Incentivizing Third Parties
Lessons from Asia and Africa on Launching Compliance Programs for Mid-Sized Firms

ECEI, Berlin
March 11, 2019

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

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
GEORGE 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

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
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 3rd parties that are often mid-sized firms
- Growing number of countries joining OECD’s Convention on Bribery – 43 to date

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 1st 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.
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

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
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

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”
THAILAND: CERTIFICATION PROCESS

Certification Process for Signatory Companies

1. Application/Commitment
   1.1 The company applies to join the coalition by signing the Declaration
   1.2 CAC Council accepts or not the application after checking preliminary qualifications.

2. Company executive(s) attend training course to prepare for certification.

3. Verification process for CAC certification
   3.1 Company completes the Self Evaluation and provides required attached documents
   3.2 Verification by external audit
   3.3 Evaluation of submissions and executive interview by CAC Council. Additional questions may be asked and further evidence required (including from relevant regulators). To pass, a company must get not less than 70% mark.

Verifications and certifications every 3 years

- Legal registration status
- Membership of business associations
- Not in the news for corruption (self-assessment)

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AFRICA’S ETHICS 1st 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
SCREENING PROCESS & CATEGORIZATION OF COMPANIES

- Self Evaluation & Declaration
- Comprehensive independent compliance evaluation.
- Independent evaluation and recommendations
- CIPE Partner conducts a follow-up review and develops final report
- Board of Directors/CEO attests to the Compliance report.
- CIPE Advisory committee reviews final report and recommends listing

PROGRAM IMPLEMENTATION

- Green:
  - Profile
  - Comprehensive independent compliance evaluation.
  - Signed Implementation Plan.
  - Ethics & Leadership Workshop for Executive level.
  - 24 months to renew/progress

- Silver:
  - Independent compliance audit (CIPE accredited evaluator)
  - Board Attestation to Compliance Report & signed commitment to M&E
  - 24 months valid until compliance audit.

- Gold:
  - Signed declaration of intent.
  - Preliminary self evaluation.
  - Compliance workshop for employees
  - 24 months valid until compliance audit.

AFRICA'S ETHICS 1ST – PROGRESS TO DATE

- 2016-18 Pilot Training
- 2016-18 Goal: Build regional training capacity
- 35 certified Trainers
- 10 Partners
- 12 countries

- 2019: Build Collective Action Capacity

- Training: 452 participants
- Consults: 5 companies
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

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
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.

THANK YOU – LET’S STAY IN TOUCH!

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