AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND

GUIDELINES FOR PREVENTING & COMBATING
CORRUPTION & FRAUD
IN
BANK GROUP OPERATIONS

POPR
FEBRUARY 2004
# TABLE OF CONTENTS

Table of Contents  

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Table of Contents</td>
<td>ii</td>
</tr>
<tr>
<td></td>
<td>Abbreviations</td>
<td>iv</td>
</tr>
<tr>
<td></td>
<td>Definitions</td>
<td>v</td>
</tr>
<tr>
<td>1</td>
<td>Section 1. Introduction &amp; Objective</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Section 2. Taxonomy of Corruption</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>2.2 Definition of Corruption</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.4 Typology of Corruption</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.5 Levels of Corruption</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Section 3. Rationale for Combating Corruption</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Section 4. Basic Principles, Bank Rules &amp; Procedures for Preventing &amp; Combating Corruption</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>4.6 Zero Tolerance Position</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.7 Ethical Conduct for ADB Staff</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.8 Anti Money Laundering</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.9 Procurement Procedures and Recruitment of Consultants</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.10 The Procurement Review Committee</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.11 Loan Disbursement Procedures</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.12 Audit</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Section 5. The Experience of Other MDBs</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>5.2 The Asian Development Bank</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.3 The Inter-American Development Bank</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.4 The European bank for Reconstruction &amp; Development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.5 The World Bank</td>
<td></td>
</tr>
</tbody>
</table>
Section 6  
Policy Framework for Preventing & Combating Corruption  

6.3 Preventing Corruption in Bank Operations  
6.4 Mainstreaming Corruption Concerns in Bank Operations  
6.5 Helping RMCs that Request Assistance  
6.6 Participating in Regional & Global Initiatives  

Section 7.  
Where and How Corruption may occur in Bank Operations  

7.2 Project Identification  
7.3 Project Preparation  
7.4 Project Appraisal  
7.5 Project Implementation & Supervision  
7.6 Procurement  
7.7 Disbursement & Financial Management  

Section 8.  
Procedures for Addressing Corruption & Fraud in Bank Operations  

8.1 General Precaution  
8.2 Responsibilities of Borrower Governments  
8.3 Responsibility of Bank Staff  
8.4 What Should be Reported  

Section 9.  
The Way forward and Implications for the Bank  

9.2 Establishment of Oversight Committee on Corruption & Fraud  
9.3 Whistleblower Protection  
9.4 Strengthening Bank Internal Capacity  
9.5 Increased Project Supervision  
9.6 Strengthening RMC Capacity  
9.7 Benchmarks & Indicators  

Section 10.  
Conclusions
### ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>The African Development Bank</td>
</tr>
<tr>
<td>ADF</td>
<td>The African Development Fund.</td>
</tr>
<tr>
<td>AU</td>
<td>The African Union</td>
</tr>
<tr>
<td>CFAA</td>
<td>Country Financial Accountability Assessment</td>
</tr>
<tr>
<td>CGP</td>
<td>Country Governance Profile</td>
</tr>
<tr>
<td>CPA</td>
<td>Country Performance Assessment</td>
</tr>
<tr>
<td>CPAR</td>
<td>Country Procurement Assessment Review</td>
</tr>
<tr>
<td>CSP</td>
<td>Country Strategy Paper</td>
</tr>
<tr>
<td>ESW</td>
<td>Economic &amp; Sector Work</td>
</tr>
<tr>
<td>ICB</td>
<td>International Competitive Bidding</td>
</tr>
<tr>
<td>ITB</td>
<td>Instructions to Bidders</td>
</tr>
<tr>
<td>MDB</td>
<td>Multilateral Development Bank</td>
</tr>
<tr>
<td>NEPAD</td>
<td>The New Partnership for Africa’s Development</td>
</tr>
<tr>
<td>NCB</td>
<td>National Competitive Bidding</td>
</tr>
<tr>
<td>OECD</td>
<td>The Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
</tr>
<tr>
<td>RMC</td>
<td>Regional Member Country</td>
</tr>
<tr>
<td>SBD</td>
<td>Standard Bidding Document</td>
</tr>
<tr>
<td>UNECA</td>
<td>The United Nations Economic Commission for Africa</td>
</tr>
<tr>
<td>ZTP</td>
<td>Zero-Tolerance Position</td>
</tr>
</tbody>
</table>
DEFINITIONS

Bank shall mean the African Development Bank Group including the African Development Bank, the African Development Funds, and the Nigerian Trust Fund.

Bribery shall mean the act of offering benefits or payment to influence the actions or decisions of an individual in the conduct of their official duties.

Collusion shall mean an agreement between two or more people to engage in fraud, bribery, or other form of illegal act.

Corruption shall mean the misappropriation of public assets or public office/trust for private gains.

Debarment shall mean the declaration that a firm or individual is ineligible to bid, participate as a sub-contractor, or receive a contract either indefinitely or for a specified period of time.

Embezzlement shall mean a willful act wherein an individual takes public or private money or property over which he/she has control for the express fulfillment of official duties.

Fraud shall mean the act of willful concealment, intentional misrepresentation, or through collusion failure to fulfill conditions of contracts.

Money Laundering shall mean the acquisition, possession or use of the proceeds of corruption or related offences, or the conversion, transfer, concealment or disposal of property to conceal the true nature, origin, source, location or ownership of property which is the proceeds of corruption or related offences.

Reprisal shall mean an act taken against a Bank employee or entity for their revealing non-compliance with Bank regulations and rules by a firm, individual, or other entity.

Whistleblower shall mean a Bank employee or any other employee, representative of a regional or non-regional firm, or other third party who reveals corruption in a Bank transaction by contacting either anonymously or openly the Bank.

Whistleblower protections shall mean measures taken to ensure that anyone who reveals fraud and corruption in Bank operations is safe from reprisals.

Zero Tolerance Position shall mean the current position in MDBs which asserts that no corruption is permissible in Bank funded lending and non-lending operations.
1. INTRODUCTION

1.1 OBJECTIVE & PURPOSE OF THE GUIDELINES

1.1.1 The purpose of these guidelines is to: i) provide a working definition and conceptual framework for understanding the various forms, types and levels of corruption and fraud ii) outline where and how corruption and fraud may occur in Bank operations, and modalities for its prevention, and iii) delineate procedures on how Bank staff and other employees of Bank supported activities should respond to incidents of corruption and fraud in Bank operations.

1.1.2 The guidelines are based on the Bank Group Policy on Good Governance and build on existing rules, policies and procedures that address various aspects of corruption and fraud in Bank operations. They also complement initiatives presently underway to strengthen Bank safeguard provisions through Inspection and Ombudsman Functions.

1.1.3 Fighting corruption and fraud is a task to be pursued on several fronts to reduce the incentives and gains from it, while raising its risk. To prevent and mitigate the harmful impact of corruption on the economic progress, political stability and social cohesion of member countries, the Bank has adopted a four-point anti-corruption strategy. The four-point strategy is briefly presented in Section 6 of this document in a bid to illustrate the inter-linkages and synergy between the components.

1.1.4 This paper is organized into eight substantive sections. Section 2 provides a taxonomy of corruption, including a working definition, and typology and levels of corruption; Section 3 presents the rationale for fighting corruption by discussing recent findings that demonstrate the adverse impact of corruption on RMC’s development; Section, 4 reviews the basic principles and existing rules, procedures and due diligence provisions that underpin Bank efforts to prevent and combat corruption; Section, 5 summarizes and draws lessons from the experience of other MDB; Section, 6 outlines the policy framework and strategic objectives of the Bank’s anti-corruption undertakings.

1.1.5 Sections 7 and 8 present the due diligence mechanisms for preventing corruption, and their enforcement procedures. In Section 7, Bank areas of operations most vulnerable to corruption, and how corruption is manifested in those areas are presented and discussed. In Section 8, the responsibility of RMCs, Bank staff, and other Bank employees in preventing and combating fraud and corruption, and procedures and guidelines for handling incidents of corruption in Bank operations are outlined. Section, 9 outlines the way forward and implications for the Bank.
2. TAXONOMY OF CORRUPTION

2.1 Corruption is foremost a symptom of dysfunctional governance characterized by institutional failures to enforce rules of transparency, promote effective norms that condemn venality and establish sanctions and enforcement mechanisms for transparency and accountability. The Bank acknowledges that fraud and corruption occurs across all sectors of society. For this reason, these guidelines apply to fraud and corrupt practices in Bank Operations in both the public and private sectors.

2.2 Definitions of Corruption: The Bank Group Policy on Good Governance defines corruption as: 'The misappropriation of public assets or public office and trust for private gains.' Though with lesser degree of legal precision, the Bank’s Rules of Procedure for Procurement of Goods and Work (2000) and the Rules of Procedure for Use of Consultants (2000) presented in Section 4.9.1 allows a more expanded understanding and working definition of corruption and fraudulent practice that is sufficiently flexible to include venality in the private and public sectors.

2.3 The strategy and approach presented in these guidelines is consistent with the UN Convention on Corruption and the consensus on corruption among the Bank’s shareholders under the auspices of the African Union. The African Convention on Preventing and Combating Corruption in Africa, adopted by African Heads of States in July 2003 highlights the following nine key elements of corrupt practices:

- The solicitation or acceptance, directly or indirectly, by a public official or any other person, of any goods of monetary value, or other benefit such as a gift, favor, promise or advantage for himself/herself or for another entity, in exchange for any act or omission in the performance of his/her public functions;

- The offering or granting, directly or indirectly, by a public official or any other person, of any goods of monetary value, or other benefit such as a gift, favor, promise or advantage for himself or herself or for another person or entity, in exchange for any act or omission in performing his/her public functions;

- Any act or omission in the discharge of his or her duties by a public official or any other person for the purpose of illicitly obtaining benefits for himself or herself or for a third party.

- The diversion by a public official or any other person, for purposes unrelated to those for which they were intended, for his/her own benefit or that of a third party of any property belonging to the State or its agencies, to an independent agency, or to an individual, that such official has received by virtue of his/her position;

- The offering or giving, promising, solicitation or acceptance, directly or indirectly, of any undue advantage to or by any person who directs or works for, in any capacity, a private sector entity, for himself or herself or anyone else, for

1 In the context of these guidelines, corruption is understood more broadly to include fraud and money laundering. It also includes mismanagement of public resources, nepotism and favoritism.
him or her to act, or refrain from acting, in breach of his or her duties;

- The offering, giving, solicitation or acceptance directly or indirectly, or promising of any undue advantage to or by any person who asserts or confirms that he or she is able to exert any improper influence over the decision making of any person performing functions in the public or private sector in consideration thereof, whether the undue advantage is for himself or herself or anyone else, as well as the request, receipt or acceptance of the offer or the promise of such an advantage, in consideration of that influence is exerted or whether or not the supposed influence leads to the intended result;

- Illicit enrichment;

1. The use or concealment of proceeds derived from any of the acts referred to in these Articles; and

- Participation as a principal, co-principal, agent, instigator, accomplice or accessory after the fact, or on any other manner in the commission or attempted commission of, in any collaboration or conspiracy to commit, any of the acts referred to in this article.

2.4 Typology of Corruption: The content and expressions of corrupt and fraudulent practices vary considerably and require a differentiated response. Though it principally entails public officials acting in the best interest of private concerns, the breadth of corrupt practices can be classified as follows:

A. Petty corruption refers to the use of public position for private gains in the course of performing routine public services, by front-line elected and/or appointed officials including the police, civil servants, customs officers, tax officials, etc.

B. Grand corruption occurs when the public policy making process, its design and implementation, plus its agents—appointed/elected, are compromised (state capture). Grand corruption is most common in privatization, public sector procurement and licensing processes.

C. Systemic corruption is when both petty and grand corruption exists. Systemic corruption causes the greatest obstacle to development effectiveness since it involves venality in public service delivery and in public policy making while raising the cost of doing business.

2.5 Levels of Corruption: Actions that constitute corruption may be classified according to levels of interaction. Corrupt and fraudulent acts are commonly practiced on the following three levels:
A. **Corruption in everyday actions.**

At the level of interactions between elected/appointed officials with citizens, corrupt practices include money transfers, selling favors, failure to perform duties, and extortion. The goals of these actors may be to ignore regulations, get favorable treatment from civil servants, evade legitimate taxes, or the personal enrichment of officials to supplement their public sector salaries. Examples of this type of corruption include demands for payment from merchants, bribes to ensure favorable treatment of applications by civil servants, demands for extra payment from citizens requesting public services, etc.

B. **Corruption internal to the public sector.**

Corruption at this level includes acts of payments to superiors, payments for public positions, nepotism, favoritism accorded to officials, collusion in fraudulent activities, and stripping of public assets from state-owned enterprises. The goals of such actors is to use their positions to supplement their salaries, ignoring regulations and rules to favor family or ethnic relations, selling inside information and using state resources for personal enrichment. Examples of these types of corruption include selling inside bidding information on public contracts, withholding information about procedures and regulations, public officials sitting on boards of companies that do business with the government (conflict of interest), public officials accepting employment with companies that are government contractors, etc.

C. **Corruption at the policy making level.**

This level includes the use of positions for personal enrichment by manipulating loopholes in the public sector. The goals of such actors include benefiting companies they own, acquiring ownership in companies with exclusive state contracts, advising companies negotiating contracts with the state, using insider positions to purchase state-owned assets and exploiting position to gain exclusive licenses to become monopolists. Examples of corruption at the policy making level include the passage of laws to favor a special group, state capture for influence, directing privatizing state-owned enterprises to cronies, and ruling in favor of contracts that ensures cronies are the only eligible bidders.
3. RATIONALE FOR FIGHTING CORRUPTION

3.1 Evidence on the adverse impact of corruption on African economies and societies is widespread. A large number of researches carried out, both in RMCs and outside, show corruption as a factor that undermines political stability, curtails economic progress and results in social discord. The 2001 African Development Report on Fostering Good Governance in Africa\(^2\) illustrated how corrupt and fraudulent practices are partly responsible for the incidence of poverty in the continent, and argued cogently for a systematic and comprehensive strategy to address the problem. Similarly, findings from multi-country surveys such as the Transparency International’s Corruption Perception Index (CPI)\(^3\) and work by the DAC at OECD\(^4\) and partner institutions based on Business International and ICGR data\(^5\) show a strong and positive correlation between corruption, economic/corporate governance and growth.

3.2 The pervasive and troubling effects of widespread corruption on the performance of public institutions and development effectiveness is well documented. Corruption is believed to add up to 100% to the cost of government goods and services. By distorting the allocation of resources, it increases the prices of pubic services, lowers its quality, and restricts access by the poor. Household surveys have shown that the poor pay a disproportionately higher share of their income on bribe than the rich; ‘lower income households on average spend 2-3% of their income on bribes, compared to 0.9% for rich households’. Corruption can also cost governments up to 50% in lost tax revenue, while lowering foreign/domestic investment by increasing the cost and risk of doing business.

3.3 Empirical research on its nature and prevalence show corruption to be most entrenched in countries with weak institutions and policy regimes; leading to conclusions that “any policy that creates an artificial gap between demand and supply creates profitable opportunity for opportunistic middlemen.”\(^6\) Conversely, RMCs with strong accountability institutions and competitive economies have been shown to reap beneficial effects on economic growth as they have fewer economic rents for capture.

3.4 According to the 1997 World Development Report, the incidence of corruption is also affected by the probability of being caught and punished. Studies have shown corruption to be high in a country where the government system does little to deter bribes and other corrupt practices; leading lawbreakers to believe there is little chance of being caught or, if caught, of having to face the law. Hence the private sector survey found “a negative correlation between reported levels of corruption and judicial predictability”.

3.5 Most recently, cross-country empirical work by international partners based on global best practice\(^7\) has shown persistent corruption to be symptomatic of poor governance. The research measured and documented the adverse effects of corruption on the development of social capital, especially among civil society organizations, and close interdependence between transparent and accountable public institutions, an enabling policy environment and aid effectiveness.

---


\(^3\) Transparency International, “Corruption Perception Index” www.transparency.org


4. BASIC PRINCIPLES, BANK RULES & PROCEDURES FOR PREVENTING & COMBATING CORRUPTION

4.1 The Articles of Agreement establishing the African Development Bank entrust it with fiduciary responsibility to ensure the proceeds of any loan it makes or guarantees are used only for the purpose for which the loan was granted. Moreover, the Bank Group Policy on Good Governance approved by the Board of Directors in 1999 stresses the fight against corruption as a necessary condition for improving governance in Africa and enjoins the Bank to combat corruption within the framework of its broader mandate to promote good governance in member countries. Also, the imperative of good governance and concerns about corruption is receiving increased attention among RMCs keen to consolidate the gains from recent democratic transitions.

4.2 The Bank has placed combating corruption at the center of its mandate to promote good governance in RMCs. The legal principles underlying the Bank’s commitment to good governance and combating corruption derive from the consensus articulated in the Agreements Establishing the Bank and reflected in its Strategic Plan:

“to contribute to the economic development and social progress of its regional members individually and jointly” (Articles of Agreement, Art. 1).

To fulfill these objectives, the Bank shall “use the resources at its disposal for the financing of investment projects and programs relating to the economic and social development of its regional members” (Art. 2).

As part of these principles, “the Bank shall make arrangements to ensure that the proceeds of any loan made or guaranteed by it are used only for the purposes for which the loan was granted.” (Art. 17)

4.3 In addition to the Article in the Agreement establishing it, the fundamental fiduciary responsibility the Bank holds to its Board of Governors and stakeholders stipulates that ‘in making or guaranteeing loans, the Bank shall pay due regard to the prospects that the borrower and the guarantor, if any, will be in a position to meet their obligation under the loan’.

4.4 Linkages between good governance and poverty reduction in RMCs is further underscored in the 2003-2007 Bank Strategic Plan. In the Plan, “good governance is an important building block of the fight against poverty. In line with its recent Policy on Good Governance, the Bank will focus its support to the efforts of RMCs to enhance accountability and transparency in the management of public resources, to undertake legal, judicial and regulatory reform and to build regulatory capacity in key public institutions.” By this act, the Bank has joined the growing consensus among development partners in support of the PRSPs, which highlights good governance as an integral part of poverty reduction, especially for those countries that have benefited or wish to benefit from the HIPC initiative.

4.5 To fulfill its due diligence responsibility, the Bank has adopted a pro-active approach
to preventing corruption in its operations, as evidenced by the reforms undertaken in the procurement process, loan disbursements and audit role. Also under consideration are innovations in Inspection and Ombudsman functions and Operations Risk. Additionally, the Bank has in place internal agencies and procedures designed to prevent corruption in its operations. These include:

4.6 **Zero-Tolerance Position**

4.6.1 The Bank Group’s zero-tolerance position is fully enforced where credible evidence of corruption exists among its staff and operations. Also, steps have been taken to ensure that internal Bank processes and procedures comply with the highest standards of accountability and integrity. Under this policy, and per the Bank Code of Conduct defining acceptable standards of behavior, staff proven to have engaged in corrupt or fraudulent practice in fulfillment of Bank duties will be fully investigated and severely disciplined in accordance with Bank Staff Rules.

4.6.2 Zero tolerance applies equally to the terms and conditions agreed to in the Loan Agreement. If the Bank uncovers credible evidence of corruption in its operations and a breach of the conditions in the Agreement, the Bank will enforce a range of options including cancellation of a loan in full or in part. Under the zero tolerance position, corruption and/or fraudulent practices in any type or form, and under no circumstance will be tolerated in Bank operations. The Bank Group’s zero tolerance position is fully harmonized with the practice and procedures adopted by the other Multilateral Development Banks.

4.7 **Ethical conduct for AfDB staff**

4.7.1 The Code of Conduct is a statement of basic principles for staff of the AfDB in fulfillment of their duties. It differentiates between actions in the private domain that conflict with their responsibilities as staff member of the Bank. Failure to abide by the rules spelled out in the code of conduct may result in actions being identified as unsatisfactory conduct or a serious case of misconduct. Such identification of a breach results in sanctions as specified in the Bank Staff Regulations and Rules.

4.7.2 The Bank’s Codes of Conduct clearly stipulates that a conflict of interest exists when: “A personal interest of a staff member conflicts with the interest of the Bank, which is paramount for staff members as international civil servants, if it tends to impair the staff member’s independence of judgment and impartiality. The conflict disqualifies the staff member from taking any decision on behalf of the Bank on any question, or attempting to influence any decision, to which the conflict relates”.

4.8 **Anti-Money Laundering**

4.8.1 In response to the call for action against money laundering following the September 11 2001 attacks, the Bank, being an institution that advances lines of credit to RMC financial institutions both in the private and public sectors, has recognized the need
to safeguard against such occurrences. After a careful review of the situation through a taskforce, the Bank concluded that a multi-disciplinary, multi-institutional approach is required to address this concern. Since existing institutions such as the Financial Action Task Force (FATF), regional FATF-style bodies and specialized sub-regional anti-money laundering taskforces (ESAAMLG, GIABA) are already well placed and focused on these issues on a multilateral basis, the Bank will continue to play an active supportive role in such undertaking. Also, consistent with its mandate, the Bank will focus its work on helping countries foster development of appropriate legal and regulatory systems and regimes, with the goal of enhancing economic growth and sustainable development.

4.8.2 As part of its active supportive role, the Bank will closely collaborate with the AU at the regional level towards enforcement of the provision on Laundering of the Proceeds of Corruption outlined in the Convention on Combating and Preventing Corruption in Africa, and similar initiatives under NEPAD. At the global level, the Bank will continue to work with the global anti-money laundering task force under the United Nations. The Bank will also take additional and specific measures to:

- Give attention to issues of money laundering in its diagnostic work, especially the CGP and CFAA, designed to ensure financial stability and governance;
- Provide technical and capacity building assistance to RMCs, based on its diagnostic work;
- Strengthen financial systems and policy regimes through PBLs; and
- Assist RMCs to develop sound market infrastructures through legal and judicial reforms.

4.9 Procurement Procedures & Recruitment of Consultants

4.9.1 Bank regulations concerning procurement procedures are unambiguous in their approach and treatment of corruption. A definition of what constitutes corruption in procurement and the engagement of consultants is set forth in Article 2.12 of the Rule of Procedure for Procurement of Goods and Work (January 2000) and Article 2.11 of the Rules of Procedure for the Use of Consultants (January 2000). Article 2.12.2 stipulates the following:

*Corrupt practice means the offering, giving, receiving, or soliciting any thing of value to influence the action of a public official in the procurement process or in contract execution, and includes, inter-alia, bribery and extortion or coercion which involves threats of injury to person, property or reputation; and*

*Fraudulent practice means a misrepresentation of facts in order to influence a procurement process or the execution of a contract to the detriment of the borrower, and includes collusive practices among bidders or between bidders and Borrower*
(prior to or after bid submission) designed to establish bid prices at artificial non-competitive levels.

4.9.2 The rules and guidelines above are applied systematically and rigorously to ensure greater transparency in Bank procurement processes. The Bank’s procedures were significantly revised and harmonized with other MDBs in 1996 and 1999. As a result, the Bank now cancels part of or an entire loan/grant if the procurement process was tainted by acts of fraud or corruption. Similarly, firms proven to engage in fraud or corrupt practices can be declared ineligible from participating in future Bank funded activities indefinitely or for a period determined by the Bank. The Procurement Unit maintains a database of such firms. Over the past few years, about thirty tendering processes have been cancelled and over half a dozen companies have been sanctioned, and together with their affiliates barred from participating in Bank projects.

4.9.3 Likewise, all recruitment practices must comply with Bank regulations. Nepotism, favoritism on the basis of nationality or group identification, and non-transparent recruitment are explicitly forbidden in the Rules of Procedure for the Use of Consultants. Bank staff members who directly and indirectly fail to comply with these rules are subject to reprimand, dismissal, or legal sanction. Additionally, Bank rules allow borrowers to introduce a no-corruption undertaking by contractors to observe the borrower country’s laws against fraud and corruption, including bribery, for contracts above a certain amount.

4.10 The Procurement Review Committee

4.10.1 The PRC is a committee of senior managers appointed by the President that receives reports on corruption and fraud in procurement. Under current practice, if an incidence of misprocurement is reported to senior management and it is determined that further investigation is warranted, the Internal Audit department, or external auditors or investigators managed by it, undertakes an investigation of the alleged misprocurement. Upon completion of its investigation, Internal Audit presents its findings and recommendations to the President, as per internal sanctions or other appropriate actions, as per Bank Rules of Procedure for Procurement of Goods and Work and the Rules of Procedure for the Use of Consultants.

4.10.2 Through the PRC, the Bank can at all times receive and investigate complaints by bidders who are not satisfied with the way their bid was handled. The PRC is an independent body and its decisions, which can even lead to cancellation of the procurement process, are final. As a result, it is now possible for the Bank to cancel part or an entire loan or grant and sanction a firm if the procurement process is tainted by acts of fraud or corruption and the firm is found guilty.

4.11 Loan Disbursement Procedures

4.11.1 The Bank lends money and provides technical assistance to RMCs for the purposes of economic development under conditions stipulated in the General Conditions Applicable to Loan and Guarantee Agreement. An emphasis on loan disbursement as an
area of potential corruption is a problem that requires firm oversight.

4.11.2 A legally binding agreement signed by the borrower RMC and the Bank constitutes the principal instrument to define terms and conditions for lending operation. These agreements are called “Loan Agreements” for project lending and “Protocols of Agreement” for grants that fall under the ADF technical assistance funds. Terms of these agreements are available in the Bank’s Disbursement Handbook (1997) and the General Conditions Applicable to Loan and Guarantee Agreement.

4.11.3 Corruption in Bank loan disbursements falls under Article VII of the General Conditions Applicable to Loan and Guarantee Agreement. Section 7.01 stipulates: “The loan funds shall be allocated to the various categories of expenditures, coupled with percentages, of any, to be financed by the Bank for purposes of the Project and specified in the Loan Agreement.” (emphasis added)

4.11.4 Article VIII of the General Conditions Applicable to Loan and Guarantee Agreement sets forth the preconditions for suspension of disbursement of loans for reasons that may be interpreted to include corruption. Section 8.01 (c) states: “The Fund shall have suspended in whole or in part the right of the Borrower or the Guarantor to disbursement of Loan funds, because of a failure by the Borrower or Guarantor to perform any of its obligations under the Loan Agreement or Guarantee Agreement with the Fund.”

4.11.5 Section 8.01 (f) allows for suspension when: “Any representation made by the Borrower or the Guarantor for purposes of the Loan Agreement or the Guarantee Agreement, or any statement on the basis of which the Loan was granted by the Bank, shall have been incorrect in any material respect.”

4.11.6 Article IX of the General Conditions Applicable to Loan and Guarantee Agreement establishes conditions for the cancellation of the loan by the Bank. Section 9.01.a (iii) states that the Bank may cancel a loan if “The Borrowers shall have modified the nature or the objectives of the Project financed from the Loan resources.

4.12 Audit

Through internal and external control functions, the Bank’s audit department safeguards its assets, certifies compliance with its policies and ensures that Bank operations are governed by the highest operational standards and ethics. The audit department assesses the control environments within the Bank. It also assesses the strength of internal controls and institutional arrangements in borrowing RMCs to ensure that progress reports and financial statements received from external auditors reflect an accurate picture of financial compliance and physical progress of its operations; including compliance with procurement related activities. It also provides training where such capacity is found to be lacking. The independence of the internal audit department is an important asset that will remain free from any type of pressure while performing its assignment. Additionally, using the threat of internal audit to extract personal favors, or obstructing the
dissemination of audit findings could be viewed as a form of corrupt behavior that will be strictly resisted.
5. THE EXPERIENCE OF OTHER MDBS

5.1 There is a general consensus among partner MDBs (AsDB, EBRD, IADB, WB) on the need to systematically and vigorously combat corruption internally and in their respective operations. Based on the perceived depth and incidence of the problem and specific character of the region, MDBs have established procedures and mechanisms for preventing and combating corruption. MDBs across the board are committed to ensure the integrity of their operation by holding Bank staff and borrower governments to the highest standards of ethics, accountability and probity; while strengthening enforcement provisions and procedures. The summary below is broadly representative of how fraud and corruption is addressed in other MDBs. It is not intended to be exhaustive, and the experience of other institutions will be incorporate into the guidelines, as additional experience is gained.

5.2 The Asian Development Bank (AsDB)

5.2.1 Under the Bank’s Anti-corruption Policy and Guidelines, the Office of the Auditor General (OAG) is designated as the point of contact for reporting allegations of fraud and corruption in AsDB-financed projects or among its staff. An Anti-corruption Unit within the OAG is responsible for handling allegations of fraud and corruption, including screening of allegations and preliminary investigation to determine whether additional inquiry is warranted. If further investigation is recommended, a six person Oversight Committee appointed by the President approves the method and work scope of the investigation, and the entity of the investigating team. Upon receiving the investigation report, the Committee reports the findings to the President; including recommended sanction or remedial action. The decision of the Oversight Committee may be appealed to a Review Committee, whose decision is final and binding.

5.2.2 Staff are required to report all allegations of fraud or corruption in AsDB-financed projects or among its staff. Reporting procedures are clearly spelt out, and reports may be filed by e-mail, facsimile (fax), mail, in person, or by telephone. When reporting on fraud, detail information is required, including who, what, when, where, why, and how. Investigation based on reported allegations is conducted with utmost confidentiality and discretion; and the Bank utilizes a range of measures to protect and safeguard the reputation of whistleblowers. Information reporting mechanisms in the AsDB include the use of a special telephone line that reaches all members of the Anti-corruption Unit simultaneously. There is also a secured facsimile and a special e-mail address for the Anticorruption Unit. These mechanisms have proven to be effective in encouraging whistleblowers that would wish to remain anonymous.

5.3 The Inter-American Development Bank (IADB)

5.3.1 The Oversight Committee on Fraud and Corruption (OCFC) is an inter-departmental body composed of three senior members, and chaired by an Executive Vice President. It reports to the President and has a Secretariat. The OCFC is responsible for developing and maintaining proper controls. It conducts internal oversight functions, including preventing, detecting and reviewing of allegations against Bank staff. The
OCFC receives allegations of fraud and corruption; reviews and refers them to the appropriate body for follow-up investigation. It makes decision on remedial and disciplinary action; makes recommendation to the President on cases to be passed on to national authorities and; monitors implementation of its sanction.

5.3.2 IADB staff are required to report to the OCFC any information on fraud or corruption within 72 hours. Allegation may also be reported directly to the President, Vice Presidents, Managers, or Country Office Representatives. Reports of fraud and corruption should identify what happened; when it happened; where it happened; who committed act of corruption or fraud; and how the alleged incidence relates to Bank business. Allegations may be reported with attribution or anonymously. Reports can be made in person by visiting the OCFC Secretariat; through the OCFC toll-free hotline or regular phone— both of which can be reached from all member country; by writing directly to the OCFC; by e-mail through the OCFC confidential and secure e-mail address; by e-mail to the OCFC confidential and secure Website; or by written messages sent through the OCFC secure facsimile line.

5.4 **The European Bank for Reconstruction & Development (EBRD)**

5.4.1 The EBRD’s approach to combating fraud and corruption in its operations and its member countries is limited in scope. Presently, the Office of the Chief Compliance Officer handles all matters relating to fraud and corruption. Under current practice, any person within or outside the Bank may report suspected fraud and corruption in the EBRD and EBRD-financed projects. Also, allegations regarding misconduct of Bank officials, employees or consultants in Bank operations are to be reported. Such reporting can be made either by calling a hotline number or by submission of a written report. The hotline number for reporting allegations is operated by an independent contractor under the strictest confidentiality, and calls to the Hotline are not recorded. The hotline is accessible from all member countries of the Bank. Reports can be made in any official language of the Bank or of the Bank's countries of operation. However, calls to the hotline number will be answered in English, with interpreter services made available.

5.5 **The World Bank (WB)**

5.5.1 Though always concerned about the integrity of its operations, the WB begun to explicitly address corruption and fraud as development challenges only after 1996. Since that time, the Bank has been a trailblazer in the MDB’s work on combating fraud and corruption. In 1997 its Board approved a comprehensive anti-corruption policy framework that continues to guide its efforts. At present the Oversight Committee on Fraud and Corruption (OCFC) within The Department of Institutional Integrity serves as the focal point and plays a coordination role for the various anti-corruption/fraud related activities in the Bank. Composed of high-level managers appointed by the President, and chaired by a Managing Director, the Committee meets weekly to review all allegations of fraud and corruption received by and/or reported by any member of the Bank. After a preliminary inquiry, the OCFC determines whether the allegations received have merit,
and when and how further inquiry should be conducted.

5.5.2 Suspected fraud in project procurement, fraudulent bidding processes, fraud in contract performance, corrupt procurement of goods/services, false labor/goods costs, fraudulent pricing and substitution of supplies/products, misuse of Bank funds, travel fraud, and theft and embezzlement are the types of issues being reported to the OCFC for review. To ease the way allegations of fraud and corruption reach the OCFC, information can be sent either by fax, e-mail, and website. Also, a direct telephone hotline has been setup inside the Bank, with multilingual capabilities that operates 24 hours, seven days, and can be reached by Bank staff and the general public through an international toll-free access system. Persons who do not wish to contact the hotline in the Bank may contact an externally housed hotline operated by an outside firm of trained specialists working under strict standards of confidentiality. Reporting can be done anonymously and all reports to the hotline are turned over to the OCFC for appropriate action.

5.6 In summary, all MDBs have in place several well-established procedures for reporting allegations of corruption and fraudulent practices in their operations. Another common practice is the existence of high-level focal points entrusted with the investigation and conclusion of allegations. Besides the enforcement procedures, MDBs are continuously strengthening the safeguard measures and control mechanisms to ensure they deter corrupt and fraudulent practices. In this regard, procedures for the procurement of goods and services are routinely revised; staff are receiving specialized training to help them better detect and deter corruption; and oversight functions of borrower’s procedures and controls are scrutinized. Also, the capacity building needs of borrowers, as a deterrent mechanism, is receiving heightened attention from all MDBs.

5.7 As part of the mutual learning process, MDBs are also sharing best practices and harmonizing anti-corruption approaches and standards, particularly in areas such as combating corruption, anti money laundering initiatives and other governance related matters. Through the MDBs Working Group on Governance, Anti-corruption and Capacity Building, institutions conduct regular consultations to exchange best practices and draw lessons from each other’s best practices. In 2002 the ADB hosted the Working Group’s videoconference consultation and maintains an active and permanent dialogue with other MDBs.
6. POLICY FRAMEWORK FOR PREVENTING & COMBATING CORRUPTION AND FRAUD

6.1 The Bank’s strategy and action to combat corruption is carried-out within the framework of its policy on good governance, and in close consultation with RMCs concerned. Where the environment is corrupt, then loan effectiveness is undermined. For the Bank’s work in this area to be effective, two conditions must be fulfilled a-priori: RMCs must show credible commitment to address the corruption challenge and; Bank staff and operations must be beyond reproach.

6.2 The Bank anti-corruption strategy calls for effective internal measures and safeguards mechanisms coupled with a robust agenda at the country and regional levels. The strategy consists of the following four elements: i) preventing corruption in Bank operations; ii) mainstreaming corruption concerns into Bank operations; iii) helping RMCs that request assistance; and iv) participating in regional and global efforts. The four-part strategy outlined below builds on MDB best practices and is harmonized, to the extent possible, with regional and global initiatives.

6.3 Preventing Corruption in Bank Operations

6.3.1 The occurrence of corruption in Bank operations is an issue of deep concern to RMCs and to the Bank’s management and staff. The Bank has adopted a zero tolerance position where credible evidence of corruption exists among its staff and operations. Addressing the risk of corruption in the Bank however requires more than policy tools and mechanism. It requires commonly held corporate values and a culture of probity and integrity; mutually embraced by staff and management. Thus, additional to internal processes and procedures that comply with the highest corporate standards, the 2003-2007 Strategic Plans affirms the Bank’s commitment to probity and institutional integrity. Also, the values and behavior adopted by Bank staff in 2002 endorsed integrity and transparency as high ranked attributes of the Bank’s corporate culture.

6.3.2 In practice, zero-tolerance serves as the guiding principle for preventing and combating corruption in Bank operations, and reflects the conditions agreed to in Section 8.01 (c) of the General Conditions Applicable to Loan and Guarantee Agreement. Whenever the Bank believes there is credible evidence of corruption in its operations and a breach of the conditions in the Loan Agreement, management will pursue a range of options including refusal to finance certain expenditures, suspend disbursement or cancel a loan in full or in part. Where corruption is widespread and chronic, the Bank may, after consultation with the RMC, lower or suspend its allocation to the sector and/or country.

6.3.3 The zero-tolerance position is supplemented by internal control measures to safeguard probity and integrity in Bank operations. These measures include, inter-alia: a Code of Conduct defining acceptable standards of staff behavior; transparent human resources policies, including predictable recruitment and promotion procedures; procedures for recruitment of consultants and procurement of goods and services; loan disbursement procedures, clearly defined procedures for preventing and reporting
corruption—including these guidelines; staff familiarization with the guidelines and other relevant codes/procedures and; vigorous monitoring and enforcement measures to ensure compliance with all of the above. Moreover, management will continue to review these and other internal policies and procedures for effectiveness in addressing current and future risks of corruption.

6.4 Mainstreaming Corruption Concerns into Bank Operations

6.4.1 Staff understanding of the causes, effects and impact of corruption on their specific sector and/or geographic areas of responsibility is central to mainstreaming governance issues into the Bank Group operations. Starting upstream in the resource allocation process, the Bank applies the Country Performance and Institutional Assessment index (CPIA) and Country Risk Assessment processes to determine the environment for good governance and combating corruption in member countries. Up to 40% of the CPIA resource allocation criterion address governance and related concerns; with RMCs progressing towards good governance and institutional integrity rewarded with enhanced allocations, and the opposite remains true for lack of progress.

6.4.2 The Bank’s country business-plans and diagnostic tools (CSP, ESW, CPARs, CPAs, CGPs, CFAAs.) provide a framework for dialogue with RMCs and guide its operations on the ground. In addressing RMC’s development challenges and identifying opportunities for Bank interventions, country papers will ascertain the level and extent of corruption on the ground and the RMC’s willingness and ability to respond to the challenge. Corruption’s overall implication on progress towards national development goals defined in the MDGs/PRSPs, and its impact on the effectiveness of Bank operations will also be considered. Consequently, Bank policy and sector dialogue with RMCs will address governance and corruption concerns more directly and explicitly. Where the Bank and RMC agree corruption poses a persistent threat or undermines the impact of Bank interventions, the former will undertake detailed assessments of operational risks, sector specific diagnostic works (CGP, CFAA, CPAR), and recommend ways to assist RMC progress towards restoring integrity and good governance.

6.4.3 The Bank will address corruption risks at the operations level by paying careful attention to transparency, accountability and efficiency through rigorous risk analysis and installment of internal control and prevention mechanisms. Credible evidence of a corrupt environment during the identification stage may be basis for not proceeding with a lending activity. In the Bank’s lending/non-lending activities and technical assistance operations, vulnerability to corruption risk during the project cycle will be factored in the selection of Project Implementation Units (PIUs), procurement of goods and services, disbursement of loans and during project supervision. Bank capacity to detect and prevent corruption in its operations will also be enhanced by upgrading current staff skills and attracting new expertise in areas of financial management, procurement and investigative auditing. The Bank’s Governance Division, established in 2002, with a mandate to mainstream good governance into Bank operations will play a catalytic and coordination role.
6.4.4 The institutional capacity of executing agencies and counterpart RMC institutions, to procure goods and services, comply with accounting standards and maintain systems of internal control will receive explicit attention during operation. Mainstreaming concerns about corruption will also benefit from internal training of Bank staff on how to recognize corruption’s ‘early-warnings’, and areas of Bank operations particularly prone to corrupt and fraudulent practices.

6.5 Helping RMCs that Request Assistance.

6.5.1 Increasingly RMCs have requested assistance from bi-lateral and multi-lateral donors in the fight against corruption, fraud and money laundering. Such request may also come from non-state actors committed to fighting corruption. In line with its mandate to promote good governance, the Bank is well placed to assist RMC efforts in this fight. As noted above, RMC’s commitment to principles of good governance and combating corruption remains vital to this process. On a case-by-case basis, the Bank shall pro-actively engage in dialogue and advocacy with RMCs about the imperative of combating corruption, and the type and scope of support it can provide—both financial and technical. Presently, direct support for RMCs seeking assistance in this area is provided through grants from the ADF concessionary lending window, the Nordic Trust Fund for Governance and other bilateral sources.

6.5.2 Governance Policy Based Loans (PBLs) is another instrument the Bank uses to bring about macro-economic stability and a favorable environment for sustained growth, through improve governance in RMCs. The Loans are untargeted and generally made available as budget support to RMC treasuries, and finance government expenditure. The Loans are disbursed only after borrower governments comply with governance related policy reforms that are agreed to as part of the Loan Conditions. The key areas of policy reform in Bank PBLs include: i) Trade reform policies; ii) Public finance and fiscal and monetary policy reform; iii) Public sector management reform; iv) Financial sector reform; v) Sectoral reforms and competition policies; and vi) Legal and Judicial reform.

6.5.3 Possible areas of Bank assistance to reduce opportunities for rent seeking and corrupt practices in RMCs include support for essential laws and strengthening audit functions and accountability standards; public sector reform; mainstreaming contracting rules/procedures in the procurement of goods and services; promoting participatory budget tracking initiatives; strengthening independence and capacity of anti-corruption agencies and ombudsmen offices; and promoting civil service ethics and professionalism.

6.5.4 The Bank will also play a pro-active advocacy role in this area. The best way to achieve this is by deepening its economic and sector work in the area of good governance and transmitting findings to RMCs. In this regard, the Bank has held two Learning Workshops on how to address corruption, and is helping RMCs build capacity to address the issue. Detailed studies in the area of financial management, fiscal reforms and improvements in service delivery are also being carried out.

6.6 Participation in Regional & Global Initiatives
6.6.1 The Bank’s mandate to promote good governance and combat corruption in RMCs is compatible with regional initiatives underway to improve governance in Africa through the AU and NEPAD. These regional initiatives recognize that good governance and the fight against corruption in Africa rests on three complementary principles: capable states with effective structures and public institutions; partnerships between African states and their citizens, civil society, and international partners and; leadership that is credible and accountable.

6.6.2 The Bank will strengthen its partnership with the AU, other regional partners and RMC legislators to promote ratification of the African Convention on Preventing and Combating Corruption, and to harmonize national anti-corruption laws with regional and international instruments, including the Global Convention presently being debated in the United Nations.

6.6.3 Collaborations between the Bank and the NEPAD Secretariat on implementation of the economic and corporate governance indicators under the African Peer Review Mechanism (APRM) is expected to resume in earnest once NEPAD enters the implementation phase. Likewise, the Bank’s collaborations with the ECA on the regional initiative on Measuring Progress Towards Good Governance in Africa will also continue in the years ahead.

6.6.4 Additionally, the Bank will pro-actively initiate ‘stand alone’ governance and anti-corruption activities. In response to the expressed needs of member countries and perceived gains from economies of scale, the Bank will, from time to time, initiate regional/sub-regional activities, organize seminars and learning workshops to disseminate best practices and state-of-the-art knowledge on fighting corruption. Lessons from the Bank’s recent success in organizing two Regional Learning Workshops on Combating Corruption in Africa is instructive in this area. As a follow-up to the two Workshops, the Bank has been approached by international partners to consider hosting and managing a dedicated Africa-focused anti-corruption website.

6.6.5 Also at the regional level, the Bank will continue to support professional associations of accountability and transparency and African research institutions such as AFROSAI, the Afro-barometer Project and the Africa Law Institute.
7. WHERE & HOW CORRUPTION MAY OCCUR IN BANK OPERATIONS

7.1 As a provider of development capital to RMCs, the Bank is necessarily obliged to install effective control mechanisms in its lending operations, most particularly in procurement and disbursement, and to appraise itself of issues that may impact upon the success of its interventions. The Bank is therefore required to vigorously enforce such safeguard provisions and standards by ensuring that appropriate due diligence actions are taken during the entire life cycle of the operation.

7.1.1 Preventing and combating corruption and fraud in both public and private sector operations of the Bank require sound safeguard measures and internal policies/procedures aimed at making corrupt and fraudulent practices more difficult to commit and rapidly detectable. Corruption and fraudulent practices can be a problem at various stages in the project cycle, but particularly so in the areas described below:

- Project identification
- Project design
- Project implementation
- Procurement
- Financial management

7.2 Project Identification; At this stage of the project cycle, there are no direct ways by which corruption can occur. Nevertheless, it is a stage at which any chance of corruption or fraud can be prevented. At this stage, Bank staff are required to explain to the borrower the Bank’s project cycle, processing requirements, and the responsibility of the Bank and the RMC. Also, the institutional environment plus the economic and political risks should be assessed including corruption risks. During identification, borrower officials may try to offer incentives or exert pressure on Bank staff to disregard standard identification procedures, and steer them into identifying and selecting projects and/or regions that may benefit them either directly or indirectly. Bank staff must remain vigilant against such possibilities.

7.3 Project Preparation; It is at this stage that concepts are transformed into programs with detailed parameters, measurable quantity of inputs/outputs and unit costs. Action to embed strong safeguard measures upstream during preparation is vital to successful implementation. Equally, inadequate preparation renders projects vulnerable to manipulations that result in cost over-runs and implementation delays. Borrower RMCs and the Bank are the key actors at this stage. Project preparation can be carried out under various scenarios, including preparation by the borrowers themselves, preparation through Bank provided technical/financial assistance, or through collaborative agreement
with other agencies. In either case, Bank staff work closely with borrower RMCs to ensure that project objectives, design and components are realistic, and that cost estimates are carefully calculated based on the best technical alternative.

7.3.1 During preparation, staff should ensure that the proposed procurement processes conform to established Bank procurement procedures. Staff will also advise on a realistic organizational arrangement of the Executing Agency (EA), including appropriate systems of monitoring and evaluation. Also, Bank staff should also be alert to efforts to overstate the scope of work, time/resources required for completion of the project.

7.4 Project Appraisal; entails critical assessment of all aspects of a project by Bank staff, including its relevance, feasibility, and potential effectiveness before the Board of Directors makes a decision on whether to approve assistance. Appraisal is essential to ensuring quality at entry and establishing the implementation and control mechanisms. During this phase, Bank staff and borrower examine and agree on the design implementation and monitoring and control mechanisms. At this stage Bank staff should pay particular attention to project procurement mechanisms to ensure the procurement of goods, equipment, work and services is through fair and transparent, and competitive bidding procedures, in compliance with Bank rules. Staff should also discuss the Bank’s disbursement methods/procedures with RMC officials and confirm their understanding as a way to minimize disbursement based corruption down stream in the project cycle.

7.4.1 During appraisal, the Bank team should also ensure that an effective framework for accounts and financial reporting is in place. An effective financial control mechanism is key to ensuring the sound implementation and management of the project by the borrower. It also assists Bank staff in monitoring the financial health of the project and to deter corrupt and fraudulent practices. Staff at this stage should also evaluate the borrower’s accounting and other control systems and ensure their standards are acceptable. Where such control systems are not in place, the Bank will require that such appropriate measures be taken as a condition for the loan.

7.4.2 As part of the appraisal process, staff should also review and verify the installment of a sound administrative and institutional arrangement in the EA. The review should ensure that competent counter-part staff are assigned to the project; appropriate facilities and work environment is provided to carry out the work and; that the EA is supported through the allocation of adequate budget to ensure implementation.

7.5 Project Implementation & Supervision; is a set of continuous activity beginning with loan signature through project completion. The key role of the Bank during this phase is to ensure a borrower implements the project with due diligence to achieve its objectives and in conformity with the Loan Agreements; to identify emerging problems—including fraud and corruption, and assist the borrower to solve them and; initiate timely action to cancel a project if its continuation is no longer justified.

7.5.1 Implementation is a key stage where corruption may occur. Corruption during implementation is mainly a consequence of poor design and appraisal. The main players
at implementation are: Bank staff, the PIU/EA, the Supervising Consultant and Contractors/Suppliers. The Bank’s key role during this phase is that of supervision. Project Implementation Documents (PIDs) provide the framework identifying the responsible implementation body, detail the agreement between borrower and implementation body and the Bank’s role during implementation. Additionally, the Project Implementation Plan (PIP) itemizes a time-bound plan including a procurement schedule, a disbursement schedule for each category of expenditure, setting up of accounting/financial management systems and timetable for hiring a project auditor.

7.5.2 During this phase, consultants overseeing project implementation can be influenced by corrupt contractors, RMC officials and supervising consultants colluding with either of the two above. Bank staff should be mindful of such possibilities. As additional safeguard, the Bank requires borrowers to include in their request for proposal documents, provision against corrupt practices, including a ‘no conflict of interest’ clause. Also, the requirement in the Loan Agreement for borrowers to submit monthly/quarterly progress reports must be strictly enforced as a means of detecting fraud and corruption early.

7.5.3 Over-billing and fraudulent payment requests for goods not delivered or services not approved in the list of goods and services can be a common form of corruption during implementation. Such practices occur where the full text of the Bank/borrower Loan Agreement, including the list of eligible and allowable services/activities, are not communicated to the consultant. As part of their supervisory duty, Bank staff should ensure the borrower-consultant contract itemizes the goods, services and activities eligible and approved for Bank financing.

7.5.4 Project implementation contracts and Bank Standard Bidding Documents contain certain clauses and provisions defining the allowable scope of variations in work and outputs. Unless strictly adhered to, such practices may result in corrupt implementation. To counter such a pattern, Bank staff must closely examine the justification, scrutinize the use and cost implications of such contingencies. Bank staff can also strengthen their oversight role by sternly requiring timely reports from borrower governments and performing unscheduled site visits. During physical supervisions, Bank staff should monitor delivery and quality of materials agreed to in the original bid, and safeguard against contractor diluting/reducing the composition of project materials. Also, Bank staff should use physical and financial supervision missions to verify consistency between project implementation status with disbursement status.

7.6 The Procurement Process; is among the most vulnerable stage in the project cycle. To prevent corruption during this stage, Bank staff must be familiar with the workings of the borrower’s procurement agency, and review the latest CPAR to gain background knowledge, including its compliance with Bank procurement rules and procedures.

Likewise, borrower and PIU/EA staff must clearly understand Bank procurement procedures, especially:
i) *How the borrower government issues calls for bids,*

ii) *The official pre-qualification and eligibility requirements,*

iii) *Administrative and bidding requirements involved in project design;*

iv) *Bid Evaluation and Tender award process.*

7.6.1 Collusion and illegal information brokering are serious problems in some procurement contracts and require intervention by Bank procurement specialists to ensure compliance with the highest standards of probity and due diligence. Corrupt practices in procurement of which Bank staff should be aware include:

- Inadequate advertising procedures that cause the call for bids to go unnoticed by potential competitors.

- A shortened bid preparation period and unreasonable legal and administrative requirements to favor a particular bidder who may be the only one able to meet the requirements at such short notice.

- Collusion or leakage of confidential information, giving a specific contractor advantage over others, concerning the desired bid amount and time for competition of contracts.

- Use of national bidding procedures that are not approved by the Bank because they permit favoritism.

- Pressure being exerted on competitors to withdraw by Borrower officials or in collusion with a “winning” bidder.

- Submission of deceptive bids that contain numerous caveats or language subject to interpretation in numerous ways so as to favor the bidder.

7.7 Disbursement & Financial Management; disbursement is the process through which Bank funds are channeled to the borrower as per *General Conditions Applicable to Loan and Guarantee Agreement.* In Bank financed operations, a contractor/supplier initiates a request for payment, which is certified by the supervising consultant and approved for disbursement by the borrower. Prior to disbursing, Bank disbursement staff verifies the request against the list of goods and services and against the Price Escalation Clause in the Loan Agreement. Where a discrepancy is detected, further clarification is sought from project task managers, and where corruption/fraud is detected, Bank rules to suspend disbursement will be initiated.

7.7.1 Possible corrupt practices arising from weak financial management and disbursement procedures include the following:
o Duplication of payments resulting from weak financial oversight mechanisms.

o Falsification of invoices and supporting documents, and submission of invoices without supporting documents seeking to take advantage of weak oversight.

o Weak systems of account that result in duplication or alternation of records to conceal illegal transactions, plus records that are incomplete and behind schedule.

o Voluntary delays in submission of invoice statements and reimbursement claims.

o Invoices submitted for ineligible services or for retroactive financing of unapproved goods/services, and use of funds for purposes not defined in the bids.

o Project funds used unauthorized payments in advance of service delivery, often occurring in collusion with borrower government officials.

o Using property or equipment purchased for the project for purposes that have nothing to do with the project.

o Excessive purchase prices, operational expenses and unreported discounts.

7.7.2 Bank staff may also reduce opportunities for corruption by ensuring the existence and effectiveness of the borrower’s systems of accounts, control and financial reporting. At project appraisal, Bank staff must certify the availability of financial experts in the PIU to assess the record keeping systems for project related expenditures. Where deficiencies are detected, provisions must be made for closing such loopholes, as part of the loan condition, if necessary. Likewise, audit functions should address the efficiency of internal controls and institutional arrangements in place. And, the reports and recommendations of project Audits must be implemented in earnest; particularly proposed changes in the financial management systems.

7.7.3 The points above are only indicative examples of where and how corruption may occur in the Bank operations. Corrupt officials are resourceful and may transfer their activities from one area to another where oversight is less stringent. For example, officials may shift from corruption in loan disbursement procedures that may be detected through audits to collusive behavior with corrupt individuals competing for procurement contracts. Despite the existence of rules, procedures, and other safeguard measures to combat corruption, its perpetrators find new ways and means to conceal their activities, thus making the onus of detection more complex and time consuming. As a consequence, Bank staff must be vigilant of changes in operations and be attentive for irregularities in the operations of their lending programs.
8. PROCEDURES FOR ADDRESSING CORRUPTION & FRAUD IN BANK OPERATIONS

8.1 General Precautions

8.1.1 Both the Bank and borrower RMC have a shared responsibility to combat fraud and corruption in Bank financed operations. However, Bank staff and other employees share a unique responsibility and obligation to prevent fraud and corruption by maintaining high standards of personal integrity within their respective area of responsibility. Staff and other employees are therefore required to steadfastly adhere to the Staff Code of Conduct and other rules and procedures governing the rights, duties and behavior of staff as international civil servants, and that of other employees.

8.1.2 In addition to their personal integrity, Banks staff and other employees are required to exercise due diligence in assessing the risk of fraud and corruption during project/program design and implementation. At this stage, staff and other employees should carefully assess the risk of corruption and install safeguard measures including clearly defined project stages with measurable benchmarks denoting fulfillment of project conditions. Second, Loan Agreements and other documents should include explicit agreement on project components that must comply with standards of National Competitive Biddings and components requiring compliance with standards of International Competitive Bidding. Third, control provisions during the disbursement process; including financial management and accounting standards, should be agreed upon to allow supervision of fund use and fulfillment of project conditions. Finally, project documentation should be properly maintained to facilitate effective oversight through periodic supervision missions and portfolio reviews, and ease audits of accounts after project completion.

8.2 Responsibility of Borrower Governments

8.2.1 Bank operations are not implemented in a vacuum; nor can they be effectively sheltered in an environment where corruption is chronic and widespread. Unqualified commitment and perceptible action by borrower governments against corruption is therefore a critical first step. A related obligation of RMCs in the context of Bank operations is to guarantee full compliance with the commitments and conditions agreed to in the Loan Agreement. Such Agreements contain standard language and safeguard clauses designed to deter and detect corruption in Bank operations.

8.2.2 Borrower governments can also ensure the integrity of Bank operations by adopting and enforcing a zero tolerance policy in their operations, and installing effective internal control systems—including assigning counterpart staff with required skills and competency to Bank operations and ensuring the availability of counter-part funds. However, preventive efforts by borrower governments notwithstanding, counterpart staff assigned to Bank financed operations will be held to the same high standards of personal integrity as Bank staff and other employees. Also, where evidence of corruption is received or uncovered by a counterpart staff assigned to Bank operations, he/she will be
held to the same reporting requirement, outlined in these guidelines and applicable to Bank staff and other employees, plus the RMC’s laws against fraud and corruption, including bribery.

8.3 **Responsibilities of Bank Staff**

8.3.1 Prior to and at launching any Bank financed project/program activities, Bank staff are required to communicate to RMC personnel, project counterpart staff, or any other employee under direct or indirect contractual duty to the Bank, its borrower, consultants, contractor or supplier, that the institution maintains and strictly enforces a zero tolerance policy against all forms of corruption and fraudulent practices in its operations. Additionally, the zero tolerance stances against fraud and corruption and the reporting and enforcement procedures prescribed herein shall be incorporated into the Loan Agreements with borrower governments, and Conditions of Contract under the Rules of Procedures for Procurement of Goods and Works.

8.3.2 **Reporting Corruption:** If a Bank staff or any other employee under contractual duty to the Bank, its borrower, contractor or supplier, uncovers evidence or receives written allegations of corruption and/or fraudulent practice in a Bank financed operation, he/she has an obligation to report in good faith such information, regardless of its source, immediately but no later than 72 hours of learning about such occurrences. Allegations of corruption and/or fraudulent practice must be reported in a written confidential report to the Secretariat of an Oversight Committee on Corruption and Fraud (OCCF), to be established immediately following the adoption these guidelines.

8.3.3 **Decision to Report:** Final determination on whether the evidence or allegation received should be turned over to the OCCF, as per these guidelines and other Bank rules, for further action rests exclusively with the individual staff, other employee or the external source, and no higher authority or approval is otherwise required. Evidence or allegations may be reported either with attribution or with complete anonymity. In either case, failure to report information/allegations of fraud or corruption within the time stipulated in Section 8.3.2 above, must be explained to the OCCF at the time the report is submitted.

8.3.4 **Failure to Report:** On the other hand, a Bank staff, other employee or external sources who uncovers evidence or receives written allegations of corruption and/or fraudulent practice in Bank operations, regardless of its source, and fails to report such information to the OCCF, as per Section 8.3.2 above and other Bank rules, in effect become accomplices to the act and subject to sanctions as per relevant provisions in the Staff Regulations, and/or possible other legal action.

8.3.5 **Limits of Staff Involvement:** The purpose of these guidelines is not to turn staff into investigative police. Therefore, the scope of involvement by staff, other employees or external sources in dealing with allegation of fraud and corruption in Bank operations ceases once they turn over the evidence/allegation of corruption in their possession. Beyond reporting the information at hand to the OCCF, staff, other employees or external
sources should under no circumstance attempt to conduct independent investigation of the matter. Additionally, unless officially requested by the OCCF to provide additional information to facilitate investigation of and decision on the case, staff, other employees or external sources should refrain from further inquiry into the case, and abstain from discussing the matter further with RMC officials, Bank staff or individuals concerned.

8.3.6 Decision to Investigate: As per Bank Staff rules and procedures (Section 10: Disciplines, Recourse, Liability) and the credibility of the evidence reported, the OCCF, after due consultation with relevant departments in the Bank, will determine whether further investigation is warranted or if the case should not be pursued any further. In either case, however, all allegations and investigations will be handled with extreme confidentiality and discretion, and the identity of the allegation source—in the case of reporting with attribution, and the content of the evidence reported will be fully guarded.

8.3.7 Conducting an Investigation: If the credibility of the reported information or allegation is verified, the OCCF, with the consent of the President, will requests Internal Audit or external auditors or investigators managed by it, in consultation with other relevant bodies in the Bank, to undertake a complete investigation of the matter; in full accordance with relevant Bank rules for administrative investigation, as outlined in the Bank’s Staff Rules. Once investigation is initiated, the Bank will ensure it is conducted in a timely manner, and in full compliance with Rules 101.02 of the Staff Rules on due process; including compliance with principles of fairness, efficiency and confidentiality.

8.3.8 Decision not to Investigate: Not all information/allegation is corroborated, and not all reported cases will be investigated. Where the OCCF, after a careful review of the evidence reported determines no additional investigation is warranted, it shall document the bases on which such a decision is reached and close the case.

8.3.9 Investigation & Findings: Upon completing its work, Internal Audit will present the findings and recommendations of its investigation to the OCCF. The OCCF exercises full discretion to determine the validity of the evidence presented and the suitability of the recommended sanctions or remedial action. If the OCCF accepts an investigation was properly conducted and it concurs with the findings of the investigation, it has full authority to decide on an appropriate course of action, including sanctions.

8.3.10 Penalties: Where an investigation recommends formal disciplinary action against a staff member, relevant provisions in the Staff Regulations and the Staff Rules shall apply. Depending on the nature of the findings and recommended action, staff may face remedial or disciplinary actions, including formal written censure, suspension from duty without pay and summary dismissal. In cases where the investigation recommends internal sanctions or other measures against a firm, the OCCF, in consultation with the Procurement Review Committee (PRC) may recommend cancellation of the procurement process, and/or cancellation of part or an entire loan or grant award.

8.3.11 Risk of Reporting: The Bank will install stringent safeguard measures to protect the identity and reputation of whistleblowers against any risk to individuals or firms that
may arise from reporting incidents of fraud or corruption. Such safeguard measures will be designed to guarantee staff, other employees or external sources that providing information on fraud and corruption carries no direct or indirect risk of retaliation or reprisal, including for their personal safety and professional reputation.

8.3.12 Protection Against False Allegations: Whistleblowing is a double-edged sword that must be assuaged with provisions to protect the accused. Accordingly, all persons or firms accused of corrupt and fraudulent practices in Bank operations will continue to be assumed innocent until proven guilty by an independent investigation of the charges. Such investigation will be conducted expeditiously, and in full accordance with the standards of due process. During such an investigation, the Bank will protect the identity and reputation of the investigation subject and the nature of the investigation. In cases where the Bank’s investigation establishes the allegations not to have been made in good faith, but to be of fictitious and/or of malicious motive, the Bank will take appropriate measures to restore the damaged reputation that may have been caused by the false allegation, and impose disciplinary measures on the perpetrators.

8.4 What Should be Reported

8.4.1 As set forth in 8.3.2 of these guidelines, Bank staff, other employees or firms in possession of evidence about fraud and corruption that may have occurring or may have occurred in Bank operations are required to report such information to the OCCF for further action. To facilitate further enquiry and analysis of the reported evidence and to determine the need for further investigations, reports and/or allegations should be as detailed as possible; supported by physical evidence such as receipts, photographs and other documents, when ever possible, and with details on the following:

- **Who** committed the fraud or corrupt act, who was also involved in the process and who else witnessed the crime.

- **What** happened—a detailed description of the alleged corrupt/fraudulent activity.

- **When** did the alleged corrupt act occur- time, date, month and year?

- **Where** did the act happen—city, country, project location, etc.

- **How** did the corrupt act take place, and how specifically was Bank staff or other agents of the Bank, including consultants and contractors involved?
9. THE WAY FORWARD & IMPLICATIONS FOR THE BANK

9.1 The commitment to prevent corruption and fraud in Bank Group operations corresponds to a broader policy and strategic framework for mainstreaming good governance and combating corruption in RMCs. The Bank recognizes that additional measures are required to ensure the enabling institutional environment; processes and structures are consistent with the standards of partner institutions and emerging best practices. Presently, the Bank lacks official procedures and a discernable mechanism for reporting and investigating allegations of fraud and corruption. The section below highlights the concrete action management will undertake to address the perceived limitations and to strengthen the impact of the Bank’s anti-corruption efforts; including implications associated with implementing these guidelines. The actions outlined below complement and reinforce existing safeguard measures highlighted in Section 4, and will be undertaken with due consideration to resource availability and institutional limitations.

9.2 Establish an Oversight Committee on Corruption & Fraud (OCCF)

9.2.1 Lessons from the experiences of other MDBs show that the Bank’s objective in combating corruption and the effectiveness of preventive and control mechanisms is best realized through a single point of oversight. Efforts to prevent, detect, investigate and sanction fraud and corruption in Bank operations is most effective and credible where a high-level single oversight body is designated as focal point for managing all matters relating to corruption and fraudulent practices. Therefore, consistent with such practices, the Bank, immediately following adoption of these guidelines, will establish a high-level Oversight Committee on Corruption & Fraud (OCCF).

9.2.2 The OCCF will serve as a management oversight mechanism. Detailed Terms of Reference outlining its mandate, functions and procedures shall be developed following adoption of these guidelines. However, at a minimum, the Committee, whose members shall be appointed by the President and chaired by a Vice President, shall consist of the General Council, the Director of Audit, the Manager of the Procurement Unit and two other members, as appropriate. The OCCF shall be assisted by a Secretariat in carrying out the following activities:

- **Install an appropriate and user-friendly system for reporting allegations of fraud and corruption in Bank financed activities.**

- **Review all allegations and make determination to refer them to Internal Audit or other appropriate bodies (Procurement Review Committee, Staff Ethics Committee) for further investigation, or declare them closed.**

- **Develop appropriate procedures and mechanisms for the protection of whistleblowers and anonymous reporting of corruption in Bank operations.**

- **Oversee all administrative investigation processes to ensure they are conducted on time and with full regard to due process rules including principles of fairness,**
efficiency and confidentiality.

- Receive and adopt or reject the findings and recommendations of Audit’s investigation report, and determine remedial or disciplinary action for cases where occurrence of fraud and corruption has been proven.

- Refer to the President cases that should be forwarded to the national authorities for further action, including prosecution.

- Monitor implementation of its decisions/sanctions, and report on its activities, to the Board of Directors through the Management’s periodic reporting procedures.

9.3 **Whistleblower Protection**

9.3.1 Prevention remains the Bank’s preferred means of responding to fraud and corruption in its operations. However, where a fraudulent or corrupt act has occurred, it is important to encourage Bank staff and other employees to report such acts by guaranteeing them protection from being victimized or subjected to other forms of retaliation, reprisal or adverse action; resulting from their disclosure of such information. Whistleblower protection allows systematic focus on the message conveyed rather than the messenger, and strengthens enforcement of anti-corruption safeguards. Protection is afforded to whistleblowers as long as they acted in ‘good faith’ and in the reasonable belief that the information reported and/or allegations made were accurate.

9.3.2 Further to the decision in 9.2.1 to establish the OCCF, and with a view to facilitate the task of the Committee, the Bank will adopt a formal whistleblower protection program designed to protect the identity of those disclosing allegation and/or information concerning fraud and corruption. The program will include internal procedures and mechanisms for properly receiving allegation reports and the professional handling and investigation of disclosed information. In addition to the general guarantees of confidentiality and investigation procedures outlined in Section 8, the type, scope and limitations of the whistleblower protection mechanisms to be adopted by the Bank, and the scope of guarantees to be provided therein will be based on considerations of the Bank’s institutional capacity and resources limitations. Management will closely examine alternative modalities for protecting whistleblowers and initiate concrete steps towards an appropriate Bank protection program following adoption of these guidelines.

9.4 **Strengthening Bank Internal Capacity**

9.4.1 Enforcement of the zero tolerance position requires strengthening the Bank’s institutional capacity to deter, investigate and sanction corruption. This will partly be achieved by increasing the number staff experts assigned to anti-corruption activities, both in the Bank and in its operations. Also, specialized training in areas such as forensic auditing, detection of money laundering and financial investigation techniques will be provided to enhance the technical skill of Bank staff. Internal mobility of staff, as per Bank rules, will also be employed to prevent occurrences of fraud and corruption.
Moreover, staff will benefit from general training on issues of good governance, ethics and accountability and anti-corruption standards. Also, specialized experts in procurement, disbursement and financial experts will benefit from training on early warning indicators of corruption and methods of detection. Also information about the Bank Policy on Good Governance and strategy on combating corruption, including these guidelines shall be incorporated into new staff orientation seminars and disseminated widely. Additionally, the Bank shall periodically review its organizational arrangement and procedures to ensure an appropriate enabling environment for combating corruption.

9.5 Increased Project Oversight

The Bank currently supervises projects 1.5 times/year. For operations deemed to be at-risk, or implemented in a risky environment, provisions will be made, subject to resource availability, to improve the frequency and duration of supervisions and project audits. Improved oversight of Bank operations will also entail enhancing the technical expertise and skill-mix of Bank staff participating in supervision missions; more frequent audits of high-risk operations and; systematic consultation with partners present on the ground. Increased supervision and closer oversight will yield timely information on resource utilization and enable Bank staff to detect and prevent leakages of project funds due to mismanagement or abuse. Towards improving project oversight, the Bank’s Operations Manuel shall be revised to include a list of anti-corruption/fraud related undertakings to be preformed by Bank staff during various stages of the project cycle.

9.6 Strengthening RMC Capacity

9.6.1 Borrower institutional capacity is critical for effective compliance with the anti-corruption safeguards in the Loan Agreements. As per the strategy to strengthen assistance to RMCs committed to good governance and combat corruption, country risk and country performance assessments and relevant diagnostic tools will be applied to determine the capacity of borrower’s internal controls and institutional arrangements. Moreover, for RMCs ranked low in the CPIA governance factors and where the risk for corruption is deemed high, the Bank will undertake more rigorous assessments through CGPs, CFAAs, CPARs, and propose corrective measures. Also, RMC officials will benefit from selective and specialized governance/corruption related training to be organized through the Joint Africa Institute (JAI). Such training will be country specific and based on areas of weakness identified through assessments.

9.6.2 Through its loans and technical assistance, the Bank makes financial provisions for its operations to be audited annually. However, due to weak internal control mechanisms and borrower’s inability to comply with accounting, audit and procurement standards, such reports are not submitted with regular frequency. The Bank will closely monitor compliance with its safeguard requirements such as quarterly progress reports and annual audit reports that provide early warnings about emerging problems in fulfilling various safeguard requirements in the Loan Agreements. Also, progress reports and Auditor’s opinion on Bank financed activities will increasingly inform policy dialogue with RMCs about capacity needs and the imperative of complying with due
diligence provisions in the Loan Agreements.

9.7 Development of Benchmarks & Indicators

9.7.1 Without proper benchmarks and measurable indicators of progress, the Bank risks being accused of inaction and having the efficacy of its anti-corruption efforts questioned. To address such concerns and evaluate progress in this area, the Bank will develop appropriate benchmarks and indicators for documenting progress in its anti-corruption efforts. Also, the mandate of the soon to be established OCCF includes developing a set of qualitative and quantitative benchmarks and indicators to gauge progress in the fight against corruption, plus documenting progress and challenges in this endeavor and reporting to the Board of Directors on a regular basis. The Committee will also gather and disseminate information on lessons and best practices from other MDBs. Some indicative benchmarks and indicators that could serve this purpose include:

- Consistency between loan disbursement ratios and progress in the physical implementation of projects.
- Timely submission of monthly, quarterly and annual progress reports, as well as audited financial reports on Bank projects.
- Timely implementation of corrective measures in the project, recommended in the Independent Auditors Report.
- Regional and global corruption ranking of borrower RMC within which loans are disbursed and projected is implemented. Rankings such as: APRM, Transparency International (TI), Afro-barometer, the World Bank, IMF, OECD, ICRG, etc.
- Rule of law reforms including time required to adjudicate a case, numbers of cases on the docket, and other measures of judicial effectiveness.

10. CONCLUSION

10.1 The task of preventing and combating corruption and fraudulent practices will be complex in nature, and progress in this area will be gradual. These guidelines ascertain the Bank’s commitment to combat corruption in its operations and set out the procedures for realizing this objective. The guidelines reflect management’s commitment to promote a culture of good and sound management, and to strengthen Bank safeguards towards transparent decision-making, quality in the project cycle and regular oversight and enforcement. They will be reinforced through Bank-wide dissemination and sharing with relevant stakeholders outside, including posting on its web site. Staff training—including new staff orientation, will be part of the dissemination strategy to assist staff better understand and respond to potential incidents of fraud and corruption.

10.2 The guidelines will also be complemented with rigorous compliance and enforcement mechanisms. Revisions and update of these guidelines should occur with some regularity as experience in combating corruption in Bank operations deepens. Following these guidelines, the Bank will draw on the experience of partner institutions.
(TI, EBRD, WB) and develop a checklist to help staff better identify early-warning signs of fraud and corruption during the project cycle.

10.3 Lessons from the experience of partner institutions will continue to help enrich the Bank’s anti-corruption strategy and implementation of these guidelines. The introduction of proxy benchmarks and indicators of progress will serve as a beacon by which progress will be measured and the way forward will be guided. Management, as part of its periodic reporting procedure to the Board, will report on progress and challenges in this area. The Bank’s institutional commitment and adoption of a pro-active approach to preventing corruption is a critical and necessary step for promoting good governance in Africa.