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OFFICE OF ANTICORRUPTION AND INTEGRITY

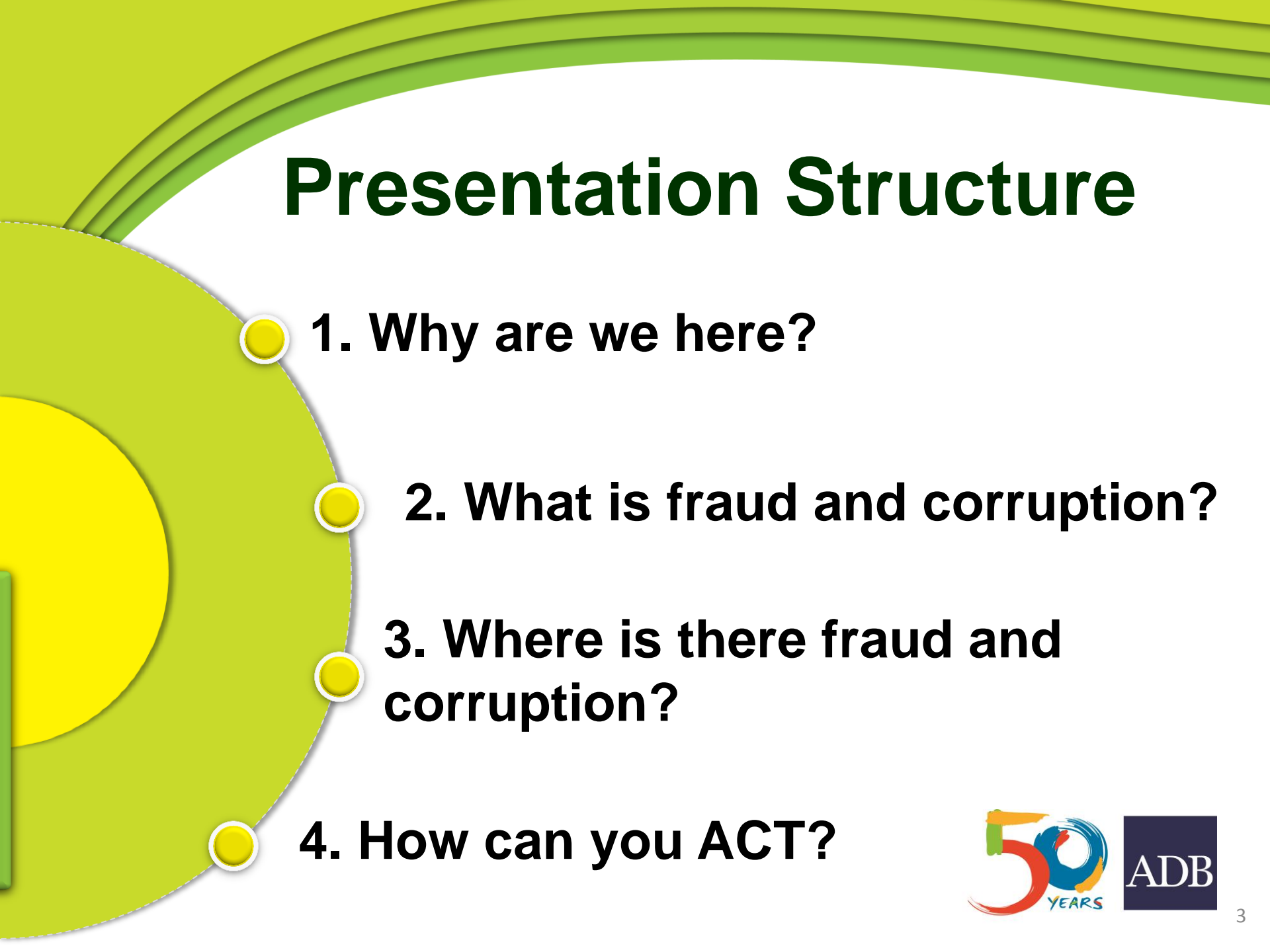
# **ANTICORRUPTION SEMINAR FOR CONSULTANTS, CONTRACTORS, AND SUPPLIERS**

**iACT** to fight corruption!

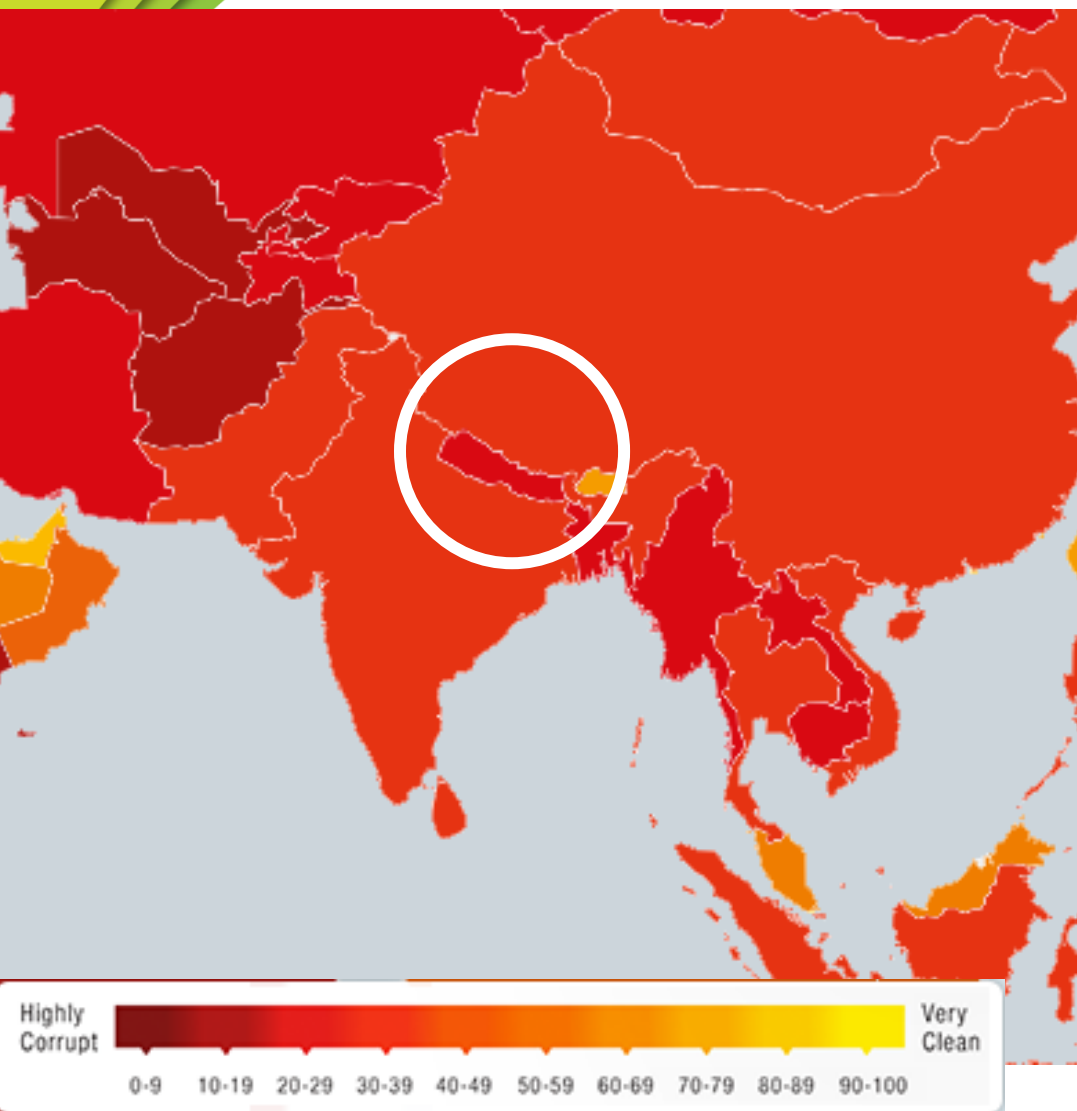
# Main Objectives

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

# Presentation Structure

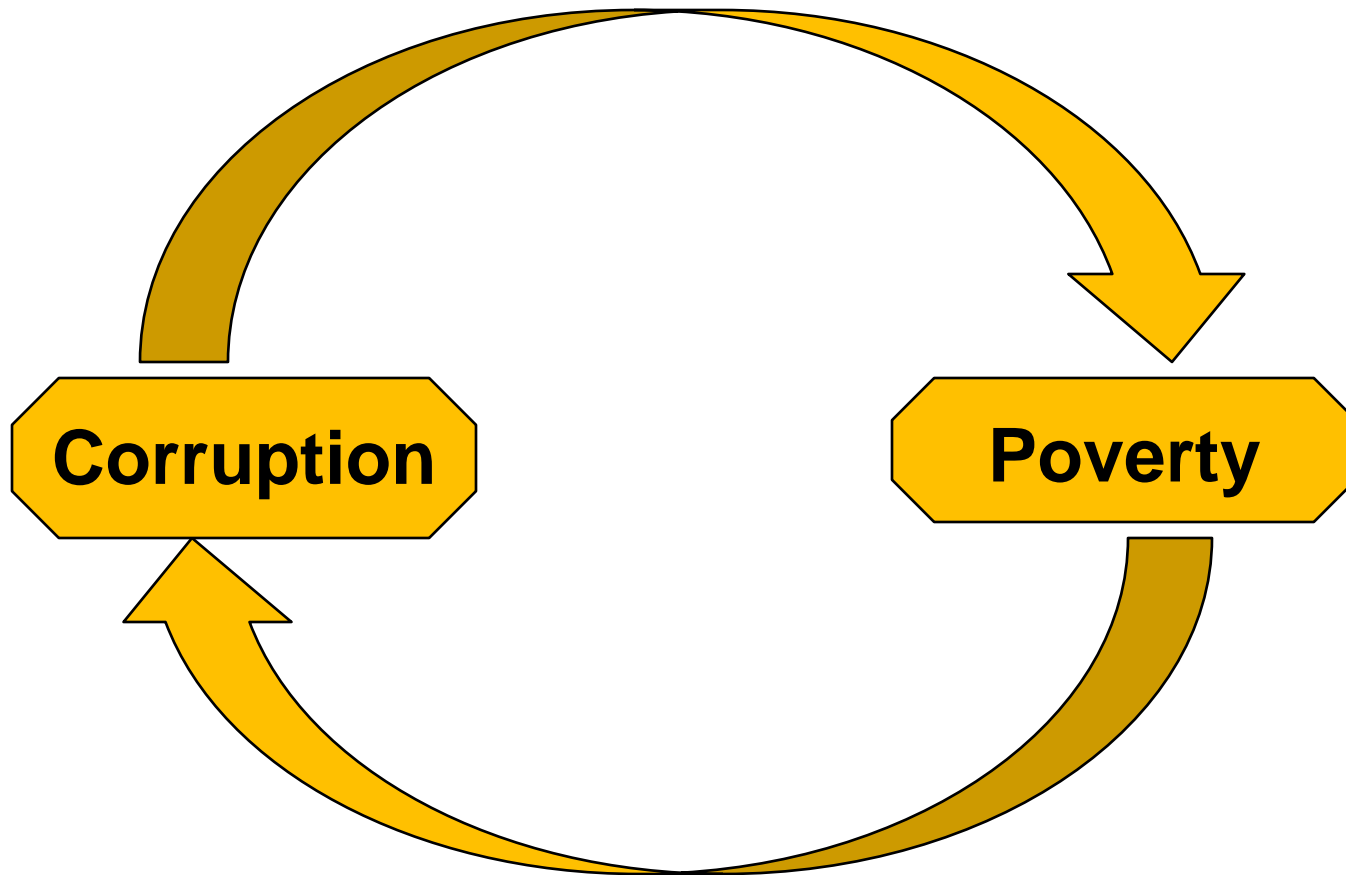
- 
- 1. Why are we here?
  - 2. What is fraud and corruption?
  - 3. Where is there fraud and corruption?
  - 4. How can you ACT?

# 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\*\***

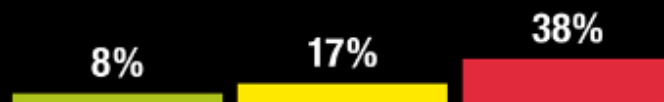
■ less than 30%  
■ 30% - 60%  
■ more than 60%

GOAL: END POVERTY

## PEOPLE LIVING IN POVERTY



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

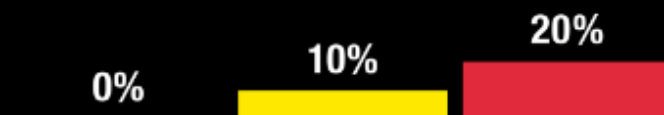


GOAL: GENDER EQUALITY

## 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

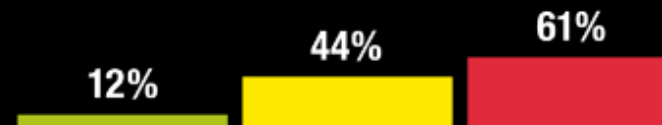


GOAL: ENVIRONMENT, WATER AND SANITATION

## PEOPLE WITHOUT ACCESS TO TOILETS



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

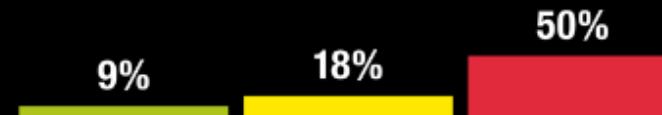


GOAL: EDUCATION

## 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



***Due diligence*** is the process of systematic and comprehensive assessment and verification the accuracy of information.

**Due diligence is the responsibility of each of us**



**Do not assume that someone else is doing it.**



# 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

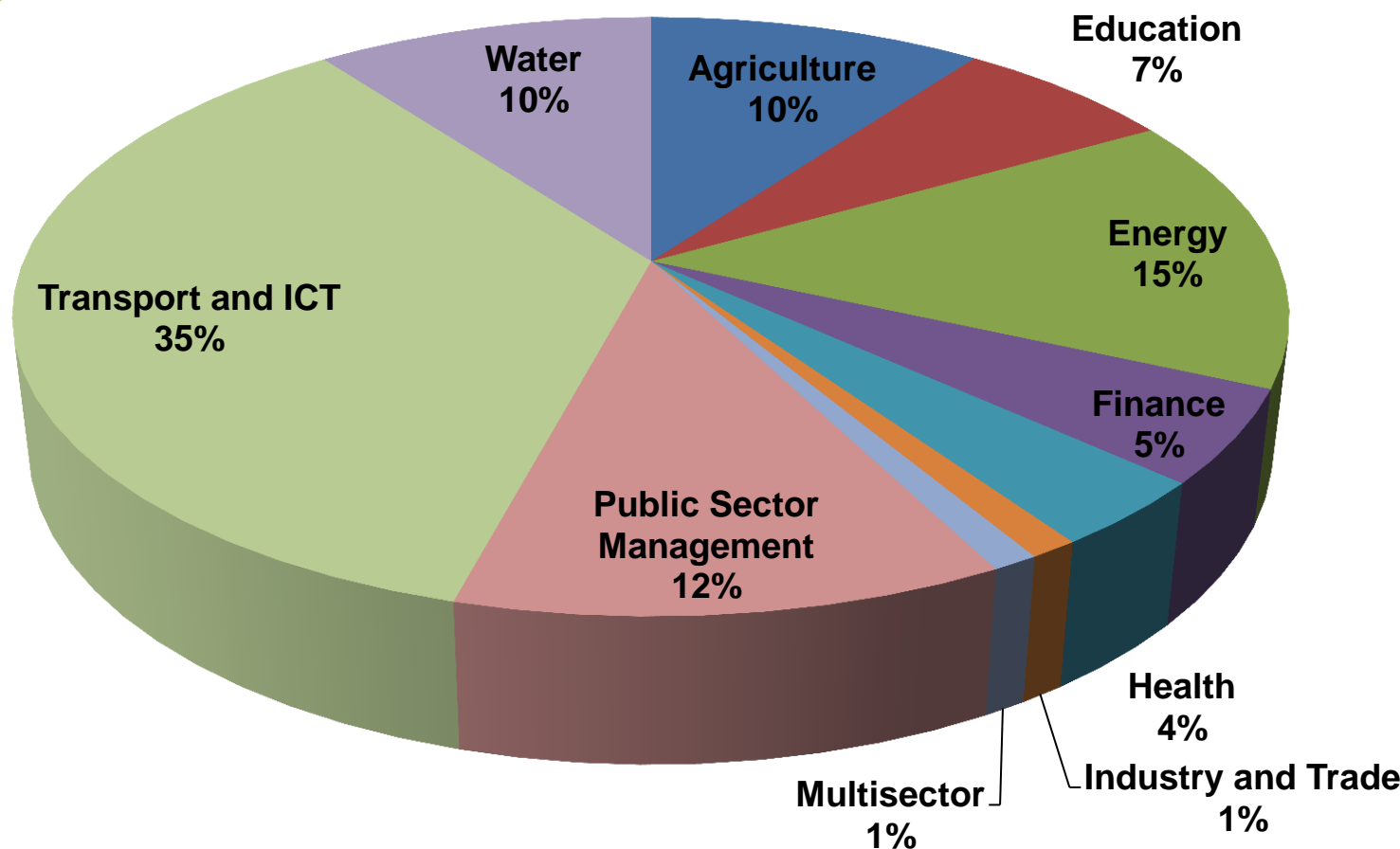
**An Asia and Pacific region  
free of poverty.**



## 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**

*iACT to fight corruption!*





# Corruption



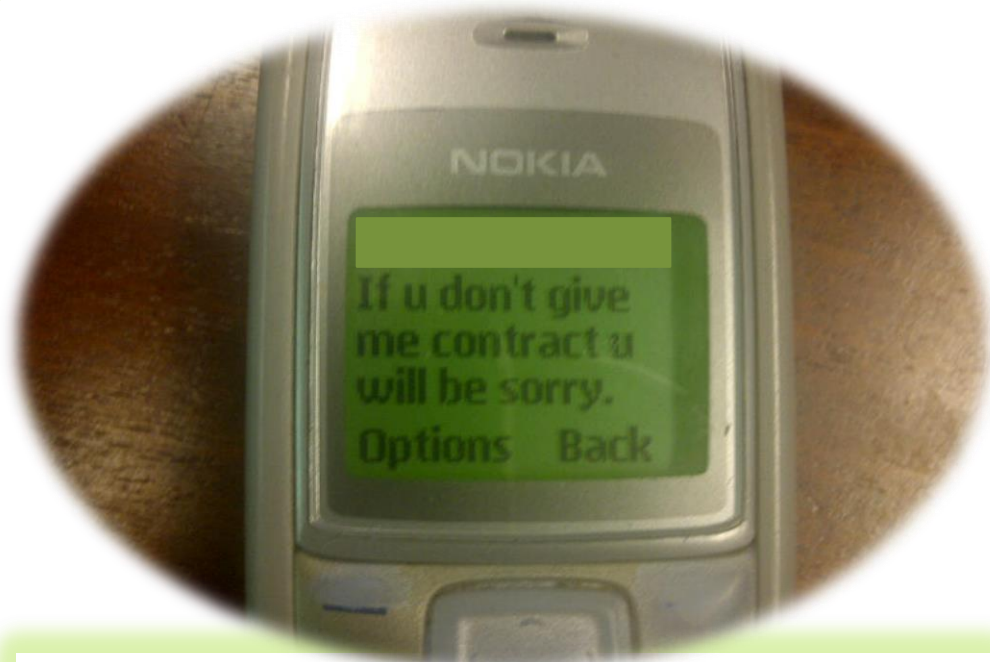
- ❖ **Bribery**
- ❖ **Kickbacks**

# 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.”***

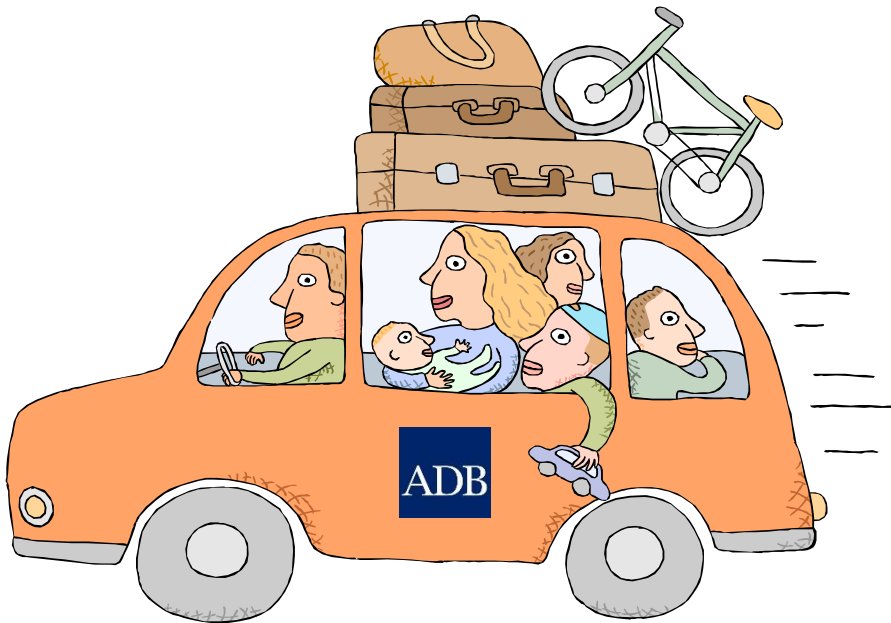
# Collusion



- ❖ **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



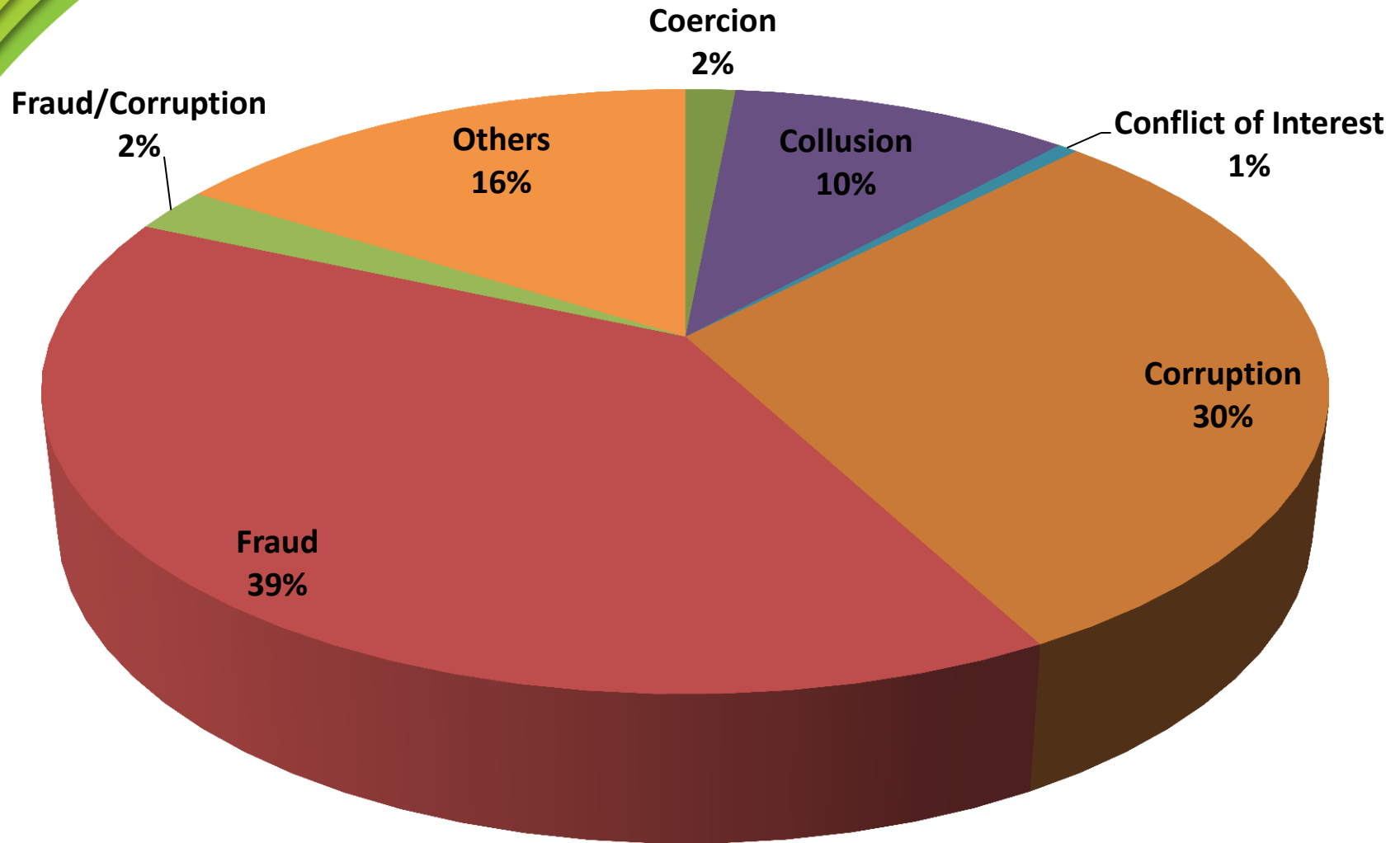
- ❖ **Lying to ADB investigators**
- ❖ **Destroying, concealing, or withholding evidence**

# ***Allegations of Integrity Violations***

<b>Overall Complaints (1998-2016)</b>	<b>3324</b>
<b>Overall Investigations (1998-2016)</b>	<b>1616</b>



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



# ***Allegations of Integrity Violations***

	Overall
<b>Sanctioned Firms</b>	<b>1261</b>
<b>Sanctioned Individuals</b>	<b>787</b>

# Remedial Actions against Proven Integrity Violations



**Temporary  
Suspension**

❖ **Indefinite  
Debarment**

**Reprimand**

❖ **Debarment with  
Conditional  
Reinstatement**

**Caution**

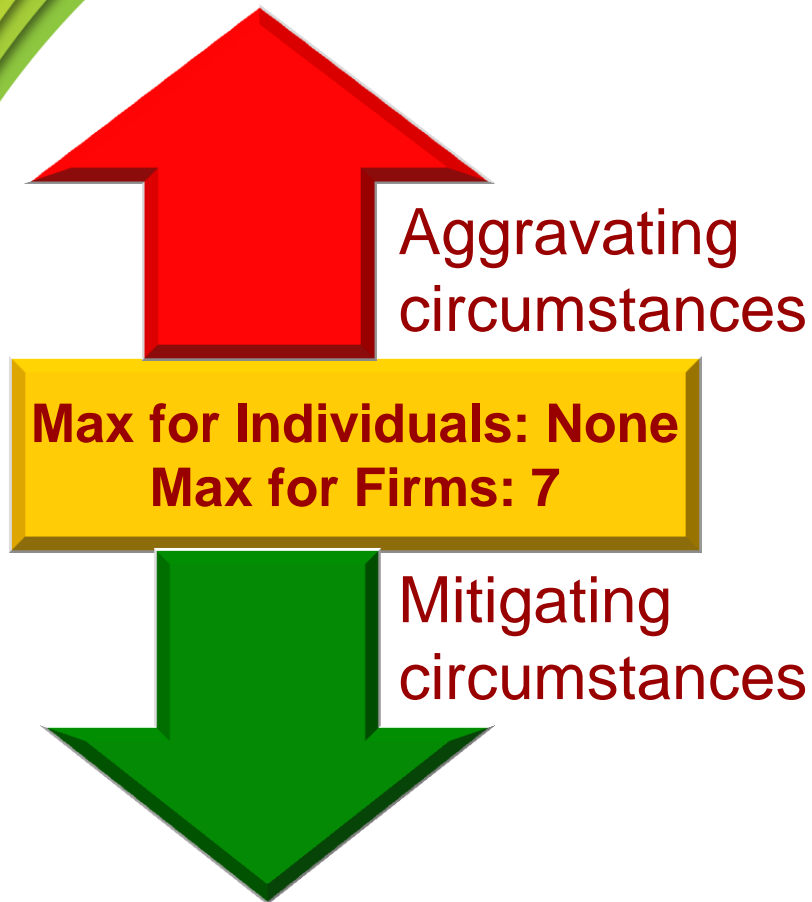
**Restitution/  
Remedy**

❖ **Conditional  
Non-Debarment**

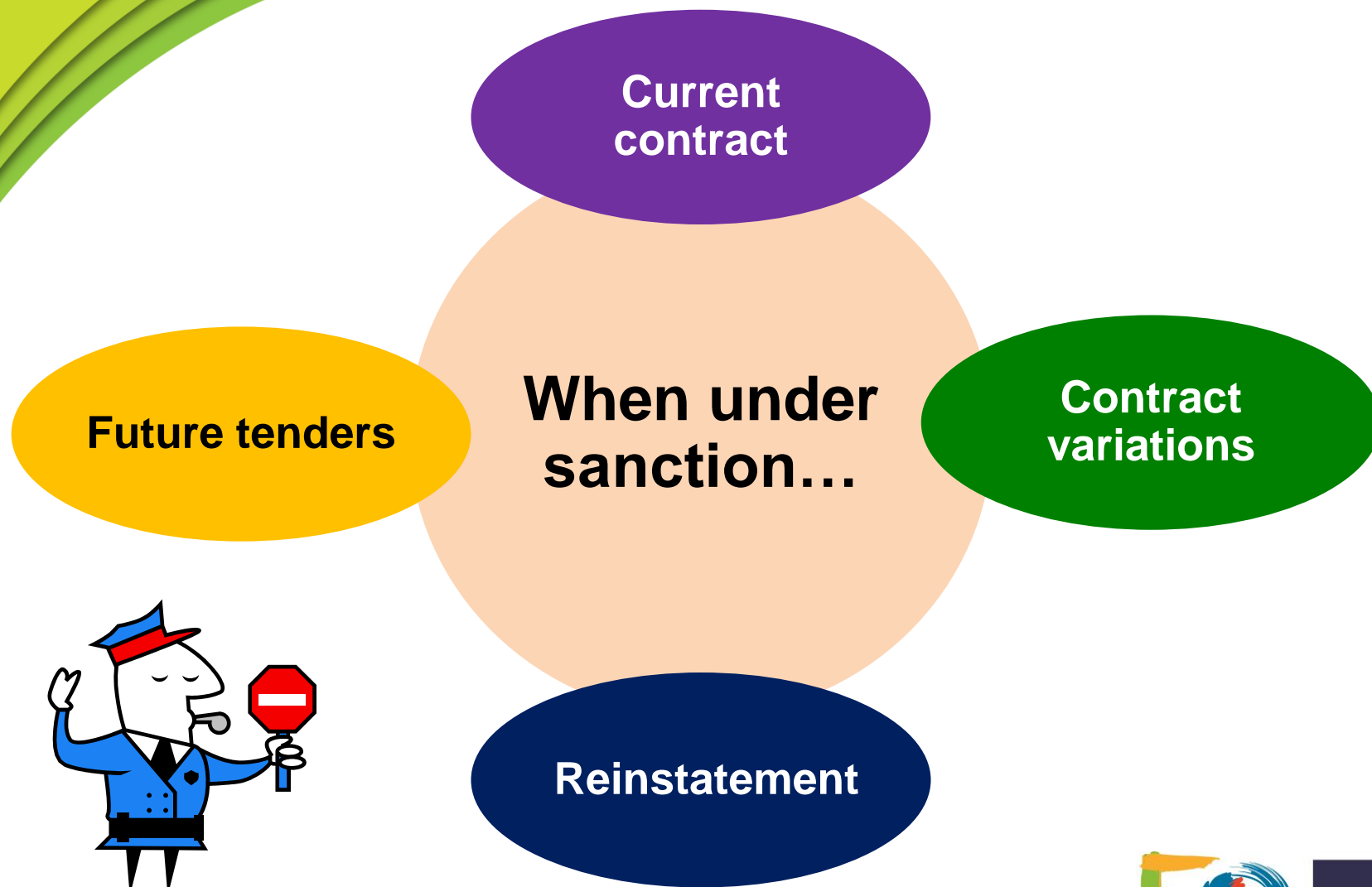
**Debarment**

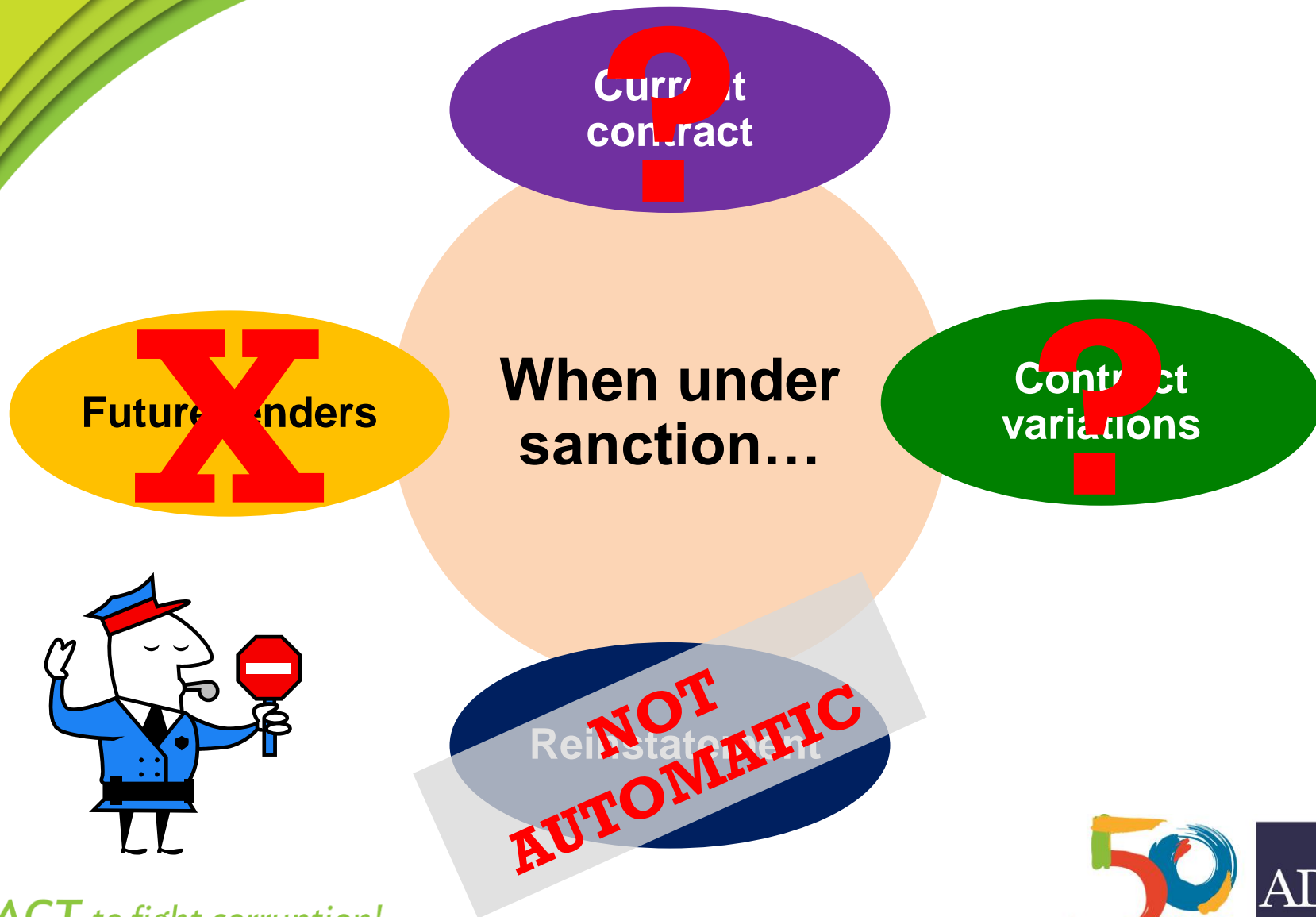


# Remedial Actions against Proven Integrity Violations



- ❖ 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





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# 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](#)

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[News](#)

[Articles](#)

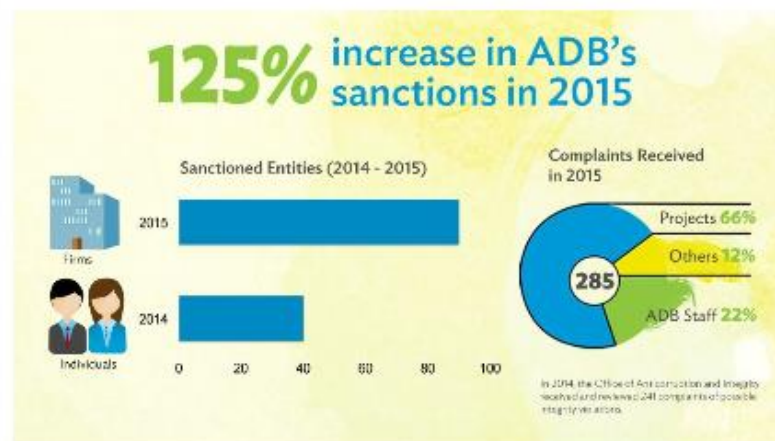
[Publications](#)

[Contacts](#)

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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.

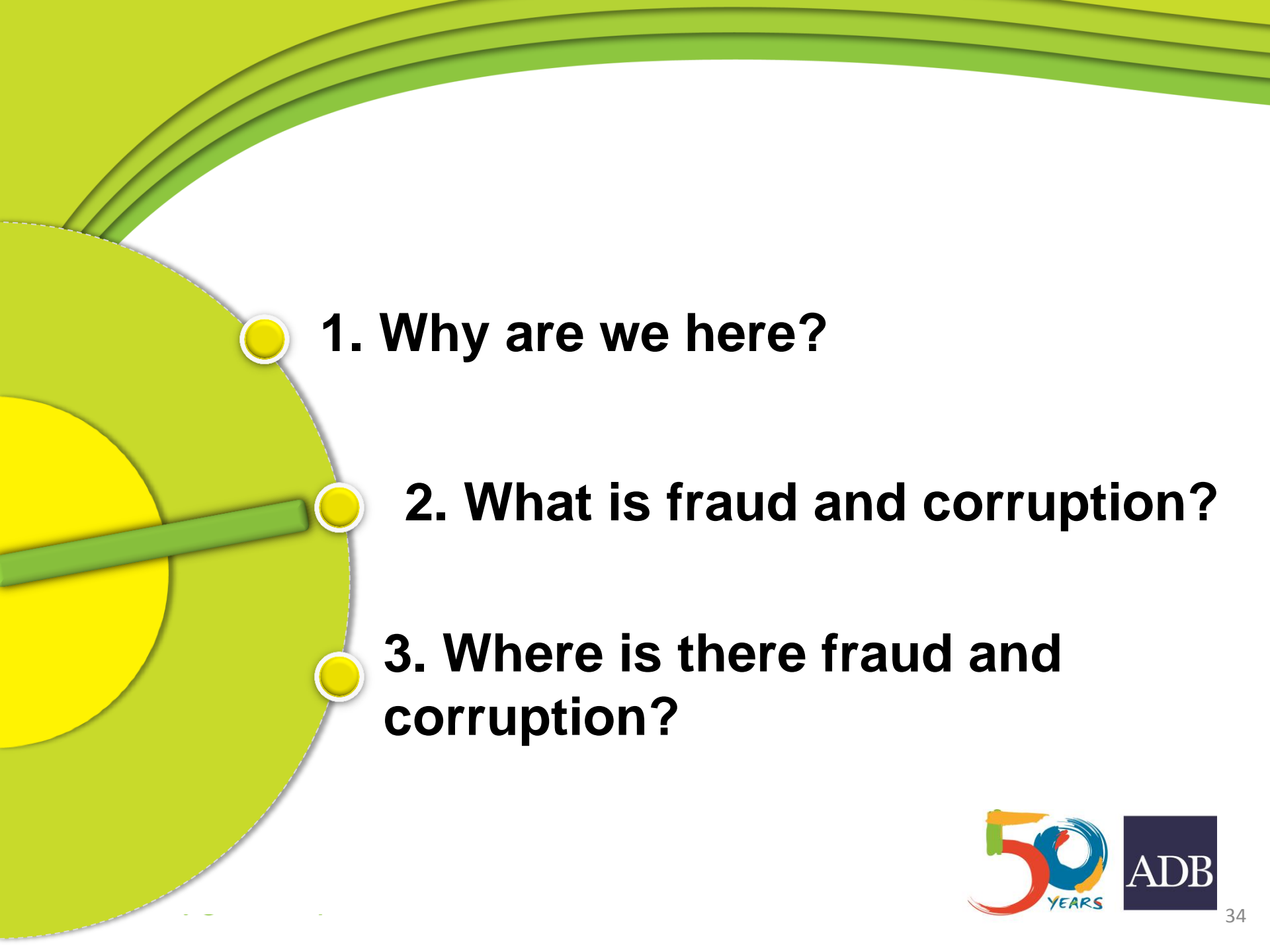




# What is fraud and corruption?

## 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**

# Project Implementation

1. Procurement
2. Contracts Award
3. Contracts Management and Supervision
4. Contracts Completion (acceptance of works, goods or services)
5. Financial Management

# 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)



# 3. Bids/Proposals

## Section 3. Eligibility and Qualification Criteria

### 3.1 Eligibility

3.1.1 Nationality (ITB Sub-clause 4.2)

3.1.2 Conflict of Interest (ITB Sub-clause 4.3)

3.1.3 ADB Eligibility (ITB Sub-clause 4.4)

3.1.4 Government-owned Entity (ITB Sub-c.  
4.5)

3.1.5 UN Sanctions (ITB Sub-clause 4.7)

# 3. Bids/Proposals

## 2.1.3 ADB Eligibility (ITB Sub-clause 4.4)



ADB ASIAN DEVELOPMENT BANK

Log In

### Anticorruption and Integrity

Home

Sanctions List

Published List

Complete List \*

Resources

ADB Anticorruption Homepage

Anticorruption FAQs

Procurement Guidelines

Consultant Guidelines

Integrity Principles and Guidelines

Other Sanctions Lists

AfDB Sanctions List

EBRD Sanctions List

IADB Sanctions List

### Published List

This is ADB's published sanctions list. It contains the names of entities who violated the sanctions while ineligible; entities who committed second and subsequent violations; debarred entities who are uncontactable; and cross debarred entities. ⓘ

Search:

GO

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

View by: **Name** Latest Update Cross Debarment Effectivity Nationality Cross-debarred Entities Sanction Type

Filter by: **All** A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

Name	Address	Sanction Type	Nationality	Effect Date   Lapse Date	Grounds
 1947 S.A.	Argentina	Debarred	Non ADB Member Country ⓘ	30/Jan/2016   28/Dec/2019	Cross Debarment: IADB
 3632491 CANADA INC	95, 5TH AVENUE SW, J7V 5K8, PINCOURT QC Canada	Debarred	Canada	8/May/2013   17/Apr/2023	Cross Debarment: WB
 4246047 CANADA INC	2800 PARK PLACE, 666 BURRARD STREET, V6C 2Z7, VANCOUVER, BC Canada	Debarred	Canada	8/May/2013   17/Apr/2023	Cross Debarment: WB
 4246241 CANADA INC.	2800 PARK PLACE, 666 BURRARD STREET, V6C 2Z7, VANCOUVER, BC Canada	Debarred	Canada	8/May/2013   17/Apr/2023	Cross Debarment: WB
 4470184 CANADA INC	1075 WEST GEORGIA STREET, V6E 3C9, VANCOUVER, BC Canada	Debarred	Canada	8/May/2013   17/Apr/2023	Cross Debarment: WB

# 3. Bids/Proposals (red flags)

## 2.2 Pending Litigation

### 2.2 Pending Litigation

Criteria	Compliance Requirements				Documents
Requirement	Single Entity	Joint Venture			Submission Requirements
		All Partners Combined	Each Partner	One Partner	

#### 2.2.1 Pending Litigation

All pending litigation shall be treated as resolved against the Bidder and so shall in total not represent more than [ <i>Insert figure. The percentage should normally be within the range of 50% to 100% of an Bidders net worth, ]</i> percent of the Bidder's net worth.	must meet requirement by itself or as partner to past or existing JV	not applicable	must meet requirement by itself or as partner to past or existing JV	not applicable	Form LIT - 1
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# 3. Bids/Proposals (red flags)

## 2.3 Financial Situation

### 2.3.1 Historical Financial Performance

#### 2.3.1 Historical Financial Performance

Submission of audited financial statements or, if not required by the law of the Bidder's country, other financial statements acceptable to the Employer, for the last ..... <sup>1</sup> years to demonstrate the current soundness of the Bidder's financial position. As a minimum, the Bidder's net worth for the last year calculated as the difference between total assets and total liabilities should be positive.	must meet requirement	not applicable	must meet requirement	not applicable	Form FIN - 1 with attachments
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# 3. Bids/Proposals (red flags)

## 2.3.2 Average Annual Construction Turnover

### 2.3.2 Average Annual Construction Turnover

Criteria	Compliance Requirements				Documents
Requirement	Single Entity	Joint Venture			Submission Requirements
		All Partners Combined	Each Partner	One Partner	
Minimum average annual construction turnover of US\$ ..... <sup>1</sup> calculated as total certified payments received for contracts in progress or completed, within the last ..... <sup>2</sup> years.	must meet requirement	must meet requirement	must meet 3  ..... of the requirement	must meet 4  ..... of the requirement	Form FIN - 2

# 3. Bids/Proposals (red flags)

## Financial Situation Forms

### 2.3.2 Average Annual Construction Turnover

Criteria	Compliance Requirements		Documents
	Single Entity	Joint Venture	Submission
Requirement			

Minimum average annual construction turnover of US\$ ..... calculated as total certified contracts received for contracts in progress completed, within the last ..... years.

### 2.3.1 Historical Financial Performance

Submission of audited financial statements or, if not required by the law of the Bidder's country, other financial statements acceptable to the Employer, for the last .....<sup>1</sup> years to demonstrate the current soundness of the Bidder's financial position. minimum, the Bidder's net worth for the last year calculated as the difference between total assets and total liabilities should be positive.

must meet requirement	not applicable	must meet requirement	not applicable	Form FIN - 1 with attachments
-----------------------	----------------	-----------------------	----------------	-------------------------------

Criteria	Compliance Requirements				Documents
	Single Entity	Joint Venture			Submission Requirements
Requirement		All Partners Combined	Each Partner	One Partner	
Participation in at least one contract within the last ..... <sup>1</sup> years that has been successfully or substantially completed and that is similar to the proposed works, where the value of the Bidder's participation exceeds US\$ ..... <sup>2</sup> The similarity of the Bidder's participation shall be based on the physical size, nature of works, complexity, methods, technology or other characteristics as described in Section 6, Employer's Requirements.	must meet requirement	must meet requirement	not applicable <sup>3</sup>	must meet requirement	Form EXP - 1(a)

# 3. Bids/Proposals (red flags)

## 2.3.3 Financial Resources

2.3.3 Financial Resources					
Criteria	Compliance Requirements				Documents
Requirement	Single Entity	Joint Venture			Submission Requirements
		All Partners Combined	Each Partner	One Partner	
Using Forms FIN – 3 and FIN - 4 in Section 4 (Bidding Forms), the Bidder must demonstrate access to, or availability of, liquid assets <sup>a</sup> , lines of credit, or other financial resources (other than any contractual advance payments) to meet the Bidder's financial resources requirement indicated in Form FIN-4.	must meet requirement	must meet requirement	must meet 1  ..... of the requirement	must meet 2  ..... of the requirement	Form FIN – 3 and Form FIN – 4

# 3. Bids/Proposals (red flags)

## 2.4 Construction Experience

### 2.4.1 Contracts of Similar Size and Nature

Criteria	Compliance Requirements				Documents
Requirement	Single Entity	Joint Venture			Submission Requirements
		All Partners Combined	Each Partner	One Partner	
Participation in at least one contract within the last . . . . . <sup>1</sup> years that has been successfully or substantially completed and that is similar to the proposed works, where the value of the Bidder's participation exceeds US\$ .... <sup>2</sup> The similarity of the Bidder's participation shall be based on the physical size, nature of works, complexity, methods, technology or other characteristics as described in Section 6, Employer's Requirements.	must meet requirement	must meet requirement	not applicable <sup>3</sup>	must meet requirement	Form EXP - 1(a)



# 3. Bids/Proposals (red flags)

## 2.4.2 Construction Experience in Key Activities

Criteria	Compliance Requirements				Documents
Requirement	Single Entity	Joint Venture			Submission Requirements
		All Partners Combined	Each Partner	One Partner	
For the above or other contracts executed during the period stipulated in 2.4.1 above, a minimum construction experience in the following key activities:	must meet requirement	must meet requirement <sup>2</sup>	not applicable	not applicable	Form EXP - 1(b)
*					
*					

# 3. Bids/Proposals (red flags)

## Bidding Forms

### Bill of Quantities

#### Objectives

The objectives of the Bill of Quantities are

- (a) to provide sufficient information on the quantities of the Works to be prepared efficiently and accurately; and
- (b) when a contract has been entered into, to provide a Bill of Quantities for use in the periodic valuation of Works executed.

In order to attain these objectives, the items of Work to be itemized in the Bill of Quantities in sufficient detail to distinguish between different items of Work, or between Works of the same nature carried out in different circumstances that may give rise to different considerations of cost. Consideration should also be given to the layout and content of the Bill of Quantities should be as simple and brief as possible.

#### Content

The Bill of Quantities should be divided generally into the following sections:

**BOQ and bidding documents should be authentic**

# 3. Bids/Proposals (red flags)

## Bidding Forms

### Technical Proposal

#### Technical Proposal – Personnel

##### Form PER – 1: Proposed Personnel

Bidder shall provide the details of the proposed personnel and relevant Information Forms below for each candidate:

1.	Title of position*	
	Name	
2.	Title of position*	
	Name	
Form PER – 1: Proposed Personnel	Date of birth	
	Professional qualifications	
Present employment	Name of employer	
	Address of employer	
	Telephone	Contact (manager / personnel officer)

Proposed personnel should be aware and available

# 3. Bids/Proposals (red flags)

## Bidding Forms

### Technical Proposal – Equipment

#### Form EQU: Equipment

The Bidder shall provide adequate information and details to demonstrate that it has the capability to meet the equipment requirements indicated in Section 6 (Equipment Requirements), using the Forms below. A separate Form shall be prepared for each item of equipment, or for alternative equipment proposed by the Bidder.

Item of Equipment		
Equipment Information	Name of manufacturer	Model and power rating
		Year of manufacture
Current Status	Current location	

Equipment should be available

# 3. Bids/Proposals (red flags)

## Bidding Forms

### Bidder's Qualification

To establish its qualifications to perform the contract in accordance with the Qualification Criteria) the Bidder shall provide the information requested in the Information Sheets included hereunder:

#### Form ELI - 1: Bidder's Information Sheet

Bidder's legal name	
In case of each	
Bidder's constitution	

Information on incorporation documents, shareholders, owners and managers, authorized representative, JV partners, legal address and country of constitution should be in order

# 3. Bids/Proposals (red flags)

## Bidding Forms

### Form LIT - 1: Pending Litigation

Each Bidder or member of a JV must fill in this form if so required under Criterion 2.2 of Section 3 (Evaluation and Qualification Criteria).

### Form FIN - 2: Average Annual Construction Turnover

Each Bidder or member of a JV must fill in this form.

The information of the amount of the annual turnover at the rate of

### Form FIN - 1: Historical Financial Performance

Each Bidder or member of a JV must fill in this form.

Financial

[Equivalent]

Year 1:

Year 3:

Year

### Form EXP - 1(a): Construction Experience in Key Activities

Total A

Fill

Total

### Contract of Similar Size and Nature

Contract Identification

### EXP - 1(b): Construction Experience in Key Activities

Fill up one (1) form per contract.

### Contract with Similar Key Activities

Contract No. .... of ....

Contract Identification

Award Date

Completion Date

Total Contract Amount

US\$

Should meet the bid qualification requirements

# 3. Bids/Proposals submitted by bidders

## Integrity Violations

- ❖ Corrupt Practice (bribe, kickback)
- ❖ Fraudulent Practice (misrepresentation, omission)
- ❖ Coercive Practice (threat, harm)
- ❖ Collusive Practice (between EA and bidder/s, between bidders)
- ❖ Conflict of Interest (between EA and bidder/s, between bidders)

## 4. Contract Implementation (red flags)

- ❖ Delay in contract implementation
- ❖ Insufficient on-site monitoring and supervision of contracts
- ❖ Poor quality of works, services and goods
- ❖ Weak enforcement of professional standards
- ❖ Lack of required equipment and qualified personnel
- ❖ Contracts exceed original contract amount



## 4. Contract Implementation (red flags)

- ❖ Deviation from construction design or Terms of Reference
- ❖ Submission of irregular interim and final performance certificates
- ❖ Submission of irregular contract variations (exaggerated contract amount, scope of contract)
- ❖ Manipulation of Bill of Quantities



**1. Why are we here?**

**2. What is fraud and corruption?**

**3. Where is there fraud and corruption?**

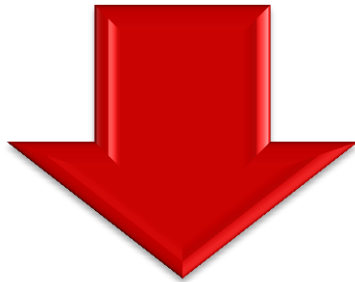
**4. How can you ACT?**

## ***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***

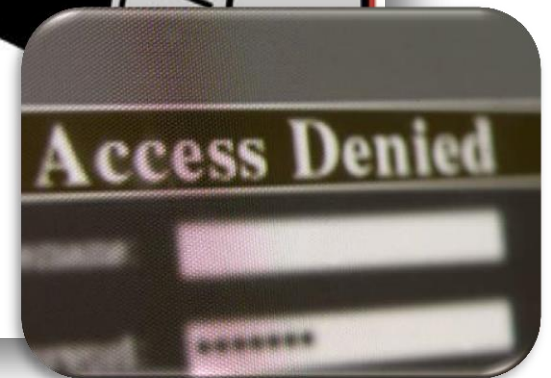
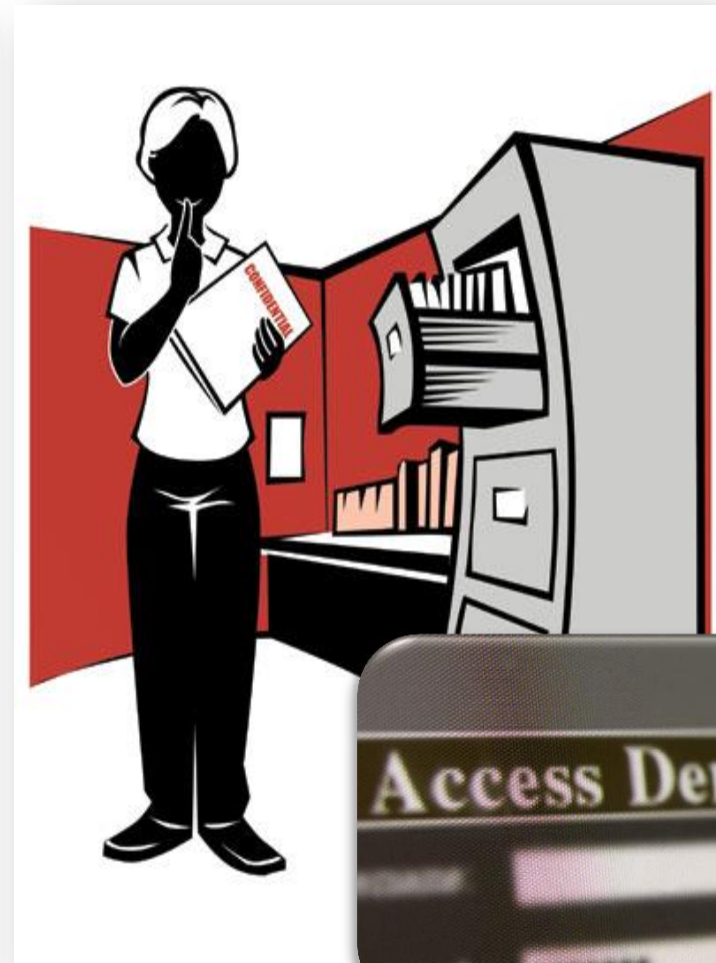
***<http://www.adb.org/site/integrity/how-to-report-fraud>***

## 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



*iACT to fight corruption!*





# 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:

## **OFFICE OF ANTICORRUPTION AND INTEGRITY**

Website: [www.adb.org/integrity](http://www.adb.org/integrity)

Email: [anticorruption@adb.org](mailto:anticorruption@adb.org)  
[integrity@adb.org](mailto:integrity@adb.org)

Tel: +63-2-632 5004

Fax: +63-2-636 2152