

## **The Role of Business in Fostering the Transparency**

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Recent estimates put the value of corruption at over \$10billion in lost revenue for the Russian Government. On the international level, in a highly publicised country “integrity” ranking put out by the international NGO group Transparency International, Russia ranked 76 out of 85 countries. However, such figures tend to understate both the impacts on private sector development and public sector service provision. For example, the use of “gatekeeper” powers by civil servants to extort bribes from the private sector imposes real business costs. I will address two questions: How does business ensure discipline among its ranks to discourage participation in corruption? How does business act to counter government-led corruption?

### **The Problem in Brief**

At present, there is a large number of civil servants in Russia who benefit from extracting rents from small business rather than seeking to promote entrepreneurship. It is that sphere in which informal economic relations emerge as corruption. On the demand side, the fact that 22% of business polled in 1991 stated that it was impossible to avoid bribe payments and that over one-third of surveyed entrepreneurs consider that the bureaucratic racket has intensified significantly over recent years (and practically any conflict with a civil servant entails additional costs), extortion clearly exists. On the supply side, motivations to pay “speed payments” exist. In Moscow, discussions with entrepreneurs and business alike indicate that there are around 17 steps to register a business in Moscow, and around 30-40 organisations able to close a business in a day. Considering that it can take from 27-700 days to register a business, incentives for corruption exist. One may have doubts about trustworthiness of figures, though according to a number of reliable expert estimations, commercial institutions spend as much as 30-50 % of their profit to provide for ‘special’ relations with representatives of the government agencies.

While the bureaucrats’ deeds are sharply criticized by businessmen, little co-operative public-private action has been taken. Firm interviews indicate that the predatory relationship between business and government in Russia generate suspicions and mutual distrust between entrepreneurs and government authorities. Businessmen rely rather on themselves than the government agencies’ support.

### **Current Business Activities to Reduce Corruption in the Federation**

A first step to creating an enabling environment for transparent and accountable private sector activity has been the introduction of **Business Ethics Principles in Russia**.

This draft code taken as a basis the Russian “Entrepreneurs’ Code of Rules on Informal Regulation of Business Relationships.” Recent national experience was integrated to promote participation through bodies such as Russian entrepreneurs, the Russian Chamber of Commerce and Industry, and the National Foundation ‘Russian Business Culture’. At present over 25 business associations (realtors, insurance firms, trading companies, banks to name some) have already adopted their professional Ethics Codes.

International experience for these Principles was used from Declaration Co. (created by leading representatives of research and business circles of the US, Europe and Asia) as well as from other sources including the US Chamber of Commerce, the ICC, and the OECD. There are 12 succinctly stated principles divided into personal and professional principles.

To assist with implementation of these ethics principles, **Basic Guidelines for Codes of Business Conduct** have been developed in co-operation with the Russian Chamber of Commerce and Industry and the US-Russia Business Development Committee. These Codes of Conduct are divided into principles in personal and professional relations, relations with shareholders, employees, other enterprises, global community, government authorities, and includes measures for checks and balances, prevention of extortion and bribery, and the creation of a culture of sound business practices. There is currently a pilot project in Greater Novgorod to implement these codes of conduct.

The **Recommendations on Introducing Business Ethics in Russia** cover four main areas: business associations, government, media, and educational institutions (see Box 1 for a summary).

**BOX 1: HIGHLIGHTS FROM THE  
RECOMMENDATIONS ON INTRODUCING BUSINESS ETHICS IN RUSSIA**

**Recommendations for Business Associations**

1. discuss in workshops principles and practice of Russian Business Culture as well as difficulties in economic relations with government authorities;
2. regularly conduct training workshops for business executives;
3. to create professional ethics commissions within each of the professional associations and discuss ethics at CEO level;
4. publicise on a regular basis best business practices;
5. organize “most ethical association’s member” award contests and “Golden Lists for Honesty”;
6. inform association’s members about instances of unethical behaviour by other business persons and even black-list them as unreliable partners;
7. publish manuals and guidelines help employees adopt key values;
8. initiate and support the creation of corporate codes of conduct;

**Recommendations for the State**

1. create a simple, understandable, and unambiguous framework of laws and regulations (taxation and business registration being priorities);
2. strengthen enforcement against organized crime to encourage honest business practices;

3. minimize personal contacts between officials and entrepreneurs, except for discussions of common problems;
4. awareness raising seminars to change civil servant attitudes about business
5. draft and enforce legislation against infringements upon the economic rights of entrepreneurs (unfounded attachment of accounts, seizure of documents) and guarantee private property ownership;
6. promote business participation in legislative assemblies and in executive decision making;
7. enhance the efficiency of arbitration and law enforcement systems, by allowing for business representative participation at some levels;
8. “loans for honesty”, state prizes, and public support in national tenders and international projects for honest businesses.

#### **Recommendations for Mass Media**

1. work with business associations to devise a general and co-ordinated media action program promote positive image of business and the professions as well as sensitise to the harms of corruption;
2. Devise sub-programs aimed at key social groups: children, young people, middle-aged and older people, etc.
3. Raise awareness about business obstacles Russian business faces vis-à-vis authorities and the bureaucracy;
4. establish a magazine (to be both printed and televised) dedicated to business ethics (there are several such magazines in the USA);

#### **Recommendations for Business Education Institutions**

1. integrate business ethics into business education programs at all levels through development of text-books and instruction;
2. Devise - in co-operation with the Russian Association of Business Education - a of continuing education on business ethics through a range of distance learning manuals and make available audio, video recordings of lectures by best experts, business games analysis, etc.);
3. organize regional courses on business culture and ethics in Russia;
4. arrange a programme of regular international exchanges with leading foreign business ethics centers;

Enforcement is best achieved through a *system of rewards* for honest business, Obviously, the best reward for an entrepreneur is his or her reputation as a reliable, decent, and competent partner. Public encouragement also has a role to play as this enhances business prestige.

### **Actions and Prospects for the Future**

The anti-corruption programme for Russian business is a comprehensive system of measures. Concerning public education, one action has been the establishment of a curriculum for business ethics in business schools and other educational institutions. Second, an educational center has been established to provide resources stemming from the Russian Business Culture programme and other programmes to teachers and entrepreneurs. Third, a network of regional centers has been established to supply entrepreneurs with information and provide them with practical support in respect to

9<sup>th</sup> International Anti-Corruption Conference (IACC), 10-15 October, 1999, Durban, South Africa

business ethics issues. Next has been the establishment of an informational programme More Precious than Money ('Dorozhe Deneg') magazine and adaptations for television (to come soon) and Internet.

Two particular events have been defining points for Russian business culture. The first is "Integrity in Private Sector Development in the Russian Federation" held in Greater Novgorod in July. At this workshop, participants discussed the Guideline Codes of Conduct and were presented with concrete codes of conduct from Russian businesses in Moscow, St. Petersburg and Greater Novgorod. These codes are available on the Internet under [www.nobribes.org](http://www.nobribes.org) and are available for every Russian businessman to use. One will also find copies of laws and regulations, which affect the businessmen. Lastly, one can even discuss issues through an electronic discussion group.

In September, the international conference "Business Culture- Resources for the National and World Economic Development" made further steps toward implementing Russia private sector actions against corruption.