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Abubakr Hussein
PhD. Team Leader
Al-Oula for Financial and Accounting Studies
Khartoum, Sudan
April 2019
Al-Oula

Al Oula Institute For Financial & Accounting Studies is an independent studies, training and consultancy Institute with a strong national development orientation. Al Oula conducts applied studies in the areas of financial markets, financial intermediaries and monetary and macroeconomics. It serves as a development spark for dialogue between international and national financial studies and practices. Al Oula aims to be an active partner of policy making institutions in Sudan’s financial community.

CIPE

The Center for International Private Enterprise (CIPE) strengthens democracy around the globe through private enterprise and market-oriented reform. CIPE is one of the four core institutes of the National Endowment for Democracy and a non-profit affiliate of the U.S. Chamber of Commerce. One of CIPE’s strategic focus areas through its Africa Regional Anti-Corruption Initiative is to galvanize the private sector to combat corruption and advocate for transparency and accountability in order to promote inclusive growth and development.

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Editor: Carmen Stanila
Reviewed by CIPE
ASSESSING THE DEPTH OF CORPORATE COMPLIANCE CAPACITY AND AWARENESS

JUNE 2019

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SBEF: Sudanese Businessmen and Employers’ Federation
Al-Oula: Al Oula Institute For Financial & Accounting Studies
CIPE: Center for International Private Enterprise
NCP: National Congress Party

**Micro Companies:** organizations with 1 – 10 Employees

**Small Companies:** organizations with 11 – 50 Employees

**Mid-sized Companies:** organizations with 51 – 100 Employees

**Large Companies:** organizations with 100 employees and above
INTRODUCTION

Sudan is, without a doubt, one of the most challenging environments for anti-corruption in the world. According to Transparency International, corruption is present in all sectors and across all branches and levels of government; public servants are known to demand bribes for services that individuals or companies are legally entitled to; government officials hold direct and indirect stakes in many private enterprises, which distorts the market through patronage and cronyism.

Corruption in Sudan is a systemic issue. The country is perceived as one of the most corrupt in the world: Transparency International’s 2016 Corruption Perceptions Index (CPI), for example, gives the country a score of 14, ahead only of North Korea, Somalia, South Sudan and Syria (Transparency International 2017). As explained by Persson, Rothstein and Teorell (2013), endemic corruption is not a flaw that can be corrected with a technical fix or a political push. It is the way the system works, and it is deeply embedded in the norms and expectations of political and social life.

In a country like Sudan, the short-term costs of being honest are comparatively high, these are costs that the people might be unwilling or incapable of bearing and instead continue to choose corrupt alternatives before non-corrupt ones. According to Kameir and Kursany, corruption in the Sudanese context can hardly be avoided. It touches upon the life of every citizen. It has become a major source of income generation, which is why they have labelled it the “fifth” factor of production. In addition to wages, rent, profits and interests, corruption could be considered as a fifth factor in determining the distribution of the national product.

Corruption in the Sudanese private and public sector is intertwined. In Sudan, politics and business go hand in hand. According to the US Department of State’s 2016 Investment Climate Statement, major government contracts are often awarded to private firms controlled by government officials. For Sudan to truly transform politically and economically it must begin to address its corruption challenges by instituting and promoting policies that enable a corruption free private sector. See Figure 1 for Sudan’s 2018 Transformation Index.

For more localised understanding, CIPE and Al-Oula developed a baseline survey to ascertain the extent of awareness and depth or level of implementation of anti-corruption compliance system capacities by private companies in Sudan.
As corruption risk mitigation is the new international norm for doing business, companies of all sizes have become increasingly aware of the extent to which corruption reduces competitive advantage by increasing costs and undermining sustainable growth. With this in mind, our survey was administered to determine the level of corruption risk mitigation and compliance capacities in Sudanese companies and to inform capacity building and consulting needs.

Al-Oula surveyed companies in Sudan with specific objectives to:
1. Collect data that shows the current level of anti-corruption compliance awareness and implementation of compliance systems in companies in Sudan.
2. Identify compliance patterns.
3. Collect information on the market for anti-corruption compliance training and consulting.

The survey report will serve to create awareness of compliance systems within the business community in Sudan and increase Al-Oula’s compliance training and consulting capacity.

What follows is a presentation of the responses to the questions administered in the survey.

Source: Corruption risks within spheres of corporate activity (Transparency International)
SUMMARY OF KEY FINDINGS

1. POLICIES AND PROCEDURES
Policies and Procedures help an organization address pertinent issues and determine what constitutes acceptable behavior and how to respond to violations of those policies. 66% of the survey respondents indicate that their organization has anti-corruption policies in place. On a more operation level, only 32% had procurement and recruitment policies and procedures designed to ensure fair competition. Furthermore, when asked about the testing of these procedures, only 47% of respondents alluded to testing these controls.

66%  
Say their organization has policies and procedures on ethics, integrity and anti-corruption compliance.

32%  
Say their organization has procurement and recruitment policies designed to ensure fair competition in bidding, recruitment and prevention of fraud and corruption.

47%  
Say they test their controls and procedures.
2. REPORTING AND PROTECTION

It’s trite that when employees feel safe and confident to report unethical behavior in a company, the tendency is for corrupt practices or unethical behavior to reduce. When asked about having confidential reporting mechanisms or whistleblower hotlines, **65% of respondents reported the non-existence of such mechanisms.** In addition, **62% of respondents also responded to not having any protection systems or procedures to handle reports that may be admitted.** From the survey results, it can easily be concluded that reporting unethical behavior and protecting would-be whistleblowers is not a priority for most of the surveyed organizations.
3. ORGANIZATION CULTURE
How an organization chooses to reward or punish ethical and unethical behavior reflects the corporate culture and will go a long way in shaping employee behavior. The survey also tried to capture the depth of application of positive reinforcement of ethical behavior. **65% of respondents say their organization does not recognize or encourage ethical behavior actively through employee performance evaluation, a common way to implement such measures.** However, only **40% of the respondents say their organizations have a practice of abstaining from unethical business opportunities when presented.** Having dedicated functions to a policy often shows seriousness about that policy. We find that only about **40% of our respondents had a dedicated department responsible to anti corruption compliance.**
4. PREVENTION AND DETECTION
While some respondents stated that they had corruption prevention measures, 51% of the respondents rated their organizations’ capacity to prevent fraud and corruption poorly. Specifically, 13% were not sure of their organizations capacity while 38% claimed it was limited or very limited. This is not surprising in that 44% of the respondents also claimed their organizations ability to detect was limited. Summarily, 37% of respondents claimed their organizations had controls to detect corruption and fraud schemes, significant amount of the respondents do not believe in their organizations’ ability to prevent or detect corruption and fraud in their company’s operations.

51% of respondents rated their organizations’ capacity to prevent fraud & corruption poorly.

44% of respondents said their organizations’ ability to detect fraud and corruption is limited.
5. TRAINING AND ASSESSMENT

Training on detection and prevention of fraud/corruption in most of the private organizations surveyed was observed to be sub-optimal. Analysed data from the survey shows that 63% of the respondent organizations either have no training at all or sporadic at best. While respondent organizations allude to having above average corruption risk assessments, the leadership is not sensitized on the company’s policies with regards to corruption and fraud. **Only 39% of the respondents indicated having any training for the board members in this regard.**

63%

Do not conduct any training for employees on how to detect and prevent corruption and fraud or training is sporadic at best.

61%

Did not conduct training on company’s policies on corruption and fraud for board members within the last 12 months.
6. WILLINGNESS TO IMPROVE ANTI-CORRUPTION COMPLIANCE CAPACITY

For companies to effectively mitigate corruption risks and become empowered to curb corruption in their business, there must be an increase in the level of awareness about the importance of methodically mitigating corruption in business operations by operationalizing compliance systems that fit the company’s needs. The survey sought to determine the companies’ interest in a number of anti-corruption compliance services, see below the percentage of YES responses from the survey respondents.

<table>
<thead>
<tr>
<th>Service</th>
<th>% of Yes Responses</th>
</tr>
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<tbody>
<tr>
<td>Would your company be interested in corruption Risk Assessment?</td>
<td>66%</td>
</tr>
<tr>
<td>Would your company be interested in anti-corruption Compliance in-house training for employees</td>
<td>59%</td>
</tr>
<tr>
<td>Would your company be interested in anti-corruption compliance management training for Board Members and top managers</td>
<td>48%</td>
</tr>
<tr>
<td>Would your company be interested in anti-Corruption training for third parties?</td>
<td>35%</td>
</tr>
<tr>
<td>Would your company be interested in anti-corruption audit benchmarked against international best practices</td>
<td>47%</td>
</tr>
<tr>
<td>Would your company be interested in consulting services to develop corporate anti-corruption policies and procedures</td>
<td>56%</td>
</tr>
</tbody>
</table>
RECOMMENDATIONS

The survey results suggest there is awareness of anti-corruption compliance systems in the surveyed Sudanese private sector organizations but there is still a lot to desire from the implementation of those systems. 66% of organizations have policies and procedures on ethics, integrity and anti-corruption compliance in place but less than half of these organizations test, train or create awareness of these procedures or policies. This suggests these policies exist as a mere ‘ticking-the-box’ rather than a means to create a culture to fight corruption. The survey data, together with the observed phenomena described above have informed the recommendations we have provided below:

1. Develop and Adopt Sector-specific Uniform Standards For Anti-corruption Compliance

2. Capacity Building (Training And Implementation Strategies)

3. Develop Collective Action Initiatives
1. Develop and Adopt Sector-Specific Uniform Standards for Anti-Corruption Compliance

Although private organizations in Sudan face widespread challenges which prevent them from implementing effective anti-corruption compliance systems, it is appropriate for them to adopt a uniform standard for anti-corruption and bribery compliance. Currently, there are many awareness programs in the business arena in Sudan, but each category of the company has its unique characteristics. As the survey found, different company sizes have diversified and implementation statistics with regards to anti-corruption policies. Therefore, the strategy for raising compliance standards should recognize the diverse and unique needs of companies so that the solutions are tailored to their needs based on company size.

2. Capacity Building (Training and Implementation Strategies)

This baseline survey indicates sub-par training for executives and board members. In most SMEs, executives are judge, jury and executioner. To instill an ethical culture in these organizations, training must be done frequently (Quarterly) to ensure executives are constantly reminded that their attitude and attention to promoting and institutionalizing ethical behavior is the single most important factor in effectively creating a compliance culture that prevents, detects and punishes unethical behavior effectively. Furthermore, training and tools should focus on implementation of strategies to promote anti-corruption rather than theoretical awareness training programs.

3. Develop Collective Action Initiatives

As seen in other CIPE active countries, Al-Oula can develop a collective action network with initiatives to help the private sector. It is absolutely vital to have groups of firms agreeing to live and abide by certain ethical standards. This will be most advantageous for micro, small and midsized companies who are most vulnerable to the effects of anti-corruption. It can also provide useful tools which will give them leverage in the fight against corruption and bribery.
DETAILED FINDINGS

My company has a Policy or Code of Conduct on ethics, integrity and anti-corruption compliance.

- 66% YES
- 34% NO

My company has a procurement and recruitment policy designed to ensure fair competition in bidding and recruitment and prevent fraud and corruption.

- 32% YES
- 68% NO
My company has a procedure for vetting and conducting due diligence on employees, third parties and suppliers.

- 37% YES
- 63% NO

My company has a confidential reporting mechanism for unethical behavior (a whistleblower hotline or similar)

- 35% YES
- 65% NO
My company has a system to protect employees who make confidential reports about unethical behavior (Whistleblowers)

- 38% YES
- 62% NO

My company has a system that recognizes and encourages ethical behavior as part of employee performance evaluation

- 35% YES
- 65% NO
My company has a practice of abstaining from unethical business opportunities

39% YES
61% NO

My company has controls and systems to detect corruption and fraud schemes

37% YES
63% NO
Who is responsible for the anti-corruption compliance program?

- **42%** A designated department
- **58%** Other

Large companies represent the highest percentage of all categories with a designated team to manage the company’s anti-corruption compliance program with 14.4%. Closely followed by small companies with 11.9%. Micro and mid-sized companies behave the same way when it comes to the responsibility for the anti-corruption compliance program. Ad-hoc teams and outsourced expertise are the least popular options among the surveyed companies.
Given the strength of your third-party management/vetting of employees and agents, how would you rate the capacity of your company to prevent fraud and corruption by third parties, employees and agents?

About half of the survey respondents rated their company’s ability to prevent fraud by third parties as very robust. The survey found that the highest percentage of these companies are large companies at 12.1%. An equal percentage of micro and mid-sized companies (2.4%) are not sure of their capacity to prevent fraud and corruption.
Given the strength of your compliance measures and testing of your controls, how would you rate your company's capacity to detect fraud and corruption schemes in the company operations?

13% of the respondent micro companies acknowledged that their company's capacity to detect fraud and corruption is very limited, 24% reported that their capacity is limited, 7% were not sure how to rate their capacity and 40% and 16% respectively stated that they have robust and very robust capacities. The survey found that large companies reported the highest percentage having a robust capacity to detect fraud and corruption schemes in their operations followed by small companies (11.5%). Micro and midsized companies reported at 1.2%.
**My company periodically tests the controls and systems for detecting and preventing corruption and fraud schemes**

<table>
<thead>
<tr>
<th>YES</th>
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<tr>
<td>47%</td>
<td>53%</td>
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**Has your company conducted a bribery/corruption/ fraud risk assessment in the last 24 months?**

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
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<tbody>
<tr>
<td>53%</td>
<td>47%</td>
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</table>
How frequently does your company conduct training for all employees on how to detect and prevent corruption and fraud?

- None: 29%
- Sporadically: 34%
- Annually: 24%
- Quarterly: 8%
- Monthly: 2%
- Weekly: 3%
Has your company conducted a training on the company's policies on corruption and fraud for Board Members within the last 12 months?

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<thead>
<tr>
<th></th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>39%</td>
<td>61%</td>
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</tbody>
</table>
How often do your employees attend outreach and/or training by your principal business affiliates on corruption and fraud mitigation and prevention?

- 44% None
- 31% Sporadically
- 18% Annually
- 6% Quarterly
- 0% Monthly
- 0% Weekly
How often does your company communicate and/or train third parties about the company's policies on corruption and fraud?

- 27% None
- 27% Sporadically
- 29% Annually
- 10% Quarterly
- 5% Monthly
- 2% Weekly
METHODOLOGY

Sample

The universe for this study is 120 private respondents/organizations selected from Al-Oula’s database and the database of the Sudanese Businessmen and Employers’ Federation. The sample was selected in two stages. In the first stage, we wanted to ensure a good sample size for each of the pre-defined organization sizes. See Figure II

The second stage of sampling was at the industry level. The survey respondents were selected to ensure a breadth of diversity across all Sudanese industries in the private sector. See Figure III

The selection of companies was intended to give a good statistical spread that will adequately capture the compliance culture within private companies in Sudan. As much as practicable, the distribution pattern for the questionnaires was balanced.

Questionnaire and Interviewing

The questionnaire (see appendix) used in this study was designed in collaboration with CIPE to determine the extent of awareness and level of implementation of corporate anti-corruption compliance systems.
The objective of the survey is to determine the depth of corruption risk mitigation and compliance capacities in Sudanese companies to inform the capacity building and consulting needs. A draft of the questionnaire was subjected to a pretest, resulting in modifications to the questionnaire both in terms of wording and length. Respondents were asked 21 questions formulated to elicit the most honest and accurate answers about what measures from the 9 categories listed below that their organizations are implementing. The questions were framed in such a way that the respondents would have to disclose whether the measures are operational or merely a check-the-box exercise.

**CIPE’s key elements of a compliance program:**

1) Policies and procedures  
2) Risk assessment  
3) Training and communication  
4) Compliance infrastructure  
5) Monitoring, testing and auditing  
6) Reporting and investigation  
7) Enforcement, discipline and incentives  
8) Response, prevention and improvement  
9) Due diligence and collective action

**Fieldwork Procedure**

The fieldwork was conducted using physical questionnaire forms, from July to November 2018 by a team of professional, fully trained and supervised interviewers. A briefing session familiarized the interviewers with the sample specifications and the instrument for this study. The interviews averaged 15 minutes in length.

**Data Analysis**

This report is based on the analysis of the questionnaires received from 120 private sector respondents/organizations. The analysis focused on respondents' answers to questions and reported on:

1. Level of awareness of the value of implementing compliance and mitigation systems  
2. Level of experience implementing compliance systems that meet internationally recognized standards  
3. Level of experience incorporating a risk-based approach in implementing a compliance system  
4. Amount of training received from competent compliance personnel  
5. Interest in additional compliance tools and services.
Sudan: Overview of corruption and anti-corruption
U4 Expert Answer, Roberto Martinez B. Kukutschka, Transparency International

Corruption as a "fifth" factor of production In the Sudan Research Report No. 72, El-Wathig Kameir, Ibrahim Kursany

Survey of Corporate Anti-Corruption Compliance Efforts/Capacity

As corruption risk mitigation is the new international norm for doing business, companies of all sizes have become increasingly aware of the extent to which corruption reduces competitive advantage by increasing costs and undermining sustainable growth. For companies in Sudan, implementing an anti-corruption compliance program is essential to tackle the roots of corruption in operations. This way you can increase profit margins and your company will have a great competitive advantage in attracting foreign investment.

The Center for International Private Enterprise (CIPE) and Al-Oula for Financial Studies are carrying out a survey to determine the level of awareness and implementation of corporate anti-corruption compliance systems by organizations. The objective of this survey is to determine the depth of corruption risk mitigation and compliance capacities in Sudanese companies to inform the capacity building and consulting needs. The study authors appreciate your time and the efforts made to respond to this survey accurately. All survey responses will be treated confidentially and will be used solely for research purposes.

This survey will take less than 15 minutes to complete.

**Question 7 is divided into 7A and 7B relevant by the size of your company. Please see the guidance and answer EITHER 7A or 7B for your company.

General Information
Company Name (Optional): ________________________________

Company industry/sector: ________________________________

Your Job Title: ________________________________

Survey Questions
1) What is your employee population?
   - Fewer than 10 employees
   - Between 11-50 employees
   - Between 51-100 employees
   - More than 100 employees
2) My company has (Check as many as apply):
   - A Policy or Code of Conduct on ethics, integrity and anti-corruption compliance.
   - A confidential reporting mechanism for unethical behavior (a whistleblower hotline or similar).
   - A system to protect employees who make confidential reports about unethical behavior (Whistleblowers).
   - A system that recognizes and encourages ethical behavior as part of employee performance evaluation.
   - Controls and systems to detect corruption and fraud schemes.
   - Periodical testing of the controls and systems for detecting and preventing corruption and fraud schemes.
   - A procurement and recruitment policy designed to ensure fair competition in bidding and recruitment and prevent fraud and corruption.
   - A procedure for vetting and conducting due diligence on employees, third parties, and suppliers.
   - A practice of abstaining from unethical business opportunities.

3) Who is responsible for the anti-corruption compliance program? Please check and complete the option that applies to your company.
   - No assigned individual or team.
   - A designated department/unit/team, please indicate the name(s) of the department.
   - A staff/officer, please indicate his/her job title.
   - An ad-hoc team, please indicate the job title of the team members.
   - Outsourced, please indicate the title/expertise of the entity/individual.

4) Has your company conducted a bribery/corruption/fraud Risk Assessment in the last 24 months?
   - Yes
   - No

5) How frequently does your company conduct training for ALL employees on how to detect and prevent corruption and fraud? Check the applicable frequency.
   - None
   - Sporadically (less than annually)
   - Annually
   - Quarterly
   - Monthly
   - Weekly
6) Has your company conducted training about the company’s policies on corruption and fraud for Board Members in the last 12 months?
   ▪ Yes
   ▪ No

7) **Please answer question 7A if your company has LESS than 100 employees or 7B if your company has OVER 100 employees.

7A) How often do your employees attend outreach and/or training by your principal business affiliates on corruption and fraud mitigation and prevention?
   ▪ None
   ▪ Sporadically (less than annually)
   ▪ Annually
   ▪ Quarterly
   ▪ Monthly
   ▪ Weekly

7B) How often does your company communicate and/or train THIRD-PARTIES about the company’s policies on corruption and fraud?
   ▪ None
   ▪ Sporadically (less than annually)
   ▪ Annually
   ▪ Quarterly
   ▪ Monthly
   ▪ Weekly

8) Given the strength of your compliance measures and testing of your controls, how would you rate your company’s capacity to detect fraud and corruption schemes in the company operations?
   ▪ Very limited
   ▪ Limited
   ▪ Not sure
   ▪ Robust
   ▪ Very robust

9) Given the strength of your third-party management/vetting of employees and agents, how would you rate the capacity of your company to prevent fraud and corruption by third parties, employees and agents?
   ▪ Very limited
   ▪ Limited
   ▪ Not sure
   ▪ Robust
   ▪ Very robust
10) Would your company be interested in the following services? (Check all that apply)
   - Corruption Risk Assessment.
   - Anti-corruption compliance in-house training for employees.
   - Anti-corruption compliance management training for Board Members and top managers.
   - Anti-corruption training for third parties.
   - Anti-corruption audit benchmarked against international best practices.
   - Consulting services to develop corporate anti-corruption policies and procedures
   - Other (explain)

a. If so, provide contact information below.
   Contact name:                       E-mail:                       Tel.:  

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