

compliance in emerging markets: a pragmatic perspective

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march 27, 2018

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agenda

- context and objectives (10 minutes)**
- challenges and solutions (35 minutes)**
- discussion (15 minutes)**

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context and objectives

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Context – business

Doing business in emerging markets means addressing additional risk across the business, including:

- **Political risk** (unrest, coups, electoral violence);
- **Economic risks** (fiscal, currency, banking);
- **Social risk** (poverty, transmissible diseases, illiteracy);
- **Operational risk** (weak infrastructure, inadequate government spending, burdensome regulation, inefficient public services).

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Context – compliance

- Compliance officers that work with frontier markets are **familiar with the challenges**
- However, emerging markets also offer great opportunity:
 - to share **knowledge and best practices**,
 - to create **partnerships with civil society**, and
 - to develop **collective action frameworks**

“The single story creates stereotypes, and the problem with stereotypes is not that they are untrue, but that they are incomplete. They make one story become the only story.” — Chimamanda Ngozi Adichie

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Objectives of this presentation

- Provide material for **reflection** and **solutions** to compliance professionals on compliance in emerging and frontier markets
- Share **strategies** that have worked for some companies
- Move the discussion towards **success stories**, today and going forward

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challenges and solutions

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Transparency International's Corruption Perceptions Index



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Consider these scenarios



Can I make this donation to a local charity?



How do I get my cargo released from the terminal?



What is the basis for this speeding ticket?

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Tailor training and communication

- “Frame training around what people do”
- Prepare task-related guides or summaries of longer policies
- E-learning vs. face-to-face
- Communication : “we will work alongside you”

BEFORE YOU APPROVE THAT INVOICE DID YOU CHECK FOR RED FLAGS?

HERE'S WHAT TO LOOK FOR:

LANGUAGE Items in a language you (or the finance team) can't read	SKETCHY ENTERPRISES, LTD. Your Government Business Expert 40, Ave 4100, East Troy, Texas 75110, 8884 7894 7894
EXPENSES No direct or "supplies," especially if government interactions are involved Expenses are listed as round numbers	INVOICE FOR AUGUST STANDARD SERVICES Monthly Fee: 30,000.00 Insurance: 2,000.00 PROJECT: OCEAN IMPORT PERMIT Fuel Handling Fee: 100.00 Customs Duties: 2,000.00 Insurance: 30,000.00 PROJECT SUBTOTAL: 17,400.00 SUBTOTAL: 29,400.00 TAX: 3,184.00 TOTAL: 32,584.00
PAYMENTS The name on the bank account isn't the company You're asked to pay on an individual, not a company The pay-to bank account and company are located in different countries	PLEASE SUBMIT PAYMENT TO: XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXX

HERE'S WHAT TO DO:

 SLOW IT DOWN Never approve an invoice if you've got questions on it—hold off until you get answers.	 PUSH BACK Talk to the vendor about your concerns and see what they say. Do their responses make sense?	 GET HELP If you're not confident in their answers, contact the hotline and get advice on how to handle it.
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Take local specificities into account

- Know local risks
- Remain attentive to how you frame “conflicts” of interest
- Use real-life examples and case studies to illustrate risks
- Use existing internal controls as a tool to operationalize compliance (e.g., expenditure thresholds, SAP controls)
- Know your third-parties by all means

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Target “cashlessness” / promote and support e-administration

- Favor mobile money as a payment method
 - M-Pesa: Kenya’s mobile banking service: as of 2015, M-PESA had 20 million subscribers and approximately 25% of the country’s GDP flows through the service (source: Global Anti-Corruption Blog)
- Use and support e-government services
 - Estonia: digital signature system available to every resident and almost every basic service is done digitally (taxes, health records, parking, residency, business records) (source: Harvard Innovation Blog)

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Develop integrity pacts

- Integrity pacts have historically been used in the context of public bidding, but can also be incorporated into private tendering and contracting processes.
- Similar undertaking to anti-corruption clause, but **go further** in most instances to require participants to disclose any payments made and put in place their own compliance, due diligence and training programs.
- Can be entered into between contractors and suppliers, or **tripartite** with local authorities / local chamber of commerce.

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Create and support collective action initiatives

- Permits confidential exchange on challenges and best practices
- Can be cross-industry or sector-specific
- Can function as an alternative dispute resolution mechanism in some instances (e.g., High-Level Reporting Mechanism – Ukraine and Colombia)



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Cultivate a strong tone from the top... and share success stories

“Many years of experience running diverse businesses in South Asia make me **optimistic** that companies can operate **ethically** in emerging or any other markets. While greedy politicians and venal public officials are convenient scapegoats, corruption is a two-way street; succumbing to it is a **leadership choice.**”

— Ravi Venkateshan, “Conquering the Chaos: Win in India, Win Everywhere”

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Key takeaways

- **Confront the risk**
- **Time and courage**
- **Exceptional solutions for exceptional risks**
- **Compliance is everybody’s business**
- **“Policies, controls, and culture must all work together to withstand the inevitable pressures when they arise”**

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discussion