



University of the Philippines College of Law: International Anticorruption Compliance Law

Lisa Kelaart-Courtney
Director, Prevention and Compliance Division

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Welcome Remarks

Edgardo Carlo L. Vistan, II

Dean
University of the Philippines College of Law

Objectives



Increase awareness of potential integrity risks and remedial actions



Gain knowledge of ADB's anticorruption framework



Improve understanding of corruption and integrity risk assessment, prevention, and detection

Outline



Part 1: Anticorruption & Integrity Framework

1. Impact of Corruption on Development
2. ADB's Anticorruption Approach



Part 2: Anticorruption & Integrity Framework

1. Risk Mitigation and Prevention Measures
2. Proactive Integrity Reviews



Part 3: Anticorruption & Integrity Framework

1. Integrity Principles and Guidelines
2. Integrity Violations and Remedial Actions

1.1

Impact of Corruption on Development

“

Corruption is the **single greatest obstacle** to economic and social development around the world.

Every year, **\$1 trillion** is paid in bribes, while an estimated **\$2.6 trillion** are stolen annually through corruption.

A sum equivalent to more than **5%** of the global GDP.

United Nations Security Council 10 September 2018

“

Corruption is the **single greatest obstacle** to economic and social development around the world.

What do you think this means in reality?

Philippines
population 2020:
110 million

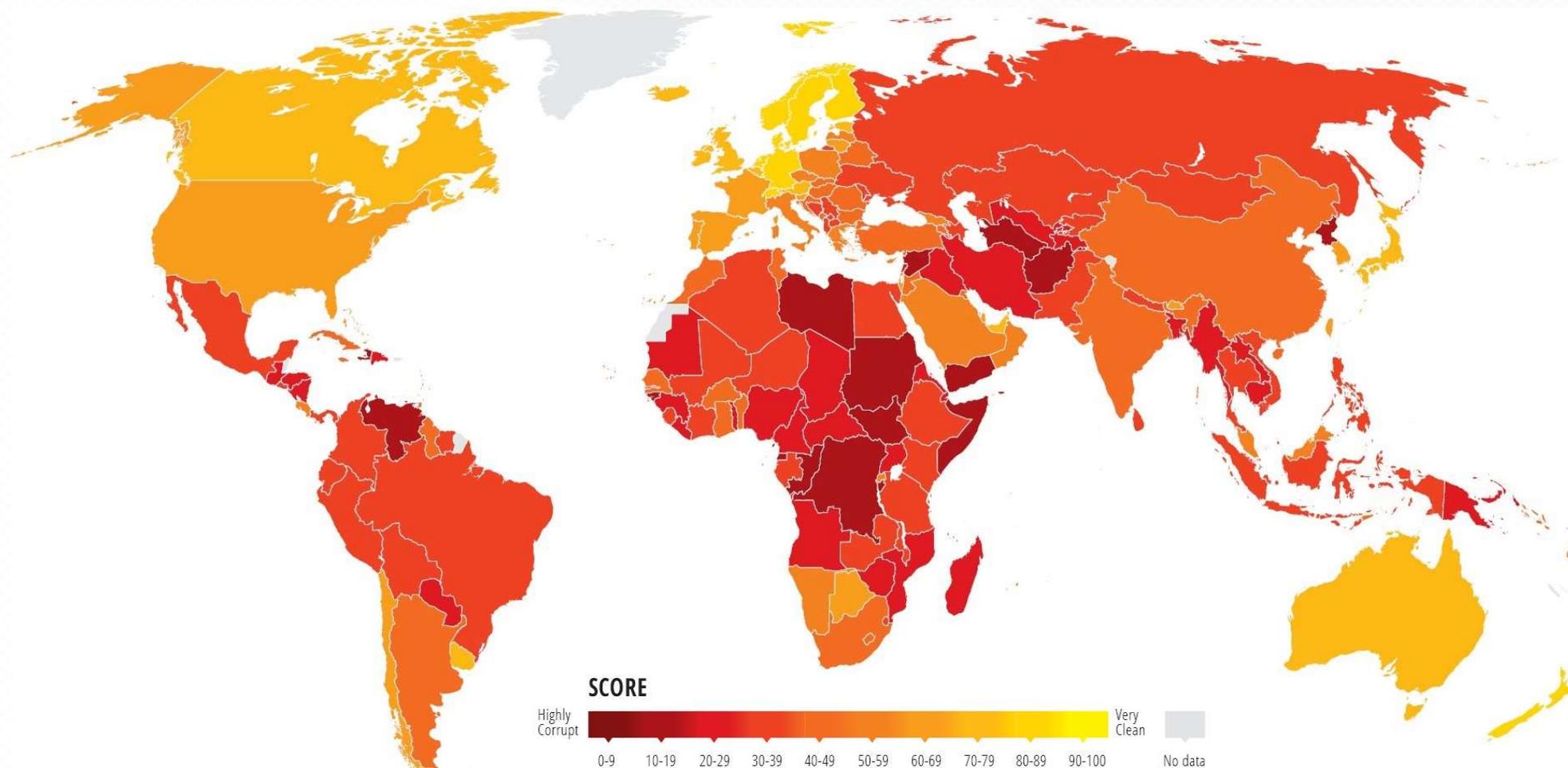
Philippines gross
domestic product
GDP 2020: **USD**
362 billion

Every year, **\$1 trillion** is paid in
bribes, while an estimated **\$2.6**
trillion are stolen annually
through corruption.

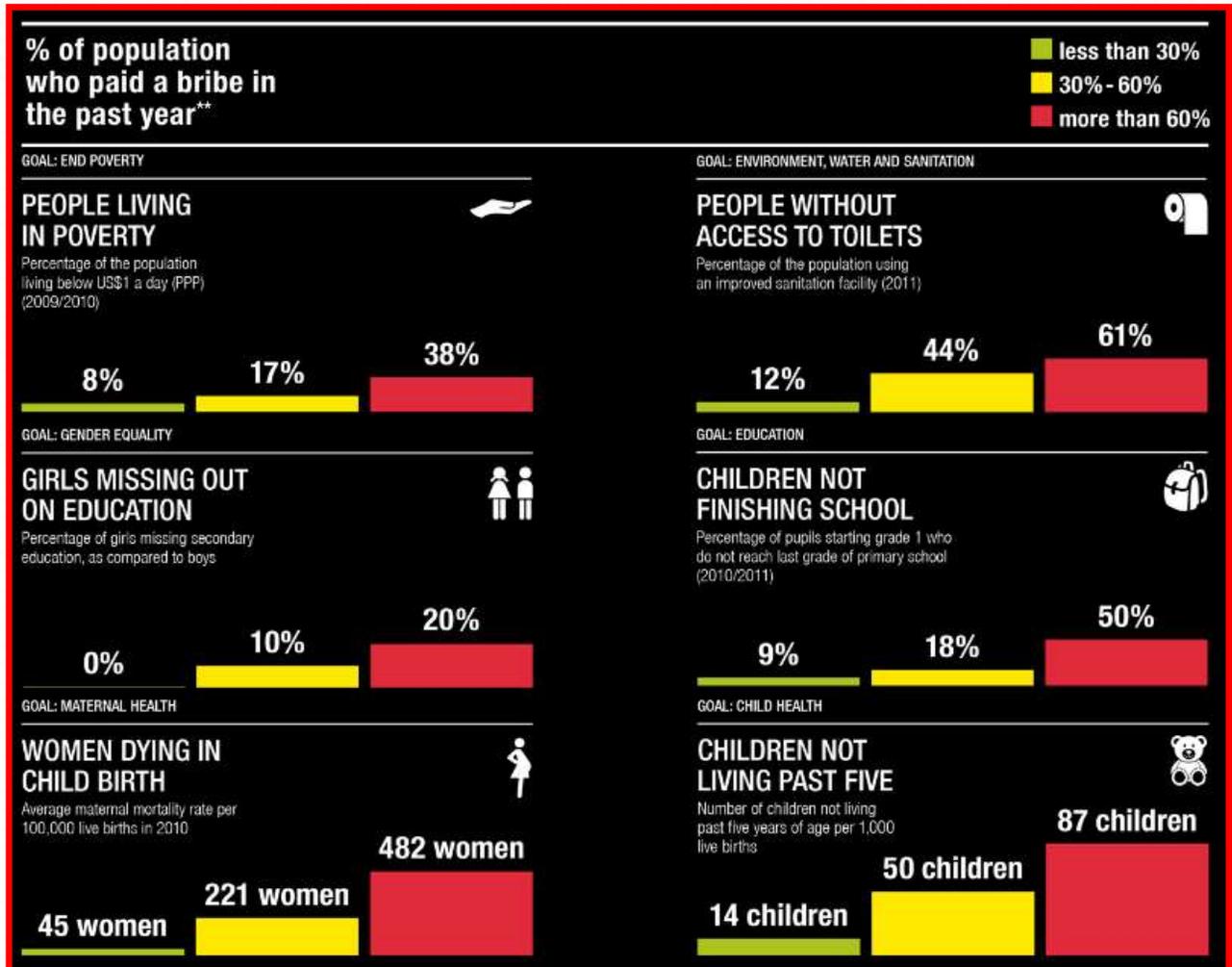
A sum equivalent to more than **5%**
of the global GDP.

United Nations Security Council 10 September 2018

2020 Corruption Perceptions Index



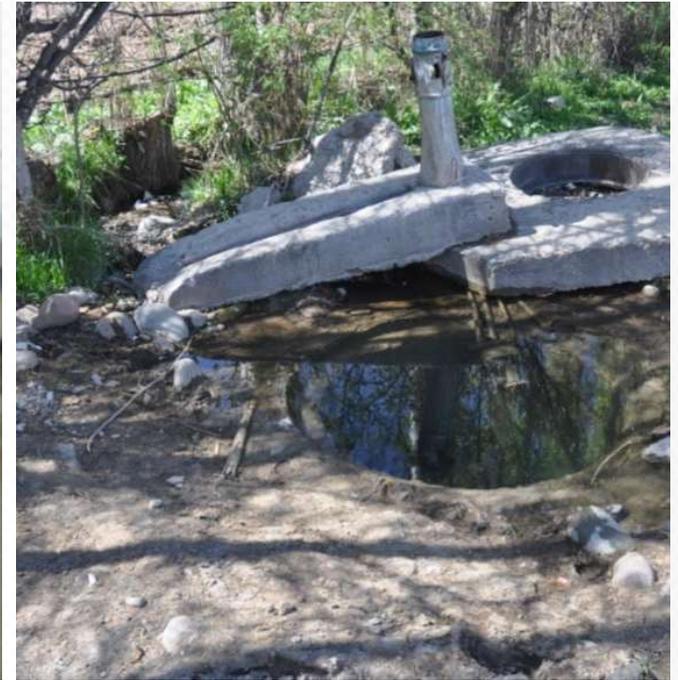
Bribery hurts development



Transparency International

Probability and Likelihood





Impact on Development



ment

1.2

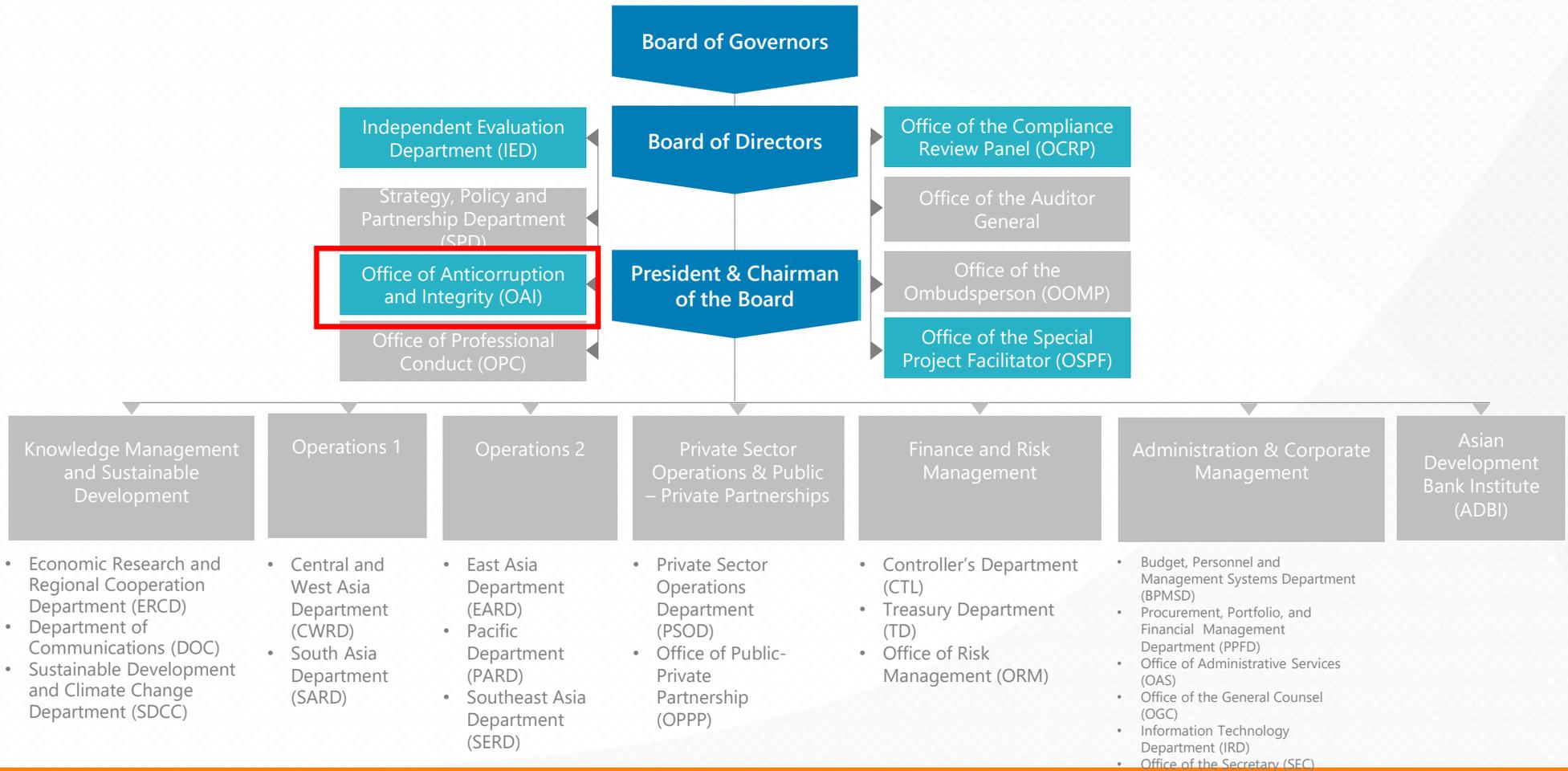
Asian Development Bank

What do you think ADB does?

ADB is entrusted with public funds to help achieve its vision of a prosperous, inclusive, resilient, and sustainable Asia and Pacific region, while sustaining its efforts to eradicate extreme poverty



Functional Organizational Chart





Effective governance and **improved institutional capacity** in ADB's developing member countries is required to achieve ADB's vision.

OAI Mission

OAI promotes **integrity** and **respect** by investigating and sanctioning misconduct, identifying and mitigating integrity risks, offering innovative and practical solutions and influencing positive change.

Strategy 2030

Strengthening governance and institutional capacity

ADB will support governments efforts to **eradicate corruption**

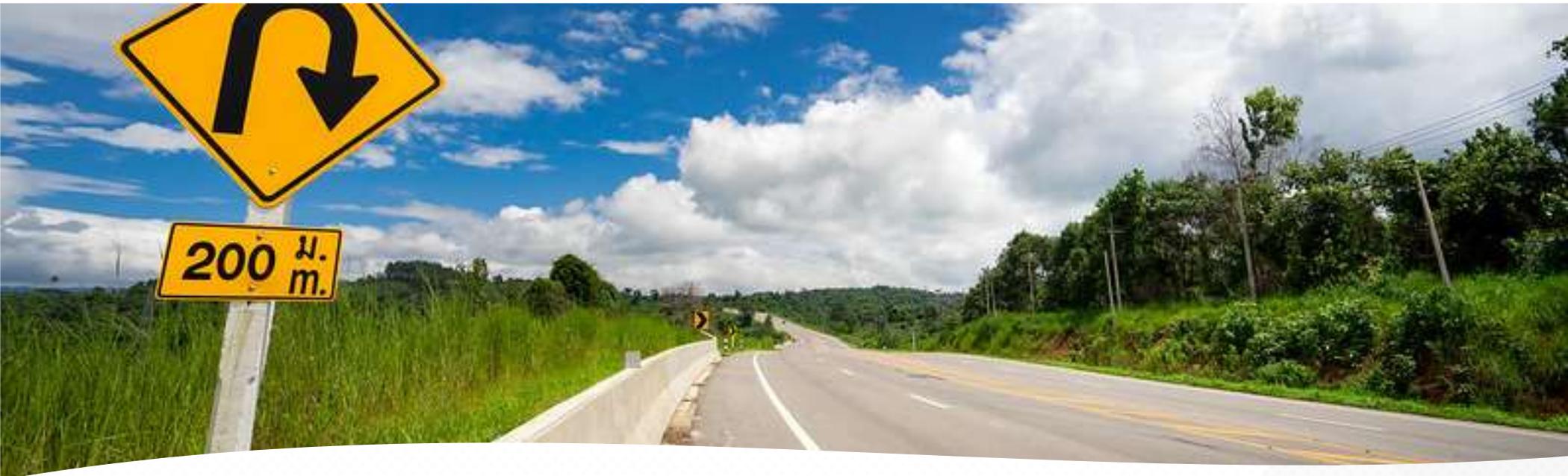
ADB will promote effective, timely, and **corruption free** delivery of public services

ADB will implement **anticorruption measures** in all ADB projects and programs



1.3

ADB's Anticorruption Approach



Anticorruption and Integrity

Zero tolerance for corruption.

Broader ADB commitment to combat corruption and improve governance as an operational priority of [ADB Strategy 2030](#).

ADB defines **corruption** as the “**abuse of public or private office for personal gain.**”



ADB's Anticorruption Policy

Promoting

Promoting efficient, effective, accountable, and transparent public administration including good governance and capacity building

Supporting

Supporting anticorruption efforts in the region through quality dialogue with the DMCs

Ensuring

Ensuring that ADB projects and staff adhere to the highest ethical standards.



ADB's Anticorruption Policy



Policy and Guidelines



Operational Instructions



Administrative Orders

Highest Ethical
Standards

Zero
Tolerance

Applies to **executing and implementing agencies**, contractors, consultants, suppliers, ADB staff, and **anyone connected to an ADB-financed, -administered, or -supported activity.**

Anticorruption and Integrity



The Office of Anticorruption and Integrity (OAI) leads the integrity initiatives of ADB through:

- proactive integrity reviews,
- integrity due diligence,
- knowledge-sharing,
- the conduct of investigations,
- Technical Assistance Programs,

with ADB's stakeholders.

Office of Anticorruption and Integrity

Prevention & Compliance



Integrity Due Diligence



Proactive Integrity Reviews



Technical Assistance



Promote **Knowledge-Sharing**

Investigation



Initial contact for allegations of integrity violations



Investigate allegations of fraud & corruption

OAI promotes **integrity** and respect by investigating and sanctioning misconduct, **identifying and mitigating integrity risks**, offering innovative and practical solutions, and **influencing positive change**.

Proactive Integrity Reviews



OAI conducts proactive integrity reviews (PIRs) on selected ongoing sovereign projects to mitigate integrity risks.

PIR outcomes further strengthen the accountability of project stakeholders and controls over processes and activities, enhance transparency in documentation and procedures, and foster fairness in procurement processes and decisions.



Integrity Risk Management Reviews

- Upon the request of regional departments, OAI conducts integrity risk management reviews of preapproval documents for sovereign projects in ADB's pipeline.
- OAI's inputs assist project teams to identify integrity risks during project conceptualization and design and put in place commensurate preventive measures prior to implementation.



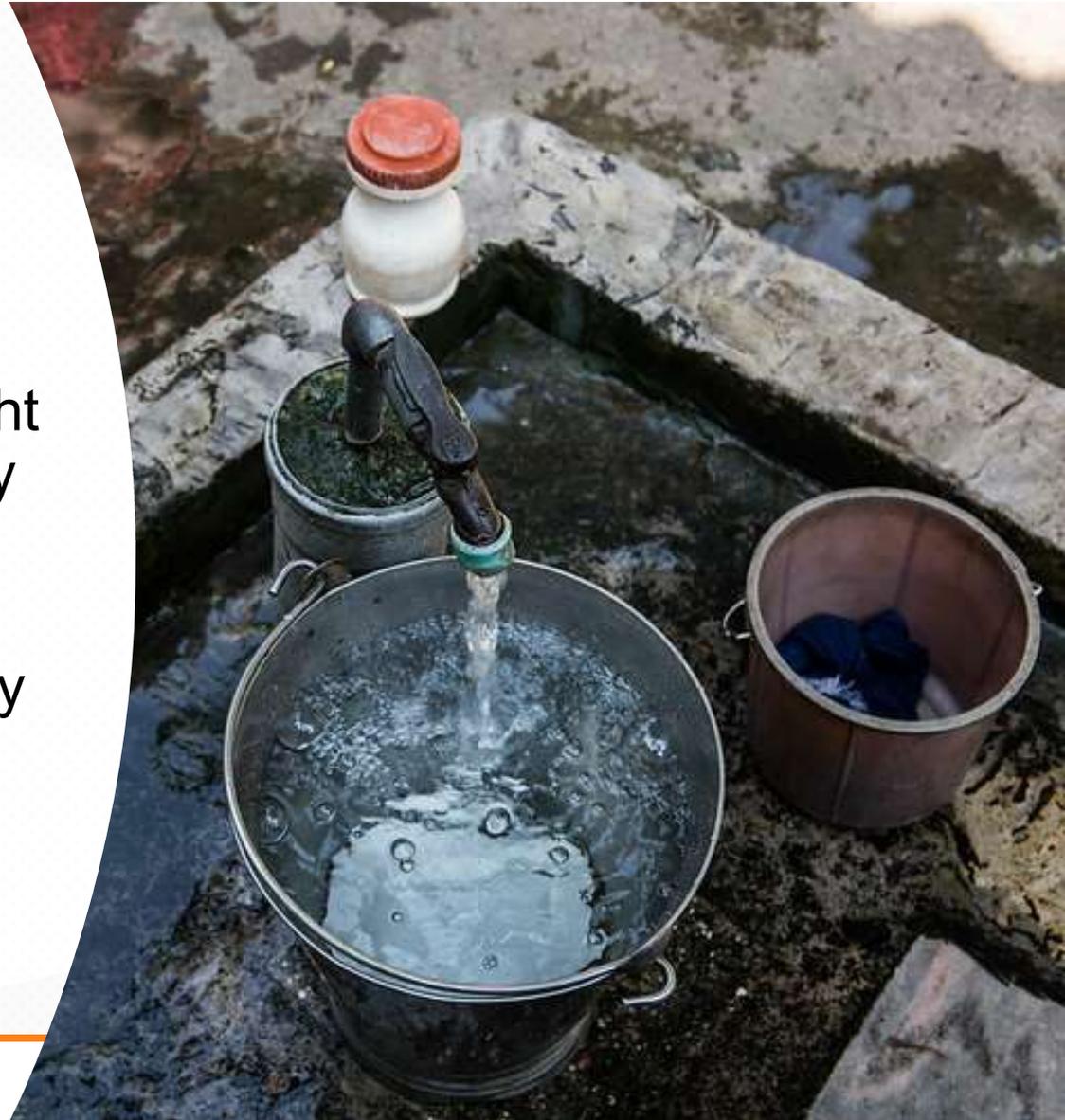
Integrity Due Diligence

Potential integrity, money laundering, or tax integrity risks, and related reputational risks of proposed transactions between ADB and the private and public sectors.

Knowledge and Communications

Promotes ADB's role as a thought leader and role model of integrity in development banking

Focus audience: ADB community and ADB stakeholders



Fighting the gendered impact of corruption

InsightThursday
Webinar hosted by OAI and ADB Gender Thematic Group

Gaëlle Demolis
UN Women Regional Office for Asia and the Pacific

Fighting Corruption at a Time of Crisis

Innovation Speakers' Series
in collaboration with OAI

Ms. Gretta Fenner
Managing Director
Basel Institute on Governance

Mr. Kelly Bird
Country Director, Philippines
Asian Development Bank

ADB OECD
Anti-Corruption Initiative for Asia-Pacific

Safeguarding Integrity in the COVID-19 Response and Recovery

ADB

ANTICORRUPTION AND INTEGRITY AT ADB

iACT to fight corruption.

ADB

ARE YOU AN INTEGRITY CHAMPION?

Find out now!

Visit bit.ly/ADBAYIC

iACT to fight corruption!

ADB Asian Development Blog
Straight Talk from Development Experts

TOPICS COUNTRIES AUTHORS

Home / Topic / **Anticorruption and integrity in ADB operations**

Results 1 - 6 of 6

Asia-Pacific countries must improve revenue collection to rebound from COVID-19
Collecting taxes more efficiently allows countries to improve their balance sheets after the pandemic while promoting business investment and sustainable economic growth.
Bruno Camacho, John Versantvoort, Daisuke Miura

Can a more secure financial system help raise Bhutan's Gross National Happiness?
Bhutan is working to decrease opportunities for money laundering while increasing the security of the financial system.
Kanokpan Lao-Aranya, Carlo Antonio Garcia

Монгол Улс мөнгө угаахтай холбоотой саарал жагсаалтаас түүхэн богино хугацаанд хэрхэн амжилттай гарч чадсан бэ?
Монгол Улс мөнгө угаах, терроризмыг санхүүжүүлэхтэй тэмцэх бодлогыг идэвх саначлагатай хэрэгжүүлэх төлөвлөгөө болгосруулж, хөгжлийн түншүүд болон хандивлагч улс орнуудтайгаа нягт хамтран ажилласан.
Declan Magee, Carlo Antonio Garcia

How did Mongolia get off the money laundering watch list in record time?
Mongolia worked with development partners and donor nations to craft a plan that pro-actively pursued policies on anti-money laundering and combating the financing of terrorism
Declan Magee, Carlo Antonio Garcia

Five ways to stop corruption in its tracks
During the pandemic, corruption in projects could mean the difference between life and death for the poor and vulnerable.
H. Lorraine Wang (王惠琳), Richele Tan Mascarinis

iACT iTalk

A VIDEO SERIES ON
ANTICORRUPTION AND INTEGRITY

WATCH

#IntegrityByTheNumbers

WATCH



Regional Technical Assistance Programs

- AML/CFT RETA 9706: Developing Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Approaches, Methodologies, and Controls
- Integrity RETA 9703: Capacity Building on Integrity
- Tax RETA 9433: Enhancing Tax Transparency of ADB Developing Member Countries

Investigations



2.1

Risk Mitigation and Prevention Measures

FINANCIAL CRISIS AT GOVERNMENT AGENCY: WHERE DID THE MONEY GO?

Bridge collapse: 8 dead, 140 injured

Road to nowhere? \$180m and still no road

Delays cause massive social and economic impact to these locals: does anyone care?

Shock resignations following country's biggest scandal

Construction errors to blame - Who Was Watching Who?

water pollution now worse after new dam opened



Primary internal control weaknesses contributing to corruption and fraud

Project Implementation Processes

Procurement

- 🚩 **Bidding**
Prequalification; bidding documents preparation; and bid advertisement, submission, and opening
- 🚩 **Bid evaluation**
Assessment of bidders' compliance with bidding requirements, and preparation and approval of evaluation report
- 🚩 **Contract award**
Post-bid evaluation activities until contract is awarded and signed

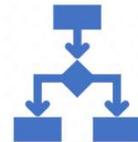
Contract & Asset Management

- 🚩 **Contract administration**
The management of the day-to-day practicalities and administrative requirements under the contract
- 🚩 **Output monitoring**
Engagement with/supervision of contractors, consultants, and suppliers in relation to project outputs
- 🚩 **Asset control**
Safeguarding and maintenance of project assets including asset inventory

Financial Management

- 🚩 **Expenditure management**
Approval and processing of payments for project expenditures
- 🚩 **Financial reporting**
Project accounting and auditing

Control Environment



Assessment of Risks

Policies and Procedures

Due Diligence and process practices

Training and Awareness

Monitoring and Testing



Mitigating Measures: Examples

Mitigating Measures: Vulnerabilities in bid evaluation

- BEC members should undergo hands-on training on all aspects of bid evaluation, especially due diligence, before embarking on new bid evaluation assignments. Support from ADB regional departments, supervision consultants, and engaged procurement experts required.
- Perform rigorous review of bid evaluation reports, particularly when the executing agency's procurement capacity is not strong or when contracts are high-value, high-risk, or complex. Rigorous review entails seeking clarifications from the executing/implementing agencies, calling in bids on a sample basis, validating evaluation report information against bids, and assessing the reasonableness of significant evaluation committee decisions.
- The executing/implementing agency should hold pre-bid meetings for high-value, high-risk, or complex procurement, where bidding requirements are carefully discussed with bidders. These requirements must be understood by the bidders and consistently applied by the BEC.
- The executing/implementing agency should check accuracy and completeness of information in BERs before submitting these for ADB's approval. For transparency, decisions made and justifications for deviations should be properly documented in the BERs.

**Mitigating
Measures:
Unauthorized
substitution of
key post contract
award**

After contract award, the executing agency should approve any substitutions of key experts before these experts are deployed. The approval should be

- (i) based on whether the substitute expert has the qualifications required (at least equal to the expert to be replaced) for the position and
- (ii) properly documented.

**Mitigating
Measures:**
Contract
awarded
without ADB's
approval

For contracts requiring ADB's prior approval, the executing agency should only award contracts after ADB's approval of the procurement decision.

Post-facto approvals for prior review contracts are inappropriate and should only be sought for exceptional circumstances.

**Mitigating
Measures:
Substandard
materials and
defective
works**

- Erring contractors, consultants, and suppliers should be held accountable to ensure that they fulfill their contractual obligations. This entails enforcing relevant penalty clauses and reporting poor performance to ADB.
- For decentralized, complex, or high-risk projects, third party monitoring firms should be engaged to augment the monitoring activities performed by executing/implementing agencies, ADB regional departments, and supervision consultants.
- Executing/implementing agencies should closely monitor the supervision consultants. This entails rigorous review of the consultants' progress reports and, as necessary, verification of the progress through field visits.

Ineligible Expenditures

- Ensure that prior to endorsing claims for payment
 - i. payment approval procedures are followed,
 - ii. supporting documents are checked for accuracy and completeness, and
 - iii. details in the claims are validated against the contracts and supporting documents.
- Payments should be refused or reduced in line with relevant contractual provisions for works or services that were not performed or goods that were not delivered.

Mitigating Measures: Books and records

- Project accounts should be maintained separately from other projects and activities of executing/implementing agencies.
- Periodic account reconciliations between
 - i. project accounts and ADB financial records, and
 - ii. project accounts and bank records should be performed monthly or quarterly, as necessary and practicable, and any discrepancies should be immediately addressed.
- Implement records management procedures to facilitate records storage and retrieval, improve accountability, and prevent misplacement.

ADB Complete Sanctions List

PUBLISHED LIST
Accessible to the public

COMPLETE LIST
Password-protected, accessible to:

- ADB Staff
- BoD
- Parties with a “need to know”: international organizations, bilateral and government partners
- Executing and implementing agencies

“.....conduct the sanctions checks during bid/proposal evaluation, prior to shortlisting, contract award, and contract variations or extensions or modifications, to confirm that no bidder, contractor, supplier, individual consultant, consulting firm, or its team members are currently on the List”

<https://www.adb.org/sites/default/files/related/79926/adb-sanctions-list-faq.pdf>

**Reduced cases recorded at hospital:
doctor says clean water the reason**

Disaster Relief gets the lights turned on again

**Road resurfacing saves
Isabela 3 hours a day!**

New Schools a hit with kids and parents

**Full transparency pays off on logwert's project:
project now extended for another five years**

EXPLOSION... in reading proficiency

2.2

ADB Proactive Integrity Reviews

ReCap: Proactive Integrity Reviews



OAI conducts proactive integrity reviews (PIRs) on selected ongoing sovereign projects to mitigate integrity risks.

PIR outcomes further strengthen the accountability of project stakeholders and controls over processes and activities, enhance transparency in documentation and procedures, and foster fairness in procurement processes and decisions.

Proactive Integrity Reviews

Project Profiles
2020

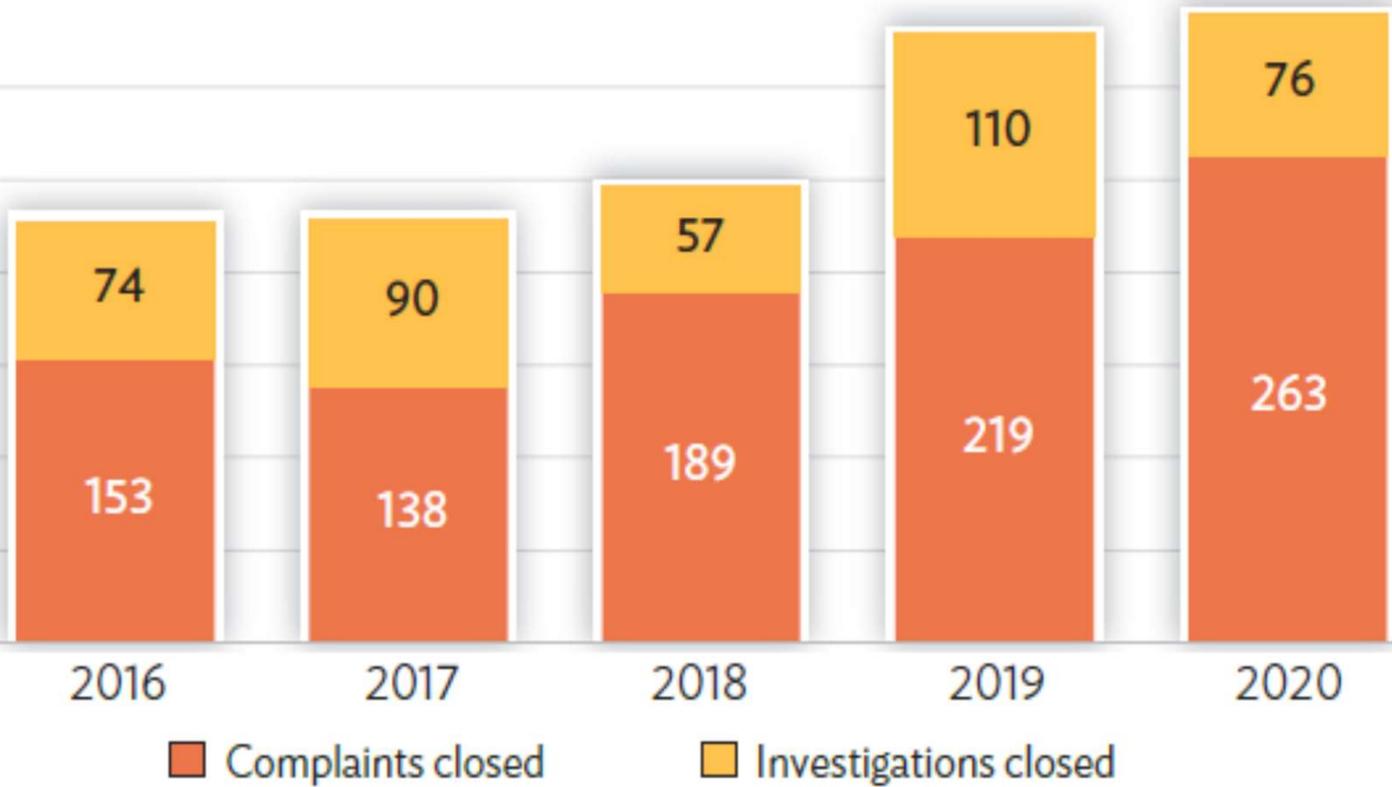
Item	Number	Value
Reviews conducted		
<i>Full proactive integrity reviews</i>	3	\$249 million
<i>Follow-up reviews</i>	1	\$578 million
<i>Bids, proposals, and EOIs covered</i>	135	-
Contracts reviewed	30	\$177 million
Withdrawal applications reviewed	156	\$42 million

3.1

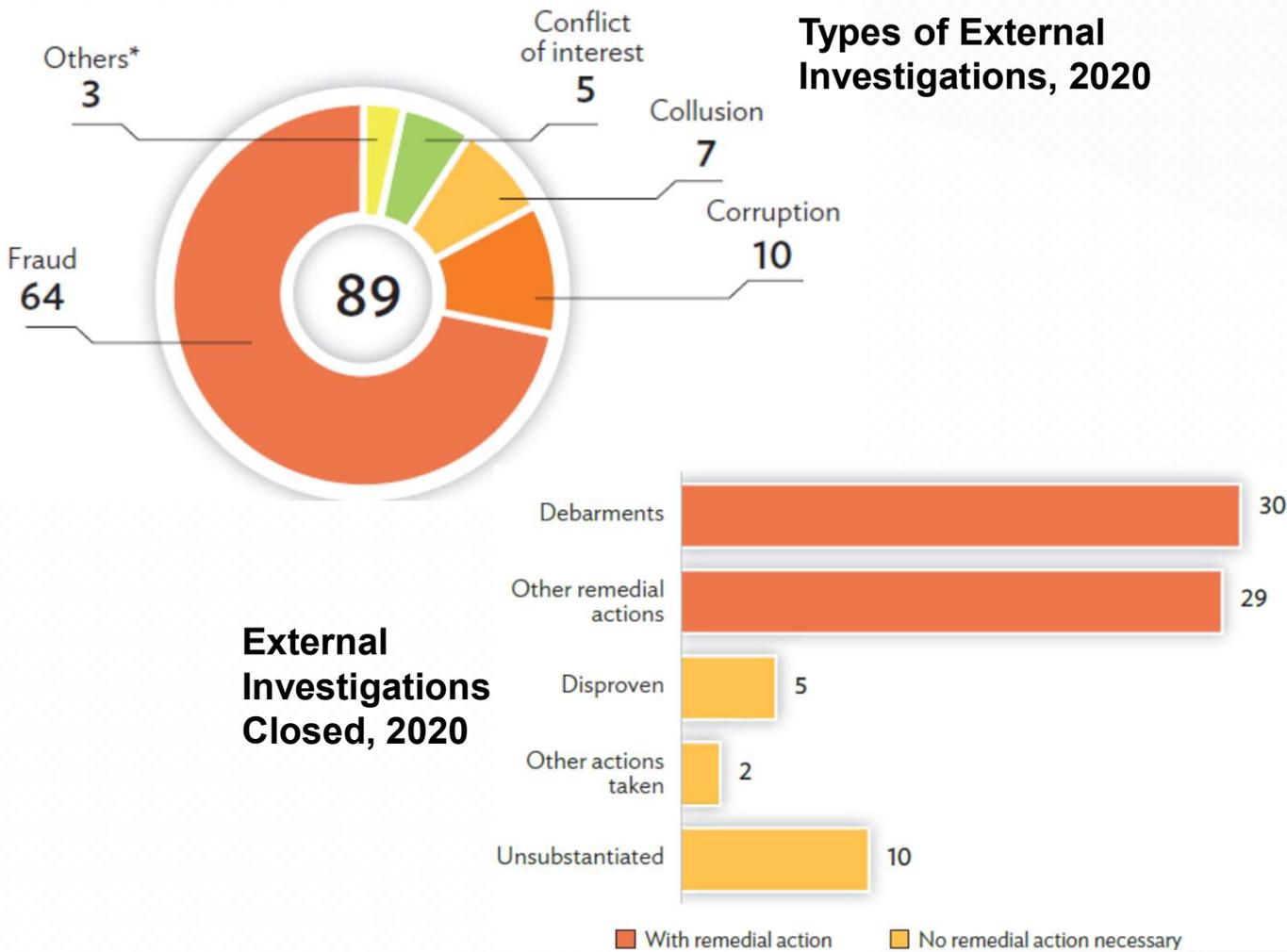
Integrity Principles and Guidelines



- Integrity Violations
- Remedial Actions
- Cross-debarment
- Complaints Assessment
- Investigation Process
- Appeal Process



Complaints and Investigations Closed, 2016–2020

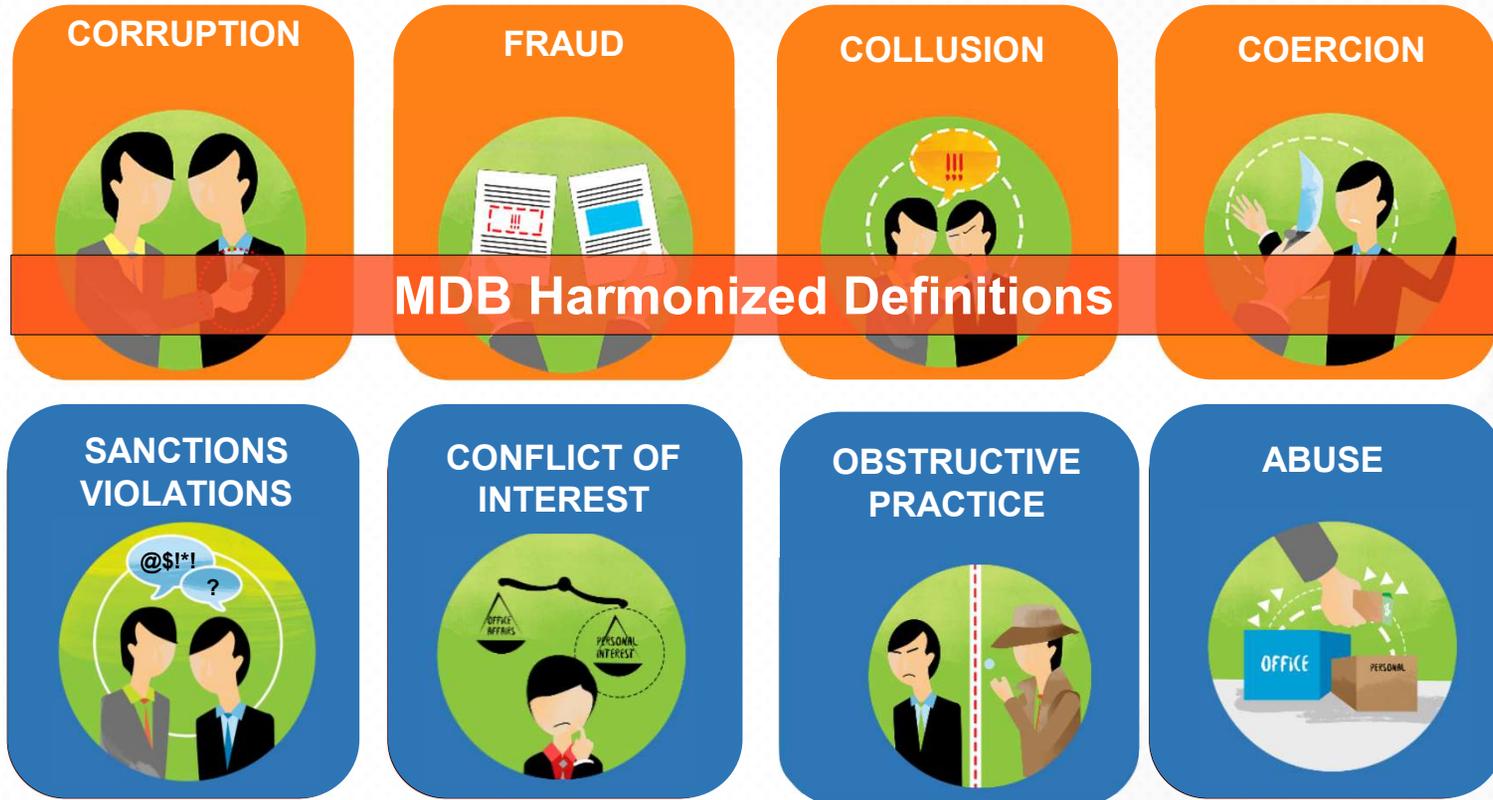


External Investigations

3.2

Integrity Violations and Remedial Actions

Integrity Violations

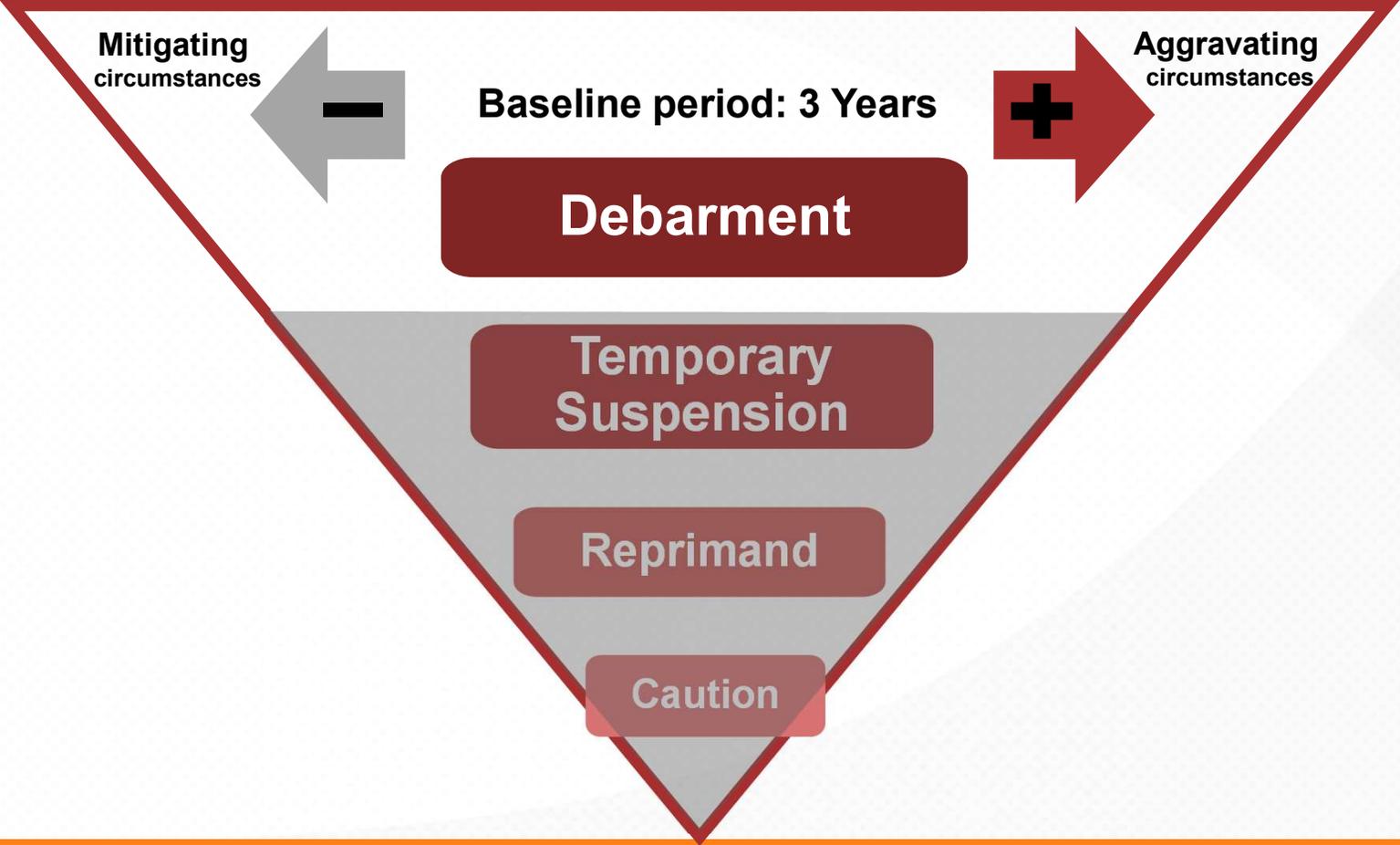


Cross Debarment



A party to the Uniform Framework (2006);
not a party to the Cross Debarment Agreement

Remedial Actions



Consequences of **Integrity Violations** in ADB-financed Projects

Sanctions of firms or individuals

Suspension of the loan or grant allocations

Termination of loan or grant allocations

Return of misused loan or grant resources back to ADB

Changes of administrative arrangements

Request to investigate or change government staff

Cross debarment

Impact while Under Sanction



Recap



Part 1: Anticorruption & Integrity Framework

1. Impact of Corruption on Development
2. ADB's Anticorruption Approach



Part 2: Anticorruption & Integrity Framework

1. Risk Mitigation and Prevention Measures
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1. Integrity Principles and Guidelines
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“ADB must continue to fight all types of corruption, individually and collectively, as **One ADB.**”

Office of Anticorruption and Integrity



www.adb.org/integrity



@anticorruptionandintegrity



anticorruption@adb.org
integrity@adb.org



@adb_oai



+63-2-8632 5004



ADB Anticorruption and Integrity



+63-2-8636 2152



Due to the COVID-19 pandemic, please reach out to OAI via email. Report integrity violations through OAI's complaint form:
<https://www.adb.org/integrity/report-violations>