Baltic Regional Programme

ANNUAL REPORT 2003-04

This document contains a corrected version of the section on the Baltic Anti-Corruption Initiative.
IV. RESULTS OF THE 2003-04 ACTIVITIES

1. Baltic Anti-Corruption Initiative (BACI)

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**Background**

The Baltic Anti-Corruption Initiative (BACI) was launched in 2001 as a sub-regional initiative of the Anti-Corruption Network for Transition Economies, the Secretariat of which is within the OECD’s Anti-Corruption Division.

At the 2001 Annual Meeting of the Anti-Corruption Network for Transition Economies, Estonia, Latvia and Lithuania agreed to launch a regional Anti-Corruption Initiative to continue capacity and institution-building in fighting corruption and work towards meeting international standards, including those set by the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the *1997 Anti-Bribery Convention*).

A grant from the United States for 2001-2002 made it possible to add a major new priority in the anti-corruption area. This voluntary contribution was earmarked for anti-corruption only and in 2001-02 supported the creation of the Baltic Anti-Corruption Initiative. This was subsequently supported by other sponsors for 2003-04.

Estonia, Latvia and Lithuania wished to strengthen their institutional capacity in fighting corruption and work towards meeting international anti-corruption standards, including the 1997 Anti-Bribery Convention.

The first two-year commitment involved an analytical process, community-based surveys in the health sector and in the licensing area, as well as a visiting expert programme. As an important part of the analytical process, the Baltic countries engaged in self-reviews of jointly determined key elements of a legal and institutional framework for combating bribery as well as for ensuring accountability and integrity in business transactions. These reviews were submitted to a mutual assessment process conducted by experts from both the Baltic and OECD countries (Norway, Finland and Poland) in order to identify

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1 The community-based surveys, launched in 2001 and implemented by the not-for-profit organisation CIET International, were successfully completed. The domestic corruption problems identified through these surveys and recommendations for possible remedial actions were presented to the Baltic governments in December 2002.

2 Each of the Baltic states were invited to place a government representative, for a period of three months, to work as an expert in the OECD’s Anti-Corruption Division-based secretariat of the OECD Anti-Corruption Network.
strengths and weaknesses in domestic anti-bribery legislation and practices\(^3\). To assist in the adoption of appropriate remedial actions, technical assistance workshops were held in 2002\(^4\).

Estonia became a full participant in OECD’s Bribery Working Groups and in December 2004 the country deposited its accession instrument to the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Requests by Latvia and Lithuania to sign the Convention are in process.

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<th>Main BACI Contributions</th>
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<td><strong>Peer review in the field of anti-corruption.</strong> Through the assessment and subsequent peer review of the three countries’ anti-corruption framework, the Baltic states had the possibility to familiarise themselves with working methods of the OECD. The experience and method has since been adapted to all technical assistance workshops and participants have learned to provide feedback on strengths and weaknesses of the respective national systems.</td>
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<td><strong>Targeted technical assistance in identified problem areas.</strong> Through participation of representatives from a wide range of line ministries, these workshops contribute to a broader understanding of issues at stake and to awareness raising and intra-governmental dialogue. Follow-up discussions among national experts might lead to the revision of the domestic legal provisions and their domestic anti-bribery programme.</td>
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<td><strong>Fostering regional co-operation.</strong> The initiative fostered and strengthened a regional identity and regional co-operation, through the provision of a platform in which the three countries’ counterparts could meet, discuss and assess their relative progress in the reform of the anti-corruption frameworks.</td>
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<td><strong>Provision of comprehensive model to fight corruption: top-down and bottom-up.</strong> The BACI has provided the Baltic states with a model how to tackle corruption from different angles: through legislative and institutional reform from the government level and, through an inclusive, bottom-up approach, involving large strata of society in comprehensive household surveys, implemented by civil society. This might contribute to a strengthened, sustainable dialogue between government and civil society in the three countries.</td>
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<td><strong>Experience transfer to other Anti-Corruption Network participants</strong>, in particular the Action Plan for Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, the Russian Federation, Ukraine and Tajikistan, under which the Baltic country experts will act as examiners to assess countries’ reviews the legal and institutional frameworks for the fight against corruption.</td>
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\(^3\) These self-assessment reviews and the corresponding assessments are called “status reports”. These reports are public and can be found on the website of the Anti-Corruption Network for Transition Economies under [www.anticorruptionnet.org](http://www.anticorruptionnet.org).

After completion of the first BACI phase in December 2002, both the Baltic states and donor countries strongly supported the continuation of the initiative’s analytical process through technical assistance workshops. Themes identified but not addressed during the first phase were to be taken up in 2003-04. They include: (i) mechanisms to strengthen the prevention of fraud and corruption in public procurement; (ii) ethical standards in public administration; (iii) the private sector’s role and actions in the fight against corruption.

**Workshops in 2003-04**

During the 2003-2004 biennium, several BACI seminars and workshops were organised in the context of the Baltic Regional Programme.

Two workshops were held in 2003. A first one, organised in co-operation with the Council of Baltic Sea States Working Group on Economics and involving many divisions of the OECD, focused on Transparency in Public Procurement. The second workshop on Ethics in the Public Sector was organised by the Anti-Corruption Division of the OECD’s Directorate for Financial and Enterprise Affairs (DAF) in co-operation with the Governance Directorate and its Role of the State Division (GOV) and SIGMA. In 2004, the OECD Directorate for Financial and Enterprise Affairs organised a workshop on “private sector governance and integrity”. The Baltic Regional Programme also responded positively to a request by Poland to participate in a Council of the Baltic Sea States (CBSS) Seminar on “Licenses and permissions as well as public procurements endangered by the corruption. Furthermore, during the seminar held in November 2004, a representative of the OECD Anti-Corruption Division spoke about the work of the OECD in the field of fighting corruption of Foreign Public Officials and the relating public procurement provisions. Finally, in light of the interest expressed by Estonia, Latvia and Lithuania for a follow-up work on public procurement, the Baltic Regional Programme ensured the participation of BACI representatives at the “OECD Global Forum on Fighting Corruption and Promoting Integrity in Public Procurement”.

**Joint OECD-CBSS Workshops on Public Procurement**

A first Joint OECD-CBSS workshop on Corruption and Public Procurement was held in Vilnius, Lithuania, in May 2003, as a joint BACI-CBSS initiative (co-financed by the OECD, Sweden and Lithuania).

This workshop was a contribution to the overall public procurement reform efforts in the Baltic countries which aim at identifying mechanisms to strengthen prevention of fraud and corruption in public procurement.

The second CBSS seminar was organised on the issue of “Licenses, Permits and Public Procurement Areas endangered by Corruption” in Warsaw (Poland) on 16 November 2004. This meeting was supported by the Baltic Regional Programme which ensured the participation of a representative of the OECD Anti-Corruption Division, who addressed the meeting together with experts from Poland, Finland and Sweden.

The objective of these meetings was to explore essential procurement policy issues which anti-corruption policy makers have to take into consideration and to strengthen the links between anti-corruption policy makers, procurement policy makers and experts. With this in view, control mechanisms to avoid corruption in public procurement and sanction systems were discussed, including questions pertaining to exclusion from public procurement as a sanction of corruption.

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**Ethics in the Public Sector**

The second 2003 workshop, held in Vilnius in October, focused on ethics and integrity in the public sector – an issue identified, including during the 2002 assessment process, as an essential preventive measure to curb corruption. The main objectives of this workshop were to: (i) show that establishing ethical rules are an integral part of the fight against corruption; (ii) provide participants with an understanding of the main elements of a sound public service ethics infrastructure; (iii) consider the existing ethics standards and systems for public officials in Estonia, Latvia and Lithuania and; (iv) identify possible needed changes and develop recommendations on how to improve the public sector ethics infrastructure in the Baltic countries.

Expert presentations by the OECD Secretariat, the Netherlands and Poland aimed at illustrating major ethical challenges facing the public sector and practical approaches to improve ethics systems in OECD countries. Against this background, the ethics laws and practices of Estonia, Latvia and Lithuania were analysed by over 30 Baltic participants. Discussions within country groups led to the development of national “Action Plans”, which aim at determining key elements to improve countries’ current ethical infrastructures. The “Actions Plans”, presented and discussed in plenary, illustrated progress by the three countries in their legislative and institutional ethical frameworks; they also revealed the need of further attention on implementing pro-integrity and anti-corruption measures.

The OECD BACI financed the translations of relevant background documents, such as the summary of the OECD report Trust in Government: Ethics Measures in OECD countries and the questionnaire of the OECD survey on managing ethics in the public. The assessments by the Baltic countries of their ethics frameworks were translated and have been made available on the web.

**Private Sector Governance and Integrity**

The BACI workshop on private sector governance and integrity was held in Tallinn on 30-31 August 2004. The timeliness of this seventh BACI workshop was underlined by the Estonian Minister of Justice as well as a number of other Baltic speakers and participants. They considered it appropriate to bring the BACI initiative to an end by raising both government and private sector representatives’ understanding of the need to engage in a mutual exchange on integrity and governance principles.

The workshop was organised against that background that implementation and enforcement of legally binding as well as non-binding anti-corruption instruments call for action by various stakeholders. Governments must adapt their regulatory environment and ensure that their institutional framework is adequate and lives up to their commitments. Government action alone, however, is not enough. Business’ cooperation is an essential building block for fair and transparent business. Not only do high standards of governance and integrity minimize the risks of corruption, they also directly benefit the corporation, which may be in a better position to attract investment through improved public trust.

The first half-day plenary aimed at familiarising the audience with different government approaches on how to raise awareness about the new anti-bribery regulatory context, particularly among the private sector. Supportive mechanisms developed to assist the private sector to adopt adequate integrity standards were also introduced.

During the afternoon plenary, different private sector initiatives were presented, ranging from individual company specific codes to sectoral approaches. Representatives from international business organisations such as the Business and Industry Advisory Committee to the OECD and the International
Chamber of Commerce as well as from the civil society organisation Transparency International spoke to this subject as well as private sector entrepreneurs.

During the second day, discussions were organised between government representatives on the one hand and private sector representatives on the other hand. These discussions culminated in the development of concrete recommendations to government officials and the private sector, respectively, to improve private sector integrity and good governance in the Baltic countries (see box below).

In conclusions, government representatives from the three Baltic states made short interventions calling for a further dialogue between their countries and the European states. They also stressed their wish to continue co-operation with the OECD as the initiative had broadened their understanding of many issues at stake. The initiatives’ benefit in raising awareness, improve the intra-governmental dialogue and strengthen the regional co-operation was also stressed and hope was expressed that this be continued (see also box above).

**Recommendations developed at the August 2004 workshop**

### Future actions by governments of the three Baltic countries:
- Improved integrity and ethical behaviour in the public sector as a prerequisite for a more efficient fight against corruption
- Ethical codes in the public sector are important but not sufficient
- Engage in a fruitful dialogue between the public and the private sector – identify appropriate public sector institution(s) and make sure that they are trusted for their integrity
- Identify adequate private sector partners to engage in a dialogue
- Try to set integrity standards for public procurement
- Transfer of ethical values to the new generations through education
- Reinforce the role of National Contact Points in the fight against corruption
- Identify ways ensuring that foreign investors fully adhere to their code of conduct and/or compliance programme

### Future actions by the private sector of the three Baltic countries
- Address the problem of trust in both the public and the private sector
- Engage in a public-private dialogue (possibly partnership)
- Improve the public sector’s perception of the private sector as bringing value to society
- Expand the private sector overall understanding of the need to act with integrity, possibly by increasing business federation’s involvement
- Clarify the definition of corruption and enhance the use of integrity tools and ensure their implementation
- Ensure that Coe’s and the highest level of management is involved in companies anti-corruption compliance programmes

### Possible Follow-up to BACI in 2005

Baltic countries representatives to BACI are currently considering engaging in a joint publication to raise visibility of the work undertaken and assess the progress made over the last four years.