

## **MDB General Principles for Business Integrity Programmes**

### **Preamble**

Recognizing that corruption undermines sustainable economic growth, on September 17, 2006, the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank Group, the International Monetary Fund, the Inter-American Development Bank Group and the World Bank Group agreed to a harmonized strategy to fight fraud and corruption, the [Uniform Framework for Preventing and Combating Fraud and Corruption](#) (the Framework). The Framework also introduced a set of guidelines and principles to conduct investigations.<sup>1</sup>

In furtherance of the Framework, the Multilateral Development Banks (MDBs) have adopted other agreements, principles and guidelines to harmonize features of their sanctions mechanisms and promote consistency. These include:

- **MDB Harmonized Principles on Treatment of Corporate Groups**<sup>2</sup> – a set of principles setting out common standards to impose sanctions against entities within corporate groups;
- **General Principles and Guidelines for Sanctions**<sup>3</sup> – a set of principles to ensure consistent treatment of entities and individuals in the determination of sanctions;
- **The Agreement for Mutual Enforcement of Debarment Decisions**<sup>4</sup> (the AMEDD or the Cross Debarment Agreement) of April 9, 2010, which enables participating MDBs to mutually recognize certain sanctions imposed by any of the signatory institutions against entities and individuals found to have engaged in Prohibited or Sanctionable Practices (i.e., fraudulent, corrupt, coercive, and collusive practices as defined therein); and
- **MDB General Principles for Settlements**<sup>5</sup> – a set of principles outlining the features considered by the MDBs for settlements that resolve cases of Prohibited Practices.

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<sup>1</sup> <https://www.eib.org/en/about/documents/ifi-anti-corruption-task-force-uniform-framework.htm>

<sup>2</sup> [http://lnadbg4.adb.org/oai001p.nsf/0/A7912C61C52A85AD48257ACC002DB7EE/\\$FILE/MDB%20Harmonized%20Principles%20on%20Treatment%20of%20Corporate%20Groups.pdf](http://lnadbg4.adb.org/oai001p.nsf/0/A7912C61C52A85AD48257ACC002DB7EE/$FILE/MDB%20Harmonized%20Principles%20on%20Treatment%20of%20Corporate%20Groups.pdf)

<sup>3</sup> [http://lnadbg4.adb.org/oai001p.nsf/0/CE3A1AB934F345F048257ACC002D8448/\\$FILE/Harmonized%20Sanctioning%20Guidelines.pdf](http://lnadbg4.adb.org/oai001p.nsf/0/CE3A1AB934F345F048257ACC002D8448/$FILE/Harmonized%20Sanctioning%20Guidelines.pdf)

<sup>4</sup> <https://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35154738>

<sup>5</sup> [http://lnadbg4.adb.org/oai001p.nsf/0/299CA009578916A84825870F007B1604/\\$FILE/General%20Principles%20for%20MDB%20Settlements.pdf](http://lnadbg4.adb.org/oai001p.nsf/0/299CA009578916A84825870F007B1604/$FILE/General%20Principles%20for%20MDB%20Settlements.pdf). Settlements are only applicable to the extent that the MDB's policies and procedures provide for this approach to resolving cases of Prohibited Practices. While the Asian Development Bank does not negotiate settlements, it does adopt the majority of the principles as part of its proposed debarments.

An entity's business integrity programme (programme) plays an important part in MDB efforts to fight fraud and corruption. MDBs expect entities participating in MDB-financed projects to maintain the highest standard of integrity. It is also a good business practice for entities to have such a programme in place, and to implement the programme consistently and effectively, as a standard approach to doing business generally.

Such programmes also are relevant in the context of MDB investigations into alleged Prohibited Practices, as set out by each MDB in its policies and procedures.<sup>6</sup> During an MDB's investigation, the entity that is the subject of the case may submit, at any time to the MDB, the details of its programme and internal integrity compliance controls. Where a Prohibited Practice is established as a result of an investigation, the entity is subject to the MDB's sanctions mechanism, through which it may be sanctioned either through a sanction proceeding or through a mutually agreed-upon sanction arrived at on the basis of a settlement between the parties.

In connection with MDB sanctions proceedings and subject to the MDB's respective sanctioning frameworks, an entity's programme may be considered by the MDB: (i) in determining whether it is appropriate for the case to be resolved by a settlement; (ii) as a mitigating factor on the sanction to be imposed if the programme is shown to be robust and generally well implemented and/or (iii) as an aggravating factor on the sanction to be imposed if the programme does not exist or has not been implemented effectively. In addition, conditions for reinstatement/release from sanction may be imposed when an entity is sanctioned, including a requirement for the entity to develop (or enhance) and implement a programme. In that regard, the entity responsible for the Prohibited Practice may be required, as a condition for reinstatement/release from sanction, to improve business governance through the development (or enhancement) and implementation of a programme that is appropriate for its operations and risk profile, and that seeks to reduce the risk of reoccurrence of the type of Prohibited Practice underlying the sanction. In such cases, whether the entity has put in place and is effectively implementing a programme designed to prevent, deter, detect, investigate, and remediate Prohibited Practices will be considered while assessing the entities' application for reinstatement or release.

In particular, these Principles are intended to be adaptable to entities of all types and sizes that are operating in various environments, including fragile and conflict-affected situations. The policies and procedures of an entity's programme should be based on a risk assessment of the entity's operations, considering factors such as nature, size, structure, operating model, sector, geographical area and integrity risk profile. The programme should address and include provisions intended to minimise the occurrence of the identified risks. The programme also should be structured such that it can accommodate changing circumstances and evolve over time. In addition, while the programme may impose more stringent requirements, as a minimum level of action, the programme should consider and be developed and implemented in accordance with the laws, regulations, and rules, including those issued by MDBs, that are applicable to the entity and its operations.

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<sup>6</sup> In addition, the assessment of an entity's programme typically may be a factor in integrity due diligence carried out by MDBs in deciding whether to engage with a private sector partner. However, such considerations are beyond the scope of these Principles, which are issued in furtherance of the Framework.

An entity should take a risk-based approach to programme development and implementation, identifying its key integrity risks and appropriately deploying available resources to the highest risk matters. The programme, including the application of these Principles to the entity's particular operational and integrity risk context, should be tailored accordingly. While each entity's programme should reflect its own circumstances and integrity risk profile, key features, such as those set out herein, should be incorporated into the programme, through adequate and proportionate policies and procedures, as appropriate.

The programme should be applicable to members of the entity's governance body (e.g., boards of directors with independent members at large companies, such boards or independent external advisory boards at small and medium-size enterprises and family-owned enterprises), to the entity's employees (at all levels and of all types, including management, and at all locations, including at regional or overseas locations), and at the entity's controlled (directly or indirectly) affiliates. Relevant aspects of the programme also should apply to the entity's and its controlled affiliates' business partners, their supply chains, and persons acting on the entity's behalf and/or that of its controlled affiliates. Relevant aspects of the programme should also be applicable, to the extent possible, to joint ventures/consortia in which the entity or a controlled affiliate is a member, which should at minimum be subject to clear rules forbidding specified types of misconduct.

These Principles are intended as guidance for the respective institutions, are non-binding and do not create any rights in any parties. This guidance, including the Appendix, is illustrative but not exhaustive. The respective institutions will review an entity's programme on a case-by-case basis and the assessments of such programmes will be within the discretion of the respective institutions.

### **Core Principles**

1. **Risk Assessment:** The programme should be based on an initial integrity risk assessment of the entity's operations and should be regularly reviewed and revised in light of changes to the entity's operations or integrity risk profile.
2. **Prohibited Misconduct:** The entity should develop, implement and continually improve its programme, to be composed of policies and procedures that are designed to prevent, detect, investigate and remediate defined Misconduct (including Prohibited Practices and other misconduct as included by the entity).
3. **Management Roles:** The entity's senior management should be responsible for developing and maintaining a strong integrity culture within the entity.
4. **Integrity Function:** A senior corporate officer should oversee and manage the programme with adequate independence, authority, autonomy from management, and resources to be effective.
5. **Advice:** The entity should have a mechanism in place to provide guidance to employees and business partners on the programme.
6. **Accessibility:** Both the programme and relevant policies and procedures should be readily accessible to employees and business partners, including in multiple languages if appropriate.

## **Internal Controls**

7. **Employee Due Diligence:** Employees should be assessed for competence and integrity, and should be required to promptly report any changes in relevant circumstances.
8. **Relationships with Current and Former Public Officials and Politically Exposed Persons:** The entity should impose restrictions on remunerative arrangements and other commercial arrangements with current and former public officials and politically exposed persons.
9. **Employee Contractual Obligations:** Employee contracts should refer to the obligation to abide by the programme, act in good faith, not engage in Misconduct and provide related requirements and remedies.
10. **Gifts, Hospitality and Travel:** The entity should ensure that any gifts, hospitality, entertainment or travel (provided or received) are customary, reasonable and appropriately disclosed.
11. **Charitable Donations and Sponsorships:** These should be made in accordance with applicable laws, not be misused, be publicly disclosed as far as possible and be free from any real or apparent conflict of interest.
12. **Political Contributions:** Any political contributions should comply with applicable laws, be approved by senior management, not be misused and be publicly disclosed as far as possible.
13. **Facilitation Payments:** The entity should prohibit facilitation payments as well as require prompt reporting and recording if payments are requested or exceptionally made.
14. **Business Development:** The entity should seek to ensure that all bidding and business development activities are based on truthful and complete disclosures/representations and do not otherwise involve Misconduct.
15. **Record-keeping:** Records for all of the entity's operations and programme, including the elements described in these General Principles, should be maintained in compliance with applicable laws, and should be available to external parties, including MDBs, for purposes of inspections, audits and investigations.
16. **Incentives:** The entity should seek ways to ensure compliance with integrity obligations.
17. **Disciplinary Mechanism:** The entity should have a disciplinary mechanism to address Misconduct participated in by employees or members of the governance body.
18. **Financial Controls and Audits:** The entity should maintain effective internal financial controls and related organizational checks in compliance with applicable laws and industry standards.
19. **Independent Assurance:** If appropriate, the entity should periodically undergo voluntary independent assurance on the design, implementation and/or effectiveness of the programme.

20. **Decision-Making Process:** The entity should establish a sound decision-making process and designate decision-makers, including senior management and the integrity function as appropriate.

21. **Merger/acquisition:** Other entities that come under the entity's control (e.g., subsidiaries) through merger or acquisition should be subject to the programme and they should undergo an integrity risk assessment.

### **Reporting and Investigation**

22. **Duty to Report:** Employees and members of governance bodies should be required (as permissible under applicable law, or strongly encouraged otherwise) to report business integrity concerns to designated persons, without fear of retaliation.

23. **Whistleblowing/Hotline:** The entity should provide confidential reporting mechanisms for employees, members of governance bodies and external parties to report business integrity concerns, including anonymous reporting to the extent possible under applicable law.

24. **Investigation and Remediation Procedures:** The entity should have a mechanism to investigate allegations or reports of Misconduct, take appropriate remedial measures (including disciplinary action as warranted) and should cooperate with relevant authorities in external investigations, including investigations and/or audits by MDBs.

### **Training and Communication**

25. **Training:** All employees and members of the governance bodies should be made aware of their obligations and integrity training should be provided.

26. **Communication:** Effective communication should be undertaken by the entity about the programme, to include public disclosure about it.

### **Business Partners**

27. **Business Partners:** External partners (such as agents, intermediaries, law firms, consultants, sub-contractors, suppliers, joint venture/consortium partners and other third parties) working with the entity (collectively Business Partners) should:

(a) be subject to integrity due diligence;

(b) be informed of the entity's business integrity-related expectations;

(c) be bound by appropriate contractual terms, including: (i) not to engage in Misconduct; (ii) applicable remedies if violations occur; and (iii) a requirement to cooperate with any investigation or audit by the entity or a competent authority, including MDBs;

(d) be encouraged, through the entity's best efforts, to adopt commitments to prevent, detect, investigate and remediate Misconduct;

(e) disclose real or apparent conflicts of interest; and

(f) be appropriately monitored by the entity.

28. Appropriate Remuneration and Payment: Payments to a Business Partner should be for legitimate services performed or goods provided, paid through bona fide channels, and duly recorded in the entity's books and records. Reward-based remuneration, commissions or incentives to Business Partners should be assessed for potential integrity concerns.

**Collective Action/External Engagement**

29. Collective Action: The entity should seek to engage in integrity initiatives with other groups to encourage other entities to put in place business integrity programmes.

30. Stakeholder Engagement: The entity should be open to engaging with stakeholders with respect to the programme.

## APPENDIX: Additional Guidance Relating to Core Principles

### Core Principles

1. **Risk Assessment:** The programme not only should be informed by an initial integrity risk assessment of the entity's operations, but also should be revised in light of changes to the entity's operations or integrity risk profile, as identified through regular integrity risk assessments to be conducted periodically or otherwise (e.g., if issues arise). Integrity risk assessments should include a description of the mitigating controls that are designed to reduce the identified risks, and an assessment of the level of the residual risk, including whether this is within the entity's risk tolerance levels. The programme also should be reviewed regularly and updated accordingly. Updated integrity risk assessments and programme revisions should be shared with senior managers and the governance body (e.g., boards of directors with independent members at large companies; such boards or independent external advisory boards at small and medium-size enterprises and family-owned enterprises), where applicable.
2. **Prohibited Misconduct:** The entity should develop, implement and continually improve its programme, to be composed of policies and procedures that are designed to prevent, detect, investigate and remediate defined Misconduct (including Prohibited Practices and other misconduct as included by the entity, such as conflicts of interest, misuse of confidential information, misappropriation of funds, insider trading, anti-competitive practices, employee misconduct). Clear rules forbidding involvement in such Misconduct should be set out in the entity's primary programme policy document (e.g., Code of Conduct or similar document).
3. **Management Roles:** The entity's senior management should be responsible for developing and maintaining a strong integrity culture within the entity. To achieve this, the programme should be promoted and receive positive support from the entity's leadership and managers. Developing, implementing and revising the programme should be directed by senior management with oversight by the entity's governance body. The governance body and senior management should demonstrate a strong and continuing commitment to the programme and support its implementation. Managers at all levels should effectively implement the programme in their respective areas of responsibility.
4. **Integrity Function:** A senior corporate officer should have, and should oversee and manage the programme with, adequate independence, authority, autonomy from management, and resources (across the organization) to be effective. The reporting lines of that officer should allow for direct communications with top-level management personnel, as well as the governance body or audit committee.
5. **Advice:** The entity should have a mechanism in place to provide guidance to employees and business partners on the programme, including when urgent advice is needed in overseas jurisdictions or when employees are under pressure (including from management) to act contrary to the programme.

6. **Accessibility:** Both the programme and relevant policies and procedures should be readily accessible to employees and business partners, including in multiple languages if appropriate.

## **Internal Controls**

7. **Due Diligence Related to Employees:** Current employees, in particular employees with decision-making authority or who can influence business results, and prospective employees should be assessed not only for their technical competence but also with regard to their potential integrity risk, such as if they have engaged in Misconduct and whether they have real or apparent conflicts of interest (both personal and business related), including through the use of background and reference checks, in accordance with applicable laws. Employees also should be required to promptly report any changes in such circumstances (e.g., if the business enters into a trading relationship that gives rise to a new conflict of interest).
8. **Relationships with Current and Former Public Officials and Politically Exposed Persons:** The entity's policies and procedures should impose restrictions (e.g., "cooling off" periods) on remunerative arrangements and other commercial arrangements with current and former public officials (through employment or otherwise), as well as any entity or persons related to or associated with them, which connections should be disclosed as required per the entity's guidelines, applicable rules and/or laws both during the public official's tenure and after their resignation or retirement from public office. Similar restrictions should apply to other politically exposed persons, and persons connected with them. Restrictions also should be considered for circumstances where employees leave the entity to take up public positions or become politically exposed persons.
9. **Employee Contractual Obligations:** Employee contracts should refer to: (i) the obligation to abide by the programme, act in good faith, and not engage in Misconduct; (ii) remedies if Misconduct occurs (including termination of employment and other applicable penalties); (iii) a requirement to cooperate with any investigation or audit by the entity, external auditors or a competent authority, including MDBs; and (iv) the need to disclose real or apparent conflicts of interest. Employees should also periodically certify in writing their compliance with the programme.
10. **Gifts, Hospitality and Travel:** The entity's policies and procedures should ensure that any gifts, hospitality, entertainment or travel, either provided or received, are customary, reasonable and appropriately disclosed in compliance with the entity's guidelines, do not violate any applicable law, do not improperly influence any process or transaction, and do not create an improper advantage or the appearance thereof for the parties concerned.
11. **Charitable Donations and Sponsorships:** The entity's policies and procedures should seek to ensure that charitable donations and sponsorships are made in accordance with applicable laws, are not misused (e.g., as a subterfuge for bribery) and are publicly disclosed as far as possible. Charitable donations and sponsorships must be free from any real or apparent conflict of interest.

12. **Political Contributions:** The entity's policies and procedures should seek to ensure that political contributions comply with applicable laws, are approved by senior management or even at the highest governance levels of the entity, are made only to organized political parties or groups or official candidates, are not misused (e.g., as a subterfuge for bribery) and are publicly disclosed as far as possible.
13. **Facilitation Payments:** The entity should prohibit facilitation payments, as well as require prompt reporting to the integrity function and proper recording in the entity's books and records if payments are requested or exceptionally made (e.g., in case of duress).
14. **Business Development:** The entity's policies and procedures should seek to ensure that all bidding and business development activities are based on truthful and complete disclosures and representations and do not otherwise involve Misconduct.
15. **Record-keeping:** Records covering all aspects of the entity's operations and programme, including the elements described in these General Principles, should be maintained in compliance with and for the time periods required by applicable laws. Records should be available to appropriate external parties, including MDBs, for purposes of inspections, audits and investigations.
16. **Incentives:** The entity should seek ways to ensure compliance with integrity obligations in its operations and the reporting of suspicious conduct by employees in compliance with applicable laws. The entity's policies should provide incentives for employees to comply with the programme, such as by including integrity compliance as a key performance indicator for management and integrity function personnel and as a component in other employee performance reviews.
17. **Disciplinary Mechanism:** The entity should have a disciplinary mechanism to address Misconduct participated in by employees or members of the governance body, including termination of employment.
18. **Financial Controls and Audits:** The entity should maintain an effective system of internal financial controls and related organizational checks in compliance with applicable laws and industry standards. Such controls should be regularly audited, providing independent assurance to the governance body that the entity is being properly managed.
19. **Independent Assurance Regarding the Programme:** Where appropriate, the entity should periodically undergo voluntary independent assurance on the design, implementation and/or effectiveness of the programme.
20. **Decision-Making Process:** The entity should establish a sound decision-making process and designate decision-makers, including senior management and the integrity function as appropriate. Decisions should be recorded appropriately (e.g., in meeting minutes), indicating that pertinent risks were considered. Matters such as segregation of duties, levels of authority and delegation also should be addressed.

21. **Merger/acquisition:** Other entities that come under the entity's direct or indirect control (e.g., subsidiaries) through merger or acquisition should be subject to the programme and they should undergo an integrity risk assessment as a basis for incorporating them into the programme, as well as for adjusting the programme as appropriate.

## Reporting and Investigation

22. **Duty to Report:** Employees and members of governance bodies should be required (as permissible under applicable law, or strongly encouraged otherwise) to report business integrity concerns (including any known or suspected breaches of the programme) to designated persons within, or external to, the entity. The entity should have an escalation process to ensure that appropriate persons are made aware of any such reports. Retaliation against those who report should be prohibited. External parties, including Business Partners (as defined below), should be encouraged to report such concerns too.
23. **Whistleblowing/Hotline:** The entity should provide confidential reporting mechanisms for employees, members of governance bodies and external parties to report business integrity concerns. Anonymous reporting should be available to the extent possible under applicable law.
24. **Investigation and Remediation Procedures:** The entity should have a mechanism to investigate allegations or reports of Misconduct and take appropriate remedial measures, including disciplinary action as warranted. In addition, the entity should cooperate appropriately with relevant authorities in connection with external investigations, including investigations and/or audits by MDBs.

## Training and Communication

25. **Training:** The entity should ensure that all employees and members of the governance bodies are aware of their obligations. Integrity training should be provided to new recruits and on a regular basis to employees, including targeted training for specific functions, such as senior leaders and employees in high-risk roles or geographical areas.
26. **Communication:** The entity should establish effective internal and external communication about the programme, to include public disclosure of relevant information about it. Additionally, public statements should be made by senior management about efforts to prevent and deter Misconduct and regular internal communications should remind all employees and members of the governance bodies of their responsibilities under the programme.

## Business Partners

27. **Business Partners:** External partners (such as agents, intermediaries, law firms, consultants, sub-contractors, suppliers, joint venture/consortium partners and other

third parties) working with, for or on behalf of the entity (collectively Business Partners) should:

(a) be subject to due diligence, prior to retention and to be updated periodically during any period of engagement, to assess their potential risk, such as if they have engaged in Misconduct and/or have real or apparent conflicts of interest;

(b) be informed of the entity's business integrity-related expectations;

(c) be bound by appropriate contractual terms, including: (i) an obligation not to engage in Misconduct; (ii) applicable remedies if violations occur, including termination of the business relationship; and (iii) a requirement to cooperate with any investigation or audit by the entity or a competent authority, including MDBs, in relation to the engagement;

(d) be encouraged, through the entity's best efforts, to adopt equivalent commitments, as applicable, to prevent, detect, investigate and remediate Misconduct;

(e) be required to disclose real or apparent conflicts of interest; and

(f) be appropriately monitored by the entity.

28. **Appropriate Remuneration and Payment:** Any contract with a Business Partner should clearly describe the services to be performed and/or the goods to be delivered and should detail the payment terms. Any payment to a Business Partner should be justifiable for legitimate services performed or goods provided, paid through bona fide channels, and duly recorded in the entity's books and records. Reward-based remuneration, commissions or incentives to Business Partners should be assessed for potential integrity concerns.

### **Collective Action/External Engagement**

29. **Collective Action:** The entity should seek to engage in appropriate integrity and collective action initiatives with other businesses and trade, professional and/or civil society groups to encourage other entities to put in place effective business integrity programmes.

30. **Stakeholder Engagement:** The entity should be open to receiving communications from and engaging with stakeholders with respect to the programme.