

Business Integrity Initiative

Revised Draft Project Proposal

Introduction

The Stability Pact Anti-Corruption Initiative (SPAI) enables governments of South East Europe, international organisations, bi-lateral aid agencies and international civil society to work together to curb corruption. The SPAI facilitates progress in five main areas (referred to as ‘pillars’):

- Pillar I: Adoption and Implementation of International Legal Instruments containing Anti-Corruption Related Provisions
- Pillar II: Promotion of Good Governance
- Pillar III: Strengthening of the Rule of Law
- Pillar IV: Promotion of Transparency and Integrity in Business Operations
- Pillar V: Development of an Active Civil Society

Although the Investment Compact for South Eastern Europe works closely with both the private sector and government officials to improve the business environment in the region, its activities have not included specific efforts to promote integrity and transparency in business transactions as stipulated in SPAI Pillar IV. The SPAI Business Integrity Initiative will address the issue by introducing an anti-corruption programme for business in each of the countries of South Eastern Europe.

The programme will be adapted to the particular needs and circumstances in individual countries, regions and/or sectors, but foreign and local companies will be encouraged to engage in three primary activities: advocacy, management/staff education and training, and development/implementation of a common policy against corruption or “Integrity Statement”. Local government officials and civil society will also be expected to participate actively in the project.

The Business Integrity Initiative should draw intellectual and/or financial support from international and regional organizations, international NGOs and business associations, and bi-lateral donors. The OECD’s contribution will stem from a number of interrelated activities, including continuing efforts by the Anti-Corruption Division to achieve progress on legal and institutional reforms, the Investment Compact’s Regional Flagship Initiatives to promote necessary economic reforms and generate investment opportunities in the region, and the Corporate Affairs Division’s work to improve corporate governance throughout South Eastern Europe. The project will also benefit from a related activity being implemented specifically for Romania, and in particular an assessment of that country currently under preparation. The report on Romania could serve as a useful evaluation model for the other SPAI countries.

Channelling the Influence of Foreign Investors

A key purpose of the Business Integrity Initiative will be to maximize the contribution which foreign investors can make to anti-corruption efforts in South Eastern Europe. Many multinational enterprises are

already active in the global fight against corruption. The commitment of top management and the strict application of codes of conduct to employees throughout a firm's worldwide operations can have a significant influence in countries of operation. This project will work closely with existing national Foreign Investor Councils (FICs) or international business associations (IBAs) affiliated with the Investment Compact to improve the visibility and widen the impact of their anti-corruption activities. In countries where these associations have not yet been established, bilateral national business chambers and/or informal coalitions of individual foreign companies will be encouraged to participate.

Following the example of FICs'/IBAs' work in other policy areas, national committees of participating foreign investors will be established to address corruption issues. One of the first tasks of these national foreign investor committees will be to analyze the effectiveness of legal and institutional frameworks related to corruption and bribery. The committees should then interact regularly with local governments and NGOs to discuss how anti-corruption measures can be improved, and monitor progress on the implementation of the recommendations. An advantage of working through the existing FIC/IBA structure is that national groups focusing on corruption can draw specific expertise from the members of other national sector or functional policy committees as necessary.

Creating a Local Force for Change

Participants in the 5th Annual Meeting of the Anti-Corruption Network, and specifically the Working Group on the Business Contribution to Fighting Corruption, concluded that effective business participation in combating corruption depends on the engagement of local actors who are best placed to implement programmes tailored to their specific needs and circumstances. A second part of the Initiative thus seeks to build a network of local "Business Integrity Teams" that can help design and carry out activities over the duration of the project. The Integrity Teams should consist of officials of national governments responsible for both anti-corruption efforts and improving the business climate (e.g., investment promotion, commerce and industry ministries), senior representatives of local business associations and companies (domestic and select foreign), and civil society organizations.

Although it is envisaged that material and financial support will be provided by international organizations and donor countries, local business associations and NGOs will be expected to play a prominent role in directing and implementing this project at the national level. Regular meetings of the national Business Integrity Teams will provide opportunities for policy reform prioritization and advocacy, awareness-building and programme revision/fine-tuning based on progress reviews. Regional workshops on issues of common interest should also be organized as appropriate.

One of the most important components of the project will be education and training for management and employees of local companies on practical anti-corruption topics. The curricula should be determined on the basis of specific needs and interests, but each programme should include a basic course on anti-corruption law for business managers, which would educate (or update) local executives on the evolving regulatory landscape (e.g., laws, institutions and corporate liability) for anti-corruption measures in their country, region or sector. Other possibilities would include courses on the development and implementation of company codes of conduct, internal compliance techniques (e.g., internal audits, sanctions), and whistle-blowing mechanisms. It is expected that international/regional organizations, business associations and NGOs will share responsibility for individual course design and delivery.

Building Integrity "From the Ground Up"

As part of each national programme, participating companies will have an opportunity to develop and endorse a common policy, or "Integrity Statement", that expresses their commitment against corruption, establishes benchmarks for measuring progress and elaborates how it should be implemented in day-to-day

relations with customers – both public and private, and other stakeholders in the local community. The design and content of such statements should depend upon the business environment in each country. While it is possible to have one national policy applying to both foreign and domestic companies, it may be preferable and more effective to develop separate statements for different circumstances, e.g., foreign, domestic, specific sector or geographic jurisdiction.

Companies will be encouraged to adopt these commitments, not only by being convinced of the long-term financial and reputational risks associated with corrupt behaviour, but also through practical incentives such as privileged access to business networking opportunities. Local companies in particular could be provided with possible access to potential foreign partners and/or investors.

Progress towards implementation of the Initiative should be subject to a regular, periodic review process at both the national and regional levels so that results can be measured and programmes revised as necessary. To coordinate efforts across the region, an advisory group should be established, comprising company representatives, local NGOs and government officials. The group will meet periodically to exchange views on issues of common concern, evaluate progress in the implementation of the Integrity Statement, and discuss new developments in anti-corruption policy reforms.

Raising Public Awareness and Meeting Expectations

The ultimate objective of the Business Integrity Initiative is to build peer group support and pressure for effective anti-corruption actions to be taken by the private sector in SPAI countries. To succeed in this endeavour, companies and their stakeholders must be convinced that the programme represents a genuine, sustained effort to fight corruption with strong and visible political backing. It is therefore essential that the project is launched at an appropriate high-level event, perhaps in the context of the 2004 Investment Compact Ministerial Meeting which is already intended to focus on governance issues.

To maintain wide-spread support and momentum over the course of the programme, there must also be an ongoing, coordinated public relations strategy. An effective communications strategy, including targeted briefings for pre-determined networks of local journalists, will demonstrate that the initiative is delivering results by publicizing significant programme developments, including new legal/institutional reforms and Integrity Statement “success stories”.

Local Initiative, Local Ownership

Although the Business Integrity Initiative will benefit from the active participation of the international community and donor governments, local actors’ investment in the process from the outset will provide a better chance of success by giving them a greater stake in the outcome. For this reason, overall coordination of the Initiative should be transferred to the regional SPAI Secretariat as soon as possible (i.e., by the end of the first year), with responsibility for day-to-day management and implementation of national programmes given to local Foreign Investor Councils, Business Integrity Teams, etc.

Programme Timetable

November – December 2003

Identify foreign and local business associations/contacts in each country
 Establish committees within Foreign Investor Councils/International Business Associations
 Develop regional advisory group
 Develop draft Integrity Statement/Implementation Programme
 Develop support (financial/intellectual resources)

January – February 2004

Meet with key local actors and establish national Business Integrity Teams
 Conduct national meetings of investor groups and Business Integrity Teams to refine integrity statement/programme and develop targeted national advocacy/promotional activities
 Identify training priorities, engage instructors and organise schedule
 Prepare public relations/communications strategy (develop local journalist contact network, communiqué sources, designate spokespersons, etc.)

March – September 2004

Formally launch project at high-level SPAI event
 Begin implementation/publicity of national programmes
 Identify/enlist potential foreign investors/partners for networking event(s)
 Hold inaugural regional meeting to review/coordinate national programmes

October – December 2004

Continue local meetings, seminars and workshops
 Begin regional workshops and investment/partnership networking meetings

January – June 2005

Complete “ownership” transfer to regional/local levels
 Continue local meetings, seminars and workshops
 Annual Meeting in conjunction with Investment Compact Meeting:

- Evaluate National implementation progress
- Foreign investor/partner networking event

Annex: Key Actors/Contact Lists:

SEE Member Governments (SPAI and Investment Compact)

Foreign Investors/Associations

Local Business Associations

Local Non-governmental Organizations

International/Regional Organizations

OECD Member/Donor Governments