

## Best practices on public-private co-operation in promoting good governance and fighting corruption

### A Comprehensive Approach in Fighting Political Corruption

*Session III - The role of the private sector in fighting corruption, money-laundering and financing of terrorism for strengthening stability and security*

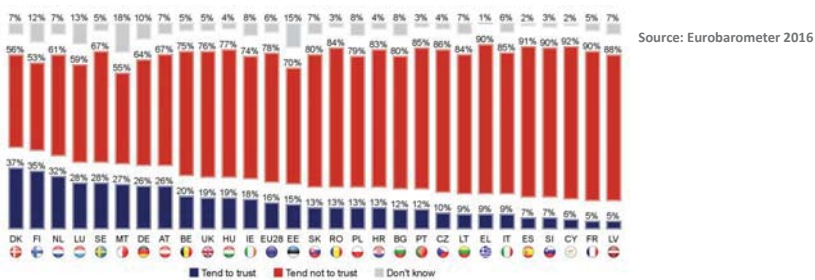
24<sup>th</sup> OSCE Economic and Environmental Forum, 14-16 September, Prague



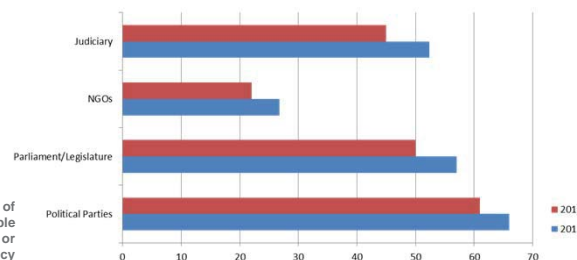
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## Trust and Perception of Corruption

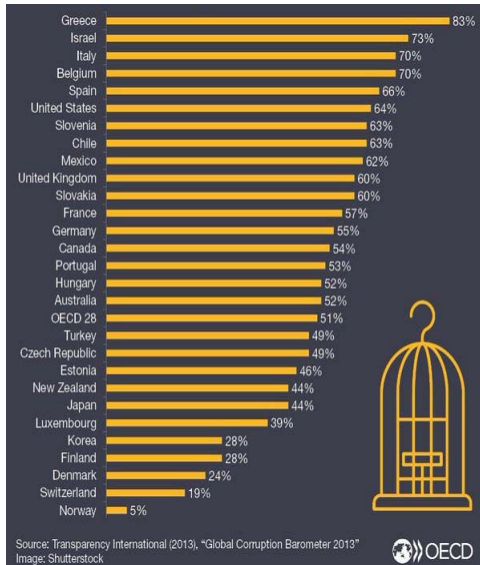


Source: Eurobarometer 2016



The graph represents an average from 40 out of 57 OSCE participating States. % of people reporting the sector/institution being corrupt or extremely corrupt (Source: 2013 Transparency International Global Corruption Index)

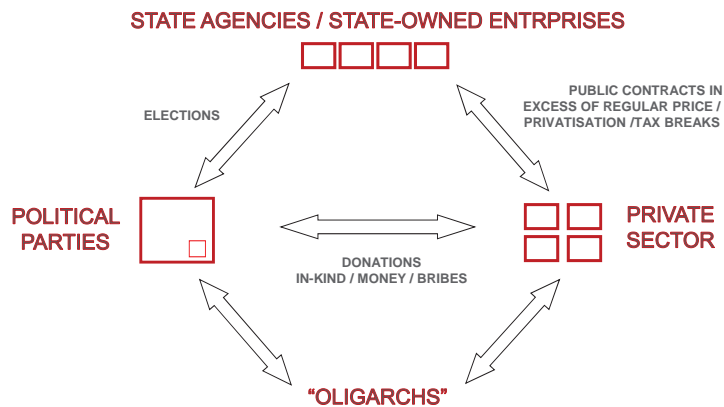
## Policy Capture?



- ➔ **Public perception / mistrust**  
Influence of business on public affairs (XIX-XXI)
- ➔ Distortion of competitive business model penalizing SMEs / **unfair market competition**



## Politics and Business



## Private Sector and Political Corruption

| Type   | Actor Group               | Description   |
|--|---------------------------|---|
| <u>Political contributions for favours, contracts or policy change</u> | Private sector            | One of the motives for political contributions to a political party or candidate is the possibility of payoffs in the shape of licenses and government public contracts. Donations may also be given for a governmental policy change or legislation favourable to a specific interest group.   |
| <u>Forcing private sector to pay 'protection money'</u>                | Private sector            | Extortion, for instance through blackmail, raiding taxes and customs inspections may be used to force entrepreneurs to hand over part of their profits to a political party.  |
| <u>Abuse of state resources</u>  | Public/Semi-Public sector | Certain state resources, such as money and infrastructure, which are available to office holders may be extensively used for electioneering. In addition, through the unauthorised channelling of public funding into controlled companies, organisations or individuals, the political party or candidate may capture state resources. |



## International and Regional Standards on Corporate Donations



| Organization  | Recommendation  |
|---|---|
| Council of Europe Recommendation Rec (2003)4                          | <p>General Principles on Donations - States should:</p> <ul style="list-style-type: none"> <li>i. provide that donations from legal entities to political parties are registered in the books and accounts of the legal entities; and that shareholders or any other individual member of the legal entity be informed of donations.</li> <li>ii. States should take measures aimed at limiting, prohibiting or otherwise strictly regulating donations from legal entities which provide goods or services for any public administration.</li> <li>iii. States should prohibit legal entities under the control of the state or of other public authorities from making donations to political parties.</li> </ul> |
| OSCE/ODIHR-Venice Commission Guidelines on Political Party Regulation | <p>173. Limits have historically also been placed on domestic funding, in an attempt to limit the ability of particular groups to gain political influence through financial advantages. (...) parties and candidates are accountable to the citizenry, not to wealthy special interest groups. As such, a number of reasonable limitations on funding have been developed.</p> <p>175. Legislation mandating contribution limits should be carefully balanced between ensuring that there is no distortion in the political process in favour of wealthy interests and encouraging political participation, including by allowing individuals to contribute to the parties of their choice.</p>                    |

## Financial Institutions and PEPs

- ➔ **PEPs** as risk group and vulnerable link → Need to strengthen use of domestic PEPs lists to raise transparency / Cooperation between public institutions and private sector
- ➔ **Financial institutions** should take reasonable steps to avoid knowingly or unwittingly assist in hiding or moving the proceeds of corruption by senior PEPs, their families, and their associates.
- ➔ Financial institutions should establish **strong cooperation** (e.g. MoU) with financial crime investigators and monitoring bodies on assets and declarations of public officials and political organizations

### A TYPICAL MONEY LAUNDERING SCHEME



## Way Forward – Next generation of reforms

- ➔ **Advanced Public Integrity Systems** → Money in Politics ODIHR/OCEEA Project in SEE
- ➔ **Responsible Business** → Business associations to promote and protect responsible business, codes of conduct
- ➔ Public/private sector to demand **transparency** in allocating public contracts and donations to political parties
- ➔ **Financial institutions** establish stronger cooperation with public institutions in combatting corrupt practices. PEPs an important element in fighting political corruption.
- ➔ **Regional Approach** → Recognize global dimension of political corruption and create effective monitoring/investigating tools

