

Together we Promote Integrity Values in the IsDB Group



ISDB GROUP INTEGRITY POLICY

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1. Introduction

- 1.1. The concepts of integrity and combating fraud and corruption are well established by Shariah from which the founding instruments of the Islamic Development Bank Group ('IsDB Group') take their spirit. Therefore, Article 12 of the IsDB Articles of Agreement provides that IsDB has an obligation to ensure that its resources and facilities are used only for their intended purposes. Similar provisions exist in the instruments establishing other IsDB Group members¹. The principles of integrity are further reinforced by the governing regulations, rules and policies of the IsDB Group.
- 1.2. Based on the core values of the IsDB Group as Islamic institutions, the respective Managements of the member entities have realized that appropriate and efficient use, and management of resources and funds are the fundamental prerequisites for achieving the primary objectives of IsDB Group to foster economic development and social progress of the Group's member countries. To achieve this, IsDB Group adopts and implements a unified Integrity Policy (the 'Policy') to combat Sanctionable Practices (as defined in Clause 8.2) and Staff Misconduct.
- 1.3. Further, IsDB Group benefits from the relevant best practices of other international developmental institutions and harmonizes, to the extent possible, the Group policies and procedures with such best practices. In this regard, it is noted that on 17 September 2006, the leaders of the African Development Bank Group, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank Group, International Monetary Fund, Inter-American Development Bank Group and the World Bank Group signed a "Uniform Framework for Preventing and Combating Fraud and Corruption". Pursuant to this Framework, each institution agreed on standardized definitions of corrupt, coercive, collusive and fraudulent practices. Each institution also agreed on guidelines for investigating such practices in activities financed by their respective institutions.
- 1.4. Therefore, by adopting and implementing the Policy, the IsDB Group resolves to harmonize its approach to combating Sanctionable Practices in any activities financed or undertaken by any of the Group members or any misconduct of their Staff members and other employees, and to coordinate with peer multilateral development institutions on such matters.

2. Definitions

As used in this Policy, the following terms have the meanings set forth below:

- 2.1. **Articles of Agreement** means the Articles of Agreement of the IsDB, ICIEC, ICD and ITFC.
- 2.2. **Staff Member** includes employees of IsDB, ICIEC, ICD, ITFC, IsDBI, and ISFD.

In this Policy, all provisions applicable to Staff shall apply to the Chief Executive Officers of the IsDB Group entities and Vice Presidents of IsDB.
- 2.3. **Staff Misconduct** has the meaning assigned to it in Rule 2 of IsDB Group Disciplinary Rules.

¹ ICIEC (Article 14 of Articles of Agreement), ICD (Articles 14 and 15 of Articles of Agreement) and ITFC (Article 16 of Articles of Agreement).

- 2.4. **IsDB** means the Islamic Development Bank.
- 2.5. **IsDB Group members** means the Islamic Corporation for Development of Private Sector (ICD), Islamic Corporation for Insurance of Investment and Export Credit (ICIEC), International Islamic Trade Finance Corporation (ITFC), Islamic Development Bank Institute (IsDBI) and Islamic Solidarity Fund for Development (ISFD).
- 2.6. **Board** means Board of Executive Directors of IsDB or Board of Directors of IsDB Group members.
- 2.7. **President** means the President of IsDB and Chairman of IsDB Group.
- 2.8. **Sanctionable Practices** means any of the practices set out in Section 8.2.
- 2.9. **IsDB Group financed activities** means any operation for which the Group, whether acting on its own account or in the capacity of an administrator of special resources (i.e. resources from trust funds, special funds or any other fund/s) has provided financing or support in any form (i.e. loan, equity, line of credit, guarantee or grant) and which is governed by the Group's Procurement Framework. It shall also include all internal corporate procurement for goods, works, consulting and non-consulting services, financed from the administrative or capital expenditure budget of the Group.
- 2.10. **External party or parties** are any person(s) or entity(ies) other than IsDB group staff, and include(s), but is not limited to: vendors, development partners, stakeholders of the IsDB Group, former IsDB Group staff, contractors, consultants, government officials, officials in executing agencies or implementation units, professional bodies and non-governmental organizations or officials in other international financial institutions, and members of the public.

3. The Purpose of the Policy

- 3.1. With a view to achieving the abovementioned objectives of the IsDB Group, through inter alia protecting the funds and resources of the IsDB Group from any form of misuse and other Sanctionable Practices, maintaining proper ethical environment within the IsDB Group, and maintaining public confidence in the IsDB Group and its respective activities and operations, the IsDB Group adopts and is determined to rigorously implement this Policy which affirms that Staff Misconduct and Sanctionable Practices shall not be tolerated.
- 3.2. Therefore, the main purposes of this Policy are summed up as follows:
 - (i) To ensure that Staff Members and other employees of the IsDB Group conduct themselves in accordance with the highest levels of integrity expected from civil servants of international institutions;
 - (ii) To ensure that Parties involved in the IsDB Group Project(s) conduct themselves in accordance with the highest levels of integrity. Accordingly, this Policy establishes a regime for the sanctioning of Parties that are found to have engaged in Sanctionable Practices in contravention of this Policy;
 - (iii) To ensure that all activities, transactions, projects, and operations financed and/or undertaken by any member of the IsDB Group (severally or jointly with other institutions) are free from Sanctionable Practices and executed in a proper control environment; and

- (iv) To ensure that the existing IsDB Group policies, procedures, guidelines, and practices support and are construed in line with this Policy to achieve maximum realization of the IsDB Group's broader goals and objectives.

4. Scope of the Policy

This Policy covers and applies to all Staff Members and other employees (including experts, consultants, and contractors amongst others), individuals and entities who are in any manner associated with the IsDB Group and/or involved in their respective proposed, ongoing, and/or completed activities, transactions, projects, and operations (including whether in public or private sectors).

5. Implementation Arrangements

- 5.1. For the purpose of implementing this Policy, the Group Integrity and Ethics Department shall act as the focal point for dealing with all cases involving allegations of Staff Misconduct and Sanctionable Practices within the IsDB Group.
- 5.2. The Group Integrity and Ethics Department shall be primarily responsible for investigating all such cases of Staff Misconduct and Sanctionable Practices and for submitting its findings on such cases in accordance with the prevailing IsDB Group Disciplinary Rules, this Policy and its supporting guidelines.
- 5.3. In addition, the Group Integrity and Ethics Department shall submit the findings and recommendations on the mechanisms and actions to be taken for preventing violations of this Policy and/or other IsDB Group policies, procedures and guidelines that prohibit Staff Misconduct and Sanctionable Practices.
- 5.4. To this end, a comprehensive set of integrity principles and guidelines are developed (and periodically updated) and designed to serve as the integrity framework of the IsDB Group.

6. Responsibilities of Staff Members and other Employees

- 6.1. All organizational units (Departments, Divisions, Sections, and Offices) of IsDB Group have the responsibility to ensure that all staff members and other employees working for or under them uphold the highest standards of integrity within their respective areas of responsibilities.
- 6.2. Accordingly, all staff members and other employees are required to:
 - (i) Adhere to the IsDB Group Staff Code of Conduct and to the Disciplinary Rules as well as other rules set forth in relevant regulations, rules, administrative instructions and guidelines regarding their rights, duties, and responsibilities;
 - (ii) Familiarize themselves with the contents of this Policy and related guidelines and be prepared to respond appropriately, as required, within their specific area of competence in advancing integrity among IsDB Group member governments, contractors, and suppliers; and
 - (iii) Report any allegations or evidence of Staff Misconduct and Sanctionable Practices to the Group Integrity and Ethics Department for investigation. Individual Staff members and other employees are IsDB Group's front line of defense against Staff Misconduct and Sanctionable Practices. They could be held responsible for any failure to take reasonable precautions or turn over

allegations or evidence of Staff Misconduct and Sanctionable Practices for investigation.

- 6.3. The Group Integrity and Ethics Department is tasked to provide periodic awareness sessions and training to Staff Members and other employees regarding this Policy and other supporting rules, guidelines and procedures relating to integrity and ethical conduct required of the Staff Members.

7. Breach of Integrity

- 7.1. The IsDB Group adopts a zero-tolerance position regarding violations of the duties and obligations incumbent on the IsDB Group Staff Members, other employees and Parties.
- 7.2. In addition to any disciplinary and/or legal action(s) taken against such violators, any Staff Member, other employees or Parties found to have engaged in any form of Staff Misconduct or Sanctionable Practices shall be required to make full restitution of any benefits arising from such conduct.

8. Integrity Framework

- 8.1. The IsDB Group requires Staff Members and all Parties to adhere to the highest ethical standards as defined in its policies and the terms and conditions of the corresponding agreements (as applicable).
- 8.2. As part of its harmonized approach, the IsDB Group accepts and adopts the following definitions for Sanctionable Practices within the IsDB Group:
 - (i) A 'corrupt practice' is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
 - (ii) A 'fraudulent practice' is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.
 - (iii) 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.
 - (iv) A 'coercive practice' is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
 - (v) An 'obstructive practice' is (a) deliberately destroying falsifying, altering or concealing of evidence material to the investigation; (b) making false statements to investigators in order to materially impede investigation into allegations of Sanctionable Practices; (c) failing to comply with requests to provide information, documents or records in connection with investigation; (d) threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation (e) acts intended to materially impede the exercise of the IsDB Group's contractual rights of audit or inspection or access to information.

9. Sanction mechanism for external parties

The Chairman of the IsDB Group is authorized to and shall be responsible for setting up appropriate mechanism for the sanctions process and procedures of external parties. Pending the set-up and implementation of the sanction mechanism, ad-hoc institutional arrangements may be utilized by the IsDB Group.

10. Monitoring and Evaluation

The Group Integrity and Ethics Department shall be responsible for monitoring and evaluating this Policy, and it shall submit an annual report to the relevant Board Committee(s).

11. Revisions and Amendments to the Policy

11.1 The Chairman, IsDB Group shall be responsible for reviewing the IsDB Group Integrity Policy every three (3) years, or as deemed necessary, and if needed, shall submit recommendations to amend the Policy to the Board.

11.2 This Policy may only be amended in writing by the Board.

12. Date of Effectiveness

This IsDB Group Integrity Policy shall become effective as of the date of its approval by the Board.