



*24th OSCE Economic and Environmental Forum
“Strengthening stability
and security through co-operation on good governance”*

***Promoting integrity in the
private sector***

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Private sector integrity?

- What is happening*:
- Less than 1 in 5 believe business leaders will tell the truth when confronted with difficult issues.
- Only 50% of businesses are trusted to do what is right.
- Only 18% of business leaders are trusted to tell the truth.
- The „truth gap“ is largest in the USA and China.
- MNCs in China, India and Mexico have low trust scores.
- Banks enjoy lowest level of trust (but have some of the most expensive compliance functions).

*2013 Edelman Trust Barometer

Trust between the government and the private sector

Governments don't trust companies at all.

Companies trust their governments even less.

Consequences

- Strong orientation of governments towards the enforcement
 - Tendency for excessive monitoring
 - Sanctions for non-existing or weak compliance systems
- Absolute lack of positive rewarding for effective compliance systems
 - No real will for cooperation

Being corrupt = being good?

There are serious allegations that companies from some countries (those who do not have to follow international AC standards in international business) do use corruption as their comparative advantage.

Why would than Management Boards and/or CEOs opt for a robust compliance program in their company?

Governments are „incentivising“ private sector integrity

In Italy and UK existence of an effective integrity system can – by the law - be a full-fledged defence, in the US (according to the Federal Sentencing Guidelines) it can be a mitigating circumstance.

What about positive motivation – condition for participation in public procurement, extra evaluation points, easier access to export credits,.....?

Basic elements of private sector integrity

They are the following ones:

- managements' commitment to fight corruption,
- companies' anti-corruption strategies,
- compliance function in the company,
- proper motivation
- professional assistance in the area of corporate integrity,
- companies' codes of conduct,
- internal controls,
- involvement of all stakeholders,
- whistleblowing,
- assessment and management of corruption risks,
- adequacy and suitability of the managerial staff,
- transparency and reporting,
- disclosure of actual ownership structure and financial status of companies,
- anti-corruption training and cooperation,
- self-reporting,
- cooperation with law enforcement bodies,
- positive motivation for effective compliance systems,
- voluntary settlements in cases of criminal offences.

The role of the OECD in developing private sector integrity

- a) Standard-setting:
 - Conventions and recommendations
 - G20/OECD Principles of Corporate Governance
 - OECD Guidelines on Corporate Governance of State-Owned Enterprises
 - OECD Guidelines for Multinational Enterprises
 - OECD Good Practice Guidance on Internal Controls, Ethics and Compliance
 - <http://www.oecd.org/corporate/keydocumentsoncorporategovernance.htm>
- b) Technical assistance, facilitation of cooperation (BIAC,TUAC)
- c) Peer reviews (OECD Working Group on Bribery)

OECD Working Group on Bribery in International Business Transactions

It was established in 1994, (generating 80% of the world export and 90% of outward FDI), today it has 41 + 2* members + several observers (China, India, Indonesia, Malaysia, Thailand,...).

It is responsible for monitoring of implementation and enforcement of the Convention, 2009 Recommendation + related instruments.

Its peer-review monitoring system is conducted in three phases (the 4th is starting in September 2016) and is considered by Transparency International to be the 'gold standard' of monitoring.

* Costa Rica and Peru will be joining soon.

Cooperation of the OECD and the OSCE in the area of (private sector) integrity

Relevant fields of work of the OECD: bribery and corruption, competition, corporate governance, development, economy,.....

Relevant fields of work of the OSCE: economic activities, good governance, human rights, rule of law...

Cooperation mainly consists of developing joint initiatives (e.g. „investment and competitive initiative in Central Asia), working on joint projects (e.g. „reporting on assets“), organising joint conferences, however, overlapping of activities is being avoided and possible synergies are being developed further constantly.

Future of the private sector integrity...

...is turning into the future of all other forms of integrity (personal, public)...

With other words: significant improvements in the societies' integrity cannot be achieved without improvements in the corporate integrity!

Role of the OSCE in developing private sector integrity

In whatever it does, the OSCE is already fighting corruption/enhancing integrity. For the future, not only integrity of the public sector but also the one of the private sector will have to be pursued.

Therefore, OSCE should increase its efforts in engaging companies and their associations as partners in developing private sector integrity by:

- clearly recognising their role and importance,
- using them as a supplement and a source of pressure towards the governmental anti-corruption efforts,
- developing mechanisms for positive motivation of companies for their efforts in this area.

THANK YOU !

QUESTIONS,

COMMENTS,

REMARKS ?