

ADB



Session 1:
**ADB's Anticorruption &
Integrity Framework**

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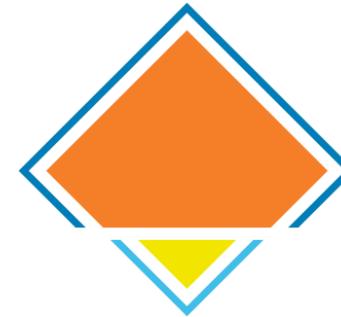


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Asian Development Bank



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Asian Development Bank

Session 1

Integrity Risk Management





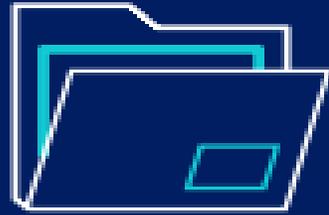
“

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

Corruption, bribery, theft and tax evasion and other illicit financial flows cost developing countries **\$1.26 trillion** per year.

World Economic Forum 2019

Probability and Likelihood



2,110
CASES

from



133
COUNTRIES



CORRUPTION
was the most common scheme
in every global region

CFEs estimate that
organizations **LOSE**



5% of revenue
to **FRAUD**
each year

MEDIAN LOSS
PER CASE:

\$117,000

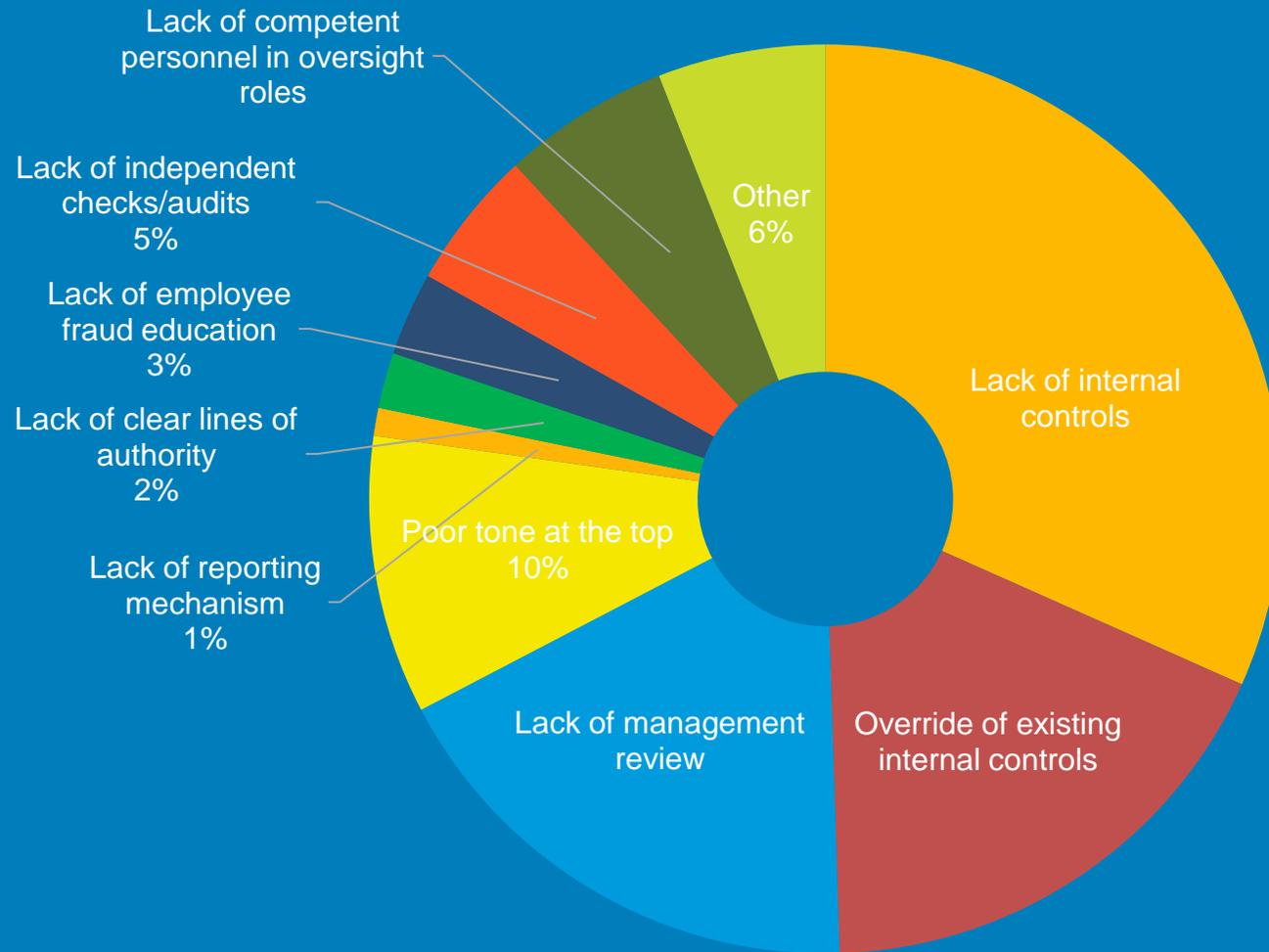
AVERAGE LOSS
PER CASE:

\$1,783,000

Causing total losses of more than

\$3.6 BILLION

Primary internal control weaknesses contributing to corruption and fraud



Association of Certified Fraud Examiners: Report to the Nations 2022

Bangladesh police filed murder charges against 41 people accused of involvement of bridge collapse. Project riddled with corruption. More charges expected

Maharashtra villagers peel off newly constructed road to expose contractors' shoddy work

Telia Agrees to Pay \$1 Billion in Penalties in Uzbek Corruption Scandal Settlement

Sewerage in water sees spike at hospital emergency. Substandard materials and works: contractor 100% accountable

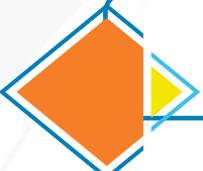
Ukraine's deputy defence minister resigns amid corruption inquiry



Some Benefits



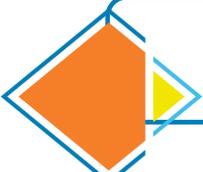
Reputation and Trust



Risk Management



Operational Efficiency

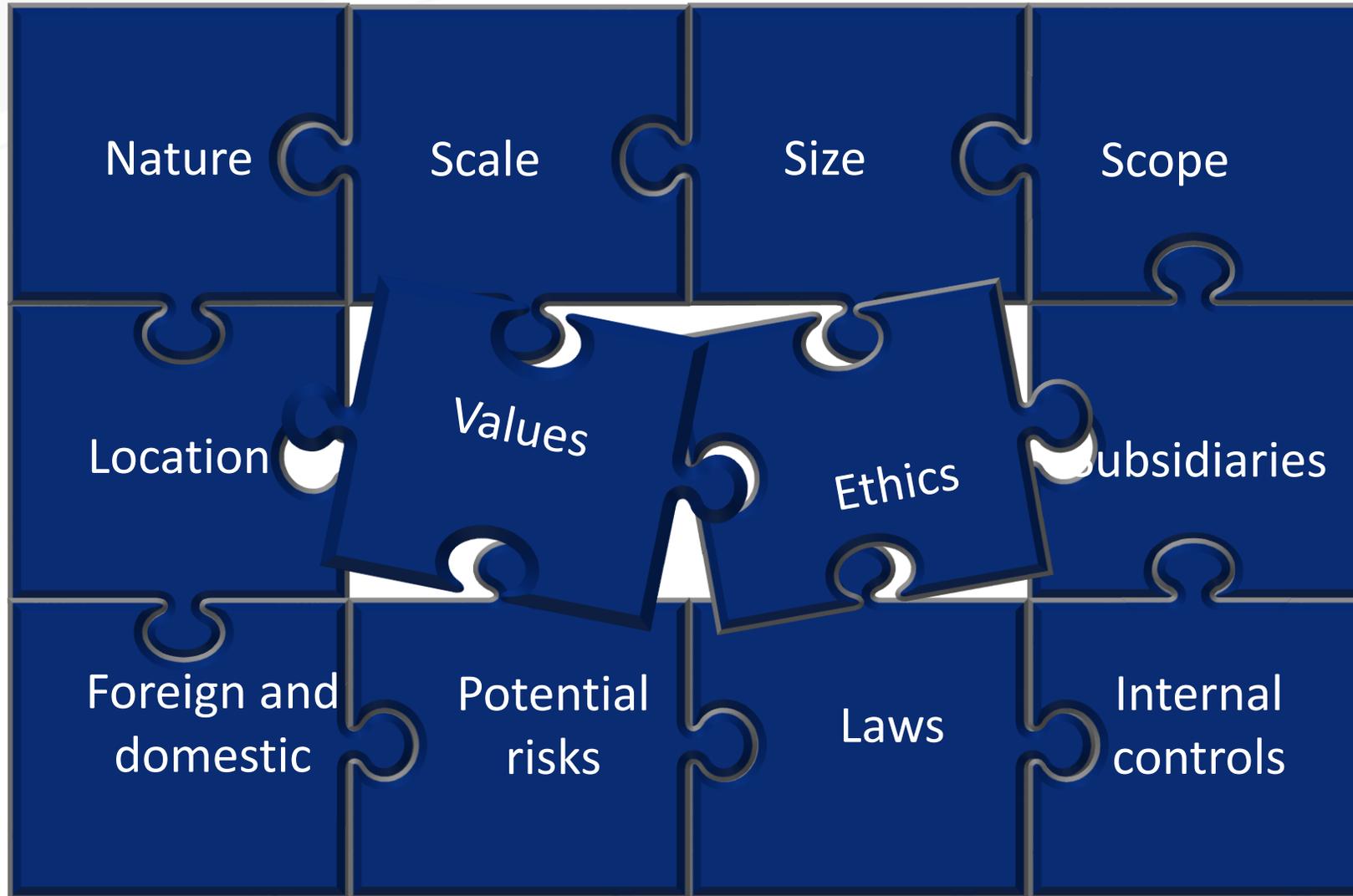


Innovation and Adaption



Stakeholder relationships

Control Environment



Control Environment



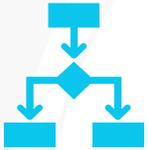
Company Culture



Policies and procedures



Internal monitoring and testing



Designated compliance function
and oversight



Reporting and investigating



Effective training, education,
communication



Enforcement and discipline



Response and prevention



Detection, prevention, remediation



ADB's Anticorruption Policy



Policy and Guidelines

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

ADB's Anticorruption Policy



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



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



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

High level Project Integrity Principles

01

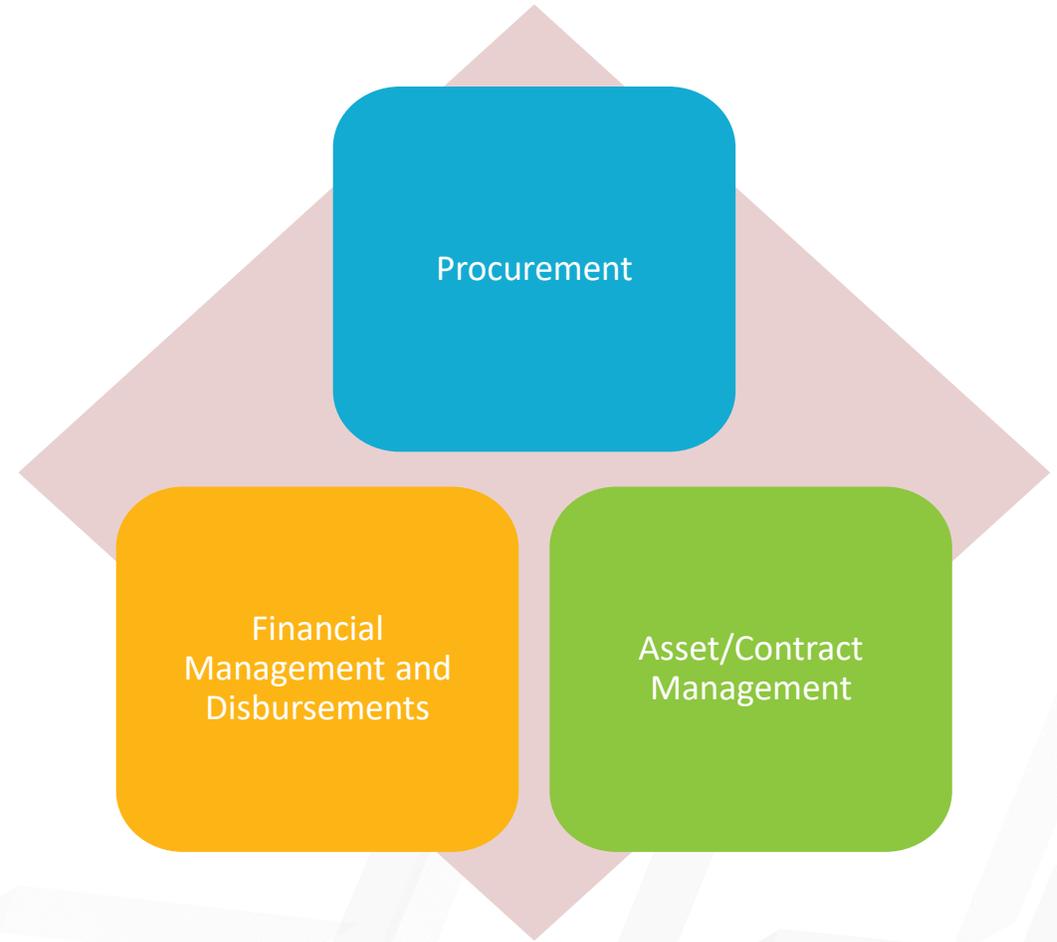
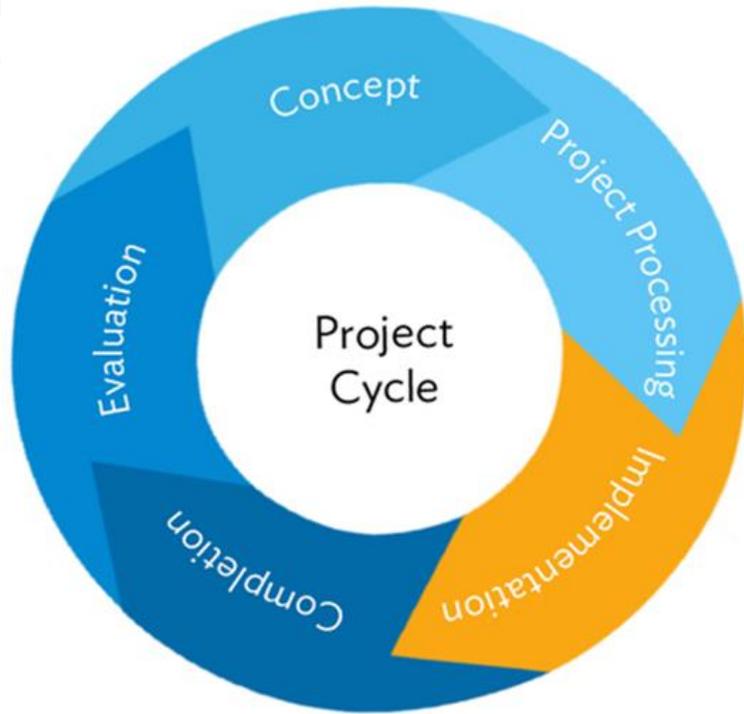
Transparency

02

Fairness

03

Accountability & Control



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

These sub-processes reflect those assessed by OAI and do not necessarily reflect all sub-processes that exist within each process.

Red Flags in bidding: Collusive practice

Ineligible bidders

In a rebidding, the bid evaluation committee decided that three suppliers were substantially responsive to the bidding requirements.

However, ADB had **debarred** two of these suppliers. ⚠️

The remaining supplier (i) appeared to be **related** to the two debarred suppliers, (ii) purchased bidding documents on the day of the bid submission deadline, and (iii) submitted a bid to create an illusion of competition. ⚠️

Negotiations between the project management unit and the supplier were initiated 2 months before quotations from other suppliers were sought. ⚠️

Leakage of Confidential Information

Negotiations between the project management unit and the supplier were initiated 2 months before quotations from other suppliers were sought ⚠️

Red Flags in Bid Evaluation

Financial Capacity



Outdated financial statements to support bidder's financial capacity ⚠️



Value of a bidder's cash and cash equivalents declared in the bidding form, which was higher than the value in the submitted audited financial statements



Unaudited financial statements without first establishing that the law in the bidders' countries/ jurisdictions did not mandate financial statements to be audited. By default, the bidding documents required submission of audited financial statements, while unaudited financial statements are allowed only on an exceptional basis



Unsupported credit lines ⚠️

Red Flags in Bid Evaluation

Pending Litigation



Bidder did not disclose its pending litigation as indicated in the notes to the financial statements 

Personnel



Represented years of experience based on submitted resume' 

Whistleblower and Witness Protection

The Policy:

- Commits ADB to pursuing all reasonable steps to protect Whistleblowers and Witnesses acting in good faith and to ensure that they are not subject to Retaliation.
- Recognizes the right of any person who reports a suspected violation to remain anonymous or request that his/her name be kept confidential.
- Allows ADB Staff in limited circumstances protection from retaliation and disciplinary measures when 'externally reporting'.
- Requires ADB staff to avoid any form of retaliation to a 'Whistleblower', including to non-staff whistleblowers.

Whistleblower and Witness Protection

The Policy:

- Provides protections to ‘External Whistleblowers and Witnesses’, including:

“Where an external Whistleblower or Witness may suffer or has suffered Retaliation from a person other than Staff or from an entity or individual that is subject to the Integrity Principles and Guidelines, ADB may, where necessary, coordinate with the member country government concerned, to endeavor to secure transfer or adequate security protection, or employ other reasonable measures to reduce the risks of retaliation”.

Tea Break
16:00 – 16:15

Session 1

Managing Integrity Incidents in ADB





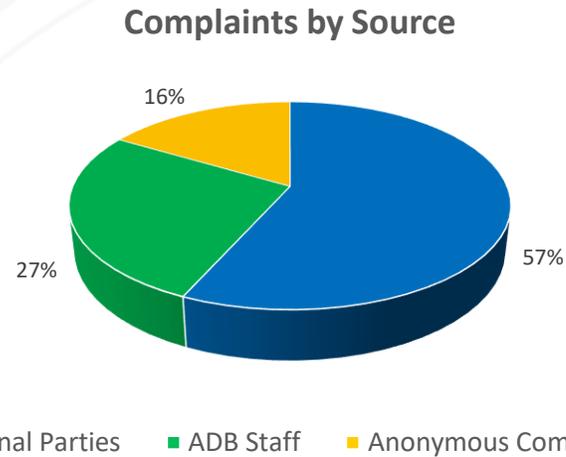


Integrity Complaints

Complaints **alleging issues** relating to fraud, corruption, and/or any other prohibited practice under the Asian Development Bank (ADB) Anticorruption Guidelines should immediately be referred to ADB's Office of Anticorruption and Integrity (OAI) for investigation and resolution.

Reporting Integrity Violations

In 2022, OAI received 194 complaints of integrity violations:



64 firms and 3 individuals who were incorporated/domiciled in PRC were the subjects of **46 complaints**

22 complaints (11.34%) related to ADB projects in PRC

Anticorruption and Integrity
Underpinned by ADB's zero tolerance for corruption, the Office of Anticorruption and Integrity aligns with ADB's commitment to strengthen governance across Asia and the Pacific as it mitigates integrity risks, investigates integrity violations, and promotes integrity among ADB's stakeholders.

Report Integrity Violations
[Submit an Online Complaint](#)

- What can I report to OAI?
- What concerns are outside OAI's mandate?
- How do I report a complaint?
- What are my rights and responsibilities as a complainant?
- What happens to my complaint?
- Whistleblower and Witness Protection
- Code of Conduct

Related

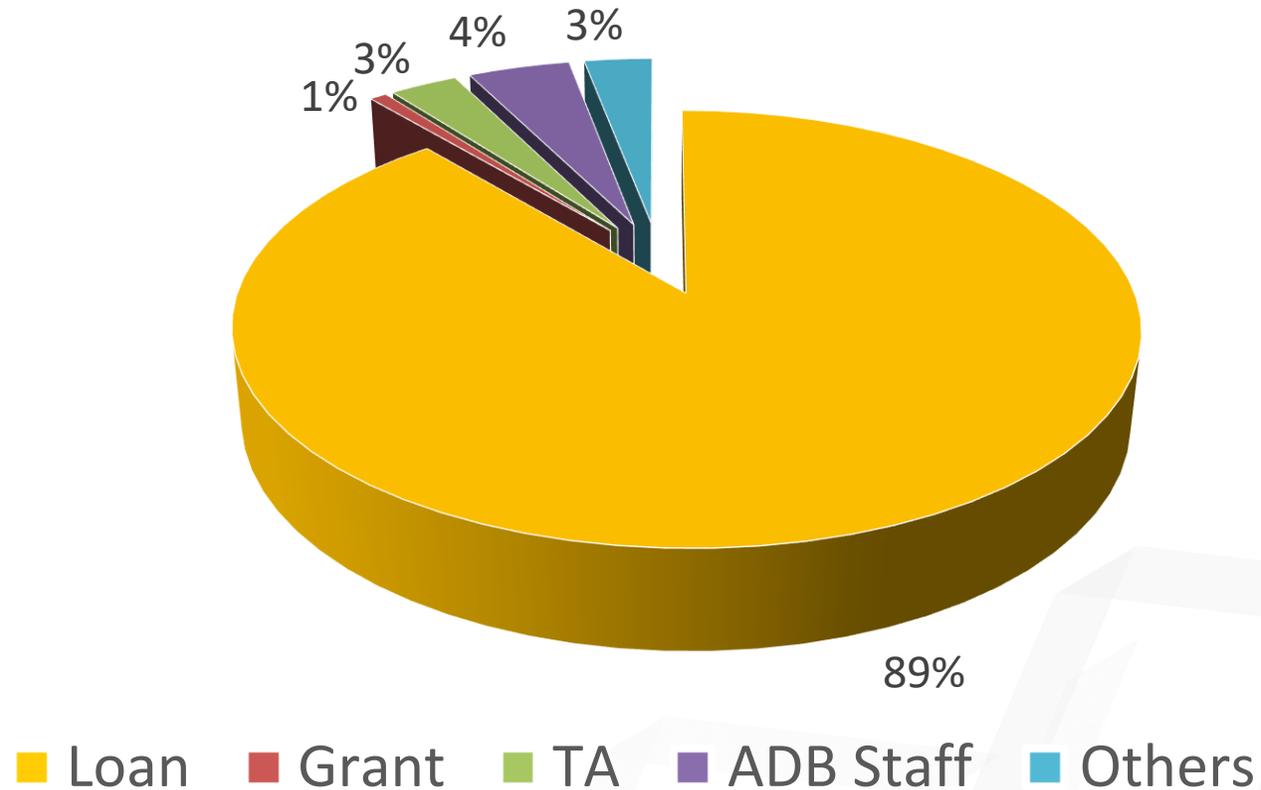
- Anticorruption Policy
- Integrity Principles and Guidelines (2015)
- Anticorruption Policy: Enhancing the Role of the Asian Development Bank in Relation to Tax Integrity (Policy Paper)
- Online Course: Anticorruption and Integrity at ADB
- ADB-OECD Anti-corruption Initiative for Asia Pacific
- Frequently Asked Questions on Anticorruption and Integrity: A Guide for ADB Staff

Warning
Beware of scams using ADB's name

[ADB Sanctions List](#)

Overview – PRC: Complaints Registered

PRC Complaints by Project Type





Integrity Violations

Complaints Assessment

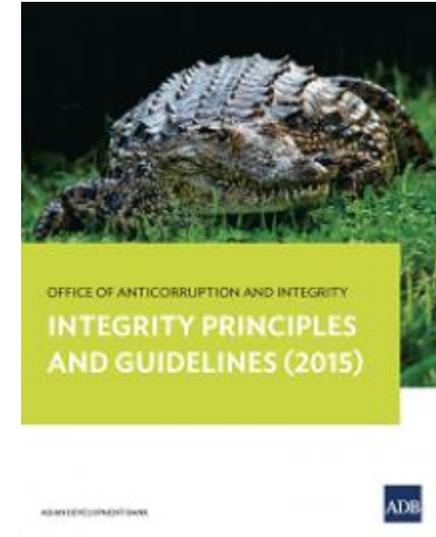
Investigation Process

Remedial Actions

Cross Debarment

Appeal Process

ADB's Integrity Violations



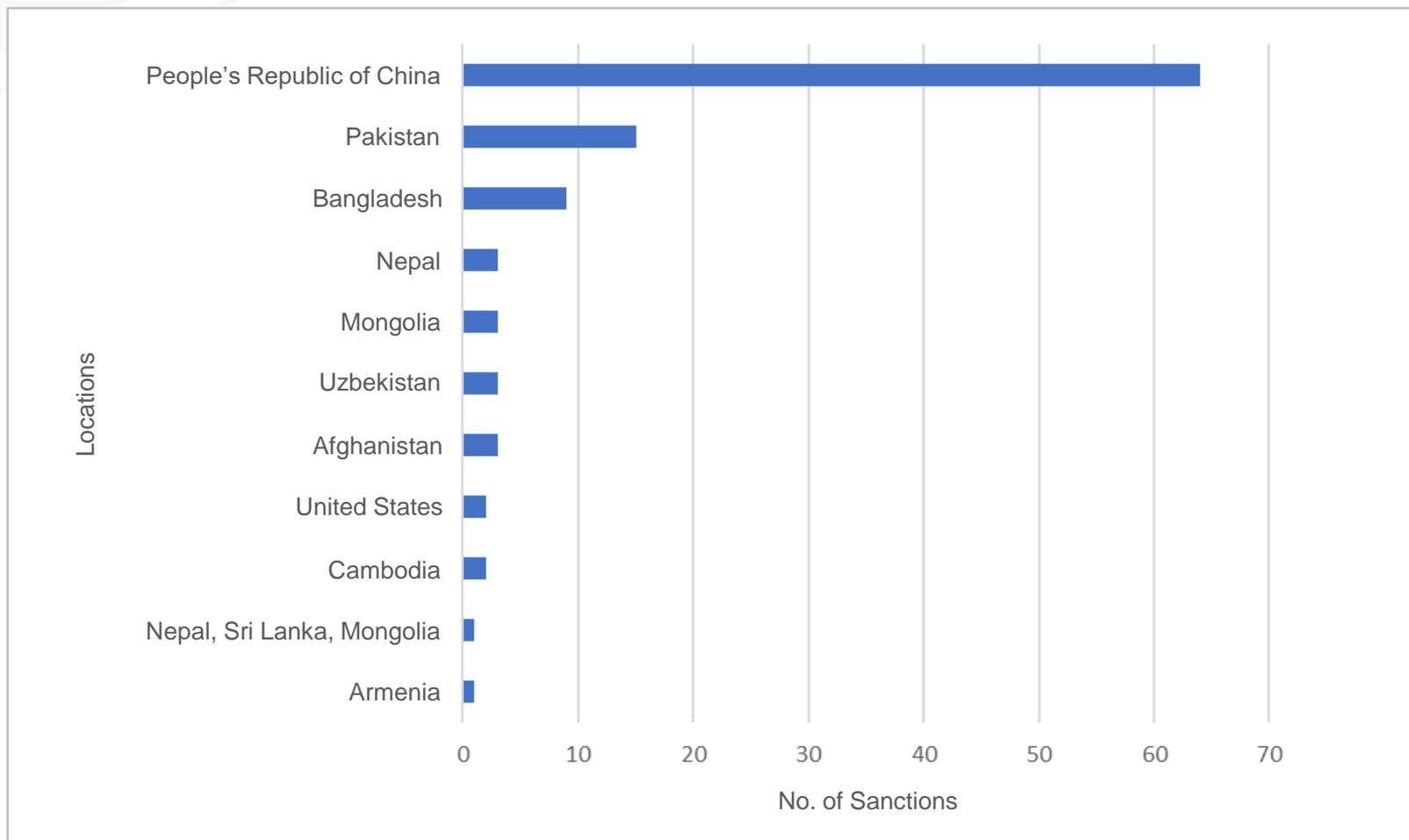
Defined in Section 2.A. of ADB's 'Integrity Principles and Guidelines'

<https://www.adb.org/documents/integrity-principles-and-guidelines>

Summary of PRC Entities Sanctioned by ADB per Entity Type (2017–2022)

Summary	Firm				Total Sanctions
	Individual	Individual-Representative	Parent	Subsidiary	
Year					
2017	0	3	4	0	7
2018	0	6	7	31	44
2019	0	21	15	0	36
2020	1	10	7	27	45
2021	0	11	12	122	145
2022	0	3	6	27	36
Total	1	54	51	207	313

Location of ADB Projects with Violations by Sanctioned PRC Entities Excluding Subsidiaries (2017–2022)



Integrity Violations Committed by Sanctioned PRC Entities Excluding Subsidiaries (ADB data 2017–2022)

Violation (Primary)	PRC Sanctions
Fraud	79
Fraud, Collusion	11
Obstruction	4
Fraud, Obstruction	4
Corruption	4
Fraud, Sanction Violation	1
Sanction Violation	1
Collusion, Corruption	1
Fraud, Collusion, Sanction Violation	1
Total	106

95% of all integrity violations by PRC entities involve fraud

Fraudulent Practice

Fraudulent practice, which 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.

Omission or misrepresentation concerning:

- Prior work experience;
- Financial statements (and turnover);
- Litigation history;
- Technical specifications of proposed equipment.

Misrepresenting Work Experience

Background: An ADB Project comprising a loan of USD 280 million for power transmission enhancement (to improve coverage, reliability, transparency, and quality of the power transmission service in Pakistan)



OAI's investigation substantiated that a PRC firm, through the actions of its authorized representative, engaged in fraudulent practice by submitting false work experience documents in a bid for an ADB-financed contract.

The firm accepted OAI's findings of fraud through misrepresentation and agreed to OAI's proposed sanction of the firm, and its subsidiaries and branches, for 5 years with an option for early reinstatement after completion of a minimum period of 4 years provided that the firm can demonstrate compliance with the conditions set by OAI. The firm accepted that OAI will publish the debarment.

Significant Contributing Factor: Failure of the PRC firm to supervise and check the work of its representative.

Misrepresenting Financial Statements

Background: An ADB Project comprising a loan of USD 100 million for integrated Ecosystem and Water Resources Management in the Baiyangdian Basin



OAI received information that a PRC firm was administratively sanctioned by a government agency for submitting fraudulent financial reports in its bid for an ADB-financed contract. OAI's investigation established that the firm falsified supporting documents in its bid and misrepresented that it had the financial capacity to complete the project.

The firm accepted OAI's proposed debarment of 3 years with conditional reinstatement. The firm may qualify for early reinstatement subject to compliance with the conditions set.

Significant Contributing Factor: Failure of the PRC firm to appropriately check and supervise the work of relatively junior employees.

Misrepresenting Litigation History

Background: An ADB Project comprising a loan of USD 150 million for the urban road network in Xinjiang Tacheng Border Cities and Counties.



OAI's investigation substantiated that a PRC firm engaged in fraudulent practice by stating in a tender that it had no pending litigation in its bid for a contract under the above project. Public records disclosed that the PRC firm had a significant amount of pending litigation at the time of its bid submission.

The firm accepted OAI's findings of fraud through misrepresentation and agreed to OAI's proposed sanction of a reprimand. The firm's bid for the contract was disqualified.

Significant Contributing Factor: The firm explained that the individuals involved in the bid submission were "negligent" in preparing the bid documents. Furthermore, these individuals "did not fully understand" the pending litigation part of the bidding document and "did not seriously" inquire about the firm's pending litigation leading to the omission of the information in the bid submission.

Misrepresenting Technical Specifications

Background: An ADB Project comprising a grant of USD 81.5 million for upgrading energy facilities and strengthening the institutional capacity of power utility, Da Afghanistan Breshna Sherkat



OAI's investigation substantiated that a PRC firm engaged in fraudulent practice by falsifying type test reports that were submitted by a bidder during the procurement for a contract .

The firm and its former employee accepted OAI's findings of fraud through misrepresentation and accepted the proposed sanction of 4 years, with an option for early reinstatement after completion of a minimum period of 3 years, provided that the firm demonstrates compliance with the conditions set by OAI.

Significant Contributing Factor: Failure of the PRC firm to supervise and check the work of its employee who prepared the bid.

Following Another MDB Investigation



ADB receives a notice from the MDB of the debarment which ADB enforces, otherwise known as a cross debarment.



Fraud



Corruption



Collusion



Coercion



Firms and individuals currently debarred by ADB

Example of a Cross Debarment



African Development Bank Debars Weihai Construction Group for 35 Months for Fraudulent Practices



23-Dec-2021

The African Development Bank Group, on 23 December 2021, announces the conclusion of a negotiated settlement agreement with Weihai Construction Group, thus putting an end to sanctions proceedings for fraudulent practices raised against that company. Pursuant to the negotiated settlement agreement, Weihai Construction Group, registered in China, will be debarred for a period of 35 months, effective 19 November 2021.

An investigation conducted by the Office of Integrity and Anti-Corruption of the Bank established that Weihai Construction Group engaged in fraudulent practices in the context of the Kenol-Sagana-Marua Highway Improvement Project, the Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project, Phase II, and the Towns Sustainable Water Supply and Sanitation Program, all in Kenya.

Name of Sanctioned Entity and Address:	Weihai Construction Group Co., Ltd. No.13 Kunming Road, Huancui District, Weihai City, Shandong Province, China
Nationality:	China
Corporates Information:	Weihai Construction Group Co, Ltd is a limited liability company registered under the laws of the People's Republic of China under the registration number 91371000166697768C
Sanctionable Practices:	Fraudulent Practices
Project Name:	Kenol-Sagana-Marua Highway Improvement Project. The Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project, Phase II, and the Towns Sustainable Water Supply and Sanitation Program
Details on the Allegations:	Weihai Construction Group Co., Ltd engaged in fraudulent practices in a bidding process of projects financed by the AfDB in Kenya

ADB Cross Debarment of PRC Firms

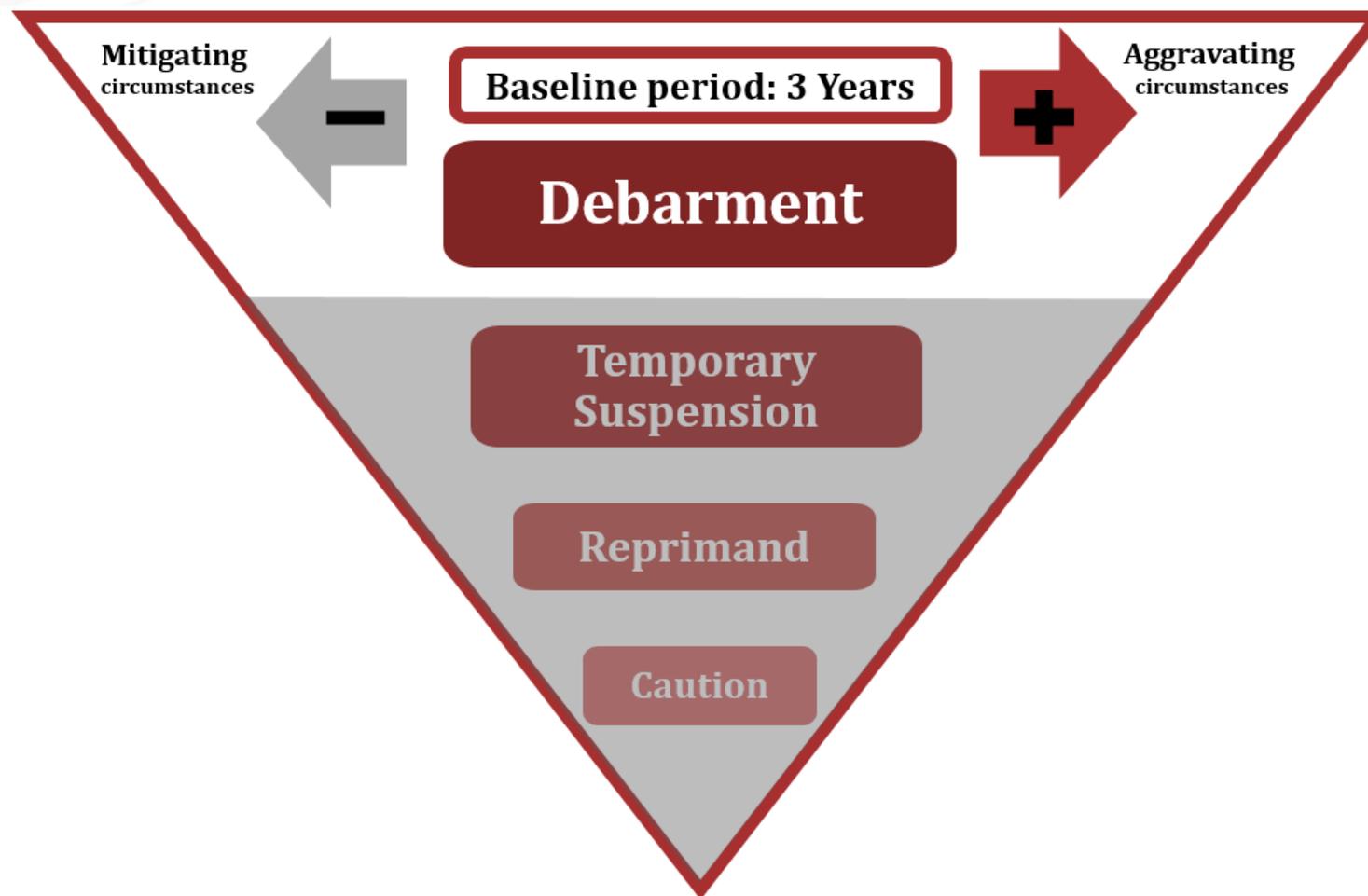
5 APRIL 2022

ADB cross debars firm and controlled affiliates sanctioned by the African Development Bank

ADB cross debarred Weihai Construction Group Co. Ltd. and its controlled affiliates after they were debarred by the African Development Bank for fraudulent practices. Weihai Construction Group Co. Ltd. and its controlled affiliates are not eligible to participate in ADB-related activities while cross debarred. View updated sanctions list.

Multilateral Development Bank	Number of PRC entities referred for cross debarment as on 14 Aug 2023
African Development Bank	59
European Bank for Reconstruction and Development	0
Inter-American Development Bank	0
World Bank Group	62
Total	121

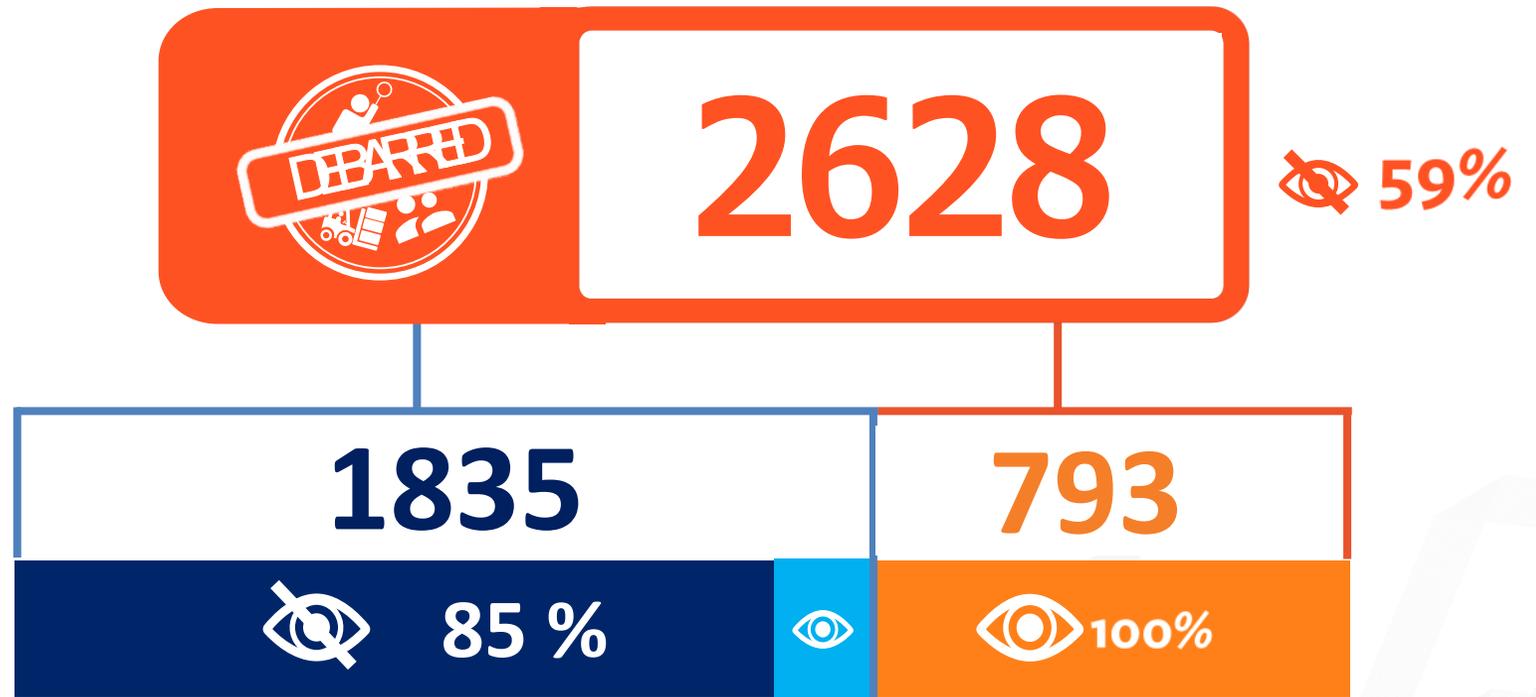
Remedial Actions



Consequences of a Debarment

To publish or not to publish:

1. ADB debarments are generally not published.
2. Cross debarments are always published.



Searches

Search:

GO

TIP: Use the * for better search results. Type *example* to list all entities containing the text 'example' anywhere in the line.

Anticorruption and Integrity

Home

Sanctions List

Published List

Complete List

ADB Internal Use

Sanctions checks

Resources

ADB Anticorruption Homepage

Anticorruption FAQs

ADB Sanctions FAQs

Procurement Guidelines

Consultant Guidelines

Integrity Principles and Guidelines

Other Sanctions Lists

EBRD Sanctions List

AfDB Sanctions List

IADB Sanctions List

World Bank Sanctions List

Cross Debarment Website

250 documents for query "China"

Page: 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9

Name	Address	Sanction Type	Other Name/Logo	Effect Date Lapse Date	Grounds
China National Heavy Machinery Corporation (CHMC)	No. Jia 23, Fuxing Road, Gongzhufen Beijing 100036, China 北京市海淀区复兴路甲23号	Accepted Proposed Sanction	中国重型机械有限公司	26/May/2022 26/May/2025	Sanction violation.
Hongsheng Jianye Investment Group Co., Ltd. (also known as Hongsheng Construction Investment Group Co. Ltd.) (formerly known as Jiangxi Hongsheng Construction Group Co., Ltd.)	Lane Building 5, Building B, Jiang Field Road, Zhabei District, Shanghai 1228, PEOPLE'S REPUBLIC OF CHINA Building B, Building 5, Lane 1228, Jiangchang Road, Jing'an District, Shanghai City 200000 PEOPLE'S REPUBLIC OF CHINA Unit 109, 1st Floor, Songshan Resettlement Community Building, Zhanqian No. 2 Road Xinzhou District, Shangrao City, Jiangxi Province, PEOPLE'S REPUBLIC OF CHINA 4th Floor, Jinhao Plaza, Guangfeng County, Jiangxi Province, PEOPLE'S REPUBLIC OF CHINA	Debarred	宏盛建业投资集团有限公司 also known as 宏盛建业投资集团有限公司 formerly known as 江西宏盛建业投资集团有限公司	27/Jul/2021 27/Jan/2026	Sanction violation.
Jie, Jiangang	7/F Greenwood International Building, 1266 Fenghe Middle Avenue, Nanchang City, Jiangxi, 33003383, CHINA 2/F, No.1496, Fenghe Middle Road, Honggutan New District, Nanchang, Jiangxi, 330038, China	Debarred	揭建刚先生 江西省南昌市丰和大道1266号翠林国际大厦7楼 33003383	30/Mar/2021 30/Mar/2025	Violated ADB's Integrity Principles and Guidelines 2.A(ii)
Feng He Ying Zao Group Co., Ltd.	7/F Greenwood International Building, 1266 Fenghe Middle Avenue, Nanchang City, Jiangxi, 33003383, CHINA 2/F, No.1496, Fenghe Middle Road, Honggutan New District, Nanchang, Jiangxi, 330038 China	Debarred	江西省丰和营造集团有限公司	30/Mar/2021 30/Mar/2025	Violated ADB's Integrity Principles and Guidelines 2A(ii).

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



Lessons from Investigations



Almost all (95%) of PRC entities that are debarred by ADB are a result of misrepresentations in bid submission.

This has typically occurred because the preparation of the bid is:

- outsourced to agents (external parties) who are not adequately supervised; or
- completed by junior employees who are under pressure to make sure the bid is completed, even if it contains wrong information; or
- compiled by employees who do not appreciate the consequences of including false information.

Prevention:

- Proper training of staff on how to complete bids; and
- Quality review and assurance before a bid is submitted; and
- **Effective internal controls.**

Recap



Discussion

Open Floor



End of Day 1

