

**AFRICAN DEVELOPMENT BANK  
AFRICAN DEVELOPMENT FUND**



**PROPOSAL FOR THE ESTABLISHMENT  
OF THE AFRICA INTEGRITY FUND**

**INTEGRITY AND ANTI-CORRUPTION DEPARTMENT**

October 2016

## **LIST OF ABBREVIATIONS AND ACRONYMS**

ADB	Asian Development Bank
AfDB	African Development Bank Group
AIF	Africa Integrity Fund
EIB	European Investment Bank
EBRD	European Bank for Reconstruction and Development
FFCO	Financial Controls Department
FRMB	Resource Mobilization and External Finance Department
GAP	Governance Strategic Framework and Action Plan
IACC	International Anti-Corruption Conference
IACD	Integrity and Anti-Corruption Department
IADB	Inter-American Development Bank
MDB	Multilateral Development Bank
MDGTF	Multi-Donor Governance Trust Fund
NGO	Non-Governmental Organization
NSA	Negotiated Settlement Agreement
OAGL	Office of the Auditor General
OC	Oversight Committee
OECD	Organisation for Economic Co-Operation and Development
ORPF	Procurement and Fiduciary Services Department
OSGE	Governance, Economic and Financial Management Department
RMC	Regional Member Country
CSO	Civil Society Organization
TC	Technical Committee
TYS	Ten-Year Strategy
WBG	World Bank Group

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# AFRICA INTEGRITY FUND

## 1. INTRODUCTION

1.1 There is ample evidence on the adverse impact of Prohibited Practices<sup>1</sup> and illicit financial outflows on African economies and societies. A large number of studies carried out both in Regional Member Countries (“RMCs”) of the African Development Bank Group (“AfDB” or “the Bank”) and outside show Prohibited Practices as a factor that undermines political stability, impedes economic progress and results in social discord on the continent. The troubling effects of pervasive corruption on the performance of public institutions and development effectiveness are well documented: By distorting the allocation of resources, corruption increases the prices of public goods and services while lowering the quality of service delivery and restricting access to services to the poor who can ill afford to pay the corruption premium. It is also well established that the incidence of Prohibited Practices is affected by the probability of being caught and punished. Research has shown Prohibited Practices to be high in countries where the government system does little to deter such practices, leading lawbreakers to believe there is little chance of being caught or, if caught, of having to face the law. The negative impact of Prohibited Practices is amplified by the subsequent financial outflows of illicit funds from RMCs to financial “safe havens”, mostly in developed countries.

1.2 In response to the challenges facing RMCs in the fight against Prohibited Practices and illicit financial outflows and in line with the institution’s priorities, the Integrity and Anti-Corruption Department (“IACD”) proposes the establishment of the Africa Integrity Fund (“AIF” or “the Fund”) to extend grants to eligible recipients in order to finance measures which contribute to the prevention, the detection, the investigation and the sanctioning of Prohibited Practices, which support the repatriation of stolen assets, which alleviate the financial drain from illicit outflows on the Bank’s RMCs and which strengthen transparency and accountability in the management of public resources.

## 2. ALIGNMENT

2.1 Anti-corruption, highlighted in the *Paris Declaration on Aid Effectiveness* as an area where more support to country efforts is needed, has always been a priority for the Bank and is further reemphasized in the African Development Bank Group Ten Year Strategy for 2013–2022 *At the Centre of Africa’s Transformation* (“TYS”). The Bank commits in the TYS to strengthen the

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<sup>1</sup> The term “Prohibited Practices” includes “Sanctionable Practices” as defined in the Bank’s *Proposal for the Implementation of a Sanctions Process within the African Development Bank Group* (the “Sanctions Process”) adopted by the Bank Group’s Board of Directors by virtue of Resolution B/BD/2012/06 on 5 July 2012, money laundering, and other practices that aim at abusing public funds and misusing the financial system for private gains. In accordance with the Sanctions Process “Sanctionable Practices” include corruption, collusion, fraud, coercion and obstructive practices.

capacity and reach of government and civil society organizations that focus on anti-corruption. The Bank's Governance Strategic Framework and Action Plan 2014 – 2018 ("GAP II") identifies the fight against corruption as a cross-cutting objective. The Bank commits in GAP II to support Regional Member Countries' efforts to improve the performance of anti-corruption agencies in preventing, investigating and sanctioning corrupt practices.

2.2 Grounded in the anti-bribery and anti-corruption provisions of the *African Union Convention on Preventing and Combating Corruption*, the *UN Convention Against Corruption*, and the *OECD Convention on Combating Bribery of Foreign Public Officials*, the Organisation for Economic Co-operation and Development ("OECD") and the AfDB in 2011 launched a partnership to support African governments in their efforts to fight bribery and corruption. Working with African policymakers, businesses, regional and international organizations, the Joint OECD-AfDB Initiative inter alia aims to boost private-sector competitiveness by promoting standards of corporate integrity and accountability.

2.3 In the *Uniform Framework for Preventing and Combating Fraud and Corruption* agreed upon by the Multilateral Development Banks ("MDB") community, the signatories commit to support initiatives of member countries to combat corruption. In accordance with Board Resolution B/BD/2012/07 *Fine-tuning the Organizational Structure and Business Processes of the Integrity and Anti-Corruption Department*, IACD's mandate was broadened to provide support programs assisting the Bank's RMCs in preventing, detecting and investigating instances of corruption, fraud and other wrongdoing.

### **3. THE SETTLEMENT PROCESS AND FUND FINANCING**

3.1 With the adoption of the AfDB sanctions process by the Board of Directors, the Bank introduced rules and procedures to sanction entities and individuals found to have engaged in Sanctionable Practices in Bank-financed projects. Most importantly, the resolution created a two-tiered sanctions regime completely separate from the Bank's investigative function to conduct autonomous reviews of findings and independently impose sanctions on respondents found guilty of wrongdoing. Unique among MDBs, both tiers of the AfDB's sanctions regime are headed by externally appointed experts, ensuring independence and thus unbiased decision making. Sanctions can include debarment in various forms, reprimands and/or financial remedies.

3.2 In consonance with the sanctions process the Bank can resolve cases of Sanctionable Practices through Negotiated Settlement Agreements ("NSAs") with respondents. The settlement process is initiated by IACD and a respondent jointly submitting a settlement agreement together with a certification by both parties that the respondent entered into the agreement freely and fully informed of its terms and without any duress. The settlement agreement is subjected to a two-tiered clearance process: in a first instance, the General Counsel of the Bank Group reviews the terms of the settlement agreement to ensure that they do not manifestly violate Bank policies; in a second instance, subject to clearance by the General Counsel, the externally appointed Sanctions Commissioner reviews the agreement for fairness, including proportionality, transparency and

credibility. Again, the AfDB is unique among MDBs in allowing for external review of settlement agreements. Sanctions voluntarily agreed on in the context of such NSAs can encompass financial remedies, including fines provided that these are intended to finance programs aimed at fighting corrupt practices or promoting integrity in procurement in RMCs<sup>2</sup>.

3.3 From January 2014 to November 2015, a total of seventeen respondents in five cases voluntarily settled accusations of sanctionable practices with the AfDB:

Case	Sanctionable Practice	Respondents	Sanctions
Case A	Corrupt Practices	<ul style="list-style-type: none"> <li>▪ 7 entities</li> </ul>	<ul style="list-style-type: none"> <li>▪ JV partner entities: financial penalties;</li> <li>▪ JV entities: debarment for a period of 36 months.</li> </ul>
Case B	Fraudulent Practices	<ul style="list-style-type: none"> <li>▪ 1 entity</li> <li>▪ 2 individuals</li> </ul>	<ul style="list-style-type: none"> <li>▪ Entity: <ul style="list-style-type: none"> <li>○ Debarment with conditional release for a period of 30 months;</li> <li>○ Implementation of a compliance program.</li> </ul> </li> <li>▪ Individuals: Debarment of the Managing Director and a Director for a period of 30 months and 12 months, respectively.</li> </ul>
Case C	Fraudulent Practices Collusive Practices	2 entities	<ul style="list-style-type: none"> <li>▪ Holding company: <ul style="list-style-type: none"> <li>○ Letter of Reprimand;</li> <li>○ Implementation of group-wide compliance program;</li> <li>○ Cooperation with IACD</li> </ul> </li> <li>▪ Subsidiary: <ul style="list-style-type: none"> <li>○ Financial penalty;</li> <li>○ Debarment with conditional release for a period of 24 months.</li> </ul> </li> </ul>
Case D	Corrupt Practices	2 entities	<ul style="list-style-type: none"> <li>▪ Holding company: <ul style="list-style-type: none"> <li>○ Financial penalty;</li> <li>○ Implementation of group-wide compliance program;</li> <li>○ Cooperation with IACD.</li> </ul> </li> <li>▪ Subsidiary: <ul style="list-style-type: none"> <li>○ Conditional non-debarment for a period of 34 months.</li> </ul> </li> </ul>
Case E	Corrupt Practices	3 entities	<ul style="list-style-type: none"> <li>▪ Holding company: <ul style="list-style-type: none"> <li>○ Financial penalty;</li> <li>○ Implementation of group-wide compliance program;</li> <li>○ Cooperation with IACD.</li> </ul> </li> <li>▪ Subsidiaries: <ul style="list-style-type: none"> <li>○ Debarment with conditional release for a period of 12 months.</li> </ul> </li> </ul>

Respondents have voluntarily agreed to pay a total of approximately US\$ 55.25 million to support anti-corruption efforts on the African continent. The fines are payable in four equal installments over a period of four years in Case A and in four equal installments over a period of two years in Case C. As of the time of submission of the proposal, the Bank has received payments totaling approximately US\$ 38.350 million held in escrow accounts.

<sup>2</sup> General Counsel and Legal Services Department, Legal Interpretation of Parts of Sections 6 and 11 of the Sanctions Procedures of the African Development Bank Group, Inter-Office Memorandum, 18 September 2013

3.4 All fines<sup>3</sup> levied on respondents shall flow into the AIF; thus, the AIF will be established without having to tap into traditional donor funds from AfDB Member Countries.

3.5 The practice of settling sanctionable practices is well established among MDBs: The sanctions procedures of all MDBs foresee the resolution of findings of sanctionable practices short of full sanctions procedures through an agreement negotiated between the institution and a respondent. The World Bank Group (“WBG”), the Inter-American Development Bank (“IADB”) and the European Investment Bank (“EIB”) have concluded or are in the process of concluding settlements which include financial penalties. To this day, no institution has in place established policies or guidelines governing the use of such financial penalties, rather the use of the proceeds was subject to ad-hoc determination by senior management. The EIB and the WBG have used fines deriving from settlements for the financing of integrity-related activities, the IADB is currently considering applying such funds for project supervision purposes and transparency initiatives.

	IADB	WBG <sup>4</sup>	ADB	EBRD	EIB
Settlements	YES	YES	YES	YES	YES
Financial Penalties	YES	YES	NO	NO	YES
Use of Penalties for Integrity Initiatives	YES <sup>5</sup>	YES	n.a.	n.a.	YES

3.6 In September 2015, IACD participated in the International Anti-Corruption Conference (“IACC”) in Kuala Lumpur, Malaysia. The IACC is the world’s premier global forum on anti-corruption for the public sector, civil society, the private sector and international organizations. At the occasion of the IACC, IACD conducted a (non-representative) survey among the audience of a workshop on MDB efforts in combating corruption in which it put forward the following question for public vote: “*Should MDBs resolve findings of sanctionable practices through the conclusion of negotiated settlements with respondents?*”. 80 percent of respondents answered in favor of settlement solutions. With regard to the question as to whether MDBs should be allowed to resolve findings of sanctionable practices through the conclusion of negotiated settlements imposing fines

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<sup>3</sup> For the purpose of this proposal a fine is defined as a financial penalty levied as a punishment for an offense and serving as a deterrent. In contrast to a fine the objectives of restitution and compensation are to make the victims whole and restore them financially to the point they were at prior to the commission of the offense. IACD will submit a separate proposal pertaining to the restitution and compensation of costs incurred to the institution in connection with the conduct of investigations of sanctionable practices and legal proceedings against respondents.

<sup>4</sup> In 2009, the WBG settled cases of Corrupt Practices with a company against, inter alia, a payment of a financial penalty of US\$ 100 million to support anti-corruption work. In agreement with the WBG, the company launched the so-called *Integrity Initiative*, a fund managing the monies and providing grants to organizations and projects fighting corruption; the WBG retained audit rights over the use of the funds and veto rights over the selection of activities.

<sup>5</sup> Deliberations at the IADB as to the use of monies are ongoing.

on respondents in exchange for a reduced debarment period, 82 percent of respondents expressed a positive or neutral attitude towards the issue.

#### **4. OBJECTIVES, CORE PRIORITIES, OUTCOMES AND OUTPUTS**

4.1 The AIF's ultimate objectives are to reduce the prevalence and impact of Prohibited Practices and illicit financial outflows in the Bank's RMCs by strengthening core priorities, in particular prevention, detection and investigation, and the sanctioning process, as well as by supporting knowledge creation and dissemination. These outcomes will be met by improving the policy framework and the legal environment of law enforcement and public finance management institutions, by enhancing the implementation of the existing legal framework and by encouraging civil society participation in fiduciary, accountability and monitoring systems. The principal activities ensuring such outputs are outreach, training, capacity building and technical assistance. Studies on emerging issues in the field of anti-corruption and the fight against Prohibited Practices and illicit financial flows will result in the development of knowledge products to inform the development of national strategies and programs, as well as providing a robust analytical base to feed into policy dialogue.

For an AIF logframe, see Annex I.

4.2 More specifically, the AIF aims at:

- (i) Becoming a platform for the funding of activities aiming at reducing the prevalence of Prohibited Practices, at recovering stolen assets, at ebbing illicit financial outflows and at promoting good economic and financial governance across the continent;
- (ii) Documenting innovative approaches in the area of anti-corruption and good governance;
- (iii) Serving as a vehicle to incorporate development actors such as civil society organizations ("CSO"), advocacy groups, the press and academia in the fight against corruption and the search for innovative solutions to the problem of corruption and more generally weak governance at both country level and in the region.

#### **5. ELIGIBLE RECIPIENTS**

5.1 AIF grant recipients may include, among others: African governmental bodies, CSOs, research and education institutions, regional institutions (jointly referred to external recipients). Projects, programs or activities to be financed by the Fund shall be executed exclusively by external recipients. Organizational units of the Bank are ineligible to apply for AIF financing.



5.2 In the spirit of the Busan Partnership, the AIF will coordinate regularly with other partners and donors, and in particular with other initiatives in the field of good governance and anti-corruption such as the African Legal Support Facility and the Stolen Asset Recovery Initiative to avoid overlap and ensure efficient complementarity as well as the exchange of lessons learned.

5.3 The following selection criteria shall be applied to NGOs seeking funding under the AIF:

- (i) Registered legal entity: The NGO must be a duly registered legal entity.
- (ii) Experience: The NGO must evidence experience in the areas of intervention of the AIF.
- (iii) Capacity: The NGO must evidence its capacity to implement projects of a similar size.
- (iv) Quality of Proposal: A proposal submitted by an NGO must demonstrate both a clear fit with the objectives of the AIF and objective and measurable results.

NGOs will be subjected to adequate due diligence in order to prevent potential financial and/or reputational damage to the AIF and the Bank.

## **6. AREAS AND LEVELS OF INTERVENTION**

6.1 Funded activities shall focus around one or more of the areas below:

- (i) The fight against Prohibited Practices, including
  - Preventive activities that aim at reducing or preventing the occurrence of Prohibited Practices;
  - Detective activities that aim at discovering whether Prohibited Practices occurred;
  - Investigative activities that aim at discovering the identity of and at collecting sufficient evidence against individuals and companies involved in Prohibited Practices for sanctions proceedings;
  - Sanctioning activities that deter Prohibited Practices;
  - Activities aiming at preventing the proceeds of a crime to be concealed as such, to be reintegrated into the legitimate economy as “clean” money and to flow outside the country of origin; Activities that assist in recovering proceeds of Prohibited Practices and in returning these to the injured country/institution.
- (ii) Good governance, including the promotion of credible audit and oversight institutions, in particular with regard to public procurement and financial management.

6.2 Within the areas of intervention outlined above, AIF-financed activities will fall under one or more of the following levels of interventions:

- (i) At the country level, the AIF will focus on helping RMCs strengthen country regulatory and law-enforcement authorities and SCOs with a focus on combating

Prohibited Practices and promoting good governance. Activities may include providing corruption diagnostics, supporting investigative units in large-scale, complex investigations with technical assistance; information, education and capacity-building programs, including in the areas of procurement, anti-money laundering and combating terrorist financing.

- (ii) At the sector level, the AIF will concentrate on promoting integrity, particularly in high-risk sectors such as infrastructure projects. Activities in this area may in particular include initiatives aiming at improving value for money spent on public infrastructure by strengthening transparency and accountability in public construction. With respect to anti-money laundering and combating terrorist financing, the target sector may include the financial industry, a key sector in this area.
- (iii) At the regional and international level, the AIF will support initiatives and networks that promote collaboration between Member Countries as well as cooperation with other organizations dedicated to fighting corruption, to building regulatory and law-enforcement capacities and to alleviating the impact of Prohibited Practices. Other projects may include initiatives aiming at researching Prohibited Practices, including illicit financial flows, and disseminating knowledge in the area.

## **7. PRIORITIES**

7.1 It is recognized that the AIF will need to be highly selective in its choice of interventions to focus on areas where it can make a sustainable impact. The following principles shall guide the selection of activities financed under the AIF:

- (i) Innovation: The extent to which the proposal tests innovative approaches with the possibility of scalability and replicability across a range of anti-corruption areas;
- (ii) Sustainability: The extent to which the proposal anticipates concrete funding possibilities that would allow it to continue/expand after the AIF grant is consumed;
- (iii) Collaboration: The extent to which the proposal allows for productive collaboration between individuals, SCOs and government agencies;
- (iv) Results: The extent to which the project generates concrete and measurable results to the population and directly or indirectly strengthen anti-corruption and good governance in RMCs;
- (v) Affected RMCs: Proposals coming from RMCs affected by a Sanctionable Practice that was subject of sanctions proceedings resulting in a financial penalty will be given special consideration.

7.2 The Fund will only support projects, programs or activities that are aligned with the political priorities of the RMC in which these will be executed. In line with Art. 38 of the *Agreement Establishing the African Development Bank* the Fund will not provide any grants that could in any way prejudice, limit, deflect or otherwise alter the purpose of the Bank or be considered as interfering in the political affairs of its Member Countries.

## **8. GOVERNANCE STRUCTURE AND APPROVAL THRESHOLDS**

8.1 The AIF will be governed by the interaction of two main bodies: (i) an Oversight Committee (“OC”); and (ii) a Technical Committee (“TC”). The OC and the TC will be assisted by a pivotal role played by the AIF Coordinator within the AIF Secretariat.

8.2 The OC will be composed of three members: a representative of the Bank Group and two external appointees of impeccable reputation, knowledgeable in the field of anti-corruption and good governance. The two external appointees will be appointed by the Board of Directors upon recommendation of the President; the Bank representative shall be appointed by the President from among Bank staff at Vice-President level. The OC will be responsible for overall governance of the Fund, including quality control and fiduciary responsibilities. The OC will meet at least once per year to: (i) set policies; (ii) undertake annual reviews; and (iii) approve funding proposals. In particular, the OC will ensure that financed projects are fully aligned with the Bank’s governance strategy and the AIF priorities. By allowing the OC to be majority-controlled by external appointees the Bank provides credible assurance that AIF monies are used exclusively by eligible recipients to meet AIF objectives and that the institution does not benefit financially directly or indirectly from sanctionable practices occurring in its projects.

8.3 The TC will be chaired by the Director of the Governance, Economic and Financial Management Department (“OSGE”) and comprise the Director of the Procurement and Fiduciary Services Department (“ORPF”), of the Resource Mobilization and External Finance Department (“FRMB”), of the Financial Controls Department (“FFCO”) and of IACD. OSGE, ORPF and IACD shall contribute expertise in the area of good governance, procurement and anti-corruption, respectively; FRMB and FFCO shall ensure sound financial management of the Fund’s resources. The TC will carry out the technical review of and deliberate, select and approve requests for funding of activities. Additionally, the TC will be responsible for budget management and will decide, each quarter, on the number of proposals to be funded based on availability in the AIF and sound budget planning. The TC shall consult with the Regional Offices to draw upon their expertise on regional matters if and as required.

8.4 The TC will have the authority to approve the funding of proposals of up to US\$ 500,000. Requests for funding above the threshold of US\$ 500,000 will be referred to the OC for additional approval. The approval of the Board of Directors will be required in addition to approval by the TC and the OC for proposals exceeding US\$ 1 million. Approvals by the Board of Directors may be sought on a lapse-of-time basis.

## **9. STAFFING**

A secretariat hosted within OSGE will be responsible for the implementation of the AIF. Members of the IAF Secretariat will report administratively to the Director, OSGE, and on matters of the IAF to the TC. The AIF secretariat will be staffed as follows: (i) An AIF Coordinator with a grade level of PL2 will be responsible for effective implementation of the AIF, for the development of standard templates, guidelines, selection methodology of activities to be funded, handling of inquiries by potential beneficiaries and carrying out first screenings of proposals. Upon appointment, the AIF Coordinator will issue Operational Guidelines governing the implementation of the Fund; (ii) one Junior Consultant; (iii) one full time support staff; (iv) additional consultants may be contracted on a case-by-case basis, according to the AIF's needs.

## **10. IMPLEMENTATION**

Upon establishment of the AIF, the Technical Committee with the support of the AIF Coordinator will develop:

- (i) Strategic Directions specifying key outputs and major activities for the medium term as well as respective objective indicators as means of verification. These Strategic Directions will be informed by lessons learned from the evaluation of GAP I and the implementation of the MDGTF;
- (ii) Operational Guidelines to cater to all administrative aspects of the implementation of the proposal and to provide rules and procedures to guide the preparation of funding requests, processing of applications, approval of grants as well as reporting, monitoring, evaluation and audit requirements of the AIF and AIF-funded activities. The Operational Guidelines will detail the consultation process with RMC governments ensuring the alignment of AIF-funded projects, programs or activities with the political priorities of the RMC in which these will be executed. In addition, the Operational Guidelines will provide guidance as to how the AIF will cooperate and coordinate with other actors and stakeholders in similar fields such as the African Legal Support Facility, the United Nations Office on Drugs and Crime or the Stolen Asset Recovery Initiative.

For an indicative AIF implementation timeline, see Annex V.

## **11. ADMINISTRATIVE FEE**

11.1 The Bank, in the use of its organization, services, facilities, officers and staff, will incur expenses in administering the AIF, including but not limited to: (i) salaries and fees of an operational and administrative team to support the activities of the Fund; (ii) expenses incurred by the external appointees to the OC in the performance of their duties as outlined in the ToR; (iii) the provision of adequate office facilities and other overhead expenses; and (iv) operating

expenses. The Bank shall recover quantifiable and adequately documented expenses from the Fund.

11.2 The AIF will be administered by the Bank so as to be budget neutral, i.e. resulting in neither gains nor losses and leading to no net difference in the administrative budget of the Bank. The Bank will maintain adequate records related to the administrative expenses of managing the Fund. The Bank shall deduct a one-time fee of up to a maximum of 5 per cent (5 %) of all fines upon receipt of the payment in order to offset any expenses incurred by the Bank in the promotion, management and administration of the Fund and in the supervision of activities funded under the AIF. As is practice with Bank-managed trust funds, the Bank will recover the costs of administering the AIF in accordance with the cost recovery mechanism outlined in the *Proposal for Technical Cooperation Fund Reform at the African Development Bank*.

## **12. ADMINISTRATION**

12.1 The Fund resources will be managed and utilized by the AIF exclusively to finance activities in conformity with the objectives of this proposal and in accordance with Bank procedures, rules and policy guidelines. In particular, the procurement of goods and services under the AIF will be carried out in accordance with the Bank's Rules and Procedures.

12.2 The administration of the Fund resources will be subject to the usual internal financial control procedures of the Bank. In administering the Fund resources, the AIF will exercise the same care in the discharge of its functions as the Bank exercises with respect to the administration of its own resources. In order to avoid any commingling of funds with the administrative budget of the institution, the Bank will maintain separate records and ledger accounts in respect to the Fund resources and disbursements thereof and, in accordance with its usual procedures, keep and maintain separate records of account of the Fund resources and the activities financed under this arrangement.

12.3 The AIF may invest and reinvest the proceeds of the Bank's sanctions process, including accrued interest, pending their application for the purposes provided hereunder. The income from such investment or reinvestment will be retained in the AIF for use for the same purposes as provided herein. In its investment decisions, the AIF will be governed by the *Investment Management Guidelines for Thematic Funds*, issued 19 November 2013. In line with the guidelines, the principle objectives of managing AIF funds will be, in order of priority, preservation of capital value, availability of liquidity to meet disbursement requirements, and reasonable return.

## **13. REPORTING**

13.1 The TC, with the support of the AIF Secretariat, will prepare an annual budget and a work program to be submitted to the Board of Directors for information and consultation. The work

program will include a description of each project, program or activity to be financed under the AIF, including the objectives, scope, beneficiaries, budget, executing entity and implementation schedule.

13.2 The AIF will make available to the public a yearly report providing information on: (i) fund inflows; (ii) costs and fees incurred by the Bank in the promotion, management and administration of the Fund as well as in the supervision of projects, programs or activities funded under the AIF; and (iii) resource utilization on projects, programs or activities funded under the AIF.

#### **14. MONITORING, EVALUATION AND AUDIT**

14.1 Recipients of AIF grants will be required to submit to the AIF Secretariat annual reports and audit reports until the implementation of the activities financed are finalized. The AIF Secretariat will design a functional monitoring and evaluation framework in order to obtain information on progress towards the achievement of the development objectives of activities supported by the Fund. The AIF Secretariat will also be responsible for providing guidance to beneficiaries on the use of the monitoring and evaluation framework.

14.2 The AIF will be subject to an evaluation of effectiveness and impact both at mid-term and at the end of its initial lifetime of six years. The objective of the evaluations shall be to provide a basis for accountability, to contribute lessons learned and to promote a culture of continuous learning and improvement. The evaluations shall be undertaken by the Bank's Independent Development Evaluation unit or by another entity independent from the Bank and appointed by the OC.

14.3 The AIF will be subject to the internal and external audit procedures of the Bank, including an annual audit to be conducted by the external auditors of the Bank.

#### **15. RISKS AND RISK MITIGANTS**

15.1 In establishing the AIF the Bank proactively addresses the issue of managing fines levied through the sanctions process on contractors found to have engaged in Sanctionable Practices in Bank-financed projects. In particular, by providing a robust governance framework, the AIF ensures that collected fines are not commingled with the administrative budget of the Bank, thus fully mitigating the risk of the Bank being perceived as directly or indirectly benefitting from Sanctionable Practices occurring in its projects and serving its own interest in levying fines from respondents in the context of NSAs.

15.2 The governance structure of the AIF, through the OC, ensures that all funds deriving from sanctions procedures are used exclusively by eligible external recipients for projects, programs

and activities aligned with the objectives of the AIF. The OC is composed of three members, two of which from outside the institution, thus providing credible external oversight.

15.3 By making available to the public a yearly report providing information on fund inflows, costs and fees incurred by the Bank in the administration of the Fund and resource utilization on projects, programs or activities funded under the AIF, the AIF is fully transparent and open to public scrutiny.

15.4 IACD has considered and rejected alternatives to the AIF, namely (i) using the existing Multi-Donor Governance Trust Fund (“MDGTF”) as a vehicle to administer and manage monies deriving from the Bank’s sanctions process; (ii) channeling the monies into the administrative budget of the Bank; (iii) moving the monies into the Bank’s budget for operations; (iv) directing the monies to the RMC in which the sanctionable practice occurred for restitution; and (v) establishing a respondent-managed fund:

(i) MDGTF: Using the MDGTF as a vehicle raises complex issues of fund governance, particularly of oversight: The OC of the MDGTF as set up today is composed of representatives of contributors to the fund and representatives of the Bank. Allowing for contractors that have engaged in sanctionable practices, i.e. “contributors to the fund”, to have any sort of influence on the use of these monies is inappropriate; to provide for existing donor countries to the MDGTF to oversee the fund would result in a considerable mismatch between donor countries contributions to the fund on the one hand and influence on the use of fund resources on the other. It should also be noted that both internal and external recipients are eligible to apply for MDGTF funding whereas organizational units of the Bank are barred from seeking AIF financing.

(ii) Administrative budget: Channeling the monies deriving from the Bank’s sanctions process into the administrative budget carries substantial reputational risks as the institution would be vulnerable to claims that it is directly benefiting from sanctionable practices occurring in projects it is financing. In addition, the use of fines for administrative expenses is not covered by the Bank’s rules governing the sanctions process according to which such financial penalties must be used exclusively for financing activities aiming at fighting corruption or promoting integrity in procurement.

(iii) Operations budget: Channeling the monies deriving from the Bank’s sanctions process into the Bank’s budget for operations raises different issues of governance and transparency: In accordance with its sanctions procedures the Bank can levy fines only if these are intended to finance programs aimed at fighting corrupt practices or promoting integrity in procurement; thus, these monies would have to be earmarked specifically for this purpose. Keeping track of these earmarked monies, especially in the long-term, will pose a significant challenge, particularly if these are extended in the form of loans repayable over a long period of time. It would also raise questions as to whether the Bank is not benefitting from financial penalties as the institution would be earning interest on such loans. In addition, commingling monies deriving from sanctions with the Bank’s

operations budget would impact on the transparency of and the accountability for the use of financial penalties: it would, in essence, be impossible to report to stakeholders on the utilization of fines collected by the Bank.

(iv) Injured RMC: In Case A and Case C voluntarily resolved through settlement agreements including the payment of a fine (see Section 3.3) the affected RMCs did not suffer any non-indemnified financial damage: In Case A, the injured RMC settled separately with the companies found to have engaged in Corrupt Practices; in Case C the RMC did not suffer any loss as the companies that engaged in Fraudulent and Collusive Practices were not awarded the Bank-financed contract. Beyond these individual cases, it is believed that in the spirit of the *Paris Declaration on Aid Effectiveness* and the *Accra Agenda for Action* the Bank should aim at supporting local systems, improving governmental institutions, developing national capacities as well as allowing its RMCs to take ownership of their development agenda and to deliver measurable results. Through the AIF the Bank can support its RMCs in their own legal proceedings against companies engaged in sanctionable practices; by simply directing financial penalties to the affected RMC the Bank does not contribute to building sustainable national capacities. Finally, it should be noted that IACD, in the conduct of settlement negotiations, is not mandated to represent RMCs.

(v) Respondent-managed Fund: In 2009, the WBG settled cases of Corrupt Practices with a company against, inter alia, a payment of a financial penalty of US\$ 100 million to support anti-corruption work. In agreement with the WBG, the company launched the so-called *Integrity Initiative*, a fund managing the monies and providing grants to organizations and projects fighting corruption; the WBG retained audit rights over the use of the funds and veto rights over the selection of activities. The model of respondent-managed funds is widely rejected today: Firstly, it is considered inappropriate to put an entity accused of financial wrongdoing in charge of the management of a fund dedicated to fighting fraud and corruption. Secondly, MDBs are the primary holders of expertise in the development of local capacities in the field of good governance and anti-corruption and are missing out on the opportunity to put that expertise to use.

## 16. CONCLUSION AND RECOMMENDATION





16.1 The AIF will be an innovative instrument providing the Bank with additional resources to address development priorities in its RMCs in the area of anti-corruption without tapping into traditional donor funds. It allows the Bank to fulfill its commitment to RMCs to support their efforts to improve the performance of anti-corruption agencies in preventing, investigating and sanctioning corrupt practices and to strengthen their governance agenda. In addition, the Fund will provide unprecedented support to innovative ideas by incubating and strengthening some of the emerging and most promising anti-corruption practices. Through its agile and flexible approach, it will allow the development community to quickly respond to the pressing need of Africa in this



key area and strengthen the role of the Bank as partner of choice for delivering more transparency and accountability in the use of public funds.

16.2 In view of the foregoing considerations, the Boards of Directors are invited to consider and approve the Proposal for the Establishment of the Africa Integrity Fund.

## Annex I – AIF Logframe

IMPACT	REDUCE PREVALENCE AND IMPACT OF PROHIBITED PRACTICES AND ILLICIT FINANCIAL OUTFLOWS ON REGIONAL MEMBER COUNTRIES			
				
CORE PRIORITIES	PREVENTION	DETECTION & INVESTIGATION	SANCTION	KNOWLEDGE CREATION
OUTCOMES	Improved prevention leading to a reduction of Prohibited Practices and to a staunching of illicit financial outflows	Increased number of cases of Prohibited Practices and of illicit financial flows detected and evidenced as well as of wrongdoers identified resulting in an increase in sanctions	Increased number of wrongdoers sanctioned resulting in improved specific and general deterrence, in an increase in stolen assets recovered and in a reduction of illicit financial outflows	Strengthened knowledge creation and dissemination to inform the development of national strategies and programs, as well as providing a robust analytical base to feed into policy dialogue
OUTPUTS	<ul style="list-style-type: none"> <li>- Improved policy framework and legal environment of law enforcement, PFM and audit and tax institutions;</li> <li>- Improved implementation of existing legal frameworks;</li> <li>- Enhanced civil society participation in fiduciary, accountability and monitoring systems, improved demand-side governance measures.</li> </ul>	<ul style="list-style-type: none"> <li>- Improved implementation of existing legal framework;</li> </ul>	<ul style="list-style-type: none"> <li>- Improved implementation of existing legal framework;</li> </ul>	Development of knowledge products and instruments;
ACTIVITIES	<ul style="list-style-type: none"> <li>- Training: training of national oversight institutions, including procurement authorities, tax authorities, public audit offices as well as NGOs aiming at improving performance;</li> <li>- Outreach: outreach activities aiming at changing the public attitude towards Prohibited Practices and illicit financial outflows;</li> <li>- Capacity building and technical assistance: measures aiming at enhancing the capacities of national oversight institutions and NGOs in preventing the occurrence of Prohibited Practices and illicit financial outflows.</li> </ul>	<ul style="list-style-type: none"> <li>- Training: training of anti-corruption commissions and other law enforcement agencies, including tax authorities;</li> <li>- Capacity building and technical assistance: measures aiming at enhancing the capacities of anti-corruption commissions and other law enforcement agencies, including tax authorities, in detection and investigative activities.</li> </ul>	<ul style="list-style-type: none"> <li>- Training: training of anti-corruption commissions and other law enforcement agencies, including tax authorities, as well as of members of the judiciary;</li> <li>- Capacity building and technical assistance: measures aiming at enhancing the capacities of the judiciary in sanctioning Prohibited Practices and in providing for the return of stolen assets and the staunching of illicit financial flows.</li> </ul>	Studies on emerging issues in the field of anti-corruption and the fight against Prohibited Practices and illicit financial flows.
CROSS-CUTTING ISSUES	Regional integration, fragile states and gender			

## **Annex II - Terms of Reference of the Oversight Committee**

### **1. Functions and Responsibilities of the Oversight Committee**

The main functions and responsibilities of the Oversight Committee shall be to:

- set policies governing the activities of the AIF;
- undertake annual reviews of the AIF and activities financed under the AIF;
- approve funding proposals greater than US\$ 500,000;
- ensure that activities funded under the AIF are fully aligned with the Bank's governance strategy and the AIF priorities;
- provide overall guidance to the AIF;
- ensure that activities financed under the AIF ultimately benefit the Bank Group's RMCs in order to prevent a comingling of the Bank's administrative funds with AIF funds.

### **2. Membership**

#### **a. Composition**

The Oversight Committee shall be comprised of three (3) members:

- One (1) member shall be appointed by the President from among senior Bank staff at the level of Vice-Presidency;
- Two (2) members shall be external experts appointed by the Board of Directors upon recommendation by the President.

Members can delegate the authority to carry out his/her functions and responsibilities under these Terms of References.

#### **b. Chair**

The Chair of the Oversight Committee shall be held by an external candidate.

The responsibilities of the Chair, with the support of the AIF Coordinator, shall include:

- calling for meetings of the Oversight Committee;
- liaising with the Technical Committee and the AIF Coordinator;
- setting the agenda of Oversight Committee meetings;

- preparing decision papers;
- summarizing Oversight Committee decisions and assignments.

c. Selection Criteria

The external candidates for the Oversight Committee must not have previously held or currently hold any appointment as governors, directors, alternates, officers or employees of the Bank.

The external candidates shall:

- be a national of either a member country of the Bank or State Participant in the Fund;
- have extensive knowledge of Africa and Bank operations, or related or similar experience working with similar institutions;
- have extensive knowledge in the area of procurement matters, accounting, law, law enforcement and/or anti-corruption;
- have proven expertise, competence, integrity and ability to exercise independent judgment;
- have a minimum of fifteen (15) years relevant experience and an advanced university degree.

### **3. Quorum and Decision-Making**

All members of the Oversight Committee are required for decision-making purposes.

The Oversight Committee shall make decisions under majority rule.

The Oversight Committee shall meet at least on an annual basis and at such other times as deemed necessary by the Oversight Committee Chair. The Oversight Committee Chair shall decide on whether meetings take place face-to-face or virtually using information technology.

Funding proposals greater than US\$ 1,000,000 require the additional approval by the Board of Directors.

## **Annex III - Terms of Reference of the Technical Committee**

### **1. Functions and Responsibilities of the Technical Committee**

The main functions and responsibilities of the Technical Committee shall be to:

- develop and adopt Strategic Directions and Operational Guidelines;
- carry out technical reviews of funding proposals;
- rank and deliberate on requests for funding;
- select and approve proposals;
- ensure that financed activities are fully aligned with the Bank’s governance strategy and the AIF priorities;
- manage the AIF budget;
- decide, each quarter, the number of proposals to be funded based on fund availability and sound budget planning;
- appoint the AIF Coordinator.

### **2. Membership**

#### **a. Composition**

The Technical Committee shall be comprised of five members, including the Director of the Governance, Economic and Financial Management Department (“OSGE”), the Director of the Procurement and Fiduciary Services Department (“ORPF”), the Director of the Resource Mobilization and External Finance Department (“FRMB”), the Director of the Financial Controls Department (“FFCO”) and the Director of the Integrity and Anti-Corruption Department (“IACD”).

#### **b. Chair**

The Director, OSGE, shall chair the Technical Committee.

The responsibilities of the Chair shall include the administrative supervision of the AIF Coordinator.

In addition, the Chair, with the support of the AIF Coordinator, shall be responsible for:

- calling for the quarterly meetings of the Technical Committee;
- liaising with the Oversight Committee and the AIF Coordinator;

- setting the agenda of Technical Committee meetings;
- preparing decision papers;
- summarizing Technical Committee decisions and assignments.

### **3. Quorum and Decision-Making**

Three members, including the Chairperson, shall constitute a quorum for any meeting of the Technical Committee.

The Technical Committee shall make decisions under majority rule. In the event of a tie vote, the Chair shall have the casting vote.

The Technical Committee shall meet at least on a quarterly basis and at such other times as deemed necessary by the Chair. The Technical Committee Chair shall decide on whether meetings take place face-to-face or virtually using information technology.

The members of the Technical Committee can delegate the authority to carry out their functions and responsibilities under these Terms of References.

Funding proposals greater than US\$ 500,000 require the approval by the Oversight Committee. Funding proposals greater than US\$ 1,000,000 require the additional approval by the Board of Directors.

## **Annex IV. Terms of Reference of the Integrity Fund Coordinator**

### **1. General Function**

The AIF Coordinator shall be responsible for effective implementation of the AIF. The AIF Coordinator shall hold a grade level of PL2.

### **2. Operational Responsibilities**

The responsibilities of the AIF Coordinator shall be to:

- develop Strategic Directions and Operational Guidelines that will govern the implementation of the AIF, including standard criteria for the assessment of proposals and selection methodology;
- promote the AIF within the institution and in Regional Member Countries, and articulate the Bank's strategy and policies;
- handle enquiries by national authorities, non-governmental organizations other potential fund recipients;
- provide assistance and technical advice to potential recipients in the preparation of proposals;
- carry out the first screening of proposals, identify suitable projects and activities aligned with the AIF priorities;
- advise fund recipients on the preparation and the execution of projects and activities, and review progress reports;
- lead the preparation and appraisal of projects and activities as well as supervision and dialogue missions with fund recipients;
- supervise individual projects and activities, evaluate overall performance, monitor procurement for goods, works and services in accordance with Bank rules, verify and approve contracts for disbursement of funds, ensure the preparation of project completion reports;
- oversee all aspects of project portfolio management from implementation to completion, including performance monitoring, to ensure effective execution of projects and activities funded by the AIF;
- advise the Bank on lessons derived from projects which will guide future interventions;
- compile an annual report including a summary of activities funded under the AIF;

- serve as technical authority in the area of project management, procurement and implementation of anti-corruption activities.

The AIF Coordinator will be assisted by a small secretariat.

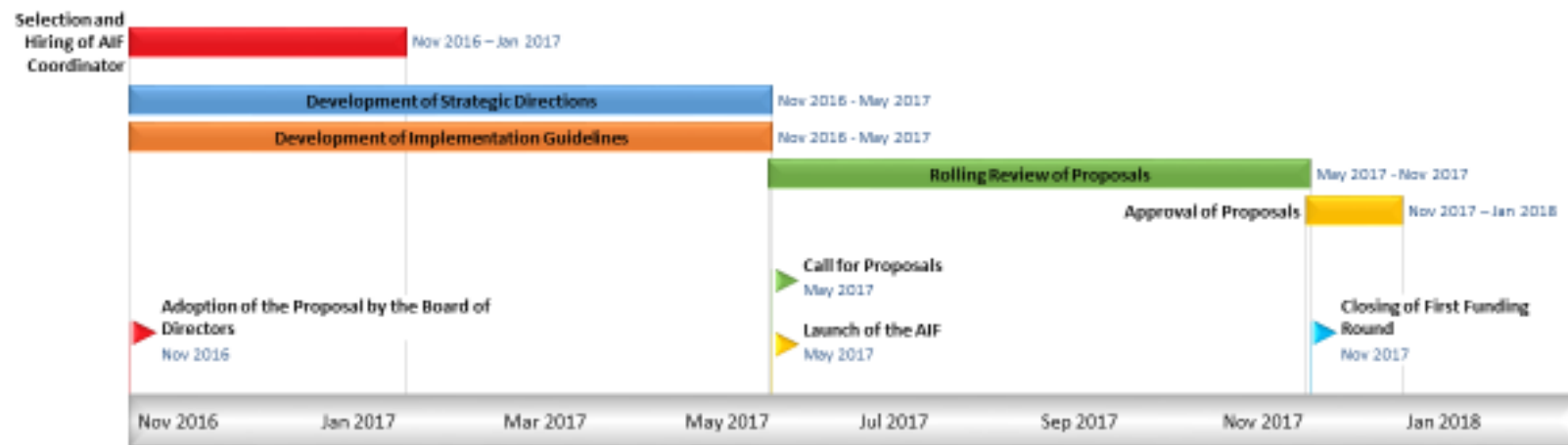
### **3. Selection**

The AIF should:

- have extensive knowledge of the operations and operational policies, including in the area of procurement and disbursement, of the Bank or related or similar institutions;
- have knowledge of and experience in the area of anti-corruption, including the conduct of investigations;
- have experience in result-based project management, including the identification, preparation and appraisal of projects;
- have the ability to build partnerships and deliver results;
- have managerial capacity to plan and direct the use of resources;
- have proven competence, independence and integrity;
- have a minimum of ten (10) years of extensive and progressive experience in sector operations and anti-corruption activities in an international organization;
- have a solid knowledge of anti-corruption, socio-economic and development issues in Africa;
- have excellent written and verbal communication skills in French and English;
- hold a minimum of a Master's degree in law, economics, finance, engineering or other related development field.



## Annex V. – Indicative Implementation Timeline



## Annex VI. Questions and Answers

# PROPOSAL FOR THE ESTABLISHMENT OF THE AFRICA INTEGRITY FUND

## Presentation to the Joint Meeting of the AUFI and CODE Board of Directors Sub-Committees

24 June 2016

**1. How will monies be invested by the Africa Integrity Fund pending their application for anti-corruption purposes?**

It is proposed that the Africa Integrity Fund (“AIF”), in its investment decisions, be governed by the *Investment Management Guidelines for Thematic Funds*, issued 19 November 2013, enclosed for ease of reference. In line with the guidelines, the principle objectives of managing AIF funds shall be, in order of priority, preservation of capital value, availability of liquidity to meet disbursement requirements, and reasonable return.

The Proposal for the Establishment of the AIF was amended to include a reference to the *Investment Management Guidelines for Thematic Funds* – see Paragraph 12.3.

**2. Should companies found to have engaged in sanctionable conduct be named in the Proposal for the Establishment of the Africa Integrity Fund?**

The primary purpose of the document is to provide members of the Board of Directors a robust basis of decision making with regards to the application of monies deriving from the sanctions procedures of the Bank, not “naming and shaming”, i.e. the dissemination in public of names of companies that have broken the law or the rules for a particular activity. It is therefore proposed to fully anonymize the Proposal for the Establishment of the AIF.

The Proposal for the Establishment of the AIF was amended to remove the names of companies found to have engaged in sanctionable conduct.

**3. How does the Proposal for the Establishment of the Africa Integrity Fund propose to mitigate reputational risk to the institution?**

The Proposal for the Establishment of the AIF provides safeguards at various levels to mitigate reputational risks to the institution:

- (a) Oversight: It is proposed that the Oversight Committee undertake annual reviews in order to provide assurance that all financed activities are fully aligned with the Proposal for the Establishment of the AIF. The Oversight Committee shall be majority-controlled by external appointees of impeccable reputation and with recognized expertise in the field of anti-corruption and good governance. See Paragraph 8.2 of the Proposal for the Establishment of the AIF.
- (b) Public Reporting: It is proposed that the AIF make publicly available a yearly report providing information on: (i) fund inflows; (ii) costs and fees incurred by the Bank in the promotion, management and administration of the Fund as well as in the supervision of projects, programs or activities funded under the AIF; and (iii) resource utilization on projects, programs and activities funded under the AIF. See Paragraph 13.2 of the Proposal for the Establishment of the AIF.

- (c) **Audit:** It is proposed that the AIF be subject to the internal and external audit procedures of the Bank, including an annual audit to be conducted by external auditors. See Paragraph 14.3 of the Proposal for the Establishment of the AIF.
- (d) **Impact Assessment:** It is proposed that the AIF be subject to an effectiveness and impact assessment at mid-term and at the end of its initial lifetime to be conducted by the Bank’s Independent Development Evaluation unit or by another entity independent from the Bank and appointed by the Oversight Committee. See Paragraph 14.2 of the Proposal for the Establishment of the AIF.

**4. What criteria will be applied in the selection of non-governmental organizations seeking funding under the Africa Integrity Fund?**

It is proposed that the following selection criteria be applied to Non-Governmental Organizations (“NGO”) applying for funding under the AIF:

- (a) **Registered legal entity:** The NGO must be a duly registered legal entity.
- (b) **Experience:** The NGO must evidence experience in the areas of intervention of the AIF.
- (c) **Capacity:** The NGO must evidence its capacity to implement projects of a similar size.
- (d) **Quality of Proposal:** A proposal submitted by an NGO must demonstrate both a clear fit with the objectives of the AIF and objective and measurable results.

It is proposed that applying NGO be subjected to adequate due diligence in order to prevent potential financial and/or reputational damage to the AIF and the Bank.

Paragraph 5.3 of the Proposal for the Establishment of the AIF was amended to reflect the clarification of the selection criteria.

**5. What will be the impact of the costs of administration of the Africa Integrity Fund on the Bank’s administrative budget?**

As elaborated in Paragraph 11.2 of the Proposal for the Establishment of the AIF, it is proposed that the AIF be administered so as to be budget neutral, i.e. resulting in neither gains nor losses and leading to no net difference in the administrative budget of the Bank. The Bank will maintain adequate records related to the administrative expenses of managing the Fund. The Bank shall deduct a one-time fee of up to a maximum of five per cent of all fines upon receipt of the payment in order to offset any expenses incurred by the Bank in the promotion, management and administration of the Fund and in the supervision of activities funded under the AIF. As is practice with Bank-managed trust funds, the Bank will recover the costs of administering the AIF in accordance with the cost recovery mechanism outlined in the *Proposal for Technical Cooperation Fund Reform at the African Development Bank*.

**6. Will the Africa Integrity Fund be used to finance long-term scholarships benefitting the Bank’s Regional Member Countries?**

It is IACD’s view that law enforcement in Regional Member Countries would benefit from enhanced education and training of its staff through scholarships and other means. However, as laid out in the Proposal for the Establishment of the AIF, Paragraph 8.3, the authority to undertake technical reviews and to deliberate, select and approve requests for funding of activities lies not with IACD but with the Technical Committee of the

AIF. The Technical Committee will have the authority to approve the funding of proposals of up to US\$ 500,000. Requests for funding above the threshold of US\$ 500,000 will be referred to the Oversight Committee for additional approval. The approval of the Board of Directors will be required in addition to approval by the Technical Committee and the Oversight Committee for proposals exceeding US\$ 1 million. In conclusion, IACD cannot at present, make any statement as to the future application of AIF funds.

**7. Will the Africa Integrity Fund be used to finance activities in the financial industry in Regional Member Countries, including commercial banks, insurances and other for-profit enterprises?**

It is IACD's view that strengthening safeguards at the level of the financial industry, for instance with respect to money laundering and the application of due diligence, is key to staunching financial outflows of illicit funds from Regional Member Countries. However, as elaborated in Section 8. Governance Structure and Approval Thresholds of the Proposal for the Establishment of the AIF, the decision as to the application of AIF funds lies primarily with the Technical Committee. In conclusion, IACD cannot make any statement as to the future application of AIF funds.

**8. How will the effectiveness and the impact of the Africa Integrity Fund be measured?**

The AIF will be subject to an evaluation of effectiveness and impact both at mid-term and at the end of its initial lifetime of six years. The objective of the evaluations shall be to provide a basis for accountability, to contribute lessons learned and to promote a culture of continuous improvement. The evaluations shall be undertaken by the Bank's Independent Development Evaluation unit or by another entity independent from the Bank and appointed by the Oversight Committee.

Paragraph 14.2 of the Proposal for the Establishment of the AIF was amended to provide clarifications as to the approach to and the objectives of the assessment as well as to the assessing authorities.

**9. The principal areas of activities of the Africa Integrity Fund suggested in Paragraph 4.1 of the Proposal for the Establishment of the Africa Integrity Fund, i.e. outreach, training, capacity building, and technical assistance, are already financed under IACD's budget. If the Proposal for the Africa Integrity Fund is approved, will IACD's 2016 budget be subjected to a review?**

Within IACD the Integrity and Prevention Division ("IACD.1") is responsible for, *inter alia*, outreach, training, capacity building and technical assistance. IACD.1 is currently staffed with one Manager and no professional staff. The recruitment of professional staff for IACD.1 is expected to be finalized by the end of 2016. As of today, expenditures for IACD.1 represent approximately ten percent of the Department's overall budget. It should also be noted that IACD.1's responsibilities have been considerably expanded in the wake of the Integrity Due Diligence Policy for Non-Sovereign Operations adopted by the Board of Directors beginning of the year. Finally, it should be recalled that in accordance with its Terms of Reference IACD.1's primary mandate is to develop preventive measures aimed at proactively reducing the potential for misconduct, fraud and corruption within Bank Group-financed Operations in order to allow the institution to meet its fiduciary obligations vis-à-vis its members. In conclusion, it is IACD's view that IACD.1's budget should not be subjected to a review; however, it should be noted that the decision to review IACD's budget lies not with IACD.

**10. How will the Africa Integrity Fund align with the Bank's new business development and delivery model, particularly in consideration of OSGE's leading role in the organizational structure of the Fund and its affiliation to the Chief Economist Vice-Presidency complex rather than to the Regional Offices to be established?**

In accordance with Paragraph 8.3 of the Proposal for the Establishment of the AIF, the Technical Committee, which is primarily responsible for undertaking technical reviews and deliberating, selecting and approving requests for funding of activities, will be chaired by the Director of the Governance, Economic and Financial Management Department (“OSGE”). It is proposed that the Technical Committee consult with the Regional Offices to draw upon their expertise on local matters if and as required.

Paragraph 8.3 of the Proposal for the Establishment of the AIF was amended to reflect the option of the Technical Committee seeking information and/or advice on regional matters from the Regional Offices to be established.

**11. How does the Proposal for the Establishment of the Africa Integrity Fund justify the retention of an administrative fee of up to five percent?**

In order to justify the retention of an administrative fee of up to five percent, it is imperative for the AIF to be fully transparent with respect to costs and expenses incurred to the Bank in its administration. In accordance with Paragraph 11.2 of the Proposal for the Establishment of the AIF it is proposed that the Bank maintain adequate records related to the expenses of promoting, managing and administrating the Fund and of supervising activities funded under the AIF. In line with Paragraph 13.2 it is also proposed that the AIF make publicly available a yearly report providing full information on, *inter alia*, costs and fees incurred by the Bank in relation to the AIF.

**12. What will the administrative fee of up to five percent be covering?**

The Bank, in the use of its organization, services, facilities, officers and staff, will incur expenses in administering the AIF, including but not limited to: (i) salaries and fees of an operational and administrative team to support the activities of the Fund; (ii) expenses incurred by the external appointees to the OC in the performance of their duties as outlined in the ToR; (iii) the provision of adequate office facilities and other overhead expenses; and (iv) operating expenses. The Bank shall recover quantifiable and adequately documented expenses from the administrative fee retained upon receipt of payment of any financial penalty.