

BUSINESS INTEGRITY COUNTRY AGENDA (BICA)

CONCEPTUAL FRAMEWORK FOR A BICA ASSESSMENT

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PURPOSE OF THIS DOCUMENT¹

Transparency International's Business Integrity Country Agenda (BICA) seeks to create a relevant body of evidence on business integrity in a given country,² a widely shared agenda for reform and a collective momentum for change towards more business integrity among key stakeholders.

Transparency International envisages that the BICAs will become important reference points for fighting corruption in business practices within countries and around the globe.

This document outlines the conceptual framework for conducting BICA assessments, providing a clear overview of the objectives and underlying principles for conducting such assessments. This overview document is complemented by the following two supplements, which provide more in-depth information on the assessment process as well as the indicator-based assessment framework:

Conceptual Framework for a BICA assessment – Supplement #1: Assessment process

Conceptual Framework for a BICA assessment – Supplement #2: Indicators

The main intended users for this document are Transparency International's national chapters as well as other interested national-level civil society organisations and anti-corruption actors interested in assessing and strengthening the integrity of the business sector in a given country.

¹ This document is based on desk research, drawing on existing and relevant assessment exercise, most notably:

- National Integrity System assessments
- Transparency in Reporting on Anticorruption
- Business Principles for Countering Bribery
- Transparency International UK's Government Defence Anti-Corruption Index
- Natural Resource Charter Assessment Framework
- as well as the pilot experience of implementing the first stage of a BICA in Mozambique.

² BICAs will look at the environment in which national and international companies operate within a country (inward perspective). BICAs will not assess how companies from this particular country conduct business abroad.

THE ROLE OF BUSINESS INTEGRITY IN FIGHTING CORRUPTION

Companies are often seen as the supply side of the corruption equation, using corrupt payments to gain undue advantages (for example, in public tenders). But companies can also be victims of weak governance in countries where doing business with integrity may result in losing contracts to corrupt competitors, and victims of extortion requests by corrupt public officials or other business partners. Thus, countering corruption in and from the business sector must target both perspectives: the demand side (the public sector) but also the supply side (the business sector).

These two perspectives are also often captured in definitions of business integrity. For example, Transparency International defines business integrity as “adherence to globally-recognised ethical standards, compliance with both the spirit and letter of the law and regulations, and promotion of responsible core values (for example honesty, fairness and trustworthiness).”³ This shows that business integrity, in the broadest sense, encompasses the full range of good business practices commonly associated with corporate social responsibility. More narrowly, it reflects a commitment to abide by minimum legal requirements and norms of ethical business conduct. Organisations that act with integrity follow the law and ethical norms, they treat their employees, customers and business partners fairly and respectfully, they abide by their commitments, and they generally conduct their affairs in a socially responsible manner.

In an *anti-corruption* context, business integrity means conducting business in a manner that avoids bribery and other corrupt acts that undermine the operation of and public confidence in the marketplace.⁴

In order to achieve greater business integrity, the various influencing factors need to be understood first.

Addressing the **demand side**, there are two aspects that should be considered:

the *environment* that is set by the public sector for companies to do business
the public sector's *interactions* with the business sector

First, it is important to assess what (corruption-related) laws and regulations are provided by the public sector and how they are enforced. Second, companies also engage with the public sector in their day-to-day operations, such as obtaining operating licenses and other public services (for example, electricity and communications), paying taxes, enforcing contracts, and so on. These processes provide risks for business integrity as well. For example, high discretionary power in granting operating licenses to companies can result in extortion requests by public servants.

In addition, businesses (the **supply side**) have their own responsibility to act with integrity. Following the notion of corporate social responsibility, companies not only need to comply with laws and regulations; it is increasingly expected that they should also adhere to globally-recognised ethical standards and expectations from society (which might even go beyond the law) as part of their business activities. Assessing whether companies implement anti-corruption ethics and compliance programs within their own operations, promote integrity in their supply chains, publically report on their anti-corruption endeavours, or engage in collective action initiatives with their peers or other stakeholders is therefore also relevant to understanding where a country stands on business integrity.

There is a strong interdependency between these two perspectives. While it has been shown that most business managers disapprove of corrupt practices, the perception often prevails that acting against corruption will either result in a short-term loss of opportunity or that corruption is seen as a necessity of doing business. When faced with winning an important contract, obtaining permission to open a new business or renewing an operating license, existing environmental factors may challenge companies to conduct their operations with integrity or even voluntarily adhere to good practice standards.⁵ It is therefore important to look at both stakeholder groups – the public sector and the

³ Transparency International, Policy Position, Building Corporate Integrity Systems to Address Corruption Risks, #4/2009.

⁴ Adopted from United Nations Office on Drugs and Crime, A Resource Guide on State Measures for Strengthening Corporate Integrity, 2013

⁵ Adopted from Humboldt-Viadrina School of Governance, Motivating Business to Counter Corruption: A Practitioner Handbook on Anti-Corruption Incentives and Sanctions, 2013.

business sector – and understand what each of them is contributing to a situation in which companies do business in a clean and fair manner.

In summary, assessing business integrity from a country’s perspective has to go beyond the traditional focus of laws and regulations “on paper” and their application “in practice”; it also includes actions by companies themselves which demonstrate their willingness to share responsibility for countering corruption (for example, through participation in collective action initiatives or public reporting of their anti-corruption programmes). Without such a comprehensive understanding, reform agendas to improve how companies operate will not be successful.

THERE IS A NEED FOR A NEW BUSINESS SECTOR ASSESSMENT FRAMEWORK

Traditionally, assessment efforts on a country level have focused primarily on understanding the major corruption-related factors within the public sector. Well-known **comprehensive analytical frameworks** include Transparency International’s National Integrity Studies or Global Integrity Country Scorecards (among others). These frameworks are in-depth assessments of the current status of integrity and anti-corruption in the public sector or society at large (involving other stakeholders in addition).

As of today, there is no comprehensive framework targeted at reducing corruption in the business sector. Transparency International’s BICA seeks to fill this gap. BICA is the first comprehensive analysis framework which specifically assesses efforts by all stakeholders to reduce corruption in and from the business sector at a country level.

	Comprehensive analytical frameworks	Rating and index systems	Further assessments
Targeted at assessing corruption in the PUBLIC SECTOR or at the entire country level	<ul style="list-style-type: none"> National Integrity System 	<ul style="list-style-type: none"> Corruption Perceptions Index Defence Anti-Corruption Index – Government Worldwide Governance Indicators World Bank Doing Business Index 	<ul style="list-style-type: none"> OECD Country Progress Reports The UN Convention against Corruption Reviews
Targeted at assessing corruption in the BUSINESS SECTOR	<ul style="list-style-type: none"> BICA 	<ul style="list-style-type: none"> Transparency in Reporting on Anti-Corruption (TRAC) Defence Anti-Corruption Index – Companies Business Integrity Index TRACE Global Business Bribery Risk Index World Economic Forum Competitiveness Index 	

Objectives, stages and achievements

The major **objective** of the BICA is to propose a reform agenda which seeks to improve the business integrity environment in the country and ultimately reduce corruption in the country’s business sector.

To achieve this, BICAs will assess not only thematic areas that influence the regulatory and societal environment in which companies are operating, but also the way in which companies themselves contribute to doing business with integrity. BICAs therefore offer a comprehensive and unique approach for gathering all the relevant information to provide a credible foundation for action.

Based on the evidence captured, BICAs will:

- help identify the major challenges of business integrity within a country and thus provide credible information for advocacy activities
- engage stakeholders in a shared diagnosis of the situation

- act as a baseline against which progress can be subsequently measured

Through a BICA, the Transparency International national chapter as well as a variety of stakeholders, such as government, regulatory and law enforcement bodies, investors, business associations, other civil society organisations, and the businesses themselves, will benefit in two principal ways: as an approach to broadly frame and analyse the issue of business integrity from their country’s perspective; and as a multi-stakeholder process for discussing and driving change.

To achieve this objective, BICA is divided into two major **stages**: Assessment (Stage 1) and Collective Action⁶ (Stage 2)

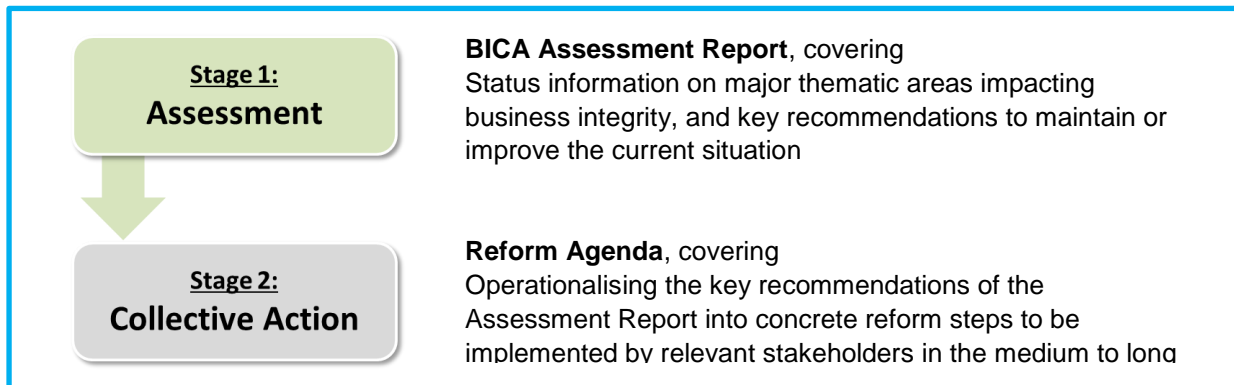


Figure 1: Major stages of BICA

When conducting a BICA, the **process is therefore as important as the product**. As BICAs will not only assess how companies engage and share responsibility for countering corruption, but also assess their regulatory and societal environment, the process of conducting a BICA must include multiple stakeholders, such as regulators, media and business associations, which impact the business environment. Inviting multiple perspectives will provide significant insights into existing gaps and increase mutual understanding among participating stakeholders (a “shared diagnosis”); recommendations on how to improve particular aspects to promote business integrity will also become more credible.

By conducting a BICA exercise, the following major **achievements (outputs)** are envisioned:

- *Establishment of a National Advisory Group (NAG)*, comprising various stakeholders who have provided their input into the BICA assessment and are envisioned as multipliers of the message and reliable partners for implementing or advocating for the implementation of selected recommendations.
- *Launch of a BICA Assessment Report*, publishing the assessment of efforts by all three stakeholder groups to promote business integrity, narratives on the country’s overall economic and corruption profile, and recommendations for action (the reform agenda).

BICA will enable Transparency International national chapters and other project partners to advance their understanding of the status of business integrity in their country, and to position Transparency International as a credible partner when it comes to improving business integrity in a country and leveraging companies in the fight against corruption.

⁶ The Collective Action stage will be developed at a later point and is not yet part of the BICA Framework and its supplement documents.

BICA ASSESSMENT FRAMEWORK

The BICA Assessment Framework is stakeholder group-oriented, assessing a variety of thematic areas that help companies to do business with integrity. The Assessment Framework is explained in greater detail in the supplement document “Conceptual Framework for a BICA assessment - Supplement #2: Indicators”.

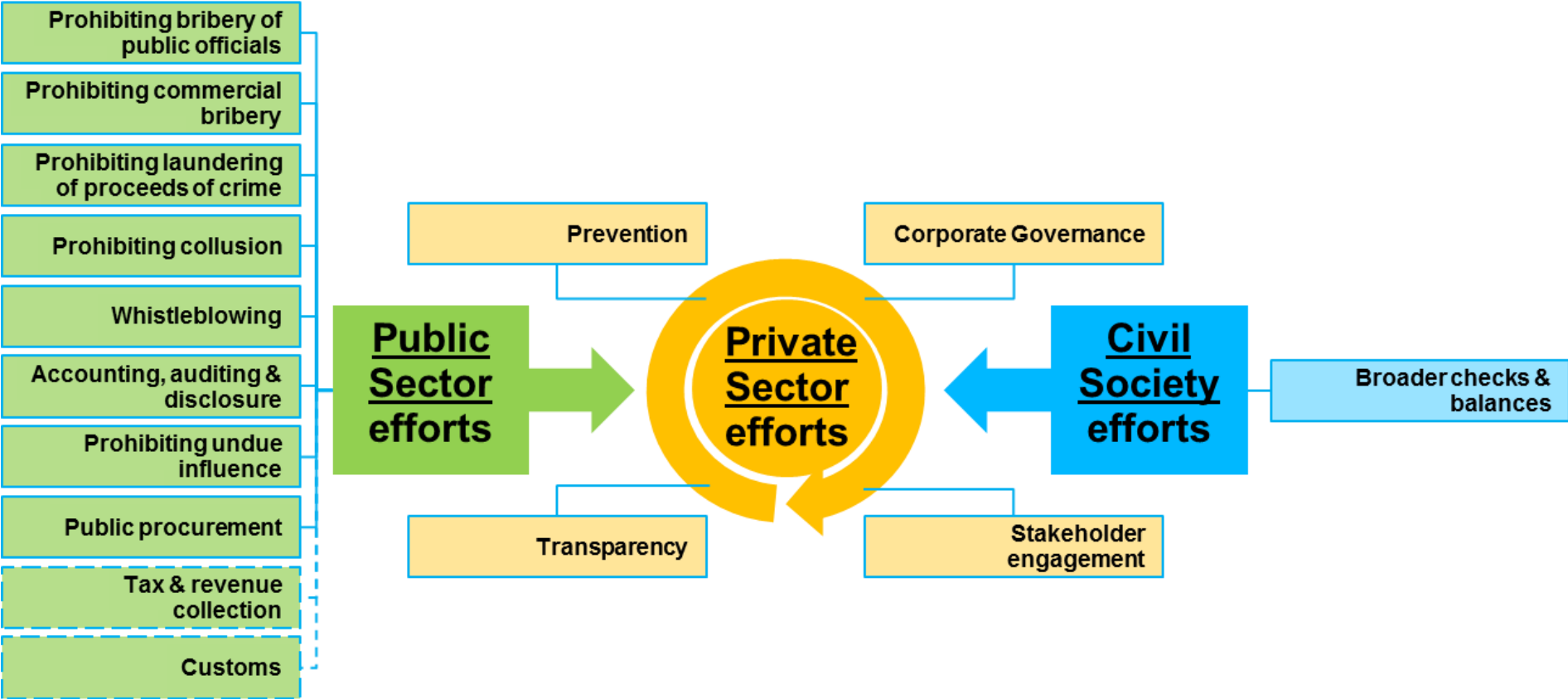


Figure 2: BICA Assessment Framework

BICA ASSESSMENT PRINCIPLES

In the following the major underlying principles defining the BICA Assessment Framework are described:

Shared diagnosis

Transparency International's approach to fighting corruption is one of critical but constructive engagement. Thus, the BICA assessment (as well as collective action activities) will be undertaken in a participatory way, with the involvement of a variety of stakeholders. Stakeholders are invited to contribute to a joint diagnosis of the current status regarding business integrity. This is expected to build trust and joint understanding among relevant stakeholders and contribute to a credible and widely shared assessment outcome, providing a sustainable foundation for the subsequent implementation of the identified reform agenda.

The final ownership of the BICA assessment lies with the country's Transparency International national chapter in order to ensure a coherent, action-oriented and timely assessment process.

Evidence-based reform agenda

In order to initiate collective momentum to strengthen business integrity within a country, a credible foundation for action needs to be established. Such action needs to be based on a thorough assessment of the major factors impacting companies' ability to do business with integrity.

Thus, the BICA assessment will:

- determine the **status** of various thematic areas (for example, "Criminalisation of major forms of corruption"), broken down by assessable factors (indicators)
- propose **recommendations** for key indicators in order to improve their status

This information will be captured in a BICA Assessment Report.

Stakeholder group orientation

All three stakeholder groups (the public sector, business sector and civil society) contribute to business integrity in a country - for example, by applying sanctions as a prosecutor, monitoring public procurement processes as a civil society organisation, and engaging with business partners or industry peers on rules of conduct as a company.⁷ Thus, BICA assesses the efforts **of all three major stakeholder groups**:

- **Efforts by the public sector:** The regulatory environment in which companies operate is influenced by factors such as the country's laws and regulations, financial and auditing requirements, but also activities through which companies interact on a day-to-day business with the government (for example, when applying for a licence or bidding for a public contract).

- **Efforts by the business sector:** The way in which companies *themselves* contribute to doing business with integrity, such as the adherence to voluntary code of conducts, public disclosure of relevant information, or partnerships with relevant stakeholders.
- **Efforts by civil society:** The societal environment in which companies operate is also influenced by requirements by independent watchdogs, their activities to monitor business conduct, their engagements with business sector stakeholders seeking support but also their activities leading to expose violations of business integrity principles to the public.

This stakeholder group orientation is seen as beneficial when promoting the outcomes of the BICA assessment, as positive/negative status information would be directly linked to a stakeholder group, but not directly to individual actors within the group.

Thematic areas for assessment

A BICA Assessment should be conducted in a standardised manner in a variety of countries, both in the structure of the Assessment Framework (see “Indicators” supplement) as well as in the manner in which the assessment process is undertaken (see “Assessment process” supplement).

By providing a robust framework and process, national chapters/project partners will over time benefit from the work already done and the cumulative experience of undertaking the assessments in other countries (consolidated and documented within the Transparency International Secretariat). This will also facilitate the ongoing enhancement of both the Assessment Framework as well as the execution of the process and the collective efforts of implementation.

Each stakeholder group is assessed by major **thematic areas** (for example “Public Procurement” for the public sector, or “Transparency” for the business sector). The BICA Assessment Framework defines a set of nine thematic areas out of which at least seven need to be assessed. The Transparency International national chapter or project partner can include relevant themes outside the nine thematic areas currently defined in the framework, if appropriate to the local country context. However, in this case, the Transparency International national chapter will assess seven thematic areas out of the nine listed here and assess the newly chosen thematic areas in addition to these seven.

In each of the thematic areas, the most **relevant indicators (“priority-based”)** have been identified. The selection is mainly based on:

- Transparency International Policy Positions and Recommendations targeted at the business sector
- The United Nations Convention Against Corruption – articles targeted at the business sector (which also includes commonly understood good practice related to these articles)
- The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions
- International good practice (for example, Transparency International’s Business Principles for Countering Bribery)

These indicators can be understood as proxies measuring the status by proving an output (for example, a number of prosecutions) or highlighting conditions (for example, a lack of sanctions or independent journalism). Reasons for the status and prioritisation of recommendations for improvements are left to country-specific solutions (for example, as suggested by the NAG). Outcomes of the initial assessment may then indicate the need to conduct more focused and in-depth analysis of particular factors necessary for implementation of policy interventions

In order to account for country differences, the set of core thematic areas can be complemented by additional thematic areas. During the assessment process, the project partner can decide which additional thematic areas to include (in collaboration with the BICA researcher(s) and members of the NAG).

Comparability

Over time within a country: The major objective of a BICA is not simply to produce a high-gloss report on a country's current state of business integrity, but rather to trigger real change and improvements "on the ground". Based on the set of recommendations that are defined in the BICA assessment report, monitoring and evaluation of progress made over time becomes a key aspect. This may take the form of a subsequent regular assessment after some time (see below), annual reviews of the Assessment Framework – possibly in the form of more tailored and/or focused assessments than the initial exercise – or both. Alternatively, key indicators that are easily measurable could be identified to provide an ongoing indication of how a country's performance progresses.

Across countries: Given that the BICA assessment is carried out by country teams that may use different types of information based on country contexts, results across countries may not be comparable.

Execution period

In order to be able to offer timely information which allows for proposing and implementing a relevant reform agenda, the time for executing a BICA assessment (Stage 1) should in general be no longer than 12 months.

Frequency

The BICA assessment may be repeated over time (for example, every two to three years) in order to monitor and evaluate progress on the initially proposed reform agenda as well as to address changes in the overall environment.

Tailored output

BICA is seen as a tool to support a "critical mass of informed citizens" and to enable the provision of performance indicators against which progress can be measured. Therefore, the major deliverable of the BICA assessment (the BICA Assessment Report) should be easy to understand and to communicate, and should include tailored output for major stakeholder groups (for example, the public sector, business sector and civil society). Supporting this, a BICA Assessment Report should on average not be longer than 50 pages (excluding an appendix comprising data sources and related material). The use of different media to disseminate the assessment results (for example, a paper-based report vs. online portal) need to be discussed in the country's own context.

BICA ASSESSMENT PROCESS

Carrying out a BICA assessment involves the following eight steps, which are explained in greater detail in the supplement document Conceptual Framework for a BICA assessment – Supplement #1: Assessment process.

#	<u>Step</u>	<u>Description</u>
1	Mobilise the project	The project partner (for example, the Transparency International national chapter) seeking to conduct a BICA assessment sets up project structures (including timeline and budget) and teams, including researcher(s), a NAG and an external reviewer.
2	Prepare the research	The researcher familiarises him-/herself with the BICA research process and outputs, particularly the BICA indicators. Project partner representatives and the researcher attend a BICA training workshop. Afterwards, local adaptations need to be defined, discussed with the NAG, and documented in the overall research plan to be submitted to Transparency International's International Secretariat.
3	Conduct the research	The researcher collects data on the various stakeholder-oriented thematic areas and documents the data collection efforts.
4	Score BICA indicators	The researcher assigns the scores for each indicator, validates the scores through expert interviews and aggregates the scores to the level of thematic areas.
5	Draft BICA Assessment Report	The researcher writes the first comprehensive draft report, which will be reviewed by the project partner and Transparency International's Secretariat. The BICA Assessment Report is then updated with findings from the initial (internal) review.
6	Discuss BICA Assessment Report	The project partner convenes a consultative workshop with the members of the NAG to discuss findings, and identify strategic recommendations for strengthening business integrity.

		Subsequently, the BICA Assessment Report is updated with the outcomes of this workshop.
7	Publish BICA Assessment Report	Following a final review by an external reviewer and the sign-off by the project partner and Transparency International's Secretariat, the BICA Assessment Report is launched and disseminated at national and international levels.
8	Develop reform agenda	Finally, the project partner in cooperation with relevant stakeholders must translate the strategic recommendations of the BICA Assessment Report into a concrete, operational reform agenda for advocacy and other priority follow-up activities (BICA Stage 2: Collective Action).

In summary

BICA is:	BICA is NOT:
<ul style="list-style-type: none"> • a framework to assess status and specific weaknesses in business integrity regulations, environment and business behaviour in a country • a way to diagnose specific weaknesses • an approach to bring stakeholders together to diagnose and work on reform agenda with the aim of strengthening business integrity • a baseline against which progress can be measured • fully owned by a national chapter 	<ul style="list-style-type: none"> • a business-focused substitute of Transparency International's National Integrity System assessments • a regular (annual) country index regarding business integrity • a consolidated assessment of integrity within individual companies • an assessment of whether companies in a country act corruptly or not • an assessment of how a country's companies are doing business abroad

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