

**compliance in emerging markets:
a pragmatic perspective**

cecilia fellouse-guenkel & caroline hailey

march 27, 2018

agenda

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

context and objectives

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).

4

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

5

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

6

challenges and solutions

7

Transparency International's Corruption Perceptions Index



8

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?

9

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”



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

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)

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.

13

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)



14

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”

15

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"

16

discussion

17
