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## **FAIRBIZ – PROMOTING A FAIR BUSINESS ENVIRONMENT IN ASEAN**

## **CONCEPT NOTE FOR A NEW PROPOSAL (2023-2027)**

# **1. Purpose**

This concept note, prepared at the invitation of the FCDO Economic Prosperity Directorate at the British High Commission in Singapore, outlines the vision and priorities of the next FairBiz project. The current project “FairBiz – Promoting a Fair Business Environment in ASEAN” is scheduled to end on 31st December 2022. The proposed multi-year project (2023-2027) builds on lessons learnt from the current project and responds to the emerging context in the ASEAN region. The project recognizes the vital role that businesses can play in promoting sustainable development, and therefore promotes fair and inclusive business practices.

# **2. DEVELOPMENT CHALLENGES**

## Corruption has a negative, direct impact on economic growth and development. It distorts markets by misallocating resources, decrease the productivity of investments by reducing the quality of resources and fuels waste and inefficiency in public expenditures. This can negatively impact the trust of citizens in their institutions, which could be a significant contributing factor in political instability. Corruption undermines freedom and democracy of citizens which is the cornerstone of new UK policy in Building the Network of Liberty.[[1]](#footnote-2)

The Association of South-East Asian Nations (ASEAN) Economic Community is the 7th largest economy in the world. In 2020 the member states had a combined Gross Domestic Product of US $3 Trillion.[[2]](#footnote-3) All ASEAN member states have endorsed the *Agenda 2030* and *the Sustainable Development Goals*. In addition, ASEAN adopted in 2015 *Vision 2025*, which works in a complementary manner to the Agenda 2030.

The COVID-19 pandemic has further highlighted how corruption could undermine development gains. Transparency International Report 2020 [[3]](#footnote-4) has demonstrated strong correlation between corruption and management of resources (including lack of transparency in procurement) with countries fighting interconnected crisis. The role of the private sector has become crucial for the post-COVID 19 economic recovery and integration of fair and transparent business practices is a prerequisite for economic development of the region.

Recognizing that the fight against corruption is key to delivering development assistance and promoting economic and social well-being, FairBiz – Promoting a Fair Business Environment in ASEAN project has been focusing for the past four years on fighting corruption with an emphasis on *collective action approach*- working with governments, private sector and civil society by improving transparency in public procurement and promoting business integrity in the private sector.

# **3. OUR VISION**

The next generation of FairBiz project will enable ASEAN countries to reach their full potential and economic development by achieving the SDGs and ensuring vibrant, sustainable, transparent, accountable institutions and integrated economies.

We will be supporting ASEAN countries to achieve sustainable development, through sustainable procurement, and sustainable and ethical business. We will ensure that environmental, social and governance standards are at the core of our work as these standards are key to future economic development and prosperity.

***The success of our next phase of FairBiz will be measured by ASEAN countries developing and implementing Sustainable Public Procurement Laws and policies and companies integrating sustainable ethical business principles into their operations/practice.***

At the core of our interventions is building trust between governments, the private sector and civil society around transparency, open data and accountability.

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| FairBiz AchievementsIn the past four years, FairBiz project has proven how sustained efforts to fight corruption can bring tangible benefits. Highlights from the project’s results include:Enhanced transparency for greater scrutiny and accountability in infrastructure procurement has resulted in savings for the Thailand government of $460 million USD.Approximately 4000 stakeholders in ASEAN engaged in supporting the adoption of responsible business practices, including 300 companies and, indirectly, thousands of employees. Absolute majority (96.83%) of FairBiz platform participants from the government, private and civil society sectors reported feeling more comfortable engaging in dialogues on integrity and transparency Judicial integrity interventions to help courts improve their performance carried out in Malaysia, Thailand, and Vietnam.Implementation of preventive anti-corruption measures achieved in four countries: anti-corruption strategy adopted in Malaysia, corruption prevention indicators updated in Thailand, and anti-corruption law updated in Vietnam. Four public procurement reforms delivered in Indonesia, the Philippines, and Thailand. Business Integrity Toolkit for Young Entrepreneurs encouraging young people to start their own businesses with integrity was developed and reached the top 3 most-downloaded knowledge product on UNDP webpage.The regional structure of the project adds unique value to the programme, bringing elements of vision, uniformity, guidance, expertise and direction that directly contributes to the scalability of the national interventions, exchange and elevation of in- country solutions and learnings for an amplified and multiplied impact.  |

# **4. OUR SIGNATURE SOLUTIONS**

The future FairBiz project will focus on two signature products: a) sustainable procurement b) sustainable and ethical business. This was confirmed by a recently conducted FairBiz evaluation as well as a survey that was conducted in 2021 about the future directions for the new project.

**Signature Solution 1: Support to ASEAN in sustainable procurement**

Achieving the SDGs by 2030 through ***sustainable procurement*** practices requires urgent and systemic procurement reforms. The COVID-19 pandemic has demonstrated how lack of transparency in public procurement can lead to erosion of citizens’ confidence and trust in their governments. Procurement needs to be inclusive, making sure that the products and services we buy are as sustainable as possible, with the lowest environmental impact and most positive social results. Sustainable Procurement requires a collective action approach by engaging citizens, civil society, and the private sector in the entire procurement process. This means higher transparency, and active participation in the decision-making process by governments, civil society, private sector, think-tanks, and citizens. COVID-19 represents an opportunity to make shifts in our thinking and behavior and to move from “business as usual” to a more participatory, inclusive and sustainable approach to procurement.

The FairBiz support to governments can range from supporting reforms aimed at sustainable procurement, ranging from changes in the legal framework and policies to include more transparent and open procurement, including considerations for environment, women, marginalized groups and disabled as well as practical, hand-on approach to provide technical support to countries to implement reforms. FairBiz will also bring together other partners, such as private sector and civil society to ensure more sustainable and holistic approach to public procurement.

Support to private sector can range from providing technical expertise to SMEs and supply chains in improving integrity and sustainability within their business operations to ensuring higher participation of SMEs in winning the public procurement contracts.

Support to civil society will include involvement of citizens in effectively addressing sustainability in procurement through open data transparency and providing solutions to both government and private sector. The role of civil society can be instrumental in ensuring knowledge exchange, setting a common agenda and supporting a multi-stakeholder process that aligns public and private procurement, which would lead to higher trust of citizens and more effective use of resources (both public and private).

Some suggested interventions:

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| **Government**  | 1. Technical expertise in developing legal framework for Sustainable Procurement Laws and Policies
2. Development of Innovation FairBiz initiative on technology and procurement bringing together governments, private sector and civil society
3. Support governments to develop policies/practice that enables wider participation of SMEs in the public procurement process
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| **Private Sector** | 1. Development of knowledge products and undertaking the training for SMEs to take part in public procurement including women-owned/led businesses, businesses supporting marginalized groups and start-ups to participate more widely in the public procurement process
2. Development of guidance notes and capacity building to promote greater access of international companies, including UK businesses, interested in participating in public bids in ASEAN.
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| **Civil Society**  | 1. Provide support to open data transparency with Open Government Partnership and Open Contracting Partnership
2. Provide technical support to civil society to monitor effectiveness of procurement interventions from governments and private sector
3. Organize dialogues with governments and private sector to align public and private procurement and make it more effective.
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| **Support to ASEAN Secretariat** | 1. Provide technical support (training, awareness-raising) to ASEAN Secretariat to elevate the importance of sustainable and transparent public procurement including advocating for the establishment of a procurement task force within the ASEAN Secretariat
2. Implement Sustainability-weighted Procurement Portfolio Model in at least 3 countries. The purpose of the tool, developed by UNDP is to identify sustainability risks in organizational procurement portfolios.
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**Signature Solution 2: Support ASEAN in sustainable ethical business**

The world is shifting fast towards more sustainable and responsible practices. Sustainability is no longer a secondary consideration, but an integral part of the long-term viability of businesses and their practice. Environmental, social and governance (ESG) criteria are increasingly shaping the global corporate agenda. The analysis by [Bloomberg](https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/) reported that ESG funding may reach $53 trillion by 2025, representing more than a third of the $140.5 trillion in projected total assets under management. ESG standards are used by investors around the world to evaluate potential investments, as well as to enable business leaders to formulate responsible and sustainable corporate strategies. However, corruption still represents a big obstacle to sustainable and ethical business. [**PwC has estimated that $1 trillion**](https://www.pwc.com/gx/en/services/forensics/five-forces-that-will-reshape-the-global-landscape-of-anti-bribery-anti-corruption.html) is paid out in bribes each year and $2.6 trillion is lost to corruption. [**The Principles for Responsible Investment (PRI) estimates**](https://www.unpri.org/download?ac=1826) that, on a global level, corruption may raise the cost of doing business by 10 percent.

As a bloc, ASEAN has explicitly committed to sustainability in the region. The 2015 ASEAN Charter sets out that ASEAN is committed to ensuring “sustainable development for the benefit of the present and future generations and to place the wellbeing, livelihood and welfare of the peoples at the center of ASEAN community building process”[[4]](#footnote-5). Likewise, the ASEAN Community Vision 2025 emphasizes a regional focus on environmental protection for now and the future, adapting and responding to climate change, and green technology and development.

In the ESG approach, governance represents the bond that holds the environmental and social considerations together. Governance helps a company implement sustainability strategy across the business, manage goal setting and reporting processes, strengthen relations with external stakeholders, and ensure overall transparency and accountability.

At the heart of the UK approach to sustainable business is a focus on ESG disclosures and reporting, which is integral for our work on the next FairBiz project. By improving ESG standards and reporting in ASEAN region, UK companies and businesses will be more open to investing and accelerating the speed of development in the region. As there are no internationally recognized standards for ESG, it is the ambition of the new FairBiz project to develop standards that could be recognized by the ASEAN Secretariat and possibly globally.

*“We want the UK government to enhance sustainability disclosures, with strong taxonomies that drive us in the direction of net zero and that ensure leaders in ESG reporting can differentiate easily from those who are doing less. That will make us the world leader.” James Alexander, chief executive of the UK Sustainable Investment and Finance Association (UKSIF), which represents UK fund managers.*

Suggested activities:

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| 1. Establish FaiBiz Sustainable Business Network (SBN) which will comprise companies pledging to integrate sustainable business practices into their operations.
2. Support SBN to provide coaching and mentoring to other companies who wish to undertake a sustainable path.
3. Share SBN recommendations with ASEAN Secretariat for advancing sustainable reforms in the region.
4. Develop ESG Self-Assessment Toolkit in at least 4 countries (currently it is being developed in Thailand).
5. Develop modules for sustainable business (including business integrity) which could be used by Chambers of Commerce, various other institutions/companies for training
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# **5. OUR APPROACH**

We believe that ***technology will play a major role*** in the years to come and will ensure that citizens widely participate in decision-making processes and more effectively scrutinize the work of their governments and the private sector. The project will support the integration of the latest technology (AI, Blockchain, etc.) in the procurement process, making it more open and transparent. ***Innovations taking place*** in the countries will be promoted at the regional level and replicated in interested countries to accelerate the momentum of reforms faster and more cost-effectively.

An ***integrated communication strategy*** will scale up the knowledge generated in the current FairBiz phase. At the same time, ***partnerships will be developed and deepened*** for a higher replication and impact of our interventions, while new alliances could help move the FairBiz work forward and reach decision-makers. We will be playing a much stronger ***knowledge brokering role*** by leveraging our partnerships and networks in reaching out to many more stakeholders while also supporting peer-to-peer and south-south knowledge exchanges. Our ***social media profiles***, which reached 4,000 profile visits and 50,000 impressions during the first year of our online presence, will support the delivery of messages to key stakeholders and audiences at a regional level through innovative forms of communication.

The partnership with ***UNDP Country Offices and UK posts*** in the region will be critical in fostering and supporting innovation at the local level. The project will be using the most successful examples from the countries to promote it at the regional level, for a multiplier effect and accelerated reforms. We will be relying on expertise from other UNDP regional and Country office teams in relation to environment, gender, human rights issues which will provide a value added to our interventions.

We will ensure a strong partnership ***with ASEAN Secretariat*** and their role in promoting and advocating for sustainable public procurement and sustainable business in the region.

We will transform the Private Sector Advisory Group into ***FairBiz Sustainable Business Network (SBN)*** which will comprise of companies pledging to integrate sustainable business practices into their operations. The SBN will provide coaching and mentoring to other companies who wish to undertake a sustainable path. The SBN recommendations will be shared with the ASEAN Secretariat for advancing sustainable reforms in the region.

We will establish ***Regional Procurement Agencies Network (RPAN)*** which will serve to bring together ASEAN Procurement Agencies to exchange best practices, support peer-to-peer learning and promote sustainable public procurement. The recommendations from the RPAN will be shared with the ASEAN Secretariat to support transparent sustainable public procurement reforms.

Everything that we do will be assessed through an impact and sustainability lens. We will ensure that our interventions are integrated into the work of governments, the private sector and civil society so they can continue beyond the project duration.

We will be building on lessons learned from the current FairBiz phase to ensure participatory, holistic, innovational, gender sensitive and effective approach that includes the following dimensions:

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| **Multidimensional outlook** | We look at the integrity not as a single issue, but as a complex challenge linked to the economy, businesses, recovery, women empowerment, youth, and community to build back for a more sustained post-Covid economic recovery. |
| **Collective Action Approach** | Engaging diverse stakeholders (governments, private sector and civil society), building strong localized partnerships, and consolidating expertise are at the heart of the FairBiz approach for a more inclusive, cost-effective, and sustainable outcomes.  |
| **Gender & Diversity Lens**  | The FairBiz project goes beyond mainstreaming gender and diversity, by promoting women leadership and empowerment of marginalized groups to bridge the divide and transform communities.  |
| **Innovation** | Mapping new technologies, incorporating cutting edges solutions and integrating innovative solution into the public and private sector as key instruments to advance the SDGs in ASEAN |
| **Impact Assessment Methodology** | The project has developed an impact assessment methodology which overcomes traditional evaluation tools, while incorporating an innovative approach that measures the impact throughout the initiatives and follows up with guidance and appraisal post-execution to effectively manage results and assure impact.  |
| **Donor Partnerships & Programmes Synergies**: | The next generation of FairBiz will not only leverage the partnership, communication, resources, and expertise of the UK Foreign Offices, but will aim to co-design development programs in cooperation with the UK Posts and other FCDO initiatives ( Sustainable Infrastructure Course, CARA Programme) to efficiently cocreate and converge investments  |

# **6. WHY UNDP?**

* UNDP enjoys a strong, long-standing relationship with ASEAN and member-state governments.
* [Multiple projects](https://eur03.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.asia-pacific.undp.org%2Fcontent%2Frbap%2Fen%2Fhome%2Fabout-us%2Ffunding-and-delivery.html&data=05%7C01%7Cdarko.pavlovic%40undp.org%7C69c1fbdaa5d449dca90d08da32998367%7Cb3e5db5e2944483799f57488ace54319%7C0%7C0%7C637877932173165600%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=Svnv%2FoLZGHef0HJT48g3RKtQCpfrimob9POkeXanDH8%3D&reserved=0) across the 24 country offices in Asia and Pacific confirm the confidence of the national governments and the international and local community in UNDP’s role as a partner of choice for sustainable development.
* In addition to collaborating with national and local-level state actors, FairBiz developed a vast array of partners ranging from multi-national companies, national companies, business associations, industry groups, women’s networks, youth incubators and others.
* FairBiz has proven its capacity to replicate [success stories](file:///C%3A%5CUsers%5Cdarko.pavlovic%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CN9E53Y2I%5CLink%20to%20the%20achievements%20in%20section%20%223.%20FAIRBIZ%20ACHIEVEMENTS%22) and multiply the most impactful activities in other project member-states.
* For every intervention, the regional project team works closely with a team of experts at the country level, ensuring the activities fit UK-UNDP established objectives.
* When developing activities, FairBiz has solicited feedback and suggestions from beneficiaries, ensuring national ownership and sustainability.
* Capacity-building activities include opportunities for beneficiaries to apply their new knowledge and skills in practical efforts.
* Overall, FairBiz’s work and achievements were positively assessed by UK Annual Review Report 2020-2021 of the ASEAN Economic Reform Programme, awarding the project a score of triple A+.

# **7. HOW CAN FAIRBIZ SUPPORT UK PRIORITIES?**

The UK is a major development and trade partner for Southeast Asia. UNDP FairBiz offers an ambitious plan to support regional public and private sectors for more a sustainable and inclusive economic recovery and a solid opportunity for the UK to build its influence and express its leadership in this prominent context. The UK-ASEAN Joint Ministerial Declaration on Future Economic Cooperation (15 September 2021) reaffirmed shared commitment to the principles of an open, free, non-discriminatory, transparent, predictable, and stable multilateral trading system and anti-corruption.

Public Procurement in ASEAN it is estimated to represent a 140 billion market[[5]](#footnote-6) Advancing transparency and accountability in public spending will advance the SDGs, improve citizens trust and ultimately create both political stability and economic development. Instigating structural reforms will attract more investments and economic opportunities in the region for British companies.

To this end, the total trade in goods and services between the UK and ASEAN Member States reached £36.2 billion in the four quarters to the end of Q3 2021[[6]](#footnote-7). The ASEAN region constitute a great opportunity to increase UK’s exports, given that the overall UK trade in Feb 2022 was £1,326.5 billion. The FairBiz interventions will create an enabling environment for British businesses to invest and trade by leveling the playing field, creating a fair business ecosystem, facilitating connections thru the establishment of the Sustainable Business Network (SBN), and mapping and empowering international companies, including UK enterprises, to access market and procurement opportunities in the region.

With the goal to increase governance and transparency standards to promote sustainable and green procurement, our project demonstrates synergies with the recent increased UK green climate funding, which will require to mainstream anti-corruption agenda across development financing to ensure the funds are used properly with maximum impact.

Furthermore, the proposed program reaffirms the UK commitment to fighting corruption and promoting integrity, in accordance with the Chapter 26 of the Trans-Pacific Partnership Agreement[[7]](#footnote-8) .

 As an ASEAN Dialogue Partner, the UK has a strong interest in deepening cooperation with ASEAN in the years to come. UNDP FairBiz could support those efforts due to long-standing partnerships with ASEAN and member states governments, strong support from UNDP offices in the region, and excellent track record of working on anti-corruption and business integrity.

1. [Building the Network of Liberty: Foreign Secretary's speech - GOV.UK (www.gov.uk)](https://www.gov.uk/government/speeches/foreign-secretary-liz-truss-building-the-network-of-liberty#:~:text=And%20that's%20why%20Britain%20is,for%20the%20future%20of%20man.%E2%80%9D) [↑](#footnote-ref-2)
2. <https://www.statista.com/statistics/796245/gdp-of-the-asean-countries/> [↑](#footnote-ref-3)
3. https://www.transparency.org/en/cpi/2020 [↑](#footnote-ref-4)
4. ASEAN Charter, 2015: 2 [↑](#footnote-ref-5)
5. <https://www.eria.org/uploads/media/15.ERIA_Book_2019_Reg.Int_NTM_Chapter_9.pdf> [↑](#footnote-ref-6)
6. <https://www.gov.uk/government/publications/uk-asean-factsheet/uk-asean-factsheet> [↑](#footnote-ref-7)
7. <https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/tpp-ptp/text-texte/26.aspx?lang=eng> [↑](#footnote-ref-8)