

### 3.1.8 Construction and Infrastructure Sector Integrity Pact in South Africa

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#### *Background and Scope*

This Pact covers the Construction and Infrastructure sector in the Republic of South Africa. Parties to the Pact are local and national companies. The project was initiated by the Global Compact Network South Africa and the hosting organization, the National Business Initiative.

The biggest challenge to South Africa's governance, both in the public and private sectors, is corruption and related vices. Corruption is the most significant challenge in the relationship between the public and private sectors, particularly in procurement of large public projects. In starting this Collective Action, the project focused on that relationship: the greatest source of corruption risk.

Based on the above facts, the project pursued two main objectives:

- To create and strengthen a platform for the key sectors, including the private and public sectors and civil society; collaborating on anti-corruption to demonstrate that best practice is possible through Collective Action models such as Integrity Pacts.
- To educate and create awareness through trainings and dialogues on how to implement anti-corruption measures.

The facilitator noted that the process of pursuing these objectives has benefited both business and government participants.

The main challenge to getting the agreement signed was getting government to accept the project in its generic entirety. Government was concerned that external monitoring

would create another bureaucratic layer, given their parallel efforts to make the procurement process less onerous. The second challenge, from the perspective of companies, was a concurrent government investigation in anti-competitive behavior, price-fixing and collusion in the industry.

The agreements' objectives include fighting corruption and working on anti-trust and competition issues. For the first two years, while the project was being negotiated, companies in the sector preferred that the investigations be completed before considering involvement in the Collective Action. With the conclusion of most of the cases, the sector is now more amenable to participating in Collective Action through a trusted platform. Most are still nervous about being seen together in closed-door meetings because of the risk of being misconstrued as engaging in price-fixing.

#### *Structure*

The agreement is likely to be signed soon, four years after initiating the project. In creating the agreement, the initiators applied the TI framework for integrity pacts. The Global Compact Network South Africa acts as the facilitator and administrator of the pact and will continue in this role.

Additional monitoring procedures exist. As a prerequisite to companies' participation, the project has proposed that each industry association clarify how they enforce their codes of conduct and strengthen their monitoring capacity. This also applies to all companies that sign on to the project. The proposed Integrity Pact, as it currently stands, only provides for the role of an external monitor during key procurement

projects. Most of the capacity for monitoring changes and improvements will remain with companies and the industry association level.

### **Implementation**

The agreement provides for training of parties' employees and communication as implementation activities. The training that has taken place was to prepare companies to implement stronger internal measures in anticipation of more stringent requirements when the Collective Action finally gets implemented. More targeted training and information will be done once key parties finally sign the Integrity Pact and implementation begins.

So far the biggest achievement has been getting industry to work together on the Collective Action, and to endorse the process of engagement with government. Placing sector associations at the forefront of the project was crucial for its success. They have an unexplored potential to drive change in the sector and could be persuaded to lobby for clean business.

For the same reason, the initial "top-down" approach – focused on efforts to have the government impose the pact – did not work for the Collective Action. As a result, the first two years of work were a lost opportunity. The initiators began efforts with high-level government actors, believing that as the custodians of public funds and the chief procurers of projects, they would buy into this model more quickly given its potential to strengthen delivery. Driving the project from local companies as providers of services

has been more productive and expedient.

### **Status**

During 2014, the fourth year of the project, the Construction Sector, through their key industry associations, in principle endorsed the Integrity Pact project. Participants of the initiative agreed on the final Integrity Pact document after a series of individual meetings followed by two joint roundtables at which CEOs from the sector's most important companies were present. A few contentious issues remain such as the scope of the External Monitor's role and authority, and how to enforce sanctions, especially when a government actor as the contracting authority commits the breach.

The industry associations have owned the process as the lead organizations on the proposed pilot Integrity Pact. In the meantime, after the final document is accepted and signed by each participating industry association, the lead organizations, led by the Global Compact Network, will present the document and a set of recommendations to the government through the National Treasury. The initiative intends to continue the process beyond the life of the current funding cycle and will seek additional sources of funding to support continued efforts.

#### **Link:**

[Business Can Lead War On Corruption](#)

<b>Construction and Infrastructure Sector Integrity Pact South Africa</b>		<b>Regional/Industry Scope</b> Construction and infrastructure; nationwide	
<b>Participants</b> Local construction companies		<b>Facilitator</b> Global Compact Network SA	
	<b>Substantive Scope of Collective Action / Subject Matter Covered</b> Anti-Corruption; Anti-Trust		<b>Ethics Committee</b> N/A
<b>Time from project start to Collective Action signature</b> 4 years since initiation of this project, a Collective Action agreement has not been signed.			
<b>Challenges in signing</b> Government buy-in: concerns that external monitoring adds a bureaucratic layer From companies: ongoing investigations into past wrongdoings, now ebbing and antitrust concerns		<b>Challenges in implementation</b> N/A	
<b>Agreed implementation activities</b> Research studies, seminars, workshops, and national and international stakeholder consultations		<b>Impact</b> N/A	

### Facilitator's Statement



Achieng Ojwang  
**NBI Program Manager**  
 Global Compact Local Network South Africa

“Through this project, we introduced a fairly new concept to South Africa’s procurement landscape. It has been a challenging process, having to drive understanding and consensus on the Integrity Pact across different sectors. The uniting factor is that all sectors are interested in clean business and this clear goal keeps the project in focus.”

# A Practical Guide for Collective Action against Corruption



**United Nations**  
Global Compact

## **ABOUT THE UNITED NATIONS GLOBAL COMPACT**

The United Nations Global Compact is a call to companies everywhere to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate policies and practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with over 8,000 companies and 4,000 non-business signatories based in 160 countries.

[www.unglobalcompact.org](http://www.unglobalcompact.org)

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685 3<sup>rd</sup> Avenue - 12<sup>th</sup> Floor

New York, NY 10017

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