

BUSINESS INTEGRITY AND SUPPLY CHAIN RISKS: THE CASE OF PUBLIC PROCUREMENT

BEST PRACTICE TOOLBOX

Overview – Adverse impacts of business operations and supply chains, such as environmental or social issues, are associated and enabled by corruption. One example among integrity concerns in public procurement is foreign bribery. According to the OECD, more than half of foreign bribery cases occur in government procurement. Government procurement represents 13% of GDP annually in OECD countries.

While anti-bribery has been embedded in public purchasing for decades, less attention has been paid to the connection between corruption, integrity violations and other responsible business conduct (RBC) issues (such as labour, human and environmental rights). Some of the links between integrity and RBC have been addressed within the framework of responsible or strategic public procurement. In a context where countries increasingly require companies through regulations to conduct due diligence, public procurement has a role to play in incorporating supply chain integrity requirements in policies and process to support uptake by business.

In light of current global challenges that require businesses to undertake risk based due diligence across supply chains, an enhanced approach to addressing integrity risks in government procurement supply chains, utilising due diligence, could substantially de-risk business operations.

This multi-stakeholder approach brings together suppliers, public buyers and integrity public officials. In a trustworthy environment, with the aim of defining new and effective ways to address integrity risks in the supply chain. It can support governments and public buyers in implementing responsible public procurement, risk management strategies, and businesses in addressing enhanced expectations for due diligence as enabler for other RBC issues.

Our approach

This pilot project aims to define practical steps business and governments can take to increase integrity in supply chains behind government contracts. It is part of the OECD Global Program to Galvanize the Private Sector as Partners to Combat Corruption. The project rests on the premise that governments, through their procurement practices and purchasing power, incentivise responsible business practices.

The OECD invites practitioners to join an informal expert working group and develop these practical actions for greater supply chain integrity as part of two to three working meetings in the spring of 2023. The practical steps will be finetuned in trainings for suppliers over the course of 2023. A white paper will outline the practical actions for future dissemination.

The project focusses on public supply chains and specifically sectors where governments procure goods, works and services harboring high corruption and integrity risks. It builds on OECD standards around risk-based due diligence, public procurement and integrity. The project seeks to move beyond a narrow understanding of corruption risks in supply chains, by broadening the focus to public integrity risks, including not only bribery, but also on conflicts of interest and undue influence.

Who should participate?

The public and private sectors have rarely worked strategically together on this emerging topic at a policy level. At the heart of the project is an informal expert working group, bringing together suppliers, public buyers and integrity officials (in both the public and private sectors) who will exchange their experiences and lend their good practices towards a white paper defining the practical steps to increase supply chain integrity. This approach is based on the conviction that joining forces from public and private sectors to discuss concrete challenges and opportunities can drive change and improve levels of integrity globally.

The informal expert working group is open to practitioners at public buyers, integrity units or bodies and at government contractors (suppliers, service providers) from Adherent countries to the [OECD Guidelines for Multinational Enterprises](#). We encourage the participation of practitioners with expertise on supply chain integrity, due diligence and strategic public procurement.

A sector focus will be determined based on interest and is expected to focus on:

- Construction / infrastructure
- Renewables
- Healthcare
- Information and Communications Technology (ICT)

Benefits for participants

Public suppliers	Public buyers	Integrity officials ¹
<i>A safe space to exchange on experiences in meeting integrity expectations in public supply chains</i>		
<p>Discuss innovative approaches on how to use due diligence to enhance supply chain integrity</p> <p>Build knowledge on compliance with due diligence expectations and how to demonstrate achievements in public procurement competitions</p>	<p>Identify how due diligence can serve as a tool in achieving strategic public procurement goals</p> <p>Apply risk management strategies in public procurement processes</p> <p>Discuss requirements in public procurement procedures from potential contractors (bidders) in terms of undertaking due diligence across supply chains to promote integrity outcomes</p>	<p>Support a whole-of-government approach to public integrity by:</p> <ul style="list-style-type: none"> • Enhancing the integration of integrity expectations in public procurement practice • Supporting the integration of integrity expectations into due diligence processes <p>Strengthen evidence-based integrity policies by engaging with the private sector to better understand key challenges and opportunities for upholding public integrity standards</p>

Activities and outcomes

The project is inspired by the OECD’s pilot approach, for example applied in the [Pilot on Integrating OECD Due Diligence into Public Procurement in the Garment Sector](#). These pilots bring experts together to develop practical and innovative solutions to RBC challenges.

- A **series of informal expert working group meetings** (virtual) form the core of the initiative. These meetings will serve to identify, learn and fine tune comprehensive public procurement risk management strategies and due diligence solutions to enhance supply chain integrity. Experts in their respective fields on due diligence, integrity and public procurement will share how they have solved integrity related challenges. Animated by the OECD, the experts will define the key practical steps that led to success, with a view to broader dissemination.

¹ Integrity officials include those responsible for setting, implementing and/or overseeing standards and policies on anti-corruption and integrity in the public sector, and anti-corruption compliance, government affairs and ethics in the private sector.

- **A set of innovative trainings** will build the capacity of practitioners and promote business integrity in supply chains. The trainings will be designed to allow inputs and feedback from participants to further map and develop the practical actions.
- **A white paper will** summarise and disseminate key practical actions and present a universal tool on how to enhance integrity in public supply chains.

The project draws on the [OECD Due Diligence Guidance for Responsible Business Conduct and sector-specific Guidances](#) and links closely to the OECD work on public procurement, considering the 2015 [OECD Recommendation on Public Procurement](#), the [Public Procurement Toolbox](#) and the public procurement risk management framework being prepared currently. It is underpinned by OECD standards on public integrity, including the [2017 OECD Recommendation on Public Integrity](#), the [2010 OECD Recommendation on Transparency and Integrity in Lobbying](#), and the [2003 OECD Recommendation on Guidelines for Managing Conflicts of Interest in the Public Service](#).

Timeline



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More information about Responsible Business Conduct and Public Procurement:
<https://www.oecd.org/governance/public-procurement/procurement-and-rbc/>