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GOOD ANTI-CORRUPTION PRACTICES

Guidelines on how to adopt good anti-corruption practices

INVESTMENT FUND FOR
DEVELOPING COUNTRIES



HOW TO ADOPT GOOD ANTI-CORRUPTION PRACTICES

IFU has a zero-tolerance policy towards corruption and requires its project companies to take a clear stand against corruption. This leaflet aims to provide concrete tools for the companies to act in accordance with international principles and standards on anti-corruption.

Why combat corruption?

IFU recognizes that corruption is one of the greatest barriers to sustainable development with a disproportionate impact on developing countries, and that combating corruption is a key element in poverty alleviation.

EXAMPLES OF CORRUPTION

Corruption can be defined as the abuse of entrusted power for private gain. Transparency International has developed an anti-corruption glossary defining the many forms of corruption:

Bribery

The offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages (taxes, services, donations, favours, etc.).

Facilitation payments

A small bribe, also called a 'facilitating', 'speed' or 'grease' payment; made to secure or expedite the performance of a routine or necessary action to public officials to which the payer has legal or other entitlement. Facilitation payments are most common in dealings with low level officials. In some countries it can be considered normal to provide small unofficial payments under certain circumstances. However, this practice is illegal in most countries.

Clientelism

An unequal system of exchanging resources and favours based on an exploitative relationship between a wealthier and/or more powerful 'patron' and a less wealthy and weaker 'client'.

IFU's requirements on anti-corruption

IFU has a zero-tolerance policy regarding corruption. IFU requires the companies in which it invests (the companies/the company) to take a clear stand against corruption and implement anti-corruption procedures and controls in accordance with international principles and standards. This leaflet aims to provide concrete tools for the companies to act in accordance with these principles and standards.

The commitment to fight corruption should be based on fundamental company values and must be communicated to the entire organisation and any agents, intermediaries and consultants acting on behalf of the company as well as to major suppliers, contractors and other business partners.

The company must identify and assess the risk of becoming involved in corruption in all parts of its operations and in relation to both the public and the private sector and initiate the necessary preventive measures to counter the identified risks.

The company must appoint a person responsible for anti-corruption measures, including reporting to the board on the implementation of the anti-corruption policy. Finally, the company must create and maintain an organisational culture that does not tolerate corruption and train all relevant employees in avoiding and dealing with corruption, including facilitation payment.

How to meet IFU's requirements?

In order to implement a zero-tolerance policy regarding corruption, tools and examples of procedures for the companies to use are presented below:

1. Developing an anti-corruption policy
2. Example of clauses with business partners
3. Examples of internal procedures
4. Training and competence development
5. Reporting

1. Developing an anti-corruption policy

The anti-corruption policy (see box: Anti-corruption policy template) forms the framework of the company's stand against corruption and is a guide to the preventive strategies and efforts carried out to avoid and combat corruption.

THE COMPANY MUST IDENTIFY AND ASSESS THE RISK OF BECOMING INVOLVED IN CORRUPTION IN ALL PARTS OF ITS OPERATIONS

ANTI-CORRUPTION POLICY TEMPLATE

[Name of the company]'s Anti-Corruption Policy

1. Commitment and scope of policy

[Name of company], in what follows referred to as the "Company" is committed to conducting its business honestly and transparently, at all times in accordance with applicable legislation and in line with the highest standard of business ethics.

This policy prescribes a zero tolerance to corruption for all Company employees and third-party representatives and intermediaries acting on behalf of the Company.

2. Definition of acts of corruption

Corruption can broadly be defined as the abuse of entrusted power for private gain. The Company defines any of the following acts as "Corruption", and this applies to both public officials and private entities: [List of terms and definitions].

3. Who can be engaged in corruption?

Corruption can be committed by:

- An employee of the company
- Any person acting on behalf of the Company (e.g. third-party representatives)

4. How to act if you come across (attempts at) acts of corruption

All employees of the Company have a responsibility to help detect, prevent and report instances of corruption. Reporting of suspected instances of corruption will follow the pre-defined procedures below: [Procedures to be included].

5. Action to take if acts of corruption are reported/suspected/observed

The Company's management will follow the pre-defined procedures below in case acts of corruption are reported/suspected/observed: [Procedures to be included].

This Anti-Corruption Policy has been adopted and approved by the Board of the company on the [date].

ALL EMPLOYEES OF THE COMPANY HAVE A RESPONSIBILITY TO HELP DETECT, PREVENT AND REPORT INSTANCES OF CORRUPTION

2. Example of clauses with business partners

The anti-corruption policy must be communicated to the employees, any consultants working on behalf of the company and any business partners like contractors and suppliers, etc. A way forward to engage with business partners is for the company to include clauses (see box: Example of clauses in agreement) in all agreements with business partners (contractors/consultants, etc) to ensure business partners act as the company on zero tolerance regarding corruption.

3. Examples of internal procedures

Below are examples of different procedures that support preventive measures to corruption to minimize risks of bribery, conflicts of interest or facilitation payment:

- **Procedure for attestation of all invoices.** The purpose of an attestation procedure is to ensure that payments and transactions are made according to payment details and correspond to delivered goods

and services. An attestation procedure minimizes the risk of paying false invoices, ensures payments are made to the correct company and/or individual, and ensures that the amount is correct.

- **Procedure for payment of salaries.** The purpose of this procedure is to ensure that salaries are paid in a structured and transparent way and that the risk of incorrect salary payments is minimized. It is recommended that salaries are paid directly to the individual's bank account, never in cash.
- **Procedure for identifying appropriate gifts and hospitality.** The purpose is to guide the company in dealing with gifts and hospitality offered by the company or provided to the company.

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**COMPANIES MUST
CREATE AND MAINTAIN
AN ORGANISATIONAL
CULTURE THAT DOES
NOT TOLERATE
CORRUPTION**

- **Procedure for handling payments to agents.** Using third parties does not exempt the company from its responsibility to fight corruption. The company must ensure that payments to agents, intermediaries and consultants are in line with standard payments for other service providers of similar ranking. The company should only make payments by bank transfer in the country of the agent, intermediary or consultant and never to a third party without prior examination.
- **Procedure for payment to authorities.** The procedure must ensure that payments to authorities are made correctly and in accordance with payment details.
- **Procedure for establishing and managing a grievance mechanism and/or a whistle blower channel.** A grievance mechanism/whistle blower is an alternative communication channel for employees and individuals affiliated with the company to express their concerns or raise awareness of possible cases of corruption within the company.

4. Training and competence development

Corruption comes in many forms and is sometimes hard to distinguish. In order to create and maintain an organisational culture that does not tolerate corruption, the company must train all relevant workers in dealing with corruption on an on-going basis. Showing a clear stand against corruption at management level and communicating it to employees is key.

Training of employees through in-house sessions or e-learning tools:

- **In-house training sessions** may be created by management and tailored for the specific company and the risks related to its operations. Subjects may include how to avoid facilitation payment and how to handle the situations where it may occur.
- There are several **e-learning programmes** that companies can use when training employees in good anti-corruption practices. The UN has developed a tool, which is based on the Global Compact's 10th principle against corruption. The tool can be accessed via: <http://thefightagainstcorruption.org/certificate/>

EXAMPLE OF CLAUSES IN AGREEMENT

0. [Clause on definitions for Contractor, Employer, Associated Persons and Anti-Corruption Laws].
1. The Contractor and Associated Persons comply with and have in the past been in full compliance with the Anti-Corruption Laws.
2. The Contractor and any Associated Person must act in accordance with the Employer's anticorruption policy as notified to the Contractor. The Contractor shall notify the Employer immediately in writing if any violation or any suspicion of a violation of the Employer's anti-corruption policies arises.
3. The Contractor shall notify any Associated Persons of the Employer's anti-corruption policies.

Below are other examples of e-learning tools:

- **GAN integrity: Anti-Corruption Training Course**
- **Transparency International UK: Doing Business Without Bribery**
- **UNODC: Anti-Corruption E-Learning Course**

5. Reporting

IFU requires companies to report annually on sustainability performance, including anti-corruption initiatives, through the Annual Sustainability Report, which is to be presented to the board of the company prior to submission to IFU.

References: Transparency International, 2019. Swedfund Anti-Corruption Management System.