina, trust in the independence of the judiciary from influence from other branches of government, individuals or companies is generally low, but it is improving. Argentinean judges already have a significant amount of individual discretion to pursue or reject cases, and either accelerate or slow down prosecutions, but continued judicial reform and increased accountability will require longer-term reforms.

Argentina's national Anti-Corruption Office has gained significant visibility and resourcing since 2015, helping to drive implementation of legislation and push for prosecutions. Similarly, several judges in Argentina are gaining attention for spearheading the prosecutions of senior officials and some of the most powerful corporate leaders.¹² Such high-profile efforts send a clear indication to business, government and social actors participating and investing in the market that tangible efforts are being made to rebuild trust and integrity into the system.

While law enforcement is critical in the effectiveness of regulations, businesses and agencies have the power to use their collective strength to take a stand against those who might otherwise operate outside the law. Collective action initiatives have the potential to shift incentives so as to hold actors on both sides of a transaction process within the rule of law.

Figure 9: Why breaches of integrity occur



Source : PACI's Expert Opinion Survey 2017-2018

Case 4 – Modernizing port inspection systems to increase trust and integrity

<p>Context</p>	<p>The potential of collective action initiatives to build trust and integrity is especially evident in Argentina’s agricultural shipping ports. Vessel health clearance processes in ports for agricultural transport represent significant vulnerability points for corruption to occur. Ship inspectors may be inspired to demand bribes knowing that daily port costs are extremely high and inspection failure can result in a ship being deemed “off hire”. On the other side, ships that may fail health inspections have a large incentive to offer bribes to port officials for a passing grade. Lack of integrity in this process affects foreign trade, raises operational costs and creates legal and reputational risks for stakeholders.</p> <p>In Argentina, the Maritime Anti-Corruption Network (MACN) – which represents a global business network of more than 90 companies working towards the elimination of corrupt practices in the maritime industry – worked together with the government (the Ministry of Agricultural Industry and the state agency that guarantees the quality and healthiness of agricultural products – SENASA), and built a strong coalition of industry stakeholders to change the inspections system.</p> <p>MACN and the other collective-action stakeholders developed key points for a new inspections system that is both integrity-oriented and feasible, balancing commercial interests in the context of a process that is critical to Argentina’s foreign trade. Stakeholders worked closely with SENASA on the preparation of draft reform proposals, offering capacity-building support. MACN also supported SENASA’s development of a new e-governance system for processing the inspections. Finally, they conducted training activities essential to facilitate involvement and gain compliance and support from the private stakeholders that will have a key role in the implementation of the new system.</p> <p>Under the new system: Inspections are conducted by registered private surveyors, under SENASA’s supervision, based on a risk assessment, and on the grounds of settled standards of approval/rejection. A paper-based process is replaced with an e-governance system underpinning the new framework, thus allowing the adoption of a risk-based approach to SENASA supervisions. An anonymous whistle-blowing hotline is open to anyone.</p> <p>Explicit criteria and processes for the inspection of agricultural transport ships accompanied by modernization of inspection records through e-governance systems, cross-checks and enhanced training on each of the above components mitigates opportunities for graft (bribery and corruption) to occur during port inspections. This creates a port inspection system that is less discretionary, more transparent and more accountable.</p>
<p>Lessons learned and future challenges</p>	<p>In any collective action effort directed at changing the incentive structure behind a corruption scheme, it is necessary to understand the good-faith commercial interests behind each group of stakeholders, as well as the operational and practical limitations to any regulatory change. It is imperative to understand the micro-level of corruption and all relevant stakeholders involved: who is actually getting the illegal benefits, and for doing exactly what? What are the economic drivers of the corruption scheme? How do incentives play to each stakeholder? For what reasons have the corrupt scheme endured? To achieve such understanding, it is essential to develop a fact-finding effort involving all stakeholders.</p> <p>In fragmented markets, engaging the government is essential to overcome a “prisoner’s dilemma” situation where no party is willing to make the first positive move. To achieve the government’s political will to boost change, the capacity to show evidence of corruption is essential. Incident data gives authority and legitimacy, and is a powerful tool to convince governments and other stakeholders to move and take action.</p> <p>To achieve sustainable change, all stakeholders need to continue acting collectively during the new system’s implementation stage, providing joint trainings to essential public and private implementation actors, and undertaking joint efforts to monitor daily execution and results.</p>



3.2. Behavioural dimension of trust and integrity

Findings from Mexico and Argentina indicated that a comprehensive anti-corruption effort also requires inspiring the behavioural dimension of trust and integrity. In particular, the survey identified three leading trends that can maximize efforts to deploy the catalysts of this dimension.

3.2.1. Leading by example

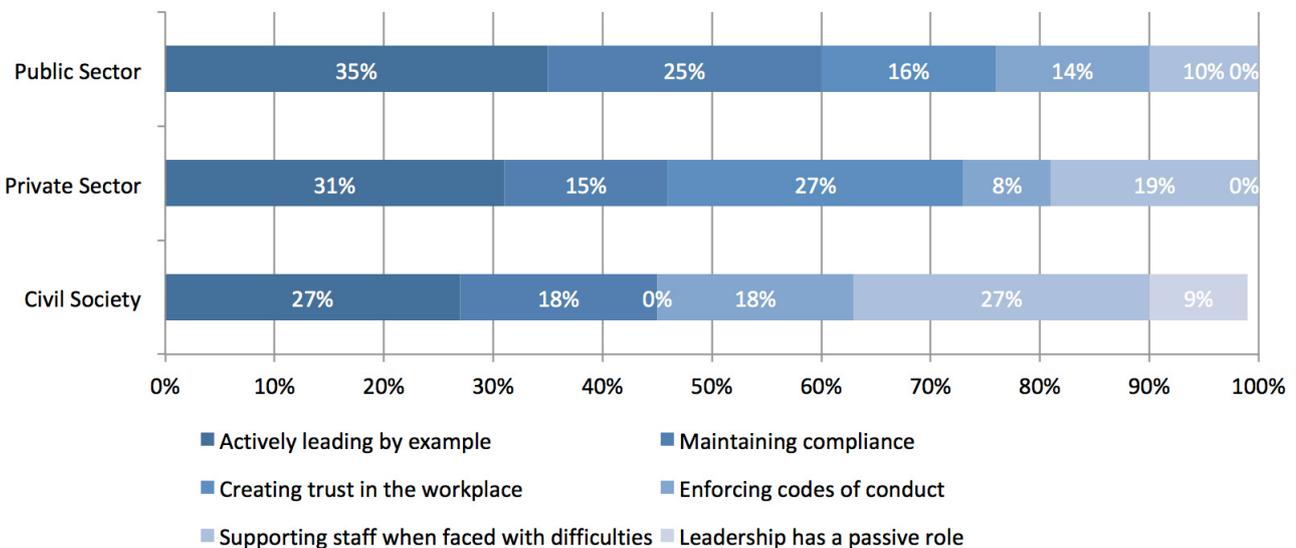
Leading by example is considered the most important driver of integrity across all sectors. It offers the opportunity for “quick wins” through responsive and responsible leadership. Setting the tone at the top can have powerful effects that

ripple throughout an organization. The private and public sectors also see leading by example as the most important dynamic in ensuring integrity (see Figure 10). Civil society is more divided on the role of leadership in ensuring integrity, indicating that further investigation is required.

It is important to note that leading by example can extend beyond an individual. Government agencies and businesses can help drive change in their sector through engagement activities and implementing both internal and external standards of behaviour.

Figure 10: Role of leadership

What is or should be the role of leadership in ensuring integrity in your business or institution?



Source : PACI's Expert Opinion Survey 2017-2018

Case 5 – Setting the tone: How businesses can lead by example

<p>Context</p>	<p>In 2002, to combat the severe economic, social and political crisis, Argentina introduced a “Public Emergency Law” that established, among other factors, the temporary freezing of tariffs in public services (including the energy sector). The freezing of tariffs, in the context of increasing inflation, caused imbalance in companies’ economic-financial equation and their consequent undercapitalization. As a result, companies had to seek subsidies from the state to cover their operating costs. This intervention by the state, together with the discretionary allocation of subsidies without transparent and adequate control systems, created the basis for corrupt actions and usage of public funds.</p> <p>Beginning in 2015, after more than a decade of policies that slowly eroded market predictability and quality, Edesur S.A., a private-equity company engaged in energy distribution and sales with a service area covering more than 6 million people (14% of the total population of Argentina), took a four-pronged approach to increase transparency, confidence and predictability in the sector, and help weed out corrupt practices:</p> <p><i>Government collaboration</i> – Edasur S.A. encouraged and participated in open dialogue roundtables that proved essential in generating much-needed debate for change implementation. These dialogues focused on ensuring sustainable business, implementing a quality-of-service recovery path, and developing and implementing new technologies for greater transparency and better service delivery.</p> <p><i>Sector engagement</i> – To capitalize on the benefits of joint efforts, Edasur S.A. engaged with Argentina’s most representative business chambers, associations and sectoral working groups. These bodies were used to transfer business sector knowledge at a national and global level.</p> <p><i>Bolstering integrity requirements across the supply chain</i> – Ethics, transparency and anti-corruption policies proved to be indispensable tools for commitment to sustainability and the predictability of the operating environment. To this end, norms and procedures were developed to meet the highest international standards, which all suppliers are required to accept. Additionally, efforts were made to increase and diversify suppliers with international experience to participate in tenders. Finally, an <i>Ethics Channel</i> was created where suppliers, employees, clients and any person or company could report accusations anonymously and confidentially.</p> <p><i>Bolstering internal integrity requirements</i> – Edasur S.A. identified “Integrity” as a fundamental company value. To support this value, it developed an Ethics Code to help guarantee the transparency, correct performance and behaviour of employees. Furthermore, specific policies and procedures were adopted to establish expected behavioural standards and explicitly prohibit the carrying out of any crime. Educational documents were made available on the company intranet, with periodic training performed on an ongoing basis to raise awareness of good behavioural practices.</p>
<p>Lessons learned and future challenges</p>	<p>Assuring legal stability and institutions-strengthening are key factors for countries’ development, especially in strategic sectors that require long-term planning.</p> <p>Through collaboration with government and other sector stakeholders, in combination with the bolstering of external and internal integrity requirements, private-sector companies can create a more transparent and predictable operating environment. This will help guarantee that business is based on responsible policies committed to the entire society.</p> <p>Prior to the new regulatory framework, companies and related organizations could have made greater efforts to communicate with the public to raise awareness of the effects of the crisis affecting the sector.</p>

3.2.2. Spotlighting positive examples: Moving from stick to carrot

Values and culture are identified by public- and private-sector stakeholders as a critical enabler of trust and integrity, both in the short and long term, and a powerful tool to reinforce behaviour (see Figure 1).

Providing a spotlight for examples of positive action and leadership can be an effective tool to build trust and integrity. Anti-corruption initiatives often focus on

identifying and prosecuting those involved in bad practices. Undeniably, the “stick” plays a critical role in building confidence in the integrity of institutions and the overall level of trust. However, it may also be argued that the “stick” alone may lead to reductions in productivity and/or profitability, thereby encouraging businesses to resort to more corrupt practices to overcome these regulatory impediments. As such, the “carrot” can be equally important in encouraging good behaviour and building positive feedback over the longer term.

Case 6 – ‘Faming’ not ‘Shaming’: Integrity Idol

Context

Widespread corruption and lack of integrity within bureaucratic systems undermine development and security. Traditional approaches to addressing this are institutionally focused. These efforts, however, often do not work because the organizations created (such as anti-corruption agencies) do not align with prevalent incentives, relationships and social norms. This means people work around the system and corruption remains a serious problem. Widespread corruption, in turn, leads to poverty and inequality, drives insecurity and undermines trust in the system and the social compact between citizens and the state.

A new effort, “Integrity Idol”, seeks to do three things differently in addressing corruption: first, take a positive approach, highlighting and supporting people working with integrity for the public good, which provides hope and a network for change; second, focus on individuals and teams rather than organizations – meaning these people can be supported to build integrity as they move within systems; third, engage young people around the campaign to push for a shift in behaviour and inspire a new generation of public servants.

These campaigns are movements on the ground, online and through the media to celebrate and encourage honest civil servants. The goal of this movement is to endow ordinary citizens with a sense of positive agency and engagement with those in power.

The process begins with a nomination period during which anyone can nominate an honest civil servant. Extensive youth networks are mobilized in support of this process and receive thousands of nominations, for everyone from a teacher that goes that extra mile in a public school to support girls’ education, to a district office bureaucrat who always makes sure problems are fixed on time. Teams verify submissions and select a respected, expert panel that narrows the field of submissions to the top five in each country.

These five finalists are filmed doing their jobs, talking about why it is important to have integrity and interacting with others who can vouch for their great work. These 20-minute episodes are shown on national TV (and syndicated on national and community radio stations) in prime time. Citizens are made aware that they can vote for their “Integrity Idol” through social media, email and phone. After a public voting period of two weeks, the winners are crowned in front of VIPs at a national ceremony.

Lessons learned and future challenges

The above case provided a great number of lessons, most significantly relating to the challenges associated with executing this type of “carrot” initiative, and how to overcome them:

Government engagement – Integrity Idol generates largely positive responses, but within government there can be several challenges (e.g. some bosses do not want their subordinates to “outshine” them, colleagues may become jealous of Integrity Idol candidates, etc.). To address this, Integrity Idol videos include footage of the bosses and team members to show that this is a team effort, the initiative invites bosses and teams to be VIP guests at the ceremonies, and it also strives to build trust with key decision-makers in other agencies to allow their employees to participate.

Citizen engagement – There can be resistance from citizens who feel that the process may not be sufficiently inclusive, or who complain when their chosen nominee is not selected. To address this, Integrity Idol communicates clearly and transparently about the process, brings in an independent panel of judges to ensure impartiality, and ensures the rules are clear in all outreach.

Private-sector engagement – Some private-sector companies can be unwilling to engage fully with topics such as governance, which they feel may threaten their relationship with government. Integrity Idol works continually to support corporations to understand, and work around, integrity and governance issues. Training is provided on these issues, focusing on how support for good governance is in their interests over time.

Anti-corruption initiatives need to transition away from “naming and shaming” models and begin to celebrate and support honest government officials through “naming and *faming*”. This creates a system in which role models can inspire a new generation and form the basis of a network to push for accountability from the ground up.

3.2.3. The need for collective action

Collective action is not only a catalyst of the institutional dimension of trust and integrity, but also plays a pivotal role in enabling the behavioural dimension. One of the biggest concerns for private-sector entities is for there to be a level playing field on which they can compete. To this end, collective action initiatives are emerging as a principal tool for organizations to effect change in behaviour, both internally and externally.

From an external perspective, such initiatives allow for the pooling of resources and enhance bargaining power to resist attempts at extortion or unfair policies. Collective action “associations” create an internal system of accountability for their members. If all member organizations of a collective action initiative purport to oppose corruption and demand a level playing field, a member company that violates these tenets can expect to be ostracized and to come under intense market-driven competitive pressure from all other members of the initiative.



Case 7 – Promoting collective action and collective accountability through business associations

<p>Context</p>	<p>There is a perception by some that conducting business on the African continent requires paying bribes. This perception impacts negatively on the continent in the form of lower levels of investment from companies unwilling to take the risk, or the involvement of companies seeking to exploit the possibility of such an environment through unethical business practices.</p> <p>To effectively reduce corruption, business has to take ownership of its role in the supply side of corruption. For every government official who takes a bribe, there is a company employee who paid it. Moreover, it is important to recognize the need to act collectively, as no company can solve global problems in isolation.</p> <p>The Coalition for Ethical Operations (CEO) was established in 2016 with a core group of four companies and will expand to 14 by 2018. The CEO initiative is open to all businesses with operations in sub-Saharan Africa that commit themselves to ethical business and anti-corruption practices. The initiative seeks to:</p> <ul style="list-style-type: none"> share best practices promote the training of SMEs, including company suppliers engage in collective/collaborative action. <p>The CEO initiative partnered with the World Bank, African Development Bank and academic partners to develop workshops on compliance, bringing together stakeholders from major companies, SMEs and state-owned enterprises.</p>
<p>Lessons learned and future challenges</p>	<p>Collective action by business is critical in addressing the supply side of corruption. Business coalitions can bring together businesses of all sizes and across different sectors to share best practices, strengthen compliance across the supply chain and take action together.</p> <p>But collective action efforts should not be limited to single countries. To address corruption comprehensively, encourage government and corporate leaders to lead by example and capitalize on the full potential of collective action, these efforts must be brought at the international level. International organizations and global NGOs often work on the same issues, but they rarely coordinate in a way that maximizes their combined efficacy. Collective action partnerships at the international level offer these institutions a new way forward.</p>



Case 8 – Taking collective action globally

<p>Context</p>	<p>While it is well recognized that several global actors, as well as many other entities at the local, national and regional levels, have been substantially engaged in fighting corruption, there have been very few attempts to share information, coordinate initiatives and pool resources in an effort to increase effectiveness and overall impact.</p> <p>The Coalition for Integrity and Sustainable Growth is an initiative built upon the concept of collective action that brings together many of the world’s foremost organizations and entities fighting corruption at the local, national and international levels. The coalition recognizes there are various entities with enviable track records in fighting corruption that continue their work in a focused, deliberate manner. A number of these organizations and entities represent the interests of global business while others represent the concerns of civil society and government.</p> <p>Organizations constituting the coalition include: the Partnering Against Corruption Initiative of the World Economic Forum; the Alliance for Integrity; Transparency International; the OECD; the Basel Institute; the B-Team; the UN Office on Drugs and Crime; the World Bank; and IBLF Global. In addition, several prominent companies have been fully engaged in the coalition’s formation, including Fluor Corporation, Siemens, Deloitte and EY.</p> <p>The coalition will focus its activities on agenda items developed through the anti-corruption processes of the G20/B20, as well as other issues deemed to be priorities as defined by the coalition members. The coalition has undertaken a detailed process to establish initial priorities, which may include such issues as beneficial ownership, public procurement, the application of new technologies to fight corruption and adherence to the UN and OECD conventions, among a host of others.</p>
<p>Lessons learned and future challenges</p>	<p>Members of the coalition agreed that effectiveness and efficiency is best served with a nimble, less bureaucratic governance structure. Such an approach facilitates the exchange of information on core agenda items as well as the coordination and enablement of resources.</p> <p>It was no easy task to gain consensus on forming a coalition whose partners represent the world’s foremost anti-corruption entities. A thoughtful process of deliberation with a mindset for finding common ground was essential.</p> <p>Elevating collective action efforts to the level of international organizations can enable their combined reach and influence to make targeted impact in specific areas.</p>

3.3. Technological dimension of trust and integrity

Technology has emerged as one of the greatest allies of transparency and a critical tool against corruption. However, while emerging solutions such as blockchain, open data and big data analytics, e-governance, and community-driven technological tools have enormous potential to help build trust and integrity, trust in these technologies still varies significantly (see Figure 11). PACI’s Expert Opinion Survey in Argentina revealed more optimism about the potential of technology to help build trust and integrity when compared to responses received in Mexico. This is particularly interesting when we consider that trust and integrity seem to be increasing in Argentina, whereas we have seen a negative trend in Mexico – a point certainly worth more in-depth future research.

While experts in Mexico were less optimistic about the potential of technology to build trust and integrity when compared to Argentina, the *Future of Trust and Integrity* project’s work in both countries identified technology as a key dimension in this area. In addition, the project identified three trends that will impact how and where business and government leaders enable the technological dimension of trust and integrity.

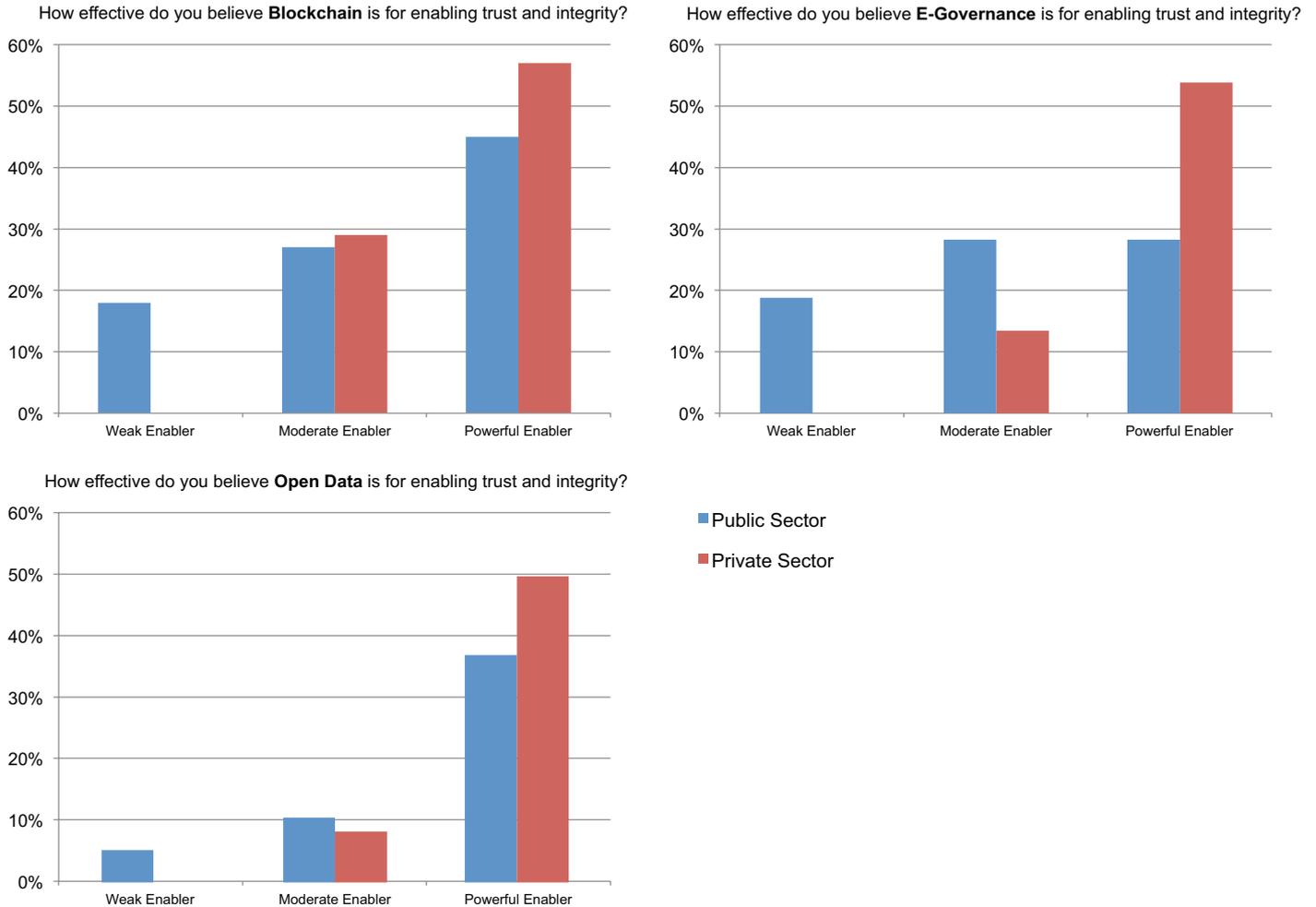


3.3.1. The opportunity – bridging the public-private technology trust gap

The rate of change and complexity of solutions accompanying the Fourth Industrial Revolution make it difficult for any organization to keep up with emerging technologies. The public sector in particular views new technological innovations with far more scepticism as enablers of trust and integrity (see Figure 11).¹³

By contrast, no private-sector respondents from PACI's Expert Opinion Survey identified any of the above technology solutions as "weak" enablers of trust and integrity (see Figure 11). For the technological dimension of trust and integrity to be fully employed, it is necessary to overcome this sectoral disparity. Technology innovators and leaders of business and government should see this trust gap as an opportunity to work in concert to better understand emerging technologies, and take ownership in the technologies themselves to ensure products fit their needs.

Figure 11: Perceptions of emerging technologies



Source : PACI's Expert Opinion Survey 2017-2018

Case 9 – Tech for integrity: Overcoming the confidence gap

<p>Context</p>	<p>In 2018 the World Economic Forum’s Partnering Against Corruption Initiative (PACI) launched a Tech for Integrity (T4I) platform to overcome this confidence gap, accelerate anti-corruption efforts and reduce the amount of time needed to make tangible impact. The Forum’s partners worked to identify key strategic points where systems are most vulnerable to corruption, and where emerging technological solutions (e.g. big data analytics, artificial intelligence/AI, blockchain, e-governance, etc.) can play a transformative role in addressing them.</p> <p>The platform provides three intersecting spaces to drive thought leadership, networks and impact:</p> <p><i>T4I Synergy Lab</i> – In 2017, World Economic Forum Strategic Partners singled out 96 global T4I innovators whose technologies can substantially transform efforts to mitigate points of vulnerability and build trust and integrity back into systems. The T4I Synergy Lab helps connect leaders of business, government and civil society with technological innovators offering solutions matching their specific needs.</p> <p><i>T4I Knowledge Accelerator</i> – Driven by public-private cooperation, the T4I Knowledge Accelerator provides a two-pronged approach to encourage communication and collaboration to deepen understanding of how technologies can better address corruption: 1. Knowledge Repository; 2. Knowledge Exchange. The Knowledge Repository hosts a library of case studies in which emerging technologies have been used to address corruption and build trust, integrity and transparency. The Knowledge Exchange provides a space where tech innovators and leaders of business, government and civil society come together to share information on the systemic nuances of corruption and how technologies can be advanced to better address these nuances.</p> <p><i>T4I Impact Initiatives</i> – In concert with other international organizations and partners from business, government and civil society, the T4I Impact Initiatives will share knowledge on available solutions, examine and evaluate existing implementation projects, as well as directly engage with such projects to demonstrate how to build solutions into government and business processes effectively to promote trust and integrity.</p>
<p>Lessons learned and future challenges</p>	<p>PACI’s Expert Opinion Survey indicates that trust in the public sector is one of the key drivers for trust in the system as a whole – and yet the public sector is the least optimistic about technological tools that may be deployed to build trust and integrity. Bridging this understanding and implementation divide is the most critical challenge to fully stimulating the technological dimension of trust and integrity. Overcoming this challenge requires three specific steps from the public sector and technology innovators:</p> <ol style="list-style-type: none"> 1. Overcome institutional inertia – any large organization may suffer from institutional inertia that makes it difficult to drastically change systems. Implementing new technology solutions requires overcoming this tendency towards the status quo. 2. Better explanation of technology solutions – words such as “blockchain” and “big data” are frequently used, but often without providing proper context or full explaining the term to the audience. Efforts need to be made not only to better explain these technologies, but also to convey where and how they could be implemented in different systems to make the greatest impact. 3. Technological tailoring – innovation is desirable, but it should not occur in a vacuum. As Dr Pamela Hartigan described it, it is essential for innovators to “apprentice with the problem”. By better understanding the challenges specific to public-sector actors and agencies, technologies can be better tailored to fit their needs.



In addition to building communication between public and private sectors, other emerging technologies, such as blockchain, offer further opportunities for the public sector to build trust and integrity between itself, private companies and citizens.

Case 10 – Bridging the divide: Blockchain and the future of land registries

Context

While open data solutions are regarded with the most optimism by both public and private sectors, other emerging technologies offer the potential to make enormous strides against corruption. Blockchain technologies in particular offer a multitude of possibilities, particularly in regards to land registries. It has been estimated that the global value of “dead capital” (i.e. capital for which people cannot prove legal ownership) exceeds \$20 trillion dollars. Blockchain offers a way to track ownership of such capital – particularly land – and prevent it from being used for graft or other illicit agreements.

In many countries around the world, there are poor recording and enforcement systems for land ownership. As a result, landowners are denied a crucial asset that could be sold, used to borrow against or legally developed. Corruption in land management can include a variety of illicit activities: from officials using land titles to buy votes from impoverished citizens to officials handing out desirable government land in exchange for bribes. Countries where land corruption is an issue are also more likely to have weaker economies, lower levels of development, poorer crop yields and less foreign investment.

The Rwandan government is seeking to realize the benefits of digital transformation with a more open, transparent and publicly verifiable system that will fundamentally change the way value exchange, assets, enforcement of contracts and sharing of data across industries will be experienced. The recently established Rwandan Blockchain project aims to position the country as a key player in digital transformation by providing citizens and businesses with access to policy, technical and business expertise, which ultimately aims to facilitate growth in the country.

In the first phase of this project, the Rwandan government, in collaboration with leading global cybersecurity and Internet of Things solution companies, will digitize the Rwanda Land Registry to ensure control of authenticity. The new system will employ two separate blockchain-based solutions. The first solution incorporates identity management capabilities to digitally store necessary data in a way that enables authenticity of identification and the validation of assets. The second solution incorporated in the system enables secure transactions, digital authentication and legally binding signatures – all while ensuring personal data is protected.

Lessons learned and future challenges	<p>This project can be replicated in any country with land-registration corruption issues. As such, this solution will benefit the government of Rwanda, as well as any future clients, enabling a broad portfolio of security-enhanced software, partner solutions, devices and services.</p> <p>Implementing blockchain-based solutions for land-registry systems significantly mitigates the risk that land titles can be used as leverage or for bribery. Blockchain technologies offer a way to transform transparency and auditable value exchange.</p> <p>In addition to the multitude of emerging technologies that could have a transformative effect on anti-corruption efforts, technology affords the opportunity to bring people together more easily and as never before. The result of this technological convening power is the ability to crowdsource potential solutions from across the globe.</p>
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3.3.2. The most trusted catalyst – open data

As is evident in Figure 11 above, open data is viewed by both the public and private sectors as the most likely technological innovation to enable trust and integrity. However, greater transparency without any accompanying trust-building activities, and in an environment afflicted by corruption, may result in further decreases in social trust that could create greater economic and political instability. It is therefore imperative that open data initiatives be enacted in concert with other activities to build trust and integrity back into the system by also encouraging institutional and behavioural dimensions of trust. This will help ensure any decrease in stability is minimized or eliminated.

Case 11 – Open data: Enhancing transparency for public investment projects

Context	<p>The effects of corruption on public investment have been defined as highly distortive, hindering the quality and efficiency of public investment-financed goods. Indeed, corruption generates unjust losses, excess costs, bottlenecks and unfair allocation of resources. Latin America has an efficiency gap in public investment. Countries efficient in public investment can get twice as much growth per dollar invested as those that are not. A chronic lack of transparency is one of the main causes of this gap, as resources can be easily diverted.</p> <p>While the expectations for open data initiatives are high, it is important to note that the term “open data” itself can take many forms, with varying degrees of effectiveness in terms of assisting anti-corruption activities. The most effective solutions must incorporate an interface that makes it easy for users to find, understand and engage with the data being shared.</p> <p>The InvestmentMap initiative aims to create information management platforms to improve the transparency and efficiency of public investments in Latin America and the Caribbean. This initiative combines online information visualization projects and transparency-oriented results-based programmes.</p> <p>A defining characteristic of the InvestmentMap platform is that there is a page for each project displaying information in a simple and intuitive way, including the financial and physical progress of each project. Participation mechanisms are also included in the platform so that users can send their demands and contributions to the policy-makers and monitor the projects, for example, by uploading photos to certify their progress.</p> <p>The base of the data visualization and georeferencing was achieved by applying an Enterprise Architecture (EA) design, and three implementation phases: development, testing and production.</p> <p>The InvestmentMap experience shows the benefits and usefulness of scaling a country-specific pilot at a regional level. Some components of the IDB-backed MapaRegalías platform (Colombia) were reused and expanded in the design and implementation of the InvestmentMap platforms. Not only do economies of scale allow this, as well as diminishing learning costs, there is the reputational benefit of a successful solution already implemented such as MapaRegalías in Colombia.</p> <p>The dissemination of open data platforms to civil society and private-sector stakeholders is a significant gap that should be addressed in cases wishing to replicate this experience in other regions. This implies not only beefing up communicational efforts once the platforms have been launched, but also bringing to the table civil society and business leaders to provide a better sense of how local stakeholders will use technological tools so they can be adapted to their suggestions and recommendations.</p>
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Lessons learned and future challenges	<p>The primary lesson learned is the necessity to balance the needs and requirements of the treated institution in the host country with the fact that launching an open data platform usually requires a significant overhaul of databases in terms of how the information is stored, completed, listed and presented. As such, providing customer-oriented solutions that take into account particular situations and specificities should be reconciled with the fact that improving data is sometimes costly in terms of human and financial resources, as well as in coordination efforts at an inter-institutional level.</p> <p>Secondly, it is crucial to work closely with local stakeholders when developing an open government tool. This lesson was vividly experienced during a series of focus groups and in-depth informational interviews with local civil society and business leaders carried out in Paraguay in September 2017. As a result of these interviews, the InvestmentMap team was able to gather significant information on how to improve the design and usability of the platforms, as well as incorporate significant information that otherwise would not have been included.</p> <p>Finally, multidisciplinary and multinational teams proved vital to the successful implementation of this initiative. The InvestmentMap team includes experts in management, social sciences and technology with proven experience in the development and implementation of result-oriented tools for decision-makers. This team crafted state-of-the-art front-ends (visualization of data and citizen participation) and back-ends (including business intelligence and advanced data analysis) for the platforms and conducted a thorough review of the quality of information in each country.</p> <p>Tools to monitor the use of government resources, particularly those related to public investment, help citizens and government officials by creating institutional capacity to detect corrupt activities. This creates a public investment system that is more transparent and therefore more efficient and effective.</p>
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Case 12 – Open data: The open-up guide

Context	<p>Corruption in the public sector is a complex act commonly driven by networks of officials, intermediaries and companies. Corruption schemes frequently rely upon the law to secure ownership of companies, land and assets to launder proceeds. Identifying these networks and transactions can be inherently difficult and resource-intensive. Moreover, as regulations and institutions implement initiatives to combat corruption, these networks become more sophisticated and ever harder to detect.</p> <p>Opening up and using government datasets can provide the information needed to identify and dismantle corruption networks. Mexico’s Anti-corruption Open Up Guide initiative – a collaborative effort led by civil society and funded by the IDB, Hewlett Foundation and Omidyar network – analysed national data sources in terms of readiness for publication, data quality and consistency and provided the government of Mexico with tailored recommendations on how to improve publication and use of anti-corruption-related data.</p> <p>The implementation of the Open Guide in Mexico has enabled the creation of a road map to publish and improve the quality of databases with the highest potential to help fight corruption, unleashing their potential. This engagement has opened seven new datasets, with eight more in the process of being published, and 33 databases have improved their documentation.</p>
Lessons learned and future challenges	<p>Opening up and improving government datasets can provide the information needed to identify and dismantle ever more sophisticated corruption networks. Key lessons to unleash the benefits of such open data include ensuring digital, shareable open data formats, publishing multiple datasets to build the bigger picture and ensuring that datasets can “talk” to each other by including identifiers to trace patterns.</p> <p>The Open Guide created a starting point from which the government and civil society could co-design a road map for the implementation of recommendations. The next step, however, will prove to be the most difficult. Effective steps for implementation have yet to be developed, and to do so, consistent coordination between stakeholders must be maintained.</p>

In addition to the many emerging technologies that could have a transformative effect on anti-corruption efforts, technology affords the opportunity to bring people together as never before. The result of this technological convening power is the ability to crowdsource potential solutions from across the globe. Technology platforms can create a level playing field where every voice is given equal standing and can contribute to everything from designing new solutions to helping uncover existing corrupt practices.

Case 13 – Open data: Smarter crowdsourcing	
Context	<p>The Mexican National Anti-Corruption System (SNA) launched the “Smarter Crowdsourcing” initiative to allow for more rigorous problem identification and to collect a diverse set of ideas from global experts – and to rapidly develop those ideas into actionable proposals. Through smarter crowdsourcing, it was possible to identify and diagnose concrete problems enrooted at the core of corruption and come up with innovative solutions based on global best practice.</p> <p>Among the solutions identified and implemented by Smarter Crowdsourcing was the Sistema Integral de Quejas y Denuncias Ciudadanas (SFP), an innovative online reporting platform for reporting corruption.</p> <p>The platform allows users to report 36 different issues, including bribery, misuse of public resources, delays in service or disrespectful treatment by a public servant. It ensures that users provide – confidentially – an open-ended description of the incident and submit relevant evidence to the SFP, such as documents or photographs</p> <p>The platform encourages citizens to report corrupt acts and allows the SNA to make strategic use of the information received to prevent and detect corrupt behaviours in the federal administration.</p>
Lessons learned and future challenges	<p>Crowdsourcing allows for an effective and innovative approach to identifying and putting into place solutions. The Smarter Crowdsourcing approach proved to be an effective way to accelerate action. The approach sped up the process of problem identification and solution development significantly by engaging simultaneously with several experts in a digital community. This also reduced costs and the administrative burden of arranging physical meetings, providing value for money.</p>

3.3.3. The challenge: Addressing the dark side of technology

As is the case for solutions in any complex system, technology alone will never be a panacea in the effort to address corruption. Additionally, the complex nature of many of these emergent technologies means that only a limited number of people truly understand their functionality. This in turn creates a situation where these systems are vulnerable to manipulation by the few persons responsible for them.

Beyond internal threats, digitized systems are also inherently vulnerable to malicious external entities (e.g. hackers). While data leaks have become commonplace in today’s world, this does not mean they represent any less of a threat to owners of information. These risks must be weighed and mitigated as much as possible if technological solutions are to fulfil their trust and integrity-building potential.

Finally, there is a fear that some innovations (e.g. cryptocurrencies) may actually enable graft. While it is true that law enforcement is seeing digital currencies used to move illicit funds, this may be the result of the current lack of regulation of the e-currency financial market rather than an inherent flaw in the system. In the long run, blockchain-based currencies have the potential to enable regulators to track the precise movement of money more accurately, and identify more easily exactly who has given and taken bribes.

The most important step in addressing this “dark side” of technology is understanding that it exists. Leaders across business, government and civil society must approach these solutions with their eyes open, and with a mind firmly dedicated to mitigating the potential risks that accompany the benefits.

4. Conclusion

The path forward for the *Future of Trust and Integrity*

As important as it is for global leaders to address corruption, of equal importance is to examine *how* to address the issue in a fractured world. The case of Latin America provides a timely example of the potential impact trust and integrity can play in the success of anti-corruption programmes. The region has seen a number of scandals, reforms and progress in addressing corruption.

The *Future of Trust and Integrity* project indicates that in order to design corruption out of systems and maintain economic and political stability, global leaders need a comprehensive approach that builds trust and integrity back *into* those systems – and that doing this requires encouraging the three dimensions of trust and integrity:

1. Institutional dimension – leaders must find a way to strengthen the institutions within business and government to make them more resilient, and ensure that mechanisms exist that reliably mitigate the exploitation of loopholes or institutional gaps for personal gain.
2. Behavioural dimension – reinforcing values and a culture of trust and integrity is vital for leaders of both business and government. However, as crucial as top-down leadership is, “managing from the middle” is of equal importance. Leadership must have buy-in from middle management to ensure shifts in values and culture take hold across the organization.
3. Technological dimension – emerging technologies have the potential to help build trust and integrity by mitigating or even eliminating the avenues by which corrupt actors manipulate people and systems. However, while such solutions may help build trust into systems, efforts must also be made to build the trust that people have *for* the technologies themselves.

While it is becoming clear that such a comprehensive approach is necessary, to be truly useful, leaders also need an approach that is both globally applicable and contextually adaptable. For this reason, the *Future of Trust and Integrity* project will commence Phase Two in South Africa in the summer of 2018 to begin to test the lessons learned and case example activities that came from Phase One in Argentina. The aim is to find the tools and catalysts that may be effective in heterogeneous regions, but also hone in on elements that should be contextually analysed and adjusted.

By continuing this approach, PACI hopes to develop a toolkit that not only provides implementable solutions to encourage trust and integrity, but also identifies the mechanisms, processes and stakeholders that must be examined, employed and mobilized in specific contexts to ensure the success of a comprehensive approach to building trust and integrity into local systems.

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Endnotes

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13. It is important to note that the survey first asked respondents to consider e-governance, and the question was framed as “technological innovations that reduce human interaction”. It is possible this language negatively biased public-sector employees on e-governance, as well as the other technologies in the survey, by implying that such solutions may eliminate jobs currently held by humans.



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