Collective Action against Corruption in International Business:
A Theoretical Framework for Understanding Motivations to Join and Some Reflections on Two Cases


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Abstract

In contexts where corruption is endemic, individual actors face little incentive to engage in anti-corruption efforts because they do not expect others to behave likewise (Persson, Rothstein, & Teorell, 2013). Just as corruption itself is a collective action problem, this phenomenon is a second-order collective action problem: nobody acts to stop corruption because everyone assumes that others will not act, making individual action irrational – costly to the individual, and with little chance of success. Moreover, since reduced corruption is a collective good, actors might choose to free-ride on the actions of others rather than participate themselves; again, this leads to an equilibrium outcome in which nobody acts (Olson, 2002).

Yet there are a growing number of collective action initiatives that aim to reduce corruption. This paper seeks to address this puzzle: why do actors (specifically, companies and governments) join anti-corruption collective action initiatives and in what circumstances do they sustain their commitment?

This paper seeks to explain the proliferation of collective action initiatives by taking three theoretical steps – relating to clubs, norms, and the international dimension – to augment and reanimate collective action theory. These steps draw on existing theories, but bring them together in a way that allows us to identify criteria that might suggest a solution to the puzzle. Empirically, the paper reflects on the emergence and evolution of two initiatives – the Extractive Industries Transparency Initiative and the Maritime Anti-Corruption Network – in view of this theoretical framework. This discussion identifies further sub-questions for research, e.g., the extent to which the ‘success’ of an initiative depends on the size and concentration of a sector, the character of the selective benefits, and the diversity of stakeholder involvement.
1 The problem

Corruption in global business often takes the form of exchanges between government actors who ‘demand’ bribes and business actors who ‘supply’ them, in return for privileged access to governmental resources, whether contracts, licences or favourable regulation. Either party may initiate or dominate the terms of the transaction, and it tends to be the interests of a third party, the public, that are harmed as a result. Both of the key protagonists benefit from the corrupt exchange. Moreover, both have an interest in covering up the exchange and, critically, often also wield the necessary power to do so. This makes it difficult for external actors – who are representatives of the victims, in various forms – to detect corruption and to punish corrupt conduct. The principal (the public) finds it difficult to control the agent (a public official) because of an information asymmetry.

Public policy solutions to corruption largely seek to change the incentives facing agents, such that they are less tempted to engage in corruption in the first place. Building on Becker’s optimal deterrence theory (1968), it has been argued that the best way to control corruption is to increase the risk of being caught and the resulting punishment, such that it outweighs the benefits to an individual of engaging in the transaction in the first place. On the demand side, the main recommendations in this regard have been to reduce opportunities for corruption by curbing the monopoly and discretionary power of public officials and increasing oversight and accountability (Klitgaard 1988). On the supply side, anti-bribery laws - such as the Foreign Corrupt Practices Act and similar laws promulgated by parties to the OECD Anti-Bribery Convention - increase the risk to companies of paying bribes to foreign public officials; a tough enforcement regime and high penalties for violations help to further reduce the incentives to bribe.

However, this approach relies on there being some actors in the society who are willing and able to enforce the rules and clamp down on corrupt actors. Recent scholarship has pointed out that this assumption is often ill-placed: in some contexts, there may not be any ‘principled principals’. This would apply if representatives of the public – e.g., law enforcement authorities, audit offices or civil society organisations - are themselves corrupt or at least complicit in corruption, rather than being standards bearers that enforce the rules and do so impartially.

This phenomenon is a second-order collective action problem: in environments where corruption is endemic, individual actors face little incentive to engage in anti-corruption efforts because they do not expect others to behave likewise (Persson, Rothstein, & Teorell, 2013). Nobody acts to stop corruption because everyone assumes that others will not act, making individual action irrational – i.e., costly to the individual who foregoes the immediate benefits of the corrupt transaction, and with little chance of success in curbing corruption. Moreover, since reduced corruption is a collective good, actors might choose to free-ride on the actions of others rather than participate themselves in fighting corruption; again, theory suggests that this will lead to an equilibrium outcome in which nobody acts to curb corruption (Olson, 2002).

In such circumstances, we would expect corruption to be rife: actors on the demand and supply sides will presumably maximize their private gains from corruption, secure in the knowledge that they are unlikely to be caught. Government actors will solicit bribes and manipulate the award of government contracts, confident that they can act with impunity. Company representatives will pay bribes to overcome administrative obstacles or win contracts, expecting only to benefit their career.
2 The puzzle

Yet a curious phenomenon has emerged: many actors on both the demand and supply sides, operating in contexts where corruption is rife, engage in voluntary and collective action against corruption. This can be seen in a proliferation of initiatives, some led by the demand side, others by the supply side, many involving collaboration across the two main parties and sometimes involving the oversight bodies too. In these initiatives, governments and companies make commitments and support policies that fight corruption, even though doing so constrains their own ability to profit from corrupt deals, exposes them to scrutiny, and invites criticism. This kind of voluntary collective action is not unique to the sphere of anti-corruption, but it is perhaps especially surprising in this sphere, given the relative ease with which corrupt acts can be concealed.

On the demand side, many political institutions volunteer to commit to transparency or to enact freedom of information laws that constrain their future actions in all sorts of ways, including limiting their ability to engage in corruption and rent-seeking (Berliner & Erlich, 2013; David-Barrett & Okamura, 2015; Hazell, Bourke, & Worthy, 2012). In initiatives such as the Extractive Industries Transparency Initiative (EITI), governments commit to make transparent the payments they receive from extractives companies and to require companies operating on their territory to publish what they pay. Further, they submit these accounts to external reconciliation, invite civil society organisations to oversee the process, and make themselves vulnerable to international scrutiny. The Open Government Partnership (OGP) is another such initiative where governments make commitments to open up their practices and activities to scrutiny, apparently unconcerned that this will invite criticism, not to mention making it more difficult to engage in abuses of office.

On the supply side, some businesses make pledges to eschew corruption in integrity pacts or undertake reforms way beyond the demands of legal compliance with anti-bribery laws (Dixit 2014; Pieth 2012). For example, many companies have voluntarily committed to implementing principles for responsible business (such as Transparency International’s Business Principles for Countering Bribery) or have joined collectives that work together to fight corruption. The World Economic Forum’s Partnering Against Corruption Initiative (PACI) is a cross-industry forum that brings together business leaders, international organisations and governments to address corruption risks and transparency. It is also seeking to catalyse collective action initiatives in the real estate and infrastructure industries. A B20 Task Force on Transparency and Anti-corruption seeks to improve transparency relating to government procurement; provides anti-corruption training for small and medium-sized enterprises (SMEs) and public officials; and encourages the utilization of collective action strategies in particular sectors. The B Team, another voluntary collective of business leaders, has made anti-corruption one of its core programmes and is helping governments to implement commitments made at the London anti-corruption summit in May 2016 (B-Team, 2015). Other anti-corruption initiatives are sector-specific. The Defence Industry Initiative on Business Ethics and Conduct (DII) has 77 members that have committed to the DII’s self-governance principles. The Maritime Anti-Corruption Network provides a platform for companies in the shipping sector to work together to eliminate corrupt practices. Some groups of companies have drafted codes of conduct for their industries, e.g., the Hanoi Principles for Voluntary Codes of Business Ethics in the Construction and Engineering Sector.

How can we explain the proliferation of such behavior, which runs counter to the predictions made by rational choice and collective action theories? The behavior of these actors suggests that there are some principled principals who are prepared to forego corruption and self-regulate. Yet even if we
assume that these actors are ‘good apples’ convinced of the individuals benefits of eschewing corruption, we need also to explain how they overcome Olson’s free rider problem to engage in collective action. This paper seeks to explain this behavior by taking three theoretical steps – relating to clubs, norms, and the international dimension – to augment and rehabilitate collective action theory. These steps draw on existing theories, but bring them together in a way that allows us to suggest a solution to the puzzle and to develop questions for future research.

3 Theoretical framework

3.1 Clubs

One solution to the collective action problem which has been proposed as an explanation for the proliferation of voluntary regulation derives from ‘club theory’ (Potoski & Prakash, 2005). This suggests that individual actors can be incentivised to engage in collective action if it is organised under the auspices of a club. Potoski and Prakash (2006) note that many of the voluntary clubs that have emerged over the last fifteen years in the corporate world differ from a model of straightforwardly providing benefits to members. Rather, they seek to induce their members to engage in self-regulating behaviour that produces positive externalities – reducing pollution, paying higher than market wages, committing to more comprehensive accounting standards, eschewing diamonds from conflict zones. In the field of anti-corruption, clubs seek to induce governments and companies to make commitments to transparency and financial disclosure, to avoid bribe payments, or to take action to report demands for bribes.

Club theory identifies a set of conditions in which clubs can overcome the collective action problem and minimize free riding: (i) costly membership (signaling credibility); (ii) adequate monitoring and enforcement of rules around compliance (threat of sanction); and (iii) selective benefits of membership, which can take both material and social (reputational) forms. Get these incentives right, club theory suggests, and actors will be motivated to make commitments to self-restraint.

First, joining must be costly. If joining is cheap or easy, then members will be able to access the benefits of membership without having undertaken the relevant obligations related to the appropriate behavioural patterns. This will make membership a meaningless signal of effort and devalue the actions of other members. For initiatives that seek to induce behavioural change, it is therefore important that significant and tangible behaviours are required before the honour of membership is conferred. Joiners must be prepared to invest before they receive benefits.

Second, and relatedly, there must be effective monitoring of club members’ behaviour once in the club. Being a member of a club involves agreeing to follow the club rules; not following rules represents a form of free riding. It is therefore important to monitor whether members follow the rules and to impose a sanction on those that violate the rules. The expectation that rule-following will be monitored and violations sanctioned is critical to convincing members to join in the first place, as well as to ensuring that members remain committed to the initiative over time.

Monitoring can take several forms: it can be conducted by peers (i.e., other members), providing they are able to observe whether a member is following the rules or not, or by external third parties. In the case of anti-corruption clubs, we immediately run into a second-order collective action problem, in that those charged with monitoring might themselves be corrupted. However, in the anti-corruption sphere,
the recommendation is often to address this problem with a combination of transparency, which reduces the information asymmetry, and scrutiny by civil society. These tools are not always effective. Research suggests that transparency only leads to an increase in accountability (and hence a likely reduction in corruption) in certain conditions (Kosack & Fung, 2013; Lindstedt & Naurin, 2010). The role of civil society in scrutinising conduct is, moreover, conditional on the existence of political freedoms as well as on capacity, two areas in which civil society organisations are often constrained (Grimes, 2013; Mungiu-Pippidi, 2013).

Monitoring and oversight seem most likely to be successful where a range of institutions are involved in checking conduct, thus making it less likely that the role is captured by unprincipled principals. This may explain why a ‘multi-stakeholder group’ (MSG) is often recommended as part of the apparatus of collective action initiatives (Henry M Jackson School of International Studies, 2012; Moberg & Rich, 2012). MSGs bring together representatives of three types of organisation – governments, business and civil society organisations – to oversee and monitor the way in which club members behave and particularly the way that they implement their commitments. The fact that these organisations have different individual interests but also share a joint interest in the goals of the club helps to make MSGs effective in providing scrutiny and ensuring accountability. In some contexts, where it is rare for governments, business and civil society to enter into dyadic or triadic discussions, MSGs can have a host of spillover effects as these actors come to recognise previously unknown mutual interests or opportunities for collaboration.

Third, clubs should provide so-called ‘selective benefits’, i.e., benefits that accrue only to members. Within the logic of collective action, such selective benefits are important because they help to overcome the free rider problem. It might still be possible for non-members to benefit from the provision of the public good which is achieved through collective action – e.g., in our case, the ability to do business in a certain context without being asked to pay a bribe or facing the risk that your competitors will outbid you by paying a bribe. Nevertheless, it will not be possible for non-members to benefit from certain selective benefits of club membership; in other words, at least some of the benefits of collective action are exclusive goods, and this helps to incentivise actors to join.

In club theory, the selective benefits accruing from membership might include paraphernalia such as a membership badge or access to a group meeting or tickets to a party, or less tangible branding or reputational benefits. Thus, companies can be motivated to sign up to ‘green clubs’ by the promise that they can then display on their websites a certificate of membership, and might benefit from doing so by gaining access to new customers or building loyalty with existing customers. In order to fully understand how branding and reputational benefits work, especially in the case of anti-corruption clubs, we need to introduce the two next steps in our theoretical framework, norms and the international dimension.

### 3.2 Norms

For a given set of club conditions and incentives, it remains the case that some actors join collective action initiatives while others do not. As such, club theory only takes us so far in explaining the behavior of club joiners. This paper suggests that we need to understand more about the meaning of membership for different types of actors. To do this, we suggest that the behavior of ostensibly ‘pro-social’ governments and businesses might be better understood by using an alternative to rational choice theory. A norms-based model of behavior, for example, suggests that, rather than calculating costs and benefits before deciding how to act, individuals and organisations tend simply to follow established social norms and informal rules (Olsen & March, 2004). They act in certain ways not because they deem it to be in their interests to do so but because they have a propensity to follow certain rules. These rules have meaning for individuals and shape their behavior automatically, although
they also demonstrate a certain flexibility in that individuals may juggle several sets of rules, relying at any one time on those that prevail in a certain community with which they identify or are associated with a particular role in that community. Thus, individuals might behave one way in their home country and another way when abroad, or one way in their role as parents but another way in their role as consumers or professionals. At the organizational level, and in the language of corporate anti-bribery policies, this might be seen as a ‘values-based approach’, but it is rooted firmly in social science theories that explain behavior and behavioural change in terms of ‘logics of appropriateness’ (Olsen & March, 2004).

On this view, actors do not ‘decide’ whether or not to engage in corruption, but simply behave in ways that are in line with the behavior of their peers. This shifts the focus to understanding how actors come to identify with particular communities and how they ‘learn’ patterns of behavior from other members of that community. The implication is that anti-corruption efforts might be more sustainable if they changed social norms about the acceptability and appropriateness of corruption, such that norm-following actors would ‘automatically’ or unthinkingly behave in pro-social ways just so as to fit in with their group. This might lead to more long-term and self-motivated changes in behavior than policy interventions that rely on increasing the risks and penalties of corruption such that individuals cease to regard it as ‘worthwhile’.

The difficulty of such an approach to understanding behavior, however, is that it risks slipping into cultural relativism, suggesting that some cultures – pertaining to countries or companies – are simply more prone to bribery and corruption than others. However, the norms-based approach need not be a substitute for rational choice theory; rather, it can be complementary. Norms help to shape perceptions about what strategies are in an actor’s ‘interests’ and how best to pursue those interests. Similarly, legal frameworks, despite being founded on a more rational choice or homo economicus understanding of behavior, provide incentives that might help to shape norms about what counts as acceptable conduct. However, some argue that too much focus on regulating through the rational choice approach may undermine efforts to build integrity (a new norm) (Heywood, 2012; Heywood & Rose, 2016). Other work suggests that positive incentives might be more motivating than negative ones. Combining the two approaches, we can recognize the importance of understanding how norms and laws interact to influence behavior. Moreover, the fact that different norms apply to different communities and roles creates the potential to shift norms in one sphere by evoking norms in another.

3.3 The international dimension

The international dimension brings the third theoretical piece of our solution to the puzzle of why there is so much international collective action against corruption in business. Putnam characterises international negotiations as a search for common ground between two countries in a two-level game. Each country must first negotiate with multiple actors in their domestic political arena (the domestic game), to agree a negotiating position. In the international negotiations, they then play a different game with one another, in order to arrive at a position which both sides can accept. There might be a fairly small area of overlap between the two games.

Putnam writes:

“The unusual complexity of this two-level game is that moves that are rational for a player at one board (such as raising energy prices, conceding territory, or limiting auto imports) may be impolitic for that same player at the other board”.

6
If one actor disrupts one game board by vetoing a previously accepted position, for example, this can prompt difficulties not just at the international level, but also on the other party’s ‘home’ game board. However, if the parties can find that sweet spot where they both win on their home game boards, a deal can be struck. This raises the possibility that actors can be incentivised to move into a certain part of their game board which they would not otherwise reach by the promise of selective benefits that are offered by the other party to members of that conceptual ‘club’. Once in the club, i.e., operating in that part of the game board, actors must engage in self restraint so as to maintain their status and access to selective benefits, and start to gain an interest in monitoring the behaviour of others and engaging in their own policing activity. The eventual outcome may be a change in norms in the local context.

This paper thus argues that the international dimension allows certain actors within government and business to step outside contexts of endemic corruption and overcome the second-order collective action problem. The international dimension allows actors to move into spaces on their domestic game board that might otherwise have been out of reach, politically unworkable. The presence of the international actor with its interest in encouraging the domestic actor to join the club means that there is a much richer and more complex set of membership benefits, including reputational benefits associated with demonstrating adherence to international norms. The international dimension also increases the possibilities for monitoring and enforcement, by making it more likely that there is a neutral third-party aspect to monitoring, i.e., the existence of a ‘principled principal’ able to step outside the social norms prevailing in a particular context.

There is already a considerable body of work on how states and corporations can be motivated to behave in certain ways so as to gain an international reputation for a certain kind of behavior or value system, where the reputational benefits are often related to performance on certain governance indicators (Kelley & Simmons, 2015; Potoski & Prakash, 2005; Tomz, 2007). Thus, the international context of global business and governance is critical to understanding the proliferation of collective action initiatives against corruption.

To better understand how interactions in the international dimension can lead to normative change, we turn to Finnemore and Sikkink (1998), who suggest that the spread of norms in international politics can be understood as a three-stage life cycle of emergence, cascade, and internalization. The emergence of a norm is driven by ‘norm entrepreneurs’, individuals or organisations with a degree of authority and status who take a leadership role in seeking to convince states and other actors of the norm’s importance. When a certain number of organisations adopt the norm, a ‘tipping point’ is reached, ensuring progress to stage two. In this ‘norm cascade’ phase, states imitate one another in seeking to demonstrate that they have adopted the norm, and attempt to socialize other states to become norm followers. In the third stage, norms are internalized such that they are taken for granted, no longer a focus of broad public debate, and may become enshrined in law.

This theoretical discussion leads us to a point where we can identify a range of characteristics that we expect to be important to the success of collective action initiatives, defined as success in attracting members, reaching a tipping point, and sustaining the initiative over time. The criteria are set out in the table below, which will be completed as the paper progresses:
Table 1: Characteristics of sustainable collective action initiatives

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<th>Costly membership</th>
<th>Selective benefits</th>
<th>Third-party monitoring/audit</th>
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<tr>
<td>EITI – for governments</td>
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<td>-for companies</td>
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<td>MACN</td>
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4 The case of EITI

The Extractive Industries Transparency Initiative (EITI) is a voluntary initiative whereby governments sign up to publish what they receive from oil and gas companies, and also require companies operating in their territory to publish what they pay. The campaign for transparency in the extractive industries was initiated and driven by a set of norm entrepreneurs based in NGOs such as the Open Society Institute and Global Witness who established a global civil society campaign called ‘Publish What You Pay’ (PWYP) in June 2002. The campaign sought to persuade companies to publish what they paid to governments, so as to shame governments into explaining why these revenues had not trickled down to the people. However, few companies wished to sign up, fearing that they would lose business from governments that did not want to risk such exposure.

Unexpectedly, an even bolder initiative provided the solution. Conceived around the same time as PWYP but officially launched only in 2003, the EITI focused explicitly on the ‘demand side’ of corruption, seeking to persuade governments to commit to disclosing the revenues they earned from extractives as well as to require companies that operated on their territory to publish what they paid to the government. Any discrepancies between the two sets of figures would need to be reconciled before an EITI Report could be published. Thus, the new initiative spread the burden of regulation across governments and companies, and at the same time improved the effectiveness of disclosure by providing two accounts of the same transaction. This transparency on both sides of the business relationship was expected to deter corruption and mitigate the resource curse (Ölcer 2009).

Given that PWYP had failed to convince companies of the benefits of signing up, it seemed even less realistic that EITI would be attractive to governments in developing countries. EITI implementation required governments to voluntarily subject themselves to a significant degree of scrutiny. For corrupt
ministers, joining EITI would significantly increase the risk that their misconduct would be exposed and they would be forced to give up a highly lucrative stream of private gain. Yet EITI has proved extremely popular, and now has 29 countries implementing the standard. Why would governments associated with high corruption sign up to something that seems likely to expose their own misconduct?

David-Barrett and Okamura (2016) suggest that the answer is that some governments aspire to comply with international norms and to be seen to do so by their peers. They join partly because they think that membership of the club will bring selective benefits. Indeed, we provide evidence that it does: progress in implementing the EITI standard is rewarded with increased aid flows. Evidence from donors suggest that they value EITI implementation as a step towards improved natural resource governance. Other evidence suggests that EITI membership helps countries to secure other benefits such as debt relief, access to credit, and foreign investment. As such, the decision to join EITI can be seen as a two-level game, in which governments of resource-rich countries are persuaded - by the promise of reputational and material benefits - to enter a certain part of the game board, relating to transparency commitments, which would not otherwise be attractive. The provision of material benefits by international actors helps incentivize them to move into that part of the game board, and provides leverage for reformers to use over their less reformist peers.

EITI also meets the other two conditions for success from club theory. Joining is costly: the implementation process is long and onerous; not all countries manage to undertake the necessary commitments in the given time. The process of monitoring implementation, meanwhile, is meaningful: the use of a multi-stakeholder group creates channels of dialogue among governments, CSOs and companies, increasing mutual scrutiny of each other’s activities.

In addition, the international dimension provides added credibility as well as access to a sphere in which different norms prevail. The fact that the reconciliation of payments and receipts is conducted by an independent and external auditor provides credibility that the ‘policing’ of the process will not itself be corrupted. And occasionally countries are suspended for failing to maintain standards or for poor treatment of CSOs. The international dimension is critical to both of these aspects, because it provides access to a realm which is not endemically corrupt, helping to reassure individual actors that free riding will be checked and violators of the norm shamed. This in turn helps them to overcome the collective action problem that might otherwise have deterred participation.

These latter points are certainly contested. EITI has many critics who argue that it is not strict or tough enough, that it goes too easy on governments that do not allow sufficient freedoms to CSOs, and that it does not achieve its overall aims of curbing corruption (Kolstad & Wiig, 2009; Scanteam, 2011; Sovacool, Walter, Graaf, & Andrews, 2016). On their reading, it is not so difficult to explain why governments are motivated to join: EITI membership is simply cheap talk, allowing governments easy access to benefits without undertaking meaningful reforms. On our reading, implementation is more onerous than this account would suggest and, critically, expectations about the ability of this initiative to transform a deeply rooted problem in a short time are too high.
Table 2: Characteristics of sustainable collective action initiatives

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<tbody>
<tr>
<td>EITI – for governments</td>
<td>Yes</td>
<td>Yes – reputation, aid, debt relief, credit, FDI</td>
<td>Yes – external reconciliation, MSG, scrutiny from EITI secretariat</td>
<td>Yes – possible to be suspended from EITI by secretariat; also shame from local population (depending on pol context)</td>
</tr>
<tr>
<td>MACN</td>
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So far, we have focused on the motivations of governments to implement the standard; we now turn to companies. Companies can become involved in EITI in two ways: first, if the government of the country in which they work implements the standard, then they are required to participate and publish what they pay; second, companies can also become EITI supporters: they make a financial contribution and put their name to the initiative. In the first case, companies often welcome the initiative. Already under intense scrutiny from civil society, and often criticized for failing to contribute enough to the local communities in which they operate, companies often appreciate the opportunity to show how much they pay to governments and to engage with civil society organisations in a more cooperative context. This may even allow them to shift the blame or at least the scrutiny for a country’s ‘resource curse’ on to the governments. On the other hand, the fact that they are compelled to comply with the standard in such cases diminishes the reputational benefits, since the action is not ‘voluntary’ and hence does not have the signaling power of a voluntary move.

It is possible that part of the benefit for companies comes once again from the international dimension. One problem for multinationals in dealing with corruption risk is that they typically seek to comply with best practice international standards on anti-bribery and corruption compliance - not least because they typically fall under the jurisdiction of the US Foreign Corrupt Practices Act, by virtue of issuing securities or doing business in the United States - but may find it difficult to ensure that employees operating in emerging markets comply with these standards. If they are operating in emerging markets where corruption risks are greater and social norms about business practices are different, perhaps employing local agents that are embedded in these communities and cultures, this may expose the company to considerable legal and reputational risk. In this context, adhering to and upholding EITI standards might be another way of demonstrating their commitment to international norms and business practices, to help drive the message home to local employees. Alternatively, the forum provided by the MSG might be a way for companies to talk openly to one another about how they manage the challenges posed by operating in high-corruption environments. The presence of CSOs in the MSG also provides a bridge between multinationals and local communities, spanning the international dimension as well as the corporate-civil society divide to build more open networks, which research suggests are beneficial for companies.
5 The case of MACN

A huge proportion of global trade is reliant on the shipping industry. Physical goods are moved around the world on global trade routes. When they come into port, ships have to meet certain local regulations. Commonly, they have to satisfy the requirements of the port authorities by allowing inspectors to come on board and to check documentation such as the ship’s itinerary. This often provides an opportunity for corrupt port inspectors to extract bribes. It can be relatively straightforward for an inspector to find fault with even the most diligently documented itinerary. For example, port inspectors have been known to query the fact that paint pots used for refurbishing the ship were not listed on the itinerary. In one particularly shameless case, an inspector found fault with an itinerary for not listing the oil in the ship’s engine.

Faced with such demands, ships’ captains face the choice of arguing the point and perhaps wasting days in port while the case is resolved, potentially losing business and harming their reputation with clients, or paying bribes and moving on swiftly to deliver their cargo. Since delays in the shipping business are costly, and the sector is highly competitive with another ship often at hand to take on a shipment, many simply pay up. Indeed, many ships routinely carry a large supply of cash in their safes, ready to hand over to inspectors if needed.

In response to these problems, a number of maritime shipping companies have come together to form the Maritime Anti-Corruption Network (MACN). The network seeks to encourage companies to commit to an integrity Pact, and to eschew corruption demands when faced with them. It also initiates action in specific ports, bringing together governmental authorities and civil society groups to exert pressure on ports to clean up their act.

MACN has once again been very successful in attracting members. While the sector is much more fragmented than extractives, which might be expected to make collective action even more difficult, a number of major players have signed up to and invested in the initiative. Once again, this seems irrational on collective action theory. The short-term interests of a company appear to be to pay a bribe and move on, rather than incur the high short-term costs of fighting corruption and refusing to pay. Thus, what motivates shipping companies to join?

This paper suggests that the MACN is successful in attracting members because it once again provides a valuable reputational signal that allows companies that join to access selective benefits. This signal is read by potential clients, that are themselves motivated by a desire to be part of an international club of ethical businesses. In this context, making MACN membership or anti-corruption goals intrinsic to other third-party certification schemes that are already in use by shipping companies, such as the RightShip scheme, or TRACE International’s Anti-Bribery and Corruption Compliance work, can help to spread the norms that MACN seeks to promote by adding weight to the business case for embracing such norms.

In addition, the signal that companies send by joining the MACN might be received and understood by the extracting agents – the port authorities. Thus, the collective signal to port authorities might act as a threat that systemic wrongdoing will be exposed, pushing corrupt agents to change their behavior.

Is membership costly for companies? Joining MACN represents a cost for companies, not simply in the collective costs of running the organization, including time committed by company employees, but also
potentially through foregone business that might be lost as a result of a zero-tolerance attitude to bribe request.

Monitoring and sanctions are problematic in the case of MACN. It is not clear how network members can police the behavior of their competitors, to assess whether or not they pay bribes. Monitoring of port authorities by civil society is, however, part of some MACN initiatives which seek to use pressure on local port authorities and inspectors to end bribery in ports.

The international dimension is once again relevant, in that MACN makes use of diplomatic channels to exert government-to-government pressure on individual ports.

**Table 3: Characteristics of sustainable collective action initiatives**

<table>
<thead>
<tr>
<th></th>
<th><strong>Costly membership</strong></th>
<th><strong>Selective benefits</strong></th>
<th><strong>Third-party monitoring/audit</strong></th>
<th><strong>Sanctions for violations</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>EITI – for governments</td>
<td>Yes – onerous implementation process</td>
<td>Yes – reputation, aid, debt relief, credit, FDI</td>
<td>Yes – external reconciliation, MSG, scrutiny from EITI secretariat</td>
<td>Yes – possible to be suspended from EITI by secretariat; also shame from local population (depending on pol context) ??</td>
</tr>
<tr>
<td>For companies as supporters</td>
<td>Low costs – contribution to operating costs; (foregone business? )</td>
<td>Ability to advertise MACN membership – reputation benefit with some clients</td>
<td>Not much monitoring of corporate behaviour</td>
<td></td>
</tr>
<tr>
<td>MACN</td>
<td>Investment in process; lost business</td>
<td>Reduced demands for bribes (?)</td>
<td>Local Civil Society involvement</td>
<td>Shame; potentially local legal action</td>
</tr>
</tbody>
</table>
6 Discussion: Designing international cooperation

The speed and efficiency of norm diffusion is likely to depend on specific features in the design of international cooperation initiatives, with policy-makers needing to reckon with at least three important trade-offs. The first is between breadth and depth. The UN Convention Against Corruption (UNCAC) is widely regarded as lacking teeth, since many of its provisions are non-mandatory and monitoring of compliance is weak. However, others argue that UNCAC's broad support, with 140 signatories (and 178 parties), was achieved partly because it is not more forceful, but that commitments to UNCAC are nevertheless potentially more meaningful over time: e.g., they often effect change through indirect means, by providing standards against which CSOs and the media can hold states to account.

This issue has been central for EITI. Most of the early implementers were major resource-rich countries in Africa, as well as Central Asia. These were key target countries whose behavior the initiative sought to change, and within that overall goal, the choice of Nigeria and Azerbaijan to pilot the initiative may have had important demonstration effects, capitalizing on the status of these countries within their respective regions to encourage neighbouring states to value the initiative. However, EITI then began to attract interest from some countries that were not particularly rich in resources, such as Albania. It did not turn them away, but this raises questions as to whether the membership of such countries diluted the signal that membership brings. In addition, EITI came under criticism for being an initiative promoted by the global north which targeted the global south as the corrupt ones, because few northern countries signed up. This prompted a wave of commitments from G8 countries in 2012, to address this threat to the organisation’s credibility. In addition, the organization has been criticized for being too shallow and unambitious in its requirements on governments. Over time, it has ratcheted up the standard, which seems to be important again for the initiative's credibility and its transformative power.

In the case of MACN, one potential risk seems to be that the network might not be seen as meaningful unless it can bring in a high proportion of companies in the sector. However, given that the sector is vast and fragmented, attracting companies that represent a significant market share is difficult. This raises questions about what qualities norm entrepreneurs need to effect significant changes in market conditions, such that other companies begin to feel compelled to follow suit.

Another trade-off is between voluntary consent versus coercion, in terms of how strictly the rules are enforced and sanctions applied. The Financial Action Task Force (FATF), which sets anti-money laundering standards for financial intelligence units, imposes harsh sanctions for non-compliance through its 'blacklisting' approach. Countries are extremely keen to avoid being blacklisted as this curbs their access to much-needed finance. This has led some scholars to refer to the FATF as being 'coercive' in its nature; although ostensibly voluntary, the organisation's power to limit access to
finance makes it extremely influential and gives it power to elicit reform from actors that might otherwise be reluctant. In other initiatives, compliance is elicited with more positive incentives. Donors and lenders use aid and loan conditionality to prompt reform. The Millennium Challenge Corporation, an aid provider, makes access to international aid flows or loans explicitly conditional on improved performance on indicators of institutional quality or ‘good governance’ (Öhler, Nunnenkamp, & Dreher, 2012). The provision of incentives does not necessarily make compliance less meaningful. In the case of EITI, governments sign up because they are keen to tap the reputational and material benefits associated with membership but, as a side effect, the tool has helped to spread the norm of transparency in natural resource management and engaged CSOs in holding private-sector actors and governments to account (David-Barrett and Okamura 2016).

The terms for suspending a country from EITI have been the subject of much debate, with some CSOs arguing that the secretariat is not quick enough to punish governments violate the rules. This has arisen particularly with regard to the treatment of CSOs and the governments’ general attitudes towards the conditions in which civil society operates. Where governments have been repressive of civil society, EITI has sometimes been slow to react, e.g., in the case of Azerbaijan. In the case of MACN, the organization is very much based on voluntary regulation, with no real sanction for signing up and then failing to behave appropriately.

A third trade-off is between inclusiveness and effectiveness. FATF is also criticised for being rather exclusive and even secretive in the way that it drafts its rules and gathers intelligence. This leads to criticism that it is a rich countries’ club with excessive power over poor countries. However, others argue that its method of drafting rules has led to the rules being much stricter and more meaningful, and that a consensus-based method for defining AML standards would lead to weak rules with little effect on the international financial system.

EITI's decentralized structure arguably protects it somewhat from the potential downfalls of this trade-off, in that implementation is largely delegated to MSGs in particular countries. For MACN, this presents a challenge because of the very high number of players in the sector.

7 Some conclusions and areas for future research

This paper seeks to develop theory on the conditions in which collective action initiatives are launched and become sustainable, and to set out a framework for testing that theory empirically. The framework is tentatively explored using two cases: EITI and MACN. This discussion identifies further sub-questions for research relating to the extent to which the ‘success’ of an initiative depends on the size and concentration of a sector, the nature of the selective benefits, and the diversity and power dynamics of stakeholder involvement.

Future research agenda:
1. Are sectoral initiatives more likely to work than cross-sectoral ones? If so, why? Is it because monitoring and implementation are easier? Or because reputational benefits are more meaningful within a sector?
2. Within sectors, are initiatives in more fragmented sectors less likely to work?
3. In what circumstances do multi-stakeholder groups succeed in providing monitoring?
4. What is the life cycle of international anti-corruption clubs? How do incentives and norms change over time and depending on the life stage of a club, e.g., do social benefits lose value over time?
References


