

Fighting Fraud and Corruption in Development Projects: Islamic Development Bank Perspective

GOPAC's Partner Session

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09.00 – 10.00

Salwa 3, Sheraton Grand Doha Resort and Convention Hotel

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Background:

According to the OECD, over 40 percent of all official development assistance funds spent globally on international projects are now channeled through multilateral organizations. Clearly, donors view MDBs as an important and useful aid platform.

There has been an unprecedented shift in the fight against corruption over the past decade that can be attributed to several factors and players including the MDBs. Fighting corruption, particularly in the development sector, is no longer perceived as the sole responsibility of national enforcement authorities. Each MDB has an independent office tasked with investigating and feeding lessons learned to prevent fraud and corruption in projects financed by these institutions.

Today, the assessment of integrity risks and mitigating action is part of the project cycle and a shared responsibility between MDBs, governments, private sector and project beneficiaries.

The Islamic Development Bank Group (IsDBG) is a multilateral development bank (MDB), working to improve the lives of those we serve by promoting social and economic development in Member countries and Muslim communities worldwide. IsDB brings together 57 member countries across four continents, touching the lives of 1 in 5 of the world's population.

The concepts of integrity and combating corruption and fraudulent practices are well established by the founding instruments of the Islamic Development Bank Group. Hence, article twelve of the IsDB Articles of Agreement stipulates that the IsDB has an obligation to ensure that its resources and facilities are used only for their intended purposes.

Based on these core values, IsDB Group management recognizes that the appropriate and efficient use and management of resources and funds are fundamental prerequisites for achieving the IsDB Group's primary objectives, which are to contribute to the reduction of poverty and support sound development in IsDB Group member countries. To achieve this, the IsDB Group established the Integrity and Ethics Department to combat corruption and fraudulent practices on IsDB related projects.

While providing IsDB Group-financed proceeds for development projects and programs in its member countries as well as Muslim communities in non-member countries, it is the declared

objective of the IsDB Group to ensure that IsDB Group funds are used for their intended purposes. In this context, on September 17, 2006, a task force of International Financial Institutions (IFIs) had adopted a “Uniform Framework for Preventing and Combating Fraud and Corruption” (the Uniform Framework) which devises a harmonized strategy to address fraud and corruption in the Financial Institutions’ operations. The proposed strategy includes updated definitions of fraud and corruption, detailed principles and guidelines for investigations, protection of whistleblowers, and the coordination and exchange of information between the IFIs.

On April 9, 2010, the IFIs entered into an agreement for mutual enforcement of debarment decisions (Cross-Debarment Agreement) according to which each participating institution will enforce debarment decisions made by other participating institutions. This agreement details minimum standards for participation such as, adopting harmonized definitions of sanctionable practices, adhering to IFIs principles and guidelines for investigations as they appear in the Uniform Framework and applying due processes to determine whether a sanctionable practice has occurred and the appropriate enforcement action to address it has been taken. With this in mind, on August 8, 2010, the IsDB Group declared its intention to adopt the Uniform Framework to join the Cross-Debarment Agreement, with the aim to benefit from relevant best practices of other international developmental institutions and harmonize to the extent possible, the IsDB Group policies and procedures with such best practices.

To strengthen its integrity framework and to enable the IsDB Group to be on par with or to exceed the standards of other IFIs, the IsDB Group adopted its Integrity Policy on December 8, 2010. The Integrity Policy stresses that, “the concepts of integrity and combating corruption and fraud are well established by Islamic Shariah where the founding instruments of the IsDB Group take their spirit.” Furthermore, the IsDB Group has (i) created and structured an Integrity and Ethics Department, (ii) prepared IsDB Group principles and guidelines and the Department Procedures, and (iii) adopted a Whistleblower and Witness Protection Policy.

In order to complete the IsDB Group efforts to meet the cross-debarment standards and join the agreement, the IsDB Group adopted the Anti-Corruption Guidelines on February 18, 2012, which contain harmonized definitions of sanctionable practices in line with the best practices in place in other IFIs. The IsDB Group Anti- Corruption Guidelines set out general principles, requirements and sanctions applicable to persons and entities which receive, are responsible for the deposit or transfer of, or take or influence decisions regarding the use of IsDB Group financing proceeds. These guidelines have become part of the legal framework for all IsDB Group-financed activities and have been incorporated by reference into the legal agreements for each financed activity.

Another step to join the Cross- Debarment Agreement was to update the current IsDB Guidelines for Procurement of Goods and Works and the Guidelines for the Use of Consultants under Islamic Development Bank financing. These Procurement Guidelines, require that all Beneficiaries, consulting firms as well as bidders, suppliers and contractors observe the highest standards of ethics during the procurement and execution of related contracts. In application of these provisions, the IsDB Group will take remedial actions (declaration of ineligibility – or debarment-, and or misprocurement) against participants in IsDB-Group financed activities who have engaged in a “corrupt and or fraudulent practice. The amendments to the Procurement Guidelines have updated current IsDB Group definitions of corrupt and fraudulent practices with the purpose of harmonizing them with those adopted by other IFIs.

Objectives:

To main objectives of the session:

- To discuss the new developments in the fight against corruption in the Development Projects from the Multilateral Development Banks perspective. Fighting corruption, particularly in the development sector, is no longer perceived as the sole responsibility of national enforcement authorities. Each MDB has an independent office tasked with investigating and feeding lessons learned to prevent fraud and corruption in projects financed by these institutions.
- To explore possible cooperation opportunities and join forces in combating fraud and corruption.
- To establish network with participants.
- To identify potential/interested parties for collaboration.