



Business Integrity in Eastern Europe and Central Asia

Olga Savran

Manager

Anti-Corruption Network for Eastern Europe and Central Asia

UNCAC CoSP, Side Event, Vienna, 8 November 2017



Outline

- Business integrity in Eastern Europe and Central Asia - *trends*
- Role of governments, business associations and companies-
recommendations
- Promoting reforms, identifying solutions, monitoring progress - *implementation*



Outline

- OECD Anti-Corruption Network for Eastern Europe and Central Asia – **study** of business integrity in the region
- **Risks, trends, good practices**
- Supporting country reforms through **capacity building** – with the EBRD – and **monitoring**



To bribe or not to bribe?

Thoughts of a CEO under pressure...

- What are the rules, how much does it cost to comply?
- Will my business survive if I refuse to pay bribe?
- Will bribe help my business to prosper?
- Is there a risk to be caught?
- If so, how serious is the sanction?
- Any other damages?

*If the CEO is a person of integrity and/or the risk is high
→ **compliance***

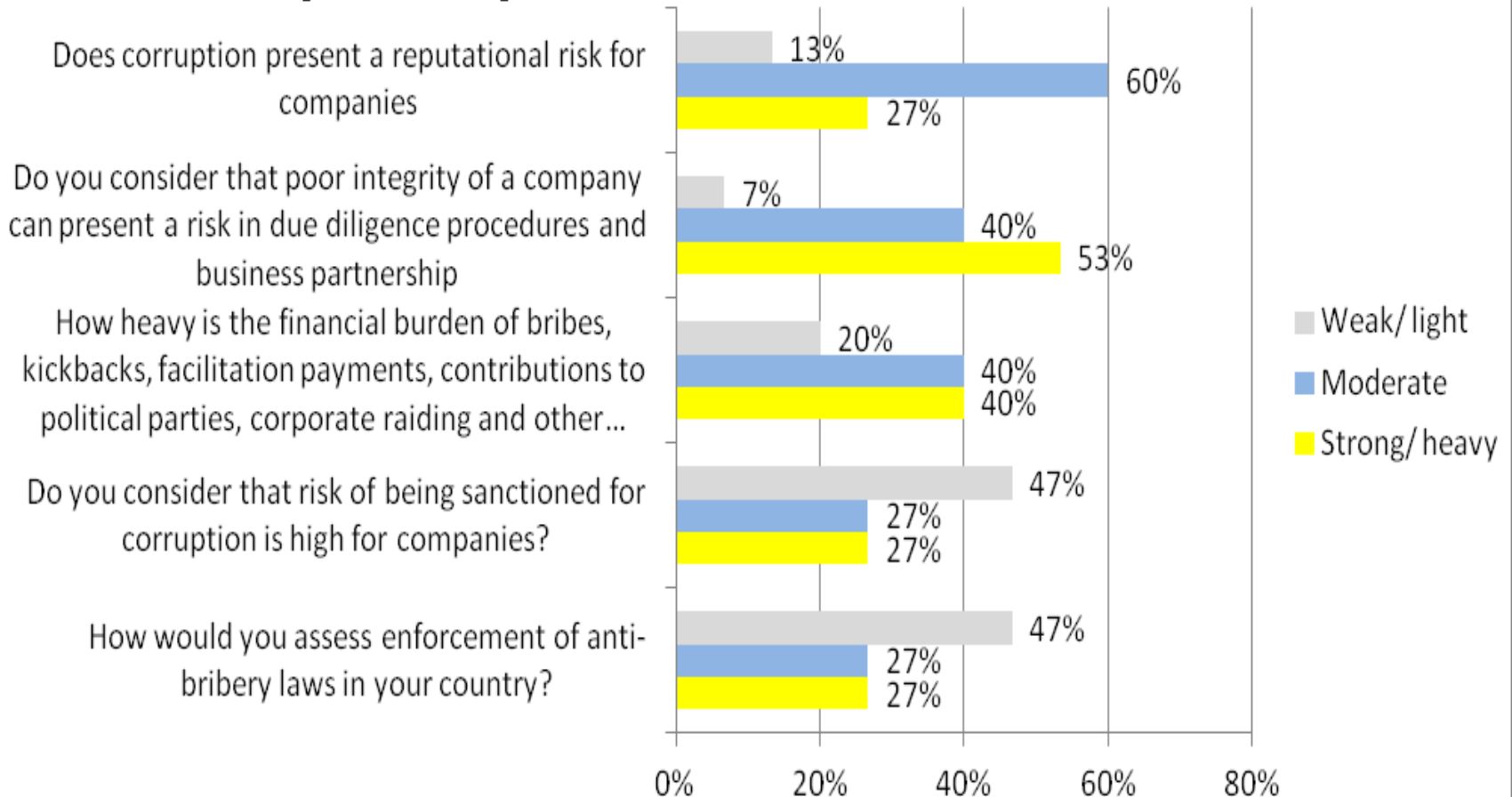


OECD/ACN Study on Business Integrity

- **Questionnaires** – to governments, companies (mostly MNEs) and associations, 2013
- Focus group meetings, case studies, regional discussion for **validation**
- **Publication** (trends and recommendations) – 2016
- **Capacity building** seminars, together with EBRD and UNDP, launched in 2017

Trends: weak enforcement, market incentives

How does your association assess the legal and other risks of bribery and corruption for companies ?





Enforcement of corporate liability, 2010-2013

| Country | Indict | Convict | Acquit |
|---------------|-----------|-----------|----------|
| BiH | 0 | 0 | 0 |
| Croatia | 1 | 0 | 0 |
| Estonia | 27 | 16 | 3 |
| Latvia | 2 | 1 | 0 |
| Lithuania | 7 | 7 | 0 |
| Romania | 14 | 1 | 0 |
| Serbia | 1 | 0 | 0 |
| Slovenia | 3 | 0 | 0 |
| Total | 55 | 25 | 3 |

| Country | Max fine in law (EUR) | Max applied (EUR) |
|-----------|-----------------------|-------------------|
| Estonia | 16 000 000 | 798 000 |
| Latvia | 32 000 000 | 6 400 |
| Lithuania | 1 900 000 | 22 610 |
| Romania | 134 000 | 35 000 |



FCPA top 10 (as of October 2017)

1. **Telia Company AB** (Sweden): \$965 million in 2017
 2. **Siemens** (Germany): \$800 million in 2008
 3. **VimpelCom** (Holland) \$795 million in 2016
 4. **Alstom** (France): \$772 million in 2014
 5. **KBR / Halliburton** (USA): \$579 million in 2009
 6. **Teva Pharmaceutical** (Israel): \$519 million in 2016
 7. **Och-Ziff** (USA): \$412 million in 2016
 8. **BAE** (UK): \$400 million in 2010
 9. **Total SA** (France) \$398 million in 2013
 10. **Alcoa** (USA) \$384 million in 2014
- Expected: Odebrecht - around 1,8 billion



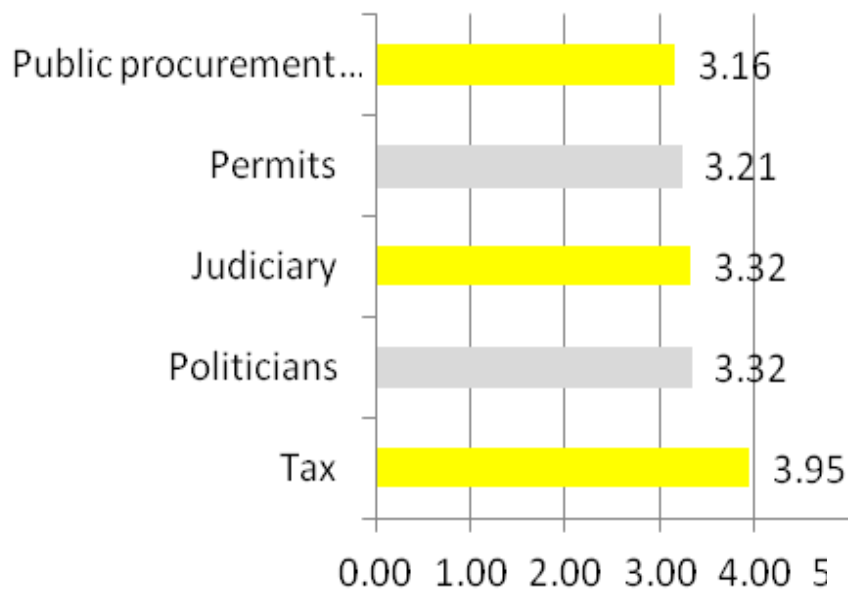
Trends: business Integrity Risks

| | | Average score | |
|----|--|---------------|--------------|
| | | Companies | Associations |
| 1 | Legal uncertainty and selective application of the law by the law-enforcement and judiciary | 3,79 | 4,40 |
| 2 | Insufficient development of competitive environment | 3,58 | 3,20 |
| 3 | Poor protection of property rights | 3,53 | 3,80 |
| 4 | State capture by business, including illegal lobbying and other forms of influencing the state decisions in favour of business interests | 3,26 | 3,87 |
| 5 | Business capture by state, including illegal corporate raiding and other forms of takeover of companies by the state officials | 3,21 | 3,07 |
| 6 | Offering, promising and giving bribes and other illegal advantages to the public officials by companies | 3,16 | 3,17 |
| 7 | Bribe solicitation by public officials and other ad-hoc demand of bribes in individual cases | 3,06 | 3,93 |
| 8 | Private-to-private corruption between companies | 3,05 | 3,14 |
| 9 | Rent seeking by public officials and other regular claim of official for economic benefits produced by companies | 2,89 | 3,40 |
| 10 | Bribe solicitations by foreign public officials while doing business abroad | 2,89 | 2,80 |
| 11 | Financing of political parties by companies, political donations and contributions | 2,53 | 3,33 |

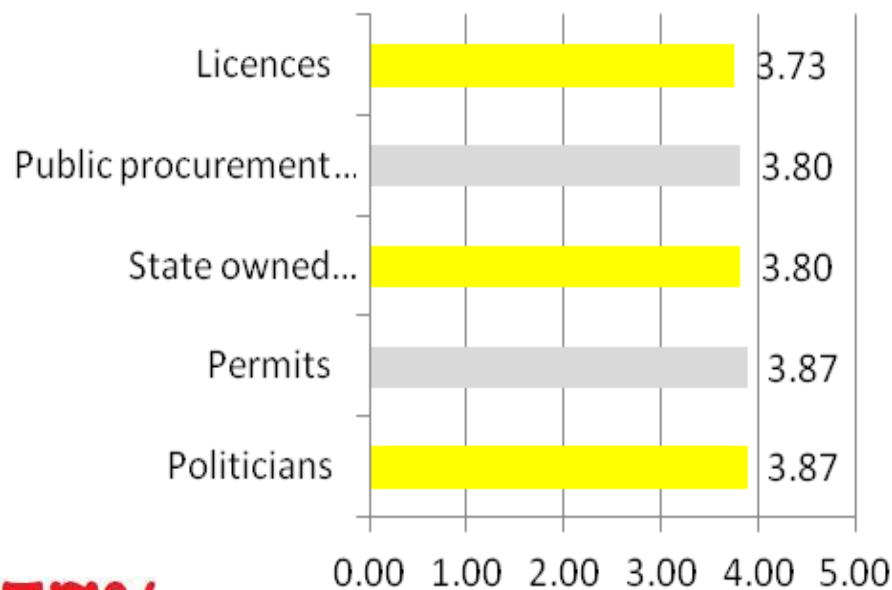


Trends: Risks by branch of administration

Companies' top 5 risk counterparts



Associations' top 5 risk counterparts



57%
OF CASES
INVOLVED BRIBES
TO OBTAIN PUBLIC
PROCUREMENT
CONTRACTS



Trends: integrity risks for SOEs

- Close to politicians
- Unclear governance and management
- Large amounts of resources
- Insufficient transparency and disclosure

- A-c programmes for SOEs
 - Croatia
 - Ukraine

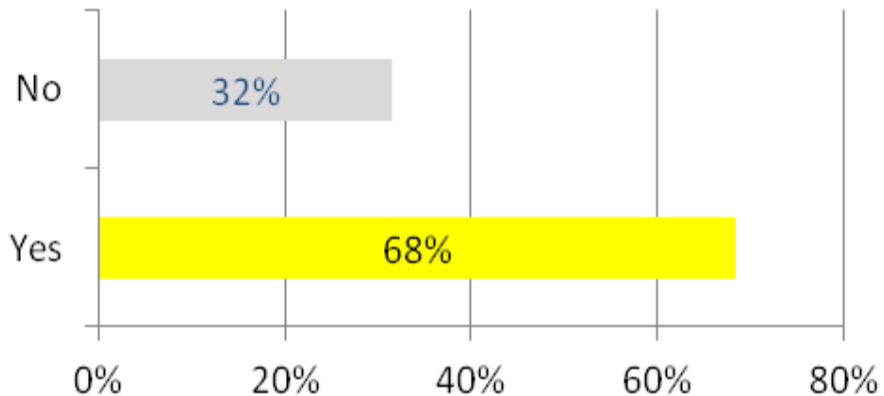
80.11%

OF TOTAL BRIBES
WERE PROMISED,
OFFERED OR GIVEN TO
SOE OFFICIALS

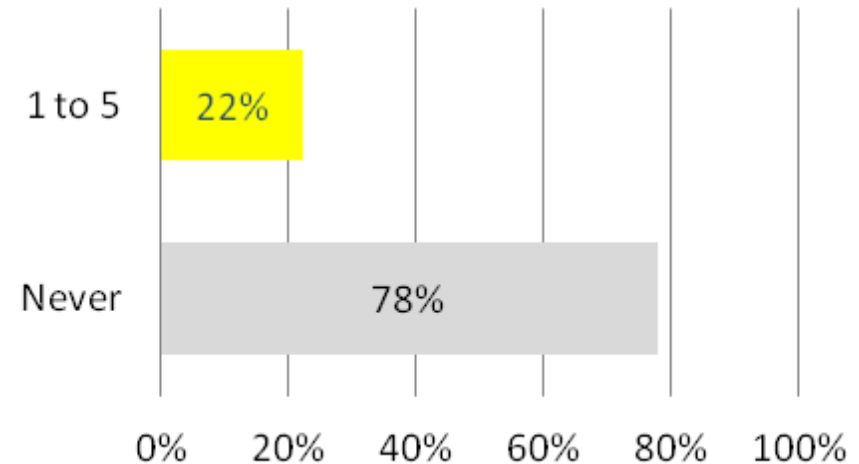


Trends: companies have rules on paper, but do not use them in practice

Does your company have conflict of interest rules for its board members, management and employees?



How many times these rules were applied over the past 2 years?



53%

OF CASES INVOLVED
CORPORATE
MANAGEMENT
OR CEOs



***Trends:* associations**

- Several active associations: research, training, codes for industry, protection of individual cases, participation in dialogue with governments
- Few collective action: Clear Wave (Lithuania), a new example – UNIC in Ukraine
 - ✓ Important link to Business Ombudsman



***Recommendations:* governments**

- Give priority/host to business integrity
- Criminalization of corruption, enforcement
- Incentives for compliance programmes (e.g. compliance programme as defense)
- Prevention business interests in politics
- Integrity in SoEs
- Safe reporting channels
- Protection/compensation of whistleblowers
- Corporate governance rules/disclosure



Recommendations: **business associations**

- Studying of corruption risks – link to policy
- Training and methodological support
- Support to individual companies
- Channels for reporting corruption
- Industry standards
- Collective actions



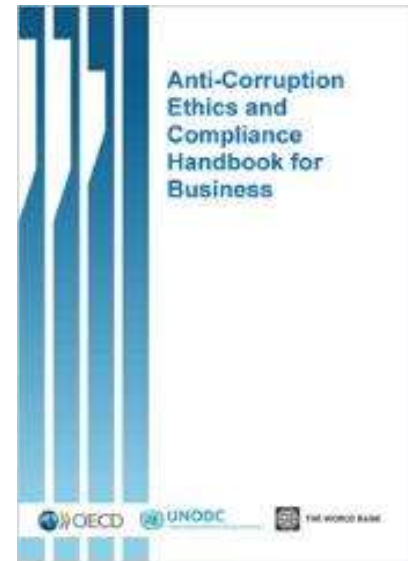
***Recommendations:* companies**

Integrity policies

- Risk assessment
- Integrity policy
- Conflict of interest rules
- Standards on gifts/
political contributions
- Third parties/partners
- Disclosure

Enforcement

- Compliance officers
- Internal control
- Audit and reporting
- Whistleblowers
- Training





Monitoring

- Soft peer pressure on countries
- Learning about new good practices
- New policy recommendations
- Message to the world

- Questionnaires
- Country discussions
- Publication 2020

❖ **training**



THANK YOU

WWW.OECD.ORG/CORRUPTION/ACN

OLGA.SAVRAN@OECD.ORG