



**Asia Pacific Anticorruption and Integrity Forum
29th to 31st of August 2023**

ADB Vice President Finance and Risk Management

Opening Remarks and Keynote Speech

Welcome

Your Excellency Dongwei Wang;

Distinguished representatives from

- (i) the Ministry of Finance;
- (ii) the State-owned Assets Supervision and Administration Commission of the State Council;
- (iii) Asian Infrastructure Investment Bank;
- (iv) China International Contractors Association; and
- (v) Xiamen National Accounting Institute.

Distinguished guests from the PRC business community;

Dear colleagues, ladies and gentlemen, good morning

It gives me great pleasure to welcome you today to the Asia-Pacific Anticorruption and Integrity Forum.

The global community sees corruption as a serious threat to economic development, and rightly so. The World Economic Forum estimates that “[c]orruption, bribery, theft and tax evasion, and other illicit financial flows cost *developing countries* \$1.26 trillion per year”. Moreover, as highlighted by the International Monetary Fund, the cost of corruption is greater than the sum of lost money. I quote: “*Distortions in spending priorities undermine the ability of the state to promote sustainable and inclusive growth. They drain public resources away from education, health care, and effective infrastructure - the kinds of investments that can improve economic performance and raise living standards for all.*”

We truly appreciate this significant opportunity to highlight the importance of upholding the highest ethical standards as ADB, PRC and its contracting industry collaborate on ADB-financed projects in the region. This assures me that we are united in our belief that transparency, integrity, and honesty are foundations of sustainable relationships.

In the next ten minutes, let me reflect on the strong bond between ADB and the PRC’s community of contractors and consultants, as

well as on the opportunities for strengthening this bond in the future.

ADB and PRC

ADB has a long-standing relationship with the PRC - over 27 years.

To date, ADB has committed nearly 1,200 public sector loans, grants, and technical assistance totaling nearly \$43 billion to the PRC. ADB's ongoing sovereign portfolio in the PRC includes 81 loans worth over \$12.3 billion.

PRC consultants, contractors, and suppliers of goods are actively participating in bidding and implementing ADB-financed projects. For example, in 2022 alone, they provided goods and works in the aggregate amount of over \$2 billion in all sectors of ADB operations, representing about 26% of the total loan amounts spent for procurement.

ADB enforcement actions involving PRC entities

As in many other countries, there are some entities that struggle to comply with ADB's integrity requirements during tendering and

contract implementation. These instances may be caused by the lack of familiarity with our ethical standards, and/or our integrity risk management practices.

This is something entities can easily prevent through adoption of effective internal controls, including good compliance training and fostering an ethical corporate culture.

As part of this three-day forum, my colleagues from the Office of Anticorruption and Integrity will explain the requirements under ADB's Anticorruption policy and highlight strategies that will stop the bad practices.

Integrity in procurement, financial and asset management, and safeguards

The agenda for the ACI Forum also recognizes the close correlation between ADB's Anticorruption Policy and other ADB standards - specifically those in relation to public procurement, financial and asset management, and environmental and social safeguards. At a high level, they share the following key principles in upholding integrity in ADB-financed projects:

- Principle Number 1 is **transparency** – this includes proper documentation of key decisions, public disclosure of project information, and protection of confidential information;
- Principle Number 2 is **fairness** - we have objective and reliable bidding processes and requirements optimizing competition, impartial evaluation, and a credible complaints mechanism; and
- The last principle is **accountability and control** - they include accurate and timely project accounting and reporting, eligibility of expenditures and timely payments, adherence to contract provisions, and adequate project oversight and management.

My ADB colleagues will elaborate on these over the following days, including through case studies highlighting risks and strategies to avoid or reduce these risks.

For now, let me briefly accentuate how ADB seeks to uphold integrity in these different fields:

Firstly, in public procurement - from bid preparation until completion of the contract - all bidders need to comply with the requirements

set forth in ADB's Procurement Policy and Regulations, and ADB's Anticorruption Policy. Bidding documents under ADB-financed projects require bidders to observe the highest standard of ethics and prohibit bidders from engaging in clearly defined practices such as fraud, corruption, collusion, and abuse. A failure to comply with these standards can have a significant adverse impact on the project and may lead to bidders being debarred from any further participation in multilateral development bank (MDB) funded projects.

Secondly, integrity in financial and asset management is critical for successful participation in ADB-financed project. Under its policies, ADB has the right to audit books and records in relation to the project on which a consultant or contractor is engaged. ADB expects its contractors and consultants to account for expenditures on the project transparently and accurately. Failure to do so may not only lead to denied or delayed payments. It could also give rise to administrative enforcement actions such as a debarment if there is evidence of fraud or corruption, committed knowingly or recklessly.

Thirdly, one of the cornerstones of ADB's commitment to sustainable development is through our environmental and social

safeguards. Our Safeguard Policy Statement from 2009 sets important requirements for avoiding and mitigating impacts to people and the environment. Implementing these requirements with integrity is critical to the success of a project; and contractors are at the forefront of ensuring implementation. This includes:

1. ensuring you have the resources and expertise in your bids and on the ground;
2. ensuring workers and sub-contractors understand the safeguards requirements; including their own rights and obligations for maintaining health and safety and protecting local communities;
3. ensuring safeguard management plans are fully implemented and that any incidents are documented and addressed; and
4. not proceeding with on-site works in any area where safeguards are not in place.

Our experience is that these areas all require increased attention. And where this is not in place, we frequently see implementation delays, complaints from local communities, and cost overruns. ADB is therefore keen to work closely with the project executing agencies and contractors to strengthen safeguard capacity. We are currently developing a new policy, which we

expect to be approved by ADB's Board in 2024. This will be accompanied by extensive guidance and training.

So, we welcome hearing from you on any challenges you face and where additional safeguard guidance is needed.

Closing

Let me conclude by saying that ADB maintains a policy of “zero tolerance” towards corruption. In addition to safeguarding public funds, this serves ADB's development objectives of: (1) supporting competitive markets and efficient, effective, accountable, and transparent public administration; and (2) supporting anticorruption efforts and improving the quality of dialogue on governance issues.

ADB is committed to taking the necessary measures to ensure that the proceeds of any loan made, guaranteed, or participated in by ADB are used *only for the purposes for which the loan was granted*.

For this, it is important that all interested bidders ensure that all their personnel are familiar with these requirements and comply with them during bidding stage and throughout contract execution.

To do so, establishing effective internal integrity-related controls and ethical corporate culture at your company is paramount.

ADB enjoys a strong partnership with PRC agencies and PRC contracting entities and institutions. We hope that you will accompany us on the journey to fight corruption and manage integrity risks so that we can jointly contribute to our shared vision of a prosperous, inclusive, resilient, and sustainable Asia and the Pacific.

I wish you all a very successful dialogue over the next 3 days and I hope you will take away key learnings that will assist you in your governance, risk, and compliance practices to achieve sound risk management in your business operations and help our joint fight against corruption and other integrity violations.

Xie Xie (thank you)