



# Business Integrity in Eastern Europe and Central Asia

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# To bribe or not to bribe?

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*Some thoughts...*

- Is bribe a profitable investment
  - a matter of survival
  - or profitable business
- Is there a risk to be caught
- How serious is the sanction
- Can this damage the reputation
- Any long-term damages



## FCPA TOP 10, February, 2016

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1. Siemens (Germany): \$800 million in 2008
2. Alstom (France): \$772 million in 2014
3. KBR / Halliburton (USA): \$579 million in 2009
4. BAE (UK): \$400 million in 2010
5. Total SA (France) \$398 million in 2013
- 6. VimpelCom (Holland) \$397.6 million in 2016**
7. Alcoa (U.S.) \$384 million in 2014
8. Snamprogetti / ENI (Holland/Italy): \$365 mln, 2010
9. Technip SA (France): \$338 million in 2010
10. JGC Corporation (Japan) \$218.8 million in 2011

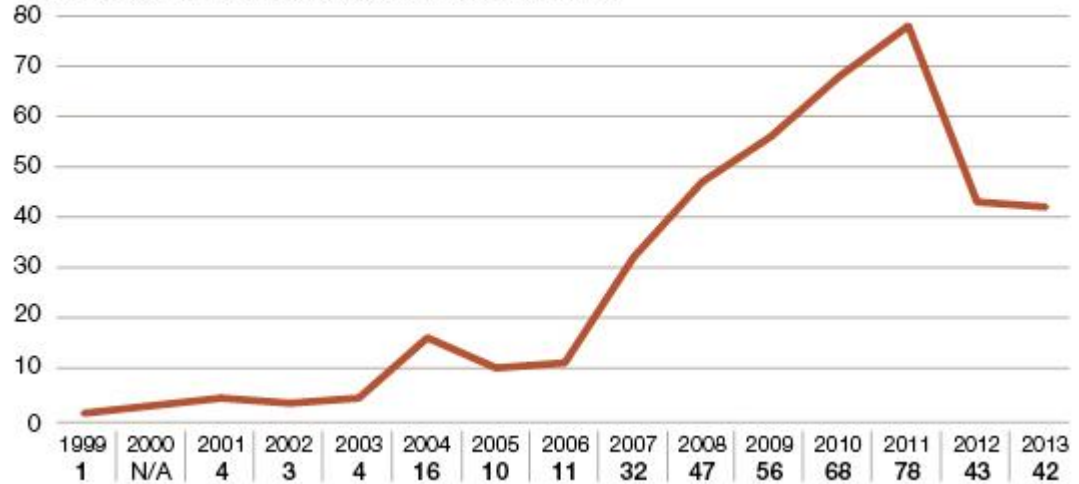


# Enforcement of foreign bribery laws

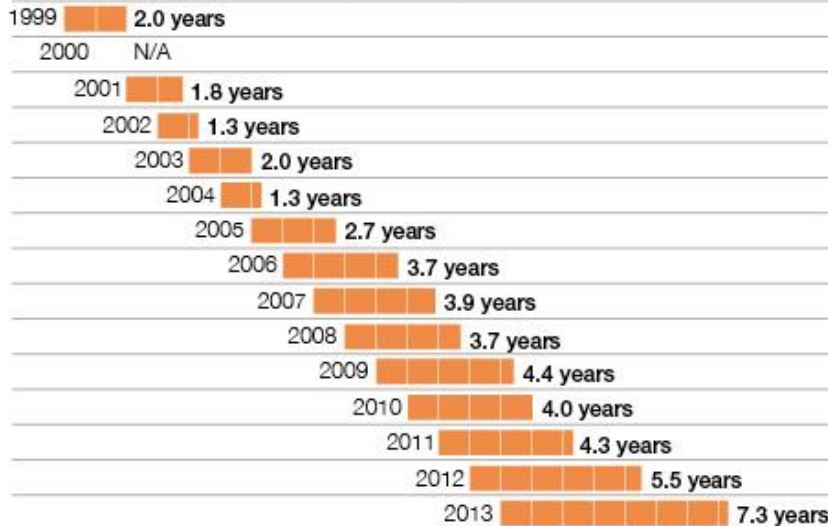
**80**

INDIVIDUALS WERE  
IMPRISONED AFTER  
A FOREIGN BRIBERY  
CONVICTION

TOTAL NUMBER OF INDIVIDUALS AND ENTITIES SANCTIONED



AVERAGE NUMBER OF YEARS BETWEEN LAST CRIMINAL ACT AND SANCTION



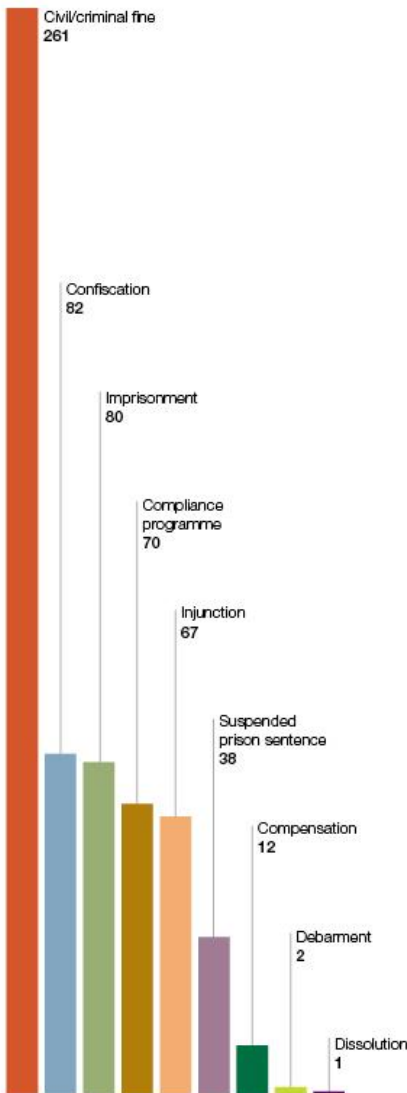
**390**

INVESTIGATIONS ARE  
UNDERWAY  
IN 24 OF THE 41  
PARTIES TO THE  
OECD ANTI-BRIBERY  
CONVENTION



# How are cases sanctioned?

Figure 5. How is foreign bribery punished?



**USD 149  
MILLION**

HIGHEST AMOUNT  
FORFEITED BY  
AN INDIVIDUAL  
IN A FOREIGN  
BRIBERY CASE

**USD 43.7  
MILLION**

ORDERED IN  
COMPENSATION IN  
FOREIGN BRIBERY  
CASES

Figure 6. The majority of sanctions have been imposed through settlement procedures



Source: OECD analysis of foreign bribery cases concluded between 15/02/1999 and 01/06/2014



# Incentives for compliance

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- OECD Convention, other international instruments
- FCAP, UK Bribery Act, other national legislation
  - Compliance as defence
- Debarment

## ✓ ENFORCEMENT

- Business self-regulations, e.g. ICC, UN Global Compact, WEF, TI, EITI, ISO
- Disclosures by companies
- Supply chain, including abroad

**1 IN 3**  
CASES WERE  
INSTIGATED BY  
SELF-REPORTING



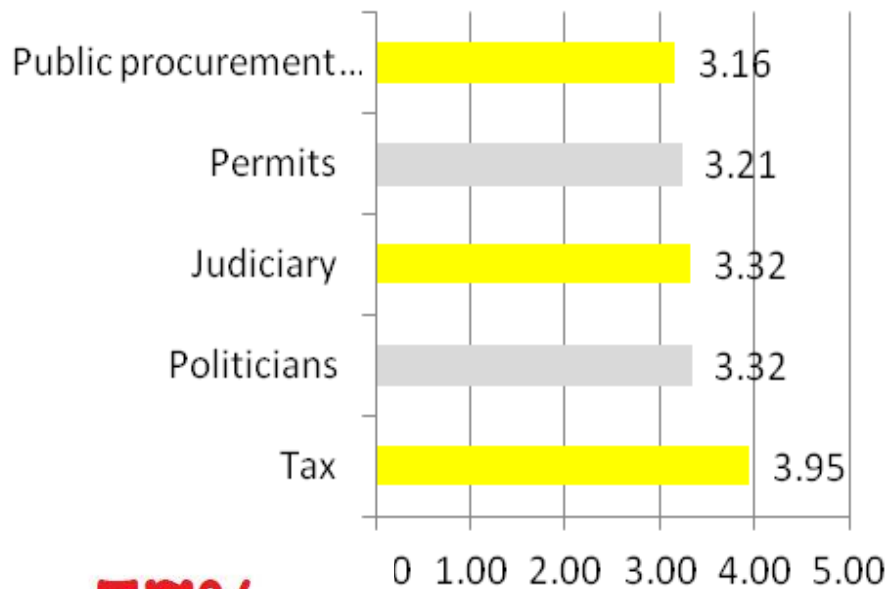
# Business Integrity Risks in Eastern Europe and Central Asia

		Average score	
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

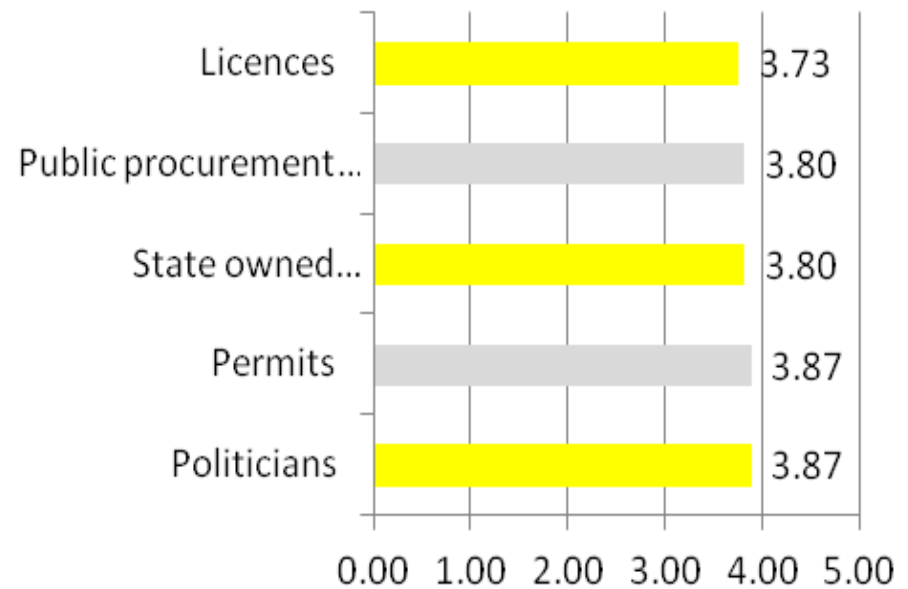


# Risks by branch of public administration

## Companies' top 5 risk counterparts



## Associations' top 5 risk counterparts



**57%**

OF CASES  
INVOLVED BRIBES  
TO OBTAIN PUBLIC  
PROCUREMENT  
CONTRACTS

**80.11%**

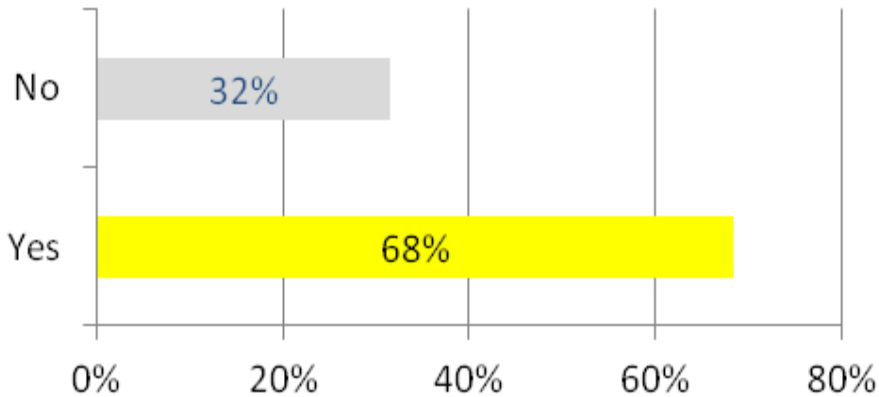
OF TOTAL BRIBES  
WERE PROMISED,  
OFFERED OR GIVEN TO  
SOE OFFICIALS



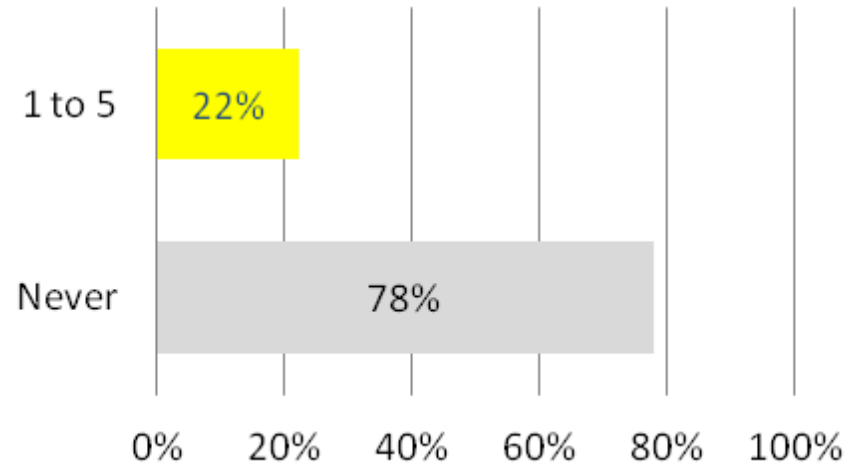


# Companies have anti-corruption rules on paper, but do not use them in practice

**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?**



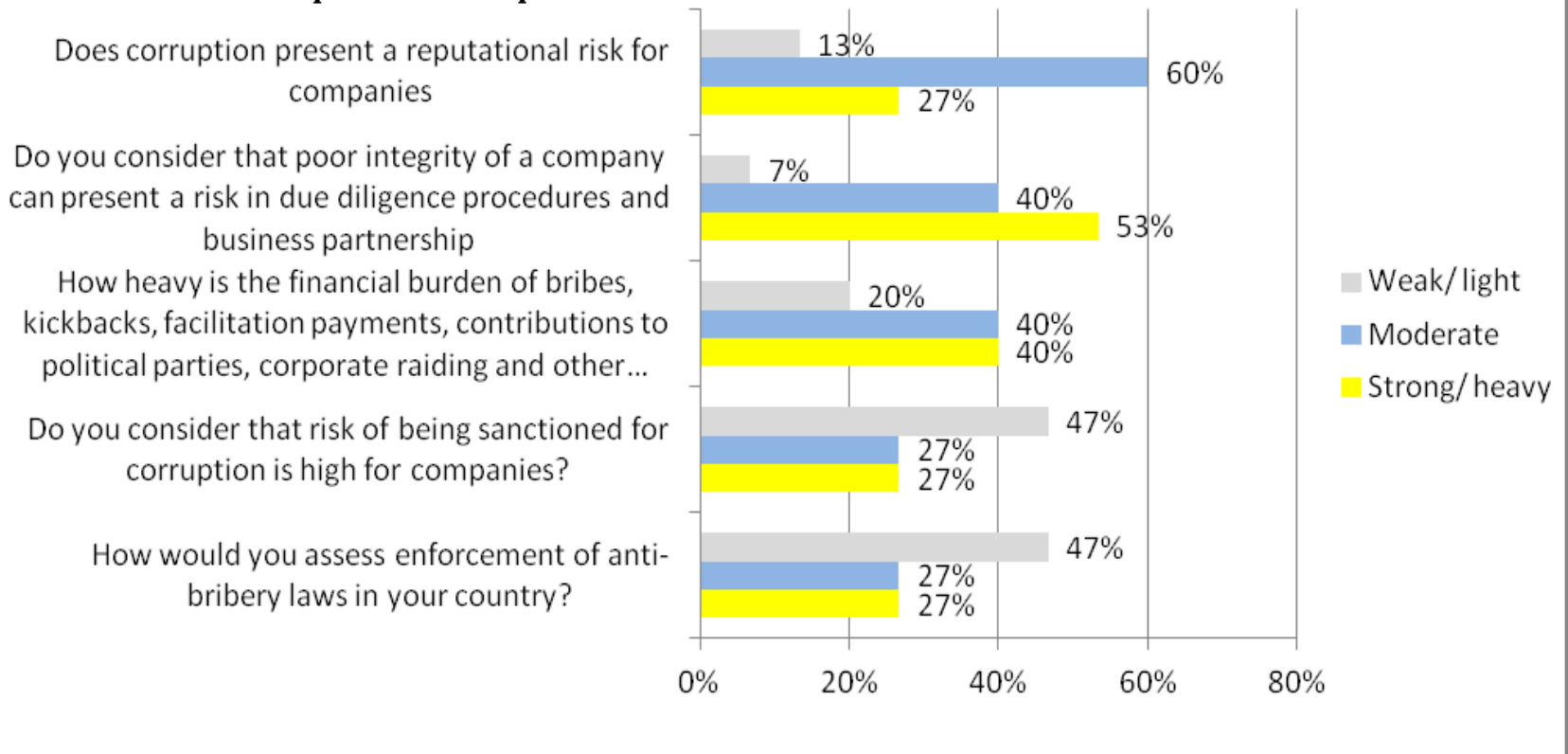
**53%**

OF CASES INVOLVED  
CORPORATE  
MANAGEMENT  
OR CEOs



# Weak enforcement – market incentives

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



On average, bribes equaled **10.9%** of the transaction value and **34.5%** of the profits.

In **41%** of cases, sanctions ranged from **100-200%** of the proceeds of the corrupt transaction.



## **OECD/ACN Business Integrity Study, Chapter 5. Government's actions to promote business integrity**

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- 5.1. Criminalization of corruption
- 5.2. Prevention of undue business`-politics relations
- 5.3. State policy to promote business integrity
- 5.4. Integrity in state owned enterprises
- 5.5. Information to ensure fair and safe business environment
- 5.6. Incentives for compliance programmes
- 5.7. Compensations for whistleblowers
- 5.8. Corporate governance rules promoting business integrity



## **Chapter 6. Actions of business associations and NGOs to promote business integrity**

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- 6.1. Studying of corruption risks
- 6.2. Engagement in awareness-raising, training and methodological support
- 6.3. Anti-corruption/integrity structures of associations
- 6.4. Support to individual companies
- 6.5. Channels for reporting corruption
- 6.6. Development, promotion of standards
- 6.7. Collective integrity actions



## Chapter 7. Companies' actions to promote business integrity

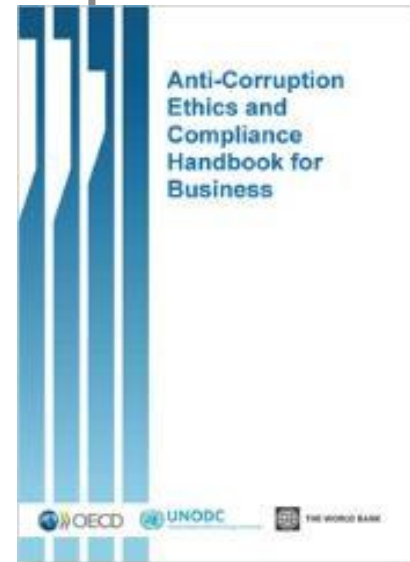
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- **Integrity policies**

- Risk assessment
- Conflict of interest rules
- Standards on gifts
- Requirements to partners
- Disclosure
- Political contributions

- **Enforcement**

- Compliance officers
- Internal control
- Audit
- reporting
- Whistleblower protection
- Training





THANK YOU

[WWW.OECD.ORG/CORRUPTION](http://WWW.OECD.ORG/CORRUPTION)