

# Session 1: Anti-Corruption and Private Sector Development



**Ms. Elodie Beth, Senior Manager, Anti-Corruption Division, Global Relations, OECD**



# Table of contents

- 1 Evidence on the nexus of anticorruption with private sector development
- 2 Key mechanisms to promote business integrity – what to measure?
- 3 Approaches and indicators to measure business integrity – examples from country and regional
- 4 Looking forward

# OECD Directorate for Financial and Enterprises Affairs

The **Directorate for Financial and Enterprise Affairs** develops international standards, and provides data and analysis, policy guidance, technical assistance and capacity-building to help countries **foster better businesses and efficient markets for sustainable economies.**



The background of the slide features a photograph of several United Nations flags waving in front of a light-colored stone building. The flags are white with a blue circular emblem containing a white world map. A dark blue flag is partially visible on the left. A semi-transparent dark blue horizontal band is overlaid across the middle of the image, containing the title text.

# 1

## **Evidence on the nexus of anticorruption with private sector development**

# — Nexus of anti-corruption with private sector development

- Corruption is likely to hinder **investment and growth**
  - Increases business costs
  - Creates market distortion
  - Discourages FDI
- Role of **transparency and anti-corruption measures**
  - ✓ Reduces opportunities for bribery and corruption
  - ✓ Promotes a level playing field for companies
  - ✓ Enhances investor trust (e.g. role of financial reporting and disclosures)

# Evidence on the relationship between anti-corruption and private sector development

## FOREIGN DIRECT INVESTMENT

*The introduction of bribery laws is associated with significantly reducing FDI flows into corrupt regimes. The adherence to the OECD Anti-Bribery Convention has a **clear negative impact on FDI** – countries that adhere reduce investments in corrupt destinations (FDI, corruption and the OECD Anti-Bribery Convention, 2017).*

## COST OF DOING BUSINESS

*In an environment, where paying bribes is common practice, businesses may face increased expenses in import and export operations (OECD, Exploring the role of trade facilitation in supporting integrity in trade, 2019)*

# The role of data in country-specific monitoring of anti-corruption

## Istanbul Anti-corruption Action Plan indicators

Indicator-based assessment to support country monitoring against IAP

Measure country performance against a uniform set of benchmarks

**9 Performance Areas:** Anti-corruption policy, conflict of interests and asset declarations, whistleblowing, business integrity, integrity in public procurement, independence of judiciary, independence of prosecution service, specialised anti-corruption bodies, enforcement of corruption offences

**Scoring system** per country

Individual scoring per performance area

Every indicators have an **equal weight** within the performance areas.



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## 2

### **Key policies and mechanisms to promote integrity in business operations: what to measure?**



# Key policies and mechanisms to promote integrity in business operations

Governments	Companies
<b>Legal frameworks regulating sanctions and liability</b> (e.g., corporate liability for corruption)	<b>Corporate governance regulations</b> including the responsibilities of the board, disclosure (e.g., financial situation, ownership, governance etc)
Legal and institutional frameworks to encourage whistleblowing and protect <b>whistleblowers</b> against retaliation	Internal <b>reporting mechanisms</b> and protection of reporting persons
<b>Governments incentives for companies to adopt corporate anti-corruption programmes:</b> i) Improved access to procurement, licenses, tax benefits, investment promotion ii) Mitigation factors in enforcement	<b>Internal controls, ethics and compliance</b> including anti-corruption programme, code of ethical conduct, accounting and financial procedures
<b>Compliance assistance to the private sector, business integrity training and awareness raising initiatives</b> (with business associations and/or collective action initiatives)	<b>Awareness raising</b> of employees and <b>tone from the top, involvement in collective action initiatives</b>
<b>Assessment</b> of corporate anti-corruption compliance (e.g., risk assessment, guidance, training)	<b>Independent External Audit</b>
<b>Transparency in government services to business and digitalisation</b> - including e-procurement	<b>Risk mitigation in specific industries and/or for state-owned enterprises</b>

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# 3

## **Approaches and indicators to measure business integrity – examples from country and regional**

# Indicators to monitor corporate governance: Examples from IaP methodology

1. Risk oversight by boards of listed/publicly traded companies

3. Mechanism to address concerns of companies

2. Disclosure and publication of beneficial ownership information of all companies registered

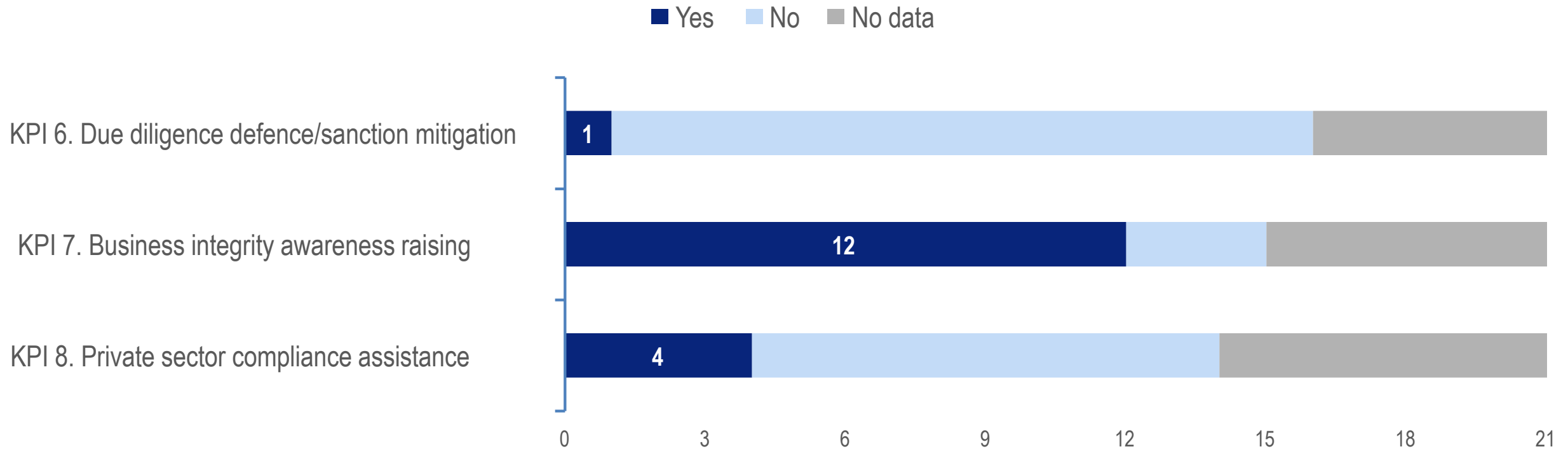
4. Integrity of state-owned enterprises (SOEs)

# —Country-level monitoring of corporate governance

PERFORMANCE AREA 4: BUSINESS INTEGRITY		
INDICATORS	BENCHMARKS WITH ELEMENTS	Scoring Method
1. Boards of listed/publicly traded companies are responsible for oversight of risk management, including corruption risks	1.1. Corporate Governance Code (CGC) establishes the responsibility of boards of the companies listed in stock exchanges to oversee risk management: A. CGC or other related documents establish the responsibility of boards to oversee risk management; B. CGC or other related documents establish the responsibility of boards to oversee corruption risk management; C. CGC or other related documents which establish responsibility to oversee risk management are mandatory for listed companies.	1
	1.2. Securities regulator or other relevant authorities monitor how listed companies comply with the CGC: A. The legislation identifies an authority responsible for monitoring the compliance of listed companies with the CGC; B. The monitoring is conducted in practice.	1
2. Disclosure and publication of beneficial ownership information of all companies registered in the country, as well as verification of this information and sanctioning of violations of the relevant rules, is ensured	2.1. There is the mandatory disclosure of information about beneficial owners of registered companies: A. The country's legislation must include the definition of beneficial owner (ownership) of a legal entity which complies with the relevant international standard; B. The law requires companies to provide a state authority with up-to-date information about their beneficial owners, including at least the name of the beneficial owner, the month and year of birth of the beneficial owner, the country of residence and the nationality of the beneficial owner, the nature and extent of the beneficial interest held; C. Beneficial ownership information is collected in practice.	1
	2.2. Public disclosure of beneficial ownership information is ensured in machine-readable (open data), searchable format and free of charge: A. Beneficial ownership information is made available to the general public through a centralized online register; B. Beneficial ownership information is published in a machine-readable (open data) and searchable format;	1

	C. Beneficial ownership information is available to the general public free of charge.	
	2.3. Beneficial ownership information is verified routinely by public authorities.	1
	2.4. Sanctions are applied routinely, at least for the following violations of regulations on registration and disclosure of beneficial ownership: A. Failure to submit for registration or update information on beneficial owners; B. Submission of false information about beneficial owners.	1
3. There is a mechanism to address concerns of companies related to violation of their rights	3.1. There is a dedicated institution - an out-of-court mechanism to address complaints of companies related to violation of their rights by public authorities, which: A. Has the legal mandate to receive complaints from companies about violation of their rights by public authorities and to provide protection or help businesses to resolve their legitimate concerns; B. Has sufficient resources and powers to fulfil this mandate in practice; C. Analyses systemic problems and prepares policy recommendations to the government on improving the business climate and preventing corruption.	1
	3.2. The institution mentioned in Benchmark 3.1 publishes online at least annually reports on its activities, which include the following information: A. Number of complaints received, and the number of cases resolved in favour of the complainant; B. A number of policy recommendations issued, and the results of their consideration by the relevant authorities.	1
4. State ensures the integrity of governance structure and operations of state owned enterprises (SOEs)	4.1. Supervisory boards in the five largest SOEs: A. Are established through a transparent procedure based on merit, which involves online publication of vacancies and is open to all eligible candidates; B. Include a minimum of one-third of independent members.	1
	4.2. CEOs in the five largest SOEs: A. Are appointed through a transparent procedure which involves online publication of vacancies and is open to all eligible candidates; B. Are selected based on the assessment of their merits (experience, skills, integrity).	1
	4.3. The five largest SOEs have established the following anti-corruption mechanisms: A. A compliance programme that addresses SOE integrity and prevention of corruption; B. Risk-assessment covering corruption.	1
	4.4. In the five largest SOEs, the anti-corruption compliance programme includes the following: A. Rules on gifts and hospitality; B. Rules on prevention and management of conflict of interest;	1

# — Regional trends – government incentives and guidance on business integrity



Source: OECD ACN (2024), Regional Anti-Corruption Trends dataset built on the questionnaire responses provided by countries.



# Regional surveys with private sector on anti-corruption

## Understanding gaps in corporate anti-corruption compliance: Regional BI surveys

### SIZE OF THE COMPANY

**Correlation** between the **size** of the company and its **capacity to develop various anti-corruption rules and procedures**

### ENFORCEMENT OF ANTI-CORRUPTION RULES

**Enforcing** internal anti-corruption rules proved to be a **challenges** for both countries and companies of all size.

### LACK OF AWARENESS OF GOVERNMENT EFFORTS

Companies are **largely unaware of the efforts by both governments and business associations** to promote integrity in the private sector.

From the **ACN Regional Business Integrity Survey 2024**

# 4

## Looking forward

# — What is next?

[OECD Public Integrity Indicators](#): discussions to expand to business integrity with the OECD Working Group on Bribery

## Other regions:

- Upcoming Anti-Corruption Trends in Eastern Europe and Central Asia: Strategic Frameworks and Business Integrity
- Asia: Development of Asia Snapshot on Business Integrity with the Asian Development Cooperation Bank

## Arab States:

- Potential to tailor this methodology for Arab states – cooperation with UNDP Arab States?

**Thank you**

**Email: [Elodie.beth@oecd.org](mailto:Elodie.beth@oecd.org)**