

THE 7TH GENERAL MEETING OF THE ANTI-CORRUPTION NETWORK  
FOR EASTERN EUROPE AND CENTRAL ASIA (ACN),  
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PLENARY SESSION 3: ROLE OF BUSINESS IN FIGHTING CORRUPTION

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*"what can governments and companies do? "*

**TITLE: GOING BEYOND COMPLIANCE IN RELATIONSHIP WITH  
GOVERNMENT**

Presentation by Archil Bakuradze, Deputy Secretary General of the International Association of Business and Parliament (London), Chairman of Anti-Corruption Commission of the International Chamber of Commerce – Georgia

Chairman, Ladies and Gentlemen,

It is a great delight to attend and to be able to speak at this international meeting which brings together exceptionally wide range of expertise on the subject of anti-corruption.

Objective of my presentation is to introduce two practical initiatives from Georgia, which will illustrate the role of business in reducing, or to be more precise, preventing corruption, which is the main focus of this session. Yesterday we have heard a lot about fighting corruption, identifying and persecuting corruption-related crime, whereas this session will be more about preventing corruption and what business can do in this direction.

I was thinking what should I call this speech and I decided it should be: "GOING BEYOND COMPLIANCE IN RELATIONSHIP WITH GOVERNMENT". In this speech I will try to answer the following questions:

- What companies can do about preventing corruption – is it enough just not to pay bribes, facilitation payments, kickbacks etc.?
- How good governance determines the operating framework for companies and at what degree it reduces the risk?
- What are the mechanisms which ensure transparency and effectiveness in public private dialogue?
- How this dialogue creates a basis to identify and tackle potential problems of corruption?

First example of business initiative which is oriented on anti-corruption is about the ICC Georgia.

The objective of the Anti-Corruption Commission, which has been created just two months ago, is to contribute towards the achievement of ICC-Georgia's goal to create a corrupt-free business environment in Georgia. Main directions are:

- Regular assessment of the state of corruption and identification of policy areas, legislation and gaps in public administration which contribute towards corruption;
- Elaboration of recommendations on anti-corruption initiatives for the Government and private sector;
- Development of the Anti-corruption Code and Guidelines
- Using international best practice from ICC to increase awareness among ICC Members and wider business community on anti-bribery instruments, prevention, integrity programmes, ethical reporting by companies and ways to resist various extortion scenarios.
- Support in ratification of the UN Convention against Corruption.

The role and responsibility of business community is immense. The challenge is making the business active, engaged and interested in the issues of common concern, before these particular problems affect the business itself. In Georgia we are observing a process of changing the business culture where companies increasingly assume their share of responsibility in the policy dialogue. Of course the dialogue is a two way process and commitment of both parties is important.

It is worthwhile to mention that there is also a crucial political will on the side of the Georgian Government to improve economic governance and policy dialogue with businesses. There is a good realisation that economy should grow to be able to sustain the achievements and current momentum of reforms. But it is not always easy to translate this "good will" on the top of political establishment into the coherent action of entire body of public administrators, however drastically you reduce their number and size. It is like a big ship. If you turn the wheel it takes miles upon miles to change a course. Therefore, it is not an easy task to introduce changes at this level and it certainly takes time.

The role of business is to act collectively on the issues of common concern and be an equal partner with government in implementing reforms.

Another initiative which is a good example of transparent and effective public-private dialogue in Georgia is the work conducted by International Association of Business and Parliament.

Economic legislation is becoming complex. It is not an easy task to legislate for rapidly changing economies which are not only complex due to new areas of business and development of technology but also interdependent in result of globalisation.

Government has a task to be ahead of competition and develop a policy which will be beneficial for economy and had minimum unintended consequences for other groups in society. They should also have to take into consideration employment, social, environmental and many other aspects of their decisions.

On top of it government should make decisions very quickly as there are big and rising pressures from voters, which are never satisfied as well as pressures from interest groups and international community to reform at a very high speed.

In this situation for Government it is important to listen and communicate with these groups, including the business. This is not an easy task as it requires professional, systemic communication as well as resources, people and a planning of the efforts.

There is another hurdle which both government and business should think about. This is a public perception that any dialogue or cooperation between business and politicians is corrupt. Therefore the dialogue should take place within the platforms or with the help of mechanisms which have a strong element of transparency to ensure enough safeguards and insurance policies for both government and businesses against such suspicions.

By their nature politicians not always see business from business point of view and due to their lack of experience do not understand the business realities. Although we have number of prominent politicians in Georgia who came from successful business career one can hardly agree that whole government, civil service, Parliament and judiciary knows modern business and have full understanding of challenges confronted by companies.

From another side, businesses do not fully understand how government works while dealing with very distinct expectations from different groups in society.

In result, there is a degree of alienation, distrust and misconceptions towards one another. Majority of politicians think of business in terms of tax payers without fully appreciating other dimensions of it. Soviet legacy of administrative command economy is unfortunately still has an impact even 17 years after the collapse of the Soviet Union.

Therefore it is obvious that new mechanisms are needed to ensure continuous, effective and transparent policy dialogue between business and Government. Without this cooperation the anti-corruption and many other policies will not be developed and effectively implemented.

**The question is: How we achieve such a dialogue and ensure transparency and integrity of it?**

Before I answer this question I would like to highlight another aspect of governance, which has crucial importance for young democracies like Georgia.

I would like to elaborate on the division of power between branches of government and namely between executive and the legislature. This division, greater autonomy of Parliament from executive and institutional strength has still to come. Parliaments as elected bodies have responsibility to legislate on behalf of voters and various interest groups in society. Also Parliaments are there to oversee the work of executive. This is a powerful mechanism within the constitution for the system of checks and balances. Sometimes we try to reach accountability and transparency of government by many other mechanisms, ignoring a significant one which is right there, in the Constitution.

Parliaments have their unique role in governance including in the area of fight against corruption. Unfortunately Parliaments are always perceived as too political, sometimes too incompetent, very short-term oriented and unreliable.

International development assistance has traditionally marginalised Parliaments and usually cooperation has been implemented more in 'executive to executive' mode.

Yet, Parliaments are elected bodies which on behalf of society oversee the actions of the executive and should be the guarantors of the integrity and effectiveness in executive.

However successful the government is, if system of checks and balances is absent, we cannot claim that government has achieved its goals. There is a need in greater accountability and openness within the system of government first of all towards the Parliament.

Businesses should also understand better the role of Parliament, utilise its powers, learn about its culture and how it operates. This mutual understanding is the basis on which the effective policy dialogue can be built on.

Business knows all about the shareholder value, employee relations, community investment and even global warming. Yet businesses frequently ignore or do not do anything about a very important stakeholder – the government and Parliament, which can overnight change entire operating environment for the business.

That's why there is a need for business to be pro-active and engage in a regular, transparent and long term relationship with government and Parliament.

Coming back to the questions **How to achieve such dialogue and ensure transparency and integrity of it?** I would like to tell you more about the business and Parliament concept.

It is essentially an integrity exercise which allows the effective and transparent platform for dialogue between businesses and Parliament. On the basis of this cooperation it is possible *inter alia* to eliminate areas of policy, legislation or deficiencies in public administration which are conducive to corruption.

The business and Parliament concept was devised 30 years ago in the UK Parliament.

Now it operates within 15 national Parliaments as well as the European Parliament.

IABP fosters transparent and effective relationships between businesses and legislators to address all considerations I have mentioned earlier.

The Code of Principles guides all activities implemented within our national Business and Parliament Schemes. It defines the scheme as being neutral, independent, non-lobbying, non-sectoral and apolitical.

There are structures, policies and processes which ensures the integrity of the operation.

The role of the International Association is to accredit on the annual basis the national business and Parliament schemes, help them through exchange of knowledge and information and support creation of new schemes worldwide.

Georgia was the first country among 'emerging democracies' which adopted the concept and makes a good use of this mechanism even today. IABP Georgia play significant role in maintaining a transparent and productive dialogue between businesses and the legislature. This model also successfully operates in Armenia and Moldova.

In conclusion, it is worthwhile mentioning that good governance and corrupt-free business climate cannot come with one policy or a single structure installed within the government. It should come from the variety of initiatives both from government as well as a business community. The work of ICC and the International Association of Business and Parliament in Georgia are good examples of such successful initiatives.

Thank you very much for your attention!