



2012 Update on the Implementation of the Declaration on Propriety, Integrity and Transparency in the Conduct of International Business and Finance (PIT Declaration)

Two years from its adoption at the Ministerial Council Meeting (MCM) of 2010, the PIT Declaration continues to offer a coherent response to constant challenges in the world economy, by giving impulse for OECD bodies to develop and update their work for clean, fair and efficient markets, as well as to enhance their co-operation with other relevant actors. The attractiveness of this instrument is further evidenced by the adherence of Colombia, Croatia, Morocco and Tunisia 2012, enlarging the scope of the Declaration further beyond OECD borders. This document presents the main progress achieved in the areas covered by the PIT Declaration since the 2011 MCM: competition, corporate governance, investment and responsible business conduct, tax co-operation, anticorruption, interaction between business and government, quality of regulation and financial education.

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Introduction

1. The global financial and economic crisis has uncovered major failings in governance and regulation, which have undermined trust in public and private institutions alike. Amid ongoing economic uncertainty, establishing a well functioning framework for transparent, fair and efficient markets is central to rebuilding confidence. In this context, the 2010 OECD Declaration on Propriety, Integrity and Transparency in the Conduct of International Business and Finance (“PIT Declaration”) is ever more relevant, as it constitutes a strong framework to restore confidence and draws together the relevant OECD instruments in the areas of competition, corporate governance, investment and responsible business conduct, tax co-operation, anticorruption, interaction between business and government and quality of regulation and financial education.

2. As strong and fair markets for sustainable growth and development are a shared global goal, the PIT Declaration has gained influence beyond the OECD area. It was initially signed by all OECD Members, as well as Brazil and Russia. Today, other countries, including Colombia, Morocco and Tunisia have shown interest in joining this Declaration, signalling the importance they attach to the OECD standards. Moreover, as demonstrated below, many activities led by the relevant OECD bodies to promote propriety, integrity and transparency are conducted with non-OECD countries and seek to respond to their demands and needs.

3. Two years from its adoption at the Ministerial Council Meeting of 2010, the PIT Declaration has ensured a coherent response to constant challenges in the world economy and given impulse for OECD bodies to develop and update their work for clean, fair and efficient markets, as well as enhancing their cooperation with other relevant actors.

4. The CleanGovBiz initiative constitutes a concrete example of innovative proposals born under the PIT Declaration framework to enhance integrity in governments throughout the world. It offers practical guidance to build integrity and fight corruption by drawing together relevant pre-existing instruments.

5. This background document, building on the report presented at the Ministerial Council Meeting of 2011 presents the main progress achieved in the areas covered by the PIT Declaration since last year’s MCM. These areas are presented following the same order as in the Declaration itself.

Competition

6. According to the CleanGovBiz initiative, in competitive markets, companies who best meet their customers’ needs thrive, while those producing inferior or overpriced goods fail. Competition therefore prevents inefficiency and favouritism. Businesses will often try to avoid competition, for example by influencing Government to give them a protected position. Effective enforcement of sound competition rules and advocacy can therefore keep businesses and government clean, and increased competitiveness can foster substantial growth and development.

Fighting bid-rigging in public procurement

7. The OECD has been in the lead in raising awareness in governments of the need to guard against bid-rigging: collusion between bidders in a tender, to raise the price or reduce the quality of goods and services offered. Bid-rigging is illegal in all OECD countries but is often neglected in procurement procedures and training. The Competition Committee has been developing a draft Recommendation on Public Procurement, which calls upon Members to follow the OECD Guidelines on Fighting Bid-rigging to improve procurement processes and training. The Recommendation is expected to be adopted by Council in 2012.

8. In addition, the OECD carried out several projects in the fight against bid-rigging, most notably in Mexico. The OECD worked with the Mexican Social Security Institute, IMSS, which is the third largest state purchaser of goods and services in the country, to make its procurement processes more robust against bid-rigging. Together with the Mexican Federal Competition Commission, the OECD analysed IMSS’s purchases, identified improvements

the Institute itself could make, proposed changes to the Mexican Federal law on procurement and conducted training for procurement officials. During 2011, OECD began a similar project assisting Government of the State of Mexico in improving its procurement procedures.

Competition advocacy and screening policies for anti-competitive effects

9. The OECD promotes competition and competitive principles in wider public policy, through training and publications. For example, a seminar with China's Antimonopoly Committee – which brings together the three agencies responsible for enforcing competition law – discussed industrial policy, and whether such policies necessarily lead to tension with principles of open competition. The OECD provided training in assessing policy for possible anti-competitive effects, for example at the Korea Development Institute.

10. The OECD has developed a compilation of OECD recommendations and experiences with Competitive Neutrality, in work carried out jointly by the Competition Committee and the Working Party on State Ownership, of the Corporate Governance Committee (discussed below).

Fairness and effectiveness in applying competition law worldwide

11. The Competition Committee continues to act as a forum for the world's leading competition agencies to discuss and agree best practices. 2011 saw the conclusion of a series of three roundtable discussions on *procedural fairness*, the outcome of which will be published in summary form as a single compilation in 2012. The Committee and its working parties agreed that over the next three years it would embark upon a major programme to consider the international enforcement of competition law, a topic also discussed in the OECD's Global Forums on Competition in both 2011 and 2012.

12. The OECD provides capacity building and forums for discussion relating to competition worldwide. In 2011, its regional centres in Budapest and Seoul held 12 seminars for officials from Central and Eastern Europe, and Asia, respectively, including specialist events for judges who might hear cases relating to competition. Peer review reports on Egypt and Honduras were completed, both of which recommended increasing the competition agencies' independence from political interference, and improved transparency in dealings with business.

Corporate governance

13. The OECD continues to serve as "the place to go" to benchmark and develop good corporate governance. Increasingly the work has also come to address transparency and accountability in state-owned companies; a sector that in some developing and emerging countries constitutes a significant portion of the economy. OECD efforts to advance reform in terms of transparency, accountability and competitive neutrality are carried out through a number of country and regional programmes.

14. 2011 saw the launch of regional networks on state owned enterprise reform in Southern Africa and Latin America. A special MENA Task Force on State Owned Enterprises published a comprehensive report on New Arrangements for State Ownership in the Middle East and North Africa. Among partner countries, there is a marked and increasing interest in greater involvement by the OECD to address inefficiencies and other shortcomings in state owned enterprises and to ensure a level playing field with the private sector.

15. In the area of corporate governance, a couple of important initiatives were launched in 2011 to promote propriety, integrity and transparency in capital markets. Some examples include the launch of a three-year programme with Russia and the Eurasia Group on Corporate Governance for Capital Market Development. Also, China published a self-assessment of its corporate governance system benchmarked against the OECD Principles, hosted a meeting on transparency and accountability in state-owned enterprises and participated actively in the Committee work.

16. Thanks to longstanding relations, a number of bilateral activities with partner countries resulted in work that was timely and of interest to the OECD membership at large. One example is the work on disclosure of beneficial ownership developed under the umbrella of the OECD-Indonesia Corporate Governance Dialogue. Another is the work on related party transactions carried out by the Asian Roundtable on Corporate Governance which is also expected to discuss at its next meeting in Tokyo propriety, integrity and transparency in the broader context of improving corporate governance in Asia. Both issues go to the very heart of many governance problems in countries with less than transparent ownership structures.

17. The Corporate Governance Committee successfully integrated during 2011 key partners into their regular work addressing issues of integrity and transparency. Throughout the year, India was subject to an in-depth peer review by the Committee about combating abusive related party transactions.

18. Going forward, the OECD Principles of Corporate Governance and the Guidelines on Corporate Governance of State-Owned Enterprises are expected to be in increasing demand as countries want to improve the integrity and transparency of the capital markets and boost efficiency and competitive neutrality in sectors where state owned enterprises are operating.

Investment and responsible business conduct

Guidelines for Multinational Enterprises

19. The OECD Guidelines for Multinational Enterprises are the most comprehensive set of recommendations developed by governments on how multinational enterprises ought to behave in and outside their home jurisdiction, in all major areas of business ethics, including labour and human rights, environment, anti-corruption, responsible supply chains, anti-corruption and taxation. They have been adopted by 43 governments – representing all regions of the world and accounting over 85 percent of foreign direct investments. The Guidelines are also endowed with a unique implementation mechanism consisting of National Contact Points in charge of actively promoting the effective implementation of the Guidelines and mediated resolution of issues arising from their non-observance by enterprises.

20. A substantive update was adopted on 25 May 2011 at the OECD 50th Anniversary Ministerial Meeting to enhance the leadership role of the OECD in the field of corporate responsibility. The update was conducted in close consultations with a wide range of stakeholders, international organisations and other partners.

21. Since then, the Investment Committee has adopted a robust implementation programme to develop over the biennium tailor-made guidance to enterprises on how to better manage risks to the financial, extractive, ICT (to promote Internet Freedom) and agriculture sectors; strengthen the leadership role of the OECD in the field of mediation and launch a Global Forum on Responsible Business Conduct to promote greater convergence in the understanding of the baseline standards for how businesses should understand and address the social risks of their operations, and greater convergence in understanding how governments should support and promote such responsible business practices. This common understanding is needed to convey a coherent message to enterprises confronted with the continuous proliferation of private corporate responsibility instruments, and to promote a level playing field on the ground.

OECD Due Diligence Guidance for Responsible Supply Chains

22. The *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* helps companies respect human rights and avoid contributing to conflict through their mineral sourcing practices. It provides for the first time a comprehensive set of government-backed practical due diligence recommendations, and includes Supplements tailored to the supply chains of specific minerals: gold, tin, tungsten and tantalum. The OECD Council adopted the Recommendation on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas at the Ministerial Council Meeting on 25 May 2011.

The OECD Due Diligence Guidance was developed through a multi-stakeholder process with in-depth engagement from OECD and African countries, industry, civil society, as well as the United Nations.

23. The Guidance has been endorsed by the eleven member states of the International Conference on the Great Lakes Region (ICGLR) in the Lusaka Declaration, adopted on 15 December 2010. OECD standards have subsequently been integrated into the ICGLR regional certification mechanism. The United Nations Security Council resolution 1952 of 2010 on the Democratic Republic of Congo incorporated the Five-Step Due Diligence Framework and supported taking forward the due diligence recommendations developed by the UN Group of Experts on the DRC designed to be consistent with the OECD Guidance.

24. The OECD in cooperation with partner countries of Africa's Great Lakes region, the World Bank and the United Nations is coordinating the implementation of the Supplement on Tin, Tungsten and Tantalum. Currently over 90 companies, including large multinationals, are engaged in an OECD-hosted peer-learning process to share experience and distil best practices. The OECD will soon launch an implementation programme for the recently-completed Supplement on gold to facilitate the creation of supply chains that support peace, sustainable development and security.

25. With common, clear and practical due diligence expectations in place, companies can now more effectively contribute to building a transparent and accountable mineral sector in areas of conflict and fragility, helping those areas derive much-needed income from their natural resources and promote improved governance.

Tax co-operation

Recommendation of the Council to Facilitate Co-operation between Tax Authorities and Other Law Enforcement Authorities to Combat Serious Crimes

26. In March 2011, the OECD launched the "Oslo Dialogue": a whole-of government approach to tackling tax crimes and other illicit financial flows, the first global event for both developed and developing countries. The event, which brought together representatives from both developed and developing countries and a range of policy communities and international organisations, discussed how governments can deliver better results, in shorter time frames, with lower costs and less duplication, building on the strength and expertise of different agencies. The event also discussed legal and practical barriers to effective inter-agency co-operation, such as secrecy provisions that restrict information sharing at the domestic or international level.

27. Following on from the Oslo event, the second global event will be held in Rome on 14-15 June, back-to-back with the FATF meeting. A comprehensive report on domestic inter-agency co-operation will be released in Rome, along with a catalogue of international cooperation instruments and a pilot capacity building programme. Participants will also discuss the recent changes to the FATF Recommendations and their implications in the tax area, particularly in light of the inclusion of tax crime as a designated predicate offense for money laundering purposes.

Global Forum on Transparency and Exchange of Information for Tax Purposes

28. The Global Forum has made remarkable progress since the Council approved its creation at the end of 2009. Its objective is to achieve swift implementation of the international standards of tax transparency and exchange of information by a process of peer reviews and on-going monitoring. The review process has two phases. In phase 1 jurisdiction's legal and regulatory frameworks are assessed against the international standards. Phase 2 focuses on the practical implementation of the standards. This initiative is already helping countries to increase their domestic revenues by ensuring that the information they need to enforce their tax laws is available and accessible to tax authorities even if it is held abroad. There are now 109 members of which about half are developing countries.

29. The following indicators provide a measure of the scale of progress made:

- More than 700 international information exchange agreements to the standard have been signed.
- A total 70 peer reviews have been completed and a further 11 reviews are underway.
- Around 380 recommendations have been made to jurisdictions for improvements in their legal and regulatory and regulatory infrastructure.
- More than 30 jurisdictions have introduced or proposed changes to their laws to implement the international standards. Seven supplementary reports have been adopted to reflect the very significant improvements that have been made in some countries.
- Elements critical to effective exchange of information were determined not to be in place in the case of nine jurisdictions thereby preventing them moving to Phase 2 reviews until they act on recommendations made to improve their legal and regulatory infrastructure. In another two cases, progress to Phase 2 has been conditioned on addressing recommendations made in the original reports.
- A technical assistance coordination platform has been developed to facilitate the matching of requests from members for assistance in implementing the standards with technical assistance programmes of international organisations. In addition, two technical assistance pilot projects with Ghana and Kenya have been initiated in co-operation with the World Bank and UK's Department for International Development.

30. The Global Forum's peer reviews include a review of availability of ownership and accounting information for corporate vehicles. This provides a substantial body of information which is available to assist efforts to counter misuse of such vehicles.

Amended Convention on Mutual Administrative Assistance in Tax Matters

31. The Convention on Mutual Administrative Assistance in Tax Matters was amended by the 2010 Protocol opening the Convention to all countries. The amended Convention entered into force on 1 June 2011. The Convention enables countries to share information in a wide range of ways, including automatically, and facilitates other forms of co-operation such as joint audits, which may be an efficient way to resolve transfer pricing cases.

32. The number of countries signing the amended Convention continues to grow (Costa Rica became the 34th country to sign the amended Convention on 1 March 2012). Following a signing ceremony at the G20 Cannes Summit in November 2011, all G20 countries have signed the amended Convention or, in the case of China and Saudi Arabia, an intention to sign the amended Convention. On 27 February 2012, India became the first non-OECD, non-Council of Europe country to ratify the amended Convention. Developing countries are also encouraged to join the Convention so that they can significantly expand their information sharing network by signing a single agreement rather than engaging in the laborious process of bilateral negotiations. There are currently 34 signatories to the Convention. The Coordinating Body of the amended Convention is currently reviewing various requests to join the Convention. It is expected that one or more additional countries will be invited to join the Convention before the Ministerial.

Tax and Development Programme

33. This programme, which was launched as a joint initiative of the CFA and the DAC in 2011, is examining a number of possible disclosure and transparency initiatives in the tax field. Firstly, work to produce a transparency framework for the granting and administration of investment related tax incentives is well underway. This is to address the well acknowledged problem that the costs of many incentives, in terms of forgone revenues, can outweigh the benefits. In 2012/13, the intention is also to support developing countries undertake tax and

investment reviews on a demand driven basis using the transparency framework. Secondly, the programme has explored whether ‘country by country reporting’ can improve multinational enterprise transparency. Although no consensus among different stakeholders could be reached on this issue in 2011, the programme is now exploring whether the local public registration of statutory accounts could achieve greater levels of transparency. The CFA and DAC will review recommendations for further work in these areas in June 2012.

Anti-corruption

34. To directly address the problem of bribery in international business transactions, 39 countries—the 34 OECD Members plus Argentina, Brazil, Bulgaria, Russia and South Africa—have joined together under the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* (Anti-Bribery Convention) and become members of the Working Group on Bribery. The impulsion of the G20 has given momentum to the OECD efforts against corruption, encouraging emerging economies to grow closer and Parties to effectively implement the Anti-Bribery Convention, but also supporting a closer relationship with the business community, an essential partner in this fight. Two years into the adoption of the G20 Seoul Anti-Corruption Action Plan, foreign bribery and the Anti-Bribery Convention remains a core priority of the G20 agenda.

Monitoring implementation of the OECD Anti-Bribery Convention

35. Parties’ implementation and enforcement of the Anti-Bribery Convention is monitored via the Working Group on Bribery’s rigorous peer-review monitoring system. A third round of evaluations began in 2010 and, to date, 15 countries* have been reviewed under the Phase 3 cycle of peer reviews. Each of these countries must report back to the Group on these recommendations in two years. The purpose of Phase 3 is to maintain an up-to-date assessment of the structures put in place by Parties to the OECD Anti-Bribery Convention to enforce the laws and rules implementing the Convention and the 2009 Recommendations. Phase 3 involves a shorter and more focused evaluation than Phase 2, and concentrates on the progress made by Parties to the Convention on weaknesses identified in Phase 2, the issues raised by changes in the domestic legislation or institutional framework of the Parties and the enforcement efforts and results, and other key group-wide cross-cutting issues. Upcoming Phase 3 reviews include the evaluations of Greece and the Slovak Republic in June 2012, followed by Australia and France in October 2012, and Austria, the Netherlands, and Spain in December 2012.

36. In April 2011, the Working Group on Bribery also updated its publicly available data on its enforcement of the Anti-Bribery Convention: From 1999 through December 2010, 290 companies and individuals have been sanctioned under criminal proceedings for foreign bribery in 13 Parties. Fifty-four of the sanctioned individuals were sentenced to prison for foreign bribery, and a record amount of EUR 1.25 billion was imposed in combined fines on a single company for foreign bribery. These figures should increase in coming years, as 260 investigations were ongoing in 15 Parties as of December 2010 and criminal charges have been laid against over 120 individuals and 20 entities in five Parties. While progress has been made, clearer signs are necessary to show that all countries are committing the political leadership and resources that effective enforcement requires.

37. In the context of the promotion of anti-corruption efforts by Members, a delegation of the OECD Secretariat met in January 2012 with the Italian Commission on Anti-Corruption created by the Minister of Public Administration with the task of presenting a package of measures to prevent corruption in the public administration and enhance transparency. Subsequently, in March, the OECD participated in a high-level seminar organised by the Ministry of Public Administration where it made a presentation on integrity and public administration.

Engagement with Emerging Economies

* Bulgaria, Canada, Finland, Germany, Hungary, Iceland, Italy, Japan, Korea, Luxembourg, Mexico, Norway, Switzerland, United Kingdom, United States (all available online at www.oecd.org/daf/nocorruption).

38. In 2011, the OECD Working Group on Bribery welcomed two new members, Russia and Colombia. By joining the Working Group, both countries have committed to join the Anti-Bribery Convention and to uphold the highest and toughest standards for fighting bribery in business. In February 2012, Russia deposited with the OECD its instruments of accession to the Anti-Bribery Convention and became a full Party in April 2012. Colombia will do the same by the end of 2012. Both countries will then undergo the Working Group on Bribery's peer-review process, as mandated under the Anti-Bribery Convention.

39. The Working Group on Bribery also continued to strengthen its relationship with major emerging economies such as China, India, and Indonesia, as well as countries from Southeast Asia (such as Malaysia and Thailand), which, as a region, is increasingly playing a role in global markets. The Group has specifically targeted China, India and Indonesia for accession to the Convention. These countries are also called upon to strengthen their ties to the Working Group on Bribery, and to consider accession to the Anti-Bribery Convention, under the November 2010 G20 Anti-Corruption Action Plan. The Working Group on Bribery positively noted that China's foreign bribery offence entered into force in May 2011; similar legislation has been drafted in India and Indonesia.

40. In May 2011, the OECD and the Indonesian Corruption Eradication Commission (KPK) jointly hosted a conference in Bali on foreign bribery, which was opened by Indonesia's president, Susilo Bambang Yudhoyono, and was attended by over 400 participants from 38 countries. In September 2011, India hosted the 16th Steering Group Meeting and the 7th Regional Conference of the ADB/OECD Anti-Corruption Initiative for Asia and the Pacific, which was opened by the Hon. President of India and included the participation of the Minister of Personnel and the Minister of Finance. This conference was followed by a Private Sector Roundtable Discussion on Bribery in Business Transactions, organised by the OECD in conjunction with the Federation of Indian Chambers of Commerce and Industry (FICCI) and which was attended by over 30 representatives from major Indian companies. A technical seminar was held with Thai authorities on foreign bribery in January 2012; two technical seminars are planned for mid-2012 in Malaysia, one for Malaysian authorities and one for ASEAN, Chinese, and Indian officials. In March 2012, Colombia hosted a regional conference of the OECD-Latin America Anti-Corruption Programme, entitled 'Latin-American Meeting on the Fight against Transnational Corruption', which was attended by 450 participants from government, law firms, accounting firms, academics and the private sector. Also in 2012, the Working Group on Bribery and China will organise a second technical seminar to discuss approaches to enforcement of the new Chinese foreign bribery offence.

Business integrity in the MENA region

41. The MENA-OECD Investment Programme has been working to improve transparency and integrity in the Middle East and North Africa (MENA) region since 2010. This work builds on the OECD Convention on Combating Bribery of Foreign Public Officials in International Transaction and the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance, it leverages the United Nations Convention Against Corruption, to which the five MENA countries that are members of the Deauville Partnership are Parties.

42. The Programme has worked with government and businesses to improve the integrity performance between public and private sectors, particularly through public-private dialogue. A series of national and regional roundtables were held to strengthen integrity standards in business operations and to facilitate the development of integrity measures for companies and their associations.

Engagement with private sector and civil society

43. The private sector and civil society have continued to play an integral role in the Working Group's activities. This role has included providing input to all Phase 3 evaluation on-site visits. These exchanges with key representatives of the private sector and civil society contributed to determining the impact national anti-bribery laws and enforcement actions have on corporate behaviour. The Working Group also continued to hold regular consultations with the private sector and civil society. In October 2011, the Working Group on Bribery hosted a record 92 participants from companies, business associations, civil society, and academia to discuss the challenges of multi-jurisdictional anti-bribery enforcement.

44. The OECD also supported G20 efforts to engage with the private sector by hosting and co-organising with the G20 French Presidency a high-level conference on 27-28 April 2011 entitled, *‘Joining Forces against Corruption: G20 Business and Government’*, which brought together more than 350 representatives from the private sector and government agencies from all G20 countries and beyond. The OECD is working with the G20, B20 and partner organisations like the UNODC and World Bank to follow-up on the anti-corruption proposals tabled at this conference and to promote, in this context, the OECD Anti-Bribery Convention, the 2009 Anti-Bribery Recommendation, and its Annex II, the Good Practice Guidance on Internal Controls, Ethics and Compliance.

45. In order to make the dialogue between government and business more systematic and effective, the idea of creating a platform of dialogue is under consideration. The OECD stands ready to provide the necessary support to this platform, which could be developed in the context of the B20 Task Force on Transparency and Anti-Corruption.

Interaction between government and business

Supporting G20 commitments

46. The G20 Leaders’ Declaration in Cannes identified OECD Integrity Reviews as a key methodology to help governments mitigate risks of waste and corruption. Leaders also expressed commitment to take into account the OECD Recommendation on Enhancing Integrity in Public Procurement in reforming their procurement systems. The government of Italy initiated an OECD integrity review with a specific focus on the protection of whistleblowers and risk mapping.

47. The G20 Leaders also adopted Guiding Principles on Protection of Whistleblowers, as a G20 instrument and a compendium of good practices to support implementation. Recognising the comparative data on procedures and protection of whistleblowers published in OECD Government at a Glance and a dedicated Principle on whistleblowing in the 1998 OECD Recommendation on Improving Ethics in the Public Service, the G20 mandated the OECD to develop Guiding Principles and good practice report in order to support the Leaders’ commitment to enact and implement whistleblower protection rules by the end of 2012.

Integrity peer reviews

48. The OECD Public Governance Committee conducted peer reviews to assess the application of the OECD Recommendation on Enhancing Integrity in Public Procurement in high spending sectors. OECD Secretary-General, Angel Gurría, presented the findings of the review of the procurement system of the Mexican Institute of Social Security (IMSS) in January 2012. IMSS is the largest health care and social security provider in Latin America, covering around half of Mexico’s population, and also amongst the largest public spending entities within the Mexican government. Based on the findings and policy recommendations, the OECD and IMSS have set an Action Plan for reforming the IMSS procurement function in order to transform procurement from an administrative task to a core strategic instrument. The OECD also conducts integrity review of public procurement in the energy sector in Mexico.

Report to Council on implementing the 2008 OECD Recommendation on Enhancing Integrity in Public Procurement

49. The Public Governance Committee has been reviewing progress made by Members and observers in implementing the Recommendation in order to report back to the Council. The report builds on the results of a monitoring survey which assesses compliance of countries with the Principles set out in the Recommendation as well as on the findings of peer reviews undertaken by major Member and observer countries, in particular the United States, Mexico, Brazil, Morocco and Egypt. The report documents that the Recommendation was instrumental in shaping procurement reforms in a variety of country context and shows what steps were taken to reform procurement policy and practice in the last three years. The report also highlights the risks to be mitigated,

the challenges to transform procurement into a strategic instrument that effectively pursues best value for money, while respecting basic principles of integrity and fairness to ensure a level playing field. Procurement is more and more expected to support a coherent set of policy objectives when governments are facing simultaneous public demands to reduce deficits, ease the socio-economic impact of the crisis and to engage in structural reforms to foster economic recovery. An extensive consultation on the findings was completed to foster dialogue with policy communities, including committees in charge of regulatory policy, territorial development, competition, development, environment, innovation, bribery in international business transactions, as well as stakeholders, including business, Trade Unions, civil society organisations and international organisations (WTO, UNCITRAL, UNODC, MDBs).

Supporting integrity in MENA countries

50. OECD has been supporting efforts to improve governance and fight corruption in the MENA region as corruption emerged as a key concern in the Arab Spring. The OECD supports MENA countries in the framework of Deauville Partnership through reviewing the current state of the legislative and institutional frameworks to prevent corruption and provide proposals for action to the government in Tunisia in designing and implementing an integrity framework. The OECD also organized regional policy dialogues, to share lessons learned, including the Multi-Stakeholder Dialogue on “Putting Anti-corruption Commitments into Practice: Transparency, Participation and Rule of Law” opened by the Prime Minister of Morocco in June 2011 and the international conference on “Reinforcing Integrity and Corruption Prevention Framework: Good Practices and Lessons Learned” opened by the Head of Government of Tunisia in February 2012 in Tunis.

Quality of regulation

51. Failings in national regulations and in policy co-ordination among countries were at the origin of the crisis, demonstrating that well functioning regulatory frameworks underpin the operation of transparent and efficient markets with the correct incentives. Fair, transparent and clear regulatory frameworks are also basic pre-conditions for dealing effectively with propriety, integrity and transparency. The OECD model of regulatory policy is founded on the view that ensuring the quality of the rules of the game is a dynamic and permanent role of government. Governments must be actively engaged in ensuring the quality of regulation, not reactively responding to failures in regulation.

52. The new Recommendation of the Council on Regulatory Policy and Governance is a timely response to the challenges of getting the conditions right for underpinning the rule of law. The Recommendation is the first comprehensive international instrument on regulatory policy, addressing the design and implementation of regulation and promoting compliance at national, sub-national and supra national levels of government. It creates a “whole-of-government” approach to regulatory design and enforcement putting the goal of improving citizen welfare at the heart of regulatory policy. It provides clear guidance on how, through an investment in their own governance practices and institutions, governments can maximise the benefits from the use of their regulatory powers. It makes improving the quality of regulation central to economic policy and it will help governments to restore the credibility and effectiveness of their regulatory systems.

53. The Recommendation was developed by the Regulatory Policy Committee, whose mandate is to assist Members and non-Members to build and strengthen capacity for regulatory quality and reform. It builds on a robust assessment of over a decade of OECD experience in implementing systematic regulatory reform and was developed over twelve months through engagement with civil society, TUAC, BIAC, OECD Committees and the Secretariat.

Financial literacy and consumer protection

OECD International Network on Financial Education (INFE)

54. The INFE which was created by the OECD in 2008 to support and deepen the work on financial education now includes 95 countries (including all G20 members) and more than 220 public institutions.

55. The OECD and its INFE have been mandated by the G20 this year to develop High Level Principles on National Strategies to be endorsed by G20 Leaders at their Summit in Los Cabos in June. These High level Principles are then expected to be transmitted to the Council for endorsement as a Recommendation.

56. In addition, the Council is expected to adopt a Recommendation on the Guidelines on Financial Education in schools in May 2012. These guidelines have been developed by the IFNE and approved by the OECD Committee on Financial Markets and Insurance and Private Pensions Committee. They will be released together with a set of reference reports as an OECD publication by mid-2012.

57. The OECD work on financial literacy is also focusing on particular target groups. It has produced a chapter on gender specific issues for the OECD Ministerial Report on the Gender Initiative: Gender Equality in Education, Employment and Entrepreneurship and it is developing work and guidance on the role of financial education for the financially excluded. Such work should provide significant contribution to the Global debate on financial inclusion especially in the framework of the G20 Global Partnership on Financial Inclusion.

58. The OECD is also committed to develop financial literacy data with a view to improve related policies. This work stream has already led to the release of the results of a first international pilot on the measurement of financial literacy of adults in 14 countries. This project also provides methodological guidance for countries interested in taking part in future rounds of international measure or in developing their own national measurement. It also includes measurement of young people literacy with the first PISA financial literacy assessment exercise to be completed in 2012. 18 countries are participating in this exercise which results should be published in 2013/2014.

59. The OECD is further engaging with our key partners in the area of financial education. All key partners are members of the INFE, and 4 of them (i.e. Brazil, India, Indonesia, India and South Africa) are represented at high level in the Advisory Board of the INFE. Two Memoranda of Understanding were also concluded with Indonesia and one is in progress with Brazil. A high-level seminar, co-hosted by Bank Indonesia (BI) and the OECD was organised in June 2011. A major international event on investor education was also co-organised with Indian authorities in January 2012.

Financial consumer protection

60. The OECD Task Force on Financial Consumer Protection of the Committee on Financial Markets (CMF) leads the co-ordination of the response to the G20 Finance Ministers and Central Bank Governors call on the OECD, the Finance Stability Board (FSB) and other relevant international organisations to develop common principles on consumer protection in the field of financial services. This mandate complements the G20 Leaders' call, at their meeting in Seoul November 2010, to the FSB, in co-operation with the OECD and other international organisations, to report back to the G20 Summit in November 2011, on options to advance consumer financial protection.

61. The resulting High-Level Principles on Financial Consumer Protection were endorsed by the G20 Finance Ministers and Central Bank Governors at their meeting on 14-15 October, 2011, while calling upon the OECD with the FSB for further work on the implementation of these principles. At the Cannes Summit, 3-4 November, 2011, the G20 Leaders endorsed the full application of the principles across G20 jurisdiction and asked the FSB and OECD along with other relevant bodies to report on progress on their implementation to the upcoming G20 Summits and

to develop further guidelines if appropriate. The High-Level Principles on Financial Consumer Protection are expected to be transmitted to the Council for adoption as a Recommendation.

62. For 2012, the Mexican G20 Presidency has asked the OECD Task Force to develop guidance to support the implementation of the High-Level Principles. The development of the guidance will be inclusive and involve all G20 members, the FSB, international organisations and all other relevant stakeholders including consultations with consumer and industry associations. The OECD Task Force is gathering further evidence on existing guidance and a special standard-setter body sub-group has been established. The OECD is required to submit a 24-month action plan on the development of appropriate guidance to the G20 June Summit in Los Cabos.

CleanGovBiz – PIT Declaration and integrity in practice

63. The OECD has developed the CleanGovBiz initiative as a follow-up of the PIT Declaration and in order to promote and coordinate the implementation of OECD instruments to fight corruption and improve integrity. The initiative supports governments, business and civil society to reinforce the fight against corruption by uniting existing knowledge, drawing together numerous tools and providing user-friendly guidance for their implementation.

64. Drawing on the instruments listed in the PIT Declaration, CleanGovBiz has developed the comprehensive “*Toolkit for Integrity*” which provides guidance on how corruption can best be tackled in multiple policy areas. For each policy area, the toolkit proposes a checklist with priority measures, guidance on their implementation, examples of good practices and links to existing tools from the OECD and other relevant organisations involved in the fight against corruption. This toolkit is both available as a web-based (www.cleangovbiz.org) and as a printed version and will be updated continuously.

65. The CleanGovBiz initiative aims to help governments take a comprehensive approach, as embodied in the PIT Declaration, to improving integrity, promoting transparency and fighting corruption. To this end, the initiative is developing a specific mechanism called “Integrity Scans”. These scans will be mostly self-assessments based on the Toolkit and supported by multidisciplinary teams from the OECD. They aim at helping governments from OECD and non-OECD countries assess strengths and weaknesses of their legal, administrative and economic framework regarding integrity. In a quick but comprehensive process, the scans help identify priority reforms and can suggest further in-depth reviews based on existing OECD tools.

Conclusion

66. Two years after its adoption, the PIT Declaration remains an essential instrument of coordination for cleaner, fairer and more efficient markets. The progress made under the PIT framework helps to foster coherence among OECD work areas and encourages the development of new standards as well as the update and full implementation of existing ones. The inclusive OECD instrument for propriety, integrity and transparency therefore maintains full relevance in the global economic context and serves as a reference for OECD countries and beyond.

www.oecd.org/PIT

