

1. Introduction

BII defines corruption as the offering, requesting, giving or receiving of a financial or other advantage in order to induce or reward the improper performance of a role, duty or function. [Corrupt practices](#) come in many different forms, including bribery, kickbacks, facilitation payments, embezzlement, fraud and extortion. Bribery is prohibited under the [OECD Anti-Bribery Convention](#) and considered a criminal offence in nearly almost all jurisdictions.

Bribery is defined as a payment made or received, directly or indirectly, financial or otherwise, to obtain improper advantage. Bribes can be demanded or offered at almost any point in a company's interaction with government officials, but are most common during public procurement, licence or permit acquisition. Common forms of bribery include cash, gifts, hospitality, political donations, charitable contributions, in-kind support, employment of relatives and the awarding of contracts to companies owned by officials or their relatives.

Kickbacks: A kickback is a bribe where a portion of the undue advantage is returned or 'kicked back' to the person giving the advantage. Kickbacks are most common in procurement processes.

Facilitation payments: Facilitation payments (or speed payments) are bribes paid or received to facilitate or expedite the performance of a routine governmental action. They differ from outright bribes in that they are not for the purpose of obtaining or retaining an undue advantage, but rather in exchange for faster or improved access to services to which one is legally entitled. 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.

Grand Corruption: This occurs when a public official or other person deprives a particular social group or substantial part of the population of a State of a fundamental right, or causes the State or any of its people a loss greater than 100 times the annual minimum subsistence income of its people, as a result of bribery, embezzlement or other corruption

Petty Corruption: This is everyday abuse of power by public officials in their interactions with ordinary citizens, who often are trying to access basic goods or services in places like hospitals, schools, police departments and other public agencies/institutions

2. Why is managing bribery & corruption so important for FIs?

Corruption hurts good businesses and hinders economic development (e.g. it can increase the overall cost of providing public services such as education, health, water and sanitation). The payment or receipt of bribes, kickbacks and facilitation payments is illegal, and the companies and individuals involved can face large fines and imprisonment.

In some countries bribes and facilitation payments may be treated by some as just another cost of doing business in difficult environments, but momentum against such practices is growing and governments, companies (including FIs) and investors across the globe are strengthening their anti-corruption efforts.

BII and other Development Finance Institutions take a 'zero tolerance' approach to corruption and are committed to preventing bribery in all its investments. Raising business integrity standards in emerging markets has a positive developmental effect as it helps improve competition and company performance, develops access to capital and reduces investment risks,

3. Best practice management for FIs tab

BII takes a zero-tolerance approach to corruption and is committed to preventing bribery in all its investments. FIs should ensure they have robust Anti-bribery and corruption ("ABC") policies and/or procedures in place, proportionate to the bribery and corruptions risks they face in their operations.

- **ABC Risk Assessment**
 - **Risk Assessment:** As a starting point, it is essential that ABC policies and procedures are formulated in accordance with a firm-wide risk assessment. The findings contained in the risk assessment should always be shared with senior management and the board to ensure that measures are taken to mitigate identified risks. The risk assessment will usually cover a range of financial crimes, including ABC. Specific risk factors to consider when assessing ABC risks include:
 - Jurisdictional risks, both in terms of customer location and the jurisdiction where the FI operates (directly or through intermediaries), for example the countries' inherent risk for bribery and corruption using [Transparency](#)

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- The volume of the FI's government-related clients;
- Third parties who act on the FI's behalf;
- Risk associated with business practices most vulnerable to bribery and corruption. These include hiring practices, charitable giving, political contributions and business gifts and entertainment;
- Directors, Shareholders, Investors/Co-investors (especially PEPs)
- Activities of the FI (e.g. wealth management); and
- Business changes that can increase ABC risks.

The risk assessment should be documented and regularly updated.

• Anti- Bribery & Corruption (ABC) Policies and procedures:

ABC policies or Codes of Conduct (CoC) should be tailored to the risk assessment and address high risk areas identified therein. As a minimum, an ABC policy or CoC and procedures should include a *clear statement to*:

- Stipulate zero tolerance to bribery & corruption, including prohibiting improper inducements, gifts, payments of any kind to or from any person, including officials in the private and public sector, customers and third parties. acceptance/giving of gifts, cash or anything of monetary value to infer an advantage;
- Prohibit the paying or accepting of bribes, kickbacks, or facilitation payments, either directly or via third parties by the FIs and its employees;
- Reflect a clear endorsement and commitment by senior management;

- Prohibit improper accounting or concealment of books, records or accounts;
- Require that all employees report any knowledge or suspicion of corrupt practices and outline the reporting process;
- Outline internal reporting requirements to assess compliance with the policy;
- Outline training and communication requirements;
- Protect the confidentiality of reporting by employees, including protecting them from retaliation; and
- Notify employees that any breach of the anti-corruption policy may be considered an act of gross misconduct and set out appropriate disciplinary procedures for a breach of policy.
 - **Oversight by senior management:** the ABC compliance programme should be overseen by senior management. A member of the senior management team, usually the MLRO or Compliance Officer should be responsible for the oversight of and annual reporting to the Board on the implementation of the ABC policy or CoC requirements.
 - **Independent review:** the effectiveness and adequacy of ABC policies and procedures should be tested and verified by an independent function such as internal audit or an external organisation.
 - **Procedures for screening agents, intermediaries, third-party providers and procuring material goods and services:** FIs should carry out due diligence on agents, intermediaries and third-party providers e.g. adverse media checks to identify any heightened risks for B&C. In addition, FIs should use competitive procurement procedures, conduct reputational screening of contractors and include contractual protections to ensure bribes will not be paid or received on its behalf. Relevant third parties, especially those that act on the FIs behalf, should be familiar with the FIs ABC policy/requirements.
 - **Clearly articulated policies and procedures in relation to:** *Gifts, travel & hospitality; charitable giving; political contributions; Corporate Sponsorships, Mergers, Acquisitions and Disposals and hiring.* Registers for recording dealings, donations, expenses and hospitality in relation to the

above should be created and implemented.

- **Systematic communication of policies and procedures:** FIs should communicate their ABC policies/Codes of Conduct and procedures to all employees and relevant associated parties (parties acting on behalf of an FI) through regular training sessions (ideally annually or more frequently for staff in high risk positions). Ideally FIs should also publish a clear ABC statement in public materials such as the company's website or Annual Report.
- **Board-level engagement** FIs should ensure that companies' boards take appropriate ownership of ABC controls, for example through a clear statement in the annual reports and accounts that the Board takes ABC issues seriously.

Guidance on how to develop and implement a robust ABC compliance programme and policies can be found in the [Wolfsberg Anti-Bribery and Corruption \(ABC\) Compliance Programme Guidance](#), [The Wolfsberg Frequently Asked Questions on Risk Assessments for Money Laundering, Sanctions and Bribery & Corruption](#) and the [Transparency International Anti-Bribery Guidance pages](#).