

# **Incentivizing Third Parties**

## **Lessons from Asia and Africa on Launching Compliance Programs for Mid-Sized Firms**

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### **PRESENTERS**



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## INTRODUCING CIPE



- **Founded in 1983, affiliate of the U.S. Chamber of Commerce**
- **Funded primarily by the U.S. Government**
- **Active in 50+ emerging markets**

- **Thought leader on anti-corruption issues worldwide:**
  - **CORPORATE GOVERNANCE:** a prerequisite for effective compliance
  - **ANTI-CORRUPTION:** building better business environments
  - **LOCAL PARTNERS:** through field offices and local partners, CIPE's anti-corruption strategy is grounded in the local environment

## TODAY'S PARTICIPANTS



### Who are you?

- **International experience: Africa, Americas, Asia, Eurasia, MENA?**
- **Non-FCPA, UKBA or other experience?**
- **Investigations of compliance violations?**
- **Due diligence in emerging markets?**

## TODAY'S PRESENTATION



- **MOTIVATING** mid-sized businesses in emerging markets—based on hands-on experience in Thailand, Kyrgyzstan, and sub-Saharan Africa
- **LOOKING** at the challenges specific to mid-sized businesses as they strive to meet global standards and build effective compliance programs
- **TAILORING** risk assessment-based training to the local business environment and economic sectors

5

## CIPE'S APPROACH TO CORRUPTION



- **Corruption occurs everywhere, but the magnitude and the impact on everyday life is different**
- **Corruption is not a transactional problem (i.e. exchange of bribes) - it is an institutional problem**
- **Anti-Corruption & Governance Center launched in 2018 to take a holistic, integrated approach to programs in about 20 countries**

**The private sector can be part of a solution to the corruption problem, but how to start?**

**There is no one-size-fits-all solution that you can import. Solutions must fit the local environment.**

6

## GEOGRAPHY DOESN'T MATTER



**“Whether you believe that an anti-corruption law in your country will be enforced or not, the multinational companies are going to be looking for compliance with it. If you want to make money partnering with multinationals, you must have compliance.”**

***- Jeremy B. Zucker, Partner, Dechert LLP***

7

## WHY MID-SIZED FIRMS?



### KNOWLEDGE GAP

- **Widespread ignorance by mid-sized enterprises on their obligations under int'l standards: FCPA, UKBA, ISO 37001**
- **Poor understanding that mid-sized firms can customize compliance programs to align with their sector and size**

8

## WHY MID-SIZED FIRMS IN EMERGING MARKETS?



### INEVITABILITY

- **Growth in number of national anti-corruption laws with international reach:**
  - **France's Sapin II**
  - **Italy's Spazzacorotti Law**
- **More multi-nationals demanding compliance by 3<sup>rd</sup> parties that are often mid-sized firms**
- **Growing number of countries joining OECD's Convention on Bribery - 43 to date**

9

## OUR CASE STUDIES



### 3 EXAMPLES OF CIPE'S APPROACH

**Thailand: Highly sophisticated program launched by a core group of key companies in 2010**

**Sub-Saharan Africa: Ethics 1<sup>st</sup> is an ambitious effort to pool resources through a database of experts/trainers and compliant companies in 12 countries, launching in 2019.**

**Kyrgyzstan: An independent group of businesses seeking to train in-house compliance specialists.**

10

## WHY MID-SIZED FIRMS?



### COLLECTIVE ACTION

- **Mid-sized firms experienced at working together on common goals that benefit all**
- **Associations of mid-sized firms can be highly effective in pushing for anti-corruption reforms at the national level**
- **CIPE's strength is building business associations' and chambers' capacity to fight corruption**

11

## THAILAND



**“We aren't in this for the sake of fighting corruption, we do this for the sustainability of our countries and communities”**

**Colin @Kulvech, President & CEO, Thai Institute of Directors**

12

## THAILAND: COLLECTIVE ACTION



- **Collective action initiative started in 2010 with a handful of companies, grew to over 930 today**
- **Companies sign an integrity pledge, commit to take specific tangible steps & undergo training**
- **Key feature: external verification of company compliance systems**
- **To date, 345 companies have completed a robust audit of their anti-corruption compliance programs**

13

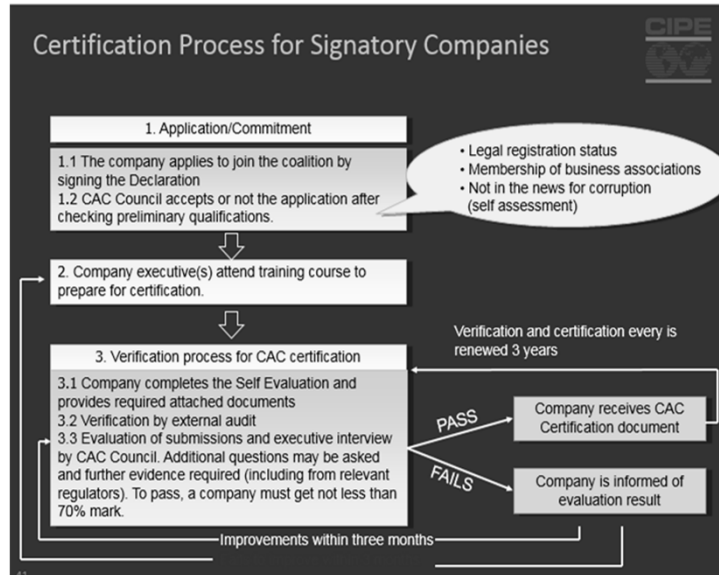
## THAILAND: LOCAL PARTNERSHIP



- **CIPE's partnership with the Thai Institute of Directors (IOD)**
  - **Corporate governance institute founded in 1999 in response to Asian financial crisis**
  - **NOT an anti-corruption institute - CIPE provided the technical expertise in the beginning**
- **Focus on anti-corruption compliance the logical next step after working on corporate governance**
- **IOD is the local organizer and "public face"**

14

## THAILAND: CERTIFICATION PROCESS



15

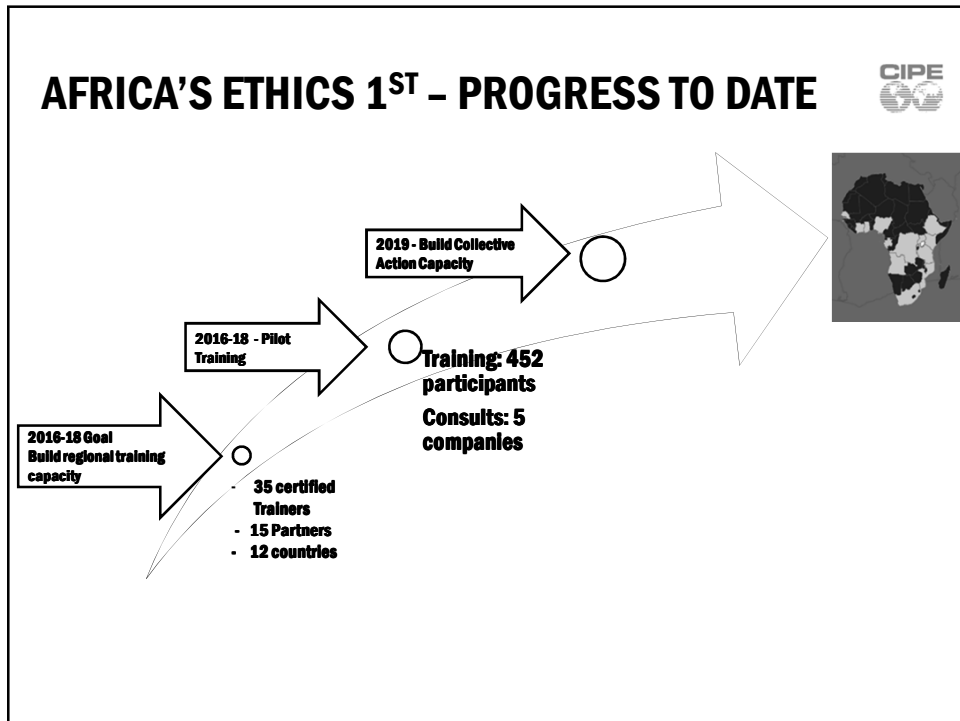
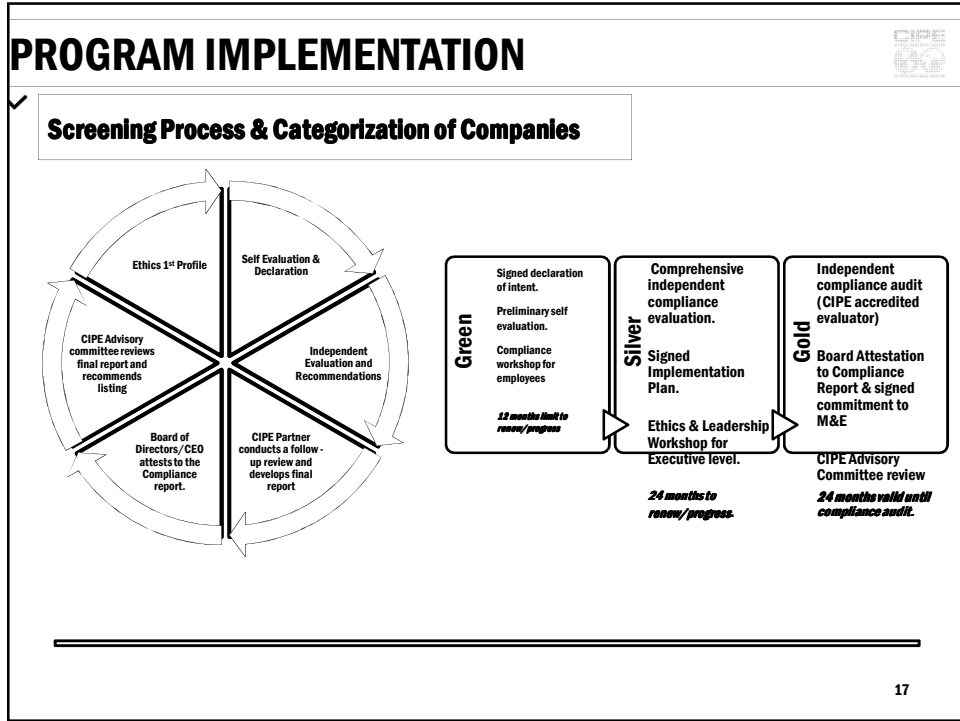
## AFRICA'S ETHICS 1<sup>st</sup> PROGRAM

### 12 Countries, 1 Approach, 1 Database for the listed

- **Kenya: Opportunity to join value chains of large companies**
- **Sudan: Means for firms to solidify their reputation and standing**
- **Zimbabwe: Access to low-cost capital**

16






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## Central Asia: KYRGYZSTAN

- **Country of 6 million between Russia and China**
- **Economy consists of transit shipments, agricultural, and cottage industries**
- **Two of the four last presidents fled in part over corruption charges**
- **Many civil society organizations are anti-corruption branded, but they often focus more on foreign donor goals rather than local needs**

19

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## Central Asia: Kyrgyzstan

- **CIPE's intervention began with a corporate governance program**
- **Considered offering anti-corruption compliance training through local association of mid-sized firms**
- **However, failed to get widespread traction**
- **Lessons learned include:**
  - **How to structure peer-to-peer training**
  - **Importance of convening principals like in Kyiv 2018**

20

## WHY YOU? WHY NOW?



**Mid-sized firms keen on compliance need advocates as they grapple with new standards, and treacherous enforcement environments.**

**Compliance practitioners' leadership, guidance and goodwill inspire mid-sized firms.**

**Western multi-nationals are the most powerful force for change.**

21

## THANK YOU - LET'S STAY IN TOUCH!



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22