

2018 EUROPE-CAUCASUS-ASIA CORRUPTION SURVEY

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Executive Summary

A pop-up museum in Ukraine's Hryshko National Botanical Garden made international headlines in June 2018. Exhibits included a gold tent shaped like a loaf of bread, a limited-edition BMW, a chandelier valued at 8 million euros, and various other luxury items seized from public officials.

The museum's name? Corruption Park. Its purpose? To highlight the problem of corruption and the government's efforts to combat it.

Unfortunately, corruption is far from a museum rarity in the Europe-Caucasus-Asia (ECA) region, which includes Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Examples of public corruption in the region range from allegations that Russia secured the 2018 World Cup through bribery; to the recent expulsion of 13 members of the Parliamentary Assembly of the Council of Europe for accepting gifts and bribes from Azerbaijan's government to boost the country's image; to reports that government officials across the region own luxury real estate abroad and live well beyond their means. These are just some of the well-known examples; every day, individuals in the countries of the ECA region encounter public corruption as a matter of routine.

International indexes have long said the region presents significant corruption risk for businesses – but what do business leaders with on-the-ground experience think about corruption-related issues in these countries? This subject was the focus of the inaugural **Europe-Caucasus-Asia (ECA) Corruption Survey** by U.S. law firm Miller & Chevalier Chartered with the assistance of 10 law firms from the region: ALRUD Law Firm (Russia), Arzinger Law Firm (Ukraine), Business Legal Bureau (Georgia), Ekvita (Azerbaijan), GRATA Law Firm (Tajikistan and Kyrgyzstan), Kinstellar LLP (Kazakhstan), The Baltic Law Firm LEXTAL (Estonia and Latvia), TGS Baltic (Lithuania), Turcan Cazac Law Firm (Moldova), and VMP Vlasova Mikhel & Partners (Belarus).

Survey respondents included business executives, in-house legal counsel, and other professionals from the ECA countries. Survey questions covered individuals' and companies' exposure to corruption, including within specific government institutions, approaches to mitigating corruption risk, and countries' attempts to fight corruption.

Based on the survey responses, the ECA countries can be largely divided into three categories as highlighted throughout this report, though, of course, with some exceptions. There are countries with viable anti-corruption systems that are showing positive results (Estonia and Lithuania); countries where corruption continues to present a significant challenge for businesses (Azerbaijan, Belarus, Kazakhstan, Moldova, Russia, and Ukraine); and countries where, despite corruption issues, there are reasons to be optimistic about the ability to do business in compliance with accepted anti-corruption norms (Georgia and Latvia).

Notably, we did not receive a statistically significant number of responses for Armenia, Turkmenistan, Uzbekistan, and, despite the assistance of a local law firm, Kyrgyzstan and Tajikistan. Although the survey maintained the anonymity of respondents, this circumstance may be a result in and of itself, reflecting

misgivings by local professionals about participating in a survey that could be viewed as taking a political stance. Our own experience in these countries supports grouping them among countries in which corruption presents significant challenges for businesses, although the current political situation in Armenia gives hope that meaningful anti-corruption efforts may be on the horizon in the context of broader political and business reforms.

This survey is Miller & Chevalier's first effort to assess corruption in the ECA region. We have conducted corruption surveys for over a decade in Latin America (in [2008](#), [2012](#), and [2016](#)), and similarly plan to conduct the ECA survey every few years. Future editions of this survey will track the latest developments in each country and across the region and identify corruption-related trends, helping companies with operations in ECA countries to recognize evolving risks and develop tailored anti-corruption compliance strategies.

THE CORRUPTION LANDSCAPE

- ▶ **Significant Differences Among ECA Countries.** The responses paint a divergent corruption picture across the ECA countries: the region is not homogenous. Responses for some countries – most prominently Estonia and Lithuania – exhibit substantially fewer corruption-related characteristics than their ECA neighbors.
- ▶ **Corruption is an Obstacle to Business.** Nearly two-thirds of respondents say that corruption is an obstacle to doing business in the ECA region. This result is more than just perception – 36 percent of respondents note that they or someone they know has been approached to give a bribe to a government official. These results, however, vary widely on a country-by-country basis, as seen in the context of specific survey questions.
- ▶ **Costs of Corruption.** Many respondents report an economic impact from corruption: over a third (35 percent) say that in the past year they have lost business – whether a specific transaction or market share more generally – to a competitor that provided an improper benefit to a government entity or employee. Over half of the respondents in Kazakhstan, Moldova, and Ukraine report this concern, consistent with the perceived high levels of corruption in those countries.
- ▶ **Areas of Government Corruption.** Respondents were asked about the level of corruption in 10 different areas of government, including: the office of the head of government, parliament, courts, prosecution service, customs, law enforcement, regulators, municipal and local authorities, tax services, and state-owned enterprises (SOEs). More than two-thirds of respondents note *moderate to significant* corruption in the courts and prosecution service or investigators (both at 67 percent), with 25 percent or fewer respondents for all countries besides Estonia reporting *minimal to no* corruption in these institutions. For law enforcement, security service, and police, 76 percent of respondents report *moderate to significant* corruption, with over two-thirds of respondents in Kazakhstan and Russia describing them as *significantly* corrupt. Rates of reported corruption are also high for municipal authorities and SOEs. Overall, respondents for Azerbaijan, Kazakhstan, Russia, and Ukraine

SURVEY PARTICIPANT COMMENT: UKRAINE

“Corruption existed and continues, but might have decreased a bit.”

indicate significant corruption across most of these government institutions, while respondents for Estonia and Georgia express the most confidence in their institutions.

- ▶ **Little Confidence in Anti-Corruption Laws.** Despite all of the countries having laws that prohibit giving and receiving bribes, nearly three-quarters (71 percent) of respondents view existing laws as ineffective. The lack of confidence in law enforcement, prosecutors, and the courts noted above likely contributes to the perception of the laws' lack of efficacy.

THE COMPLIANCE LANDSCAPE

- ▶ **Trends in Compliance Strategies.** Respondents were asked about steps their companies take to reduce corruption risk, with a reference to options reflecting international best practices for anti-corruption compliance. A majority (63 percent) of respondents say their companies have anti-corruption policies, roughly half (53 percent) say their companies provide anti-corruption training, and the same percentage report the use of anti-corruption contract terms. The results show companies looking to take affirmative steps to minimize corruption risks and, perhaps more importantly, highlight areas that companies can target for improvement.
- ▶ **Signs of Improvement?** Just under half (49 percent) of respondents say the importance of preventing corruption has increased within their companies in the past five years, while 41 percent say things are largely unchanged, and only 10 percent indicate that the importance has decreased.
- ▶ **Desire for Judicial Improvements.** When it comes to the most effective ways to reduce corruption, respondents focus on government institutions, highlighting the need for an independent and impartial judiciary (78 percent), followed by transparency in the public sector (73 percent) and objective investigation and prosecution by authorities (65 percent).

Survey Demographics

This report represents the feedback and opinions of over 300 respondents across the ECA region surveyed in May and June 2018. Almost half (45 percent) identify their roles as executive management or board members. Close to a third (32 percent) work in in-house legal positions, and 12 percent work in positions related to compliance. The survey intentionally did not include respondents from academia, the service sector (such as law firms), or the government, in order to focus on those with first-hand experience with or knowledge of corruption in the business sphere. Responses were collected anonymously.

Respondents work throughout the ECA region and answered for their primary country of work or one or more ECA countries in which they had significant working experience over the preceding year. Responses by individuals who reported not having significant experience in any one ECA country, such as those with only a general familiarity with the region, were excluded from our analysis.

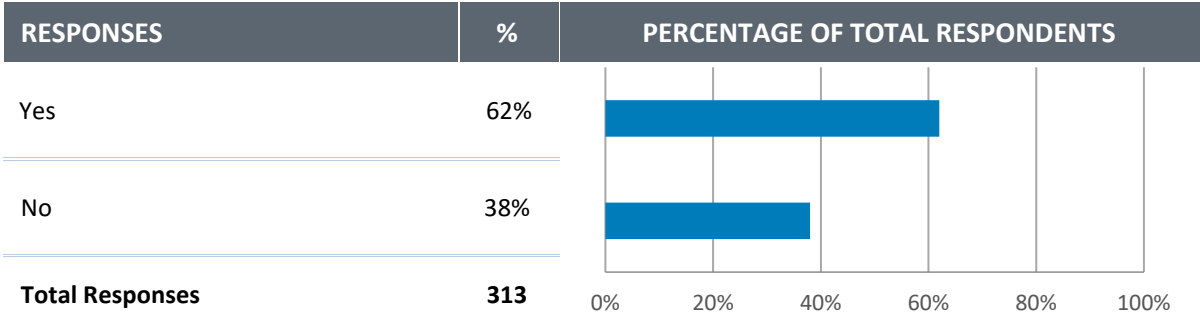
2018 Europe-Caucasus-Asia Corruption Survey Results

The following charts and analysis represent the experiences of respondents, reflecting their thoughts and perspectives on the state of corruption in an ECA country in which they do business.

EXPERIENCE WITH AND EXPOSURE TO CORRUPTION

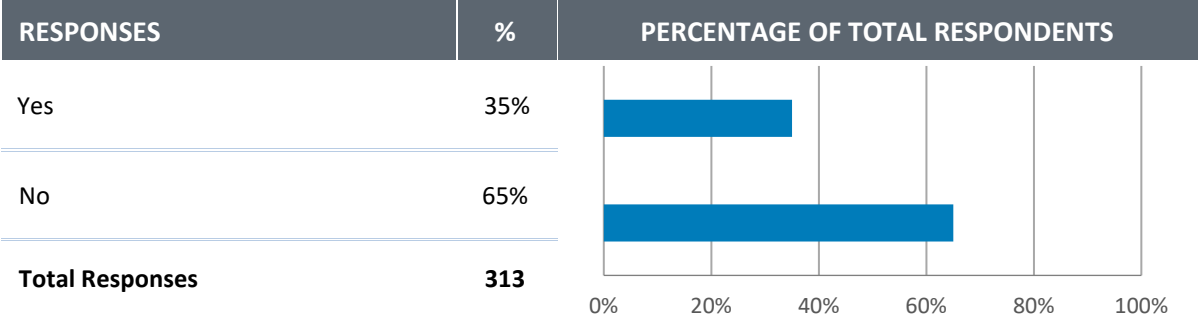
Confirming the complex and challenging nature of corruption across the ECA region, nearly two-thirds (62 percent) of respondents say corruption is an obstacle to doing business in their country. Much of this sentiment is based on direct exposure to corruption: 36 percent of respondents indicate they or someone they know has been approached with a request to pay a bribe to a government employee to influence an official action or decision. Over a third (35 percent) of respondents state that they believe their companies lost business to a competitor due to a competitor’s bribery of government officials in the previous year.

Q1. Is corruption a significant obstacle for companies to doing business in the country?



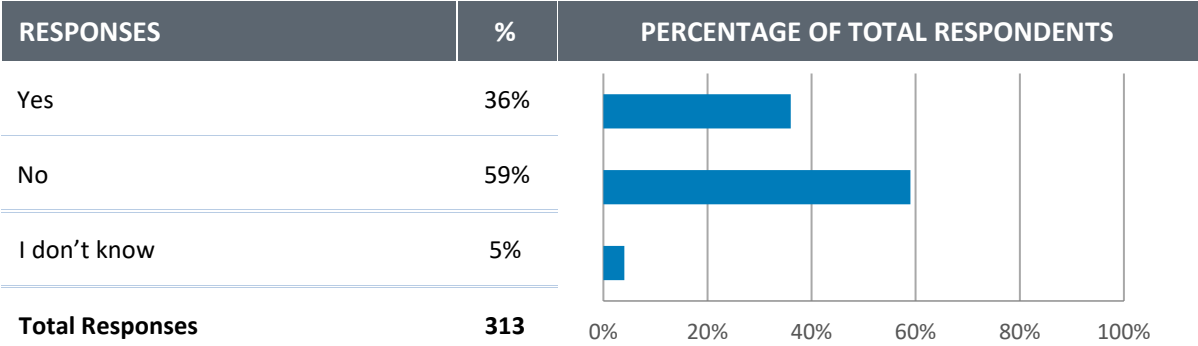
Percentage of Yes Responses By Country			
Azerbaijan	67%	Latvia	47%
Belarus	44%	Lithuania	15%
Estonia	13%	Moldova	94%
Georgia	33%	Russia	65%
Kazakhstan	83%	Ukraine	91%

Q2. Do you believe that, over the last year, your company lost business – whether a specific transaction or market share more generally – to a competitor because the competitor provided improper payments, gifts, favors, services, or anything else of value to a government entity or employee?



Percentage of Yes Responses By Country			
Azerbaijan	30%	Latvia	33%
Belarus	25%	Lithuania	31%
Estonia	22%	Moldova	61%
Georgia	33%	Russia	21%
Kazakhstan	67%	Ukraine	52%

Q3. Has anyone ever approached you or someone you know with a request to give anything of value (such as a payment or gift) to a government employee (directly or indirectly, such as through an intermediary) in order to influence an official action or decision by a government entity or employee?



Percentage of Yes Responses By Country			
Azerbaijan	30%	Latvia	33%
Belarus	28%	Lithuania	8%
Estonia	9%	Moldova	50%
Georgia	7%	Russia	24%
Kazakhstan	58%	Ukraine	72%

Respondents for Estonia, Georgia, and Lithuania indicate the least personal experience with and direct business impact from corruption. At the other end of the spectrum, over half of respondents for Kazakhstan and Ukraine report corruption as a significant business issue: 58 percent of respondents for Kazakhstan and 72 percent of respondents for Ukraine say they have been approached or know someone who has been approached with a request for a bribe to a government official, and 67 percent (Kazakhstan) and 52 percent (Ukraine) say that during the previous year their companies likely lost business to a competitor because the competitor paid a bribe.

Results from three countries – Russia, Azerbaijan, and Moldova – stand out because of the apparent divergence between respondents' personal experiences with corruption and the sense of corruption's business impact in each country. For Russia, 65 percent of respondents indicate that corruption is a significant obstacle for companies doing business in the country, while only 24 percent of respondents say they have been approached or know others who have been approached to pay a bribe to a government official, and only 21 percent believe that their companies lost business in the previous year due to a competitor's bribery. Responses for Azerbaijan and Moldova reflect a similar pattern, with significant gaps between the number of affirmative answers to whether corruption is a significant obstacle for business in the country and whether respondents have had direct personal experience with or lost business because of corruption. Given this apparent trend, we sought to find an underlying basis for it.

A few aspects of the first three questions may help to account for the divergences in these responses. First, Question 1 is broader than the other two, as it refers to corruption generally and not only to direct experience with it. Responses to Question 1 could thus include general perceptions, based on inferences from political developments, news reports, public prosecutions, or other sources of information broader than personal knowledge. Second, there are several reasons why responses to Questions 2 and 3 may underestimate the level of corruption, particularly in some countries. For example, respondents might not know whether someone they know has been approached with a request for a bribe: Indeed, 5 percent of responses to Question 3 are "I don't know," and some of those answering "No" may lack relevant knowledge or downplay interactions. Similarly, a respondent may not know that their company lost business due to a competitor's bribery, leading to underreporting for Question 2, or a respondent might know or suspect that their own company engaged in bribery through which someone else lost business, but would not be able to account for this scenario in their response.

UKRAINE SPOTLIGHT

Ukraine is currently in the midst of significant anti-corruption reforms, in part stemming from the Ukrainian revolution of 2014, which resulted in personnel and other changes throughout government institutions. In June 2018, Ukraine (after demands from the International Monetary Fund) established an anti-corruption court, and the country has established entities created to combat corruption in the past four years, including:

- ▶ *The National Anti-Corruption Bureau, an independent law-enforcement body to focus on the prevention, detection, and investigation of corruption-related crimes.*
- ▶ *The National Agency for Combatting Corruption, which develops national anti-corruption policies and enforces them.*
- ▶ *The National Anti-Corruption Council, a presidential advisory body that monitors and analyzes anti-corruption policies and their implementation, drafts laws, and advises the president on anti-corruption issues.*



Additionally, respondents in some countries may be reluctant to provide an honest account of their own direct experience with bribery (doubting the survey's anonymity, for example), but feel less constrained discussing bribery generally. And, it's quite possible that some types of corruption in certain countries are so routine (e.g., customs clearance payments or bribes to inspectors for real estate permits) that a bribe for a certain official act is a matter of course, and individuals or companies are only "approached" for a bribe in less common circumstances, leading to underreporting for Question 3. Ultimately, our analysis of responses across the survey suggests that Question 1 represents a more accurate barometer of the broad corruption landscape in ECA countries, whereas Questions 2 and 3 are more useful as to their narrow inquiries.

SURVEY PARTICIPANT COMMENT: LATVIA

"Without bribery, transactions are slow and unrealistic."

Q4. To the extent you think or know that corruption exists in the country, indicate the level of corruption in the following areas of government:

	Azerbaijan	Belarus	Estonia	Georgia	Kazakhstan	Latvia	Lithuania	Moldova	Russia	Ukraine
<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: #00a0e3; margin-right: 5px;"></div> Minimal-to-no corruption </div> <div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: #ffff00; margin-right: 5px;"></div> Moderate corruption </div> <div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: #ff0000; margin-right: 5px;"></div> Significant corruption </div>										
The Office of the Head of Government (e.g., President or Prime Minister)	Minimal-to-no	Moderate	Minimal-to-no	Moderate	Significant	Minimal-to-no	Minimal-to-no	Significant	Significant	Significant
Parliament/Congress	Moderate	Minimal-to-no	Minimal-to-no	Moderate	Moderate	Significant	Moderate	Significant	Significant	Significant
Tax Authorities	Significant	Minimal-to-no	Minimal-to-no	Minimal-to-no	Significant	Moderate	Minimal-to-no	Moderate	Moderate	Significant
Customs	Significant	Moderate	Minimal-to-no	Minimal-to-no	Significant	Significant	Moderate	Moderate	Significant	Significant
Regulators, Ministries, and Other Federal/ National Agencies Otherwise Not Covered in Survey	Significant	Moderate	Minimal-to-no	Moderate	Moderate	Moderate	Moderate	Significant	Significant	Moderate
State Companies (Wholly or Majority State-Owned or State-Controlled)	Significant	Significant	Moderate	Moderate	Significant	Significant	Moderate	Moderate	Significant	Significant
Municipal/Local Officials	Significant	Significant	Moderate	Moderate	Significant	Significant	Moderate	Significant	Significant	Significant
Courts	Significant	Moderate	Minimal-to-no	Significant	Significant	Moderate	Moderate	Significant	Significant	Significant
Prosecution Service or Investigators	Significant	Moderate	Minimal-to-no	Moderate	Significant	Moderate	Moderate	Significant	Significant	Significant
Law Enforcement, Security Service, and Police	Significant	Moderate	Minimal-to-no	Moderate	Significant	Moderate	Moderate	Moderate	Significant	Moderate

This chart illustrates the response given by the plurality of people for each country. When two answers receive the same number of selections, this chart reflects the answer indicating a greater perception of corruption to account for potential underreporting, as discussed elsewhere in this report.

In addition to addressing corruption generally, respondents were asked to indicate the level of corruption in 10 specific government functions or institutions in their respective countries. The results provide practical insight into specific corruption risks in each country and offer a guide to better adapting corporate compliance programs to a company's operational profile and interactions with specific institutions or officials.

The chart above illustrates the prevalence of corruption in each government function or institution as reported by the plurality of respondents for each country (not counting those who say they did not know enough to respond to the particular function or institution).

This chart largely dovetails with the responses on other indicators of corruption in ECA countries. For example, the favorable responses for Estonian government institutions match the overwhelming view of Estonia as a country in which corruption is not a significant obstacle for companies doing business. The responses for Lithuania – the only country besides Estonia in which no government function or institution included in the survey is seen as exhibiting significant corruption – are consistent with only 15 percent of respondents identifying corruption as a significant obstacle to business in Lithuania. More broadly, responses for Estonia, Georgia, and Lithuania reflect the least corruption across the government institutions, with minimal to no corruption at three or more institutions in each of those countries.

At the other end of the spectrum, respondents for Azerbaijan, Kazakhstan, Russia, and Ukraine indicate significant corruption across most government institutions. The results for these five countries are consistent with responses showing corruption as an obstacle to doing business in these countries.

The responses reflected in this chart offer several other insights useful for those operating in the ECA region:

- ▶ In a distressing set of results, both the **courts and the prosecution services** are viewed as at least moderately corrupt in all ECA countries except Estonia. Startlingly, at least 50 percent of respondents for every country say that their courts are moderately or significantly corrupt, with Estonia (21 percent) as the only outlier. More than 50 percent of respondents in each country other than Estonia say the same about their prosecution services. Ukraine stands out with approximately 90 percent of respondents for the country noting moderate or significant corruption in these areas. For companies involved in civil litigation or under criminal investigation by authorities in the ECA region, these statistics are particularly relevant to the selection and engagement of local counsel and its oversight during the litigation or investigation and any appeals.
- ▶ Corruption involving **law enforcement, official security services, and police** is on par with that reported for the judicial system, with 42 percent of respondents reporting significant corruption and 34 percent saying that corruption in those areas of government is at least moderate. Again, Estonia is the only bright spot in this area, with 74 percent of respondents reporting minimal to no corruption in this area. On the other end of the spectrum, 70 percent of respondents for Russia say there is significant corruption in law enforcement.

SURVEY PARTICIPANT
COMMENT: GEORGIA

"It appears that there has been an increase in private parties bribing judges."

▶ **Municipal and local officials** are viewed as at least moderately corrupt in all countries except Lithuania. Across the region, 41 percent of respondents note significant corruption involving municipal and local officials. In Kazakhstan (67 percent) and Moldova (56 percent), the problems in this area of government appear most serious. Surprisingly, in Estonia, in which the reported level of corruption is generally the lowest in the region, 87 percent of respondents say that municipal and local officials are at least moderately corrupt.

SURVEY PARTICIPANT
COMMENT: LITHUANIA

“Significant improvement [at SOEs] after independent board members were introduced in management.”

▶ Of particular interest to companies that work with **state owned enterprises (SOEs)**, respondents across the ECA countries report concerning levels of corruption involving state-owned or state-controlled entities. Responses show Georgia as having the least corruption in this area, with only 34 percent of respondents saying that Georgian SOEs are moderately or significantly corrupt. Notably, 61 percent of respondents for Estonia say that country’s SOEs are moderately corrupt, with a further 13 percent reporting significant corruption, although it is worth noting that Estonia’s SOEs are less prominent, and their corruption might therefore present less of a concern for businesses in Estonia than SOEs in countries with a greater share of state ownership of the economy. In fact, Belarus and Kazakhstan, two countries in which SOEs play a significant role in the economy, have the greatest number of respondents (53 percent and 50 percent, respectively) who think their country’s SOEs have significant corruption. Russia, another country whose SOEs play a significant role in its economy, has a third of respondents (32 percent) describing SOEs as significantly corrupt and another 27 percent reporting them as moderately corrupt.

▶ Although not evident on the face of the chart, the data shows that more than half of the respondents for Azerbaijan, Moldova, and Russia say “I don’t know” regarding the level of corruption in the office of their **head of government**. Similarly, over half of the respondents for Azerbaijan, Kazakhstan, and Russia state “I don’t know” regarding corruption in the country’s **parliament**. The “I don’t know” answers across all of the other institutions and countries never exceed 40 percent of respondents and most are well below that number. The direct interpretation of these responses is that many respondents for Azerbaijan, Kazakhstan, Moldova, and Russia have no basis for knowing about corruption in those countries’ highest governing institutions. However, it is also plausible that their purported lack of knowledge – particularly in the face of much less frequent “I don’t know” responses for other institutions in these same countries and for the same institutions in other countries – is a reflection of respondents not wishing to speak ill of their heads of

SURVEY PARTICIPANT
COMMENT: AZERBAIJAN

“Should there be a need, with money one can solve a number of issues bypassing the law, however, bribes are not required. Here, the bribery mechanism is usually set in motion by citizens willing to bypass the law, not by public officials.”

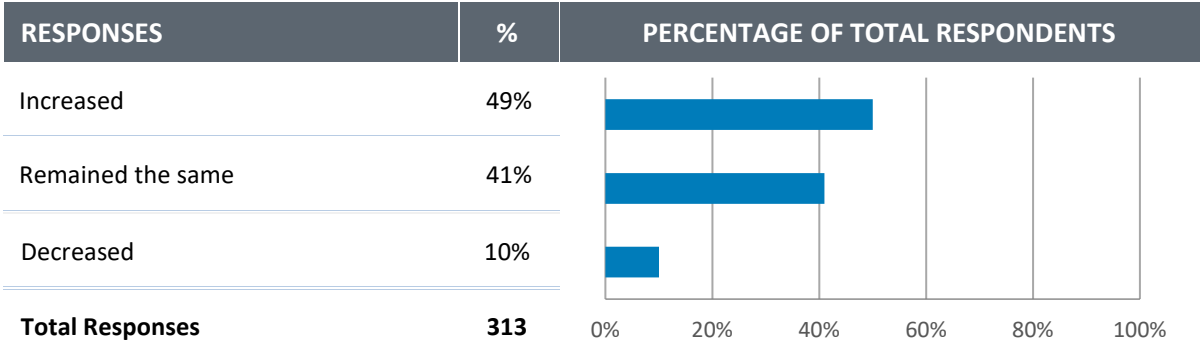
government or legislatures and choosing ignorance instead. (Respondents were required to select an option in order to submit the survey.)

The findings as to corruption in specific government institutions in each ECA country serve as a useful guide for tailoring compliance programs to companies’ activities and interactions with government institutions or functions. The following section of this report looks at compliance measures that businesses in the ECA region already employ.

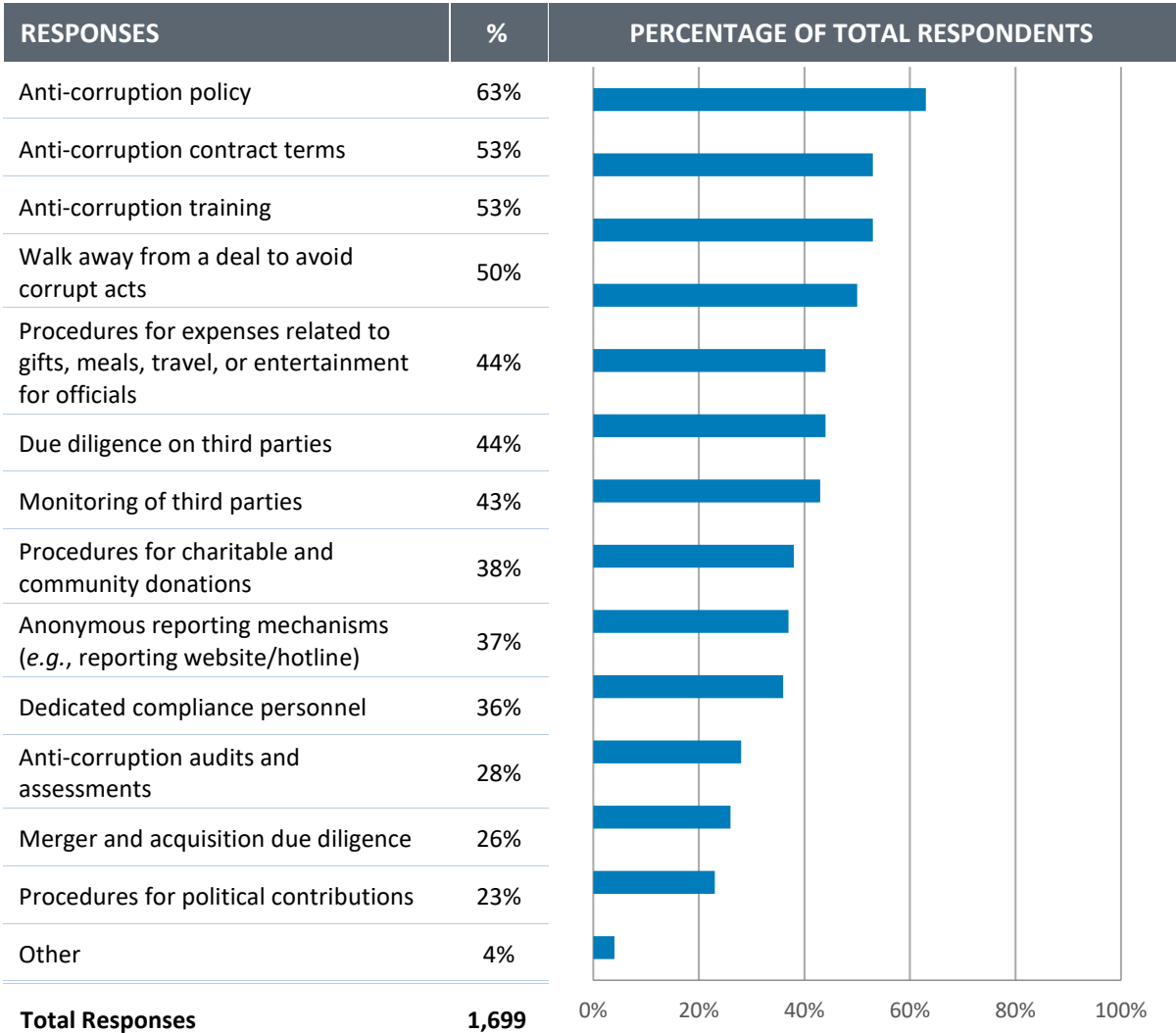
COMBATING CORRUPTION RISK

In addition to their experience with and views on corruption across the ECA region, respondents shared their perceptions of corporate efforts to combat corruption. Just under half (49 percent) say that the importance of preventing corruption has increased in their companies in the past five years. We expect this number to grow over time alongside the increasingly internationalized nature of anti-corruption enforcement.

Q5. Has the importance of preventing corruption changed within your company over the last five years?



Q6. Has your company taken any of the following steps to protect itself from corruption and/or corruption risk?



Respondents were able to select multiple answers.

Respondents identify various anti-corruption measures utilized by their companies, providing information on compliance trends in the region and offering insight into potential areas of improvement relative to generally accepted anti-corruption compliance best practices. Indeed, the compliance mechanisms that respondents were asked about reflect the compliance hallmarks, or best practices, promoted by enforcement authorities behind the U.S. Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act 2010 (UKBA), and the World Bank Group's sanctions regime.

Anti-corruption measures vary widely by country and the location of company headquarters. Companies with headquarters in the United States, for example, appear ahead of other companies in implementing concrete anti-corruption measures, likely reflecting awareness of the FCPA and government expectations for U.S. businesses. These companies appear more likely to conduct anti-corruption training and have policies and contract terms promoting business practices free of bribery and other forms of corruption.

The most common anti-corruption activity that respondents' companies have adopted is having an anti-corruption policy in place (63 percent of respondents). Fewer respondents report their companies having more specific policies or procedures, such as those for business courtesies and hospitality expenses (*i.e.*, expenditures related to gifts, travel, meals, and entertainment) (44 percent); for charitable and community donations (38 percent); and for political contributions (23 percent). Given the high corruption risk posed by these types of activities in the ECA region (and in general), the responses suggest significant room for improvement.

In Question 6, over half (53 percent) of respondents say their companies provide anti-corruption training – a promising sign that suggests the companies are seeking to have a program that their employees understand and follow, rather than just a “paper program.” Despite this effort, responses by approximately one-fifth of respondents indicate that they might not even be aware of prohibitions on bribery in their countries. For example, 16 percent of respondents say that their country's laws do not restrict government employees from receiving anything of value (aside from an official fee) to influence an official action or decision or that they do not know whether such conduct is prohibited. And 20 percent state either that local laws do not prohibit or restrict individuals or corporations from giving anything of value (other than an official fee) to influence an official action or decision or that they do not know whether such conduct is forbidden. Given that the local laws in all ECA countries prohibit both giving and receiving bribes, additional anti-corruption education for employees could benefit many companies.

With respect to the more sophisticated anti-corruption compliance mechanisms enumerated in Question 6, 53 percent of respondents say their companies include anti-corruption provisions in contracts, though only about a quarter (28 percent) say their companies perform anti-corruption audits and assessments, and about the same number (26 percent) report that their companies conduct merger and acquisition (M&A) due diligence – numbers that are too low for high-risk countries. And while half of respondents say their companies have walked away from a deal to avoid corrupt acts – a reflection of companies behaving appropriately – the same statistic means that a significant percentage of companies is, by contrast, willing to engage in risky transactions and potentially pay bribes.

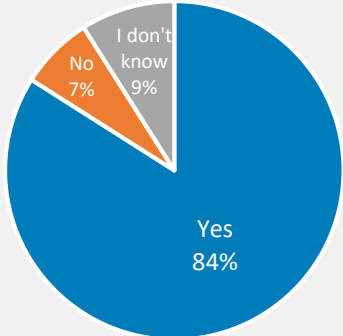
Comparing the countries, the responses lead to some interesting – and possibly counterintuitive – results. Countries in which respondents indicate the broadest implementation of anti-corruption measures by their companies are also where corruption levels are reported as highest. For example, for Kazakhstan, 92 percent of respondents say their companies have an anti-corruption policy and 58 percent report the use of anti-corruption training. For Moldova, the numbers are 89 percent (policy) and 67 percent (training). For Russia, they are 86 percent (policy) and 81 percent (training). Russia and Kazakhstan also report the two highest rates of compliance measures relating to third parties, despite corruption involving third parties being, in our experience, a particularly significant problem in these countries.

One reason for these findings may be that companies commonly implement stronger compliance measures in high-risk jurisdictions. In addition, we recognize that respondents constitute a self-selecting group, both because they chose to complete a survey on corruption and because they are in contact with Miller & Chevalier or one of our partner law firms. Respondents therefore may be more likely to work at companies with stronger than average anti-corruption commitments and cultures.

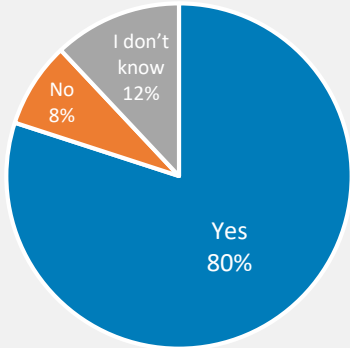
At the other end of the spectrum – and just as surprisingly – Estonia has one of the lowest rates of implementation of each compliance mechanism covered by the survey, even as the broader survey results show it to be the country with the least corruption. This result is fascinating to the extent that it suggests that Estonia’s low level of corruption is driven perhaps not by corporate policies but rather by other factors (e.g., cultural expectations). This is not to say, however, that corporate emphasis on anti-corruption would not be helpful or warranted.

Overall, while our results show many companies are looking to take affirmative steps to minimize corruption risks that reflect international best practices, companies should do more both to lower their corruption risk and to live up to relevant regulators’ expectations.

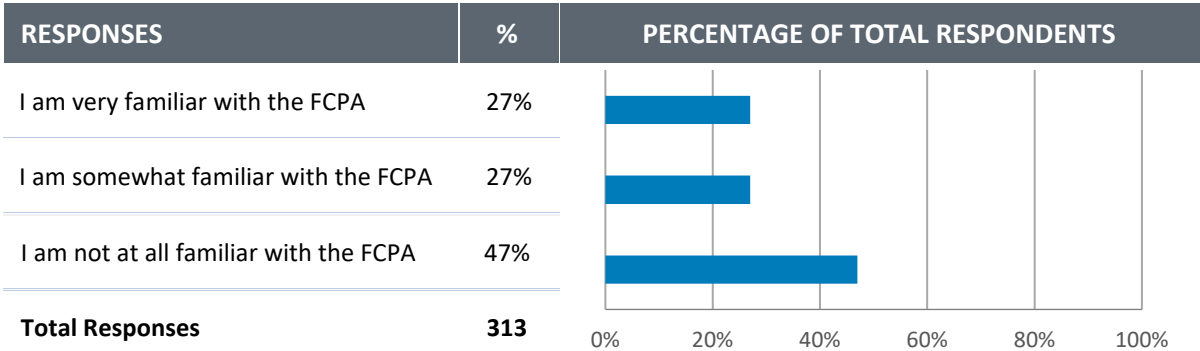
Q7. Does the country prohibit or restrict government employees from receiving anything of value (aside from an official fee) to influence an official action or decision?



Q8. Does the country prohibit or restrict private individuals or corporations from giving anything of value (aside from an official fee) to influence an official action or decision by a government entity or employee?



Q9. Have you heard of the U.S. Foreign Corrupt Practices Act (FCPA)?



	<i>Very</i>	<i>Somewhat</i>	<i>Not at all</i>		<i>Very</i>	<i>Somewhat</i>	<i>Not at all</i>
Azerbaijan	24%	27%	48%	Latvia	3%	7%	90%
Belarus	6%	28%	66%	Lithuania	15%	31%	54%
Estonia	4%	9%	87%	Moldova	3%	17%	50%
Georgia	33%	20%	47%	Russia	44%	32%	24%
Kazakhstan	58%	33%	8%	Ukraine	27%	38%	36%

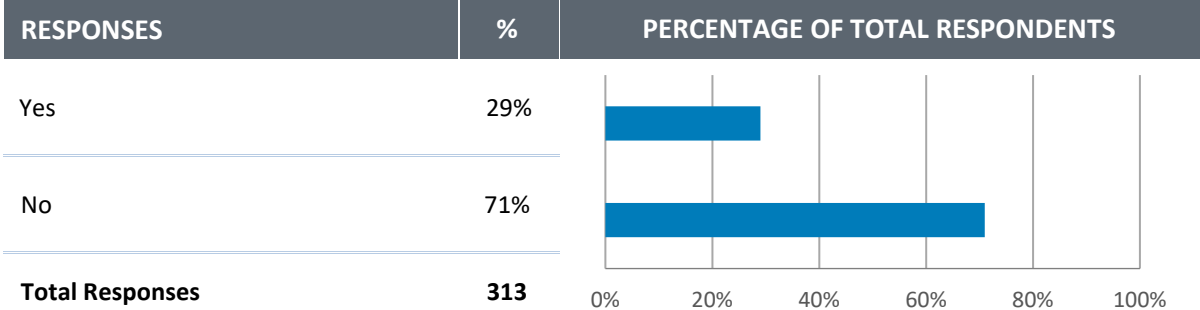
Notably, the results show that a large number of respondents are not familiar with the FCPA, suggesting that the law might not be particularly influential in the ECA region. Country-by-country results, however, show variance among respondents for different countries, likely reflecting the varying levels of trade with the United States and investment from the United States in those countries, as well as DOJ and SEC prosecutions of FCPA-related matters in particular countries.

For example, the overwhelming majority of respondents in Latvia (90 percent) and Estonia (87 percent) indicate that they are not at all familiar with the FCPA, consistent with the lack of public focus on these countries by U.S. anti-corruption authorities. In contrast 91, percent of the respondents for Kazakhstan indicate that they are at least somewhat familiar with the law, including 58 percent who are very familiar with it. Perhaps not coincidentally, U.S. authorities in 2017 publicly resolved allegations of FCPA violations with SBM Offshore N.V. and Rolls-Royce PLC, which implicated Kazakh government officials, and Kazakh government officials have also been implicated in several earlier FCPA enforcement actions (*e.g.*, those involving Analogic Corp. and BK Medical ApS, Pfizer Inc., and Panalpina World Transport (Holding) Ltd.).

Likewise, 76 percent of respondents in Russia are at least somewhat familiar with the law, and numerous recent FCPA-related enforcement matters have involved activity in Russia (*e.g.*, investigations of Teva Pharmaceutical Industries Ltd., AstraZeneca PLC, Nordion (Canada) Inc., and Hewlett-Packard Company).

CONFIDENCE IN ANTI-CORRUPTION INSTITUTIONS

Q10. Do you think the country’s anti-corruption laws are effective?



Percentage of Yes Responses By Country			
Azerbaijan	24%	Latvia	37%
Belarus	44%	Lithuania	46%
Estonia	91%	Moldova	22%
Georgia	40%	Russia	25%
Kazakhstan	0%	Ukraine	5%

To place the respondents’ experience with corruption and the steps their companies are taking to reduce corruption risk in a broader context, we asked respondents about local anti-corruption laws and relevant government functions.

Less than a third (29 percent) of respondents say their country’s anti-corruption laws are effective. The picture is particularly bleak in Kazakhstan, where no respondents indicated that the country’s anti-corruption laws are effective. Effectiveness is also perceived to be low in Ukraine, where only five percent of respondents say that anti-corruption laws are effective, Azerbaijan (24 percent), and Russia (25 percent). Estonia is the only country for which over half of respondents – 91 percent – find the country’s anti-corruption laws to be effective.

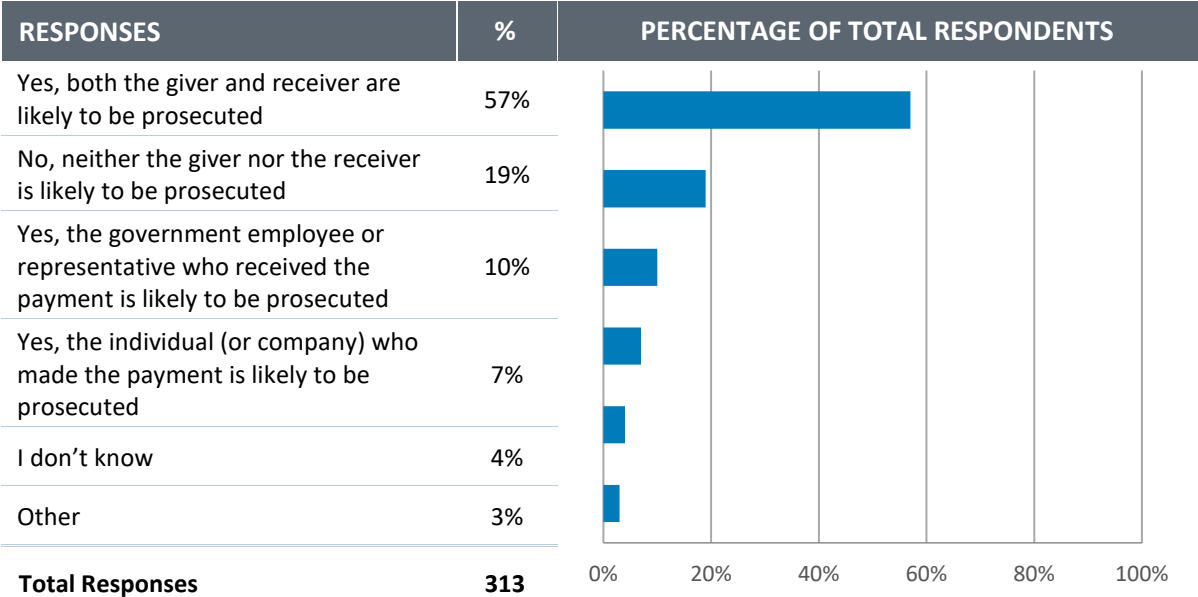
These results stand in contrast to the written laws in the respective countries: Azerbaijan, Kazakhstan, Russia, and Ukraine all prohibit public and commercial bribery and impose criminal punishments on violators.

Given the existence of anti-corruption laws in all of the ECA countries, and their prohibitions on giving and receiving bribes, the respondents’ lack of confidence in their countries’ anti-corruption laws may reflect a deeper lack of confidence in enforcement authorities.

Indeed, respondents’ concerns about law enforcement and prosecution services shed some light on why so few respondents think their country’s anti-corruption laws are effective. As reflected in the chart for Question 4, respondents report significant corruption in the courts (45 percent) and prosecution services (44 percent), with an even greater number of respondents who say that corruption in those two areas is

at least moderate. Put another way, the existence of anti-corruption laws is only part of the picture if the courts or prosecution agencies are themselves susceptible to corruption.

Q11. Do you believe that the giver or receiver of an improper payment, gift, favor, service, or anything else of value of the type described in the preceding questions is likely to be prosecuted?



Nonetheless, many respondents believe that the giver or recipient of a bribe will likely face prosecution, with 74 percent saying at least one of the two is likely to be prosecuted. These responses reflect some measure of confidence in the application of local anti-corruption laws. However, given respondents' doubts about the laws' overall effectiveness (Question 10) and their broad skepticism about the impartial administration of the courts and prosecution services (Question 4), the responses to Question 11 do little to mitigate concerns about the just administration of the laws, including assurance of fair trial and reasonable punishment.

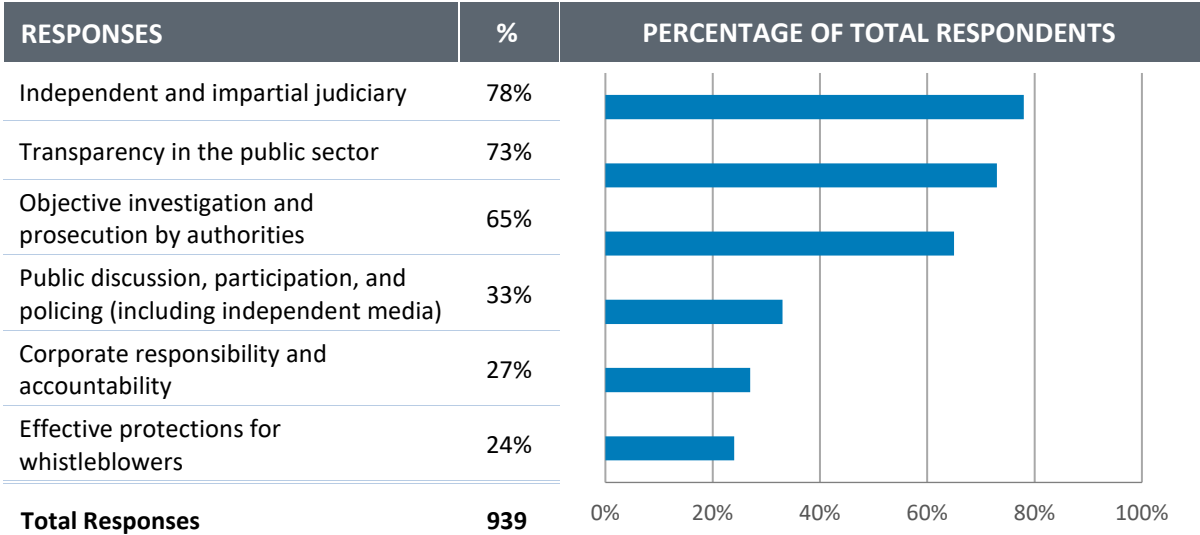
SURVEY PARTICIPANT COMMENT: LATVIA

"I believe that the laws are ok, the problem is with the implementation."

VIEWS TOWARD BROADER ANTI-CORRUPTION REFORMS

Not surprisingly, respondents have a range of views regarding steps that might be effective in reducing corruption. Perhaps echoing one of the survey’s results, two of the three most common answers to this question focused on criminal justice reforms. This view was especially pronounced in Ukraine, where 92 percent of respondents chose an independent and impartial judiciary as a key step toward reducing corruption. In Russia, 84 percent of respondents made the same choice.

Q12. Indicate the top three activities or changes you think would be most effective in reducing overall corruption in the country.



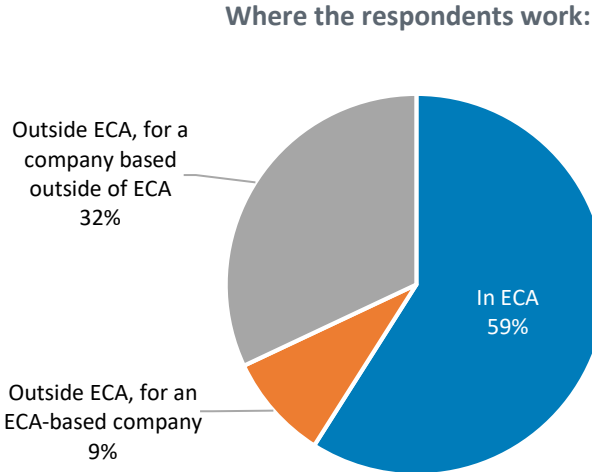
Interestingly, public discussion, participation, and social policing are picked by about a third of the respondents, and corporate responsibility and accountability by a little less than a third. These responses further suggest that while civil society, nongovernmental institutions, and corporations have a role to play in reducing corruption, the bulk of respondents seek changes within government institutions to reduce corruption in their countries.

SURVEY PARTICIPANT COMMENT: MOLDOVA

“Factors that help reduce corruption: tougher control from law enforcement bodies, changes in the legislation, disclosures in the media.”

Methodology

Miller & Chevalier joined with 10 law firms across the ECA region to survey business executives and other legal and compliance professionals working in a broad cross-section of industries in the ECA countries. The countries covered by the survey include Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan, and Ukraine; however, for reasons previously explained, results from Armenia, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan were not analyzed.



Respondents provided a combination of multiple choice and narrative responses regarding corruption in the countries in which they work. Respondents had the option of completing the survey in either English or Russian and answered anonymously using an online platform.

Miller & Chevalier collected and analyzed the responses and considered input from its partner law firms to further contextualize certain responses based on country-specific information.

Miller & Chevalier’s partner law firms for this survey were ALRUD Law Firm (Russia), Arzinger Law Firm (Ukraine), Business Legal Bureau (Georgia), Ekvita (Azerbaijan), GRATA Law Firm (Tajikistan and Kyrgyzstan), Kinstellar LLP (Kazakhstan), The Baltic Law Firm LEXTAL (Estonia and Latvia), TGS Baltic (Lithuania), Turcan Cazac Law Firm (Moldova), and VMP Vlasova Mikhel & Partners (Belarus).