

## Highlights of the Study on Business Integrity in Eastern Europe and Central Asia, 2022 Edition

### About the Study

The 2022 edition of the regional study on business integrity in Eastern Europe and Central Asia analyses measures that governments, companies and business associations are taking to prevent corruption in business transactions. This report compares recent trends with those identified in the first study released in 2016, to identify areas of progress or regress, and shares updated best practices and policy recommendations for further promoting business integrity in the region.

The 2022 survey on business integrity in Eastern Europe and Central Asia indicates that key stakeholders – governments, companies and business associations – recognise the importance of business integrity and the need to promote it. In comparison to the first survey conducted in 2016, there is stronger attention to business integrity.

While this growing recognition of the significance of business integrity has contributed to a number of positive trends in practice (i.e. inclusion of high-level corruption in anti-corruption strategies and improvements in legislation on whistleblower protection and corporate liability), progress has been limited overall. The most serious problems highlighted in the first survey conducted in 2016 are yet to be effectively addressed.

### Governments

The Study found that governments have not conducted appropriate corruption risk assessments is a major factor behind their lack of comprehensive understanding of the challenges which private sector entities face in terms of integrity. Government efforts to promote business integrity remain focused largely on the public domain, with little attention devoted to private to-private corruption risks. On the institutional level, most countries are yet to designate bodies responsible for promoting business integrity and there is a notable lack of expertise in this field.

Interaction with politicians remains a key source of integrity risks, according to companies. However, governments have not, so far, responded effectively to this concern, as the enforcement of relevant laws remains weak.

Some countries in the region require certain types of companies to adopt compliance programmes and conduct external audits, while banning those convicted for corruption from bidding for public contracts. Nonetheless, there is a general lack of appropriate monitoring and enforcement in these areas. Certain countries (notably, Ukraine) have made significant progress in collecting and publishing comprehensive data on companies (including beneficial ownership information), but access to such data remains limited in most countries.

Lack of serious commitment to ensuring integrity in the operations of state owned enterprises (SOEs) is notable across the region. In their answers, most governments identified the issue as a priority objective of their anti-corruption efforts.

Overall, governments appear to struggle in coming up with integrity incentives for companies and tend to prioritise punitive action, despite its ineffectiveness due to a weak enforcement of anti-bribery laws.

### Companies and Business Associations

The survey indicates that a majority of companies have adopted a code of ethics and conflict of interest rules for their board members, management and employees, and have created reporting channels. Most companies also provide whistleblower protection to their employees and extend their integrity programmes and codes to their business partners.

It should be noted that the number of survey participants was rather small, so it is doubtful whether the results can be extrapolated to the entire private sectors of the relevant countries, especially the SMEs. A majority of companies have never carried out investigations, applied sanctions against employees involved in integrity breaches, or taken legal actions against other companies for integrity breaches. It is also uncommon for companies to report such cases to relevant authorities.

On the positive side, companies appear to be very adaptive to the external pressures and are keen to optimise business integrity related investment to the level required by states or other stakeholders. Given weak enforcement of anti-corruption legislation, signals from markets (especially international markets) are currently the primary factor motivating companies to develop compliance measures. Consequently, companies with greater exposure to international markets are devoting growing attention to integrity. At the same time, the lack of appropriate financial and human resources is among the reasons why some companies opt not to have relevant internal regulations.

Business associations have stepped up their activities in terms of the promotion of integrity in recent years, engaging in awareness raising campaigns and supporting collective actions that would bring companies, NGOs and governments together.

## Moving Forward

Development of stronger safeguards against private sector corruption in the region will require extensive efforts by both governments and non-governmental stakeholders. Governments need to conduct comprehensive assessment of corruption risks (including business integrity risks), develop appropriate measures against high-level corruption, ensure effective enforcement of their existing anti-corruption laws to deter and sanction corruption involving the private sector, while also coming up with positive incentives designed to prompt companies to promote integrity internally.

Companies must further invest in compliance programmes and ensure that integrity mechanisms fully develop and become a habitual part of a company's mission.

Business Associations have a vital role in terms of sharing successful practices within the private sector and bridging the gap between governments and companies, while also assisting SMEs which often lack the incentives and the resources to engage in ambitious anti-corruption endeavours.

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