

Address to NALED Annual Assembly, 11 April 2014

Mr Chairman, members of the board, members of NALED.

It is an honour for me to be here today in this role. I believe the creation of an Ethics Committee is an important development for NALED, and for Serbia, and I will take just a few minutes of your time to explain why.

First just a brief word to introduce myself. I spent most of my working life in Denmark, which for me is a country that can always be used as a reference point for good organisation, clean, efficient, service-oriented government and social solidarity. I have worked in Serbia on and off since 1993, first in the UN and EU, then since 2001 with my wife running our own company, Halifax Consulting, which is based in Belgrade and works in two separate fields: development consulting and translation. I can assure you, we know exactly how easy it is to do business in Serbia. My children go to school here, and I would like to see them find a reason to stay when they grow up.

We have been members of NALED since we learned of its mission and the effectiveness of its work, and we are proud of this membership. NALED is one of the few member-based organisations in this part of the world that genuinely tries to further our common interests as a society, rather than the narrow interests of each member. That is also why it has been so successful.

I believe that the loyal members who have long supported NALED are far-sighted people who understand that doing business is not what economists call a zero-sum game. What does that mean? It means that there is no fixed size of cake that we have to divide between us, rather that our common efforts can make the entire cake bigger so that there are increasing shares for everyone. If you apply that analogy to Serbia, it is not hard to see that we *have* to bake a bigger cake, because fighting like cats over how to split an ever-diminishing one will not help.

The shared perspective of those who participate in such an undertaking is self-seeking only in that its goal is a more prosperous society for all of us. It is a broad, long-term perspective, that seeks to improve the prosperity of the whole of society. It is an investment in the future, an investment in our children.

NALED's mission is to improve the business environment. But one of the most important features of a good business environment is this: good business is based on trust.

Will you sell me a product if you think I won't pay you? Do you think that I will pay you beforehand if I don't think you'll deliver? Of course not, entering a transaction has to be based on trust in all normal situations. Where trust is lacking you *can* design safeguards, but they consume time and cost money, reducing competitiveness and stifling innovation.

It is not by chance that the countries like Denmark that lie at the top of the EuroBarometer anti-corruption survey or Transparency International's Corruption Perception Index are also among the richest countries anywhere, and those that provide a good life for their citizens in all aspects. Ethical behaviour, and a common understanding of ethical standards are an integral part of good conditions

for doing business.

What do we mean by the ethical standards of a society? I'm not suggesting any religious view of morality, just a practical one. I suggest the following definition: it is simply how we expect others to behave. It's easy: if we expect others to behave well, we are more likely to do so ourselves. Conversely, if we expect others to behave badly, then we lose the feeling of moral obligation to behave well ourselves. Without this feeling, it would be foolish to expect the average citizen to obey the law. He'll think: "if everyone else breaks the law and I don't, they'll just take me for a fool". Who wants to be a fool?

Good regulations and good enforcement are needed, but they will not work without a suitable ethical climate – that is, the general expectation among citizens that others will, for the most part, obey the regulations and behave correctly.

People must come to expect that, for example, their taxes will be well spent by the government, that public tenders are fair and that politicians do not abuse their offices for private or party gain. Only then will they feel the moral obligation to behave correctly themselves: to pay taxes, to refrain from bribing the tender committee, to obey the law. And only then can we create a good environment for doing business.

How are citizens' expectations at present? Pretty cynical, I would say, and with reason. After decades of seemingly ever-increasing corruption at the very top, expectations need rebuilding, and this will take time. The task is difficult, though not impossible. But it has to start somewhere - good examples are needed.

Now, we have just seen a general election in which the winner has been given an unusually massive mandate. The success of its election campaign was largely based on an anti-corruption message, so this is also the basis of the mandate. Listening to the messages expressed by the probable new Prime Minister, we should expect systematic attention to this issue, with a focus on the conditions for doing business together with the strong example of ethical government that is needed.

But governments everywhere need help from other actors in society. NALED's task of improving the business environment is an important support to government policy making, providing as it does an independent view, based on its members from all sectors of society: the private, civil and public sectors.

In creating an Ethics Committee, NALED is moving the subject of ethics up the agenda of improving the business environment, drawing attention to the importance of ethical behaviour for doing business. But by making this move, NALED is also stating that it will not only advocate the right measures, but will take the lead in seeing them implemented, so that it cannot be accused of hypocrisy. Like Gandhi, it is *being the change it wants to see*: underlining its nature as not only a technically effective organisation but also as a morally upstanding one that believes in a brighter future for coming generations.

NALED already has a Code of Ethics that we have signed up to by becoming members, you will find it in your folders.

The task of the Ethics Committee will be to examine ways of promoting compliance with this code, of fostering debate on its relevance to improving the

business environment, and what this means in practice. The Committee should address NALED's internal working procedures, but also look for opportunities to promote ethical governance in general, both corporate and public.

NALED has achieved unprecedented success in promoting regulatory standards. Placing their implementation in an ethical context is a logical next step towards a good business environment.