

OPERATING POLICIES AND PROCEDURES

Chapter 2

Anti-corruption and Integrity Policy and Procedures

1 September 2013

1. Policy

- 1.1 As set out in the Code, all PIDG Participants (as defined in the Code) are to observe the highest standards of financial and ethical conduct. PIDG has a “zero tolerance” policy towards fraud and corruption.
- 1.2 All PIDG Participants must comply with these Anticorruption and Integrity Policy and Procedures (the “**Procedures**”). However, as the Procedures are administrative in nature, they are subordinate to, and do not remove or change the rights and obligations of each PIDG Participant under any applicable national or international laws or under contract.
- 1.3 The Procedures are designed to prevent and combat misconduct (a failure to observe the Code or the PIDG OPPs), in particular fraud and corruption, that may occur in connection with the activities of the PIDG Participants. Prevention is the most important element of the strategy. Fraud and corruption practices need to be difficult to undertake without a high likelihood of detection, thereby acting as a deterrent. The Procedures set out the general principles and requirements applicable to PIDG Participants and persons and entities which receive funding either directly or indirectly from the PIDG Members. They also set out the framework for the process of handling investigations into alleged corruption or possible integrity violations. They define how such investigations are to be handled, set out the persons responsible for such investigations and define sanctions and consequences of material breach.
- 1.4 All PIDG Participants and such persons and entities which receive funding either directly or indirectly from the PIDG Members must take all appropriate measures to prevent and combat fraud and corruption, money-laundering and the financing of terrorism.
- 1.5 Each PIDG Participant has a duty to make arrangements to ensure that funding from the PIDG Members is used for the purposes for which it was deployed, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations. The Procedures constitute an important element of those arrangements.
- 1.6 The Procedures cover fraud and corruption in the diversion of PIDG funding for ineligible expenditures, as well as fraud and corruption engaged in for the purpose of influencing any decision as to the use of PIDG funding.
- 1.7 The Procedures apply to PIDG Participants and all other persons or entities which either receive (either directly or indirectly) PIDG funding for their own use, are responsible for the

deposit or transfer of PIDG funding (whether or not they are beneficiaries of such proceeds), or take or influence decisions regarding the use of PIDG funding.

- 1.8 The PIDG's specific policy requirements on fraud and corruption in connection with the procurement or execution of contracts for goods, works or services financed by the members of the PIDG are covered in Chapter 5 of the PIDG OPPs (Procurement Policy and Procedures).
- 1.9 The PMU shall be responsible for:
- ensuring that the Procedures are maintained, so far as applicable, in line with the principles and guidelines of relevant international financial institutions; and
 - ensuring all PIDG Participants are aware of the Procedures and have adopted similar or identical procedures to prevent and combat fraud and corruption that may occur in connection with their activities.

2. Procedures for Preventing and Combating Fraud and Corruption in PIDG Financed Activities

2.1 The following provisions of the Procedures cover fraud and corruption that may occur during the preparation and implementation of activities financed, either directly or indirectly, in whole or in part, using funding from PIDG Members.

Definitions of Practices Constituting Fraud and Corruption

2.2 The Procedures address the following defined practices:

- a. a “corrupt practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;
- b. a “fraudulent practice” is any act or omission, including a mis-representation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
- c. a “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;
- d. a “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any part of the property of the party to influence improperly the actions of a party;
- e. an “obstructive practice” is:
 - i. deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statement to investigators in order to materially impede a PIDG investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or
 - ii. acts intended to materially impede the exercise of the PIDG Participant’s contractual rights of audit or access to information.

2.3 The above practices are sometimes referred to collectively in the Procedures as “fraud and corruption” or as “Sanctionable Practices”.

Actions to be Taken to Prevent and Combat Fraud and Corruption by PIDG Participants and Recipients of funding from PIDG Members whether directly or indirectly (“Recipients”)

2.4 PIDG Participants and Recipients (either directly or indirectly) will:

- a. take all appropriate measures to prevent fraud and corruption in connection with the use of funding from PIDG Members, including (but not limited to):
 - i. adopting appropriate fiduciary and administrative practices and institutional arrangements to ensure that the funding from PIDG Members is used only for

the purposes for which it was given and so that any fraud and corruption can be easily detected, such as establishing an overall framework for controls (such as a Board of Directors and Audit Committee); ensuring a separation of duties; monitoring systems and controls through internal and external audit; complying with the Code, PIDG OPPs and where applicable any professional obligations; discouraging conflicts of interest and maintaining interest registers; ensuring procedures for selection and training of directors and employees support the selection of honest and competent individuals; having a clear corporate policy in line with the Code and the Procedures to act as a deterrent to potential wrong doers and that encourages others to pass on concerns over possible fraud or corruption; and

- ii. ensuring that all Recipients (either directly or indirectly) receive a copy of these Procedures and are made aware of and adhere to their contents;
- b. immediately report any allegations of fraud and corruption in connection with the use of funding from PIDG Members to the PMU, or if the PMU is the subject of the allegation, to the Chair's Office. Within five days of receipt of an allegation, the PMU or Chair's Office shall inform the Governing Council that an allegation has been made and will ensure that any previous member of PIDG whose funds may have been used in relation to the allegation is also informed of the allegation;
- c. if it is determined (after having followed the investigation procedure set out in these Procedures) that a PIDG Participant or Recipient has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of PIDG funding, take timely and appropriate action in accordance with Section 5 of these Procedures;
- d. include such provisions in any agreements with Recipients as may be required to give full effect to these Procedures, including (but not limited to) provisions (i) requiring such Recipient to abide by the Procedures, (ii) requiring such Recipient to permit the PIDG's representatives to inspect all of their accounts and records and other documents relating to the project required to be maintained pursuant to the agreement and to have them audited by, or on behalf of, the PIDG, and (iii) requiring restitution by such Recipient of any amount of the funding from PIDG Members with respect to which fraud and corruption has occurred; and
- e. cooperate fully in any investigation into allegations of fraud and corruption in connection with the use of funding from PIDG Members.

3. Anti-Money Laundering and Combating the Financing of Terrorism

- 3.1 Consistent with UN Security Council Resolutions relating to terrorism, including UNSC Resolution 1373 (2001) and 1267 (1999) and related resolutions, PIDG is committed to the international fight against terrorism, and in particular, against the financing of terrorism. It is the policy of the PIDG Members to seek to ensure that none of its funds are used, directly or indirectly, to provide support to individuals or entities associated with terrorism. To those ends, PIDG is committed to taking appropriate steps to ensure that funding from PIDG Members is not used to provide assistance to, or otherwise support, terrorists or terrorist organizations, and PIDG Participants will inform the PMU or the Chair's Office immediately if PIDG Participants determine that any such funds have been so used. Within five days of receipt of such information, the PMU or Chair's Office shall inform the Governing Council and will ensure that any previous member of PIDG whose funds may have been used is also informed.
- 3.2 PIDG Participants shall institute, maintain and comply with, and shall use commercially reasonable efforts to cause each Recipient to institute, maintain and comply with, appropriate policies, procedures and controls that are in compliance with applicable national laws and regulations for anti-money laundering and combating the financing of terrorism ("AML/CFT"). In the case of PIDG Participants, such procedures and controls shall include but not be limited to:
- a. a written policy on AML/CFT;
 - b. the appointment of an AML/CFT Officer;
 - c. due diligence requirements;
 - d. record keeping;
 - e. reporting of suspicious transactions to authorities where required; and
 - f. AML/CFT training for staff.

4. Reporting Requirements

- 4.1 In addition to such other reporting requirements as may be required under the Code and the PIDG OPPs, each PIDG Participant shall confirm in writing to its supervising entity by 31 January each year that to the best of its knowledge and belief:
- a. neither it nor any of its respective affiliates acting on their behalf, nor any other person acting on their behalf, has engaged in any activity, nor entered into any transaction, prohibited by any resolution issued by the United Nations Security Council under Chapter VII of the UN Charter;
 - b. after due inquiry, it is not involved with any party that is an entity or person (i) sanctioned pursuant to any United Nations Security Council resolution issued under Chapter VII of the UN Charter, (ii) on the World Bank Listing of Ineligible Firms from time to time (www.worldbank.org/debarr or any successor website or location) or (iii) convicted, indicted, or subjected to any similar criminal sanction, by any court or governmental body of competent jurisdiction, for engaging in money laundering or financing of terrorism or any Sanctionable Practice; and
 - c. all PIDG supported projects that it is responsible for are in compliance with their obligations under these Procedures.
- 4.2 If any PIDG Participant becomes aware of the initiation of any administrative, supervisory or criminal investigation or proceeding involving itself or any other PIDG Participant, or any of their respective affiliates, or any officer or employee of any such entity, with regard to money laundering, financing of terrorism or any Sanctionable Practices, it shall report such investigation or proceeding in accordance with Section 5 of these Procedures.

5. Investigations into Allegations of Misconduct and Integrity Violations by a PIDG Participant or Recipient

Introduction

- 5.1 The policy and the procedures set out in this section of these Procedures are intended to be used as guidance in the conduct of investigations into integrity violations involving a PIDG Participant or Recipient. PIDG requires that all instances of suspected fraud be investigated thoroughly and where appropriate referred to the relevant authorities.

General

- 5.2 Each PIDG Participant (except for the Trustees, the PMU service provider and any third-party service provider to a PIDG Facility) shall nominate an Investigative Officer as set out in Annexe 1 of these Procedures for the purposes of investigations into integrity violations and misconduct by PIDG Participants or Recipients, who shall report to the relevant Head of Investigations. The Head of Investigations and Appeals Committee for each PIDG Participant is also set out in Annexe 1.
- 5.3 Any investigation into integrity violations and misconduct by a third-party service provider to a PIDG Facility shall be carried out by the PIDG Facility in accordance with these Procedures.
- 5.4 The Investigative Officer shall be the initial point of contact for allegations of integrity violations and misconduct, reporting to the Head of Investigations.
- 5.5 Integrity violation is any act which violates PIDG's zero tolerance policy on fraud and corruption, money laundering and the financing of terrorism, including any Sanctionable Practice.
- 5.6 The purpose of an investigation by the Investigative Officer is to examine and determine the veracity of allegations of integrity violations and misconduct for submission to the relevant Head of Investigations.
- 5.7 The Investigative Officer shall maintain objectivity, impartiality and fairness throughout the investigative process and conduct its activities competently and with the highest levels of integrity. In particular, the Investigative Officer shall perform its duties independently from the day to day operations of the PIDG and shall be free from improper influence and fear of retaliation. The Investigative Officer may use such internal or external resources as they consider necessary to carry out the investigation.
- 5.8 If the Investigative Officer has an real perceived or apparent conflict of interest in an investigation, he or she shall declare such actual or potential conflict to
- a. in the case of a Director of a PIDG Company, the Chair of the Board of Directors of that PIDG Company, or if the Chair of the Board of Directors is the Investigative Officer, to the Chair of the Audit Committee of the PIDG Company or the Senior Independent Director;
 - b. in the case of any other PIDG Facility, the PMU;
 - c. in the case of the PMU, the Chair's Office;
 - d. in the case of the Trustees of the PIDG Trust, the PMU; and
 - e. in the case of the Chair's Office, a member of the Governing Council

- 5.9 Disclosure of conflicts of interest of the Investigative Officer in relation to an investigation shall be made promptly upon discovery and before any investigative action is taken. Any action to manage the conflict of interest shall be in writing. Actions to address conflicts of interest may include, but are not limited to, exclusion from an investigation, and limits on access to case records and information.
- 5.10 If the subject of any investigation perceives that the Investigative Officer has not declared a conflict of interest in the investigation, or that a conflict of interest has not been managed appropriately, the subject of the investigation may request a review of the matter by the relevant Head of Investigations.
- 5.11 The Investigative Officer shall assess allegations and conduct investigations under these procedures promptly and thoroughly and recommend to the PMU (or the Chair's Office in the case of an investigation into the PMU or the Chair of the Governing Council in the case of an investigation into a member of the Chair's Office) the administrative action to be taken.
- 5.12 The principal responsibilities of the Investigative Officer are:
- to serve as the initial point of contact for all alleged incidents of Sanctionable Practices, money-laundering and financing of terrorism;
 - to conduct independent and objective investigations (using such internal or external resources as they may determine appropriate) of Sanctionable Practices, money-laundering and financing of terrorism;
 - to provide investigative findings, which shall be dealt with as stipulated in these procedures;
 - to report the findings of any such investigation;
 - in the conduct of investigations, to coordinate with the PMU or Chair's Office as appropriate;
 - to investigate allegations of misconduct by a PIDG Participant involving Sanctionable Practices or abuse (theft, waste, or improper use of PIDG's assets, either committed intentionally or through reckless disregard), in accordance with these Procedures;
 - to prepare and submit an annual report to the PMU for submission to the Chair's Office summarising its activities.
- 5.13 The Investigative Officer shall ensure that all information and records associated with an investigation, including the identity of parties that are the subject of the investigation and of parties providing testimony or evidence, are kept confidential and under adequate physical, electronic and procedural controls. Each Investigative Officer shall ensure that the circulation of information regarding an investigation is only to those with a need-to-know. Depending on the nature of the case, the Investigative Officer may disclose certain evidence to the subject of an investigation in a manner that considers the need to protect whistleblowers and witnesses.
- 5.14 Only the Investigative Officer, the Chair's Office and the senior members of the PMU (if not the subject of the case and having not declared an actual or potential conflict of interest) may have access to information and records in relation to each case and may determine whether such information and records may be shared unedited or redacted with other parties. Information and records may only be shared unedited or redacted with other parties if the Chair's Office is satisfied that their document management systems are adequate to protect such information.

- 5.15 Investigative findings shall be based on facts and related analysis, which may include reasonable inferences.
- 5.16 All investigations conducted by an Investigative Officer are administrative in nature and subordinate to, and do not remove or change the rights and obligations of each PIDG Participant under any applicable national or international laws or under contract.

Rights and Obligations

- 5.17 All PIDG Participants are obliged to report any suspected integrity violation or other suspected misconduct to the relevant Investigative Officer. Any allegation of integrity violation or other suspected misconduct must be passed by the recipient of the allegation to the relevant Investigative Officer.
- 5.18 “Whistleblowers” shall not be subject to retaliation. Any retaliation will be treated as a separate act of misconduct.
- 5.19 PIDG Participants have a duty to cooperate fully in any screening or investigation when requested by an Investigative Officer to do so. Such cooperation includes, but is not limited to:
- being available to be interviewed and replying fully and truthfully to all questions asked;
 - providing the Investigative Officer or such advisors as the Officer may have appointed to assist with any investigation with any items requested that are within the PIDG Participant’s control, including, but not limited to, electronic documents and data;
 - cooperating in any testing required by the Investigative Officer;
 - preserving and protecting confidentiality of all information discussed and/or secured during the investigation; and
 - a PIDG Participant who is the subject of an investigation must allow his or her financial information to be provided directly to the Investigative Officer. Upon the Investigative Officer’s request, the subject must provide written authorisation addressed to his or her bank to this effect, waiving any privacy or confidentiality rights the subject may otherwise have related to the information to be disclosed.
- 5.20 A PIDG Participant that is subject to an investigation may request to be accompanied by a third party (including legal counsel) at their own cost during interviews conducted as part of an investigation so long as such request does not delay or impede the investigation. Both subjects and witnesses may consult, at their own expense, with legal counsel so long as such consultation does not delay the conduct of the interview or compliance of any other PIDG Participant with any obligations under this policy, unless permitted by the Investigative Officer.
- 5.21 If a PIDG Participant does not comply with any obligation to cooperate, the Investigative Officer may draw an adverse inference from such refusal. In such cases, the Investigative Officer may refer the matter to the Head of Investigations (see Annexe 1) for appropriate disciplinary action. Failure to cooperate shall include not responding in a timely and complete manner to enquiries, failure to provide relevant documents or other relevant

evidence that the Investigative Officer may request unless any of the exceptions set out in Section 5.29 below apply, destroying or concealing evidence or misrepresenting facts during, or otherwise inhibiting, an investigation.

- 5.22 All PIDG Participants shall use their commercially best endeavours to include in their contracts with third parties that are financed using PIDG funds, provisions stipulating that parties involved in the investigative process shall cooperate with an investigation.
- 5.23 As part of the investigative process, the subject of an investigation shall be given an opportunity to explain his or her conduct and present information on his or her behalf.

The Investigative Process

- 5.24 All investigations should be conducted expeditiously within the constraints of available resources.
- 5.25 The Investigative Officer should examine both inculpatory and exculpatory information.
- 5.26 The Investigative Officer shall maintain and keep secure an adequate record of the information and the information collected for a minimum of 5 years from receiving the complaint.
- 5.27 The Investigative Officer shall take appropriate measures to prevent the unauthorised disclosure of investigative information.
- 5.28 The Investigative Officer shall document its investigative findings and conclusions.
- 5.29 The Investigative Officer shall have full and unrestricted access to information and records (including e-mails) relating to the relevant PIDG activities. The Investigative Officer may examine any and all files, records, books, data, papers and any other materials related to the relevant PIDG activities, as and when deemed necessary; and take temporary possession of any material; and make copies.
- 5.30 If the Investigative Officer is required to disclose any information relating to an investigation to the PMU, the Chair's Office or the Governing Council of the PIDG, it shall require such recipients to protect the confidentiality of such information and use it only for the purpose for which the Investigative Officer has disclosed the information before disclosing such information.
- 5.31 Notwithstanding any obligation in this Chapter 2 of the PIDG OPPs, a PIDG Participant shall not be required to disclose or provide access to any information or records (including e-mail) to an Investigative Officer if such the material falls within any of the following exceptions:
- a. information of a commercially sensitive nature and/or with respect to which the PIDG Participant owes a duty of confidentiality (the breach of which may result in penalties and/or legal action against the PIDG Participant) and where the PIDG Participant has requested consent to disclose the information but that consent has not been given and the PIDG Participant has provided the reasons for such consent

being withheld; and that a confidentiality undertaking by the Investigative Officer will not enable the PIDG Participant to disclose the information without penalty and/or legal action against the PIDG Participant ;

- b. personal information that cannot be disclosed by a PIDG Participant under applicable data protection or equivalent legislation;
- c. any information subject to legal privilege;
- d. or
- e. any information where the disclosure of such information would violate applicable law or regulations.

Procedural Guidelines

- 5.32 An Investigative Officer shall accept all complaints, irrespective of their source, including complaints from anonymous or confidential sources. The Investigative Officer will acknowledge receipt of all complaints in accordance with the procedure set out in Chapter 1 of these PIDG OPPs.
- 5.33 All complaints shall be reviewed to determine whether they fall within the authority of the Investigative Officer that receives the complaint, or should be submitted to another Investigative Officer.
- 5.34 Each complaint will be evaluated by the Investigative Officer to determine its credibility, materiality and verifiability and whether there is a legitimate basis to warrant an investigation. The following criteria shall be used to determine whether a complaint warrants further investigation:
- relates to PIDG activities;
 - credible – there is a reasonable possibility that a violation occurred;
 - verifiable – practicable options exist to obtain sufficient evidence to determine the truth of the allegations on the balance of probabilities;
 - material – the matter is of sufficient importance to justify the projected requirements of investigation and any remedial action; and
 - other relevant considerations, e.g. whether the matter may be effectively addressed through the administrative sanctions available to PIDG.
- 5.35 At the conclusion of the initial evaluation, the Investigative Officer shall recommend closure of the complaint or further investigation to the Head of Investigations. Decisions to close a case at the conclusion of the initial evaluation shall be documented, setting out the reasons for this decision. Recommendations for further investigation will be set out in an Investigative Plan submitted to the Head of Investigations, which shall set out the investigative activities to be carried out. Investigative activities include the collection and analysis of documentary, video, audio, photographic and electronic information or other material, interviews of witnesses and such other investigative techniques as are required to conduct the investigation.
- 5.36 The planning and conduct of an investigation and the resources allocated to it should take into account the gravity of the allegation and the possible outcome(s).
- 5.37 The Investigative Officer shall, wherever possible, seek corroboration of the information in its possession.

- 5.38 Investigative activities and critical decisions should be documented in writing and reviewed by the Head of Investigations.
- 5.39 If at any time during an investigation, the Investigative Officer considers that it is appropriate and would be prudent, as a precautionary measure or to safeguard information, to procure the temporary exclusion of a PIDG Participant that is the subject of an investigation from access to his or her files or office, or to recommend that he or she be suspended, with or without pay or benefits, or to recommend placement of such other limits on his or her official activities, the Investigative Officer shall refer the matter to the Head of Investigations.
- 5.40 Interviews shall be conducted by the Investigative Officer plus one other person.
- 5.41 Interviews may be conducted in the language of the person being interviewed, where appropriate, using interpreters.
- 5.42 Under no circumstances shall a witness or a subject be paid for any information, except that reasonable expenses incurred by witnesses or other sources of information may be reimbursed.
- 5.43 The Investigative Officer may engage external parties to assist it in its investigations.
- 5.44 If the Investigative Officer does not find sufficient information during the investigation to substantiate the complaint, it will document such findings and notify the Head of Investigations. The Head of Investigations must approve the closing of any investigation. The standard of proof that shall be determined whether a complaint is substantiated is a preponderance of evidence sufficient to support a reasonable belief, taking into consideration all relevant factors and circumstances, that on the balance of probabilities a given party has committed a violation.
- 5.45 If the Investigative Officer finds sufficient information to substantiate the complaint, it will document its investigative findings and refer the findings to the Head of Investigations with a recommendation as to how to proceed.
- 5.46 Where the Investigative Officer's findings indicate that a complaint by a PIDG Participant was knowingly false, the complaint will be treated as a separate act of misconduct.
- 5.47 Where the Investigative Officer's findings indicate that there was a failure to comply with an obligation under these Procedures, the Investigative Officer may refer the matter to the Head of Investigations.
- 5.48 Where legally there is a choice, the Investigative Officer may consider whether it is appropriate to refer the complaint to the appropriate national authorities (after taking appropriate legal advice), and the Investigative Officer shall seek the unanimous approval of the Governing Council (through the PMU where the PMU is not the subject of the investigation) for such a referral. Where there legally is not a choice, the Investigative Officer shall refer the complaint to the appropriate authorities and inform the Governing Council (through the PMU where the PMU is not the subject of the investigation) that it has done so before the appropriate authorities are informed wherever possible.

Sanctions

- 5.49 Where fraud and corruption or other misconduct have been found, PIDG will seek prosecution of offenders wherever possible and appropriate and seek the recovery of misappropriated funds or assets and the application of appropriate penalties wherever possible, including not using or engaging the offender again.

Annexe 1

Persons Responsible for Investigations into Integrity Violations

Subject of Investigation	Investigative Officer	Head of Investigations	Appeals Committee
Director or employee of PIDG Company	A Director (or Senior Independent Director) of the PIDG Company	Chair's Office	Governing Council (or sub-committee of Governing Council)
Director or employee of a third-party service provider to a PIDG Company	A Director (or Senior Independent Director) of the PIDG Company	Chair's Office	Governing Council (or sub-committee of Governing Council)
TAF Technical Advisor¹	PMU	Chair's Office	Governing Council (or sub-committee of Governing Council)
Programme Management Unit	Chair's Office	Governing Council (or sub-committee of Governing Council)	Governing Council (or sub-committee of Governing Council)
Trustee of the PIDG Trust	PMU	Chair's Office	Governing Council (or sub-committee of Governing Council)
Member of Chair's Office	Governing Council (or sub-committee of Governing Council)	Governing Council (or sub-committee of Governing Council)	Governing Council (or sub-committee of Governing Council)

¹ DevCo follows the World Bank Group's principles and guidelines for investigations.