

Long Road to Zero Tolerance Of Corruption

By Brook Horowitz

Although President Dmitry Medvedev's anti-corruption campaign is two years old, there has been little progress to date. According to PricewaterhouseCoopers' recently published Global Economic Crime survey, 71 percent of Russian companies were victims of economic crime in the last 12 months alone, a dramatic increase since the last survey of 2007 and well above the global average.

While attitudes are likely to be slow to change within the Russian government, companies working together have the best chance of shifting Russia away from corruption. It is business, usually the counterparty of fraud and corruption, that has a vested interest in reducing and eliminating what amounts to an unpredictable tax.

Most Western multinational companies have a sophisticated array of procedures such as due diligence, internal audit and whistleblowing and can share these with their Russian counterparts.

Another approach is for companies to sign up to codes of conduct, thus allowing clear rules of the game to be established. For example, many companies have committed to voluntary principles such as the World Economic Forum's Partnering Against Corruption Initiative. A number of business associations are launching a Russian Corporate Ethics Initiative based on the PACI, which multinationals and Russian companies alike can sign up to.

Such codes of conduct can be given teeth when they are developed in specific industries such as health care or energy that have a small number of competitors and share similar values.

To get the message across to the rest of the market, companies need to provide training to their suppliers and distributors to ensure that the compliance policies are actually being implemented. There is a strong case for companies pooling their resources and experience to train their supply and distribution chains.

Working collectively, companies can have an important role in changing practices among their own employees, their suppliers and distributors and in creating an environment that is less tolerant to corruption.

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