Business Integrity at the EBRD

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Introduction

• The EBRD’s Office of the Chief Compliance Officer ("OCCO") protects the integrity and reputation of the Bank and promotes ethical standards of behaviour.

• Corruption is a major risk in our countries of operations – both financially and reputationally. It is also a barrier to development and achievement of SDG 16.

• OCCO promotes business integrity through:
  
  o Integrity due diligence
  
  o Investigations
  
  o Policy work
Ex-Ante Due Diligence

- The EBRD rigorously reviews the integrity and reputation of all its projects.

- Projects that are characterised as “high risk” receive additional scrutiny. In 2016, OCCO reviewed 435 projects.

- Where appropriate, OCCO may support a transaction that would otherwise be unacceptable, if the company agrees to implement business integrity reforms – such as through a Compliance Action Plan.
Compliance Action Plan – Azerbaijan

• OCCO was approached in 2016 about a proposed engagement with a newly established company in Azerbaijan with serious integrity risks.

• Company agreed, as a pre-condition, to engage a consultant to review its compliance program and prepare a report with recommendations for improvement.

• Recommendations included (i) establishment of a compliance officer function, (ii) communication of a zero-tolerance policy for corruption, (iii) improved staff training, and (iv) completion of an internal compliance risk assessment.

• The EBRD agreed to provide financing to the company, on the condition that all recommendations must be implemented before any EBRD funds are disbursed.
Investigations and Debarment

• OCCO’s investigations team reviews allegations of Prohibited Practices committed by third-parties in connection with Bank projects.

• If a Prohibited Practice has occurred, this can result in debarment of the relevant entities, and then cross-debarment by other International Financial Institutions.

• The Bank increasingly uses Conditional Non-Debarment where a client demonstrates a credible willingness to reform. The company agrees to work with a compliance monitor to complete a compliance assessment and action plan, with no debarment so long as the company makes adequate progress.

• Conditional Non-Debarment helps to educate companies about compliance risks, prevents future misconduct, and can create lasting change in the business integrity environment.
In 2016, the EBRD agreed to the 3 year, conditional non-debarment of a medium-sized, regional grain trading company in Ukraine.

The company was understood to have made a USD 380,000 facilitation payment to have its land registered.

The conditional non-debarment requires the company to (i) appoint a compliance officer, (ii) include anti-corruption commitments in employment contracts, and (iii) implement mandatory annual disclosure by employees of any conflicts of interest.

If the company fails to make adequate progress, the EBRD can pursue debarment.
Policy Work

• OCCO supports and contributed to the development of Ukraine’s Business Ombudsman Council.

• OCCO has recently delivered Anti-Money Laundering and Countering the Financing of Terrorism seminars in Ukraine, Moldova, Kazakhstan, and other jurisdictions.

• The EBRD, OECD and UNDP are jointly organising a series of seminars on “Business Integrity in the Southern Caucasus, Belarus, Moldova, Ukraine And Turkey”. The next seminar will be in Tbilisi, Georgia in 2018.

• The EBRD and OECD are both founding partners of The Ukrainian Network of Integrity and Compliance (UNIC) a private sector initiative to promote ethical and responsible business conduct in Ukraine.