



OFFICE OF ANTICORRUPTION AND INTEGRITY

ANNUAL REPORT 2013

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6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444
www.adb.org

For orders, please contact:
Public Information Center
Fax +63 2 636 2584
adbpub@adb.org

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2013 Highlights

Complaints

250
complaints received

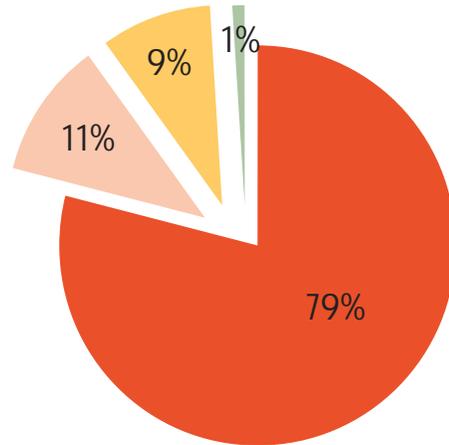
123 came from external parties, 115 came from ADB staff, 9 came from anonymous complainants, and 3 from audit reviews

Subject of Complaints

87%

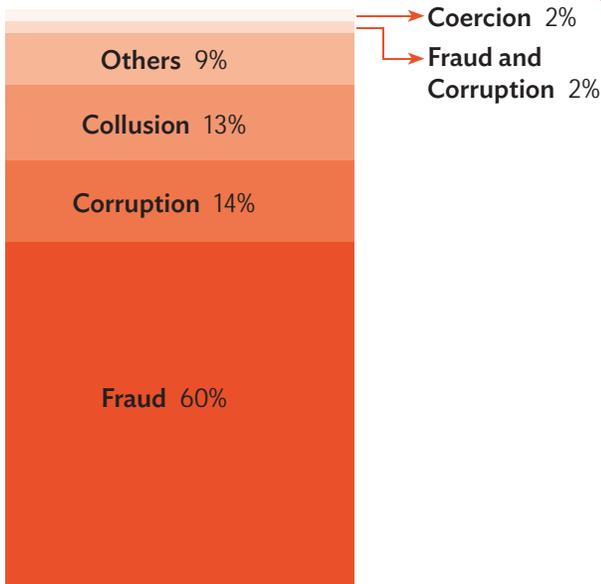
of complaints alleged integrity violations in ADB projects while 13% complained about ADB staff

Focus of Investigations

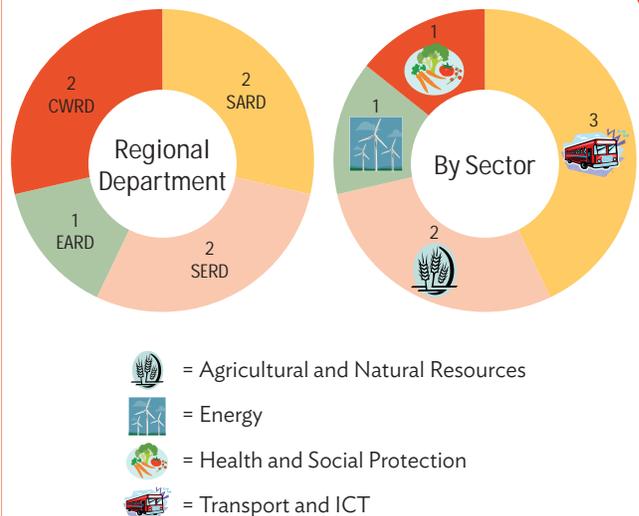


■ Projects
■ Private Sector
■ ADB Staff
■ Others (e.g., sanction violation, staff consultants)

Types of Investigations



Project Procurement-Related Reviews



2013 at a Glance

Carryover complaints at the beginning of 2013					104
Carryover investigations at the beginning of 2013					147
2013 Milestones	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
New complaints received	50	51	83	66	250
Individuals sanctioned	11	10	5	4	30
Firms sanctioned	9	8	8	6	31
Individuals/firms reinstated	0	1	9	0	10
Individuals/firms reprimanded	2	3	2	0	7
Individuals/firms issued warning letters	4	9	8	6	27
Cross debarred entities from the WB, EBRD, and IADB	47	204	56	17	324
Entities submitted for cross debarment to IADB, WB, EBRD	4*	0	0	1	5
Project procurement-related reviews conducted	1 (Pakistan)	2 (Lao People's Democratic Republic)	1 (Azerbaijan)	3 (Nepal [2], People's Republic of China [1])	7
Regional seminars on anticorruption conducted	1 (Philippines)	3 (Philippines, Afghanistan, Viet Nam)	0	2 (Bangladesh, Cambodia)	6
Presentations on project design management, departmental retreats, inductions, orientations, integrity due diligence, and other training for ADB staff	11	12	5	12	40
Presentations on the Anticorruption Policy conducted for business delegations and ADB Board of Directors	1	1	0	1	3
MDB integrity forums/investigators conferences attended, and interagency consultations attended/coordinated	0	3	3	0	6
Learning and development programs attended by OAI staff members	18	4	2	3	27

EBRD = European Bank for Reconstruction and Development, IADB = Inter-American Development Bank, MDB = multilateral development bank, WB = World Bank.

* One of the firms submitted for cross debarment was withdrawn on 25 October 2013.

Abbreviations

ADB	-	Asian Development Bank
BPMSD	-	Budget, Personnel, and Management Systems Department
DMC	-	developing member country
IDD	-	integrity due diligence
IOC	-	Integrity Oversight Committee
MDB	-	multilateral development bank
OAI	-	Office of Anticorruption and Integrity
PPRR	-	project procurement-related review
RETA	-	regional technical assistance
SAC	-	Sanction Appeals Committee

Executive Summary

Corruption is not single-celled. It does not move in just one direction and has many causes and symptoms. It has no single cure and will continue to grow and fester unless addressed from multiple fronts.

The Asian Development Bank's (ADB) Office of Anticorruption and Integrity (OAI) recognizes that tackling corruption requires a multifaceted approach and a comprehensive network of partnerships and alliances. Tasked to ensure that the finite development funds entrusted to ADB are not misused as a result of fraud and corruption, OAI relies on close collaborations with internal and external partners and stakeholders to fulfill its mandate. OAI's mandate is underpinned by ADB's zero tolerance to corruption. It is aligned with ADB's broader commitment to combat corruption and improve governance as a core strategic objective of ADB Strategy 2020, and the Paris Declaration on Aid Effectiveness of 2005—to which ADB is a signatory—in support of effective, transparent, and accountable aid.

More than ever, in 2013 OAI's anticorruption work focused on prevention, oversight, investigation, and deterrence through partnership, awareness raising, and outreach. Its achievements in 2013 reflect

OAI's close partnership and teamwork with ADB's governance and operations departments as well as external partners to address fraud, corruption, abuse of resources, and other violations that undermine the integrity and effectiveness of ADB-funded activities.¹

Investigating Allegations

In 2013, OAI received 250 complaints, surpassing the previous record of 240 received in 2012.² It converted 92 complaints into investigations and processed sanctions imposed on 30 individuals and 31 firms. Almost half of the complaints came from ADB staff, highlighting their crucial role in combating threats to the integrity and effectiveness of ADB's development work. Fraud related to work experience, qualifications, and technical and financial capacities of consulting firms or consultants continues to be the most common type of integrity violation reported to OAI.

ADB continued to use sanctions as a remedial measure to protect the integrity of ADB-financed, supported, and administered activities. In justified circumstances, ADB also utilized temporary sanctions to manage integrity and reputational risks arising from continued involvement with firms and individuals that are the subject of an OAI investigation.

¹ Governance offices include the Budget, Personnel, and Management Systems Department; Controller's Department; Independent Evaluation Department; Office of Administrative Services; Office of the Auditor General; Office of Cofinancing Operations; Office of the General Counsel; Office of Risk Management; Operations Services and Financial Management Department; and Regional and Sustainable Development Department. The operations departments are the Central and West Asia Department, East Asia Department, Pacific Department, Private Sector Operations Department, South Asia Department, and Southeast Asia Department.

² 104 complaints and 147 investigations were carried over from 2012 into 2013.

Conducting Proactive Reviews

In collaboration with ADB operations departments, OAI has continued to roll out targeted project procurement-related reviews (PPRRs). In 2013, OAI conducted seven new PRRs and issued three reports for PRRs conducted in 2012. Summarized findings from PRRs conducted since 2003 have been injected into OAI's training and awareness-raising initiatives. These are described in more detail in pages 1 to 6 of this report.

Enhancing Due Diligence

In 2013, as ADB increased its commitment to private sector development and private sector operations and as part of Strategy 2020, OAI's due diligence advisory function saw a dramatic uptake. In its second full year of carrying out its additional mandate

of providing independent advice on integrity due diligence (IDD) and anti-money-laundering and combating the financing of terrorism (AML/CFT) risks, requests for advice from OAI increased from 15 in 2012 to 253 in 2013.

Empowering through Knowledge Sharing

OAI has continued to expand its awareness-raising activities to proactively inform staff, civil society, and the private sector about the negative impacts of fraud and corruption. Staff training emphasizes the role and responsibility of ADB staff in implementing ADB's Anticorruption Policy. OAI also actively encourages staff to be discerning and to undertake due diligence and conflict of interest checks as effective preventive measures against corruption and to mitigate integrity risks.



ADB-financed project: Experts taking soil sample as part of a project review
Photo: OAI

In 2013, in conjunction with ADB’s “iAct—I Fight Corruption” internal anticorruption outreach campaign, ADB celebrated International Anticorruption Day, focusing its outreach on resident mission colleagues. During the celebration, ADB President Takehiko Nakao stressed to staff the need for collective action against corruption so that ADB can make a difference for the benefit of the people it serves.

Joining Forces with Other MDBs

Likewise, the fight against corruption requires a global partnership to promote a unified front against corruption. In 2013, OAI continued to share its experience and expertise at multilateral development bank (MDB) forums. In particular, over the past years OAI has been sharing its PPRR approach and lessons learned with other development partners worldwide. The wider adoption of the PPRR model was proposed by OAI as an anticorruption tool during the annual Conference of International Investigators of United Nations Organizations and Multilateral Financial Institutions held in July 2013.

Future Developments

OAI will maintain its awareness-raising programs to mobilize greater staff engagement, understanding,

and support of ADB’s Anticorruption Policy in a manner that strengthens ADB’s development agenda. OAI also continues to raise awareness on spotting red flags of corruption and fraud, and the harmful effects of corruption among ADB’s developing and developed member countries.

In line with the President’s instruction on Reforming ADB’s Institution-Wide Knowledge Management, OAI will maintain its coordination with resident missions and operations departments to make them fully aware of OAI’s PPRR work and findings from these reviews. Accordingly, ADB will continue to provide external partners, such as executing agencies and external stakeholders, with consistent advice related to lessons learned from PPRRs.

Consistent with similar reviews being conducted by other MDBs, ADB is also in the process of further evaluating its appeals process to ensure due process, fairness, and consistency while preserving the administrative nature of ADB’s procedures. To this end, OAI expects to update its Integrity Principles and Guidelines in 2014.

Finally, to ensure lasting impact on its efforts against corruption, OAI will continue to align its work program with ADB’s broader commitment to aid effectiveness.

Protecting Project Funds through Project Procurement–Related Reviews— Bridging Gaps in Project Implementation

The Office of Anticorruption and Integrity (OAI) was the first among international financial institutions to pioneer project procurement–related reviews (PPRRs). Initiated in 2003, PPRRs have resulted in prevention methodologies which mitigate risks of fraud and corruption and protect project funds from improper use. Since then, OAI has continuously shared lessons learned from PPRRs and assisted its development partners in such proactive review approaches.¹

OAI pioneered proactive reviews in 2003 and shared PPRR methodologies with development partners

Operations staff use PPRR recommendations to develop action plans in collaboration with government agencies to improve project implementation of existing and similar projects they administer

During PPRRs, project outputs are inspected, internal controls are assessed, and irregularities and possible noncompliance are identified. PPRRs help project teams, executing agencies, and implementing agencies to identify and develop preventive measures to mitigate fiduciary risks, improve project management, and enhance project implementation.



Assets inventory of a power project as part of a PPRR
Photo: OAI

¹ PPRRs are not investigations; they are proactive reviews intended to assist ADB and executing agencies to improve project management and implementation.

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Review of road project detects flawed construction (drainage shortcomings)

Photo: OAI

In 2013, the Government of Nepal partnered with ADB to implement the recommendations in a PPRR report. Representatives from ADB's Nepal Resident Mission and Nepal's Ministry of Finance shared their positive experiences from this collaboration during the Anticorruption Day events at the ADB headquarters in December 2013.

Quote from the head of an executing agency upon completion of a PPRR in 2013:

“(The) PPRR mission helped us a lot. We were able to understand the weakness of the project implementation and immediately took all corrective actions...We hope such PPRR missions (would) be conducted for all projects to improve the quality of project implementation.”

Steps in Creating the Action Plan

- Action Plan Preparation and Circulation
- Government's Commitment in Improving Project Implementation
- Implementation Status of Action Plan
- RM Evaluation of Implementation of Action Plan
- Next Plan of Action

During 2006–2013, ADB project staff responsible for project implementation in Cambodia, Viet Nam, Sri Lanka, Nepal, Mongolia, the Philippines, Bangladesh, the Lao People's Democratic Republic (Lao PDR), and Azerbaijan participated in the conduct of OAI-led PPRRs. Staff worked closely with OAI to assess the project's compliance with ADB's policies, guidelines, and loan/grant agreements, with a focus on detecting and preventing fraud and corruption.

Project Procurement–Related Review Activities in 2013

In 2013, OAI conducted seven PPRRs, four of which were requested by operations departments. In addition, OAI issued three reports for PPRRs which had been conducted in 2012. OAI also conducted five PPRR-related training sessions following requests from operations departments.

Case Study: Noncompliance with Financial Criteria Results in Implementation Delays and Project Losses

The bid evaluation committee adopted a different set of financial criteria to assess bidders' access to financial resources other than those presented and agreed to by ADB. As a result, contracts were awarded to firms with insufficient financial capacity.

Subsequently, these contracts experienced significant implementation delays and challenges due to the contractors' inability to meet contract-related financial commitments. In an earlier investigation, multiple points of similarity were found between the proposals of Consortium A and Consortium B. OAI found that senior officers of sanctioned Firm X had played leading roles in forming both consortiums, including writing the competing proposals.

OAI's PRR report highlighted the implementation delays and project losses which resulted from the incorrect evaluation of the winning firms' financial capacity and advised project teams and executing agencies to verify compliance for future bid evaluations.

Table 1 PRRs Conducted in 2013

Loan/Grant No.	Project	Location
Loan 2581-NEP(SF) Grant 0181-NEP(SF)	Airport Transport Capacity Enhancement Project	Nepal
Loan 2685-NEP(SF) Grant 0225-NEP(SF)	Subregional Transport Enhancement Project	Nepal
Loan 2436-PRC Grant 0113-PRC(SF)	Ningxia Integrated Ecosystem and Agricultural Development Project	People's Republic of China
Grant 0144-LAO(SF) Grant 0145-LAO(SF)	Sustainable Natural Resource Management and Productivity Enhancement Project	Lao PDR
Grant 0232-LAO(SF)	Second Greater Mekong Subregional Communicable Diseases Control	Lao PDR
Loan 2354-AZE Loan 2355-AZE(SF)	Road Network Development Program	Azerbaijan
Loan 2289-PAK Loan 2290-PAK(SF) Loan 2396-PAK	Power Transmission Enhancement Investment (Tranche 1 and 2)	Pakistan

Table 2 Reports Issued for PRRs Conducted in 2012

Loan/Grant No.	Project	Location
Loan 2087-MON(SF) Loan 2621-MON(SF) Grant 0199-MON(SF)	Regional Road Development Project and its Supplementary Project	Mongolia
Loan 2371-SRI(SF) Grant 0091-SRI(SF)	Education for Knowledge Society Project	Sri Lanka
Loan-2311-PHI Grant 0071-PHI(SF)	Integrated Coastal Resources Management Project	Philippines

Common Findings from PRRs

The charts below illustrate common findings from PRRs conducted over the past 11 years (since 2003). Redacted PRR reports are available on ADB's website.²

Figure 1: Procurement Cycle Irregularities and Noncompliance

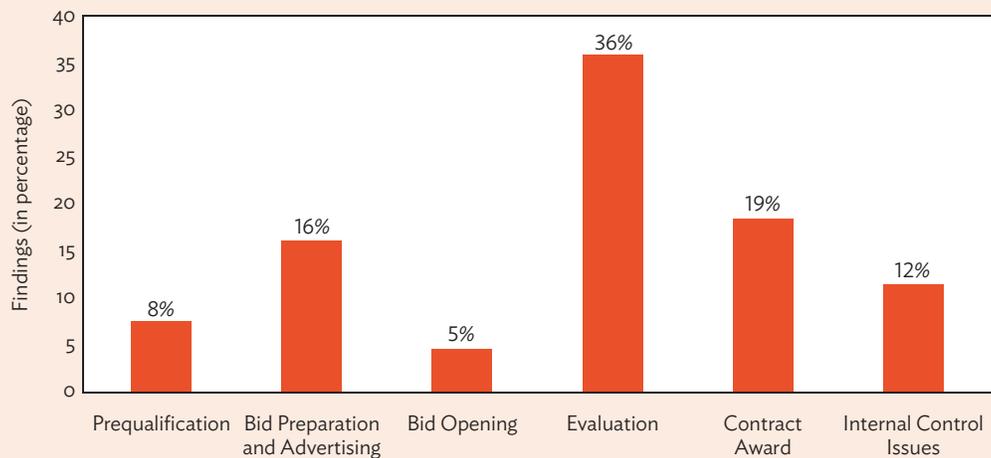
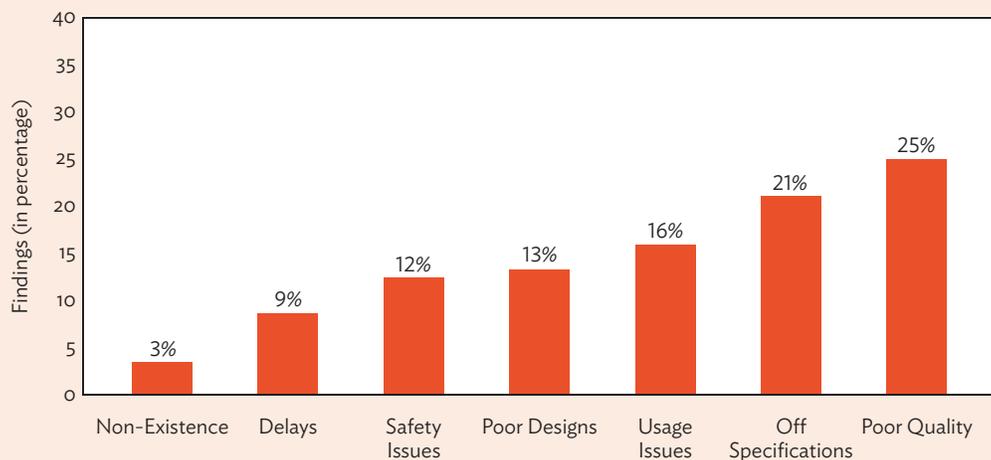
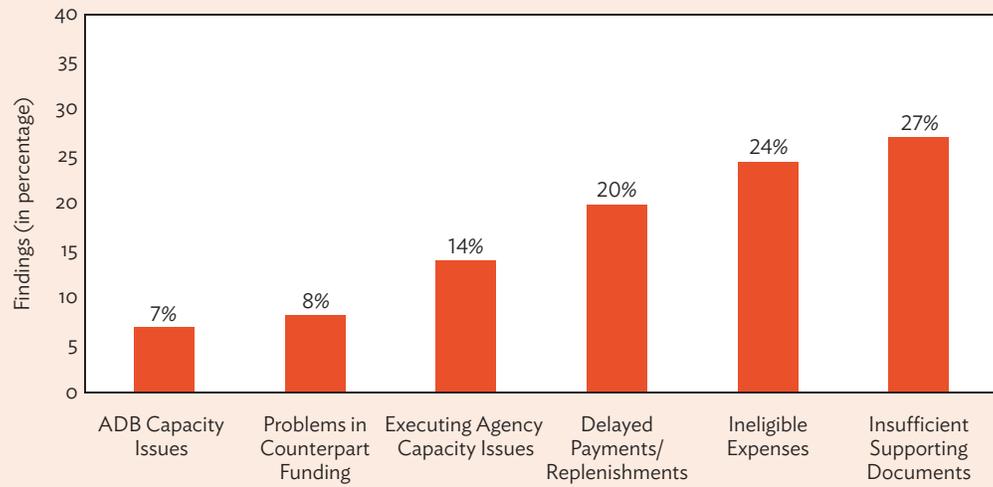


Figure 2: Asset Inspection Irregularities and Noncompliance



² <http://www.adb.org/site/integrity/project-procurement-related-review>

Figure 3: Financial Management Irregularities and Noncompliance



The Office of Anticorruption and Integrity: Our Work

Complaint Intake and Screening

OAI receives complaints of integrity violations³ from both named and anonymous complainants. At the beginning of 2013, OAI had 251 open cases comprising of 104 open complaints and 147 open investigations. During 2013, OAI received 250 new complaints related to ADB-financed, -supported or -administered activities based in 26 countries.

Of these new cases received in 2013, 115 came from ADB staff, 3 from audits, 123 from external sources, and 9 from anonymous sources. Complainants preferred to contact OAI via e-mail, which accounted for 84% of all complaints received.

In 2013, 106 complaints were closed because they did not meet the assessment criteria while 92 were converted into investigations. At the end of the year, 156 complaints were still undergoing review.

Investigations and Sanctions

Although OAI's mandate has broadened in recent years, investigating allegations of integrity violations remains a central part of OAI's work.

The 92 complaints, which OAI converted into investigations in 2013, represent a slight decrease from the complaint conversions from the previous year. OAI identified two major reasons for this drop in

Case Study—Consultant Colluded with Staff Member and Engaged in Fraudulent Misrepresentations

During the course of a staff investigation* based on a report from a resident mission, OAI found that a consultant colluded with an ADB staff member to obtain an ADB contract. The ADB staff member submitted a false CV on behalf of the consultant, which misrepresented the consultant's employment and experience. The consultant knowingly facilitated the staff member's misrepresentations to ADB even though the consultant had no qualification to complete the assignment. The consultant was also aware that the ADB staff member would subcontract the assignment to another consultant.

The consultant did not dispute OAI's findings of fraudulent and collusive practices and accepted a proposed sanction of 6-year debarment.

* OAI referred its findings related to the staff member to the Budget, Personnel and Management Systems Department. The staff member was dismissed.

³ Integrity violations include fraudulent, corrupt, collusive, coercive, or obstructive practices; conflicts of interest or abuse involving ADB-financed, supported, and administered activities; and alleged misconduct by ADB staff.

conversions. First, OAI received a record number⁴ of complaints during the year. Second, the high increase in the demand for OAI's due diligence services adversely impacted conversion rates.

During 2013, OAI handled 239 investigations. Of these, a total of 76 investigations—including 71 carried over from previous years—were closed. At the end of 2013, OAI had a total of 163 open and ongoing investigations.

Although OAI conducts its investigations independently of operations departments, one concrete and positive development during 2013 has been the continued growth in the level of cooperation in the investigation of complaints between OAI and the operations departments, particularly resident missions. Despite its independent investigation process, OAI frequently finds that integrity violations are not mutually exclusive from operations matters as the following case study illustrates.

The majority of OAI's investigations involve allegations of fraud, accounting for approximately 60% of all cases converted. The majority of

complaints of fraud tend to involve some form of material misrepresentation, whether it is stating inaccurate qualifications in CVs or, more disturbingly, claiming of false work experience by firms bidding for contracts both large and small. Given their inherently secretive nature, investigations into complaints of corruption and collusion remain complex and challenging. These two integrity violations represent approximately 17% and 10%, respectively, of conversions during 2013. This is generally consistent with previous years.

IOC Decisions and Proposed Sanctions

The Integrity Oversight Committee (IOC) meets monthly, or as needed, to determine whether there is a basis to impose remedial action (i.e., debarment, debarment with conditional reinstatement, or conditional nondebarment) on firms and individuals based on OAI's written submission, which includes any responses or documents submitted by the subject(s) of interest, and any other information the IOC might request. In 2013, the IOC held 8 meetings and sanctioned 20 firms and 19 individuals.

Case Study—Working with Resident Missions to Investigate Use of Substandard Materials

A complainant raised concerns of possible corruption and the use of substandard materials on a small infrastructure project in a developing member country. While the use of substandard materials is usually a matter for the operations department, it may also amount to a fraudulent practice. The resident mission worked with OAI to engage an expert to examine the project. When the expert advised that there may be problems with the materials used, OAI again worked with the resident mission to obtain additional samples of the materials used in the construction for further testing. These tests tended to confirm the original findings. In the interim, the resident mission has been working with the executing agency to resolve the concerns at a project implementation level. While the investigation is ongoing, this case provides an excellent example of how OAI can work with operations departments in the interest of the overall success of the project.

⁴ 250 complaints were received in 2013 compared to 240 in 2012.

Case Study—Resident Missions' Collaboration Result in Sanctions

Two resident missions collaborated and identified red flags in a bid security submitted by a bidder, Firm X, for two separate road development projects. The red flags included incorrect contact numbers and irregularities in the format of the bid security and the name and signature of the bank officer. However, the resident missions were unable to confirm the validity of the bid security with the issuing bank, and the matter was referred to OAI as a possible case of fraudulent practice.

The named issuing bank confirmed to OAI that it did not issue the bid securities in question. OAI immediately shared this finding with the resident missions and the operations department. Subsequently, one of the contracts was awarded to a different firm, but the bid evaluation committee for the second contract identified further shortfalls, rejected all bids, and instead proposed rebidding.

In response to OAI's inquiries, Firm X claimed, through its manager, that the bid documents—including the bid security—were submitted by its authorized agent without its knowledge and consent. However, Firm X had signed a power of attorney authorizing the agent to act on its behalf. Firm X also provided OAI with erroneous contact details for the agent. Firm X partly cooperated with OAI's investigation by admitting that the bid security was falsified, but it obstructed the investigation by providing misleading information.

As a consequence, the IOC debarred Firm X and its manager for 4 years each, and cautioned the agent.

In addition, 11 firms and 11 individuals accepted OAI's proposed sanctions negating the need to present the cases to the IOC for a decision. Firms and individuals accepting proposed sanctions agree not to appeal the sanction and the debarment period. Proposed sanctions, therefore, reduce the administrative demand on the IOC and provide an efficient and institutionally cost-saving means for resolving integrity violations.

Appeals

An individual or firm sanctioned by the IOC is entitled to an appeal within 90 days from the date of the notice to the individual or firm of the IOC's decision. The Sanction Appeals Committee (SAC) will consider an appeal upon two conditions. First, the appeal should include information that was

Case Study—Firm Sanctioned for Submitting Bid in the Name of Another Firm without the Latter's Knowledge and Consent

OAI investigated Firms A and B for collusive practice due to the near identical contents of their bids. When presented with OAI's findings for collusive practice, Firm A responded that it had not submitted the proposal and that the purported signature of its managing director on the proposal was forged. Firm A informed OAI that it discovered that it was Firm B that submitted the proposal without Firm A's knowledge and consent. Firm A attached a letter from Firm B admitting to the fraud.

When presented with the evidence from Firm A, Firm B and its president director did not contest OAI's findings of fraudulent practice and accepted OAI's proposed sanction of 3-year debarment.

Case Study—Temporary Suspension, Debarment, and Appeal

While reviewing the “no-objection” request from the executing agency for a \$19 million drinking water supply project, ADB procurement officers observed that the evaluated price of Firm X, the first-ranked bidder, was \$2.2 million higher than the bid opening price. Other red flags were identified, including the observation that the financial bid evaluation report submitted by the executing agency contained handwritten corrections and adjustments. The Operations Services and Financial Management Department requested that OAI conduct an urgent inquiry.

OAI determined that less than 12 months earlier, Firm X was declared technically nonresponsive on a similar water supply project valued at \$10 million, on the grounds that it had insufficient experience on similar projects. Yet less than 12 months later, Firm X claimed to have the experience to conduct a project of nearly twice the value of the previous contract for which it had unsuccessfully applied. When the technical proposals submitted by Firm X for the projects were compared, it was found that a number of end-user certificates pertaining to the same projects differed significantly in scope and cost.

In light of the strong evidence of fraudulent practice, and as the contract was about to be awarded, the IOC approved the temporary suspension of Firm X for 6 months. The firm was prevented from being awarded the contract.

Upon further investigation, OAI confirmed that a number of the end-user certificates submitted by Firm X were indeed fabricated. When presented with OAI’s findings, Firm X admitted that the user documents were falsified. It apologized for the consequences of its actions and requested leniency. The IOC considered Firm X’s prompt acknowledgment of its wrongdoing as a mitigating circumstance when it sanctioned Firm X for 3 years. The officer of Firm X, who created and submitted the fraudulent documents allegedly without the firm’s knowledge, was sanctioned for 7 years for fraudulent and obstructive practices. The sanction was aggravated as he attempted to mislead OAI and refused to provide requested documents.

Firm X’s subsequent appeal for a further reduction of its sanction did not meet ADB’s appeal criteria and was, therefore, denied.

not available or known at the time OAI sought information or requested a response from the sanctioned firms and individuals regarding its findings. Second, the information provided should be relevant to the decision to impose a sanction, either to the finding of an integrity violation or the type or severity of the sanction imposed. The SAC may reduce or lift sanctions or require OAI to reinvestigate and to resubmit the case to the IOC. The secretariat to the SAC screens appeals

to determine their eligibility prior to presenting the appeal to the SAC. In 2013, to provide greater independence to the appeals process, a senior staff member independent of OAI acted as secretariat to the SAC.

OAI received nine appeals in 2013. Of these, eight were denied for not having met the two criteria, while one appeal for reduction of the debarment period was granted.

Due Diligence

OAI adopts a collaborative approach in fulfilling its due diligence activities. In its second full year of carrying out the mandate of providing independent advice on integrity due diligence (IDD) and anti-money-laundering and combating the financing of terrorism (AML/CFT) risks, OAI witnessed a dramatic increase in the number of requests for advice. From 15 referrals in 2012, OAI received requests to conduct 253 second-tier IDD referrals covering various nonsovereign, sovereign, financial intermediation, and other projects. While the requests for advice were mostly from the Private Sector Operations Department (PSOD), OAI also assisted the operations departments in conducting IDD for financial intermediation loans as well as the

Office of Cofinancing Operations (OCO) and the Regional and Sustainable Development Department (RSDD) for their consideration of potential partners including private corporations and foundations.

OAI's IDD team continued to undertake improvements to integrate its efforts with the rest of ADB. In 2013, OAI worked closely with the Office of the General Counsel (OGC) and PSOD in refining PSOD's internal procedures, including a set of operational IDD checklists and Know-Your-Customer principles that provide for a uniform and consistent approach to IDD. In the same vein, OAI assisted OCO in formulating interim IDD guidelines for conducting IDD on entities being considered for potential partnerships. This guidance is critical since incomplete or inaccurate IDD efforts may have far-reaching

Case Study—Due Diligence Equals Risk Awareness and Risk Management

Due diligence provides a potent opportunity for ADB to gather background information that may prevent a project from taking unnecessary and avoidable risks.

In one ADB project, a joint venture (JV) of two international firms appeared to enter into a subcontract agreement with Firm A. A letter of intent (LOI) for the JV to subcontract to Firm A and other firms was submitted to the executing agency and subsequently passed to ADB for approval.

Subsequent to receiving the LOI background checks conducted by ADB, it was discovered that Firm A had been dissolved prior to the submission of the LOI. In addition, Firm A is connected to a certain Mr. Y who was sued in a high court in Europe in relation to the management contract of a similar project. According to publicly available records, Mr. Y's company defrauded a state-owned company by hundreds of millions of dollars. It was also established that Mr. Y had registered multiple companies in an intermediate jurisdiction in an attempt to hide his ownership of Firm A.

Further background checks established that there was no previous relationship between the JV and Firm A, and one of the JV firms confirmed that no due diligence was conducted on Firm A. As a result of the due diligence findings, Firm A was removed from the subcontract; the contract continued but ADB mitigated the integrity and reputational risk of the project involving the firm. This case illustrates the importance and impact of conducting appropriate due diligence on all entities proposed (contractors, JV partners, subcontractors, etc.) in the implementation of ADB projects, to manage inherent risks. Due diligence should therefore be a priority task for project teams at the earliest stage to correctly assess the legitimacy and repute of entities seeking to participate in ADB projects.

Case Study—ADB Strengthens Compliance with Global KYC Practice

In May 2013, one of ADB's depository banks withheld a payment request for almost \$500,000 as it may conflict with United States (US) government sanctions. The payment was for civil works carried out by a contractor on an approved ADB-financed power transmission project in Central and West Asia. The depository bank requested ADB to provide detailed information regarding the transaction and to confirm whether the payment was directly or indirectly connected to US-sanctioned jurisdictions.

Responding to the Controller's Department's request for advice, OAI conducted additional "Know-Your-Customer" research into the contractor and initiated interdepartmental discussions with the project team, including the project counsel, to address the matter. OAI obtained confirmation from the contractor that the performance of its contracts in the developing member countries under ADB projects had no links to any US-sanctioned jurisdictions, ADB provided the depository bank with additional information regarding the payment and also confirmed that the payment concerned had no direct or indirect connection to the sanctioned jurisdictions. The depository bank, by virtue of ADB's confirmation, subsequently released the payment to the contractor.

The international banking system's screening requirements related to international sanctions and anti-money-laundering and combating the financing of terrorism is one of the reasons why it is critical for ADB to continue to conduct due diligence on matters such as nonpayment to third parties (e.g., contractors on ADB projects).

consequences for ADB, seriously impacting ADB's reputation due to a failure to identify the risk from information that was available or readily obtainable.

Furthermore, OAI has emphasized the importance of disclosure. Observing appropriate disclosure serves a two-fold purpose—it places the relevant decision makers in an informed position before approving projects and it better prepares ADB to deal with associated issues that could surface anywhere within the project cycle. Through this approach, OAI effectively assists project teams to identify red flags and other potential risk areas that would have immediate or future adverse impacts on ADB projects, while emphasizing that IDD is a process that does not end with a Board approval of a project.

As in previous years, a vital element of maximizing the utility of OAI's advisory function is to supplement

it with valuable education and training sessions to ADB staff. In this regard, OAI conducted one-on-one sessions with project officers on how to refine searches and how to use other publicly available databases for their first-tier IDD. Similarly, OAI highlighted IDD in the mandatory induction programs for new ADB staff. On 7 May 2013, OAI, the Office of the Auditor General (OAG), and OGC co-organized a seminar that discussed recent regulatory actions against financial institutions and failure of their internal controls, qualities of a good AML/CFT system, and examples of deficiencies. Over 80 staff attended the seminar.⁵

Apart from its advisory function, OAI supports the Budget, Personnel and Management Systems Department (BPMSD) by conducting pre-employment and related screening on external candidates for ADB staff positions. In 2013, 224 checks were conducted.

⁵ OAI received the benefit of an external service provider in conducting the seminar.

AML and IDD Working Groups

In March and April 2013, ADB's management approved the formation of two interdepartmental working groups: (i) the AML Working Group to coordinate efforts across departments in strengthening ADB's internal controls in relation to money laundering, financing of terrorism, and sanctions risks; and (ii) the IDD Working Group to consider the development of IDD guidelines for identifying and managing integrity risks. OAI and OGC have been tasked to lead both working groups. The working groups will be working closely with an international expert on risk management and regulatory compliance to establish a benchmark for what constitutes best practice for international financial institutions for internal controls in relation to money laundering, financing of terrorism, and sanctions as well as integrity risks in sovereign operations involving financial intermediaries, autonomous state-owned enterprises and private sector entities.

Expected outputs include a comparative analysis of ADB's current internal controls and practices against these benchmarked standards and recommendations for any adjustments and improvements. The completion of the tasks of both the AML and IDD Working Groups is targeted for 2014. It is anticipated that ADB will undertake further action to implement the recommended changes to ADB's policies, processes, and procedures in relation to AML, CFT, sanctions, and IDD.

Whistleblower Protection in OAI Investigations

Under ADB's Whistleblower and Witness Protection Policy, Administrative Order (AO) 2.10, ADB pursues all reasonable steps to protect whistleblowers and

witnesses acting in good faith and to ensure that they are not subject to retaliation. Any person who reports a suspected integrity violation or misconduct may remain anonymous or request that his or her name be kept confidential.

In 2013, OAI reviewed 10 cases in which ADB's Whistleblower and Witness Protection provisions were invoked to protect concerned ADB staff and external parties who reported an allegation and requested that their identities be protected. Of these, two cases have been concluded without any adverse retaliation reports from the whistleblower to date. Eight cases are still undergoing review.

In addition, OAI received three claims of retaliation on whistleblowers. One case was resolved to the whistleblower's satisfaction (resolution included job relocation). The second claim was determined by OAI as unqualified for whistleblower protection since the complainant was not a whistleblower as defined under AO 2.10. The third case is still ongoing.

Learning and Development

Internal Learning and Development

In 2013, in partnership with BPMSD, OAI's Anticorruption and Integrity training for new ADB staff was made available in e-Learning format. This includes modules on (i) Introduction to Integrity, (ii) ADB's Anticorruption Policy and Integrity Principles and Guidelines, (iii) How to Spot Red Flags in ADB Projects, and (iv) OAI's Roles and Responsibilities. All new staff must now complete this training on their first day at ADB. This sets the tone for the importance that ADB places on ensuring that its funds are used solely for intended purposes.

OAI continued to offer targeted and specialized modules for ADB staff. OAI delivered modules under

the Advanced Project Design and Management courses and for the Mission Leadership courses. These modules are continuously updated to incorporate new insights and lessons learned from investigative and PPRR findings.

As the requests for due diligence dramatically increased in 2013, OAI also continued to deliver due diligence training to staff and rolled out a new induction training course focusing on first-tier due diligence.

Protecting Projects by Empowering Executing Agencies, Implementing Agencies, and SAs and Partnering with the Private Sector and Civil Society Organizations

As part of OAI's mandate to help advance transparency and public accountability in developing member countries (DMCs), OAI has three ongoing

regional technical assistance (RETA) programs—RETA 6449, RETA 8176, and RETA 6447—which aim to promote good governance and sound development management. Through training, education, and information dissemination activities, OAI raises awareness of ADB's Anticorruption Policy and shares fraud prevention skills with ADB staff, government officials, consultants and contractors, and civil society representatives.

Since 2008, OAI has been conducting capacity building seminars through its RETA 6447: Anticorruption Seminars. These seminars are geared toward explaining ADB's Anticorruption Policy and strengthening the skills to identify and respond to fraud, corruption, collusion, and coercion in procurement and implementation of members of the public and private sectors and civil society organizations that are or could be involved in ADB-financed projects. Each seminar presentation is tailored to cater to a particular



Capacity building and anticorruption seminar
Photo: OAI

ANNUAL REPORT 2013



Ma. Leonor Gerona-Robredo shares her experiences in promoting good governance during International Anticorruption Day. Also in picture (from right to left) are Heartfile President and Founder Sania Nishtar; ADB President Takehiko Nakao; OAI Head Clare Wee; and RSDD Deputy Director General Woochong Um.

Photo: OAI

sector (i.e., energy, transport, natural resources management, consultants and contractors, civil society organizations, etc.), and, if available, features a number of sample case studies that are local to each DMC. In 2013, OAI held seminars in Afghanistan, Bangladesh, and Cambodia. The remaining three seminars to be conducted under RETA 6447 are expected to take place during the first and second quarters of 2014.

Such learning and development efforts will continue to be part of OAI's work in 2014. In response to the feedback received from seminar and workshop participants, OAI developed a new RETA (8609) aimed at enhancing the knowledge and skills of project stakeholders in identifying, detecting, and preventing corruption, fraud, money laundering, and other integrity violations in ADB-financed projects. RETA 8609 was approved on 13 December 2013.

In addition, in 2013, OAI conducted three Forensic Accounting Workshops for over 150 auditors and investigators from the Commission on Audit of the Republic of the Philippines, the State Audit Office of Viet Nam, private auditing and accounting firms in Viet Nam, the Anticorruption Commission in Bangladesh, and the Office of the Comptroller and Auditor General in Bangladesh under RETAs 6449 and 8176. Among the topics discussed were fraud concepts, vulnerable areas and red flags in public procurement, and lessons learned from ADB-financed projects. The participants found the variety of learning contents and interactive platforms helpful.

While RETA 6449⁶ targeted participants primarily from supreme audit institutions (SAI), RETA 8176 has an expanded scope that includes the private sector—existing and potential consultants, contractors, suppliers, and civil society representatives. OAI

⁶ The objectives of RETA 6449 are to transfer fraud detection and prevention skills to SAIs through on-the-job training during PPRR fieldwork and through training workshops at the completion of each PPRR.

conducted three Anticorruption Awareness seminars for the private sector reaching over 180 potential and existing ADB partners in Bangladesh, Cambodia, the Philippines, and Viet Nam. In these seminars, OAI presented ADB's Anticorruption Policy and explained sanctionable practices. Furthermore, OAI encouraged attendees to be ADB's partner in the fight against fraud and corruption by reporting any potential integrity violations encountered.

Other Activities: Communications and Outreach

In 2013, OAI issued advisories, articles, updates on sanctions, and other information on ADB's intranet site to assist staff in detecting and preventing integrity violations. It published 102 anticorruption advisories to staff via ADB Today, an internal daily news bulletin. It issued its quarterly online publication *Anticorruption and Integrity e-Bulletin* with feature articles on OAI's training activities, cross debarment updates, PPRRs, and ways to enhance the success and integrity of project implementation. A special issue of the *Anticorruption and Integrity e-Bulletin* was published to coincide with ADB's celebrations on International Anticorruption Day. The OAI 2012 Annual Report was launched online in March 2013 and made available in hard copy in April 2013.

The web (www.adb.org/integrity) continues to be important for OAI in disseminating news releases, advisories, and updates about ADB's anticorruption activities to the public.

For the third year, OAI, in cooperation with RSDD, celebrated International Anticorruption Day with a series of learning events on 2–5 December and a main breakfast event on 9 December. In his opening address to ADB staff, President Nakao stressed that the staff's collective action can make a difference for the benefit of the people whom ADB serves. He was joined by Sania Nishtar, Founder and President

of Heartfile and Former Caretaker Federal Minister of the Government of Pakistan, and Ma. Leonor Gerona-Robredo, member of the Philippine House of Representatives for the Third District of Camarines Sur. The guest speakers shared with ADB staff their work and advocacy toward the promotion of good governance and anticorruption in their respective countries and the rest of Asia and the Pacific.

The year's celebrations highlighted the efforts of ADB resident missions and DMCs in strengthening countries' integrity systems and anticorruption activities. It also introduced the engagement of civil society in ADB's anticorruption efforts. Throughout the year, OAI organized various initiatives to extend the *iACT: I Fight Corruption!* message to resident missions through the distribution of *iACT* posters and presentations focused on empowering and engaging resident mission staff as frontliners in ADB's anticorruption efforts.

Collaboration with Multilateral Development Banks

OAI maintains proactive collaboration with multilateral development bank (MDB) partners, ensuring continued cross-border involvement in its investigations and other anticorruption efforts. In 2013, OAI made a commitment toward exchanging training materials and case studies to develop harmonized best practices and a coordinated approach to IDD training as well as the development of a harmonized code of conduct for investigators.

Cross debarment continues to embody the collective curative force of the MDB community against integrity violations. A total of 328 entities were cross debarred across MDBs in 2013. The World Bank's debarment of SNC Lavalin and 198 of its related entities in April 2013 more than doubled the total presented for cross debarment between 2010 and 2012.

ANNUAL REPORT 2013

Table 3 Cross Debarments (2010–2013)

MDB	2010		2011		2012		2013		TOTAL		OVERALL TOTAL
	Firm	Individual	Firm	Individual	Firm	Individual	Firm	Individual	Firm	Individual	
ADB	0	0	11	16	1	0	2	2	14	18	32
EBRD	0	0	4	0	0	0	0	0	4	0	4
IADB	0	0	0	0	23	45	1	2	24	47	71*
WB	9	3	33	12	34	6	301	20	377	41	418**
TOTAL	12		76		109		328				
Total Cross Debarment by MDBs (2010–2013)									419	106	525
Reinstated (2010–2013)									7	3	10
Current Cross Debarment by MDBs									412	103	515
Current Cross Debarment by ADB									398	85	483

* All firms and individuals from non-ADB members

** Includes 75 firms and 16 individuals from non-ADB members

APPENDIX 1

The Office of Anticorruption and Integrity

Staff Composition of OAI, 2008-2014

Position	2008	2009	2010	2011	2012	2013	2014*
Head	0	1	1	1	1	1	1
Director	1	1	1	1	1	1	1
Lead Integrity Specialist	0	0	0	1	1	1	1
Principal Integrity Specialist	1	1	1	2	1	1	1
Senior Integrity Specialist	1	1	2	0	0	0	0
Integrity Specialist	3	3	4	4	5	6	6
Senior Integrity Officer	1	1	1	1	1	2***	2
Integrity Officer	1	2	3	3	3**	1****	1
Associate Integrity Analyst/ Associate Integrity Officer	1	2	2	2	3	4	4
Assistant Integrity Coordinator/ Integrity Analyst	1	1	1	1	1	1	1
Executive/Senior Integrity Assistant	0	0	1	2	2	2	2
Integrity Assistant	2	2	2	2	2	2	2
Total	12	15	19	20	21	22	22

* Estimate

** Includes one position which was vacant at time of publication

*** Prior to publication, one Integrity Officer, previously listed on page 14 of OAI's 2012 Annual Report, was promoted to Senior Integrity Officer

**** The integrity officer position identified in Page 14 of OAI's 2012 Annual Report did not materialize

APPENDIX 2

A Sample of Cases Concluded in 2013 Involving ADB-Financed Activities

There were 31 cases which led to debarment in 2013. A sample of instructive cases are summarized below.

Allegations	Investigative Findings	Case Resolution
Collusion		
Collusion between bidders	<p>Firms A, B, and C bid for an office refurbishment contract. However, the firms were related. Mr. X, the representative of Firm A, is the owner of Firm B. Mr. X is also acquainted with the owner/representative of Firm C.</p> <p>The individuals and firms prepared their proposals in collusion with each other in order to ensure that one of them wins the contract.</p>	The IOC debarred Firm A and its owner for 3 years. The IOC debarred Firms B and C, their respective owners and representatives for 4 years.
Collusion and Fraud		
Collusion and misrepresentation of experience in CV	An OAI staff investigation determined that a consultant misrepresented his experience as a translator in his CV and colluded with an ADB staff member to obtain a contract from ADB. The consultant did not dispute OAI's findings of fraudulent and collusive practices.	The consultant accepted OAI's recommended sanction of 6-year debarment.
Fraud		
Misrepresentation of work experience	<p>A firm, in response to the executing agency's request to submit documents to substantiate its claimed work experience, submitted fabricated documents.</p> <p>The firm admitted that its claim of work experience was false and that the documents it presented were fraudulent. It informed OAI that it had taken action against relevant officers and was taking steps to improve internal governance in its operations.</p>	The firm and its authorized representative accepted OAI's proposed sanction of 3-year debarment.
Submission of false bid security	A firm, through its director/authorized signatory, submitted a falsified bid security in the firm's bid.	The IOC debarred the firm and its director/authorized signatory for 4 years.
Misrepresentation of work experience in individual's CV	<p>A consultant submitted CVs with conflicting experiences.</p> <p>The consultant denied any misrepresentation and claimed to have aligned his CV to fit the corresponding terms of reference advertised. However, he failed to provide copies of his academic and work records to substantiate his claim.</p> <p>OAI independently verified that the consultant had falsely claimed postgraduate qualifications.</p>	The IOC debarred the consultant for 4 years.

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Table continued

Allegations	Investigative Findings	Case Resolution
Similarities in the contents of two competing bids	Firm A and Firm B appeared to submit bids with near identical content. During OAI's investigation, Firm A denied ever submitting a bid for the project and provided a letter from Firm B admitting that it had fraudulently submitted the bid in the name of Firm A without the latter's knowledge and consent.	Firm B and its president/director did not contest OAI's findings of fraudulent practice and accepted OAI's proposed sanction of 3-year debarment.
Submission of fraudulent work certificate	A firm was disqualified by the executing agency for submitting a false work certificate. OAI independently confirmed that the work certificate was fraudulent.	The IOC debarred the firm and its managing partner/authorized representative for 4 years.
Submission of consultants' CVs: (i) without consent and (ii) containing false information.	A firm submitted CVs of consultants without obtaining their consent. In response to OAI's inquiry, the firm and its executive director/chairperson submitted purported engagement and withdrawal letters from the consultants, which were later proven to be falsified.	The IOC debarred the firm and its executive director/chairperson for 4 years.
Submission of fraudulent end-user certificates	A firm which had been declared technically nonresponsive for a previous water supply project valued at \$10 million (on the grounds that it had insufficient experience on similar projects) was shortlisted as the top-ranked bidder for a \$19 million water supply project. It submitted end-user certificates claiming to have the necessary experience. OAI confirmed that the end-user certificates submitted by the firm were fabricated. When presented with OAI's findings, the firm admitted to engaging in fraudulent practice.	Given the strong evidence of fraudulent practice, and the fact that the contract was about to be awarded, the IOC temporarily suspended the firm for 6 months, and the firm was prevented from being awarded the \$19 million water supply project contract. Upon the conclusion of OAI's investigation, the IOC debarred the firm and its officer for 3 and 7 years, respectively.
Submission of fraudulent certificate	Firms A and B submitted manufacturer's authorization purportedly issued by the same company in relation to their respective bids in a power project. Both claimed that the manufacturer's authorization submitted by the other was fraudulent. A project implementing agency verifying the authenticity of the manufacturer's authorization received representations from Firm C, through its manager Mr. X, that Firm B's authorization was genuine. Upon investigation, OAI found that the manufacturer's authorization submitted by Firm A was genuine, while that of Firm B was fabricated. OAI also determined that Firm C and Mr. X were affiliated with Firm B. In addition, another firm, Firm D, was also related to Firm B (i.e., both were under common control).	Firm B and its CEO accepted OAI's findings and proposed sanction of 5 years. To avoid the circumvention of the sanction, the IOC also imposed a sanction of 7 years on Firm C and its proprietor, and 5 years on Firm D.

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Table continued

Allegations	Investigative Findings	Case Resolution
Misrepresentation through omission	<p>Firm E reassigned all contract responsibilities, obligations and responsibilities to a third party, which failed to deliver on the contract.</p> <p>OAI confirmed that: (i) the contract was wholly reassigned to a third party, which was specifically disallowed under this procurement; (ii) Firm E failed to inform the executing agency of this, also an obligation under this procurement; (iii) the subcontracting arrangement was in place after the awarding of the contract, but before the contract was signed; and (iv) construction was substandard and not finalized.</p>	The IOC debarred Firm E and its principal for 7 years.
Sanctions Violation		
Sanctions violation	<p>A firm sanctioned for fraudulent practices violated its sanction by bidding for and receiving a new ADB-financed \$1.4 million contract to supply machinery. The firm's local representative submitted the bid proposal for the contract shortly after the sanction was imposed, and also signed the contract on the firm's behalf. The firm had appealed its original sanction, and was in regular communication with OAI on the matter. Nevertheless, the firm did not inform OAI of the new contract in a transparent manner, and initially provided incorrect information regarding the new contract.</p>	The IOC sanctioned the firm for 3 years to run concurrently with the present debarment. The name of the firm was also submitted for cross debarment and posted on ADB's public website.
Sanctions violation	<p>A firm, which was sanctioned by the IOC for 7 years, submitted a bid for an ADB technical assistance project as a subconsultant of a consortium. A review of the bid showed that (i) the lead firm, in the letter of bid, declared that ADB has not sanctioned the consultant and any of its subconsultants, and (ii) the contact person (director) for the sanctioned firm in the consortium was the same director named in and who received the firm's sanction letter.</p> <p>When OAI presented its findings to the firm and the individual, they agreed not to contest OAI's findings of sanction violation and fraudulent practice.</p>	The firm accepted OAI's recommended sanction of 2-year debarment. Therefore, the firm's 7-year sanction was extended by another 2 years. Furthermore, the name of the firm was also submitted for cross debarment and posted on ADB's public website.

APPENDIX 3

A Sample of Cases in 2013 Involving ADB Staff

OAI screened and/or investigated 20 staff-related cases during 2013. Only a sample of instructive cases are summarized here.

Allegations	Investigative Findings	Case Resolution
Conflict of Interest and Misrepresentation		
A staff member was allegedly conflicted by recommending his spouse to work as consultant. He was also alleged to have engaged in corruption and abuse of authority.	<p>OAI uncovered sufficient evidence to conclude that the staff member engaged in fraudulent practices and abuse of authority. He was conflicted in the performance of his official duties.</p> <p>He also engaged in collusive practices. In addition, his misconduct was recurrent and deliberate.</p>	<p>The matter was referred to BPMSD for disciplinary action.</p> <p>Staff was dismissed.</p>
Collusion and Corruption		
A staff member allegedly favors certain contractors and influences their hiring, receives bribes from ADB contractors and engages in a private business.	<p>OAI found that the “favorite contractors” used the same office equipment as the rest of their counterparts.</p> <p>OAI found it difficult to establish that some contractors were hired due to the staff member’s recommendation.</p> <p>OAI did not find any business records of the staff member or any recorded business relationships between him and any of the contractors.</p> <p>The complainant did not provide sufficient information to enable OAI to investigate the allegation of bribery.</p>	<p>The allegations were not verifiable nor credible.</p> <p>Case closed.*</p>
A staff member allegedly accepted kickbacks from suppliers, facilitated the recruitment of his family and close friends as ADB staff and consultants, and abused ADB’s leave policy.	<p>OAI’s investigations did not find evidence that the staff member accepted kickbacks or that there was any monetary relationship between him and ADB suppliers.</p> <p>None of the staff member’s family members have been or are currently engaged in ADB as consultants or staff.</p> <p>The staff member’s attendance records show that his leave applications were properly recorded. Also, there were no discrepancies in his leave encashment.</p>	<p>The allegations were disproved.</p> <p>Case closed.*</p>
A staff member who is married to a Philippine national allegedly claims rental subsidy and leases the house owned by the spouse.	<p>The complainant did not identify the staff member so OAI filtered the list of ADB staff who lived in a particular area and found one staff member who matched the description of the complainant.</p> <p>This staff member has been leasing the property since his employment in ADB. Said property was owned by a Filipino who had no relationship with the staff member’s spouse.</p>	<p>The allegation was unverifiable.</p> <p>Case closed.*</p>

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Table *continued*

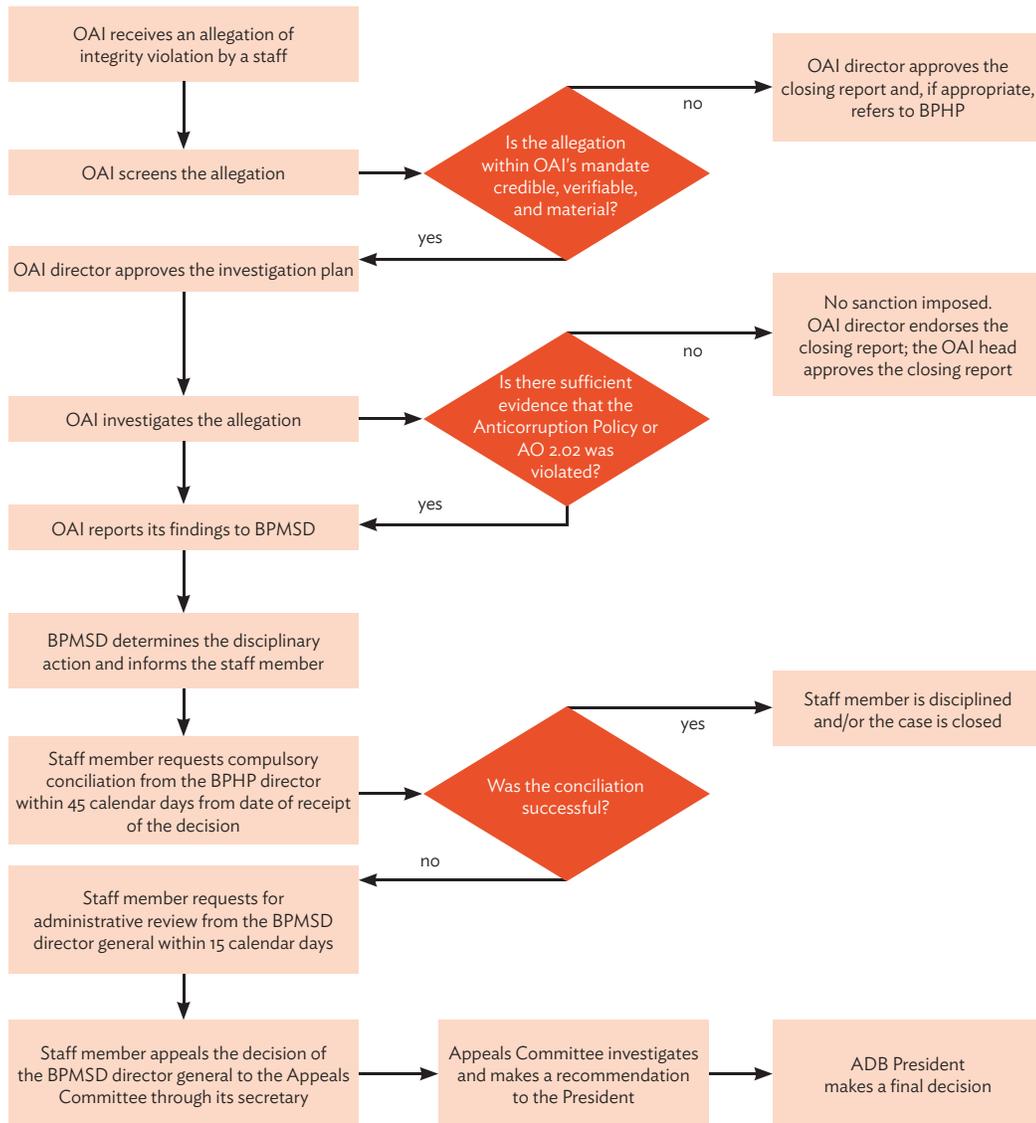
Allegations	Investigative Findings	Case Resolution
Conflict of Interest		
A staff member is allegedly positioning himself in a government office for future work engagements after retirement in ADB.	<p>The staff member is the project officer and the government office is the executing agency for the project. As such, it is not extraordinary that the staff member liaises with the executing agency for the successful implementation and performance of the project.</p> <p>OAI has not been presented with any information to suggest that the staff member was positioning himself in the executing agency. The complainant's concern was merely speculative.</p>	<p>The allegation was not credible.</p> <p>Case closed.*</p>
A staff member allegedly engaged in conflict of interest by being involved in the award of an ADB contract to a company that he founded.	<p>OAI determined that the ADB staff member was one of the initial founders and shareholders of the company. This company received an ADB contract for a training event under the project involving the ADB staff member.</p> <p>However, prior to the award of the contract, the staff member disclosed to his supervisor his prior interest in the company and that he sold his shares before joining ADB. He also wrote to ADB management confirming that he had no business or familial relationship with any of the principals of the company and that he had not violated ADB rules related to conflict of interest.</p> <p>OAI confirmed that the staff member had sold his interests in the company and that management was fully aware of his previous role with the company prior to the award of the contract.</p>	<p>The allegation was not credible.</p> <p>Case closed.*</p>

* No referrals were made to BPMSD given the case outcome.

Note: He/his/him is used for convenience and is not gender-specific.

APPENDIX 4

Process for Dealing with Allegations of Integrity Violations by ADB Staff



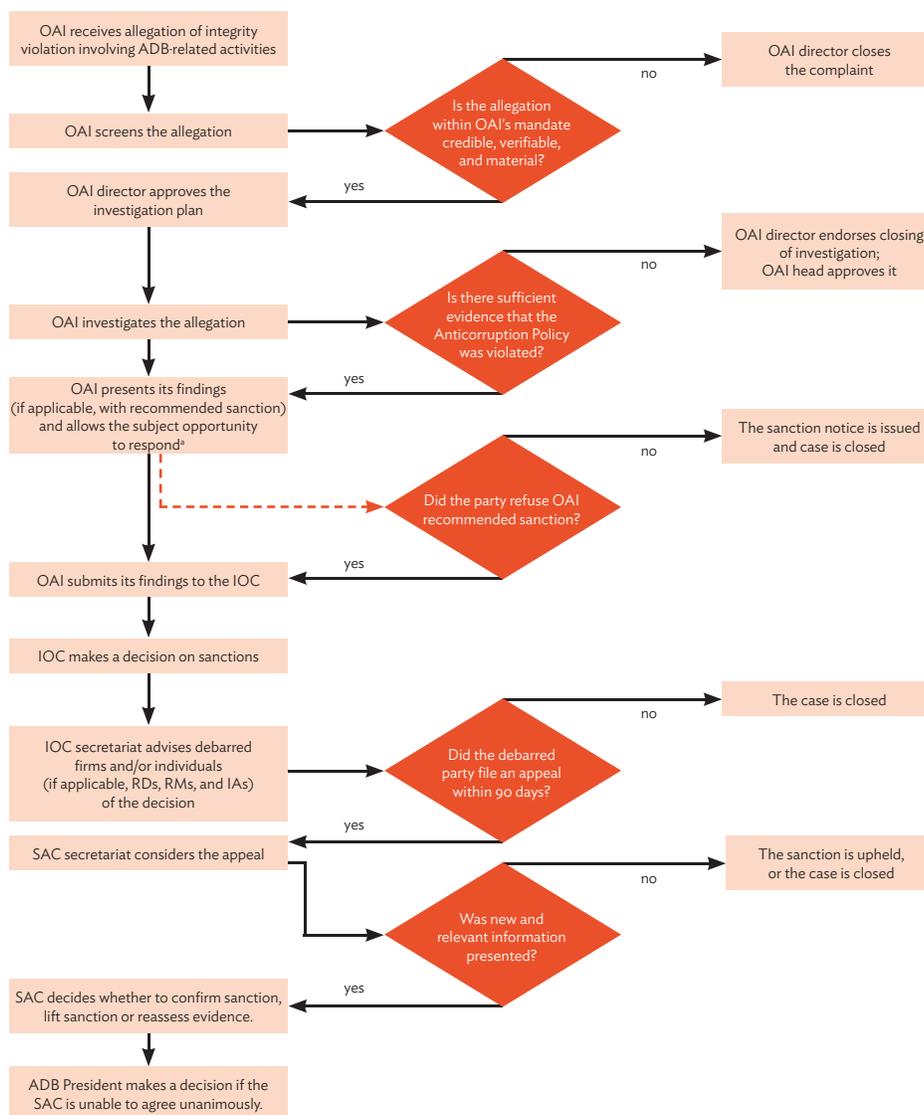
ADB = Asian Development Bank; AO = Administrative Order; BPHP = Human Resources Business Partners Division; BPMSD = Budget, Personnel, and Management Systems Department; OAI = Office of Anticorruption and Integrity.

Notes: The flowchart is not intended to, and does not replace, modify, supersede, or amend ADB's *Integrity Principles and Guidelines* (2012).

Misconduct by staff members that OAI may investigate includes violation of ADB's Anticorruption Policy (including fraudulent practices, corrupt practices, or conflicts of interest) or abuse (theft, waste, or improper use of ADB assets, either committed intentionally or through reckless disregard).

APPENDIX 5

Process for Dealing with Allegations of Integrity Violations Involving Bidders, Consultants, Contractors, Suppliers, or Other Third Parties in ADB-Related Activities



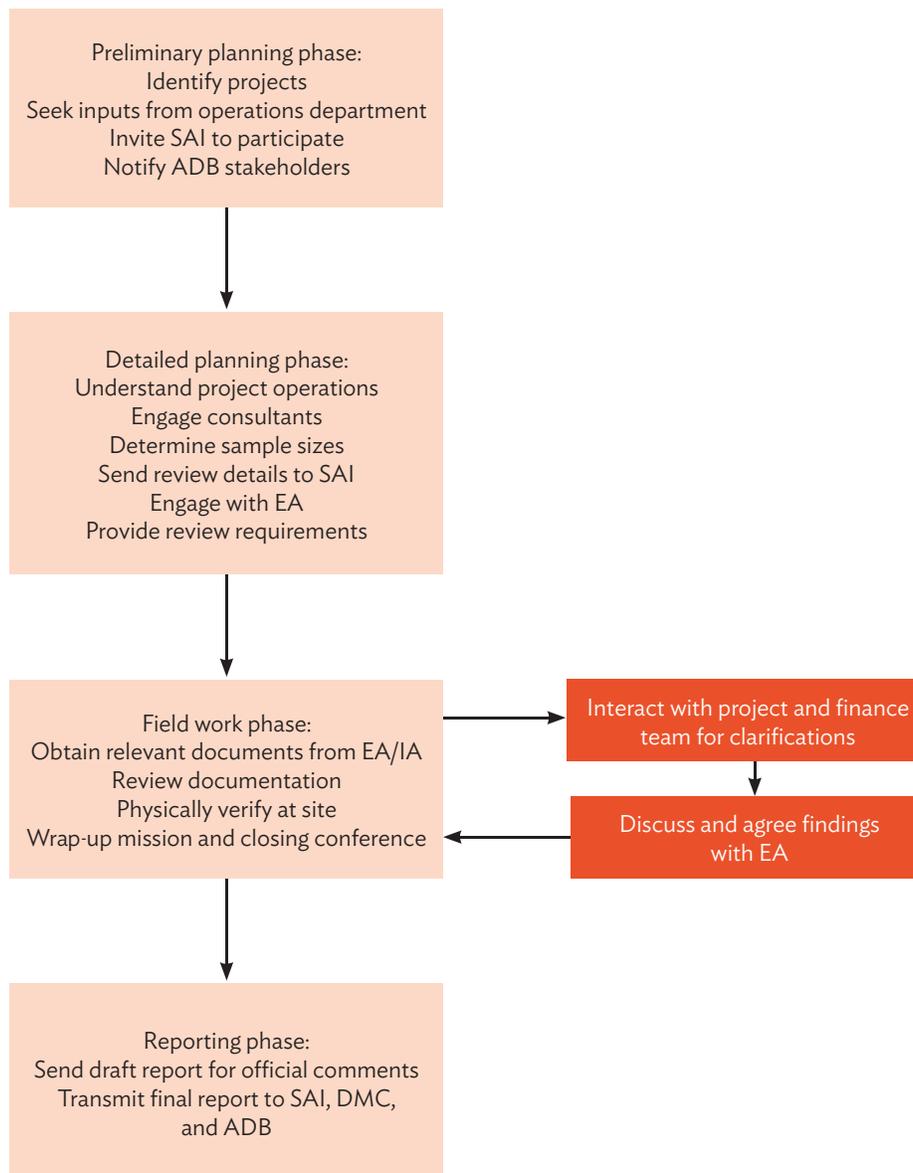
ADB = Asian Development Bank; IA = implementing agency; IOC = Integrity Oversight Committee; OAI = Office of Anticorruption and Integrity; RD = regional departments; RM = resident mission; SAC = Sanction Appeals Committee.

^a At any time during the investigation, OAI may present to the IOC a request for a temporary suspension of the party (see paras. 72–77 of the 2012 *Integrity Principles and Guidelines*, <http://www.adb.org/sites/default/files/integrity-principle-guidelines.pdf>).

Notes: The flowchart is not intended to, and does not replace, modify, supersede, or amend ADB's *Integrity Principles and Guidelines* (2012). Integrity violations that OAI may investigate include corrupt practice, fraudulent practice, coercive practice, collusive practice, abuse, conflict of interest, obstructive practice.

APPENDIX 6

Project Procurement–Related Review Process



ADB = Asian Development Bank, EA = executing agency, DMC = developing member country, IA = implementing agency, SAI = supreme audit institution.

Office of Anticorruption and Integrity Annual Report 2013

The Office of Anticorruption and Integrity (OAI) helps the Asian Development Bank (ADB) ensure that development funds entrusted to it are not misused through fraud or corruption. This publication highlights OAI's activities in 2013 such as investigating allegations of integrity violations; proactively reviewing projects; providing integrity due diligence support; and informing and empowering staff, civil society, and the private sector with tools to fight fraud and corruption in ADB projects.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.7 billion people who live on less than \$2 a day, with 828 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

