

# INTEGRITY PROGRAM OF THE AfDB Zero% Corruption – 100% Development



African Development Bank Group





AFRICAN DEVELOPMENT  
BANK GROUP

## INTEGRITY AND ANTI-CORRUPTION DEPARTMENT (IACD)

### Why Should We Care?

- It is about people
- Funds should be used for their intended purposes
- Reduces opportunities of getting funds from donors
- Corruption is a cancer on effective development
- Tax payer is penalized 2ce





## The African Development Bank & the Integrity and Anti-Corruption Department



## Investigation

- Fraud, corruption, collusion, coercion & obstruction
- Within the institution and in AfDB-financed operations

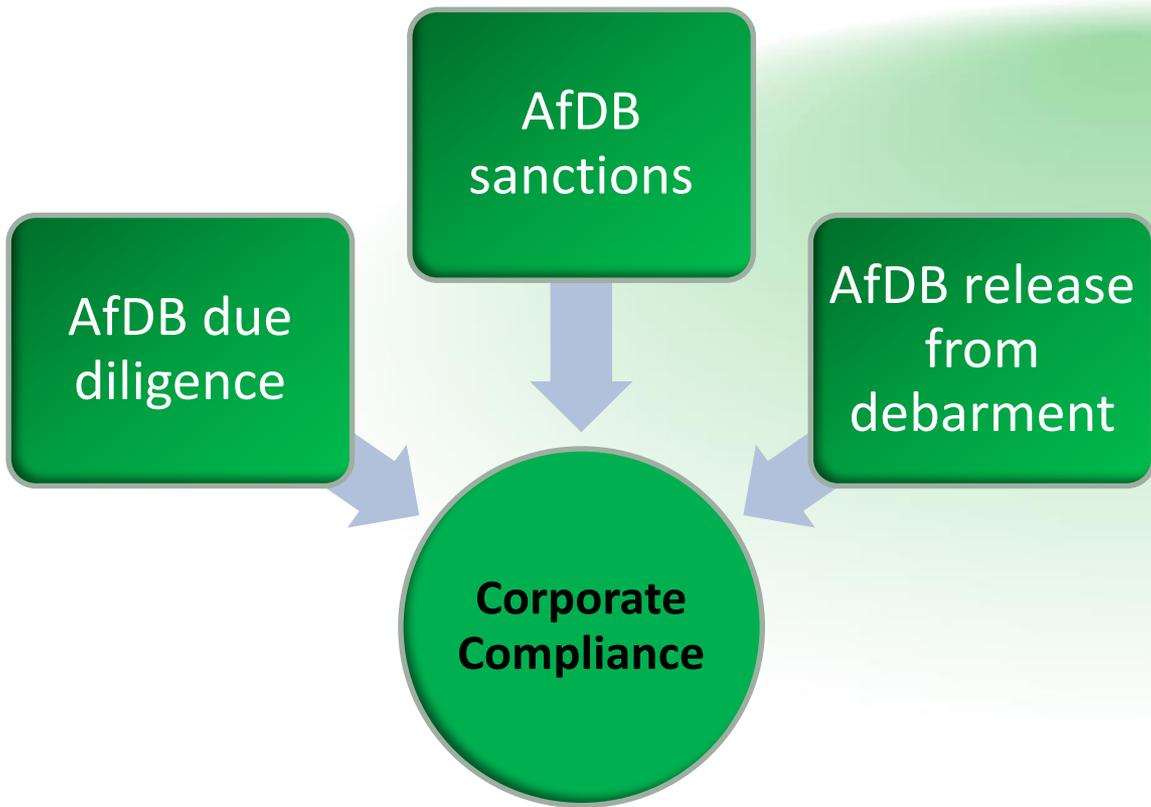
## Prevention

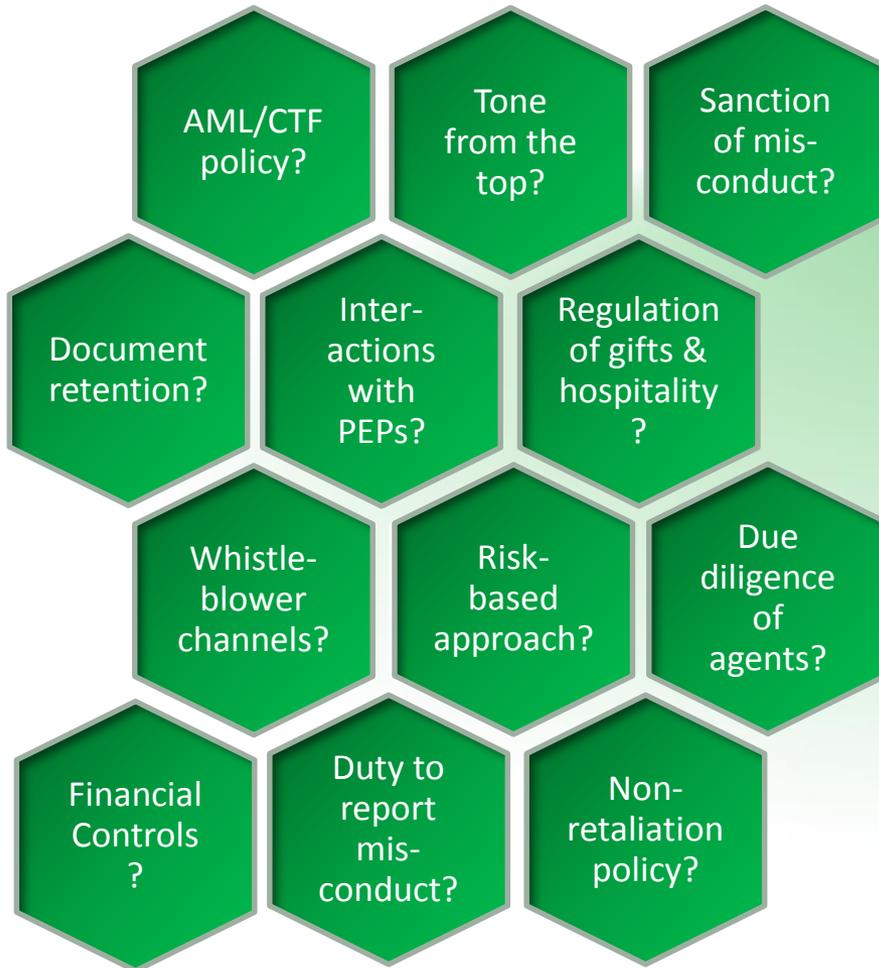
- Integrity due diligence
- Outreach & cooperation
- ICP reviews & verifications

# The Mandate of the Integrity and Anti-Corruption Department



## Corporate Compliance and Ethics Programs & IACD





## Corporate Compliance and Ethics Programs & AfDB Due Diligence



# The AfDB Sanctions Process

IACD

- Investigates misconduct
- Submits FoSP's

SC

- Reviews FoSP's
- Weighs aggravating and mitigating circumstances
- Decides on sanctions

SAB

- Reviews FoSP's de novo
- Weighs aggravating and mitigating circumstances
- Decides on sanctions



## Corporate Responsibility

- Sanctioned party must be an entity with demonstrable responsibility for the prohibited practice.
- Entities controlling the sanctioned party can be subject of sanctions if involved. “Involvement” includes failure to supervise, including failure to implement a sufficiently robust corporate ethics and compliance program.

## Corporate Compliance and Ethics Programs & AfDB Sanctions – The Treatment of Corporate Groups



## Mitigating Circumstances

- The sanctions decision will depend on the sanctionable practice as well as aggravating and mitigating circumstances.
- Mitigating circumstances include “*voluntary corrective action taken*”, in particular the “*institution of corrective measures to prevent the sanctionable conduct*” as well as the conduct of an internal investigation.

## Corporate Compliance and Ethics Programs & AfDB Sanctions – The Sanctions Decision



## Debarment with Conditional Release

- Baseline Sanction: Three years of debarment with conditional release;
- Conditional release:
  - Lapse of time;
  - Verification and enhancement of corporate compliance and ethics program
  - Standards: AfDB Integrity Compliance Guidelines

## Corporate Compliance and Ethics Programs & AfDB Sanctions – The Release from Debarment



The African Development Bank encourages and recognizes the implementation of robust corporate compliance and ethics programs on two levels:

- **Lending decisions under the AfDB's private sector window**
- **Sanctions decisions under the AfDB's sanctions framework**

## **AfDB INTEGRITY COMPLIANCE GUIDELINES**



The African Development Bank's enforcements of its sanctions on private companies that are debarred by the Bank request private sector companies to go through an integrity compliance program as a way of cleaning its business. The key highlights of such an integrity compliance program involves an assessment of the company's integrity guidelines such as:



## **1. Prohibition of Misconduct**

A clearly articulated and visible prohibition of Misconduct (fraud, corruption, collusion and coercive practices), to be articulated in a code of conduct or similar document or communication.

## **2. Responsibility**

Create and maintain a trust-based, inclusive organizational culture that encourages ethical conduct, a commitment to compliance with the law and a culture in which Misconduct is not tolerated.

### **2.1. Leadership**

Strong, explicit, visible, and active support and commitment from senior management, and the party's Board of Directors or similar bodies, for the party's Integrity Compliance Program (Program) and its implementation, in letter and spirit.

## **2.2. Individual Responsibility**

Compliance with the Program is mandatory and is the duty of all individuals at all levels of the party.

## **2.3. Compliance Function**

Oversight and management of the Program is the duty of one or more senior corporate officers, with an adequate level of autonomy and with sufficient resources and the authority to effectively implement.

## **3. Program Initiation, Risk Assessment and Reviews**

When establishing a suitable Program, carry out an initial (or updated) comprehensive risk assessment relating to the potential for the occurrence of fraud, corruption or other Misconduct in the party's business and operations, taking into account its size, business sector, location(s) of operations and other circumstances particular to the party; and review and update this risk assessment periodically and whenever necessary to meet changed circumstances. Senior management should implement a systemic approach to monitoring the Program, periodically reviewing the Program's suitability, adequacy and effectiveness in preventing, detecting, investigating and responding to all types of Misconduct. It also should take into account relevant developments in the field of compliance and evolving international and industry standards. When shortcomings are identified, the party should take reasonable

## **4. Internal Policies**

Develop a practical and effective Program that clearly articulates values, policies and procedures to be used to prevent, detect, investigate and remediate all forms of Misconduct in all activities under a party's/person's effective control.

### **4.1. Due Diligence of Employees**

Vet current and future employees with any decision-making authority or in a position to influence business results, including management and Board members, to determine if they have engaged in Misconduct or other conduct inconsistent with an effective Integrity Compliance Program.

### **4.2. Restricting Arrangements with Former Public Officials**

Impose restrictions on the employment of, or other remunerative arrangements with, public officials, and with entities and persons associated or related to them, after their resignation or retirement, where such activities or employment relate directly to the functions held or supervised by those public officials during their tenure or those functions over which they were or continue to be able to exercise material influence.

### **4.3. Gifts, Hospitality, Entertainment, Travel and Expenses**

Establish controls and procedures covering gifts, hospitality, entertainment, travel or other expenses to ensure that they are reasonable, do not improperly affect the outcome of a business transaction, or otherwise result in an improper advantage.

#### **4.4. Political Contributions**

Only make contributions to political parties, party officials and candidates in accordance with applicable laws, and take appropriate steps to publicly disclose all political contributions (unless secrecy or confidentiality is legally required).

#### **4.5. Charitable Donations & Sponsorships**

Take measures within the party's power to ensure that their charitable contributions are not used as a subterfuge for Misconduct. Unless secrecy or confidentiality is legally required, all charitable contributions and sponsorships should be publicly disclosed.

#### **4.6. Facilitation Payments**

The party should not make facilitation payments.

#### **4.7. Recordkeeping**

Appropriate records must be maintained regarding all aspects covered by the Program, including when any payment is made for the matters or item listed in 4.3 through 4.6 above.

#### **4.8. Fraudulent, Collusive and Coercive Practices**

Particular safeguards, practices and procedures should be adopted to detect and prevent not only corruption, but also fraudulent, collusive and coercive practices.

## **5. Policies re: Business Partners**

Use party's best efforts to encourage all business partners with which the party has a significant business relationship or over which it has influence to adopt an equivalent commitment to prevent, detect, investigate and remediate Misconduct (and, in the case of business partners which are controlled affiliates, joint ventures, unincorporated associations or similar entities, to the extent possible obligate them to so adopt). This includes agents, advisers, consultants, representatives, distributors, contractors, subcontractors, suppliers, joint venture partners, and other third parties.

### **5.1. Due Diligence on Business Partners**

Conduct properly documented, risk-based due diligence (including to identify any beneficial owners or other beneficiaries not on record) before entering into a relationship with a business partner, and on an ongoing basis. Avoid dealing with contractors, suppliers and other business partners known or (except in extraordinary circumstances and where appropriate mitigating actions are put in place) reasonably suspected to be engaging in Misconduct.

### **5.2. Inform Partner of Integrity Compliance Program**

Make party's Program known to all business partners and make it clear that the party expects all activities carried out on its behalf to be compliant with its Program.

### **5.3. Reciprocal Commitment**

Seek reciprocal commitment to compliance from party's business partners. If business partners do not have an integrity compliance program, the party should encourage them to adopt a robust and effective program by reference to the activities and circumstances of those partners.



#### **5.4. Proper Documentation**

Document fully the relationship with the party's business partners.

#### **5.5. Appropriate Remuneration**

Ensure that any payment made to any business partner represents an appropriate and justifiable remuneration for legitimate services performed or goods provided by such business partner and that it is paid through *bona fide* channels.

#### **5.6. Monitoring/Oversight**

Monitor the execution of all contracts to which the party is a party in order to ensure, as far as is reasonable, that there is no Misconduct in their execution. The party should also monitor the programs and performance of business partners as part of its regular review of its relationships with them.

## **6. Internal Controls**

### **6.1. Financial**

Establish and maintain an effective system of internal controls comprising financial and organizational checks and balances over the party's financial, accounting and recordkeeping practices, and other business processes. The party should subject the internal controls systems, in particular the accounting and recordkeeping practices, to regular, independent, internal and external audits to provide an objective assurance on their design, implementation and effectiveness and to bring to light any transactions which contravene the Program.

### **6.2. Contractual Obligations**

Employment and business partner contracts should include express contractual obligations, remedies and/or penalties in relation to Misconduct (including in the case of business partners, a plan to exit from the arrangement, such as a contractual right of termination, in the event that the business partner engages in Misconduct).

### **6.3. Decision-Making Process**

Establish a decision-making process whereby the decision process and the seniority of the decision-maker is appropriate for the value of the transaction and the perceived risk of each type of Misconduct.

## **7. Training & Communication**

Take reasonable, practical steps to periodically communicate its Program, and provide and document effective training in the Program tailored to relevant needs, circumstances, roles and responsibilities, to all levels of the party (especially those involved in “high risk” activities) and, where appropriate, to business partners. Party management also should make statements in its annual reports or otherwise publicly disclose or disseminate knowledge about its Program.

## **8. Incentives**

### **8.1. Positive**

Promote the Program throughout the party by adopting appropriate incentives to encourage and provide positive support for the observance of the Program at all levels of the party.

### **8.2. Disciplinary Measures**

Take appropriate disciplinary measures (including termination) with all persons involved in Misconduct or other Program violations, at all levels of the party including officers and directors.

## **9. Reporting**

### **9.1. Duty to Report**

Communicate to all personnel that they have a duty to report promptly any concerns they may have concerning the Program, whether relating to their own actions or the acts of others.

### **9.2. Advice**

Adopt effective measures and mechanisms for providing guidance and advice to management, staff and (where appropriate) business partners on complying with the party's Program, including when they need urgent advice on difficult situations in foreign jurisdictions.

### **9.3. Whistleblowing/Hotlines**

Provide channels for communication (including confidential channels) by, and protection of, persons not willing to violate the Program under instruction or pressure from hierarchical superiors, as well as for persons willing to report breaches of the Program occurring within the party. The party should take appropriate remedial action based on such reporting.

## **10. Remediate Misconduct**

### **10.1. Investigating Procedures**

Implement procedures for investigating Misconduct and other violations of its Program which are encountered, reported or discovered by the party.

### **10.2 Respond**

When Misconduct is identified, the party should take reasonable steps to respond with appropriate corrective action and to prevent further or similar Misconduct and other violations of its Program.

## **11. Collective Action**

Where appropriate—especially for SMEs and other entities without well-established Programs, and for those larger corporate entities with established Programs, trade associations and similar organizations acting on a voluntary basis—endeavor to engage with business organizations, industry groups, professional associations and civil society organizations to encourage and assist other entities to develop programs aimed at preventing Misconduct.

**NOT ALL BAD NEWS!**



# Why Should We Care?

Thika Highway, Kenya : After AfDB funded Project



The time taken to traverse Thika town and Nairobi has dropped from **2-3 hours** to **30-45 minutes**.