



Hugette Labelle

Chair of the Board of Directors, Transparency International

*Integrating integrity within an organisation*

Address to the OECD Tax and Crime conference  
Panel 2- Keeping Governments and Business Clean  
Oslo, Norway 21 March 2011

## INTRODUCTION

I'm very glad to take part in this meeting, and pleased to see the role of government, business and civil society in fighting corruption on the agenda together.

It is logical to compare notes at conferences like this, not as members of different sectors but as members of a shared cause – reducing the risk of corruption.

It is appropriate therefore that our hosts today are the **OECD**, who has been a key leader in the fight against bribery, and **Norway**, a country which has put in place strong measures to fight corruption.

We must congratulate the OECD as it approaches its 50<sup>th</sup> anniversary, an opportunity to celebrate its work.

Businesses and governments, not to mention the people of our countries, will always be at risk until the solutions to corruption are fully embraced and implemented.

With corruption we are facing a human tragedy of epic proportions. One which feeds poverty, violence, illicit trade, conflicts and distorts trade. Trillions are lost every year because of corruption, money laundering and tax evasion. Human lives are at stake as well as the social stability of countries.

This is why we are united at this conference to find better ways of preventing corruption, to develop additional measures to deter corrupters and to tackle crime well and early when it occurs.

## BARRIERS IN DEALING WITH CORRUPTION

The list of barriers impeding the fight against corruption is extensive but let me list a few.

1. Impunity for the corrupt.
2. Failure of justice systems.
3. Opaque financial systems.
4. Tax havens and too many financial centres are complicit in money laundering and tax evasion.

5. A sense that you cannot beat corruption – and even today many think they have to get their hands dirty to act globally.

6. To make matters worse, corruption is becoming more sophisticated, and operates through increasingly resilient networks.

7. A lack of enforcement of the laws and regulations we have to fight corruption.

In the past two months, events in the Middle East and in North Africa have shown that failing to address these barriers can bring regimes down with loss of lives and chaos.

## UNIVERSAL ANTI-CORRUPTION SOLUTIONS

**Sustained leadership at the top is vital.** Strong and sustained leadership by leaders demonstrating by their words and actions that integrity and 0 tolerance to corruption is what their organization stands for.

An organisation will always take its lead from the tone set by leaders. So will those that they work with. Its been clearly demonstrated that when a company clearly demonstrates that they will not offer or accept to pay a bribe, that it is a tremendous disincentive for those who would otherwise have their hand out.

**Building institutional integrity requires a full systemic approach.**

Our collective experience is clear, Codes of conduct set the standards but without effective support systems that run throughout an organization their will be little impact if any.

Leaders have to build a culture of integrity in their organisation. Like any other aspect of human resources, there has to be incentives for carrying out the code, and sanctions for ignoring it and being corrupt.

I have found that having an Ombudsman can be the organization's best friend. As an early detector of problems, there is no better canary to have in your coalmine.

However, your staff should know that if they report corruption and crime they will not suffer the same fate as the canary. If this is not accompanied by whistle-blower rules and protection, people soon learn the career limiting danger of raising your voice Yet its important to recall that one third of internal fraud cases within companies are revealed by whistleblowers.

All these do not replace the need for **strong audits, regular assessments** of compliance with **anti-corruption programs** and transparency about ones operations.

The UN Global Compact provides a strong framework to assist companies.

As Robert Kennedy once told an audience of prosecutors while US Attorney General in 1963, “No one can legislate integrity” Of course he was not discounting the importance of regulations but reminding his audience that building individual and systemic integrity was essential.

## **NEXUS BETWEEN GOVERNMENTS AND BUSINESS**

Whether we consider transport, defence, land use, energy, procurement, customs or public works, governments and business are constantly intersecting. Frequently with huge sums of money at stake along with security and safety issues featuring predominantly.

They can be complicit in corruption by siphoning money from the public treasury and building insecure buildings with lower quality material or they can decide to work together and clean their operations to everyone’s benefit.

I would like to suggest three approaches

First, use TI’s Integrity Pacts for all bidding processes thereby having a pact of full transparency at all stages of the process with disqualifications and at times penalties added to the disqualification. It has been demonstrated that tens of millions of dollars can be saved by using such an approach.

Second, for mega projects, introduce an independent monitoring system by professionals from the specifications’ stage to the final turn of the key. An interesting project to follow is the widening of the Panama Canal, a 5 Billion project which has adopted such an approach.

Third is to leave a laissez faire approach at the door and when either an industry or a government institution is aware that bribes are expected or being offered or asked that one or the other approach the party at fault. I have a very interesting example to share with you. I recently heard Peter Bakker , CEO of TNT speak about a problem that his firm was experiencing with the Customs Office in one of his country of operations. Goods would not be available until a facilitation payment was paid leaving delays with important costs for the firm and reputational risks with customers He approached the other major delivery firms and together they approached the appropriate ministry. They indicated that this situation would no longer be tolerated and that they were ready to assist in fixing this problem . They indicated that they would be ready to pay more for the service but that in return the Customs office would have to pay their employees decent salaries. They would also assist to set up an e-payment system thereby eliminating the exchange of money. It seems that the problem is being solved to everyone’s benefit.

Lessons from this experience is that situations should not be tolerated, that sector cooperation gives greater power and that helping to solve the problem can clean up a long standing corrupt-ridden situation.

## KEY ACTIONS FOR BUSINESS AND FOR GOVERNMENTS

**1. Better disclosure** of anti-corruption programs and of operations is an important element of keeping clean and in preventing extortion and reducing the risk of becoming complicit to a criminal activity.

TI recently published its Promoting Revenue Transparency Report for the oil and gas sector. Our recommendations could apply to all major multinationals including mining and these include: the need to publish all payments made to each government where they operate, to publish the countries where their subsidiaries are registered and the names of those having equity in their company including their subsidiaries. This could be a great deterrent for those in senior positions in government to use these revenues to enrich themselves and who look to hide this money offshore. Its also a deterrent for company officials to succumb to offering bribes or other inducements for succeeding in getting access to contracts.

In this Report we found that only 27 of the 44 companies surveyed disclosed the country of registration for their subsidiaries. We also found that only few disclosed payments to individual countries.

Similarly, the Extractive Industry Transparency Initiative, EITI, provides for countries to disclose publicly what they receive from the extractive industries operating in their country. The combined impact of these two measures allows citizens to have the necessary information to hold their government to account on these major revenue sources.

## 2. Financial system integrity

This brings me to the financial sector. In the last two years we have seen that lack of transparency and inadequate regulations can be a disaster for businesses, and for our economies.

. Only last week did we learn of an investigation into how some banks took advantage of lacking transparency to reduce their own borrowing costs. This made it harder for other banks to raise capital and exacerbated the crisis.

We have also seen how an opaque financial system can be a support system for the corrupt. This is also a problem for governments, if corrupt officials are able to move the proceeds of corruption beyond the reach of their justice system.

There are a number of measures which are important to implement rapidly in this regard.

Banks and other institutions in major financial centres must be obliged to undertake enhanced due diligence, in accordance with the Financial Action

Task Force, FATF recommendations on customers who are Politically Exposed persons as well as their family members and associates.

Banks should also be obliged to disclose their subsidiaries and branches registered in offshore financial centres.

Now is the time to implement sanctions against non-cooperative financial centres. The OECD listing has been most useful in getting these centres to realise the reputation risk which they were facing if they continued to remain a fiscal haven.

The Financial Action Task Force promotes **anti-money-laundering policies** that have been signed up to by 180 jurisdictions, but less than twenty per cent of them have effective measures in place. Its time for all jurisdictions to adopt these starting with G20 countries.

### **3. Strong legislation and its enforcement**

As trustees of the public good, Governments need to ensure that the necessary legislation framework is in place along with required institutions and resources for enforcement to work. Lack of resources for enforcement remains a major problem in many countries including industrialized countries.

As a priority, Governments should put in place a full arsenal of measures to deal with money laundering.

Last year the G20 Anti-Corruption Working Group plan was approved by the leaders at the Seoul Summit. This was welcomed and we are looking forward to a timely implementation.

In this regard the G20 countries should:

- a) Oblige companies to report on key financial data for all countries where they operate, like the US has done and we hope the EU will do.
- b) Enforce transparency with a global mandatory national-level public registers of the beneficial owner of companies and trusts. That would help shed light on the money launderers' favoured corner of global money markets. This information would make it easier for investigators to follow the money.
- c) Call on the FATF to make the criminal offence of tax evasion, a predicate offence for money laundering
- d) Have tax evasion as a criminal offence, where this does not exist.

The current crisis in the Middle-east and North Africa has demonstrated the acute need for countries to have appropriate legislation for the timely freezing of assets of suspected individuals until the necessary investigations have been concluded and justice taken its course. These assets should be placed in escrow in either the World Bank or Regional Development Banks in a

special facility until they can be returned safely to their country of origin. These are the people's money and it should be protected for their

One country's legal actions to recover funds must receive full support from other jurisdictions. Suspicious funds should be frozen even if the country has limited capacity to make a request.

Properly enforced legislation is important for business by providing a level-playing field and by giving a strong signal that corruption will result in swift and costly retribution. That is why it is so important for governments to enforce regulations that prevent and anticipate corruption.

In practice, **political will** means that Governments can demonstrate that they are serious about tackling corruption by filling legislation gaps and putting resources behind enforcement in institutions such as the justice system, tax, customs, anti-corruption agencies and audit

#### 4. Cooperation between officials

Improved cooperation and exchange of information between officials within countries and between countries is long overdue.

The sharing of timely information between tax officials, the police, customs officers, border patrol is essential. Relevant privacy legislation must be respected but if criminals are allowed to walk then such laws must be revisited.

Mutual legal assistance has to work faster than it does now. We need solutions for a developing country with limited investigative capacity that is trying to work with authorities in a large financial centre to recover funds. They should not have to trace the assets and get a conviction before financial centres respond to the request.

The facilitators of economic crime are sophisticated and highly resilient. Our experts need to have the same level or preferably greater capacity to deal with such crimes. Training becomes a central element.

The **StAR** initiative that provides research, technical assistance and training that help capacity development. StAR offers law enforcers a handbook, of strategic, investigative, and legal advice for the world of international asset recovery.

In its first year alone, StAR provided advanced training to more than a hundred participants from 9 countries.

StAR has received dozens of requests for technical assistance in preparatory stages of asset recovery

The **International Anti-Corruption Academy** (IACA) was officially launched last fall. It will provide asset recovery training for law enforcement officers, judicial, governmental and private sector personnel and NGOs.

## **5. Implementation of international commitments**

The **OECD Convention on Combating Bribery of Foreign Public Officials** along with its monitoring process has been of ground breaking importance. The increase in active enforcement over the years has been a positive development. However, there are still 20 countries representing 15% of world trade with little or no enforcement. It is vital that these countries start implementing the commitment which they made over 10 years ago. Some countries need to improve their legislation, many need to increase their investigating capacity and others like the UK needed new legislation. It is hope that the UK will implement their new legislation promptly.

Having the right resources matters. For example, a big increase in staff enforcing US anti-bribery law has seen the most criminal penalties in cases in any single 12-month period ever, well over one billion dollars in fines.

Five years ago the US, and Germany, had less than forty anti-bribery investigations to show between them, now they are approaching 300.

This enforcement has made a damaging business practice illegal. It has made bribe *payers* responsible for the damage they cause.

With the UN Anti-Corruption Convention, we now have a universal tool which will benefit from the experience of the OECD Convention Both will remain a guiding beacon to prevent and tackle corruption and other crimes. They also serve to remove frontiers between countries and

Wider take up of common anti-corruption policies also gives businesses legal certainty to compete in foreign markets without worrying about foreign companies held to other standards.

## **CONCLUSION**

Corruption is all around us. The solution is to spread transparency, accountability and integrity and say no to impunity.

My experience, coming from civil society with chapters all over the world, is that integrity is good for business.

Integrity is good for a company's reputation, it is good for their future.

Integrity is good for a government that want to retain the trust of their citizens.

Thank you.