



OFFICE OF ANTICORRUPTION AND INTEGRITY

ANTICORRUPTION SEMINAR FOR CIVIL SOCIETY ORGANIZATIONS

iACT to fight corruption!

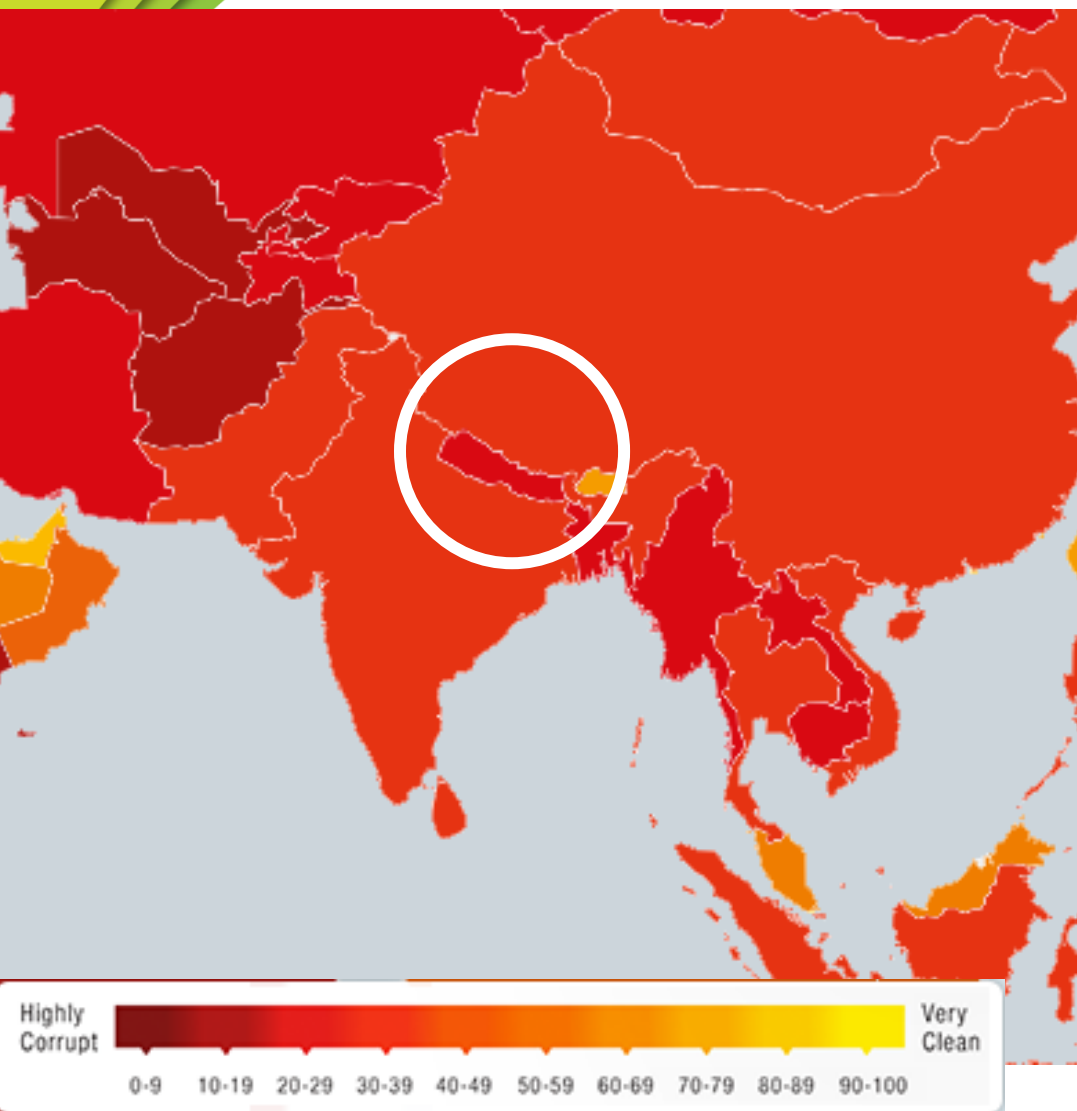
Main Objectives

- ❖ **Increase understanding and compliance** with ADB's Anticorruption Policy
- ❖ **Raise awareness** of potential irregularities in procurement and contract implementation
- ❖ **Engage** in the fight against corruption

Presentation Structure

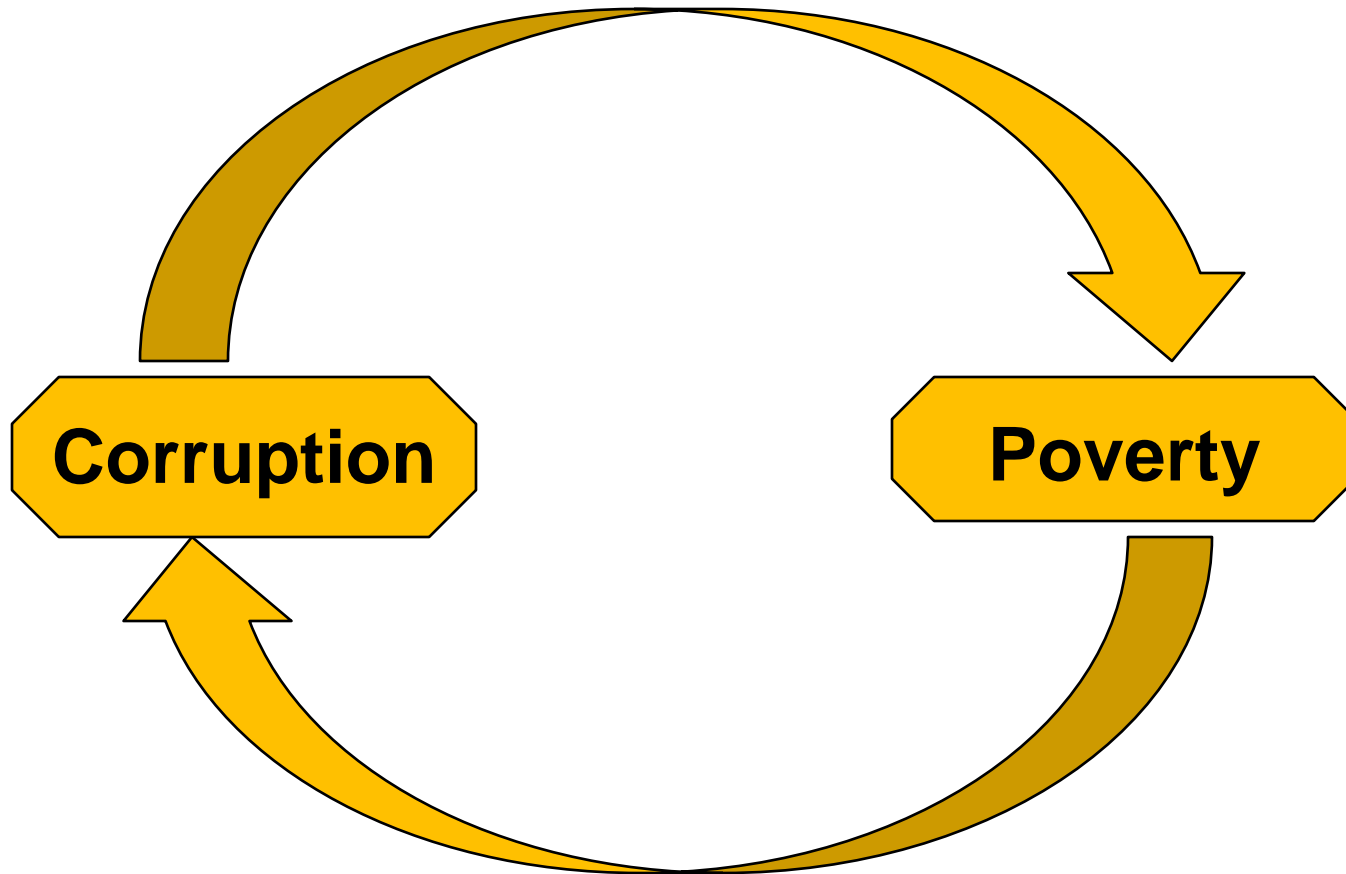
- 1. Why are we here?
- 2. What is fraud and corruption?
- 3. Where is there fraud and corruption?
- 4. How can you ACT?

Transparency International Corruption Perceptions Index 2015 and ADB Poverty Ratings



<u>Country</u>	<u>CPI Rank</u>	<u>Population below Poverty Line</u>
Denmark	1	
United Kingdom	10	
United States	16	
India	76	21.9%
Thailand	76	10.9%
PR China	83	7.2%
Pakistan	117	12.4%
Nepal	130	25.2%
Lao	139	23.2%
Bangladesh	139	31.5%
Myanmar	147	25.6%
Uzbekistan	153	13.7%
Turkmenistan	154	
Afghanistan	166	39.1%

Vicious Circle



Bribery Hurts Development

**% of population
who paid a bribe in
the past year****

■ less than 30%
■ 30% - 60%
■ more than 60%

GOAL: END POVERTY

PEOPLE LIVING IN POVERTY



Percentage of the population
living below US\$1 a day (PPP)
(2009/2010)

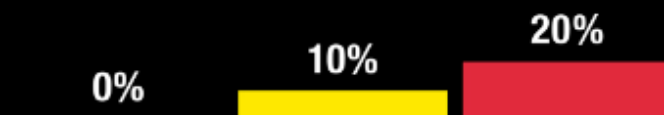


GOAL: GENDER EQUALITY

GIRLS MISSING OUT ON EDUCATION



Percentage of girls missing secondary
education, as compared to boys



GOAL: MATERNAL HEALTH

WOMEN DYING IN CHILD BIRTH



Average maternal mortality rate per
100,000 live births in 2010

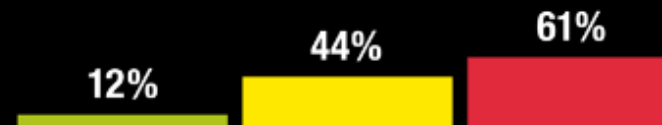


GOAL: ENVIRONMENT, WATER AND SANITATION

PEOPLE WITHOUT ACCESS TO TOILETS



Percentage of the population using
an improved sanitation facility (2011)

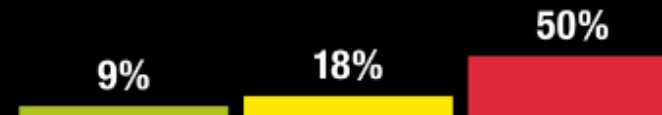


GOAL: EDUCATION

CHILDREN NOT FINISHING SCHOOL



Percentage of pupils starting grade 1 who
do not reach last grade of primary school
(2010/2011)



GOAL: CHILD HEALTH

CHILDREN NOT LIVING PAST FIVE



Number of children not living
past five years of age per 1,000
live births



Why are we here?

Summary

- ❖ Fraud and corruption result in incomplete, sub-standard, or undelivered project outputs
- ❖ Corruption is linked to failure of public service delivery, and human underdevelopment



1. Why are we here?

2. What is fraud and corruption?

Asian Development Bank



Vision

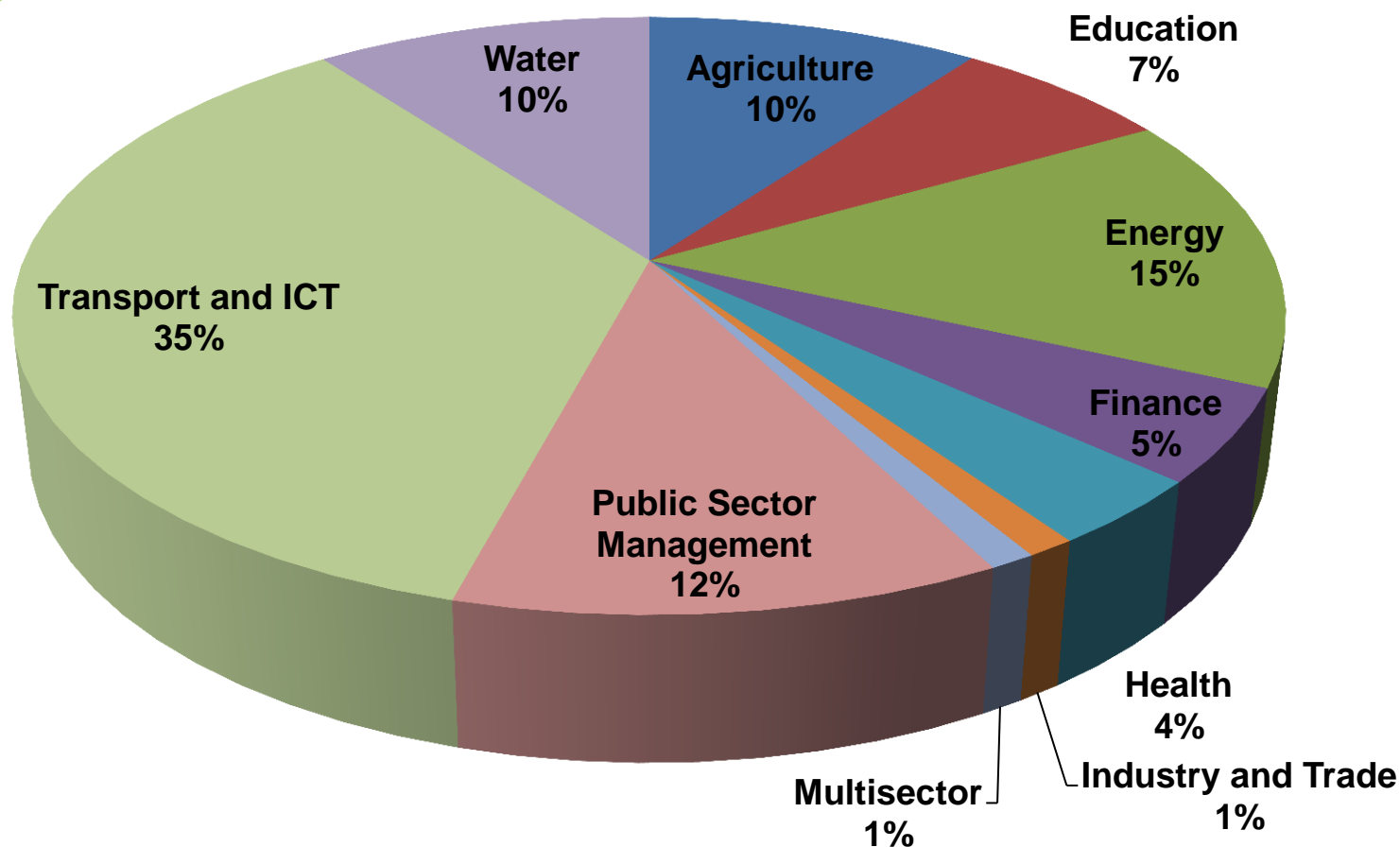
**An Asia and Pacific region
free of poverty.**



Mission

**To help its developing member
countries reduce poverty and
improve the quality of life of
their people.**

ADB Sovereign Lending and Grants Financing (1968-2016)



> \$220 billion
iACT to fight corruption!

ADB's Anticorruption Policy

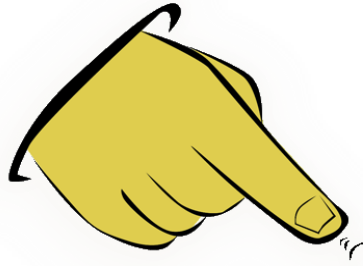


Applies to executing and implementing agencies, contractors, consultants, suppliers, ADB staff, and **anyone connected to an ADB-financed, -administered or –supported activity.**

ADB's Anticorruption Policy

- ❖ Procurement Guidelines (Para 1.14)
- ❖ Guidelines on Use of Consultants (Para 1.23)
- ❖ Loan and Grant Agreements
- ❖ Standard Bidding Documents (Section 1, Clause 3, 4)
- ❖ Contracts
- ❖ Prequalification Documents
- ❖ Project Administration Instructions
- ❖ Request for Proposals

OAI's Role and Responsibilities



Initial contact for
allegations of integrity
violations



Undertake Project
Procurement-Related
Review (PPRRs)

Investigate
allegations of fraud
and corruption



Promote
awareness of
Anticorruption
Policy

Integrity Due
Diligence



Integrity Violations

Misconduct

Corruption



Fraud



*Conflict
of Interest*

Coercion



Collusion



*Obstructive
Practice*

Abuse

MDB harmonized definitions

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Corruption



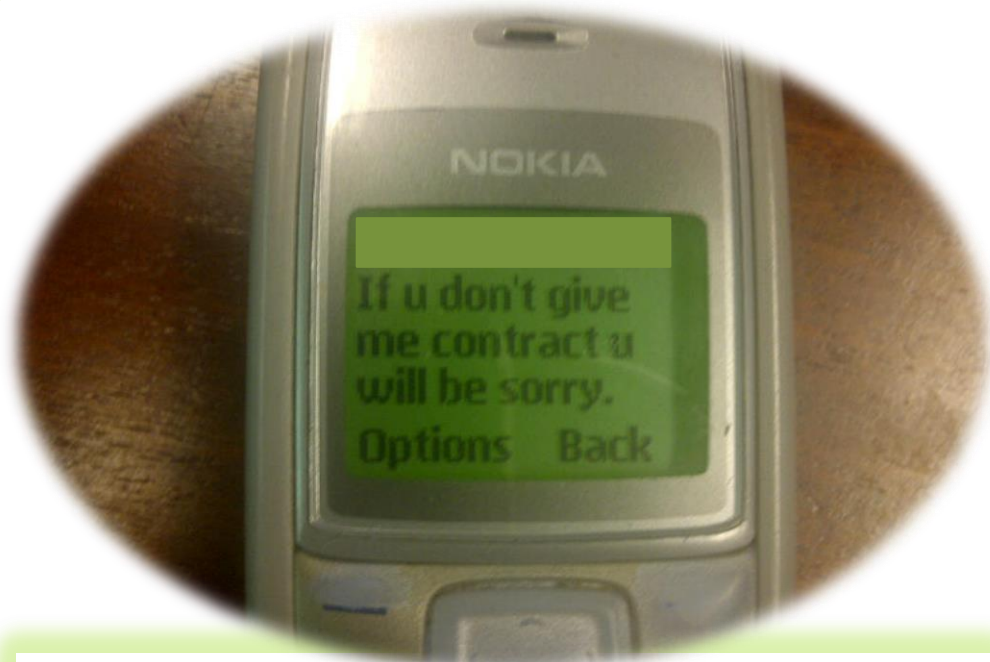
- ❖ **Bribery**
- ❖ **Kickbacks**

Fraud



- ❖ **False claims**
- ❖ **Forged records**
- ❖ **Misrepresentation**
- ❖ **Failure to disclose information**

Coercion



- ❖ **Blackmail**
- ❖ **Extortion**
- ❖ **Threat**
- ❖ **Torture**

“If u don’t give me contract u will be sorry.”

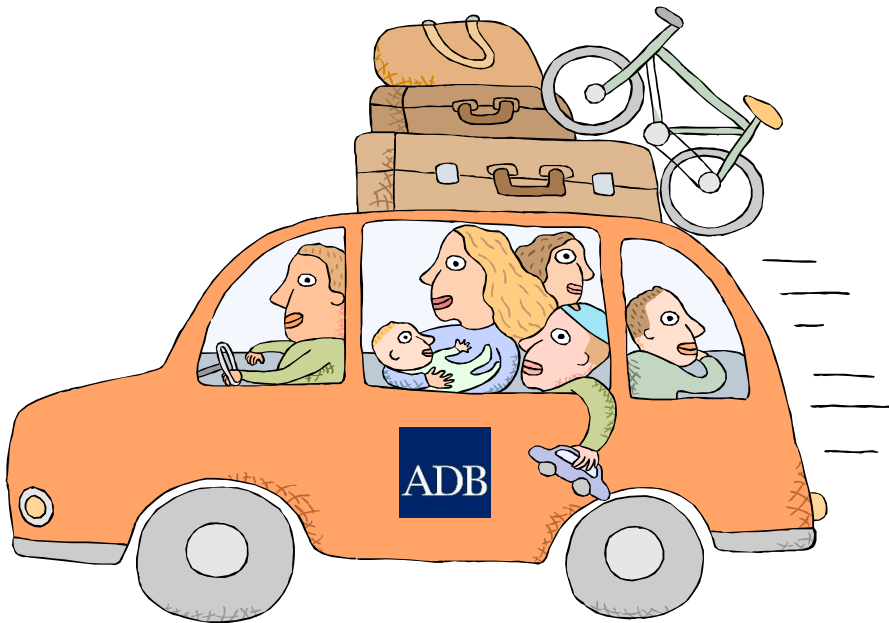
Collusion



- ❖ **Pre-negotiation of award**
- ❖ **Bid rotation**
- ❖ **Bid rigging**
- ❖ **Leaking of bid information and technical specifications**

Abuse

- ❖ Theft of equipment and supplies purchased for an ADB-related activity
- ❖ Improper or personal use of ADB-purchased equipment and supplies



Conflict of Interest



- ❖ **Family interests or nepotism**
- ❖ **Related bidding companies**
- ❖ **Consultant drafted his/her own TOR**

Obstructive Practice



- ❖ **Lying to ADB investigators**
- ❖ **Destroying, concealing, or withholding evidence**

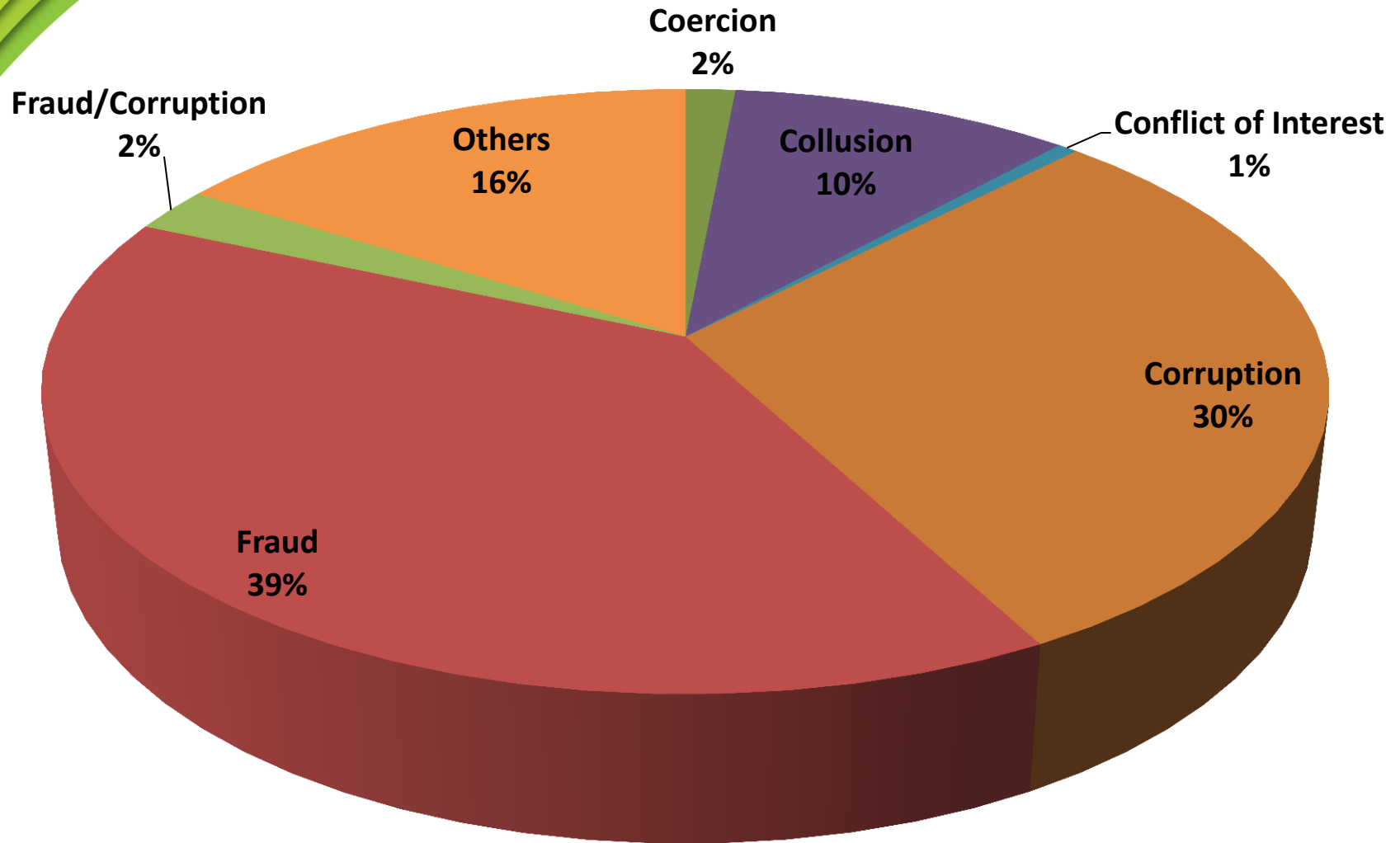
Allegations of Integrity Violations

Overall Complaints (1998-2016)	3324
Overall Investigations (1998-2016)	1616

Allegations of Integrity Violations

	Overall
Sanctioned Firms	1261
Sanctioned Individuals	787

Complaints of Integrity Violations in ADB-financed Projects (1998-2016)



Remedial Actions against Proven Integrity Violations



**Temporary
Suspension**

❖ **Indefinite
Debarment**

Reprimand

❖ **Debarment with
Conditional
Reinstatement**

Caution

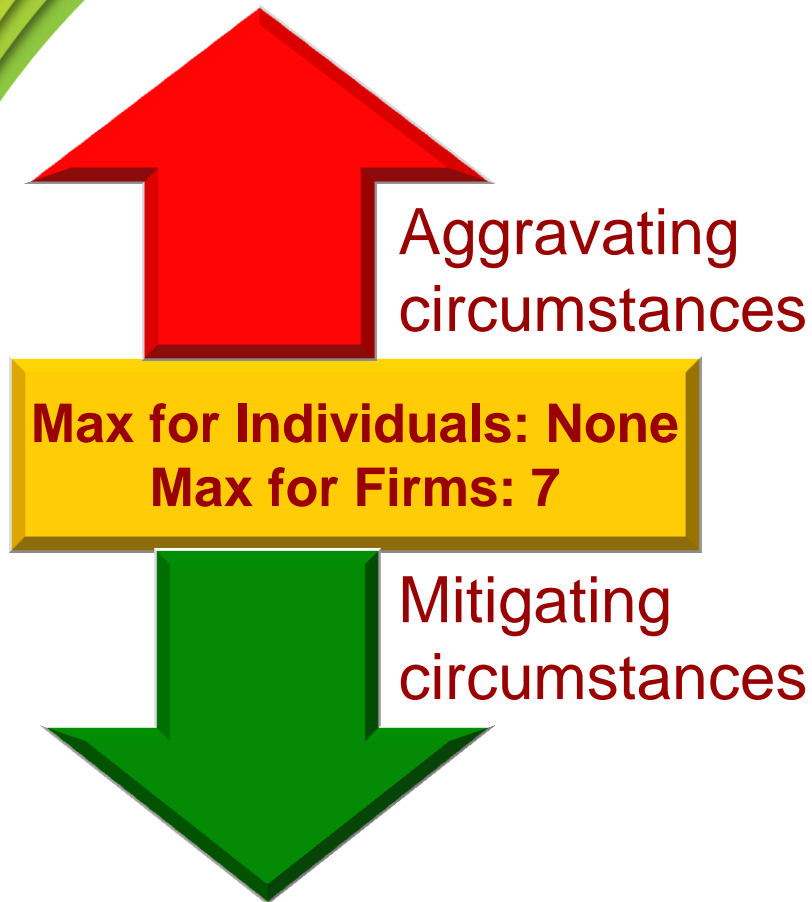
**Restitution/
Remedy**

❖ **Conditional
Non-Debarment**

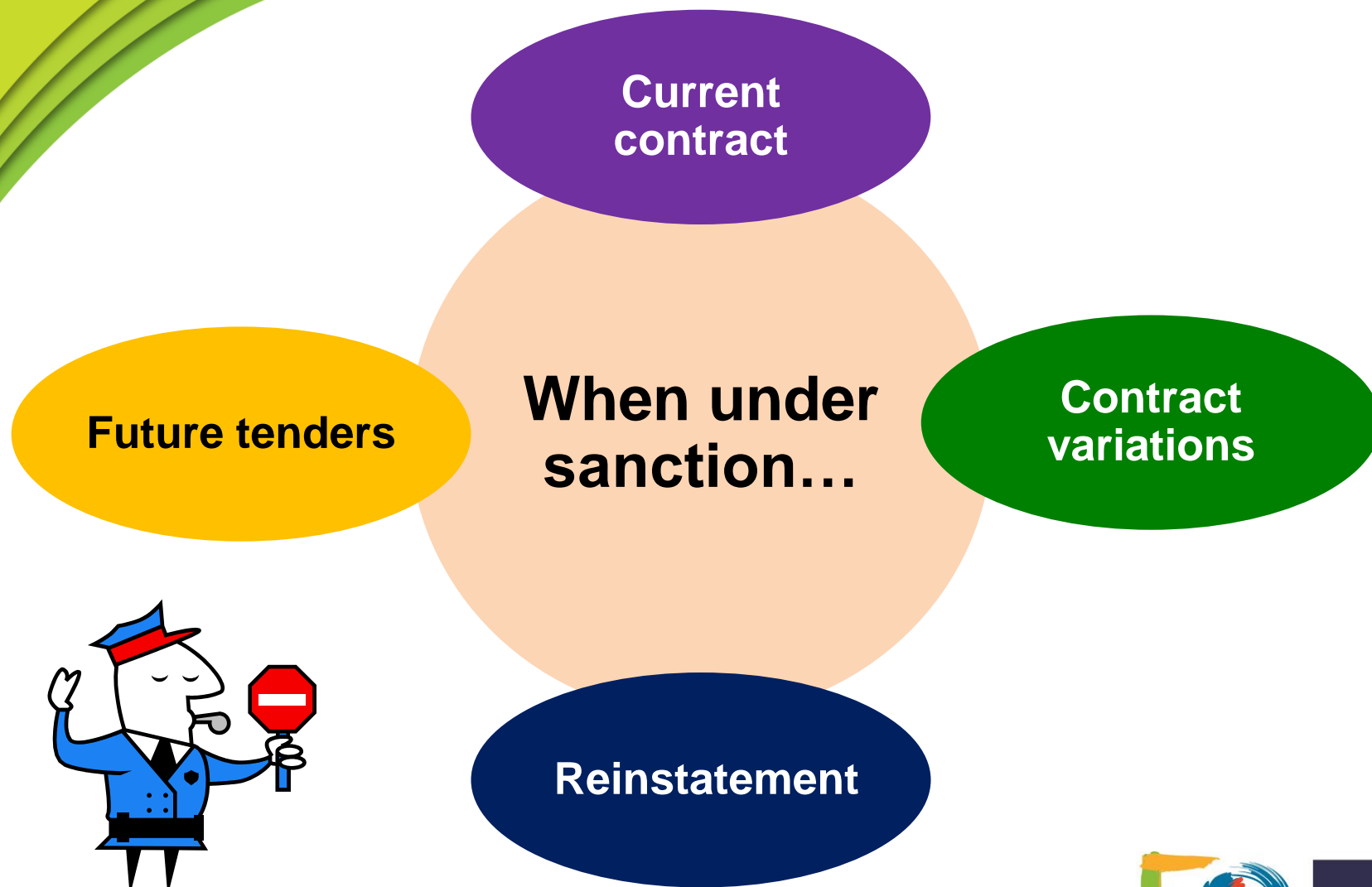
Debarment

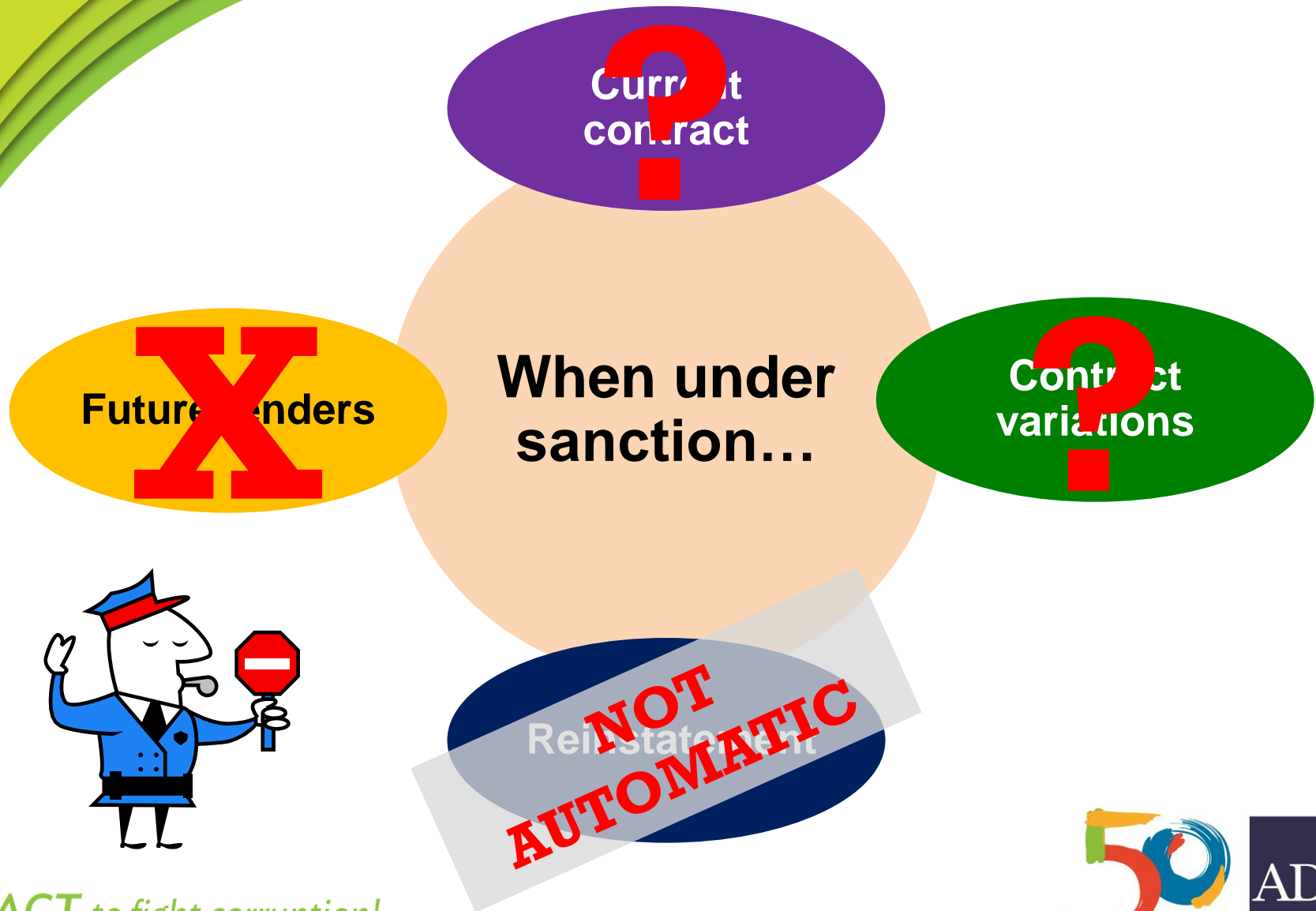


Remedial Actions against Proven Integrity Violations



- ❖ Harm caused, project/matter in questions, or ADB's interests
- ❖ Sophistication of the integrity violation
- ❖ Level of oversight and involvement
- ❖ Significance of the role played
- ❖ If the integrity violation continues or is ceased upon knowledge of the investigation
- ❖ Degree of cooperation during investigation
- ❖ Previously or currently sanctioned
- ❖ Others





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
- ❖ Reimburse ADB for misused loan and grant proceeds
- ❖ Changes in administrative arrangements
- ❖ Request to investigate or change government staff

ANTICORRUPTION AND INTEGRITY

[Main](#)

[Overview](#)

[Report Fraud or Corruption](#)

[Advisories](#)

[Integrity Due Diligence](#)

[Investigations](#)

[Sanctions](#)

[Project Procurement-Related](#)

[Reviews](#)

[Activities](#)

[News](#)

[Articles](#)

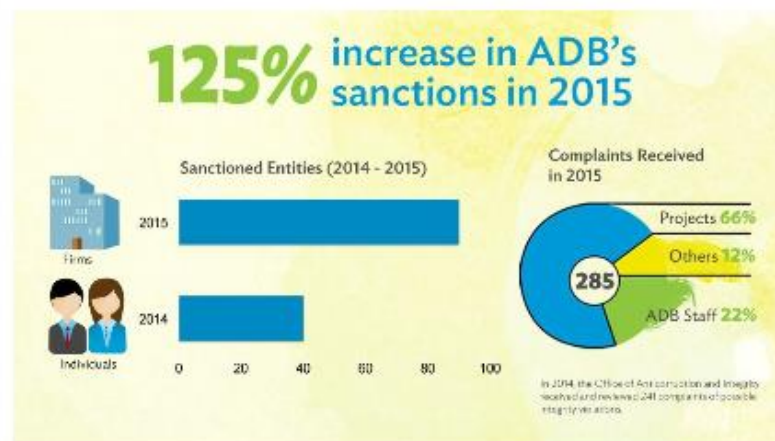
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Anticorruption and Integrity

In the Spotlight



ADB Sanctioned 90 Entities For Violations in 2015 - OAI

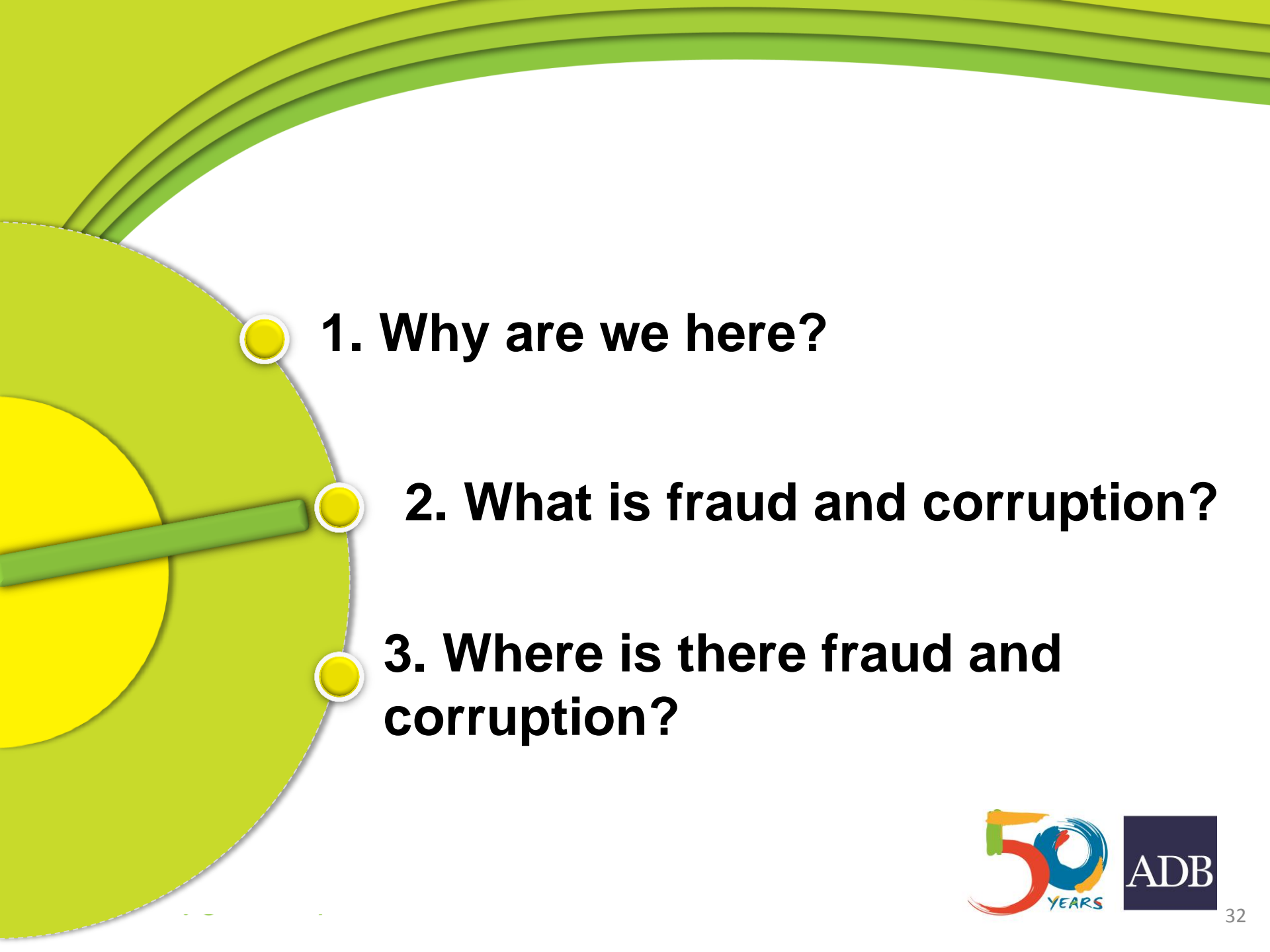
ADB's Office of Anticorruption and Integrity sanctioned 90 companies and individuals for integrity violations in 2015, more than double the 40 sanctioned the previous year, reflecting expanded efforts to report corrupt activities.



What is fraud and corruption?

Summary

- ❖ ADB's Anticorruption Policy
- ❖ Role and responsibilities of OAI
- ❖ Integrity Violations and their consequences
- ❖ Complaints, investigations, and sanctions
- ❖ Accessing ADB's Sanctions List

- 
- 1. Why are we here?**
 - 2. What is fraud and corruption?**
 - 3. Where is there fraud and corruption?**

Identification of Projects



**Project
Preparation
and
Processing**

The Project Cycle

Loan Approval



**Project
Implementation**



**Supervision,
Monitoring &
Reporting**

**Completion and
Evaluation**

Procurement and Implementation

1. **Procurement Plan** prepared by the EA/IA
2. **Bidding Documents** prepared by the EA/IA
3. **Bids/Proposals** submitted by contractors/suppliers/consultants
4. **Bid Evaluation** conducted by the EA/IA
5. **Contract negotiation, execution, and supervision**

2. Bidding Documents (red flags)

Section 3. Eligibility and Qualification Criteria *set by EA/IA*

- ❖ Construction Experience
- ❖ Financial Situation

Section 6. Employer's Requirements *set by EA/IA*

- ❖ Specifications - *proprietary*
- ❖ Drawings - *proprietary*
- ❖ Personnel and Equipment requirements
- ❖ Restrictive local service requirements

2. Bidding Documents prepared by EA

Integrity Violations

- ❖ Corrupt Practice (bribe, kickback)
- ❖ Collusive Practice (arrangement between EA and bidder/s, between bidders)
- ❖ Conflict of Interest (between EA and bidder/s, between bidders)

3. Bids/Proposals from Bidders (red flags)

Section 2. Eligibility and Qualification Criteria

2. Qualification

2.1 Eligibility

2.2 Pending Litigation (against financial statements)

2.3 Financial Situation

2.4 Construction Experience (“difficult to verify” locations)

4. Contract Implementation

- ❖ Delay in contract implementation
- ❖ Lack of transparency
- ❖ Inflation of contract cost
- ❖ Substandard equipment and services
- ❖ Acceptance of defective works and services
- ❖ Poor supervision and monitoring
- ❖ Unqualified personnel
- ❖ Unexperienced contractor

5. Financial Management

- ❖ Poor record keeping of financial documents
- ❖ Lack of required contract documents (contractor's performance security)
- ❖ Poor management of project accounts
- ❖ Delays in payments to contractors and consultants
- ❖ Insufficient verification of invoices
- ❖ Weak project financial system
- ❖ Systemic falsification of receipts



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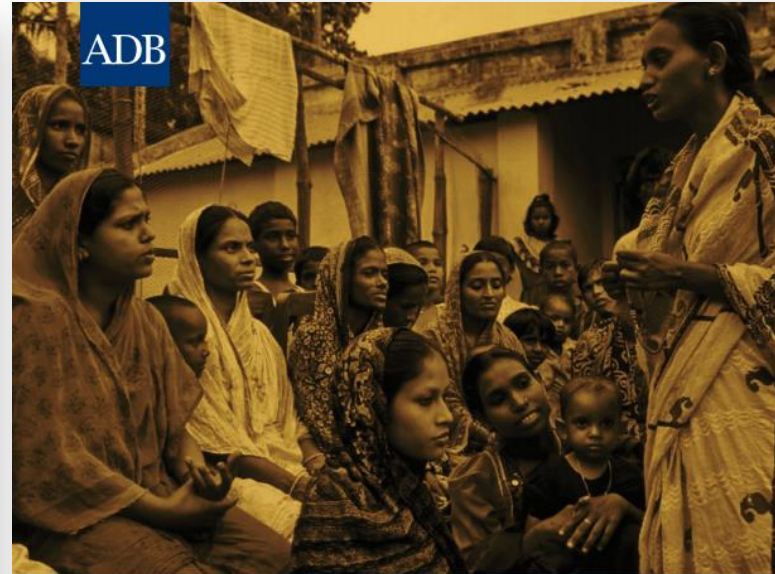
ADB-NGO Cooperation

OUR FRAMEWORK Policies and Strategies



Cooperation Between **ASIAN DEVELOPMENT BANK** and **NONGOVERNMENT ORGANIZATIONS**

Asian Development Bank



STRENGTHENING PARTICIPATION FOR DEVELOPMENT RESULTS

An Asian Development Bank Guide to Participation

Asian Development Bank

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What is the role of civil society organizations?

STRATEGY 2020 MIDTERM REVIEW: KEY ACCOMPLISHMENTS UNDER STRATEGY 2020

ADB

To meet the development challenges of a rapidly-changing Asia-Pacific region, the Asian Development Bank (ADB) is realigning its operations to emphasize inclusiveness, build resilience, and strengthen support for middle-income countries in order to achieve greater results on the ground.



What is Strategy 2020? ○

ADB's Strategy 2020, approved in April 2008, reaffirms both ADB's vision of an Asia and Pacific free of poverty and mission to help its developing member countries improve their living conditions and quality of life.

To achieve this, ADB supports
**three complementary
development agendas**

inclusive
economic
growth

environmentally
sustainable
growth

regional
integration

DRIVERS OF CHANGE

Strategy 2020 includes five drivers of change that are stressed in all ADB operations:



i

Private Sector
Development



i

Good Governance and
Capacity Development



i

Gender Equity



i

Knowledge
Solutions



Partnerships



Midterm Review of Strategy 2020

Meeting the Challenges of a Transforming Asia and Pacific



**ADB's Strategic Priorities for 2014-2020:
Strengthening ADB's Capacity and Effectiveness**

8 Financial resources and partnerships.

Civil society organizations will be more involved in the design and implementation of projects, and in the monitoring of project activities and outputs.



Cooperation in ADB-financed project activities

NGO involvement can contribute to:

- ❖ responsiveness, accountability, and transparency in project processes, and;
- ❖ improved delivery of project goods and services

NGO/CSO contribution to anticorruption

- ❖ Awareness raising on integrity violations
- ❖ Capacity development on recognizing and detecting integrity violations
- ❖ Monitoring and supervision of the project implementation
- ❖ Conducting due diligence
- ❖ Reporting integrity violations to OAI

NO. 52
JANUARY
2016

ADB BRIEFS

KEY POINTS

- The Midterm Review of Strategy 2020 reaffirms the role of civil society participation in ADB's work, as embodied in its strategic priorities. In pursuit of the MTR, 10 of total approved loans & grants in 2014 indicated CSO participation.
- Sectors where CSOs are active are transport, agriculture, natural resources, education, health, and information communication technology. The more difficult sectors CSOs to participate in are finance, industry and trade, energy, and public sector management.

ADB: DEEPENING COOPERATION WITH CIVIL SOCIETY IN 2014



HOW DOES ADB ENGAGE CIVIL SOCIETY ORGANIZATIONS IN ITS OPERATIONS?

FINDINGS OF AN EXPLORATORY INQUIRY IN SOUTH ASIA

ISBN 978-92-9257-318-8 (h)
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ISSN 2071-7202 (Print)
ISSN 2218-2675 (e-ISSN)
Publication Stock No. ABF16

ASIAN DEVELOPMENT BANK

ADB

Accounts of value-added contributions of CSOs to ADB-financed projects, policies, and programs.

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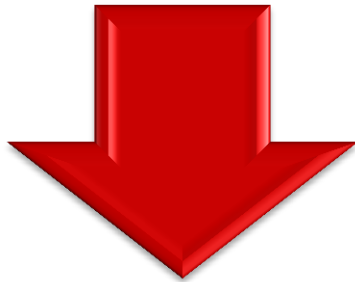


How you should act...

- ❖ **Comply with ADB's Anticorruption Policy**
- ❖ **Report allegations of integrity violations to OAI**



DO: Report in good faith.



DON'T: Report false or misleading information

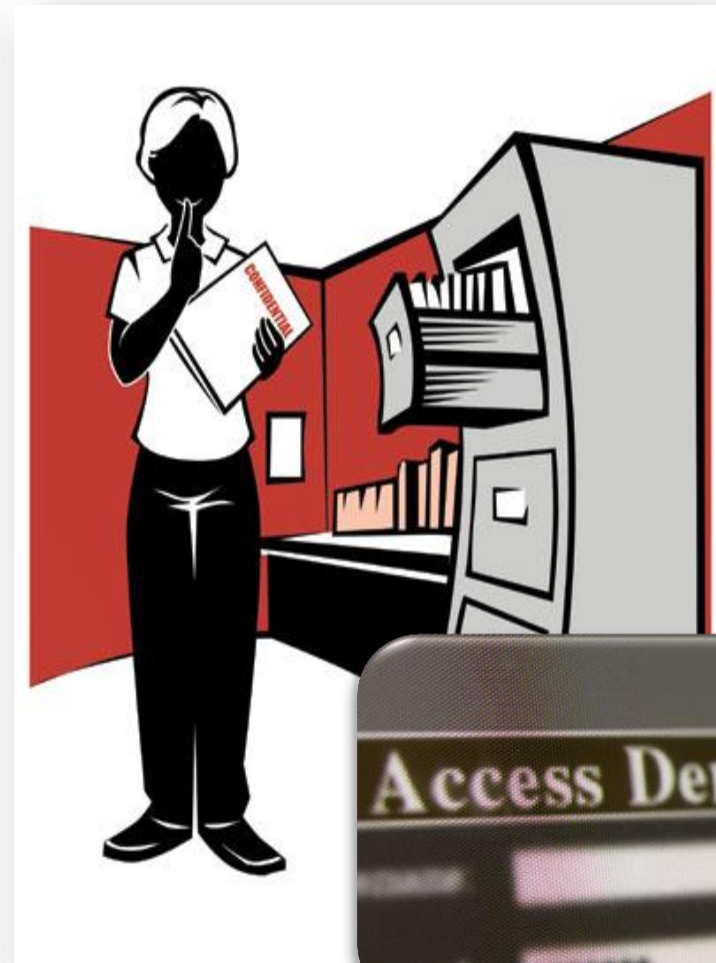
<http://www.adb.org/site/integrity/how-to-report-fraud>

ELEMENTS TO REPORT

- ☒ **WHO?**
- ☒ **WHAT?**
- ☒ **WHEN?**
- ☒ **WHERE?**
- ☒ **WHY?**
- ☒ **HOW?**



Confidentiality



Whistleblower and Witness Protection

- ❖ A complainant or person reporting allegations of fraud and corruption or misconduct is referred to as a whistleblower.
- ❖ OAI will make its best effort to encourage and protect whistleblowers and witnesses



**Help keep the funds
channeled as intended**



Corruption and fraud prevention can...

Strengthen economic development



Contribute to poverty reduction

Increase beneficiaries satisfaction



Decrease implementation delays

Result in improved project effectiveness



Result in improved project efficiency



Save money



Save time



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Summary

- ❖ **Increase understanding and compliance** with ADB's Anticorruption Policy
- ❖ **Raise awareness** of potential irregularities in procurement and contract implementation



If you have any questions,
contact:

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