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Principles and Realities Of Ethical Business Conduct

By

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Ladies and Gentlemen,

Let me start of by thanking NESG and their DG for having partnered with the UN Office on Drugs and Crime in this 2009 NESG summit. I appreciate that NESG gave us this important forum to present some of the UNODC work that our team is conducting in Nigeria, and I do hope that we will see a lively exchange throughout this day on business ethics and principles.

Ladies and gentlemen,

For more than a decade now, the public and private sector have acknowledged the negative impact of corruption on business and economic development. Both corporate leaders and policy makers

have come to realize the risks of corruption and are taking countermeasures. Corruption distorts fair competition and the rules of a free market economy, it limits the availability and quality of products and services, it reduces investments into economy, and it undermines or threatens business ethics.

Corruption goes through all types of business – it occurs in small and large companies, in local firms as well as in multinational business.

While the large multinational cases of corruption are those that see media and public attention, there are the less visible and prominent daily cases of low level bribery and dashing practices. More often than not, the small and medium size enterprises are more affected and hampered in their business conduct by such corrupt practices.

In 2007, the National Bureau for Statistics in partnership with the EFCC and with the support of the European Commission and the United Nations Office on Drugs and Crime (UNODC), conducted a study on how corruption, crime and insecurity are impacting on the market place Nigeria. What can this study tell us?

- of 2200 businesses surveyed, more than 200 companies, or a little less than 10%, admitted that they had paid a bribe during the year preceding the study:
- more than 300 companies – or another 15 % - preferred not to answer the question.
- more than 450 respondents, or about 20%, insisted that the payment of bribes to public officials was either fairly or very frequent in their respective economic sector.
- of all respondents, more than 70% rated crime, insecurity and corruption as the biggest obstacles to doing business in Nigeria.
- a final example from this study: 8% of the businesses stated that they had refrained from making new investments during the entire year preceding the study, due to the fear of corruption. With this figure, the direct investment loss, and the very real negative impact of corruption on GDP growth, becomes evident.

Now – these findings seem to suggest that despite all the efforts made by the Government of Nigeria, the challenges posed by corruption to the economy remain fundamentally unchanged.

It would appear - after all - that the negative impact of corruption continues to limit economic growth, domestic and foreign investment and equitable access to resources and business opportunities.

We look at it in a different way: The data from the survey is an invitation for action – and it confirms that the Government and enforcement bodies alone cannot win the fight against corruption. Corruption needs to be fought at all levels and in all sectors of society, and it requires collective action for success.

The need for a stronger and continuous alliance against corruption, also within the private sector, has been put prominently on the international agenda during the 6th Global Forum on Fighting Corruption and Safeguarding Integrity, which concluded just a month ago, on 8th November 2009, in Doha/Qatar. The global forum's

findings have fed directly into the decisions taken and measures adopted by the Conference of State Parties to the UNCAC in Doha on 9-13 November 2009.

These recent Doha events have forged a stronger than ever move of Governments, civil society and business leaders to fight corruption together. Unified by the shared vision of reducing the negative impact of corruption on the rule of law, development and international trade – the leaders agreed in Doha on a new public-private partnership to fight corruption.

Ladies and gentlemen,

Doha 2009 did not just see another political agreement or report with generic commitments, but identified concrete action steps for all stakeholders, as their specific contributions to the fight against corruption. For the business community, such proposals include:

- they should adopt and enforce anti-bribery compliance programmes and codes of conduct, and establish independent

compliance verification processes for their self-regulation efforts;

- they should ensure highest standards of integrity not only within their own structures but also insist on same among their subcontractors, agents and intermediaries;
- business should collaborate with Governments in establishing clear rules for post-government-employment of public officials in the private sector;
- companies should establish financial disclosure requirements for their employees; and
- They should design systems to identify and promote “clean” companies.

Moreover, the Global Forum emphasised the need for the public sector to work with the private sector in true partnership by:

- Involving the corporate community much earlier in the formulation of laws and regulations, and in the design of institutions of direct or indirect relevance for the private sector;

- Cooperating with the private sector in the design of mechanisms and laws governing public procurement and public sector contracting: the aim being to minimizing direct human interaction in the procurement process, since this typically generates opportunities for corruption; and
- Involving businesses in the review, reduction and clarification of regulatory and administrative requirements of business transactions – since overregulation fuels corruption.

With this framework for strong public-private partnership having been adopted at international level, how do we turn it into reality in our countries ? How can the Nigerian Government and the Nigerian Private Sector come together to now take swift action that translates resolutions and recommendations into concrete measures?

Action for a fast and lasting improvement in the interaction between public and private sector against corruption. Action that really addresses and limits the degree of “small-scale” bribery and “dashing” for service providers, transporters, licensing or registration – which is

a true problem for smaller business and enterprises with their limited resources and influence, and seems to increase again in several pockets of the Nigerian business environment.

We in UNODC, and our partner agencies and organizations here in Nigeria, see two current strong opportunities for joint public-private sector action:

1) National Anti-Corruption Strategy

On the one hand, in the public sector for the first time all agencies directly and indirectly tasked with the prevention and fight against corruption have come together under the umbrella of the Interagency Anti-Corruption Task Team. It is due to the dedicated work of this group over the past months, with the support of the European Commission and the UN agencies, that there is emerging consensus for the need of a National Anti-Corruption Strategy. A strategy developed in close cooperation with all relevant stakeholders both inside and outside the public sector.

Business will play a key role in this context, and is expected to join the public sector, civil society and other stakeholders in the design of this strategy. However, the input by business will not remain limited to the development phase of the strategy. Rather, the business sector will be involved in the implementation and monitoring of the strategy, and will be one of the parties, next to Government, that can be held accountable to its own objectives and commitments in the fight against corruption.

2) The second window: Our joint work on Promoting Transparency and Ethics in Business Transactions in Nigeria project.

As a true player in national strategy development and implementation, business will need to match the public sector commitment and action with an equally credible effort to put its own house in order.

UNODC and UNIDO, with the funding of the Government of the Netherlands, have been working on this effort with a still small, yet devoted group of business people, private sector associations, public sector entities and NGOs over the last year. We are grateful for NESG having provided an enlarged platform for this work now.

Our joint work on ways and means for better transparency and ethics in business transactions in Nigeria has produced some landmark results, which we will demonstrate and discuss during today's session.

These are:

- draft principles on the ethical conduct of business in Nigeria
- a proposal for a compliance review and enforcement framework, and
- a methodology for risk assessments to identify the weak spots and vulnerability areas in certain standard interactions between the public and private sector. This risk assessment technique has been pilot tested already – and its results can guide us in the specific interventions in those very transactions and processes where corrupt practices and bribery hit.

Our continued work on these business principles and supporting framework, ladies and gentlemen, CAN make the market place Nigeria more attractive both for domestic and foreign business.

I hope you join us in this forum, and during the afternoon session on “Common Principles for Ethical Conduct of Business Transactions” in the review and in-depth discussion of these principles. It is our hope that 15th Nigerian Economic Summit endorses these principles for adoption by the business community in Nigeria.

The corporate community CAN take its very own responsibility for the clean conduct of business and take credible steps of self-regulation, and CAN then demand strong Government action in identified corruption occurrence areas. If we succeed in delivering this message, and take concrete steps on both fronts, the business community and the Government can hold each other accountable for their respective commitments and obligations regarding anti-corruption.

It is for this reason that we encourage, even, push, the adoption of such principles, AND the agreement on a proper compliance and enforcement structure. The existence of business principles alone would remain a somewhat empty shell – and could fuel further cynicism and scepticism regarding the credibility of private sector action, if a regulatory compliance framework remained absent. We need this public complaints mechanism, where businesses, individual citizens, CSOs, as well as public sector entities can voice their complaints and concerns and report those areas and sectors that do not comply with the principles and disregard laws and standards.

I call on those present here today, business and public sector representatives alike. Help us decide on concrete next steps that should be taken by NESG and other relevant private sector stakeholders, such as MAN, NACCIMA, NASSI, Business Action Against Corruption, the African Leadership Forum, SMEDAN, to turn the aspirations expressed in the principles into reality in Nigeria. Help us convince all partners that we need the compliance mechanism and reporting framework that allows all supporters to report unethical

conduct fast and safe, and empowers all stakeholders to move against, or sanction, those who do not comply.

Ladies and Gentlemen,

We have just concluded a week of activities to mark the international day against corruption – 9th December – here in Nigeria. We have seen and are still witnessing increasing action against those found to be corrupt. We have heard commitment declarations from the public and the private sector community throughout last week to intensify action against corruption.

I have said it last week, and I say it again – I am a believer, although my name suggests that I am the doubting Thomas. I do believe that, with your support, and powerful messages coming out of this 15th Nigerian Economic Summit, we can move forward in a true and functional public-private partnership against corruption in Nigeria.

I thank you very much for your attention