Fair Market Conditions for Competitiveness

Developing Anti-Corruption Programmes in State-Owned Entreprises

Manual for compliance officers in Croatia and Serbia

O))) OECD

GLOBAL RELATIONS
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DEVELOPING ANTI-CORRUPTION PROGRAMMES IN STATE-OWNDED ENTERPRISES IN CROATIA AND SERBIA
MANUAL FOR COMPLIANCE OFFICERS

ABSTRACT

This manual has been developed to help compliance officers in Croatian and Serbian State-Owned Enterprises (SOEs) to introduce or strengthen their company's anti-corruption programmes. It is designed as a practical, easy-to-reference tool offering a variety of practices that an SOE could consider implementing.

READER'S GUIDE

The manual is destined for those in Croatian and Serbian State-Owned Enterprises (SOEs) who are charged with the responsibility, or who have the authority, to establish internal controls, ethics and compliance measures or programmes – including an anti-corruption programme. While the manual refers to "compliance officers" for simplicity, it recognises that some SOEs will not have a dedicated compliance officer and invites the executive management of their SOEs to consider who might be best placed to support the implementation of the good practices contained in this guide.

Compliance officers should support executive management in ensuring that the company's series of ethics and compliance measures are effective. Good practice holds that they should in addition have a direct reporting line to the board of directors (if one-tier board structure) or to the supervisory board (in two-tier board structures), hereafter simply referred to as the board, who are ultimately responsible for the performance of the SOE. Thus, SOE leadership, taken to mean executive management and board members for the purposes of this manual, may wish to consult the good practices contained in this manual to deepen their understanding of the potential of anti-corruption compliance to help the company achieve its objectives.

This manual aims to help SOEs develop their internal controls, ethics and compliance programmes or measures, pursuant to the recommendations in the OECD's 2019 *Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises* ("ACI Guidelines") as well as the *2021 Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions* and its *Good Practice Guidance on Internal Controls, Ethics and Compliance* ("Good Practice Guidance"). This manual uses, as its starting point, the 12 elements of an effective anti-corruption programme identified by the OECD, the United Nations Office on Drugs and Crime (UNODC) and the World Bank in their 2014 report.

The 12 steps are not specific to SOEs, but efforts have been made to tailor the associated good practices to the nuances of the state-owned sector. SOEs are also encouraged to consult the OECD's ACI Guidelines (2019) and its accompanying Implementation Guide (2020) to learn more about the international

consensus on what should be expected of both the state owner and SOEs regarding integrity and corporate governance, as well as the Good Practice Guidance, which is the only guidance of its kind adopted at an intergovernmental level.

The term "anti-corruption programme" is used throughout the manual for simplicity, but it should be taken to refer generally to the series of integrated controls, ethics and compliance programmes or measures that are effective in promoting business integrity and reducing the risk of corruption.

SOE leadership must ensure that the adoption of international good practices in anti-corruption compliance, such as those contained in this manual, is harmonised with the existing requirements set out in relevant Croatian and Serbian law and regulation, as well as aligned with the expectations of their respective state owners. This manual should not be read as a check-the-box list of elements necessary for every SOE. The requirements bearing on an SOE, as well as an SOE's ability to adopt all practices contained in this manual, will depend on the SOE's size, percentage of state ownership and degree of incorporation.

INTRODUCTION

In the South-East Europe (SEE) region, corruption and lack of transparency remain key constraints to economic growth and competitiveness. This is particularly pronounced in the SOE sector which has been under scrutiny for corruption and other irregular practices, with an increasing amount of literature on the potential for undue influence, bribery and other infractions to interfere with the daily operations of an SOE. The lack of integrity has a number of negative consequences such as resource misallocation, price distortion, reduced quality or scarcity of goods and services, distorted competition, decreasing innovation and a loss of trust in public authorities (OECD, 2022a).

Perceived levels of corruption remain high in both Croatia and Serbia. According to the Transparency International Corruption Perception Index, Croatia ranks among the bottom four EU countries with a score of 50/100 (2023). Further, the 2022 Eurobarometer found that 81% of Croatians see political connections as key to succeed in business. In Serbia, the perception of corruption is on the rise with the country score dropping to 36/100 and with more than half of all businesses and a quarter of citizens in the country reporting having had to bribe someone to access public services (Balkan Barometer, 2021).

The OECD Project on *Fair Market Conditions for Competitiveness* (the "Project"), funded by the Siemens Integrity Initiative, addresses these obstacles and provides the context for this manual. The Project aims to support the creation of a level playing field in six countries (Algeria, Croatia, Saudi Arabia, Serbia, South Africa and Uzbekistan), to enhance competitiveness and integrity in the economy and society.

Due to their significant role in the economies of Croatia and Serbia, SOEs have been identified by Project stakeholders as a priority sector for reform. Further to their importance, the central government of Croatia holds full or majority ownership in 59 SOEs and minority stakes in 10 listed companies, accounting for 5.9% of employment in Croatia (OECD, 2022c). In Serbia, there are 156 SOEs and 38 state minority-owned companies, making up 2.9% of employment (OECD, 2021b). The OECD's extensive work on SOEs has shown that SOEs may be particularly susceptible to corruption owning to their proximity to the state as owner, their responsibility for large public procurement transactions as well as to their involvement in high-value concessions. The OECD Competitiveness Outlook covering the WB6 (2018a, 2021b) and the

OECD Corporate Governance Review in Croatia (2022c) highlight recent incidents of misconduct and corruption allegedly involving senior officials and politicians that demonstrate a lingering risk of exploitation of SOEs. Likewise, the 2024 edition of the Competitiveness Outlook (OECD, forthcoming) will further examine corruption risks associated with SOEs along policy recommendations.

Integrity in the state-owned sector requires efforts on behalf of both the state owner as well as SOEs. SOEs, for their part, can take a series of actions to introduce or strengthen internal controls, ethics and compliance programmes or measures in a way that aims to strengthen the culture of integrity and insulate the company from undue influence. Compliance officers are well positioned within SOEs to contribute to these aims, and this Manual was developed to help them in this process. It serves as a practical tool for SOEs in Croatia and Serbia seeking compliance advice in one, easy-to-reference publication.

COMPLETING A CORRUPTION RISK ASSESSMENT

Identifying an SOE's specific corruption risk, as part of an overall risk management process, is a prerequisite for building and informing a sound anti-corruption programme. This includes identifying the functions and departments most at risk of corruption, as well as what types of risks they are likely to be exposed to. With this knowledge, the compliance officer can support executive management and the board in developing or refining internal controls, ethics, and compliance programmes or measures that are effective in preventing and detecting corruption, addressing the individual circumstances of the SOE.

The compliance officer should regularly monitor, re-assess and take the identified circumstances and risks into account as necessary, to determine the allocation of compliance resources and ensure the continued effectiveness of the company's internal controls, ethics, and compliance programme or measures (OECD, 2021a).

During the risk assessment stage, the compliance officer should:

1. **Conduct a corruption-related risk assessment.**

In accordance with the ACI Guidelines, an SOE should develop a risk management system that includes risk assessments, which are ideally: (a) undertaken regularly; (b) tailored to the SOE; (c) taking into account inherent internal and external risks for their likelihood of occurrence and the impact of occurrence on achieving the SOE's objectives, as well as residual risks; (d) explicitly treating a comprehensive set of corruption-related risks, considering high-risk areas and intra- and inter-personal aspects (e.g. human behaviour and interactions between the SOE board and government); and (e) integrating different perspectives, including those from within the company and key stakeholders (representing different levels of the SOE). Once the risks have been identified, steps to develop or revise an anti-corruption programme may begin.

2. Assess the inherent risk exposure in qualitative and quantitative terms.

The compliance officer could assess the SOE's inherent risk exposure with qualitative and quantitative indicators. The quantification of inherent risks may be challenging in practice, but having easy-to-comprehend results will ultimately help communicate a clear message to the SOE board and staff. The inherent risk exposure is often defined through a combination of the impact of occurrence and the probability of occurrence. To determine the inherent risk exposure, the compliance officer may rely on common methods for collecting assessment data such as desktop research (reports from internal audits on compliance risks, past incidents of noncompliance, external sources such as corruption cases and allegations in the industry and country profiles), interviews, surveys and self-assessments, brainstorm sessions and focus groups involving employees at all levels of the SOE. For the assessment process to be efficient, it is important that the compliance officer is both a qualified individual and a person with sufficient authority at the SOE (OECD, 2019).

3. Share risk-related findings with the SOE's executive management and the board.

Risk management systems should be treated as integral to achieving the SOE's objectives and its Strategy. SOE boards, which are ultimately responsible for overseeing risk management, rely in part on compliance officers and other members of executive management to inform them of the risks and measures taken to mitigate them. To facilitate the feedback process, compliance officers can provide qualitative and quantitative information and highlight practical actions undertaken or outcomes achieved. The compliance officer may choose a spreadsheet format to create a risk register to summarise these findings. This register can also be used to document the ratings for each risk and list the programmes and controls that mitigate each risk. 'Heat maps' can also be an effective tool to summarise the results of a corruption risk assessment, showing risks identified by the compliance team placed according to their likelihood and potential impact on a background of multiple colours. Simple heat maps typically have sections that are red, yellow, or green, denoting high-risk, medium-risk, and low-risk, respectively. They often also indicate which risks fall beyond the risk appetite of the company. Increasingly, SOEs are looking to data analytics and machine learning to support the risk management process.

DEVELOPING AND IMPLEMENTING AN ANTI-CORRUPTION PROGRAMME

To develop good compliance practices in SOEs, the OECD encourages SOEs in Croatia and Serbia to begin with OECD standards and use this 12-step guide as a tool to support the implementation of those standards. The guide builds on the OECD standards developed in the ACI Guidelines and the Good Practice Guidance, as well as, among other sources, on the *Anti-corruption Ethics and Compliance Handbook for Business* (2014) co-developed by the OECD, with the United Nations Office on Drugs and Crime (UNODC) and the World Bank, and in particular on the Handbook's 12-step framework structure (Table 1). This structure provides the framework for the provision of practical guidance and step-by-step advice to SOE compliance officers for the development and the implementation of an effective compliance programme.

Step 1	Ensuring senior management commitment to integrity
Step 2	Developing an anti-corruption programme
Step 3	Overseeing the anti-corruption programme
Step 4	Developing clear, visible and accessible rules prohibiting corruption
Step 5	Developing detailed compliance rules for particular risk areas
Step 6	Ensuring business partners are committed to the prevention of corruption
Step 7	Strengthening internal controls and record keeping
Step 8	Communicating with and training employees
Step 9	Promoting and incentivising ethics and compliance
Step 10	Detecting and reporting violations
Step 11	Addressing violations
Step 12	Reviewing and evaluating the anti-corruption programme

Table 1. 12 steps for designing and implementing an effective anti-corruption programme (adapted from OECD, 2014).

STEP 1: ENSURING SENIOR MANAGEMENT COMMITMENT TO INTEGRITY

A business culture which is conducive to integrity is made possible in part by explicit and visible support and commitment from the senior and executive management, as well as the board members of the SOE. On the road to anchoring integrity in the sector, SOE leadership must ensure that the adoption of international good practices, such as those contained in this manual, is harmonised with the existing requirements set out in relevant Croatian and Serbian law and regulation, as well as aligned with the expectations of their respective state owners.

Compliance officers are in a position to contribute to this requirement by creating awareness among senior management about the importance of integrity and encouraging senior management to explicitly express their support to combat corruption. Only if SOE leadership, that is for the purposes here the executive management and board members, leads by example and shows that integrity is a priority in the

SOE, a true culture of integrity can emerge and business procedures reducing corruption risks can be taken seriously across the enterprise.

To ensure support and commitment from senior management and the board, compliance officers can take the following actions:

1. **Deliver key messages to senior management and the board about the value of an effective anti-corruption programme.**

A well-informed board and Executive Director (ED) are crucial to setting up an effective anti-corruption programme. Accordingly, the compliance officer should aim to keep SOE leadership up to date on (a) the benefits of a culture of integrity for the SOE and its operational and financial performance, (b) the legal and reputational risks associated with a lack of integrity, and (c) avenues for minimising corruption risks. To convey these key messages, the compliance officer could suggest delivering a short presentation at a board or senior management meeting, or – if more suited to the company culture – ask the competent board member to deliver the key messages.

2. **Encourage top management to publicly and explicitly express support for the anti-corruption programme.**

Continuously communicating on the SOE leadership's zero tolerance for corruption is essential to internally strengthening the legitimacy of the anti-corruption programme. The compliance officer may suggest to senior management to underscore the importance of integrity and compliance in emails and meetings with senior management. From there, senior management should echo the same message in communications with their respective teams on the middle level. Accordingly, the tasks of the compliance officer should include designing systems for ensuring that key anti-corruption messages are disseminated at all levels of management of the SOE.

3. **Assist board members and senior management with preparing communication materials to be shared with staff and stakeholders.**

A further step the compliance officer could take to ensure effective messaging is being echoed across the SOE is to prepare communication materials for senior and middle management. The materials the compliance officer could help prepare should be targeted for the selected channels, from talking points for board members and middle managers for in-person meetings, to email drafts to be sent to staff and stakeholders and values- and integrity-related articles for the intranet and the SOE website.

STEP 2: DEVELOPING AN ANTI-CORRUPTION PROGRAMME

Developing a culture of integrity in an SOE requires not only senior management's and the board's explicit commitment, but also that an effective anti-corruption programme is in place. Such a programme comprises the steps summarised in Table 1, including:

a) support and commitment from senior management, b) anti-corruption programme oversight, c) clear, accessible, visible rules prohibiting corruption, d) detailed rules for particular risk areas, e) involvement of business partners, f) internal controls and record keeping, g) communication and training, h) ethics and compliance incentives, i) violation detection and reporting, j) addressing violations, and k) programme review and evaluation.

It is important to note that different organisations may propose different ways of categorising or implementing core compliance elements and that the way the SOE compliance officer implements them will be tailored to each SOE. Increasingly, SOEs are expanding the scope of their programmes to ensure compliance in their supply chain, thereby involving business partners in their anti-corruption efforts. As such, the anti-corruption programme can include specific rules for suppliers. Nonetheless, the compliance officer should advance a number of core compliance requirements in the development of such a programme, including acting to:

1. **Understand the specific needs and culture of the SOE.**

As outlined earlier, to ensure the anti-corruption programme corresponds to the SOE structure, the compliance officer needs to have conducted a proper risk assessment. However, in addition to the risk assessment that will equip the compliance officer with extensive knowledge on the enterprise and its main risk areas, the compliance officer should gain insights into the business culture, the formal and informal governance processes and the explicit and implicit modes of decision making. In order to gain such knowledge, the compliance officer should familiarise themselves with the dynamics of each of the SOE departments and lead interviews with department heads as well as selected employees to understand the implicit structure and decision making procedures. To convey authority and ensure necessary access to various parts of the SOE and a wide range of stakeholders, a senior compliance manager should carry out outreach and interviews.

2. **Ensure that the anti-corruption programme is consistent with national laws relevant to countering bribery, fighting corruption and, where feasible, with corporate governance codes in each of the jurisdictions in which the SOE operates.[2]**

To ensure the anti-corruption programme is consistent with the jurisdiction's legal frameworks, the compliance officer should undertake legal training and conduct comprehensive research on the different laws and regulations of the country or countries in which their SOE operates. In the context of a complex SOE structure, the compliance officer may want to consider hiring external legal experts to review the design of the programme with respect to its consistency with national and international laws. One recent example to follow is compliance with Croatia's 2019-2020 Anti-Corruption Programme foreseen under the umbrella of the national 2015-2020 Anti-Corruption Strategy (Official Gazette no. 26/15) which requires majority-owned SOEs to have all internal controls supported by a company Anti-Corruption Plan.[2] In Serbia, setting up internal controls is not regulated by the Law on Public Enterprises and falls under the Companies Act, however, the government's 2021-2027 SOE Strategy sets out to introduce new regulations to improve the quality of SOE internal controls and audits.

Corporate Governance Codes are additional instruments the compliance officers should be aware of and which are often implemented on a comply-or-explain basis. This is the case in Croatia and Serbia where guidelines exist for ensuring compliance for businesses largely apply to both private and state-owned enterprises. In Serbia, this is the Corporate Governance Code issued by The Chamber of Commerce and Industry (2012) which targets all companies in Serbia with dedicated principles and recommendations that apply to state-owned companies, depending on their size and whether the company is listed or not. For Croatia, this is the Corporate Governance Code of the Zagreb Stock Exchange that applies to listed SOEs and private enterprises. To address unlisted SOEs, Croatia issued a separate Code of Corporate Governance of SOEs – intended specifically for companies and other legal entities of special interest and those in which the state has stocks or shares (Official Gazette no. 132/2017; OECD 2022c).

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[2] In 2022, OECD SEE published Country Profiles for Croatia and Serbia where an overview of national anti-corruption policy frameworks can be found. UNODC also launched the anti-corruption portal TRACK (Tools and Resources for Anti-Corruption Knowledge), featuring a legal database relevant to the UN Convention against Corruption from over 175 States.

[3] According to the Croatian authorities, out of the 39 special interest entities within the competence of the MPPCSA, 27 SOEs adopted internal anti-corruption plans. These were reportedly submitted to the MPPCSA, the Ministry of Justice and published on the SOEs' websites. All 19 SOEs in majority state ownership within the competence of CERP have reportedly adopted internal anti-corruption plans (OECD, 2021b).

3. **Ensure that the anti-corruption programme is consistent with the state's expectations as owner and with local guidance.**

The SOE anti-corruption programme should also align with the state owner's (or other owners') expectations – most often outlined in a state ownership policy where existing – related for instance to responsible business conduct. Other non-shareholding state entities, national committees, industry representatives and non-government agencies may provide important guidance as well. Compliance officers may look to relevant national compliance guidance or guidelines for inspiration and alignment, such as the guide published in 2022 by Serbia's Commission for Protection of Competition entitled *Business In Accordance With Competition Rules*, or the 2021 *Compliance Guidelines* authored by Croatia's Institute for Compliance, Criminal Compliance and Anti-money laundering.

4. **Develop the anti-corruption programme in consultation with (a) employees, (b) employee representative bodies, (c) trade unions, (d) other relevant stakeholders.**

When developing the anti-corruption programme, involving a broad set of employees is key to ensuring commitment from across SOE departments and hierarchical levels. The OECD Handbook (2014) recommends workplace consultations as a mechanism to gather employees' and stakeholders' feedback on the programme. Before starting a stakeholder consultation, the compliance officer should develop interview guidelines supporting the discussions. Depending on the size of the SOE, compliance officers may want to nominate representatives in each stakeholder group to collect feedback. Alternatively, the compliance officer can also collect feedback via questionnaires, allowing also for the opportunity to provide feedback anonymously. As an outcome of the consultation, it would be good practice for the compliance officer to share the aggregate, anonymised results of the consultation(s), e.g. in a meeting open to all staff or via an email to staff outlining how the feedback will help shape the anti-corruption programme.

5. **Avoid the impression of double standards in the interpretation of the policies and procedures outlined in the anti-corruption programme.**

Anti-corruption programmes will only be adhered to intrinsically if they are perceived as fair and that they apply to all employees equitably. Accordingly, it should be explicitly stated that compliance with the anti-corruption programme is mandatory and must apply to all levels, functions and areas of the SOE. Rules and principles must apply to all employees and relevant third parties. A way to ensure an equitable implementation of the programme on all levels is to integrate the rules and procedures into the SOE's anti-corruption programme or the human resources policies.

6. Use language in the anti-corruption programme that is clear and easy to understand.

To facilitate the implementation of the anti-corruption programme, the compliance officer should use accessible language (e.g. simple sentence structures and avoiding the use of acronyms or terms that are too technical for the intended audience). Understanding can be further increased by providing real-world examples, such as case studies, as well as notes and reader's guides to help contextualise generic policies. The programme should be translated into all working languages of employees of the SOE.

STEP 3. OVERSEEING THE ANTI-CORRUPTION PROGRAMME

Oversight of the anti-corruption programme refers to the responsibilities and actions taken to guarantee that the anti-corruption programme is efficiently implemented in the SOE and that employees comply with it, along with business partners if the anti-corruption programme includes specific rules of engagement. While ultimately it is the executive management's and the board's responsibility to oversee and ensure the effective implementation of the anti-corruption programme, responsibilities may be diversified across senior management. Compliance officers could work with senior management to encourage fulfilment of oversight responsibilities across the SOE.

To ensure that responsibilities are assigned across the SOE, compliance officers could adopt the following practices:

1. As permitted, determine or clarify the oversight structure.

Good practice holds that the Executive Director, or equivalent, has the ultimate responsibility for ensuring that an anti-corruption programme is implemented, providing the board with the assurance that an effective programme is in place. Compliance Officers may be delegated certain responsibilities in establishing oversight of the anti-corruption programme and be empowered in turn to assign other responsibilities for oversight to individuals across the company. Whether or not the Compliance Officer is involved in establishing an oversight structure, the compliance officer could formalise an oversight structure in an organisational chart, with a brief description of the oversight responsibilities attributed to each oversight manager, to bring transparency to anti-corruption oversight. The oversight structure could be captured in relevant policies or guidance, such as a specific anti-corruption programme, staff manual or contractual agreements with staff.

2. Secure sufficient resources for overseeing the programme.

Effective oversight of the adherence to the anti-corruption programme requires an adequate time and financial and human resources commitment from senior managers. The compliance officer could provide an estimate report to inform senior management and board members about the resource requirements at different hierarchical levels and associated financial costs of managing and overseeing the anti-corruption programme. Such a report could help to inform a board decision to mobilise the necessary funds, to be reviewed and updated regularly.

3. Build capacity among those tasked with oversight responsibilities.

In order to execute oversight responsibilities, oversight managers must a) understand the relevance of creating a culture of integrity, b) know the specific policies and rules of the SOE anti-corruption programme that employees are expected to adhere to, c) stand ready to answer questions about the programme and d) have the skills to execute their monitoring responsibilities as set out in the programme.

Accordingly, the compliance officer could help the SOE oversight managers develop the necessary skills through tailored trainings, regular communications, and designing measures to encourage and provide positive support and incentives for observing and encouraging implementation of the compliance programmes or measures at all levels of the company (i.e., integrating these tasks in human resources processes). Such trainings could focus on conveying a value set conducive to a culture of integrity, knowledge of the anti-corruption programme, the rules connected to it and the oversight responsibilities of oversight managers as well as the technical skills necessary to identify compliance risk areas and exercise oversight activities and report compliance issues. The trainings could include real cases and allow participants to actively engage and put into practice key elements of the anti-corruption programme.

4. Advocate for Specialised Board Committees.[4]

To advise and support the board in performing its oversight functions, the OECD 2015 Guidelines on Corporate Governance in State-Owned Enterprises and the 2019 ACI Guidelines recommend setting up specialised board committees, where applicable, composed of independent and qualified members. At least all large SOEs should have an audit committee. The most common specialised board committees across OECD countries are audit committees, risk management committees, remuneration committees and committees for ethics, compliance and public procurement. If permissible by law or company bylaws, and of interest to the board, as well as if sufficient human and financial resources are available, the compliance officer could offer assisting the board with establishing a specialised board committee, such as a compliance committee, to provide focused oversight over the anti-corruption programme on behalf of the board.

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[4] A 2017 OECD survey involving over 360 leaders from SOEs around the world found that respondents in SOEs with specialised committees in audit, risk management, remuneration and public procurement rate the likelihood of corruption lower than those whose companies do not have the aforementioned committees (OECD, 2018b). Risk management committees on the board are additionally associated with a lower rate of witnessing corruption or irregular practices in their SOEs than those without risk management committees.

STEP 4. DEVELOPING CLEAR, VISIBLE AND ACCESSIBLE RULES PROHIBITING CORRUPTION

The SOE's anti-corruption programme needs to be grounded in a set of written rules that prohibit corruption and unethical behaviour at the SOE. Prohibiting such behaviours in the anti-corruption programme sends a strong signal regarding the SOE's zero tolerance for corruption. It also serves as a basis for all practical elements of the anti-corruption programme that contribute to the detection and prevention of corruption at the SOE. Finally, the rules are also a reference point for SOE employees when reporting misconduct.

When drafting the rules that prohibit corruption and unethical behaviour, compliance officers could adhere to the following good practices:

1. **Base the rules preventing and prohibiting corruption and misconduct on domestic and international law.**

Grounding the rules prohibiting corruption and misconduct in domestic and international law is essential to align company policies with relevant laws and regulations. To formulate or adequately communicate the anti-corruption rules, the compliance officer should have a strong understanding of their country's Criminal Code and the Articles that cover corruption in the private and public sector, or *Crimes against the economy* as they are classified in Croatia's and Serbia's Criminal Codes, as well as other pieces of anti-corruption legislation covering civil, administrative and other types of sanction for integrity violations. The compliance officer could also draw on the UN Convention Against Corruption (UNCAC) – ratified by both Croatia and Serbia – which references the types of corruption and misconduct that the SOE anti-corruption programme should explicitly reference and ban. The list includes:

a) bribery, b) embezzlement, c) trading in influence, c) abuse of function, d) illicit enrichment, e) laundering of proceeds of crime, f) concealment of proceeds of crime and g) obstruction of justice.

2. **Follow the OECD *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* (1997) and *Recommendation on Further Combating Bribery of Foreign Public Officials in International Business Transactions* (2021c).**

Foreign bribery in business is exceptionally difficult to detect. To best safeguard the SOE from this particular type of corruption, compliance officers should develop an anti-corruption policy that references the OECD *Anti-Bribery Convention (1997)* and *Anti-Bribery Recommendation* (updated in 2021). Importantly, the Recommendation's Annex II includes a *Good Practice Guidance on Internal Controls, Ethics and Compliance,* addressed to companies, including SOEs, for ensuring the effectiveness of anti-corruption programmes in detecting the bribery of foreign public officials. The Good Practice Guidance, which is one of the bases of this manual, should be followed by the SOE compliance officer.

3. Make sure rules preventing and prohibiting corruption and misconduct are fair.

To ensure commitment from employees, all rules and principles covered in the anti-corruption programme should be perceived as fair and be applied equitably to all employees. The rules prohibiting corruption and misconduct are no exception. The rule set should explicitly state that there is zero tolerance for corruption and its types of manifestations, on *all* levels, functions and areas of the SOE including the board level and in interactions with business partners if the programme includes specific rules for suppliers. Further, the rules prohibiting corruption and misconduct should include real-life examples and detailed explanations for all types of corrupt behaviour and unethical behaviour listed under Step 4.1. Publishing the rules on the SOE website would likewise be considered good practice.

STEP 5. DEVELOPING DETAILED COMPLIANCE RULES FOR PARTICULAR RISK AREAS

In addition to developing clear rules prohibiting corruption and misconduct, it is important to introduce rules and practices to cover additional areas of risk relevant to the SOE and the business environment it operates in. The aim of these supplementary rules is inter alia to better protect the SOE by clarifying grey areas that go beyond prohibiting corruption and typical misconduct. When developing such policies for particular risk areas, the same practices as outlined in Step 2.4. may be of use, namely avoiding the impression of double standards in the application of rules and ensuring the rule set is understandable and accessible to staff.

Through its risk assessment process, the SOE will determine the corruption-related risks that lie beyond the company's risk appetite, which can be targeted through measured controls, rules and policies. The OECD's 2019 ACI Guidelines suggest that the following areas are among those that could be high-risk for SOEs: a) investment and divestment by the state, b) human resource management, c) procurement of goods and services, d) board and senior/top management remuneration, e) conflict of interest, f) political contributions, g) facilitation payments, solicitation and extortion, h) favouritism, nepotism or cronyism, i) offering and accepting gifts, j) hospitality and entertainment, and k) charitable donations and sponsorships.

This section elaborates on how a compliance officer might target three particularly common risk areas – facilitation payments, special types of expenditure and conflicts of interest:

1. Prohibit small facilitation payments.

Small facilitation payments, also called "speed" or "grease" payments, are small payments made to secure or fast-track a routine action that the SOE undertakes. They are typically paid to public officials to obtain licences, certificates and other forms of public services. However, such payments can also be made to commercial service providers (such as an electricity or gas provider). Recognising that facilitation payments are prohibited under the anti-bribery laws of most countries, including Croatia and Serbia, compliance officers should clearly define them and explicitly prohibit them in the anti-corruption programme to protect the SOE.

2. **Limit and ensure effective oversight over special types of expenditures, including gifts, hospitality, travel and entertainment, political contributions, charitable contributions and sponsorships.**

While it can be important for an SOE to be able to cover smaller travel and hospitality expenses and give appreciation gifts when visiting or welcoming a business partner, these expenditures should remain small to avoid any risk of being perceived as corruption. When developing the rule to limit this corruption risk, compliance officers should strictly follow domestic anti-corruption laws and international standards. Relevant to compliance officers are two international sources, Transparency International's *Business Principles for Countering Bribery (2013)* and the *PACI Principles for Countering Bribery (2005)*, that recommend that the anti-corruption programme "prohibit the offer, giving or receipt of gifts, hospitality or expenses whenever they could influence or reasonably be perceived to influence the outcome of business transactions". Further, the compliance officer should develop appropriate price caps for each category and properly record them in the SOE's books and records.

3. **Prevent and detect conflicts of interest:**

The OECD's SOE-related instruments recommend that mechanisms are implemented to avoid conflicts of interest that would prevent board members from objectively carrying out their board duties and to limit political interference in board processes (OECD, 2015; 2019). Conflicts of interest may also arise for Executive Directors or other members of executive management where the state owner appoints and renews their mandates. The compliance officer could help develop a set of rules that limit the negative consequences of conflicts of interest which can include a) favouritism (in the forms of nepotism, cronyism and patronage), b) biased decision-making and c) catering to political interests that are self-serving or service a personal interest group counter to the SOE's objectives. In a dedicated policy, the compliance officer should define sources of conflicts of interest (including personal and political ties) and could introduce the requirement for all employees, or at minimum board members and senior management, to declare all existing or potential conflicts of interest before taking up a position, and during their tenure whether on a consistent basis (e.g. whenever conflict of interest situations appear) or for particular activities (e.g. large transactions).

STEP 6. ENSURING SUBSIDIARIES AND BUSINESS PARTNERS ARE COMMITTED TO THE PREVENTION OF CORRUPTION

The OECD's 2019 ACI Guidelines recommend that SOEs make their internal control, ethics and compliance measures applicable to all levels of the corporate hierarchy and all entities over which a company has effective control, including subsidiaries, as well as business partners. Indeed, while engaging with business partners is a necessity for most SOEs, business relationships can come with corruption risks that should be addressed by any anti-corruption programme. Ensuring subsidiaries and business partners act with integrity is crucial for SOEs that control or engage with companies with lower anti-corruption standards, as they can expose SOEs to the risk of corruption charges on behalf of their business partners.

Regarding business partners, the compliance officer could look to OECD Good Practice Guidance and define business partners broadly to encompass "partners, sub-contractors, franchisees, investee companies, clients, and joint venture partners, entities in the supply chain which supply products or services that contribute to the enterprise's own operations, products or services or which receive, license, buy or use products or services from the enterprise, and any other non-State or State entities directly linked to its operations, products or services" (OECD, 2023). To ensure that the SOE's anti-corruption programme is applied to its business partners, the compliance officer could:

1. **Conduct properly documented, risk-based due diligence.**

Due diligence refers to the investigation or exercise of care that a responsible enterprise is expected to take before entering into an agreement or contract with a partner. Similar to a risk assessment, this may entail a) an analysis of legal, financial and corporate background of contractors, b) cross-checking owners and directors, c) looking up partners and affiliates in anti-money laundering and anti-terrorist financing databases, d) adding integrity clauses into contracts. To be able to efficiently take on this task, compliance officers should consider completing a due diligence training course which is offered by a range of public or private training providers. When conducting due diligence, SOEs should consider giving special attention to identifying potential or current partners with conflicts of interests and actors with parallel positions. If compliance officers detect misconduct by a business partner, they should inform executive management and, depending on the nature of the findings, the board, in order for an appropriate course of action to be taken. This may commonly be to abandon the business relationship, but there are risk mitigating actions, such as requesting a formal, written statement from the partner committing to follow the SOE's anti-corruption programme or participate in anti-corruption trainings.

2. **Engage in collective action to improve standards for compliant conduct.**

Collective action can be a highly effective way for SOEs to fight corruption and foster integrity. The 2021 OECD Anti-Bribery Recommendation highlights the value of anti-bribery collective action and partnerships between the private and public sector for fighting bribery and corruption. The compliance officer could consider opportunities for collective action, including peer-to-peer trainings among colleagues across different enterprises. For example, knowledge could be exchanged on mechanisms for misconduct detection. Further, SOEs could work with their shareholding entities to encourage introducing high standards of business integrity for all SOEs. Good practice SOEs could demonstrate their leadership by sharing information about their anti-corruption measures with their subsidiaries or business partners, including SMEs, by for instance convening regular round tables or launching joint initiatives.

3. **Encourage business partners to adopt an equivalent anti-corruption programme to prevent, detect, investigate and remediate corruption and misconduct.**

The anti-corruption programme should apply to all employees of the SOE and relevant business partners (i.e., agents and other intermediaries, consultants, representatives, distributors, contractors and suppliers, consortia, and joint venture partners). The level of success of the SOE's anti-corruption programme's implementation and the implementation of good practices in SOEs and amongst SOE business partners will depend on the relationship the SOE has with each partner. In cases where the SOE has a significant business relationship with a partner, the compliance officer should seek a reciprocal commitment to anti-corruption measures and ask the partner to formally adopt better standards, for example in a *Terms of Reference* agreement or through an Integrity Pact. In other cases, they can raise awareness among partners by sharing materials on the risks associated with a lack of compliance, on the SOE's anti-corruption programme or measures for preventing and detecting bribery, on the domestic anti-corruption framework and on international good practices.

STEP 7. STRENGTHENING INTERNAL CONTROLS AND RECORD KEEPING

Ensuring high levels of integrity in an SOE, especially in areas more prone to unethical behaviour such as financial reporting and public procurement, is essential. In order to minimise corruption risks in day-to-day operations and prevent non-compliance with the anti-corruption programme, and thus relevant laws, financial and non-financial controls should be established. The compliance officer should assist management in this process with the aim to ensure the maintenance of fair and accurate books, records and accounts and to ensure that they cannot be used for conducting or hiding corrupt acts. This may be done voluntary, in line with company-specific risks, or it may be done in accordance with legislative requirements (e.g. Croatia's 2019 *Law on the System of Internal Controls in the Public Sector*). Such controls are the mechanisms and processes that can protect an SOE from fraud and corruption. Some common internal controls are approval limits, payment monitoring, restricted access to sensitive information, staff performance reviews and objective setting, activity reports, payment caps and supplier assessments.

A key to having strong internal controls is record keeping which refers to maintaining complete, accurate and reliable evidence of business transactions in the form of recorded information. Reliable records are needed both for routine reviews of internal controls and for identifying irregularities in SOEs.

Given their knowledge on the SOE risk areas and its business environment, the compliance officer is in a position to recommend to senior management the internal controls that could best protect the SOE and its employees. When developing internal controls for the anti-corruption programme, the compliance officer could consider doing the following:

1. **Nominate oversight managers for each internal control area.**

Depending on the size of the SOE, executive management and compliance officers may benefit from delegating tasks to designated departments, such as risk management, finance or public procurement. Delegation may be useful for highly technical measures, e.g. executing financial and organisational checks and balances over the SOE's accounting practices.

2. **Consider a measured approach in the establishment of internal controls.**

Establishing a balanced internal control system is key to ensuring that rules are adhered to at the SOE, while granting adequate levels of employee autonomy and motivation. Excessive controls can have a negative effect on the SOE by fostering a culture of distrust and delaying business processes. On the other hand, insufficient controls leave a company vulnerable to corruption and misconduct. Compliance officers should keep in mind the need for controls to be measured and balanced, and logically follow the importance of the risk as determined in the risk assessment process. They could in particular identify areas where risk is low, e.g. supervisors may not need to approve smaller expenditures or job descriptions may be interpreted flexibly to allow staff to take on ad-hoc tasks. Likewise, compliance officers could detect areas in need of strict controls, e.g. senior level background checks to prevent conflict of interest or monitoring sanctions against anti-competitive business partners.

3. **Consider the application and balance of IT-based and manual controls.**

Reducing corruption risks at any enterprise often requires a combination of programmed IT controls such as online forms with set deadlines or maximum expenditure claims, and physical checks such as manual bank account reviews or assessment of an external service-provider. The compliance officer could review the level of digitalisation at the SOE and map out the potential for digitalising certain physical controls to increase levels of efficiency and transparency at the SOE. If the level of digitalisation at the SOE is low, the compliance officer may suggest to senior management hiring an external IT consultant to set up and improve the existing online architecture.

4. Support internal and external auditors in their evaluation of the reliability of internal controls.

The internal audit department, where existing, should be an autonomous function within the SOE which provides objective assurance and consulting that helps the SOE to improve its operations and meet its objectives by evaluating the performance of risk management, internal control and governance, and reports to the board (OECD, 2015). Internal audits are essential as they provide the compliance officer, and eventually the board, with a degree of independent assurance that components of the anti-corruption programme are operating efficiently. The compliance officer may assist auditors, internal and external, in the review process by providing data, reports and supplementary documents. Compliance officers can themselves be audited by an auditor to make sure that they are following good practices and fulfilling their role under the rule of law and according to the SOE anti-corruption programme.

5. Aggregate formal rules outlining procedures to maintain accurate books and records.

Determining whether the SOE's system of internal controls is reliable requires accurate data that is stored in books and records. Most SOEs will be required by law to keep some form of written financial records that classify and explain their financial position and performance and allow for the preparation of financial statements and their audit. However, ensuring records are accurate and consistent can be a challenge. While providing assurance over the accuracy and adequacy of financial accounting and record-keeping is primarily a job for internal audit, the compliance officer may play a role in encouraging those responsible to maintain accurate books and records. The compliance officer may aggregate record-keeping rules and supporting procedures in one company-internal policy document, to highlight the requirements for the SOE as established in law, regulations or policies bearing on the SOE, and may further consider international good practices by international standard-setting bodies, particularly regarding audit, accounting and reporting. UNODC (2013), recommends including the following core elements in the record keeping policy:

Guide to Accurate Books and Records

✓ All transactions, assets and liabilities should be recorded on time, chronologically and supported by original documentation.
✓ All transactions should be recorded only in the official books of the company. Off-the-books accounts should be prohibited.
✓ Books and records must be safeguarded to prevent intentional or unintentional destruction, improper or unauthorised alterations, or disclosures.
✓ Books and records should not be destroyed prior to the expiry of any time limit imposed by legal regulations.
✓ Every transaction should be purposeful and consistently recorded from origin to completion.
✓ Digital records should be kept in a form that is non-erasable and non-rewriteable.

Box 1. Guide to Accurate Books and Records (Adapted from UNODC, 2013).

STEP 8: COMMUNICATING WITH AND TRAINING EMPLOYEES

Establishing an SOE culture with zero tolerance for corruption is a company-wide effort. Previous steps emphasised the need for trainings for senior and middle management, for targeted categories of employees more likely to be confronted with corruption risks, for subsidiaries and for business partners. However, to ensure the full implementation of the anti-corruption programme at the SOE, all employees must be aware of the policies and procedures detailed in it and must also have the knowledge to identify and counter corruption and unethical behaviour. Compliance officers are in a position to organise regular communication and training activities across the SOE, and its subsidiaries, and involve business partners to increase awareness and secure commitment to the following compliance rules.

To implement an effective communication and training strategy, compliance officers can do the following:

1. **Consider making anti-corruption trainings readily available and compulsory for new employees.**

To ensure all employees follow the standards set in the anti-corruption programme, the compliance officer could make an ethics course a compulsory part of staff onboarding. Whether moving into a new position prone to corruption risks or joining the SOE, it would be important to go through the training. The compliance officer could develop a course that teaches participants the values conducive to a culture of integrity, as well as the practices and rules outlined in the anti-corruption programme. In terms of skills, the focus would be on technical skills necessary to identify corruption risk in day-to-day work, including in own actions, and to report misconduct appropriately. Typical elements of such a course include real case studies, a short presentation of anti-corruption rules and mechanisms, group discussions and a written test to assess acquired knowledge and to provide feedback. In larger SOEs, compliance officers could benefit from virtual classroom platforms to train large numbers of employees in a single session.

2. **Invest in reaching employees and business partners with high exposure to corruption risk.**

Training all staff within the company, especially a large one, in the same way would require substantial resources and would not be most effective, running the risk of such training amounting to a tick-the-box exercise. To optimise training effectiveness, the compliance officer could develop specific training for categories of employees and business partners who are more likely to be exposed to corruption risk, such as procurement officers, auditors, other employees with functions more likely to expose them to corruption, identified as part of the corruption risk assessment. If the budget allows, the compliance officer could consider periodically inviting external compliance experts to lead certain trainings where internal expertise may be lacking and use trusted training materials that are available free of charge.[4]

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[5] For example, the e-learning platform The Fight Against Corruption, developed by UNODC and the United Nations Global Compact, offers learning modules on key topics like facilitation payments, working with middlemen and lobbyists. The OECD's Compliance without Borders is another internationally-recognised programme providing practical capacity building to SOEs and mutual learning opportunities for the private sector.

3. Regularly communicate key messages to employees.

Regular communication to employees plays a key role in increasing awareness and obtaining commitment to the anti-corruption programme. One of the ways the compliance officer can amplify the SOE's anti-corruption message is to maintain a steady line of communication with staff. The compliance officer can regularly update employees (for example via email) about compliance programme implementation activities at the SOE, circulate audit and evaluation results and highlight the anti-corruption achievements and challenges. It is also good practice to describe risk assessment procedures (e.g. how often they are carried out, who is in charge, which parts of the company are covered, how results are dealt with).

Another way to spread key messages among staff is to capitalise on current events when there is increased interest in the topic. Common times when interest is heightened is when corruption incidents dominate the media, on International Anti-Corruption Day (9 December), or during times of disruption such as the COVID-19 pandemic. When such events occur, the compliance officer could work with the Executive Director on publishing the SOE's position on a certain topic or highlight achievements that contribute to the conversation that would be shared with employees via email and uploaded to the SOE's home page.

4. Disseminate information about the SOE's anti-corruption efforts to non-company stakeholders.

To set an example to other SOEs and raise awareness about integrity issues in wider society, the compliance officer may consider communication activities that go beyond their core compliance role. For example, they could rely on news outlets, the SOE website, newsletters and social media to share the SOE's anti-corruption message. Newsletters may be particularly well suited to share good practices with business partners. Further, it is good practice for the entire anti-corruption programme to be publicly available on an easily accessible SOE webpage, along with monitoring reports. If the SOE has a social media presence, content on anti-corruption efforts could regularly be included. Finally, the key feature of a successful communication campaign is continuity, so the compliance officer might wish to pay attention to how often information is shared and whether existing materials are up to date.

STEP 9: PROMOTING AND INCENTIVISING ETHICS AND COMPLIANCE

A common issue in SOE compliance is that enterprises develop an anti-corruption programme in line with good practices but do little to encourage employees and business partners to comply with its norms. In addition to communication and training, the compliance officer can implement incentive schemes such as financial rewards or special recognitions as a mechanism to support the adherence to integrity standards. Incentives are a concrete way for SOEs to send strong signals to employees and partners about what the SOE values and expects from employees and business partners.

When recommending the introduction of compliance incentives to senior management, the compliance officer should consider the following:

1. **Encourage and provide positive support and incentives.**

The compliance officer has both financial and non-financial incentives at hand to encourage compliant behaviour. Effective financial incentives for employees can include smaller pay increases, bonuses, promotions, gifts or vouchers. Financial rewards for business partners can consist of preferred access to business opportunities and preferential commercial conditions. On the other hand, non-financial rewards can include recognition awards for individual employees, SOE departments and business partners, access to executive education courses or acknowledgment by senior management. It is important for the compliance officer to include both financial and non-financial incentives since, although financial incentives tend to be more effective, relying heavily on them can be perceived negatively by staff, in the same way a bribe would be.

2. **Introduce objective criteria to ensure fairness.**

To be effective, it is critical that incentives, where they exist, are perceived as fair amongst employees and business partners. For each proposed incentive, the compliance officer should develop objective criteria that would be used to evaluate stakeholders and transparently select recipients of the rewards. Furthermore, the compliance officer should propose a mix of measures that allow employees and business partners on different hierarchical levels to participate and receive recognition. If schemes only apply to certain departments or are limited to high-level positions, they can be perceived as unfair and be counterproductive to fostering a culture of integrity at the SOE. Likewise, incentives for partners that favour large businesses would undermine SMEs and lead to negative perceptions.

3. Encourage whistleblowing.

Whistleblowers, or people who report misconduct or fraud – reporting persons, are key to detecting corruption in the state-owned sector. However, reporting misconduct can be a daunting undertaking as it can lead to professional, financial and psychological harm for the whistleblower. Introducing and publicising processes whereby whistleblowers can report suspected violations or misconduct encourages a culture of openness and accountability within the SOE. This empowers individuals and creates an organisation that rejects wrongdoing (OECD, 2022d).

In order to encourage individuals to report misconduct, the compliance officer can introduce further incentives, ranging from tokens of recognition to financial rewards. The latter can include covering living costs and legal expenses following retaliation in line with the national whistleblowing law, i.e. the Law on Protection of Persons who Report Irregularities in Croatia and Law on Whistleblower Protection in Serbia. If the compliance officer considers proposing additional financial rewards such as bonuses, a thorough risk assessment should be undertaken to eliminate the encouragement of false claims at the SOE. Evidence on the effectiveness of financial rewards for whistleblowers remains mixed, however, some proven advantages are reducing stigma at the workplace and lowering spending on internal investigations (Kasperkevic, 2015). Providing feedback to whistleblowers, within the confines of the SOE's internal policies and procedures, is also essential, so that whistleblowers understand how their disclosure has been handled and dealt with.

STEP 10: DETECTING AND REPORTING VIOLATIONS

Reporting persons play an essential role as a source of detection of corruption. Channels for reporting corruption, and protections for those who report, should be key part of every anti-corruption programme. Once an anti-corruption programme is implemented, although counterintuitive, an increased number of detected violations, especially for minor irregularities, is an expected outcome that benefits the SOE, demonstrating the programme's effectiveness.

The compliance officer can play a central role in establishing effective reporting frameworks and protections for reporting persons, and ensuring that these frameworks and protections work in practice. To best guide employees, and where appropriate business partners, the compliance officer should consider the following:

1. Provide safe reporting channels and whistleblower protection.

Given the importance of reporting persons in identifying misconduct, protecting them should be a priority at the SOE. The compliance officer should set up and raise awareness of the reporting mechanism, which should allow for anonymous reporting. First, the compliance officer should include a dedicated rule in the anti-corruption programme according to which no employee will suffer retaliation (i.e., demotion, penalty, or other adverse consequences) for reporting misconduct. Second, the compliance officer should set up a mechanism that includes a designated ombudsperson or an anonymous reporting channel such as a hotline and designated email address. The ombudsperson should have the resources and capacity to guarantee confidentiality without repercussions and provide guidance and follow-up until the case is closed. Finally, the compliance officer must ensure the reporting mechanism complies with the national whistleblowing law, i.e. the Law on Protection of Persons who Report Irregularities in Croatia and Law on Whistleblower Protection in Serbia (OECD, 2022d). [5]

According to the ACI Guidelines, in the absence of timely remedial action or in the face of a reasonable risk of negative employment action, whistleblowers should be encouraged to report to national authorities and be protected in law and practice against all types of unjustified treatments as a result of reporting concerns.

2. Provide confidential and urgent advice.

Employees may be in doubt as to how to adhere to SOE compliance rules when taking corporate decisions or evaluating their colleagues' actions. To help employees apply the anti-corruption programme in practice, the compliance officer can provide guidance and advice across stakeholder groups. The compliance officer should be available for directors, officers, employees, subsidiaries without their own compliance officers and, where appropriate, business partners, to clarify particular SOE anti-corruption rules. Urgent and confidential advice on sensitive topics should be offered via an internal hotline or a dedicated email address. Regularly communicating via emails and at in-person meetings that one-on-one calls are a service the compliance team offers is equally important to encourage stakeholders to reach out.

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[6] Section XXII of the Recommendation on Further Combating Bribery of Foreign Public Officials in International Business Transactions (OECD 2021a) provides an additional 14 recommendations to protect reporting persons that may be useful to a number of SOEs in Croatia and Serbia.

3. Rely on internal and external detection sources.

To establish a thorough system for misconduct detection, the compliance officer should use a number of internal and external sources to detect and cross-check violations. The below box outlines common internal and external sources for detection that the compliance officer should consider checking:

Internal sources for detecting possible violations or irregular practices	External sources for detecting possible violations or irregular practices
• Internal controls • Internal investigations • Internal audit • Internal Ombudsperson	• External auditors • Concerns from external parties • Media reports • External Ombudsperson

Table 2. Internal and external sources for detecting possible violations (Adapted from UNODC, 2013).

STEP 11: ADRESSING VIOLATIONS

When violations of anti-corruption rules are reported or detected at the SOE, it is crucial to address them and demonstrate zero-tolerance for corruption to employees and business partners. It is equally important to comply with national legislation and applicable international norms and provide the necessary cooperation to the relevant authorities. How an SOE addresses violations or irregular practices determines the credibility of its anti-corruption programme. In order to deal with violations appropriately, companies should establish clear and transparent disciplinary rules in the anti-corruption programme. Compliance officers should develop a list of sanctions to be at Human Resources' (HR) disposal, along with the procedures used to determine the appropriate sanction in an effective and proportionate way.

When developing disciplinary rules, the compliance officer should underline its applicability to all employees and, where appropriate, business partners while considering the following:

1. Develop appropriate and consistent disciplinary measures and procedures to address violations and misconduct, at all levels of the company.

Disciplinary measures and the procedures for applying to individuals or businesses that violate laws and regulations should be clearly set out in the SOE's anti-corruption programme. When drafting the list of measures, the compliance officer should ensure that a) all are in compliance with applicable domestic laws, b) their severity is proportionate to the violation, c) they are applicable in practice. Anti-corruption programmes can set out financial and non-financial measures, i.e. a mix of sanctions such as forfeitures of compensation, transfers to another position, dismissals, or a termination of the contract.

2. Map out clearly the investigative process within the SOE.

It is important to draft clear procedures and responsibilities for violations to ensure a fair and transparent response and avoid subjective or arbitrary decisions (OECD, 2021a; UNODC, 2013). The compliance officer should cover the following points in the guidelines document: a) criteria for the determination of the level of severity of a violation (scale, scope, whether it was an attempt or a completed act, whether the perpetrator has a history of misconduct), b) mitigation of the sanction for self-reporters (e.g. reduction of sentence or amnesty programme), c) processes and regulations that are to be observed during the investigation (e.g. data protection rights, labour laws), d) external cooperation with authorities, and e) opportunity for the accused to appeal. The compliance officer should include the guidelines in the publicly available SOE anti-corruption programme.

3. Collaborate with national anti-corruption bodies and/or law enforcement agencies.

Respecting domestic laws, the SOE will need to cooperate appropriately with relevant authorities in connection with corruption cases that demonstrate a criminal offence has been committed. The cooperation benefits the SOE by bringing in national anti-corruption investigators who may speed up the resolution of cases. On the other hand, national anti-corruption authorities benefit from this cooperation by learning from each case and becoming more effective in future investigations. The compliance officer should participate by self-reporting internal information or sharing information regarding business partners when violations are detected. The compliance officer should also support the entire investigation by disclosing additional relevant information or by providing investigative resources. The principal authority that the compliance officer should contact in Croatia is USKOK or Office for the Suppression of Corruption and Organised Crime, and in Serbia it is the Public Prosecutor Office.

STEP 12: REVIEWING AND EVALUATING THE ANTI-CORRUPTION PROGRAMME

Periodic reviews and evaluations keep SOE policies and mechanisms effective. They also allow for adapting the anti-corruption programme to changes, including in the legislative environment. Reviews require compiling information on individual elements of the anti-corruption programme and analysing them against criteria that determine whether they are effective and whether they still comply with the law and evolving good practices. Reviews may be done annually or biannually, or on the occasion of specific events (e.g. occurrence of violations, changes in legal environment or business operations, or in times of crises).

For instance, a review can be the annual assessment of a specific mechanism such as the misconduct reporting channel. An evaluation is the analysis of the results of the reviews from across the SOE and is undertaken less frequently. If according to the oversight structure, the board and the Executive Director have the responsibility to author the evaluation of the anti-corruption programme, the compliance officer would be responsible for the groundwork leading the review process: collecting and analysing relevant data and conducting stakeholder interviews.

To effectively carry out the review process and support the evaluation, the compliance officer could:

1. **Define scope for evaluation and criteria.**

To ensure the anti-corruption programme remains effective, a clear scope for review and evaluation needs to be defined. The scope refers to the elements that need to be regularly reviewed and evaluated, i.e. all anti-corruption mechanisms, rules and practices outlined in the anti-corruption programme. In addition, the compliance officer could introduce common criteria against which each element can be judged. These include a) effectiveness, b) efficiency and c) sustainability. Once the reviews have been collected, the evaluator (senior management or compliance officer) can operationalise the set criteria to determine whether the anti-corruption programme is able to meet its core objectives, mainly a) misconduct prevention, b) misconduct detection, and c) alignment of SOE internal policies with laws, rules, and regulations.

2. **Rely on reviews that are already available at the SOE.**

Synthesising findings from all SOE departments represents the ground work needed for an evaluation. Before requesting any additional reports from departments or oversight managers, it is best if the compliance officer accesses and reviews available internal documents to identify gaps, weaknesses or improvement opportunities for the anti-corruption programme. Some of the most common sources of information the compliance officer could gather include a) results of internal monitoring of relevant practices (including internal controls), b) results of internal and external audits, c) feedback from stakeholders if available, and d) comparisons with enterprises in the same sector.

3. **Allow stakeholders to continuously provide feedback on the programme.**

Step 2.2 emphasised that the anti-corruption programme is best developed in consultation with multiple SOE stakeholder groups to allow for diverse viewpoints to be reflected in the final product. However, stakeholder involvement should not end once the programme design has been approved. Continuous feedback is a crucial element that helps detect potential weaknesses and shortcomings and ensures the programme continues to adapt to changing legal frameworks and demands. The compliance officer must thus ensure that a mechanism for continuous feedback is in place. Several channels to consider include a dedicated complaints page, online surveys sent via email and/or follow up in-person consultations with staff representatives and employees.

4. Stay abreast of changes to the business environment.

SOEs need to consider that some changes in their political and business environment may have an impact on the anti-corruption programme and adapt accordingly. For instance, governments may adopt new legislation that requires the disclosure of previously unreleased information; or competitors and business partners may introduce good practices that should be followed. Global challenges and technological, societal and other trends also tend to cause change across sectors, as was the case with the COVID-19 crisis whose effects on compliance were studied in the OECD paper on *Anti-corruption Compliance in Times of Crisis* (2022b). To stay abreast, the compliance officer should follow the developments emanating from government agencies such as the national competition authority or business associations (e.g. a chamber of commerce), regularly attend compliance seminars, as well as engage in collective action with other SOEs and competitors to exchange information and set standards.

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MANUAL FOR COMPLIANCE OFFICERS IN CROATIA AND SERBIA
FAIR MARKET CONDITIONS FOR COMPETITIVENESS PROJECT

High levels of corruption and lack of transparency are key constraints to economic growth in many countries worldwide. Due to their significant role in the economies of Croatia and Serbia, State-Owned Enterprises (SOEs) have been identified by Project stakeholders as a priority sector for anti-corruption reform. This Manual has been developed to help compliance officers in Croatian and Serbian SOEs to introduce or strengthen their anti-corruption programmes. It is designed as a practical, easy-to-reference tool offering a variety of practices that an SOE could consider implementing.

The manual is one output of the OECD project to promote fair market conditions for competitiveness, which is supported by the Siemens Integrity Initiative. Through Collective Action, government officials from the region as well as business leaders, anti-corruption experts and practitioners, civil society representatives and academics have engaged to jointly enhance integrity and transparency.

These efforts are part of the engagement of the OECD South East Europe Regional Programme, which has been collaborating with the region since 2000 to advance private sector development, improve the investment climate and raise living standards for an inclusive and sustainable future for the people of South East Europe.

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