

2016 LATIN AMERICA CORRUPTION SURVEY

Miller & Chevalier



BRIGARD &
URRUTIA
ABOGADOS

/Carey

ESTUDIO BECCAR VARELA

FERRERE

HEADRICK RIZIK ALVAREZ & FERNÁNDEZ
ABOGADOS Y CONSULTORES



Orihuela
Abogados | Attorneys at Law

P&A Pardini & Asociados
Attorneys • Abogados

PAZ
HOROWITZ
doing well by doing it right

QIL+4
ABOGADOS
WE GO HOME TOGETHER

VON WOBESER
Y SIERRA

Executive Summary

With high-profile scandals regularly filling headlines, corruption in Latin America continues to undermine confidence in the region's political institutions and to have a corrosive effect on the integrity of its markets. Most recently, the ongoing Lava Jato investigation – also referred to as “Operation Car Wash” – that centers on the region's largest company, Brazil's Petrobras, casts an unwelcome shadow over the 2016 Olympic Games and the country's already unstable economy. Dozens of companies and hundreds of businesspeople have been implicated so far, reaching the highest levels of government. The downfall of top business and political leaders in Brazil mirrors high-profile investigations in Central America, where Guatemala's former president was recently arrested and charged in a bribery scheme. Large-scale corruption investigations involving Argentina, Chile, Colombia, Mexico and Venezuela suggest risks are widespread.

SURVEY PARTICIPANT COMMENT

"Corruption in my country has become normalized. Young people believe that corruption is a permissible way to bypass laws, to overcome competition, to prosecute someone who is not guilty, or that corruption is a mere means to an end in winning a contract. This has created a vicious and almost indestructible cycle of corruption."

In the context of widespread corruption scandals, some Latin American businesses are adopting stronger compliance mechanisms and embracing modern governance structures. The extent of corruption in Latin America and corporate responses to corruption are among the key themes explored in a survey by U.S. law firm Miller & Chevalier Chartered (Miller & Chevalier) and 13 law firms located throughout the region. The survey polled business executives and in-house legal counsel who work in Latin America and the United States about the extent of corruption in their home countries and in the countries where their companies operate, the perceived effectiveness of local anti-corruption laws, and how businesses address corruption risks.

Many responses on perceptions of risk are consistent with the findings of earlier editions of the survey conducted by Miller & Chevalier and partner law firms in [2008](#) and [2012](#), suggesting that risks and unfavorable perceptions of enforcement endure and reflecting pessimism about the effect of corruption on government. At the same time, the survey reveals signs of regional improvement in corporate compliance measures, with companies in some countries demonstrating exceptional progress and sophistication in embracing compliance best practices.

SUBSTANTIVE HIGHLIGHTS

- Anti-Corruption Laws Generally Perceived to be Ineffective:** More than three-quarters (77%) of respondents believe their country's anti-corruption laws are *ineffective*, and about half (48%) say corruption is a *significant obstacle* to doing business. More than half (52%) believe they have lost business to corrupt competitors; of those, most (89%) say they did not report such misconduct to the authorities. 71% of those who did make reports say the government failed to investigate. These results are highly consistent with responses to the same questions in 2008 and 2012.

- In 2012, 71% of respondents said their country's anti-corruption laws were *ineffective*, and 44% said corruption was a *significant obstacle* to doing business. 51% said they believed they had lost business to law-breaking competitors, but 88% said they did not report such misconduct to the authorities. 67% of those who made a report said the government failed to investigate.
- In 2008, 82% of respondents said their country's anti-corruption laws were *ineffective*, and 48% said corruption was a *significant obstacle* to doing business. 59% said they believed they had lost business to law-breaking competitors, but 91% said they did not report such misconduct to the authorities. 50% of those who made a report said the government failed to investigate.
- **Increased Familiarity with the FCPA:** Almost three-quarters of respondents (72%) in the region are familiar with the U.S. Foreign Corrupt Practices Act ("FCPA"), up from 65% in 2012. 58% of respondents from local/regional companies are somewhat or very familiar with the FCPA, up from 47% in 2012. Even among respondents whose companies do not appear to be subject to the FCPA, almost three-quarters are very familiar or somewhat familiar with the FCPA, suggesting the law is having a broad impact in the region.
- **Nearly All Respondents Feel State-Owned Enterprises and Political Parties Are Corrupt:** Unlike in years past, this year's survey analyzes respondents' perceptions of corruption among political parties and in state-owned enterprises, such as national oil companies and public hospitals. 92% of respondents associate moderate or significant corruption with political parties, and 93% of respondents say the same about state-owned companies.
- **Argentina, Brazil, Mexico and Venezuela Seen as Most Corrupt Large Economies:** Of the major economies (over US\$100 billion in GDP), Argentina, Brazil, Mexico and Venezuela are seen as the most corrupt in the region, a finding that is consistent with attitudes in 2012, where Argentina, Mexico and Venezuela were rated the most corrupt. Brazil has joined this group, unsurprisingly given the major bribery schemes exposed there in recent years.
- **Companies Increasingly Adopting Tools to Mitigate Third-Party Bribery Risks:** Efforts by regional and multinational companies to manage corruption risks in third-party relationships, traditionally one of the highest areas of bribery risk under the FCPA and similar anti-corruption laws, have notably increased in the region. More companies are implementing due diligence and monitoring practices and incorporating contractual safeguards into their third-party agreements.
- **Divergence in Countries Embracing International Compliance Efforts:** The survey shows exceptional growth in anti-corruption compliance efforts in certain key markets (Brazil, Colombia, Mexico and the United States), while other markets lag behind in engaging in

SURVEY PARTICIPANT COMMENT

"Although there are laws against corruption in Latin America, their effectiveness is minimal and their consequences are not dissuasive."

international compliance best practices (Bolivia, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Venezuela), signaling the emergence of a diverse array of compliance climates throughout the region. We classify countries' compliance environments as "most developed," "developing" and "least developed" on page 24 and in the Appendix.

SELECTED COUNTRY HIGHLIGHTS

- **Brazilians Focused on Corruption.** Responses related to Brazil stand out and show the significant effect that locally driven, headline enforcement actions can have on local perceptions of corruption and on corporate compliance. 93% of Brazilians surveyed are aware of a company, individual or government official being prosecuted for making or receiving an improper payment, gift or other benefit related to obtaining business, compared with 64% across Latin America and up from 88% in Brazil in 2012. 90% believe that an offender is likely to be punished, compared with the regional average of 59%. Since 2012, the percentage of Brazilian respondents saying there is significant corruption in the executive branch has jumped about 25 percentage points to 86%. Brazil also has the highest percentage of respondents saying that the importance of preventing corruption for their companies has increased over the last 5 years, with 81% saying yes compared with a regional average of 71%.
- **Mexico Slow at Reform.** Mexico is viewed as one of the four most corrupt countries surveyed in the region, which is in line with its risk ranking in the 2012 Latin America Corruption Survey. This year, only 8% of respondents found Mexico's current anti-corruption laws to be effective, compared with a regional average of 23%. Mexico has experienced several high-profile corruption scandals over the past four years, including allegations of a *quid pro quo* relationship arising from the purchase of a lavish home by the wife of President Enrique Peña Nieto from a significant government contractor. Relatedly, the survey shows a decrease in Mexicans who believe that an offender is likely to be prosecuted locally, from 40% in 2012 to 28% in 2016, compared with a regional average this year of 59%. Mexico registers the third-lowest percentage of confidence in local prosecution; only Venezuela (12%) and the Dominican Republic (14%) have lower confidence levels. Consistent with this finding, promised reforms to the country's anti-corruption laws have been slow to emerge. The Organization for Economic Co-Operation and Development has raised concerns about Mexico's anti-corruption laws for over a decade, and it was not until July 18, 2016 (after the close of the survey period), that President Peña Nieto signed into law the implementing legislation for the Mexican National Anticorruption System.
- **Hopeful Signs in Guatemala.** Recently, Guatemalans have watched as an investigation brought by local prosecutors with the support of the international community has led to the arrest and jailing of the country's sitting President, Otto Perez Molina, and implicated dozens of other high-level officials. Evidence shows that officials have been involved in a systemic scheme to use the customs agency to siphon funds to personal accounts. These headline developments appear to have had an effect on Guatemalans' perceptions of corruption. More Guatemalan respondents (95%) ranked customs risk as "significant" than did respondents from any other country surveyed. Guatemalans surveyed consider corruption to be prevalent, with 65% believing that

their own companies have lost business to competitors willing to pay bribes, compared with a 52% regional average. The survey also reveals a notable increase in the percentage of Guatemalans who believe an offender is likely to be prosecuted locally, up 29 percentage points to 65% in 2016 from 36% in 2012, compared with a regional average of 59%, perhaps a reflection of the recent prosecutions.

- Venezuela as Most Corrupt Surveyed Country in Region.** Continued instability in Venezuela appears to have created an environment whereby local anti-corruption enforcement is seen as minimal. No Venezuelan respondent believes the country's anti-corruption laws are effective, the only country surveyed to receive a 0% response. There has been a decrease in Venezuelans who believe that an offender is likely to be prosecuted locally, down 22% from 39% in 2012 to 17% in 2016. Less than a third (29%) surveyed are aware of a company, individual or government official being prosecuted for making or receiving an improper payment, gift or other benefit related to obtaining business, compared with a 64% regional average and down 23% from 52% in 2012. All Venezuelan respondents see "significant corruption" in the executive branch and state-owned companies in the country, the highest percentages registered among all countries surveyed, perhaps reflecting the broad powers and functions undertaken by President Nicolás Maduro's Administration and the far-reaching activities of state-owned companies in the local economy.

Despite continued pessimism in the region about the effectiveness of local anti-corruption laws, Brazil, which adopted the Clean Companies Act in 2014 and is in the midst of one of the largest anti-corruption prosecutorial efforts ever seen, serves as an example of the speed at which local perceptions of corruption can change when countries adopt new legislation and enforcement agencies aggressively apply the law.

SURVEY PARTICIPANT COMMENT

"Corruption is the largest problem for national development and the expansion of domestic investment."

Over the next four years, we can expect anti-corruption efforts to continue to expand in other areas of the region as well, as countries like Argentina, Colombia, Chile, Guatemala, Mexico and Peru continue to reform and enforce their laws. Depending on the seriousness of these efforts, the region could experience broader and more fundamental shifts in perceptions of corruption and governments' abilities to address it. If these efforts are not taken seriously, current long-standing attitudes could grow further entrenched. Even if some Latin American countries do not undertake local reform, their companies might still be influenced by extraterritorial enforcement of the FCPA and other international anti-corruption laws and the awareness of international compliance standards that those laws create. The threat of prosecution by foreign governments of local companies and individuals could help bolster local interest in compliance and other protective measures, working to dislodge what have become frozen attitudes about prevalent corruption risk over the eight years that Miller & Chevalier's surveys have covered.

Methodology and Demographics

Over three weeks in April and May 2016, Miller & Chevalier joined with 13 Latin American partner firms spanning 19 countries to distribute a survey via email to individuals working at a broad cross-section of U.S. and Latin American companies. The survey, available in English, Spanish and Portuguese, was completed by 637 respondents.

Participating law firms were BLP (Costa Rica, El Salvador, Honduras and Nicaragua); Brigard & Urrutia Abogados (Colombia); Carey (Chile); Estudio Beccar Varela (Argentina); FERRERE (Bolivia, Paraguay and Uruguay); Headrick Rizik Alvarez & Fernández (Dominican Republic); Hoet Pelaez Castillo & Duque (Venezuela); KLA-Koury Lopes Advogados (Brazil); Miller & Chevalier (United States); Orihuela Abogados (Peru); Pardini & Asociados (Panama); Paz Horowitz Abogados (Ecuador); QIL+4 Abogados (Guatemala); and Von Wobeser & Sierra (Mexico).

25% of respondents identified themselves as a Lawyer, 25% as an Officer or Manager, 7% as a Compliance Officer, 23% as a Director, and 20% as Other.

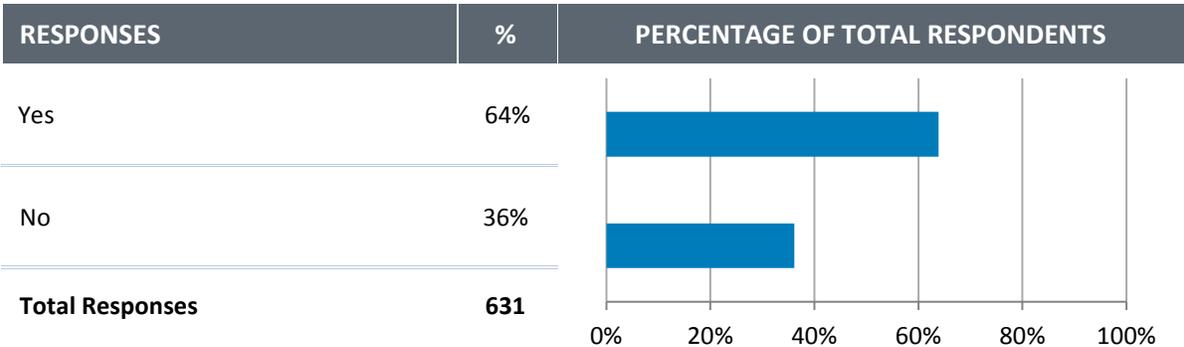
46% of respondents work at a local/regional company, and 54% at a multinational corporation. 29% of respondents work at a business that is publicly listed in the United States. Responses were received from individuals working throughout the Americas in a broad range of industry sectors including agriculture, banking, consumer products, energy, insurance, mining and pharmaceuticals/medical devices.

Of note, this year we expanded the survey to cover three additional countries: El Salvador, Honduras and Nicaragua.

2016 Latin America Corruption Survey Results

In this third edition of the survey (the survey was previously conducted in [2008](#) and [2012](#)), respondents were asked to complete a questionnaire designed to measure their thoughts and perspectives on the state of corruption throughout Latin America and the United States in 2016. The following charts and analysis represent the collective input of 637 respondents. A full overview of the survey methodology can be found at the beginning of the report. For ease of review, we have bolded the highest and lowest percentages where country-specific results are listed.

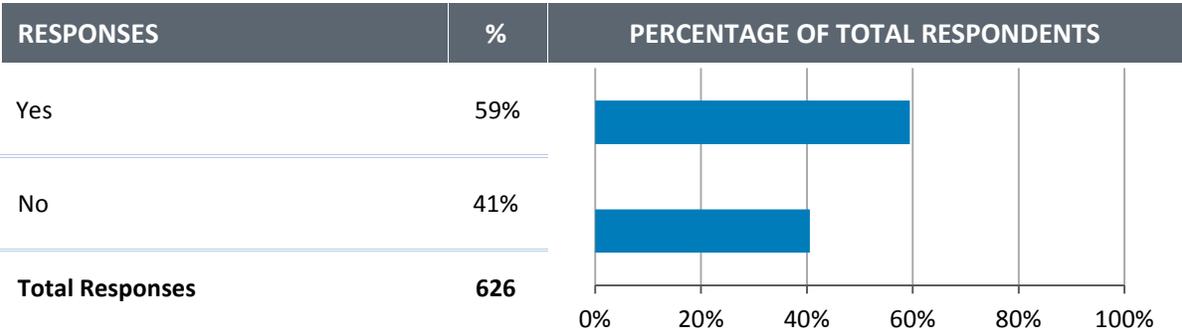
Q1. In the country where you work, are you aware of any company, individual or government official being prosecuted for making or receiving an improper payment, gift or other benefit related to obtaining business? (Select one option)



Roughly two-thirds of respondents said they are aware of a company, individual or government official being prosecuted for making or receiving an improper payment, gift or other benefit. This is a marked decrease from 2012 (75%) and would be even lower – 56% – if the results from Brazil participants are excluded. In Brazil, where Lava Jato prosecutions have dominated the headlines for over a year, a notable 93% of respondents are aware of such a prosecution.

Argentina	59%	Honduras	69%
Bolivia	50%	Mexico	64%
Brazil	93%	Nicaragua	29%
Chile	58%	Panama	50%
Colombia	68%	Paraguay	50%
Costa Rica	55%	Peru	44%
Dominican Republic	28%	United States	67%
Ecuador	59%	Uruguay	19%
El Salvador	46%	Venezuela	29%
Guatemala	76%		

**Q2. Do you believe that an offender is likely to be prosecuted in the country where you work?
(Select one option)**



The percentage of respondents who believe an offender is likely to be prosecuted locally, by country, are the following:

Argentina	53%	Honduras	31%
Bolivia	31%	Mexico	28%
Brazil	90%	Nicaragua	36%
Chile	78%	Panama	30%
Colombia	63%	Paraguay	50%
Costa Rica	83%	Peru	56%
Dominican Republic	14%	United States	62%
Ecuador	37%	Uruguay	63%
El Salvador	38%	Venezuela	17%
Guatemala	65%		

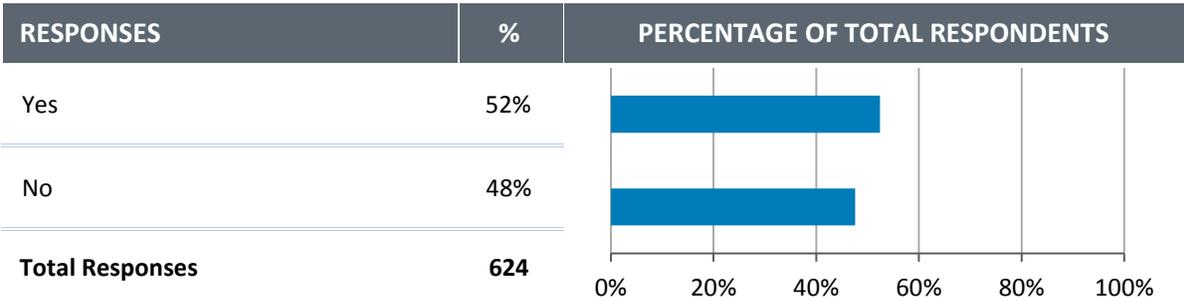
Compared with 2012, there is an increase in confidence in offender prosecution for Brazil (up 15%, from 75% in 2012 to 90% in 2016), Guatemala (up 29%, from 36% in 2012 to 65% in 2016), and Paraguay (up 13%, from 37% in 2012 to 50% in 2016). It seems that high-profile investigations in those countries are having a positive effect on confidence. Respondents in these regions are even more likely than respondents in the United States to believe that an offender might be prosecuted.

The optimism around prosecution contrasts significantly, however, with participants' views on the effectiveness of anti-corruption laws in their countries (see question 6 below) and the likelihood that local enforcement officials will investigate allegations of corruption when such allegations are reported (see questions 4 and 5 below).

Respondents from local/regional companies are less likely to believe an offender will be prosecuted than their counterparts at multinational companies (52% and 66%, respectively). In 2012, 55% of respondents from local/regional companies and 69% of respondents from multinational companies believed an offender would be prosecuted.

Of those respondents unaware of any company, individual or government official being prosecuted, 56% do not believe an offender is likely to be prosecuted. Among those who are aware, the deterrent effect of the law is predictably higher, as 68% of respondents who are aware of a prosecution in the country where they work believe that offenders are more likely to be prosecuted. Though 59% of respondents say they have seen a prosecution of misconduct, 32% of those respondents say they do not believe that an offender is likely to be prosecuted in the country where they work. These results suggest respondents do not interpret some enforcement to be the same as consistent enforcement.

Q3. Do you believe that your company has lost business to competitors that have made illicit payments? (Select one option)

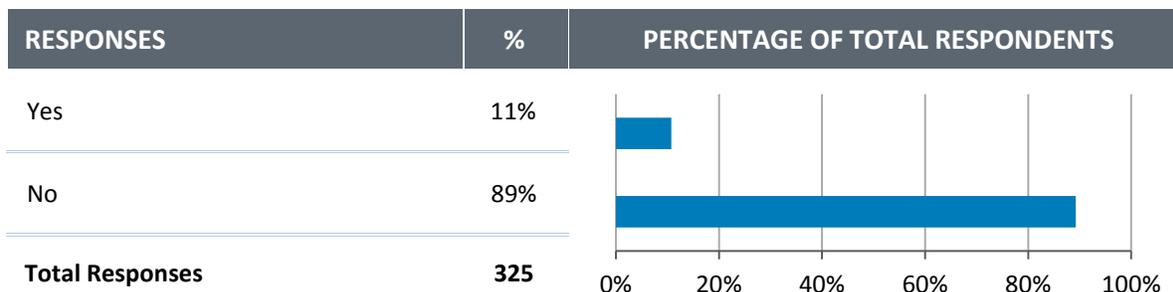


The percentage of respondents who think they have lost business to competitors that made illicit payments is remarkably consistent with the results in 2012 (51%).

As was the case in 2012, respondents from local/regional companies (59%) are more likely than respondents from multinational companies (46%) to believe their companies have lost business in these situations. The percentages were identical in 2012. Perhaps the higher frequency of compliance infrastructure found at multinational companies, which often compete against one another, creates the impression that competitors are slightly less likely to pay bribes, though a significant percentage of multinational respondents still believe they have lost business to corrupt competitors.

The largest numbers of respondents who reported losing business to competitors they believe are corrupt are in the Dominican Republic (83%), Ecuador (67%), Guatemala (65%), Honduras (69%) and Panama (70%), all of which are smaller markets with fewer multinational companies.

Q4. After you lost business to competitors that made illicit payments, did you report your concerns to the authorities? (Select one option)

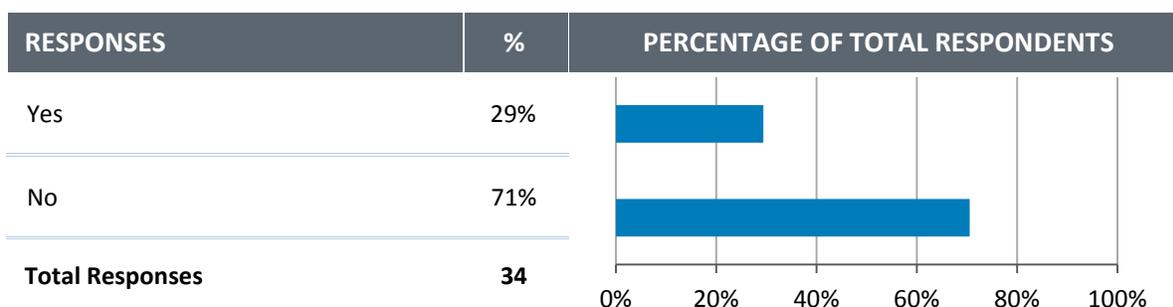


The lack of reporting uncovered in previous surveys persists, with only 11% of this year’s respondents saying they have alerted authorities about their suspicions that competitors made illicit payments. This result shows a clear disconnect between reporting and the more than half of respondents who say their company lost business to competitors making illicit payments, as well as the 59% who believe prosecution is likely. Although this disconnect may be the result of a number of factors, as noted above, the survey reveals a lack of confidence in enforcement efforts. This view is supported by the survey participants' answers to the two following questions.

SURVEY PARTICIPANT COMMENT

"It is often difficult to report acts of corruption because, while one might think that corruption has occurred, it is hard to provide specific information to substantiate this."

Q5. After you reported your concerns to the authorities, did the government investigate the matter? (Select one option)

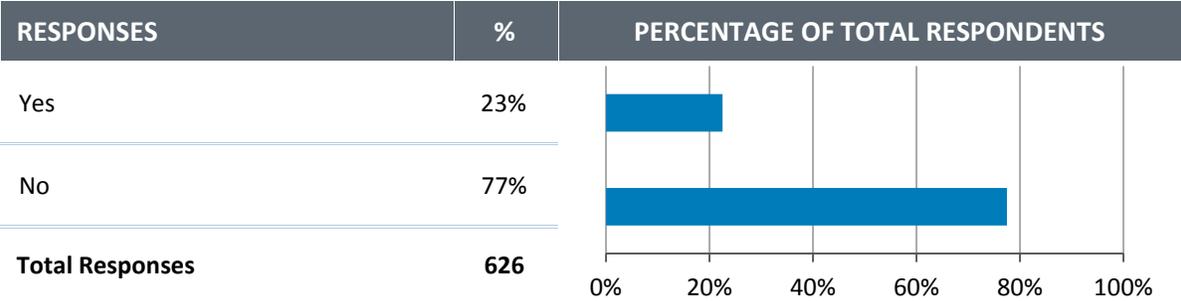


For the small percentage of respondents who say they reported concerns to the authorities (11%), less than one-third say it resulted in a government investigation. This reported lack of government response is likely one explanation for the widespread reluctance to report malfeasance.

SURVEY PARTICIPANT COMMENT

"In my country (Paraguay), money laundering is poorly controlled, which promotes corruption. The applicable law against money laundering is very weak and almost never enforced."

Q6. Do you think anti-corruption laws are effective in the country where you work? (Select one option)



An overwhelming majority (77%) of respondents believe their country’s anti-corruption laws are *ineffective*, likely underscoring the overall lack of confidence in the prosecutorial environment and in government investigators. For these reasons, it is not surprising that most respondents consider reporting to the authorities a futile exercise.

SURVEY PARTICIPANT COMMENT
"Although there are laws against corruption in Latin America, their effectiveness is minimal and their consequences are not dissuasive."

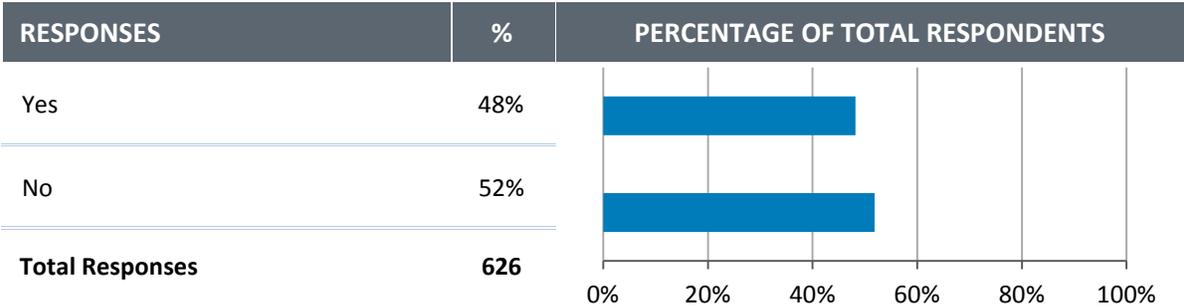
Respondents who believe anti-corruption laws are *effective*, by country:

Argentina	3%	Honduras	23%
Bolivia	19%	Mexico	8%
Brazil	26%	Nicaragua	23%
Chile	42%	Panama	30%
Colombia	17%	Paraguay	13%
Costa Rica	24%	Peru	31%
Dominican Republic	4%	United States	54%
Ecuador	11%	Uruguay	53%
El Salvador	8%	Venezuela	0%
Guatemala	11%		

Generally speaking, the effectiveness of anti-corruption laws is perceived negatively, even in the countries seen as least corrupt (i.e., United States, Chile and Uruguay – see Q9).

After a slight uptick in 2012 (28%), this year’s results (down 5%) are trending closer to 2008 (18%), showing an overall decrease in confidence in the effectiveness of anti-corruption laws in the countries where respondents work.

Q7. Is corruption a significant obstacle to doing business for your company? (Select one option)

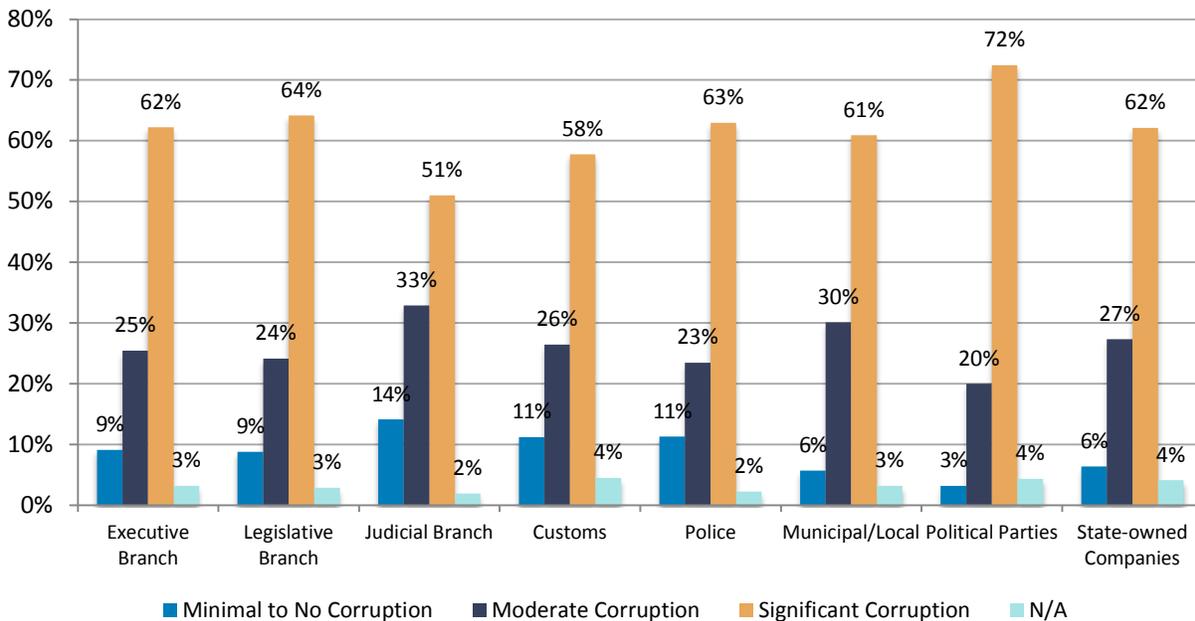


The percentage of respondents who consider corruption a significant obstacle to doing business (48%) is remarkably consistent with the surveys conducted in 2008 and 2012 (48% and 44% respectively).

Of the respondents who consider corruption a significant obstacle, 70% believe they have lost business to competitors that have made illicit payments, and 84% believe anti-corruption laws are not effective in their country.

A higher percentage of respondents from local/regional companies (52%) believe corruption is a significant obstacle than from multinationals (45%). Multinationals may have a more level playing field than local companies as their competitors are typically other multinationals that are subject to the corruption laws of multiple countries; local companies typically will be concerned with only one local enforcement regime.

Q8. To the extent public corruption exists in the country where you work, rank the level of corruption in the following areas of government (regionwide):



Respondents working in Venezuela (100%), Honduras (92%), El Salvador (92%) and Brazil (89%) rank their **executive branches** as most corrupt of the countries surveyed. Respondents from Chile (23%) and Uruguay (19%) consider their executive branches the least corrupt of the countries surveyed.

Respondents working in Guatemala (97%), Honduras (92%), Brazil (86%), El Salvador (85%) and the Dominican Republic (83%) rank their **legislative branches** as most corrupt of the countries surveyed. Respondents from Chile (29%) and the United States (29%) rank them least corrupt. Interestingly, U.S. respondents rank legislative corruption the lowest of any country surveyed, a view that contrasts the common perception of many in Latin America that U.S. lobbying is a form of improper influence peddling.

Respondents working in Honduras (100%), Venezuela (94%), Peru (87%) and Bolivia (81%) rank **judicial corruption** highest of the countries surveyed. Respondents from Chile (9%) and Uruguay (6%) rank it lowest of the

SURVEY PARTICIPANT COMMENT

"The main source of corruption is the government. We need a true separation of powers and economic independence to reduce the power of politicians, bureaucrats and corrupt businessmen who use the power of the state."

SURVEY PARTICIPANT COMMENT

"Corruption is encouraged by an ineffective judicial system and soft penalties."

SURVEY PARTICIPANT COMMENT

"Our company has no business relationship with the government because of the high level of corruption."

countries surveyed.

Respondents working in Guatemala (95%), Venezuela (94%), Argentina (91%) and Honduras (85%) rank **customs corruption** highest of the countries surveyed. Respondents from Nicaragua (9%) and Chile (8%) rank it lowest. The high percentage for Guatemala is likely tied to a recent scandal involving the arrest of President Otto Pérez Molina, members of his cabinet, and at least 50 other individuals involved in customs-related corruption. In 2012, customs corruption was ranked second highest for respondents working in Guatemala (72%), with legislative branch corruption ranked highest (85%).

Respondents working in Honduras (100%), Bolivia (94%), Venezuela (94%) and the Dominican Republic (90%) rank **police corruption** highest of the countries surveyed. Respondents from the United States (32%) and Chile (3%) rank it lowest.

Respondents working in Mexico (87%), El Salvador (85%), the Dominican Republic (79%) and Brazil (78%) rank **municipal/local corruption** highest of the countries surveyed. Respondents from Nicaragua (29%) and Uruguay (19%) rank it lowest.

For the first time, respondents to this year's survey were asked to assess corruption within political parties and state-owned companies. With regard to the former, respondents from El Salvador (100%), Brazil (94%), the Dominican Republic (89%) and Guatemala (87%) rank **political party corruption** highest of the countries surveyed, whereas respondents from the United States (42%) and Uruguay (38%) rank it lowest. Risks noted for political parties are higher than for most other areas explored in this question. That increased risk perception could be due to the lack of transparency with which many political parties often operate. In Brazil, the high perception of corruption in political parties is likely informed by political party corruption being central to the Lava Jato prosecutions. It is relevant to note that political party officials are considered "foreign officials" under the FCPA.

SURVEY PARTICIPANT COMMENT

"Corruption is ... encouraged by a political system in which certain political parties have a monopoly, forcing citizens to choose between bad choices and not voting at all."

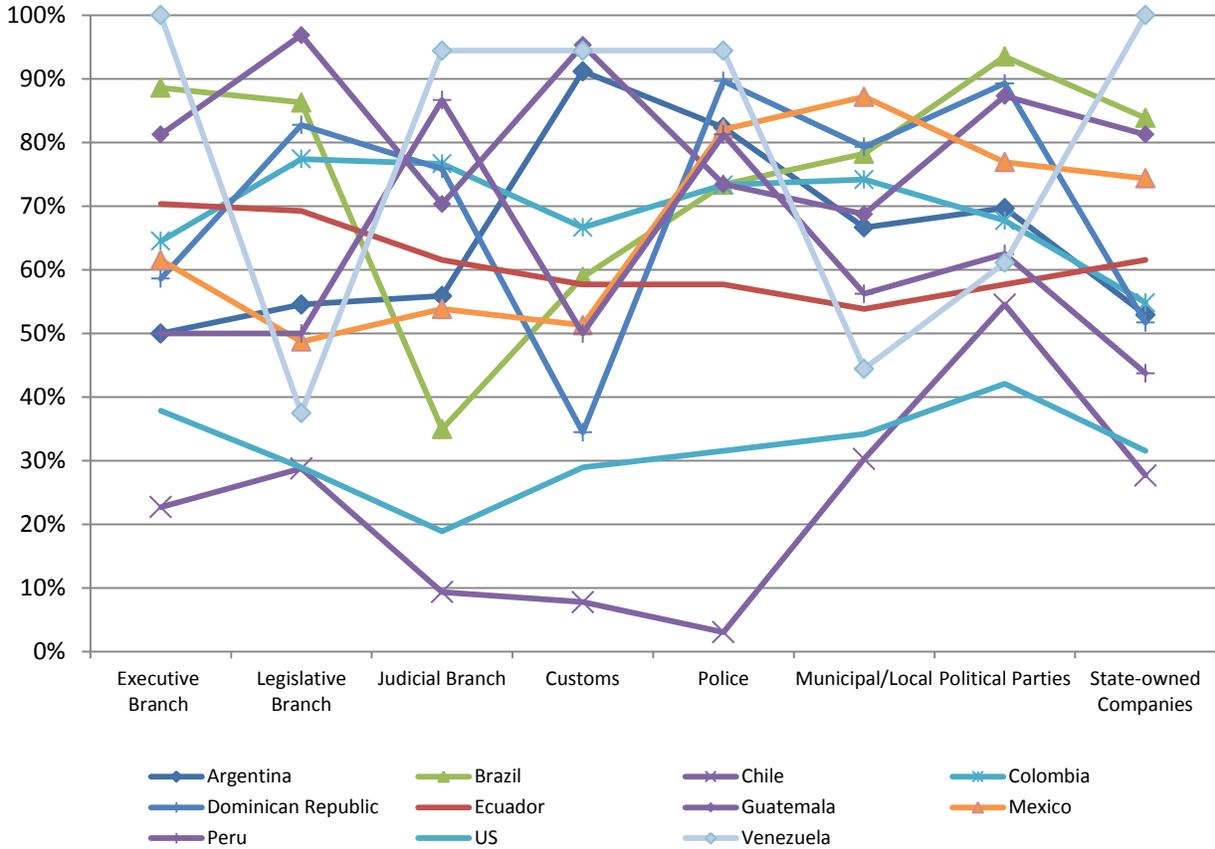
Respondents from Venezuela (100%), Honduras (85%), Brazil (84%) and El Salvador (77%) rank corruption associated with **state-owned companies** higher than levels perceived by respondents from other countries. Respondents from the United States (32%) and Chile (28%) rank it lowest. Perceptions of risks in state-owned companies are on par with other branches of government, suggesting significant levels of corruption risk despite the fact that state-owned companies often engage in activity that could be considered akin to the private sector. State-owned companies feature significantly in FCPA enforcement actions related to Latin America. The low percentage for U.S. respondents likely reflects the limited number of state-owned companies in the country, compared with other countries surveyed. In Venezuela, state-owned companies perform an extensive role in the economy, creating more opportunities for corruption to occur. The recent scandals surrounding state-owned Petrobras and Lava Jato likely contribute to the associated high level of significant corruption perceived in Brazil.

In Bolivia, the perception of executive branch corruption is likely high due to several recent corruption cases involving officers from that branch, including the president who has been accused of influence peddling. In the legislative branch, many laws have been questioned for not being enacted properly or enacted against the common good.

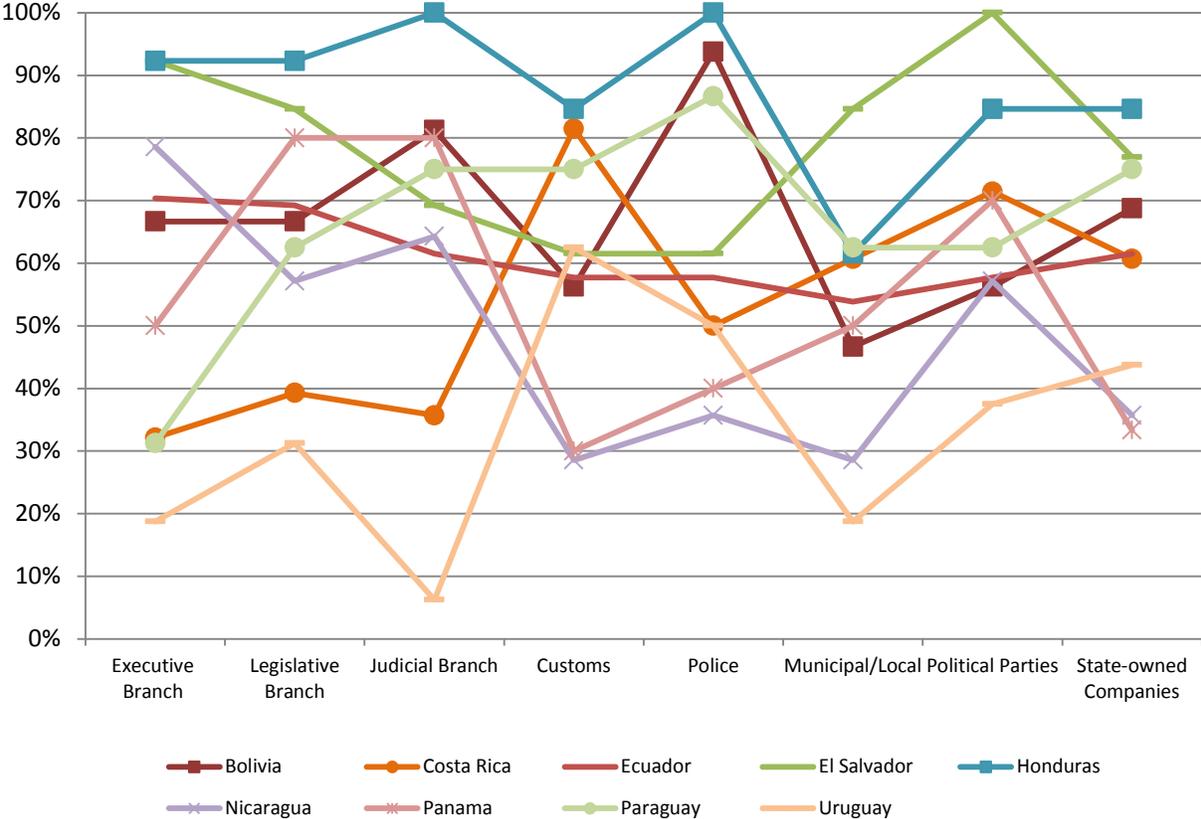
The majority of Chilean respondents rank six out of eight areas of government as having moderate levels of corruption. The most favorably perceived area of government is the police, with 76% of respondents reporting minimal to no corruption. The highest level of perceived corruption in Chile is with political parties (54% selected “significant corruption”); however, it is important to note that this percentage is still significantly lower than the regional average. The high level of distrust of political parties may be a result of recent cases of irregular political campaign financing widely covered in the local press.

In Colombia, the legislative branch is ranked as having the highest level of perceived corruption, reflecting a common attitude in the country that the legislature is permeated with a culture of clientelism and trafficking in influence, rather than guided by constituent interests. There are also high rates of corruption perceived at local levels of government, reflecting the fact that municipalities often elect officials pursuant to the influence of corrupt political parties, as well as the fact that local governments usually have weak and poorly trained control authorities, such as comptrollers and supervisors lacking adequate technical backgrounds compared with their counterparts in the country's main cities.

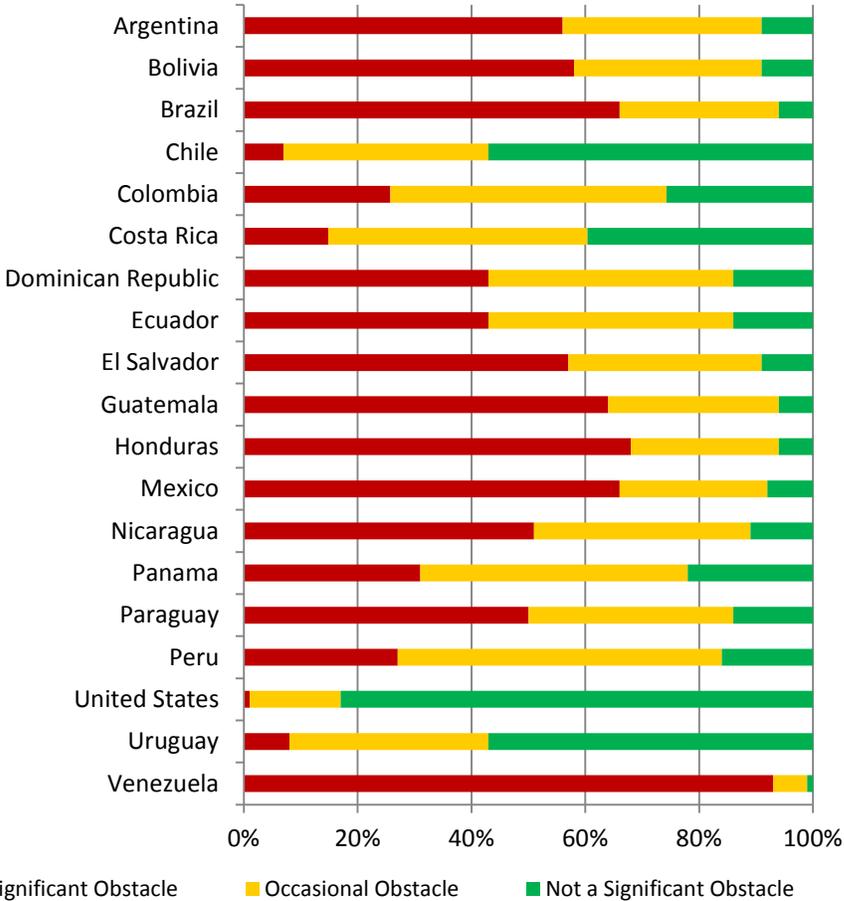
Significant Corruption Perceived in Government Entities, by Larger Countries (over US\$100 billion GDP)



Significant Corruption Perceived in Government Entities, by Smaller Countries (less than US\$100 billion GDP)



Q9. How would you rate corruption in the countries where you have business experience?



Consistent with other responses and Transparency International’s Corruption Perceptions Index, respondents consider Chile, the United States and Uruguay to be the least corrupt countries. The most corrupt major countries (large economies that register over 50% saying that corruption is a significant obstacle) are Argentina, Brazil, Mexico and Venezuela. Other countries (smaller economies below US\$100 billion in GDP) in the highest risk group (corruption perceived by over 50% of respondents to create a significant obstacle) are Honduras, Guatemala, El Salvador and Bolivia. Venezuela, Mexico, Bolivia and Argentina were ranked as the most corrupt in the 2012 survey; Brazil and Guatemala are new to this group in 2016, likely reflecting the recent and major corruption scandals in those countries.

Q10. Rank the activities you think may prove effective in reducing overall corruption in the countries where you work. (1=more effective, 4=less effective)

RESPONSES	RANK 1	RANK 2	RANK 3	RANK 4	WEIGHTED RANK (SCORE)
Enhanced Accountability and Transparency in Public Sector	253	211	105	53	1 (1908)
Effective Government Investigation and Prosecution	250	203	105	64	2 (1883)
Corporate Responsibility and Accountability	58	140	264	160	3 (1340)
Public Discussion, Participation and Social Policing	61	68	148	345	4 (1089)
Total Responses					622

These rankings are consistent across local/regional companies and multinationals operating in both the public and private sectors.

As in 2012, respondents say public accountability and government enforcement are the most effective tools to combat corruption, signaling a continued emphasis on external controls. Internal corporate responsibility and social policing are viewed as secondary and less effective tactics. This may be because government enforcement and lack of transparency in the public sector often make headlines and news clips, while the effectiveness of social policing can be more difficult to detect or appreciate for those not already engaged in such initiatives. It may also be that the value of corporate compliance is not fully appreciated until the negative consequences to engaging in corruption outweigh the potential benefits, which might not yet be the case for many companies in the region.

As a point of reference, increased enforcement of the FCPA over the past 15 years has demonstrated that vigorous and foreseeable enforcement, accountability and sanctions create perhaps the strongest incentives for private enterprise to invest in and develop new and better internal controls and self-regulation mechanisms. Conversely, without efficient accountability and enforcement, most in the private

SURVEY PARTICIPANT COMMENT

"Penalties against corruption should be exemplary and should include forfeiture. The biggest problem is that money is not being recovered from corruption, which harms the economy and leads individuals or entities to make an unethical cost-benefit analysis to determine that stealing is profitable."

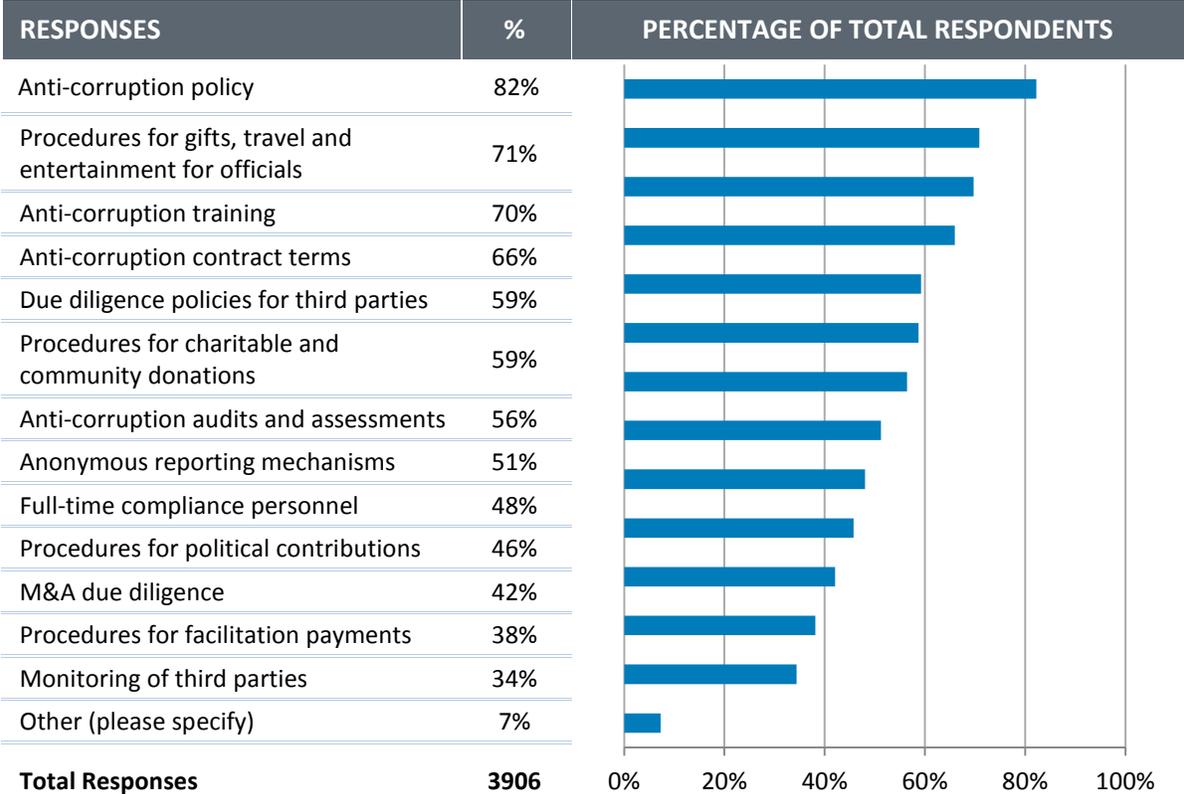
* Study editor note: Many laws, including the new Colombian Transnational Corruption Act, do not allow for forfeiture.

SURVEY PARTICIPANT COMMENT

"To decrease corruption in Ecuador, we must have: (1) increased transparency in public sector transactions; (2) more proactive, honest and transparent enforcement officials; (3) a more transparent judiciary; (4) accessible and up-to-date information on the state procurement system; and (5) the implementation of an independent evaluation system to monitor officials' actions and to publish the results of these evaluations."

83% of respondents from private companies and 96% of publicly traded companies listed as publicly traded where headquartered say management has taken steps to protect their company against corruption risk. Under the FCPA, companies publicly traded in the United States have a legal obligation to maintain internal accounting controls, which the SEC interprets to include anti-corruption compliance programs.

Q12. In what ways has your company's management taken steps to protect the company from corruption risk? (Check all that apply)



Respondents could select more than one answer for this question. As a result, percentages exceed 100.

The percentage of companies using certain types of compliance safeguards has been consistent over the last four years in the region. The safeguards include anti-corruption policies (81% in 2012), gifts/travel/entertainment procedures (70% in 2012), charitable and community donations (63% in 2012), political contributions (51% in 2012), audits and assessments (51% in 2012), anonymous reporting mechanisms (53% in 2012), and full-time compliance personnel (44% in 2012).

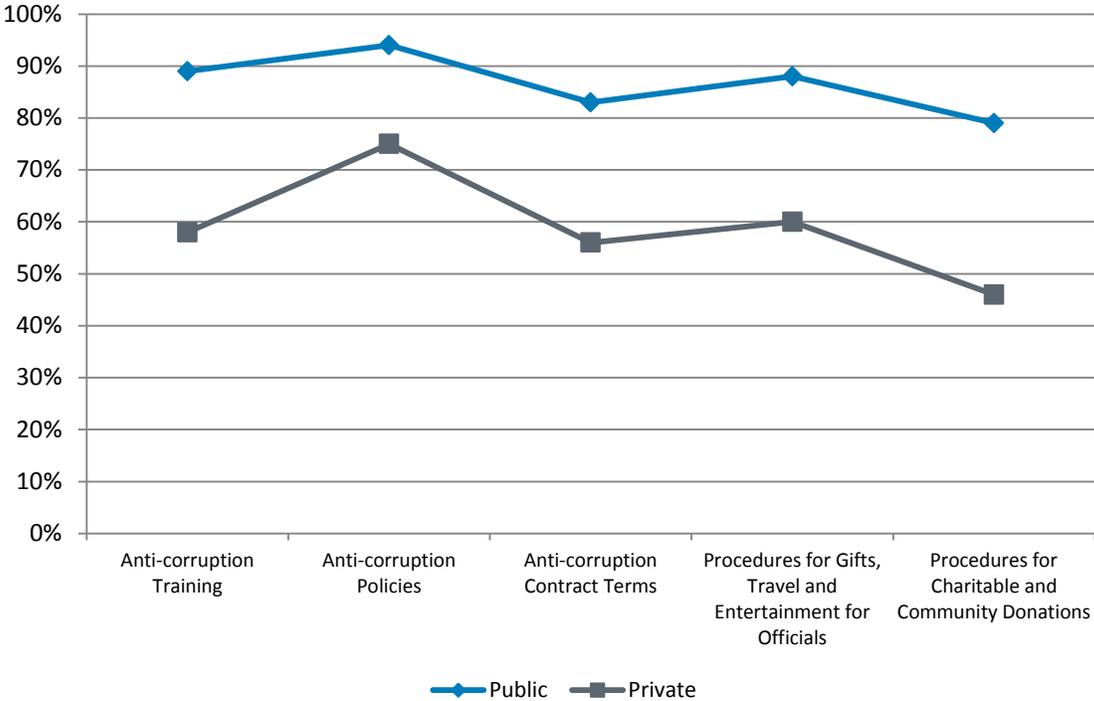
SURVEY PARTICIPANT COMMENT

“Honesty, ethics and good behavior in life must start from basic education. Business is only a part of life; this behavior should be 24/7 and begins at home with the education of children.”

Training has experienced an increase since 2012 from 61% to 70% of respondents, suggesting a slight transition in the region from static compliance efforts (e.g., written guidance) toward more dynamic programs reliant on communication mechanisms.

Efforts to manage companies' indirect bribery risks arising from their relationships with third parties, one of the highest areas of risk under bribery laws like the FCPA, have increased notably across the region. For example, respondents indicating company use of third-party due diligence increased almost 10% since the 2008 and 2012 surveys. It increased significantly for private companies (39% in 2012; 52% in 2016) and at a more measured rate for publicly traded companies (65% in 2012; 72% in 2016). For local/regional companies it jumped from 32% to 49%, and for multinationals from 60% to 66%, over the last four years. The use of anti-corruption contract terms has also gone up, from 59% to 66% since 2012. And 34% of companies say they monitor the activities of third parties, an activity that was not tested in 2012.

Corruption-protection measures undertaken by management at publicly traded companies varied substantially from their private-company counterparts:



Despite the lag of private companies, their efforts have seen improvements since 2012:

- Anti-corruption training (up from 46% to 58%)
- Due diligence policies for third parties (up from 39% to 52%)
- Procedures for gifts, travel and entertainment for officials (up from 59% to 60%)

Of respondents who work for companies publicly listed in the United States, the largest increases in compliance efforts from 2012 to 2016 are in the areas of anti-corruption contract terms (from 77% in 2012 to 86% in 2016), anti-corruption audits and assessments (from 73% in 2012 to 79% in 2016), and full-time compliance personnel (from 64% in 2012 to 74% in 2016). There are slight decreases in procedures for facilitation payments (from 65% in 2012 to 60% in 2016), possibly reflecting the drop in companies that still allow facilitating payments, and M&A due diligence (from 72% in 2012 to 64% in 2016), possibly reflecting a slowdown in M&A activity in the region.

For local/regional companies, compliance efforts have increased in certain areas, including anti-corruption training (35% in 2012; 48% in 2016), full-time compliance personnel (20% in 2012; 26% in 2016), anti-corruption contract terms (41% in 2012; 49% in 2016), gifts/travel/entertainment procedures (48% in 2012; 50% in 2016), and anti-corruption audits and assessments (32% in 2012; 38% in 2016).

Similarly, multinationals saw increases in anti-corruption training (64% in 2008; 76% in 2012; 85% in 2016), anti-corruption policies (88% in 2012; 92% in 2016), anti-corruption contract terms (69% in 2012; 77% in 2016), gifts/travel/entertainment procedures (81% in 2012; 85% in 2016), anti-corruption audits and assessments (61% in 2012; 69% in 2016), anonymous reporting mechanisms (65% in 2012; 66% in 2016), and full-time compliance personnel (56% in 2012; 63% in 2016).

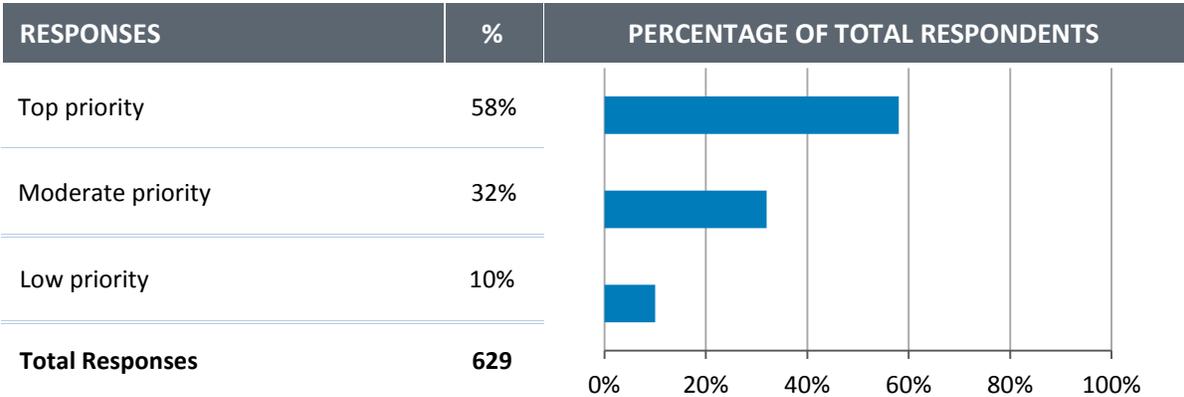
When responses are reviewed on a country-specific basis, some countries are seen to have compliance environments that are markedly more mature than others, some countries' compliance environments are on par with regional averages, and some demonstrate nascent – or least developed – compliance environments, with practices behind the average (see chart below and data in the Appendix on page 29). These classifications are established by weighting more heavily what can be considered core anti-corruption compliance elements, such as trainings, policies, third-party due diligence, anti-corruption contract terms, anonymous reporting mechanisms, and procedures for gifts, travel, and entertainment, while weighting less heavily other anti-corruption compliance elements, such as procedures for charitable and community donations, political contributions, facilitating payments, and M&A due diligence.

Measurement of Anti-Corruption Compliance Program Maturity in Various Markets

Most Developed	Developing	Least Developed
Brazil Colombia Mexico United States	Argentina Chile Costa Rica Ecuador Peru Uruguay	Bolivia Guatemala Dominican Republic El Salvador Honduras Nicaragua Panama Paraguay Venezuela

* See Appendix A for detailed maturity analysis.

**Q13. Where does dealing with corruption risk rank within the priorities of your company?
(Select one option)**

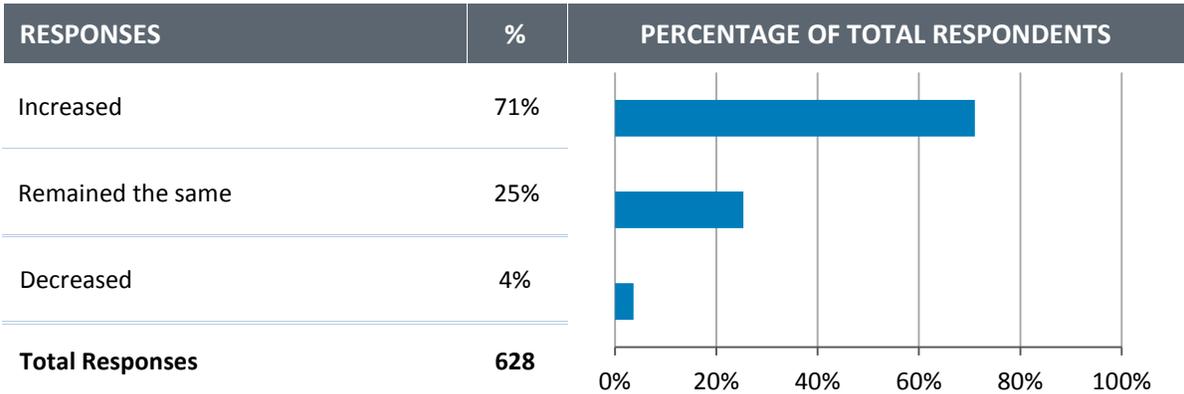


Overall, this year’s results are similar to 2012, when corruption risk was a top priority for 55% of respondents and a moderate priority for 28%.

85% of respondents working at local/regional companies say their management has taken steps to protect against corruption risk, compared with 94% at multinational companies. Still, only 45% of respondents from local/regional companies say corruption risk is a top priority, compared with 69% at multinationals.

73% of public-company respondents say corruption risk is a top priority compared with 50% at private companies.

Q14. Has the importance of preventing corruption increased/decreased/remained the same for your company over the last five years? (Select one option)



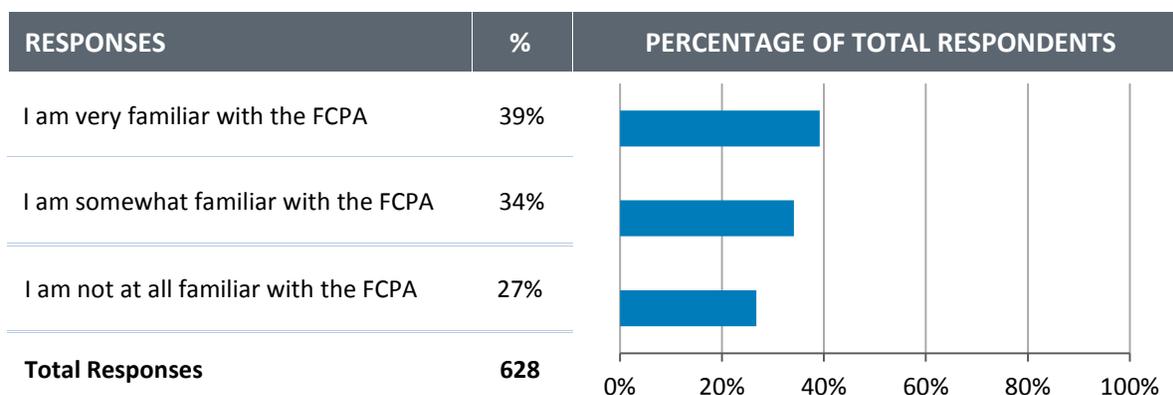
The perceived importance of preventing corruption appears to be increasing slightly (63% in 2012; 71% in 2016), suggesting that companies continue to see the need for improvements in this area. This

increase could be the result of a common perception (77%) that anti-corruption laws are ineffective in respondents' own countries.

A higher percentage of respondents from multinationals (75%) say there is an increase in importance than respondents from local/regional companies (66%). While the percentage of respondents working for multinational companies seeing an increase has been consistent over the last eight years, local/regional companies have shown a significant increase in that perception since 2008, from 45% to 66%. This increase may stem from the willingness of U.S. officials to apply the FCPA to local and regional companies as well as the growing enforcement of local anti-corruption laws.

There is a greater disparity between public and private companies, possibly due to added pressure in the market on public companies to have sound compliance practices in place, including expectations from external auditors, insurance providers, investors and lending institutions. 83% of publicly traded companies have seen an increase in the importance of preventing corruption, compared with 65% at private companies.

Q15. Have you heard of the U.S. Foreign Corrupt Practices Act (FCPA)? (Select one option)



Overall, more respondents are at least somewhat familiar with the FCPA than in 2012 (73% and 64%, respectively).

95% of respondents from U.S. multinationals or companies publicly listed in the United States report that they are very familiar with the FCPA.

Perhaps more remarkable, of respondents who are apparently not subject to the FCPA (because they do not work in the United States, their companies are not publicly traded in the United States, or they do not work for an affiliate of a U.S. multinational company), 23% indicate they are very familiar with the FCPA and 46% indicate they are somewhat familiar with the FCPA, demonstrating the notable impact that the FCPA is having on business outside of its jurisdictional reach.

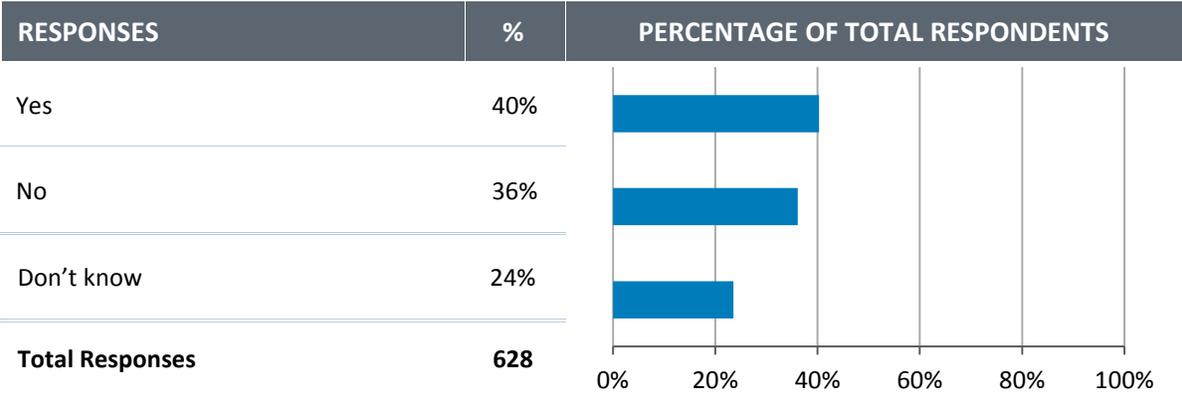
SURVEY PARTICIPANT COMMENT

“We are aware of the FCPA, and it applies to some of our customers. They incorporate standard anti-corruption clauses in their contracts to ensure compliance.”

Among non-U.S. multinational companies, 54% of respondents say they are very familiar, as opposed to somewhat familiar, with the FCPA, a slight increase from 2012, while only 15% (down from 24%) are not at all familiar with the law.

The countries with the least FCPA familiarity are Nicaragua (71% not at all familiar), Venezuela (50%), Paraguay (50%), Bolivia (47%), Chile (44%) and Guatemala (44%). Those most familiar, perhaps due in part to recent significant, highly publicized FCPA investigations involving these countries, are Peru (100%), Brazil (90%), Colombia (87%) and Mexico (87%).

Q16. Is your company subject to the FCPA? (Select one option)

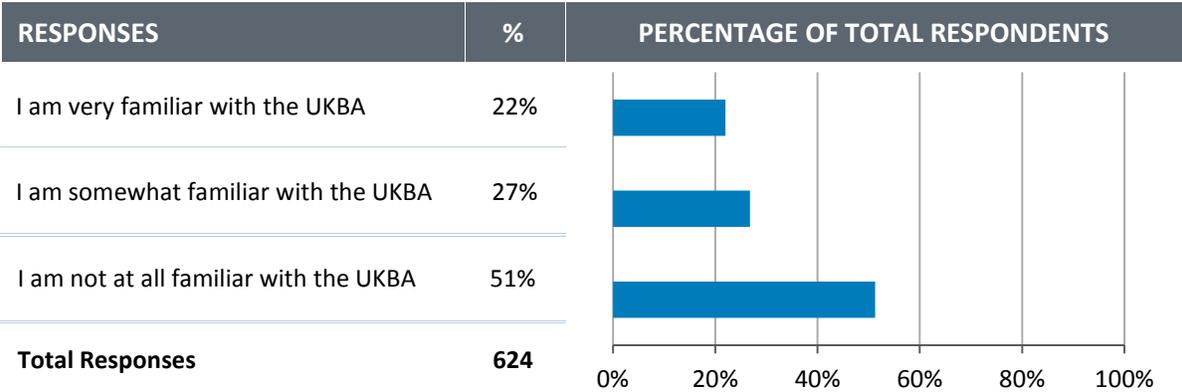


For the 214 respondents whose companies are clearly subject to the FCPA – because the companies are publicly listed in the United States or are affiliates of U.S. multinational companies – 22% believe they are not subject or are not sure. This is consistent with 2012 levels but remains lower than the 30% of respondents in 2008.

SURVEY PARTICIPANT COMMENT

“I think that corruption has decreased considerably in companies since the passage of Sarbanes-Oxley. Today, the vast majority of our suppliers do not ask for any kinds of favors and are prohibited from receiving gifts.”

Q17. Have you heard of the U.K. Bribery Act (UKBA) (Select one option)

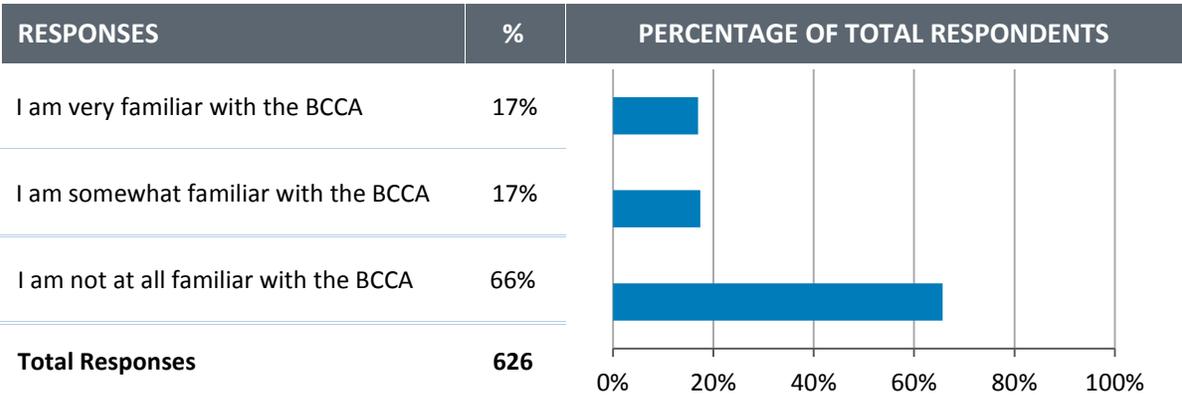


As in 2012, the FCPA remains more familiar to respondents than the UKBA. However, there is a slight increase in familiarity with the UKBA over the past four years (from 41% in 2012 to 49% in 2016).

68% percent of respondents from public companies are at least somewhat familiar with the UKBA (up from 58% in 2012), and 62% of respondents from private companies are not at all familiar with the law (down from 70% in 2012).

Respondents from the United States and Brazil show strong familiarity with the UKBA (82% and 81%, respectively), while respondents from most other countries register low levels of familiarity. UK investment in the United States and Brazil – and vice versa – is much higher than across the other countries surveyed.

Q18. Have you heard of the Brazilian Clean Companies Act (BCCA)?



In this year’s survey, respondents were asked for the first time about their familiarity with the Brazilian Clean Companies Act (BCCA), which came into force in 2014. A strong 86% of Brazilian respondents say they are at least somewhat familiar with the BCCA. Of this group, 62% say they are very familiar with the law; 31% are Brazilians working for local/regional companies, and 69% work for multinationals.

In the United States, a striking 74% of respondents are at least somewhat familiar with the BCCA, and 41% say they are very familiar.

Signaling a lack of awareness in other parts of Latin America of the dramatic developments occurring in Brazil related to addressing corruption, only 34% of respondents from other countries indicate a basic familiarity with the BCCA, and 66% have no familiarity at all. Despite the low level of familiarity outside of Brazil and the United States, the BCCA has extraterritorial reach, applying to actions taken abroad.

APPENDIX A:

Measurement of Compliance Maturity in Various Markets

Most Developed	Developing	Least Developed
Brazil Colombia Mexico United States	Argentina Chile Costa Rica Ecuador Peru Uruguay	Bolivia Guatemala Dominican Republic El Salvador Honduras Nicaragua Panama Paraguay Venezuela

MOST DEVELOPED (Scores generally above regional averages)	
<p>Brazil</p> <ul style="list-style-type: none"> 89% have anti-corruption training, compared with regional average of 70% 88% have anti-corruption policies, compared with regional average of 82% 84% have anti-corruption contract terms, compared with regional average of 66% 84% have policies for gifts, travel, entertainment, compared with regional average of 71% 69% have anonymous reporting mechanisms, compared with regional average of 51% 63% have full-time compliance personnel, compared with regional average of 48% 78% have procedures for charitable and community donations, compared with regional average of 59% 74% conduct audits and assessments, compared with regional average of 57% 66% have policies for political contributions, compared with regional average of 46% 	<p>Colombia</p> <ul style="list-style-type: none"> 100% have anti-corruption policies, compared with regional average of 82% 79% conduct third-party due diligence, compared with regional average of 59% 86% have anti-corruption contract terms, compared with regional average of 66% 83% have anonymous reporting mechanisms, compared with regional average of 51% 62% have full-time compliance personnel, compared with regional average of 48%

MOST DEVELOPED (Scores generally above regional averages)	
<p>Mexico</p> <ul style="list-style-type: none"> ▪ 62% have full-time compliance personnel compared with regional average of 48% ▪ 71% have internal reporting mechanisms, compared with regional average of 51% ▪ 74% perform third-party due diligence, compared with regional average of 59% ▪ 74% have anti-corruption contract terms, compared with regional average of 66% ▪ 58% perform M&A due diligence, compared with regional average of 42% 	<p>U.S.</p> <ul style="list-style-type: none"> ▪ 92% have anti-corruption training, compared with regional average of 70% ▪ 97% have anti-corruption policies, compared with regional average of 82% ▪ 86% perform third-party due diligence, compared with regional average of 59% ▪ 89% have anti-corruption contract terms, compared with regional average of 66% ▪ 92% have policies for gifts, travel, entertainment, compared with regional average of 71% ▪ 84% have anonymous reporting mechanisms, compared with regional average of 51% ▪ 65% have full-time compliance personnel, compared with regional average of 48%

DEVELOPING (Scores generally consistent with regional averages)	
<p>Argentina</p> <ul style="list-style-type: none"> ▪ 67% conduct anti-corruption training, compared with regional average of 70% ▪ 56% perform third-party due diligence, compared with regional average of 59% ▪ 78% have policies for gifts, travel, entertainment, compared with regional average of 71% 	<p>Chile</p> <ul style="list-style-type: none"> ▪ 66% have anti-corruption training, compared with regional average of 70% ▪ 88% have anti-corruption policies, compared with regional average of 82% ▪ 58% conduct audits and assessments, compared with regional average of 57%
<p>Costa Rica</p> <ul style="list-style-type: none"> ▪ 88% have anti-corruption policies, compared with regional average of 82%. ▪ 54% perform third-party due diligence, compared with regional average of 59% ▪ 63% have anti-corruption contract terms, compared with regional average of 66% 	<p>Ecuador</p> <ul style="list-style-type: none"> ▪ 83% have anti-corruption policies, compared with regional average of 82% ▪ 67% have anti-corruption contract terms, compared with regional average of 66% ▪ 50% have anonymous reporting mechanisms, compared with regional average of 51%

DEVELOPING (Scores generally consistent with regional averages)	
<p>Peru</p> <ul style="list-style-type: none"> 62% have anti-corruption training, compared with regional average of 70% 69% perform third-party due diligence, compared with regional average of 59% 69% have policies for gifts, travel, entertainment, compared with regional average of 71% 	<p>Uruguay</p> <ul style="list-style-type: none"> 83% have anti-corruption policies, compared with regional average of 82% 58% perform third-party due diligence, compare to regional average of 59% 58% have anti-corruption contract terms, compared with regional average of 66%

LEAST DEVELOPED (Scores generally below regional averages)	
<p>Bolivia</p> <ul style="list-style-type: none"> 50% have anti-corruption policies, compared with regional average of 82% 36% perform third-party due diligence, compared with regional average of 59% 14% have anonymous reporting mechanisms, compared with regional average of 51% 	<p>Dominican Republic</p> <ul style="list-style-type: none"> 32% have anti-corruption training, compared with regional average of 70% 63% have anti-corruption policies, compared with regional average of 82% 26% have anonymous reporting mechanisms, compared with regional average of 51%
<p>El Salvador</p> <ul style="list-style-type: none"> 64% have anti-corruption policies, compared with regional average of 82% 36% have anti-corruption contract terms, compared with regional average of 66% 18% have anonymous reporting mechanisms, compared with regional average of 51% 	<p>Guatemala</p> <ul style="list-style-type: none"> 48% have anti-corruption training, compared with regional average of 70% 41% perform third-party due diligence, compared with regional average of 59% 55% have anti-corruption contract terms, compared with regional average of 66% 71% have policies for gifts, travel, entertainment, compared with regional average of 71% 24% perform M&A due diligence, compared with regional average of 42% 36% conduct audits and assessments, compared with regional average of 57% 26% have anonymous reporting mechanisms, compared with regional average of 51% 28% have full-time compliance personnel, compared with regional average of 48%

LEAST DEVELOPED (Scores generally below regional averages)	
<p>Honduras</p> <ul style="list-style-type: none"> ▪ 40% have anti-corruption training, compared with regional average of 70% ▪ 30% have procedures for gifts, travel and entertainment, compared with regional average of 71% ▪ 0% have anonymous reporting mechanisms, compared with regional average of 51% 	<p>Nicaragua</p> <ul style="list-style-type: none"> ▪ 27% have anti-corruption training, compared with regional average of 70% ▪ 55% have anti-corruption policies, compared with regional average of 82% ▪ 18% have anonymous reporting mechanisms, compared with regional average of 51%
<p>Panama</p> <ul style="list-style-type: none"> ▪ 44% have anti-corruption training, compared with regional average of 70% ▪ 33% have anti-corruption policies, compared with regional average of 82% ▪ 33% have anti-corruption contract terms, compared with regional average of 66% 	<p>Paraguay</p> <ul style="list-style-type: none"> ▪ 67% have anti-corruption policies, compared with regional average of 82% ▪ 40% have anti-corruption contract terms, compared with regional average of 66% ▪ 33% have gifts, travel, and entertainment policies, compared with regional average of 71%
<p>Venezuela</p> <ul style="list-style-type: none"> ▪ 43% have anti-corruption training, compared with regional average of 70% ▪ 50% have anti-corruption policies, compared with regional average of 82% ▪ 14% have anonymous reporting mechanisms, compared with regional average of 51% 	