

OECD Centres

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PAC/COM/NEWS(2006)14

Paris, 9 June 2006

OECD offers guidance for multinationals in “weak governance” zones

Multinational enterprises investing in countries characterised by weak or non-existent government need to take special care in handling a range of risks and ethical dilemmas not usually encountered in countries with stronger governance arrangements. A new *Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones* from the OECD is designed to help them.

Around 900 million people, or approximately 15 per cent of the world's population, live in so-called 'weak governance' zones, particularly in sub-Saharan Africa, where governments are unwilling or unable to assume their responsibilities in relation to public administration and protecting human rights. The OECD Risk Awareness Tool is designed to help companies to think about the risks and dilemmas they may face in such zones and how they can respond to them.

The Risk Awareness Tool was developed as part of work by the OECD Investment Committee, which groups all 30 OECD countries and a number of non-OECD participants. It also responds to a request by participants in the 2005 G8 Gleneagles Summit which called for "OECD guidance for companies operating in zones of weak governance."

One of the OECD Investment Committee's principal instruments is the OECD Guidelines for Multinational Enterprises, a government-backed code of conduct for international business widely used as a yardstick for responsible business conduct, including in developing countries. Consistent with the objectives and principles of the Guidelines, which are voluntary rather than binding, the Risk Awareness Tool is non-prescriptive but sets out a range of questions for companies to consider in such areas as: 1) obeying the law and observing international instruments; 2) heightened care in managing investments, 3) knowing business partners and clients; 4) dealing with public sector officials; and 5) speaking out about wrongdoing.

The countries responsible for drawing up the Risk Awareness Tool recognise that building governance and economic, political and civil institutions is the task of the political leadership and the citizens of the countries concerned: only they can formulate and implement necessary reforms. But multinational enterprises operating in such countries have influence, and the Risk Awareness Tool can help them avoid actions that may hinder efforts to build better governance while at the same time encouraging them to consider whether there is a positive role they can play.

The Risk Awareness Tool has benefited from inputs from business, trade unions and civil society representatives from both OECD and non-OECD countries and economies. It also draws on the work of other OECD bodies, notably in the areas of public governance, anti-corruption and development assistance for conflict prevention. In the next phase, business and stakeholders will work with the OECD to identify sources of practical experience in meeting the challenges that it addresses.

For further information, please contact Kathryn Gordon of the OECD's Investment Division, which serves as secretariat to the OECD Investment Committee, + 33 1 4524 9842 or kathryn.gordon@oecd.org. The Risk Awareness Tool can be downloaded from the OECD website at: www.oecd.org/daf/investment/guidelines

JT03210547

OECD Media Relations

General Inquiries: Tel. (33) 1 45 24 97 00 - Fax. (33) 1 45 24 80 03/94 37 · **Research & Documentation:** Tel. (33) 1 45 24 80 88/80 89
www.oecd.org/media · **E-mail:** news.contact@oecd.org

Organisation for Economic Co-operation and Development, 2 rue André-Pascal, 75775 Paris Cedex 16, France · Tel. (33) 1 45 24 82 00 - Fax. (33) 1 45 24 85 00
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