

Kiev Good Governance Forum

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Good governance. International dimension

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Distinguished Authorities, dear colleagues and friends, good morning.

It is really a great pleasure for me to speak today at this meeting. I wish to thank ASPEN and the OSCE office in Kiev, and in particular my friend Marta Dassù, for taking this praiseworthy initiative.

First of all, I wish to stress something that may appear evident but is very important. The OSCE, which I represent here, attaches great importance to the fight against corruption. That was reflected in several decisions at the highest level of the organisation, as it is believed that serious and effective counteraction should be carried out within the framework of multilateral co-operation. This is definitely a priority of the OSCE's Italian Chairmanship, to which I am glad to contribute my experience. The OSCE has a central role to play in promoting dialogue and co-operation amongst different though strictly interconnected geographical areas. I am convinced that combating corruption should become one of its ever more important pillar activities.

In particular, the OSCE is fully committed to supporting the law enforcement agencies of Ukraine in their efforts to curb corruption in the country.

Today, however, we are focusing on the broader theme of good governance, of which the fight against corruption is a key component. I know very well

how topical this theme is – here in Ukraine in particular. In this panel we will touch upon its international dimension. I intend to focus on issues – ranging from the globalisation of the fight against corruption, to the involvement of individuals and private companies in this challenge, taking into account the new criminal risks generated by modernity – which are of critical importance for building a strong world leadership, which in turn is best placed to offer truly effective answers in this regard.

The international community has the fundamental responsibility of guaranteeing sustainable economic development. This must take into account essential needs: fight against corruption, as an essential step to foster fair competition, and combating the accumulation of illicit capital, in a framework of respect for human rights and protection of standards of legality in economic activities.

In pursuing these objectives, repression is certainly critical. For example, the confiscation and recovery of assets in the fight against profit-driven crime, but also the use of innovative para-repressive tools of an administrative nature recently employed in Italy, such as the putting into public receivership of enterprises that have been infiltrated by organised crime.

However, I have been insisting for years on highlighting how the real winning solutions for good public governance lie in enhancing prevention and incentive mechanisms for *compliant* economic actors. And this through the implementation of tools that guarantee an integrated approach to the issue in question, taking into account the need to prevent not only potentially criminal events but also simply cases of maladministration.

These aspects, I believe, will be the focus of the next Panel, but I think we should already underline how essential it is to promote these regulatory processes through inter-State cooperation.

International public governance, in particular, should foster the approximation of national laws on prevention and repression in the fight against corruption and all forms of wrongdoing in the public and private sectors. Indeed, today there is a need for greater uniformity in the regulation of the business sector, which is essential for the creation of a common level playing field for all actors. Only in such a scenario can economic operators actually compete in the absence of regulatory gaps and misalignments.

In this way, each country will be able to attract investments while at the same time ensuring the indispensable requirements of legality in business. This aspect, I believe, is really crucial.

In the absence of an international harmonisation of rules, the commitment of a single system to set up an effective anti-corruption regulatory apparatus risks generating the adverse counter-effect of diverting the investments of companies, which might prefer to allocate their resources elsewhere. So the real challenge of the international community will be to avoid such governance problems, and this precisely because interconnected economic environments can only presuppose interconnected and coordinated 'rules of the game'.

In this regard, in my opinion, a change in the communication strategies is also essential. It has to be appreciated in fact that these instruments put in place are not a burden but an important opportunity for both public administration and private companies.

The message must be – and it is a winning message in my view – that being a compliant company brings competitive advantages, vis-à-vis competitors who do not respect the rules. This is particularly true in the long-term. The company willing to pay bribes may well win the occasional contract but in the long run – bearing in mind the mechanisms for prevention and detection of the offences, especially if disseminated and standardised internationally – it is much more likely that it will be caught and ousted from the deal, to the advantage of law-abiding competitors.

Another important challenge for the international community in the coming years is linked to the extraordinary evolution of new technologies. True, technological advances are a great opportunity. At the same time, they often represent an important problem of governance for public authorities, which have to face complex regulatory choices. I am thinking above all of the new digital financial mechanisms that allow for a rapid and flexible movement of wealth flows.

Those tools that can certainly stimulate greater connections between markets, creating new business opportunities. But precisely because they are (often) unregulated, those tools end up being particularly attractive for profit-driven crime, which can exploit them to easily channel illicit funds that can pollute the legal economy.

Moreover, this last argument is closely connected to another fundamental theme: that of cyber-security.

The new phenomena described above entail the need to imagine an equally original, innovative approach to law-making. Firstly, it is necessary to set up a transnational normative system of prevention and repression since the unlawful conduct in question knows no boundaries.

Then the challenge posed by cyber-laundering must be tackled with the same weapons of advanced technology. An interesting response, for example, could be to create block-chain systems that prevent operations from encrypted addresses from being completed, recording in an accessible and traceable way the various transactions, especially with reference to bitcoin.

These are just some ideas, to enable us to grasp the complexity of the issue which public authorities face.

But it should not be forgotten how the role of corporate governance in the private sector has become increasingly important in recent years. The world of private governance has not shirked its responsibilities. On the contrary, it has performed a commendable task in the transnational dissemination of best practices of good corporate governance. Just think of the different tools that exist today at international level for the principles of corporate social responsibility.

Private self-regulation, moreover, has played an absolutely central role in spreading the culture of compliance, as an indispensable mechanism for the prevention of offences and wrongdoing within complex organisations.

A key concept today, also for private international governance, is that of risk management through organisational means. This is a guiding principle that has central importance especially in relation to the prevention of crime within an organisation.

In this sense it can be said that the private sector has often been a harbinger of the same traditional public cooperation among states. In fact, large international groups often adopt risk management systems that are completely uniform for the group companies operating in countries with

radically different legislation, and this, clearly, represents a fundamental vehicle for the de facto harmonisation of the rules at global level.

Moreover, it has to be noted that, from a cost-benefit perspective, the expenses incurred by companies to introduce corporate compliance functions are more than offset by the benefits obtained in terms of minimising the legal risk of non-compliance. Which brings us back to the message that being a compliant economic operator pays off. Not only to contain legal risks, but also to prevent reputational damage to the company.

Before ending my speech, I wish to recap the key messages I am seeking to highlight:

- prevention, as well as public-private partnership, as a key component of an integrated approach;
- transnational challenges call for international cooperation/harmonisation of rules;
- technological challenges require technologically advanced responses.

These are in my view the key ingredients for nurturing good governance at international level. In this respect, even if much has been done, the objectives yet to be achieved are no less numerous and complex. However, I believe that the growing convergence of interests allied to the sharing of objectives and the exchange of good practices between the public and private sectors on these issues allow us to look to the future with confidence.

Thank you.