



ADB

REPORT TO THE PRESIDENT
OFFICE OF ANTICORRUPTION AND INTEGRITY

ANNUAL REPORT

2009

Asian Development Bank



REPORT TO THE PRESIDENT
OFFICE OF ANTICORRUPTION AND INTEGRITY
ANNUAL REPORT
2009

Asian Development Bank

© 2010 Asian Development Bank

All rights reserved. Published 2010.
Printed in the Philippines.

Publication Stock No. RPT101338

Cataloging-In-Publication Data

Asian Development Bank.

Office of Anticorruption and Integrity 2009 annual report.
Mandaluyong City, Philippines: Asian Development Bank, 2010.

1. Anticorruption. 2. Asian Development Bank.

Every effort has been made to ensure the accuracy of the data used in this publication. Variations in data in ADB publications often result from different publication dates, although differences may also come from source and interpretation of data. ADB accepts no responsibility from any consequence of their use.

By making any designation of or reference to a particular territory or geographic area, or by using the term "country" in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.

ADB encourages printing or copying information exclusively for personal and noncommercial use with proper acknowledgment of ADB. Users are restricted from reselling, redistributing, or creating derivative works for commercial purposes without the express, written consent of ADB.

Note:

In this report, "\$" refers to US dollars.

Asian Development Bank
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:
Department of External Relations
Fax +63 2 636 2648
adbpub@adb.org

Contents

Abbreviations	v
Executive Summary	vi
Performance at a Glance	1
Year in Brief	2
Spotlight Feature	5
Enabling Integrity: ADB's Whistleblower and Witness Protection Provisions	5
The Office of Anticorruption and Integrity: Our Mandate, Our People	8
The Office of Anticorruption and Integrity: Our Work	11
Casework	11
Project Procurement-Related Reviews	32
Advancing Awareness of ADB's Anticorruption Policy Communication	35
The Office of Anticorruption and Integrity: New Initiatives	38
Whistleblower and Witness Protection Provisions	38
Harmonizing Debarment among Multilateral Development Banks	39
Publicizing ADB's Sanctions List	39
The Office of Anticorruption and Integrity: Our Future	40
Appendixes	41
Appendix 1 Office of Anticorruption and Integrity Organizational Chart	41
Appendix 2 Status of Reported Fraud and Corruption Investigations, as of 31 December 2009	42
Appendix 3 Closed Investigations as of 31 December 2009	43
Appendix 4 Significant Cases Involving ADB-Financed Activities Concluded in 2009	44
Appendix 5 Significant Cases Involving ADB Staff Members in 2009	52
Appendix 6 Process for Dealing with Allegations of Fraud, Corruption, or Abuse by ADB Staff Members	57
Appendix 7 Process for Dealing with Allegations of Fraud or Corruption Involving Bidders, Consultants, Contractors, Suppliers, or Other Third Parties in ADB-Financed Activities	58

List of Figures, Tables, and Boxes

Figures

Figure 1	Sources of Complaints, 2009	11
Figure 2	Mode of Complaints Received, 2009	13
Figure 3	Investigations Opened, 1998–2009	16
Figure 4	Investigation Classification, 2009	19
Figure 5	Fraud Cases, 2009	20
Figure 6	Sources of Investigations, 2009	21
Figure 7	Number of Investigations by Source, 1998–2009	22
Figure 8	Subjects of Investigation, 2009	23
Figure 9	Subjects of Investigation, 1998–2009	23
Figure 10	Investigations by Sector, 2009	25

Tables

Table 1	Staffing at the Office of Anticorruption and Integrity, 2005–2010	10
Table 2	Disciplinary Action Resulting from Referrals to the BPMSD	26
Table 3	Entities Sanctioned by the Integrity Oversight Committee in 2009	28
Table 4	Sanctions Since 1998	28

Boxes

Box 1	Mandate of the Office of Anticorruption and Integrity	9
Box 2	Case Screening Criteria	14
Box 3	Case Example—Firms That Fail to Win Bids Can Still Be Held Liable for Violating ADB's Anticorruption Policy	15
Box 4	Case Example—Identifying and Curbing Systemic Collusive Practices in Procurement	17
Box 5	Practices that Constitute Violations of ADB's Anticorruption Policy	18
Box 6	Case Example—Uncovering Misrepresentation in Infrastructure Development Projects	19
Box 7	Case Example—Supporting Private Sector Development through Vigilant Reporting of Corruption Violations	20
Box 8	Case Example—Enhancing Diligence and Internal Controls among Suppliers	22
Box 9	Case Example—Complainants Making False Allegations against Competing Bidders Become Subjects of Investigation	24
Box 10	Case Example—Identifying Corruption in the Water Supply, Sanitation, and Waste Management Sector	25
Box 11	Case Example—Conflict of Interest	26
Box 12	Case Example—Preserving ADB's Reputation—Imposing Sanctions Relating to the Misuse of ADB's Name	28
Box 13	Case Example—Violation of Sanction Results in Prolonged Debarment	29
Box 14	Case Example—Successful Appeals Case—New Evidence Merited Modification of Sanctions	30

Abbreviations

ADB	–	Asian Development Bank
BPHR	–	Human Resources Division
BPK	–	Badan Pemeriksa Keuangan (Supreme Audit Board of Indonesia)
BPMSD	–	Budget, Personnel and Management Systems Department
DMC	–	developing member country
IOC	–	Integrity Oversight Committee
MDB	–	multilateral development bank
OAGI	–	Integrity Division, Office of the Auditor General
OAI	–	Office of Anticorruption and Integrity
PPRR	–	project procurement-related review
SAC	–	Sanction Appeals Committee

Executive Summary

The 2008 global financial crisis put extreme pressure on donor funds allocated for development projects worldwide. As the crisis swelled into the following year, governments and multilateral development banks (MDBs) such as the Asian Development Bank (ADB) were called upon to step up development financing at unprecedented levels. As of 31 October 2009, ADB allocated \$8.95 billion to its developing member countries specifically to deal with the impact of this crisis.¹

In May 2009, the ADB Board of Governors agreed to increase ADB's capital base from \$55 billion to \$165 billion. An overwhelming majority of ADB's 67 members endorsed General Capital Increase V, giving ADB the needed resources to respond to the crisis and to the longer-term development needs of Asia and the Pacific.

With these developments, it is even more crucial that what remains available is used for maximum development impact. However, corruption remains as entrenched as ever throughout the world, an "alarming integrity deficit" often seeps into even the best-intentioned MDB projects.²



ADB-financed road project: Road surface is smooth, shoulders are steady.

¹ ADB. 2009. *Global Economic Crisis and ADB's Response: An Update*. Manila, p. 8.

² Transparency International. 2009. *2009: Looking Back to Look Forward*. www.transparency.org/news_room/in_focus/2009/2009_looking_back_to_look_forward

Corruption thrives where temptation coexists with permissiveness, where institutional checks on power are missing, where civil society is thin on the ground, and where inequalities in the distribution of wealth condemn people to live in poverty.³

ADB undertook several key initiatives to ensure that fraud and corruption in ADB-financed activities were reduced. Its main action was to separate the Office of the Auditor General, Integrity Division (OAGI) and to establish it as an independent anticorruption office, the Office of Anticorruption and Integrity (OAI).⁴

ADB also introduced updated, comprehensive whistleblower and witness protection provisions to encourage external stakeholders and staff members to report suspected fraud and corruption in projects. Similarly, OAI reviewed procedures over disclosure of ADB's sanctions list, with the outcome that relevant government agencies will be allowed access to the list going forward.

To strengthen its fight against corruption and fraud further, OAI also participated in discussions with other MDBs on identifying how one MDB's debarment actions can be supported by the others, with the aim of multiplying the impact and reach of sanctions imposed. Discussions and collaboration with integrity units of participating MDBs continue toward achieving this objective.

Importantly, OAI successfully carried out its primary role as the focal point of all allegations of fraud and corruption relating to ADB-financed activities. In 2009, 194 new corruption and fraud complaints were logged. Of these, 54 were converted into investigations, as were 19 older complaints. With 128 investigations open at the beginning of the year, OAI effectively handled 201 investigations during 2009. OAI also conducted 11 investigation missions during the year and incurred \$580,000 on external investigative consulting services. The Integrity Oversight Committee debarred 68 individuals and 56 firms, compared to 28 individuals and 41 firms in 2008.

ADB received appeals from 13 sanctioned individuals and 15 firms, compared to 8 received in 2008. Three appeals justified a referral to the Sanction Appeals Committee because of new information provided, with two resulting in the lifting of the relevant sanctions, and one resulting in subsequent reinstatement.

As part of prevention efforts, OAI conducts project procurement-related reviews (PPRRs) of ADB-financed activities, to help prevent and detect fraud,

³ Transparency International. Frequently Asked Questions about Corruption. www.transparency.org/news_room/faq/corruption_faq#aqcorr5

⁴ From here on, the use of "OAI" in this report refers to both OAGI and the newly formed OAI.

corruption, and/or abuse.⁵ In 2009, six full PRRs were conducted, with the participation of four supreme audit institutions of the relevant developing member country. OAI also piloted three limited PRRs—that is, PRRs with a narrower scope—with ADB operations departments. The preliminary outcomes from these limited PRRs were positive.

OAI continues to regularly issue advisories and e-bulletins to inform ADB staff members and subscribers of anticorruption matters. In 2009, OAI prepared a one-page quick reference containing definitions of practices that are considered integrity violations for general dissemination. OAI briefed the governments of Uzbekistan and Tajikistan, two trade delegations, newly recruited staff members, as well as staff members at four ADB resident missions to enhance their awareness of fraud and corruption issues.

Year Ahead

In 2010, OAI plans to conclude its work on mutual recognition of debarments with participating MDBs, and expand access to its sanctions list. A series of briefings are also planned to promote the new whistleblower provisions. *Integrity Principles and Guidelines* and any other related implementing guidelines will be revised to reflect these initiatives.

With the increase in its staff resources, OAI will be better able to balance its various responsibilities of prevention, detection, and enforcement. It will be able to focus more on advancing awareness of ADB's anticorruption policy. More resources will be devoted to bringing the message of ADB's anticorruption stance to project officials, both from the government and the private sector, at project commencement. An anticorruption publication directed at consultants, contractors, and suppliers will be published, and collaboration with operations departments for limited PRRs will continue.

Improving information technology capability—a powerful tool in the anticorruption fight—remains a priority. In 2010, OAI will progressively train staff members on the use of investigative software that it purchased in 2009. More qualified individuals will be added to OAI's staff, with the aim of further developing the office's skills set.

⁵ ADB. 2009. OAI's Terms of Reference. *Administrative Orders*. AO 1.02, section 4. Manila.

Performance at a Glance

Key Achievements	Number
Complaints screened	194
Investigations commenced	73
Investigative missions conducted	11
Individuals sanctioned	68
Individuals reinstated	3
Firms sanctioned	56
Firms reinstated	12
Individuals reprimanded	4
Firms reprimanded	7
Case referrals made in relation to ADB staff members	7
Appeals concerning individuals reviewed	13
Appeals concerning firms reviewed	15
Full project procurement-related reviews conducted	6
Limited project procurement-related reviews conducted	3
Anticorruption orientation seminars conducted for new ADB staff members	18
Presentations on the anticorruption policy conducted for business delegations, ADB Board of Directors, and donors	4
Fraud and corruption awareness workshops conducted	5
Integrity forums attended	5
Investigators' conferences attended	1
Governance and anticorruption discussions with other departments conducted	9
Learning and development programs attended by Office of Anticorruption and Integrity (OAI) staff members	19

Year in Brief

Month	Event
January 2009	<ul style="list-style-type: none"> ◆ Formulated 2009 OAI work plan ◆ Conducted investigative mission in Pakistan ◆ Conducted anticorruption and integrity briefing for new ADB professional staff members ◆ Conducted fraud and corruption awareness workshop for National Audit Office in Mongolia ◆ Conducted fraud and corruption awareness seminar for staff members at the Indonesia Resident Mission and Mongolia Resident Mission ◆ Conducted a follow-up mission to Indonesia for PPRR on Loan 1909-INO
February 2009	<ul style="list-style-type: none"> ◆ Presented three cases to the IOC for consideration of sanctions ◆ Conducted case investigations in Bangladesh and New Zealand ◆ Conducted three anticorruption and integrity orientations for new ADB staff members ◆ Conducted fraud and corruption awareness workshop in Indonesia for the Supreme Audit Board (BPK) ◆ Conducted fraud and corruption awareness workshop for ADB finance and administrative staff members ◆ Conducted planning mission to India for PPRR on Loan 2151-IND ◆ Conducted mission to the United States to consult with suppliers of investigation software
March 2009	<ul style="list-style-type: none"> ◆ Posted the OAI annual report on the ADB website ◆ Presented three cases to the IOC for consideration of sanctions ◆ Conducted anticorruption and integrity orientation for new ADB staff members and donors ◆ Participated in a multilateral and regional development bank meeting in Washington, DC, United States
April 2009	<ul style="list-style-type: none"> ◆ Conducted case investigation in the Philippines ◆ Presented five cases to the IOC for consideration of sanctions ◆ Conducted two anticorruption and integrity orientations for new ADB staff members ◆ Conducted planning mission to Sri Lanka for PPRR on Loan 2096-SRI
May 2009	<ul style="list-style-type: none"> ◆ Presented eight cases to the IOC for consideration of sanctions ◆ Conducted two anticorruption and integrity orientations for new ADB staff members ◆ Conducted fieldwork mission to Sri Lanka for PPRR on Loan 2096-SRI

continued on next page

Year in Brief: continuation

Month	Event
June 2009	<ul style="list-style-type: none"> ◆ Presented two cases to the IOC for consideration of sanctions ◆ Conducted two anticorruption and integrity orientations for new ADB staff members ◆ Conducted fraud and corruption awareness workshop in Viet Nam for the Supreme Audit Office of Viet Nam ◆ Participated in a multilateral and regional development bank meeting in Amman, Jordan ◆ Conducted planning mission to Cambodia for PPRR on Loan 2122-CAM ◆ Conducted planning mission to Papua New Guinea for PPRR on Loan 2079-PNG ◆ Participated in the 10th Conference of International Investigators in Amman, Jordan
July 2009	<ul style="list-style-type: none"> ◆ Participated in a multilateral development bank meeting in London, United Kingdom ◆ Conducted due diligence on investigating firms in Singapore and London, United Kingdom ◆ Presented one case to the IOC for consideration of sanctions ◆ Conducted two anticorruption and integrity orientations for new ADB staff members ◆ Conducted anticorruption and integrity orientation for ADB staff members in the Office of Information Systems and Technology ◆ Conducted fieldwork mission to India for PPRR on Loan 2151-IND ◆ Conducted planning mission to the Philippines for PPRR on Loan 1772-PHI
August 2009	<ul style="list-style-type: none"> ◆ Conducted a case investigation in Mongolia ◆ Presented two cases to the IOC for consideration of sanctions ◆ Conducted anticorruption and integrity orientation for new ADB staff members ◆ Conducted an anticorruption and integrity orientation for ADB staff members in the procurement unit of the Office of Administrative Services ◆ Conducted planning mission to Armenia for PPRR on Loan 2351-ARM
September 2009	<ul style="list-style-type: none"> ◆ Participated in multilateral development bank meeting in Tunis, Tunisia ◆ Presented four cases to the IOC for consideration of sanctions ◆ Conducted a case investigation in Indonesia ◆ Conducted anticorruption and integrity orientation for new ADB staff members ◆ Presented corruption and fraud awareness to delegations from France and Spain

continued on next page

Year in Brief: continuation

Month	Event
	<ul style="list-style-type: none"> ◆ Conducted anticorruption and integrity orientation for ADB staff members in the Regional and Sustainable Development Department and Office of Information Systems and Technology ◆ Conducted fieldwork mission to Papua New Guinea for PPRR on Loan 2079-PNG ◆ Conducted fieldwork mission to Cambodia for PPRR on Loan 2122-CAM
October 2009	<ul style="list-style-type: none"> ◆ President approved the independence of OAI and its terms of reference ◆ President appointed the head of OAI ◆ Conducted anticorruption and integrity workshops in Tajikistan and Uzbekistan^a ◆ Conducted case investigations in Indonesia, Lao People's Democratic Republic, Ukraine, and Uzbekistan ◆ Conducted anticorruption and integrity orientation for new ADB staff members ◆ Conducted fraud and corruption awareness workshops for staff members at the Tajikistan Resident Mission and Uzbekistan Resident Mission ◆ Conducted three limited PPRRs in Mongolia on Loan 1736-MON, Loan 2238-MON, and Grant 0086-MON
November 2009	<ul style="list-style-type: none"> ◆ Participated in a multilateral development bank meeting in Paris, France ◆ Conducted a case investigation in Hong Kong, China ◆ Conducted two anticorruption and integrity orientations for new ADB staff members ◆ Conducted anticorruption and integrity policy and procurement-related issues workshop in Manila, Philippines ◆ Conducted fieldwork mission to Armenia for PPRR on Loan 2351-ARM
December 2009	<ul style="list-style-type: none"> ◆ Presented four cases to the IOC for consideration of sanctions ◆ Conducted a case investigation in Chicago, Illinois, United States ◆ Conducted anticorruption and integrity orientation for new ADB staff members ◆ Conducted anticorruption and integrity workshop for senior ADB staff members through the Anticorruption Education and Training Program ◆ President approved the administrative order on whistleblower and witness protection ◆ Issued draft reports for PPRR on Loan 2079-PNG and three limited PPRRs on Loan 1736-MON, Loan 2238-MON, and Grant 0086-MON ◆ Issued a final report for PPRR on Loan 2351-ARM

BPK = Badan Pemeriksa Keuangan, IOC = Integrity Oversight Committee, OAI = Office of Anticorruption and Integrity, PPRR = project procurement-related review.

^a ADB. 2008. Technical Assistance for Anticorruption Seminars, 2008–2009. Manila. (TA 6447-REG).

Spotlight Feature



Enabling Integrity: ADB's Whistleblower and Witness Protection Provisions

The term “whistleblowing” is generally used to describe someone who, voluntarily and in good faith, reports a suspected integrity violation or misconduct.⁶ Whistleblowers can be viewed as selfless martyrs for public interest and organizational accountability; others see them as tattletales or snitches, solely pursuing personal glory and fame.

Recently, a more favorable view of whistleblowers seems to be emerging around the globe. It is now recognized that whistleblowers actually care about the public interest and make an often astonishing effort to expose wrongdoings.

“The term “whistleblowing” is generally used to describe someone who, voluntarily and in good faith, reports a suspected integrity violation or misconduct”

High-profile instances of whistleblowing have made it a central issue in governance and transparency, with extensive media coverage of large private corporations being exposed by employees for fraud and corruption. Subsequently, efforts are being taken in both the public and private sector to improve whistleblower and witness provisions, including protection measures. Policies that provide protection to whistleblowers and witnesses are important tools to promote accountability, as they encourage those who have credible evidence of corruption and fraud to come forward with their complaint within a protective framework of safeguards that prevents retaliation and respects confidentiality. If whistleblowing is misunderstood or mishandled, people may be reluctant to report a suspected integrity violation or misconduct out of fear that they will be targeted for harassment and isolation. Such policies have become critical components in governance in developed and, increasingly, in developing countries as tools to fight corruption and to demonstrate public accountability.

The Asian Development Bank (ADB) proposed improvements to its whistleblower and witness protection provisions during 2009, to create an environment that is conducive to people coming forward without fear of retaliation. Provisions and a procedural framework that enables, rather than

⁶ ADB. 2009. Whistleblower and Witness Protection. *Administrative Orders*. AO 2.14. Manila. The term “whistle-blower” derives from the practice of English bobbies (police), who would blow their whistles when they saw a crime being committed. The whistle would alert other law enforcement officers and the general public of danger.

thwarts, morally courageous actions by staff members and other stakeholders will facilitate such attitudes and behavior. This initiative was spearheaded by the Office of Anticorruption and Integrity (OAI), the office responsible for investigating all matters relating to allegations of fraud and corruption.

ADB has had an existing framework of whistleblower protection. An external review of ADB's whistleblower protection system in 2004 highlighted ADB's commitment to protect confidentiality of whistleblowers but identified shortcomings in the existing provisions.⁷

To improve ADB's existing provisions, OAI examined the practices of comparator institutions and prepared an administrative order dealing with the protection of whistleblowers and witnesses. This administrative order was circulated internally for staff feedback and was posted on the internet for 120 days for external comment in 2009. ADB's President approved it in December 2009. The administrative order is currently available on the ADB website.⁸

The administrative order reflects the best practices of other multilateral development banks (MDBs), the United Nations, and other international organizations, and responds to recommendations received from external stakeholders, experts, and ADB staff members. Through the administrative order, ADB seeks to improve the protection measures available to its staff members, as well as the admittedly limited protections available to external parties, who report information about integrity violations and misconduct. These provisions place whistleblower and witness protection within ADB's framework for regulating staff conduct, and are to be jointly implemented by the Budget, Personnel and Management Systems Department, and OAI. The administrative order

// These provisions place whistleblower and witness protection within ADB's framework for regulating staff conduct, and are to be jointly implemented by the Budget, Personnel and Management Systems Department and OAI //

- consolidates existing relevant language and provisions from various ADB documents in a single document;
- improves the accessibility of information on how to respond to retaliation related to whistleblowing;
- harmonizes ADB's definitions and approach with comparator institutions;
- confirms the existing prohibition on retaliation against any person for reporting an integrity violation or misconduct and/or for cooperating with an investigation; and

⁷ Government Accountability Project. 2004. *Challenging the Culture of Secrecy*. Washington, DC. www.sitelevel.com//query.go?crd=648073231bb9ea9d&query=challenging+the+culture+of+secrecy. This report identified the strengths and weaknesses of five MDBs, including ADB. As a whistle-blower organization, the Government Accountability Project promotes accountability by advocating occupational free speech, litigating whistle-blower cases, publicizing whistle-blower concerns, and developing provisions and legal reforms of whistle-blower laws. See www.whistleblower.org

⁸ See www.adb.org/Documents/Integrity/AO2-10.pdf

// The whistleblower and witness protection administrative order is a key tool toward this objective //

- transfers the burden of proof to ADB where a whistleblower has made a prima facie case, so that ADB must demonstrate that an action affecting a complainant would have occurred even without the report or complaint.

ADB's ability to realize the goals of Strategy 2020⁹ and to achieve regional integration and growth, which is economically inclusive and environmentally sustainable, requires that ADB's resources are used to their maximum advantage. ADB's zero-tolerance policy for fraud and corruption protects those resources, and ADB and its members' development interests. The whistleblower and witness protection administrative order is a key tool toward this objective.

⁹ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

The Office of Anticorruption and Integrity: Our Mandate, Our People

Mandate

OAI was established on 1 October 2009 when the Integrity Division was separated from the Office of the Auditor General. To enhance the integrity of its operations, it reports directly to the President.¹⁰ At the same time, it was provided with additional staff resources. These enhancements enable OAI to manage its workforce to meet the increasing complexity of its investigations as well as its proactive awareness-raising efforts.

OAI is the designated focal point of contact for allegations of fraud or corruption pertaining to ADB-financed activities or staff members. It is responsible for all matters related to allegations of fraud and corruption and for ensuring that those participating in ADB-funded activities meet the highest standards of integrity.

// OAI is the designated focal point of contact for allegations of fraud or corruption pertaining to ADB-financed activities or staff members //

People

OAI's head is appointed by the President. The head reports directly to the President and through the President to the Audit Committee of the Board of Directors on OAI's activities and outcomes. In carrying out OAI's activities, the head and authorized staff members have unrestricted access to (and may have temporary possession or control of) information and records relating to all ADB activities, personnel, and physical property.

OAI's staff profile is extremely diverse. Staff members and consultants hail from different backgrounds—including audit, investigations, information technology, law, and project management—enabling OAI to address the diversity and complexity of its mandate in an effective, satisfactory manner.

¹⁰ Previously, the Integrity Division reported to the President through the Auditor General.

Box 1: Mandate of the Office of Anticorruption and Integrity

The principal responsibilities of the Office of Anticorruption and Integrity (OAI) are as follows.

- ◆ In collaboration with relevant departments and/or offices, advance awareness of ADB's anticorruption policy.
- ◆ In consultation with relevant departments and/or offices, propose and review appropriate procedures under the anticorruption policy to ensure that all staff members and projects adhere to the highest standards to maintain integrity against corruption.
- ◆ To serve as the initial point of contact for all alleged incidents of fraud, corruption or abuse, as defined by ADB pursuant to its anticorruption policy, in any ADB-financed activity, including its staff members.
- ◆ To conduct independent and objective investigations of fraud and corruption, collusive practice, coercive practice, conflict of interest, and abuse pursuant to ADB's anticorruption policy known to or identified by OAI.
- ◆ In collaboration with the Office of the Auditor General and as part of the prevention efforts, conduct project-procurement related reviews of ADB-financed activities to help prevent and detect fraud, corruption, or abuse.
- ◆ To provide investigative findings, which shall be dealt with as stipulated in ADB's *Integrity Principles and Guidelines*.
- ◆ In the conduct of investigation, coordinate with the Budget, Personnel and Management Systems Department; Management; Office of the General Counsel; and other departments and/or offices as appropriate, and adopt appropriate procedures to determine whether fraud, corruption, or abuse under the anticorruption policy has occurred; gather sufficient evidential matters thereon; design procedures to follow in attempting to identify the perpetrators, the extent of the fraud, corruption, or abuse, the techniques used, and the cause of the fraud, corruption, or abuse; determine if controls need to be implemented or strengthened to reduce vulnerability; and design mechanisms to help disclose the existence of similar fraud, corruption, or abuse.
- ◆ To investigate allegations of misconduct by staff members involving violations 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), in accordance with ADB's *Integrity Principles and Guidelines* and Appendix 2 of Administrative Order No. 2.04: *Disciplinary Measures and Procedures*.
- ◆ To investigate allegations of misconduct referred by the Human Resources Division in accordance with Administrative Order No. 2.04.
- ◆ To prepare and submit an annual report to the President summarizing its activities.
- ◆ To consult and collaborate with other multilateral development banks, international finance institutions, or other relevant parties to exchange ideas, practical experience, and insight on how best to address fraud, corruption, or abuse, internally and externally.

Source: ADB. 2009. OAI's Terms of Reference. *Administrative Orders*. AO 1.02. Manila.

As of 31 December 2009, OAI had 15 staff members, comprising the head, the director, 5 professional staff, 5 technical staff, and 3 administrative staff. Two professional staff positions remained vacant at year-end. Table 1 shows the staff composition in OAI from 2005 to 2009 and projections for 2010.

OAI engaged up to six consultants at a time during 2009 to complement the work of its staff members. These consultants supplemented existing legal, paralegal, and investigative resources, and provided specific information technology expertise to help OAI better meet its terms of reference. Additionally, OAI continues to retain the services of qualified firms to perform investigative work, under its supervision, when necessary.

// OAI engaged up to six consultants at a time during 2009 to complement the work of its staff members //

OAI now requires its staff members and consultants to log time spent on assigned responsibilities. The data collated has given OAI management a better picture of how resources are currently utilized, and enables it to better manage operations and plan strategically for maximum impact.

Table 1: Staffing at the Office of Anticorruption and Integrity, 2005–2010

Position	2005	2006	2007	2008	2009	2010
Head	—	—	—	—		
Director						
Principal Integrity Specialist	—	—				
Senior Integrity Specialist						
Integrity Specialist						
Senior Integrity Officer	—	—				
Integrity Officer						
Associate Integrity Analyst						
Assistant Integrity Coordinator	—	—				
Senior Administrative Assistant			—	—	—	
Administrative Assistant						
Total	10	10	13	12	15	19

— = Positions were not available during these years.

Source: OAI.

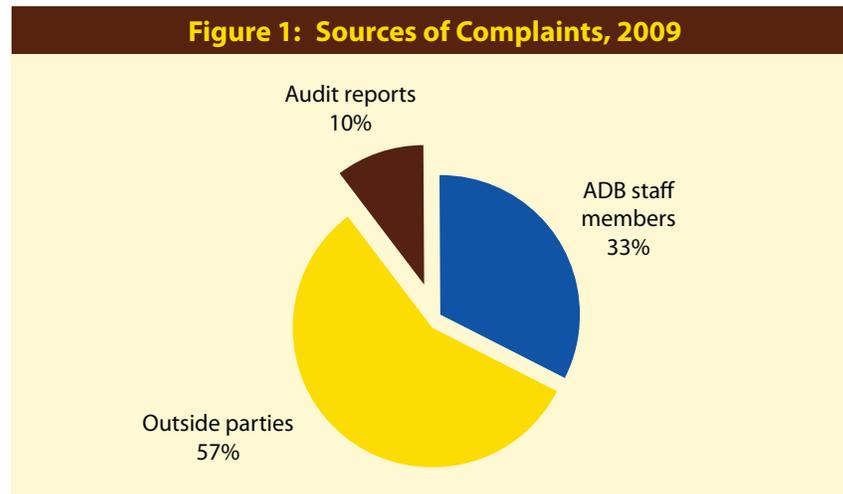
The Office of Anticorruption and Integrity: Our Work

Casework

Receiving Complaints of Fraud and Corruption

During 2009, OAI received 194 complaints of fraudulent, corrupt, collusive, or coercive practices relating to ADB-financed activities and alleged misconduct by ADB staff members.¹¹ These four defined practices are collectively referred to as fraud and corruption. About 57% of these complaints were received from outside sources, while 33% came from ADB staff members. The remaining 10% of complaints arose from audit reports (Figure 1). These statistics are generally consistent with the number of complaints received in 2008 and the previous 6 years, and the sources of the complaints are also similar.

Figure 1: Sources of Complaints, 2009



Source: OAI.

¹¹ Fraudulent, corrupt, collusive, or coercive practices are definitions that were agreed upon by ADB, the African Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, and World Bank in 2006, and are defined in ADB's *Integrity Principles and Guidelines* (para. 2).

Complaints of fraud and corruption in ADB-financed activities or alleged misconduct by ADB staff members may be reported to OAI by e-mail, telephone, mail, or by visiting OAI at ADB. As in previous years, OAI continues to receive the majority of its complaints via e-mail. In 2009, 134 were brought to OAI's attention by e-mail, representing 69% of all complaints received.

OAI strongly encourages anyone who wants to make anonymous complaints to do so. These are assessed in exactly the same manner as complaints from known sources. However, the likelihood of a successful investigation is greatly enhanced when a reliable channel of communication can be established with the complainant. A web-based e-mail account (for example, Yahoo!, Gmail, or MSN Hotmail) could be established to facilitate this. Otherwise, details of how to report allegations of fraud and corruption are outlined on the inside back cover of this report, on the ADB website, OAI publications, and various training materials.

As Figure 2 shows, complaints were also made through internal ADB correspondence (20%) and verbal communication (8%).

OAI always responds to complainants to acknowledge the receipt of their allegations when their contact information is also provided. However, the volume of complaints that OAI receives and the number of investigations that are being conducted make it impractical to keep complainants informed of the progress of the assessment or the investigation of their allegation. OAI will, however, advise complainants when the matter has been finalized, although detailed information is kept confidential.

OAI continued training activities both within ADB and in ADB's developing member countries (DMCs) to promote increased awareness of the importance of reporting suspected fraud and corruption. As a result, complaints received became more specific and credible. The more information provided to OAI, the higher the likelihood of a meaningful investigation.¹²

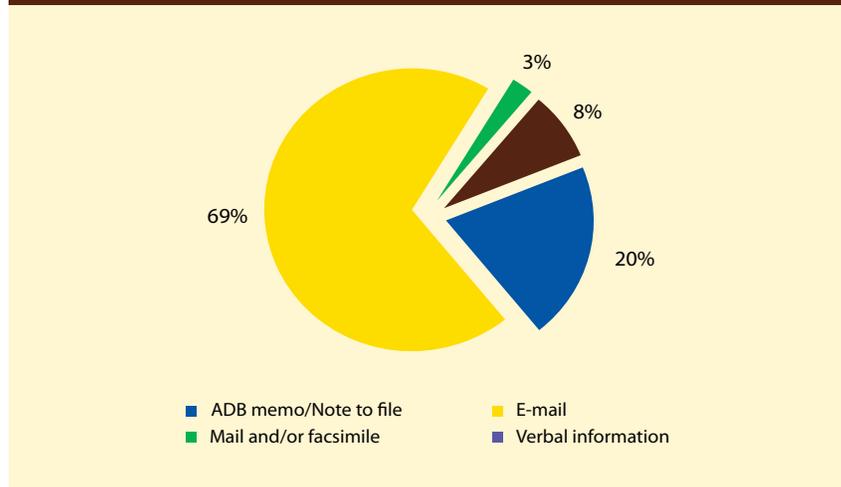
// OAI continued training activities both within ADB and in ADB's developing member countries (DMCs) to promote increased awareness of the importance of reporting suspected fraud and corruption //

Complaint Case Screening

Under the provisions of ADB's *Integrity Principles and Guidelines*, OAI must examine each complaint that it receives to determine whether it warrants further investigation. This is referred to as the "complaint screening process," which is effectively a preliminary inquiry into the allegation. It focuses on gathering appropriate documents and records against which the veracity of the complaint can be assessed. In determining what matters will be investigated, OAI considers four criteria:

¹² For a description of OAI's training activities, refer to page 35 of this report.

Figure 2: Mode of Complaints Received, 2009



Source: OAI.

- i. whether the complaint is within OAI's jurisdiction,
- ii. whether the complaint is credible,
- iii. whether the complaint is verifiable, and
- iv. whether the complaint is material.

At the beginning of 2009, OAI had 98 open complaints, with a further 194 complaints received throughout the year. During the year, 164 complaints were either closed or converted into investigations. At the end of the year, 128 cases were still under assessment.

“ OAI needs sufficient evidence to prove, on the balance of probabilities, that fraud and/or corruption did indeed take place “

Just because a complaint is closed, this action does not necessarily mean that the allegation is untrue or that the complainant is mistaken. OAI needs sufficient evidence to prove, on the balance of probabilities, that fraud and/or corruption did indeed take place. Thus, a complaint may be closed simply because information is not available, may not reasonably be located, or there is a low likelihood of obtaining sufficient evidence to prove that a violation of the anticorruption policy has occurred. Other allegations may not clearly be fraud and corruption-related or otherwise under OAI's jurisdiction, and may therefore be referred to other relevant ADB departments for more appropriate attention.

If all four case screening criteria are satisfactorily met, the complaint is converted to an investigation.

Of the 194 complaints received in 2009, 54 were converted into investigations. Thirty-six were closed because they failed to meet the assessment criteria. The remaining 104 complaints are still being

Box 2: Case-Screening Criteria

Section 30 of the harmonized principles and guidelines for investigations, incorporated in ADB's *Integrity Principles and Guidelines* provides that all complaints will be examined to determine whether there is a legitimate basis to warrant an investigation.

Jurisdiction. Complaints are first assessed to determine whether they fall within the jurisdiction of the Office of Anticorruption and Integrity (OAI), that is, whether they relate directly to ADB-financed activities. If the complaint does not fall within jurisdiction, it is not assessed any further, and the complainant is so informed. If the complaint is within OAI's jurisdiction, it will be evaluated in accordance with the following criteria.

Credibility. When assessing whether a complaint is credible, OAI will consider such aspects as the reliability of the complainant, whether the complainant can be contacted and provide further information, and if there have been complaints of a similar nature in the project or sector. The assessment of a complaint's credibility is a reactive process.

Verifiability. Verifiability is an assessment of what information may readily be available to assist OAI in proving or disproving the allegation. OAI will consider, for example, whether documents exist or if there are witnesses to the alleged act of fraud or corruption. Here, OAI will consider its investigative approach. The assessment of a complaint's verifiability is a predictive process.

Materiality. This is effectively a triage assessment that enables OAI to prioritize its investigations given its limited investigative resources. When the materiality of a complaint is assessed, OAI considers the value of contracts; the impact of the allegation on the project; and the overall effect of the allegation, if substantiated, on ADB's mission. In sum, the assessment of materiality is a cost-benefit analysis—how OAI can best use its resources for maximum effect.

Source: OAI.

assessed. The number of complaints remaining at the screening stage is due to OAI's rigorous screening process, the complexity of allegations, and increased workloads. OAI's evolution into an independent office, increased policy work related to the whistleblower and witness protection administrative order, and the ongoing review of how ADB shares its sanctions list have placed significant demands on staff availability and, accordingly, have had an impact on the assessment process. With additional staff budgeted for 2010, OAI expects to be better placed to tackle its workload.

The OAI director makes all decisions on closing or investigating a complaint based on a written assessment of the complaint screening team. All of these decisions are recorded for accountability purposes.

// The OAI director makes all decisions on closing or investigating a complaint based on a written assessment of the complaint screening team //

Investigations

The overall objective of OAI investigations is to discover the truth about a matter under investigation. OAI investigations are administrative in nature, neither legal nor judicial, with the burden of proof that of “on the balance of probabilities.” OAI nonetheless applies a rigorous, critical application of investigative methodology by gathering and examining evidence in its endeavor to prove or disprove allegations.

At the beginning of 2009, OAI had 128 open investigations. During the year, 74 investigations were closed and 73 new investigations were opened. At the end of the year, 127 investigation cases were still open.

Box 3: Case Example—Firms That Fail to Win Bids Can Still Be Held Liable for Violating ADB’s Anticorruption Policy

Unsuccessful bidders are not excluded from Office of Anticorruption and Integrity (OAI) investigations. For example, the Integrity Oversight Committee recently debarred a losing firm, which had proposed consultancy services for a road corridor improvement project.

A consultant complained that the firm submitted his curriculum vitae to ADB without his consent. OAI acted on the complaint and confirmed the consultant’s allegation.

The Integrity Oversight Committee reprimanded the international consulting partner of the firm for failing to observe sufficient internal controls over its bid submissions. In addition, two individuals and the firm were debarred for 3 years.

Source: OAI.

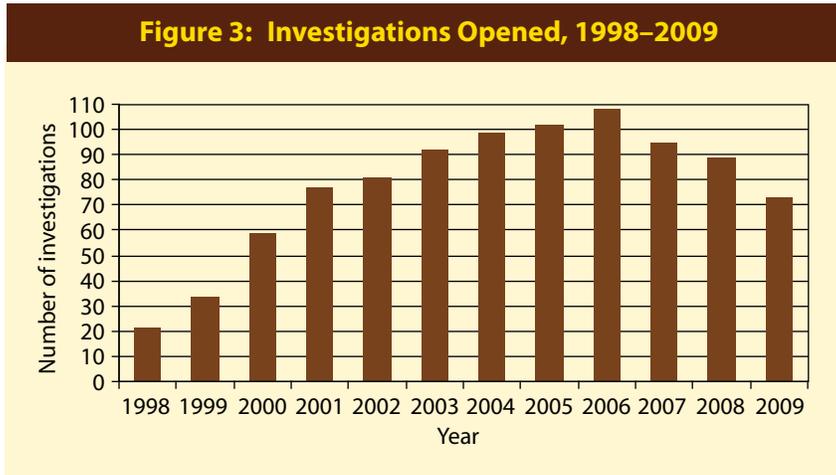
“ Given the significant caseload and the inherently dynamic nature of the investigation of fraud and corruption in the aid and development environment, OAI must be responsive to significant emerging cases ”

During 2009, OAI continued to investigate 74 cases from 2008 and 43 from 2007. Eleven investigations still remained open from 2005 and 2006. It is unusual for investigations to remain open for more than 2 years; however, these cases were part of several protracted and complex investigations into a specific project. These are expected to be closed in the first quarter of 2010.

OAI also conducted 11 investigative missions during the year and spent \$580,000 on retaining reputable international and local consultants to conduct aspects of particular investigations, particularly when specific expertise is required. These include language, engineering and laboratory skills, and experience with particular cultures or regions.

Given the significant caseload and the inherently dynamic nature of the investigation of fraud and corruption in the aid and

Figure 3: Investigations Opened, 1998–2009



Source: OAI.

development environment, OAI must be responsive to significant emerging cases. To this end, it prioritizes and reprioritizes cases on a continuous basis to ensure that high priority cases are allotted the appropriate level of resources.

This year, OAI purchased software that will enable investigation-related queries to be made from data contained in a central database to be established. The database will include data from OAI's 10-year investigations history, information from other ADB databases, and those available on the public domain. This is a long-term undertaking, and depending on available information technology and other resources, results may not be obvious for another few years. However, OAI is confident that this is an essential investment that will significantly boost OAI's investigative capabilities.

Investigation Projects

Not all investigations are equal in size or complexity. In what appears to be a growing trend, an increasing number of investigations concern complex matters, frequently involving allegations of systemic fraud and corruption.

// Not all investigations are equal in size or complexity //

As reported in 2008, OAI adopted a project approach toward investigations in which common themes are identified across a number of complaints or investigations. These may involve a specific entity, project, or sector. Since OAI adopted this approach, it has commenced six major investigation projects. Four of the six projects are ongoing and cover more than 15 separate investigations in three different DMCs. OAI anticipates that these four projects will be finalized in the first half of 2010.

Two of the six investigation projects were closed with successful results. In 2009, OAI submitted a group of cases—the first investigation project—to the Integrity Oversight Committee, suggesting sanctions on 11 companies

Box 4: Case Example—Identifying and Curbing Systemic Collusive Practices in Procurement

In 2009, the Office of Anticorruption and Integrity (OAI) investigated several allegations of systemic collusion. The cases demonstrated the importance of detecting and examining schemes through which seemingly independent, valid bids are actually orchestrated by the same or associated individuals and firms. OAI found that some firms and individuals systematically use these schemes over many years to circumvent ADB's procurement guidelines that promote competitiveness and transparency in procurement.

In one case, collusion among firms and involvement by an ADB staff member was suspected in the award of contracts for the supply of equipment. OAI's investigation revealed that although several quotes were received from different firms, contracts were repeatedly awarded to the same firm. Six other firms, which purportedly submitted competing quotes, were actually related to the winning supplier. Thus, the Integrity Oversight Committee debarred the six firms from participating in any ADB-financed activity for 7 years, with the names of two firms posted on the ADB website due to the inability to contact and locate them. One individual was sanctioned to 7 years, while the other was debarred for an indefinite period.

Collusion was likewise suspected, and confirmed, in the case of one firm found to have manufactured bids for the supply of equipment. The bids were purportedly submitted under the names of other firms. The firm's key officer confirmed the firm's arrangement with other firms to share names. OAI likewise discovered that the equipment was actually sourced by the winning supplier from one of its conduit firms. The Integrity Oversight Committee thus imposed a 7-year sanction against the firm, and an indefinite sanction against the officer.

In a related case, an OAI investigation disclosed that several firms were conflicted in their interests and actually colluded with each other when they submitted quotations for the supply of printing and related equipment. OAI found that the firms and associated individuals colluded to manufacture documentation in support of orders awarded to one of them. For these, the Integrity Oversight Committee debarred three firms and one individual for 7 years, and two individuals were sanctioned indefinitely.

Source: OAI.

and 8 individuals for collusion, misrepresentation, and manipulation of bid documents relating to provision of quotations for goods and services to an ADB resident mission. These sanctions were related to systemic fraud, which occurred over a period of 10 years. In 2008, ADB had debarred 10 other firms and individuals in relation to this scheme. OAI also issued warnings to an additional 12 companies regarding their actions.

In the second of the two closed investigation projects, OAI investigated several complaints received in 2008 and 2009 against a large consulting firm. The complaints ranged from the alleged payments of bribes to win contracts to the nonpayment of consultants. OAI opened five investigations in relation to each of these allegations. As a result, ADB imposed sanctions on the firm concerned, two associated firms, and eight individuals.

Types of Investigations

The 73 new investigations opened in 2009 covered the complete range of fraudulent, corrupt, coercive, and collusive practices as defined in ADB's *Integrity Principles and Guidelines*. Other cases investigated by OAI include sanction violations and conflicts of interest. As many of the complaints that OAI receives cover a range of such practices, it is often difficult to categorize them specifically. This is especially the case when fraudulent and corrupt practices are considered.

Box 5: Practices that Constitute Violations of ADB's Anticorruption Policy

Corrupt practice. The offering, giving, receiving, or soliciting—directly or indirectly—anything of value to influence improperly the actions of another party.

Fraudulent practice. Any action or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

Coercive practice. Impairing or harming, or threatening to impair or harm—directly or indirectly—any party or the property of the party, to influence improperly the actions of a party.

Collusive practice. An arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

Conflict of interest. Any situation in which a party has interests that could improperly influence that party's performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations.

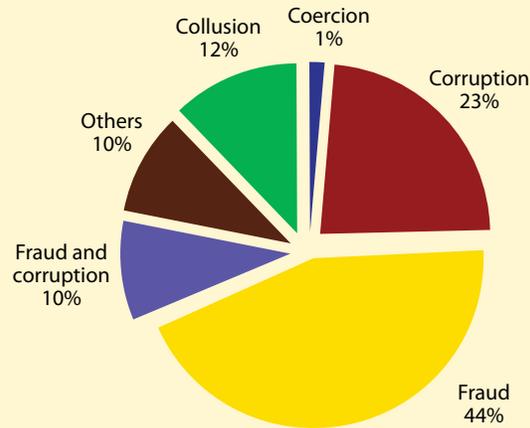
Source: OAI.

Fraud and corruption collectively represent 77% of all investigations opened and considered by OAI in 2009 (Figure 4). The second major area, collusion, represented 12% of OAI investigation work. "Other," which includes such matters as conflicts of interest, staff misconduct, or sanction violations that cannot be readily classified, represented 10%, while allegations of coercion accounted for the balance.

The 32 fraud cases opened in 2009 comprised misrepresentations, submitting false claims for compensation or reimbursement, and submitting false documents (Figure 5). As in previous years, most of these allegations were related to bidding, tendering, and procurement for projects.

// Fraud and corruption collectively represent 77% of all investigations opened and considered by OAI in 2009 //

Figure 4: Investigation Classification, 2009



Source: OAI.

Box 6: Case Example—Uncovering Misrepresentation in Infrastructure Development Projects

Strategy 2020^a lists infrastructure as one of the five core areas of ADB operations. The Office of Anticorruption and Integrity (OAI) highly prioritizes allegations of fraud and corruption in infrastructure projects, particularly if the allegations relate to the use of substandard materials that may jeopardize public health and safety.

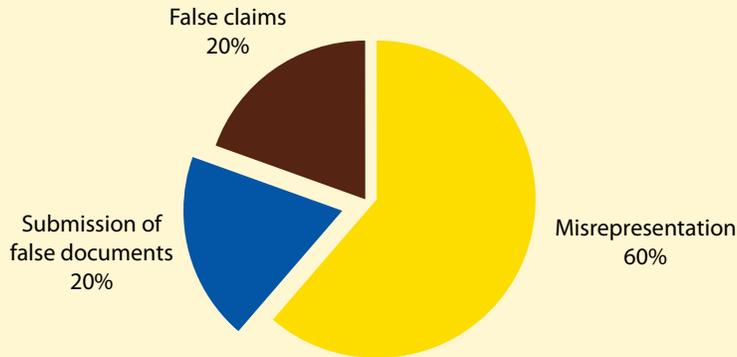
OAI assessed a complaint involving the alleged use of a false end-user certificate and substandard materials in an infrastructure project. OAI, with the help of an external investigator and a scientific expert, confirmed the falsity of the end-user certificate submitted and identified quality concerns in the materials used in the project.

The Integrity Oversight Committee imposed a 7-year sanction against the bidder and advised the executing agency of its concerns regarding the poor quality of the materials used. It also determined the need to conduct a technical audit of the project, which was communicated to the concerned government.

^a ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

Source: OAI.

Figure 5: Fraud Cases, 2009



Source: OAI.

Box 7: Case Example—Supporting Private Sector Development through Vigilant Reporting of Corruption Violations

Curbing corruption is critical to maximizing the potential of the private sector as a driver for change. The private sector is as exposed and prone to the risks of corruption and integrity issues as the public sector. Identifying corrupt practices in this sector at the earliest opportunity is therefore vital.

In one case, a consulting firm in a rural economic advancement project allegedly bribed a project director, with the bribe money disguised as “project development expenses.” The Office of Anticorruption and Integrity’s probe confirmed the arrangement for and actual payments of the bribe. For corrupt and obstructive practices, the Integrity Oversight Committee debarred the consulting firm and its associated firms and individuals for 7 years, and another individual for an indefinite period.

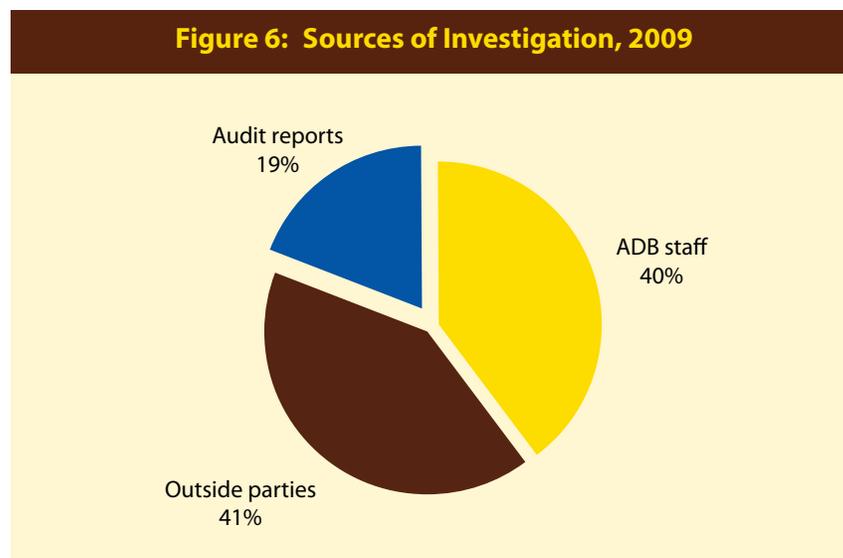
ADB project staff alerted the project administration unit about the sanctions imposed and informed the executing agency about the acts of the now retired project director.

Source: OAI.

Sources of Investigations

In 2009, external complainants identified 41% of the allegations that led to OAI investigations, while ADB staff members reported a further 40%. Audit reports comprised the remaining 19% (Figure 6).

Over the past 2 years, and as a result of ADB's close collaboration with the integrity units of other MDBs,¹³ the communication and exchange of information between the respective anticorruption and integrity units have improved significantly. Some of this information was crucial in OAI's investigations during 2009.

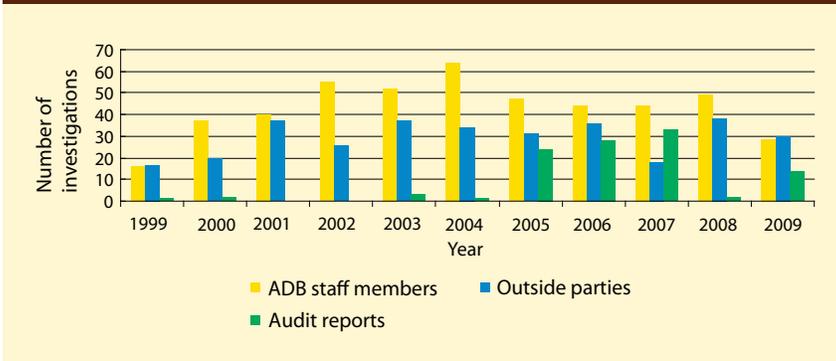


Source: OAI.

Figure 7 compares the sources of investigations opened annually. ADB staff members remain a large source, which is understandable since a greater number of ADB operational staff members are now trained to identify fraud and corruption red flags in projects. OAI aims to focus increasingly on raising the same awareness for others involved in ADB-funded projects, such as government officials, private firms, and individuals.

¹³ This was as recommended in the Uniform Framework for Preventing and Combating Fraud and Corruption, as agreed upon by the MDBs in 2006.

Figure 7: Number of Investigations by Source, 1998–2009



Source: OAI.

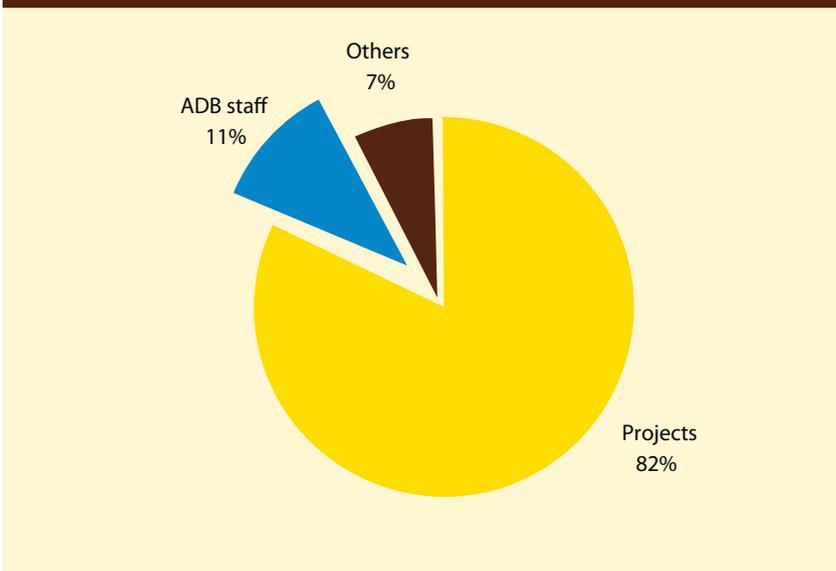
Subjects of Investigation

Firms and individuals involved in ADB-financed projects were the subject of 82% of the allegations opened in 2009. Firms and individuals investigated include bidders, consultants, contractors, and suppliers.

Figure 8 shows the distribution of the subjects of ADB’s investigations in 2009. These statistics are consistent with the cumulative figures since 1998 (Figure 9).

Of the subjects investigated in 2009, 11% were ADB staff members. OAI is mandated to investigate staff cases when allegations against them may be

Figure 8: Subjects of Investigation, 2009

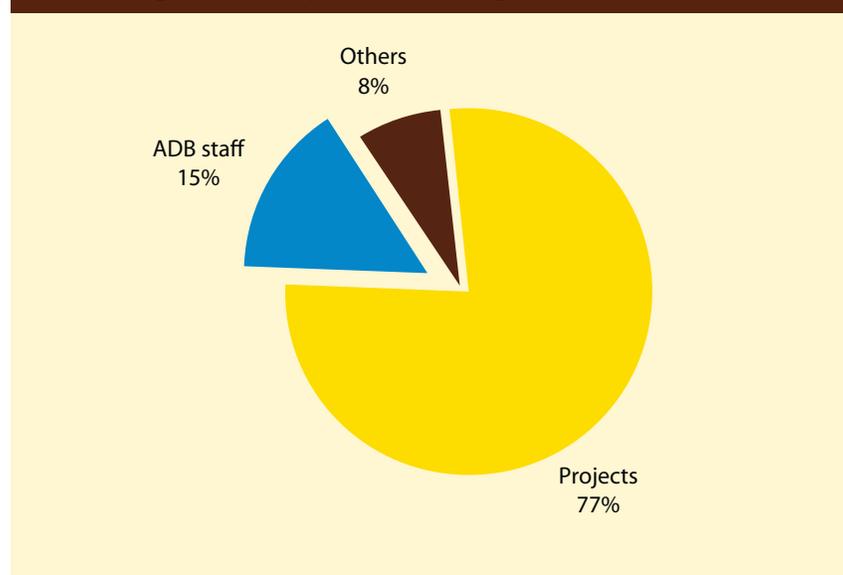


Source: OAI.

a violation of ADB's anticorruption policy. OAI also can investigate other staff matters at the request of the President or the director general of the Budget, Personnel and Management Systems Department (BPMSD).

OAI is conscious that if ADB's zero-tolerance stance is to be credible, it needs to ensure that its own staff members apply the highest ethical standards, and that alleged violations of the anticorruption policy by its own staff members are taken very seriously.

Figure 9: Subjects of Investigation, 1998–2009



Source: OAI.

Box 8: Case Example—Enhancing Diligence and Internal Controls among Suppliers

Bidders must be cautious in their dealings with manufacturers and other suppliers. Good faith reliance on documents submitted to them is not sufficient; due diligence should be observed.

In one example, in support of its tender, a bidder included documents submitted by its proposed supplier, such as manufacturer's test results, as well as four certifications attesting to the latter's prior supply contracts. However, the manufacturer's certifications were found to be false. The other four certificates could not be authenticated, as the issuing entities were either unresponsive or could not be located.

The Integrity Oversight Committee declared the supplier ineligible to participate in ADB-financed activities for 7 years. While the bidder did not commit any fraudulent or collusive practice, it was cautioned to be more diligent in its future dealings.

Source: OAI.

Box 9: Case Example—Complainants Making False Allegations against Competing Bidders Become Subjects of Investigation

Fraudulent practices considered as violations of ADB's Anticorruption Policy (1998) vary greatly. They encompass not only misrepresentation or false claims to ensure a winning bid, but also fraudulent claims designed to disqualify a winning bid.

Two individuals had their curriculum vitae (CVs) included in the bid submission of two competing firms. They subsequently alleged that the winning firm had included their CVs without their consent. However, OAI's investigations disclosed that the two individuals had previously communicated with, and knowingly provided their CVs to, the winning firm. Although OAI found some indication that the losing firm prepared the individuals' affidavits and exerted pressure on them to lodge a complaint, these were not adequate to justify the individuals' fraudulent practices.

The individuals were declared ineligible to participate in any ADB-financed activity for 3 and 7 years, respectively. OAI also warned the losing firm about its possible role in the filing of false allegations, which may result in sanctions should new information be available proving its liability.

Source: OAI.

Investigations by Sector

Investigations opened in 2009 covered all aspects of ADB-financed activities (Figure 10). Thirteen multisector cases were opened, and there were 11 transport sector cases, 7 education sector cases, and 5 energy sector cases. The agriculture and natural resources; law, economic management, and public policy; and health, nutrition, and social protection sectors were also represented.

Appendix 2 presents the summary status of reported allegations of fraud and corruption.

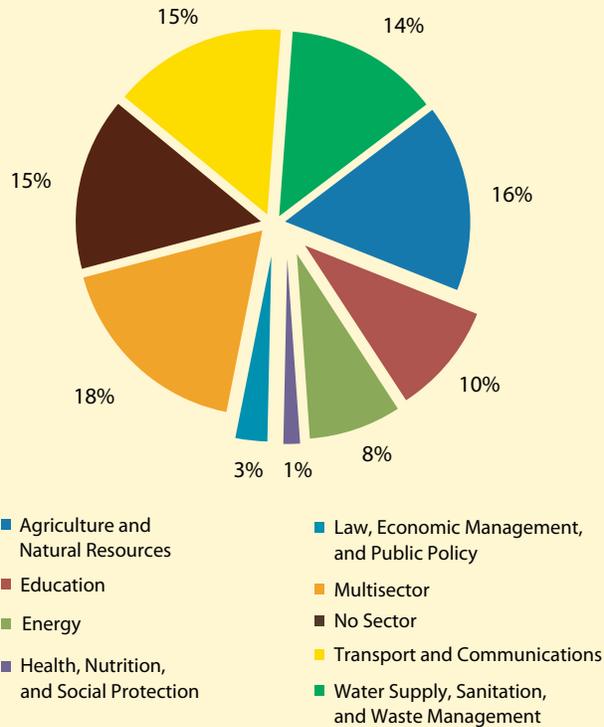
Referrals

In 2009, OAI referred seven cases to BPMSD, four of which resulted in disciplinary action (Table 2). BPMSD handles disciplinary proceedings for staff misconduct including violation of ADB's anticorruption policy. Appendix 5 contains a summary of cases involving ADB staff.

OAI further referred four cases to the Central Operations Services Office on procurement-related issues, and 19 cases to relevant project departments regarding project implementation.

“ BPMSD handles disciplinary proceedings for staff misconduct including violation of ADB's anticorruption policy ”

Figure 10: Investigations by Sector, 2009



Source: OAI.

Box 10: Case Example—Identifying Corruption in the Water Supply, Sanitation, and Waste Management Sector

ADB continuously seeks to mitigate corruption risks at the sector level. Consistent with this objective, the Office of Anticorruption and Integrity (OAI) investigated an urban water supply project following a procurement review that revealed possible collusion during the bidding for the supply and delivery of office equipment.

OAI found that bids from two firms were strikingly similar. Further inquiry uncovered the business relationship between the two firms and their prearranged bidding strategy for other projects. The firms, as well as the identified officers and trustees, did not respond to OAI's findings letters.

The Integrity Oversight Committee found that the two firms and three individuals colluded in preparing their bids, and debarred them for 7 years. The names of two of the three individuals, who could not be located despite extensive efforts, were posted on the ADB website.

Source: OAI.

Table 2: Disciplinary Action Resulting from Referrals to the Budget, Personnel and Management Systems Department

Nature of Misconduct	Number of Staff Members	Case Resolution	Location
Failure to disclose conflicts of interest	1 1	Resignation Written censure	Headquarters
Unauthorized disclosure of business information to a potential bidder	2	Written censure and suspension from duty without pay	Headquarters
Unauthorized disclosure of ADB business information and abuse of ADB equipment and facilities	1	Termination	Country Office

Source: OAI.

Box 11: Case Example—Conflict of Interest

Prompted by an external complaint in 2008, the Office of Anticorruption and Integrity (OAI) investigated an ADB staff member who allegedly did not disclose personal associations with companies that were awarded ADB contracts. The OAI probe discovered that it was a long-term scheme using knowledge of ADB systems and procedures and that the staff member manipulated relationships with other ADB staff members and external consultants. Dummy individuals were also strategically placed in different firms to conceal the staff member's proprietary interests. These firms were originally incorporated and registered in jurisdictions that allow and protect the confidentiality of shareholder details.

The staff member was indisputably conflicted in his interests as the director and/or beneficial owner of several firms while being an ADB project officer. The totality of circumstances illustrate the staff member's blatant dismissal of ADB's anticorruption policy from all fronts: the staff member (i) misrepresented the composition and beneficiaries of the firms, (ii) misled ADB into believing that the firms were legitimate businesses run by independent individuals, (iii) colluded with different individuals to execute his plans, and (iv) gave gifts to facilitate processes and garner support from within ADB.

For these integrity violations, the Integrity Oversight Committee debarred the staff member from participating in any ADB-financed activity indefinitely, without prejudice to other remedies available to ADB. It also imposed sanctions on 13 related firms and 10 individuals who acted as the staff member's conduit. The sanctions range from 2 years to an indefinite period.

Source: OAI.

Sanctions

Table 3 summarizes the sanctions imposed by the Integrity Oversight Committee (IOC) in 2009.

OAI, upon finalization of its investigations, makes recommendations to the IOC on sanctions to be imposed. These recommendations take into account the preponderance of evidence obtained, precedent cases, and any relevant mitigating or aggravating circumstances.

	1–3 Years	4–7 Years	10 Years	Indefinitely	Total
Firms	6	42	2	6	56
Individuals	11	34	1	22	68

Source: OAI.

The IOC is the authority that determines whether ADB’s anticorruption policy has been violated and imposes sanctions or reprimands accordingly. It consists of three regular voting members and five alternate members who fill any vacancies that may occur among regular members due to absences or conflict of interest.¹⁴ The sanction process is administrative in nature.

In 2009, the IOC

- i. held 10 meetings and 31 case discussions,
- ii. imposed sanctions on 56 firms and 68 individuals,
- iii. reinstated 11 firms and 3 individuals following expiration of the sanction period, and
- iv. extended the sanctions of three individuals and two firms that violated ADB sanctions.

Table 4 provides a history of IOC sanction activity since 1998, when ADB adopted its anticorruption policy. Appendix 2 contains an annual overview of all investigations undertaken since 1998. The number of investigations closed with sanctions varies considerably from year to year, with the highest number of cases (27) in 2006, and the lowest (2) in 2008. Please note that a given case can result in multiple sanctions being imposed. In

¹⁴ Members are nominated by the head, OAI and approved by the President. The principal director of the Central Operations Services Office or a designated representative, and an assistant general counsel advise the IOC. IOC decisions are by majority vote. OAI serves as the secretariat to the IOC. As of 1 October 2009, with the establishment of OAI as a separate entity, all responsibilities pertaining to the previous integrity division that were previously that of the auditor general, were transferred to the head, OAI.

Table 4: Sanctions Since 1998

As of 31 December 2009	Firms	Individuals
Total declared ineligible to participate in ADB-financed activities	340	333
Reinstated upon appeal	4	2
Reinstated upon expiry of minimum sanction period	68	33
Currently ineligible to participate in ADB-financed activities	268	298
Reprimanded	23	15

Source: OAI.

2009, the IOC imposed sanctions on 56 firms and 68 individuals across 31 cases.

OAI has improved the search functionality on the ADB intranet, which contains an updated anticorruption sanctions list. This has improved ADB's ability to identify currently sanctioned firms and individuals and to prevent them from participating in ADB-financed activities during the sanction period. ADB staff members are required to check the sanctions list as part of normal operational procedures. OAI also advises operational departments to inform executing agencies of sanctioned entities as appropriate.

Box 12: Case Example— Preserving ADB's Reputation—Imposing Sanctions Relating to the Misuse of ADB's Name

Consistent with the Governance and Anticorruption Action Plan II's fourth key result area of having effective oversight to preserve and enhance ADB's zero-tolerance policy for corruption, the Office of Anticorruption and Integrity (OAI) recommended an indefinite sanction against an individual and a 7-year sanction against a related entity for misusing ADB's name in its real estate dealings.

The case was a follow-on investigation to a previous complaint culminating in the posting of a warning on the ADB website about the scam. Subsequent reports exposed the continued misuse of ADB's name by the same parties. OAI found that the trustee, on behalf of the firm, recruited members in exchange for promised financial assistance from ADB, extended purported offers to purchase land, and obtained fees by falsely using ADB's name.

Although the trustee was subsequently terminated by the firm, the firm was still held liable for the trustee's acts prior to his termination. The related entity also did not deny OAI's findings that ADB was claimed to be a part of its real estate transactions.

Source: OAI.

Box 13: Case Example—Violation of Sanction Results in Prolonged Debarment

In 2005, an individual was sanctioned indefinitely, including all firms in which he had or may have a principal interest. Subsequently, the Office of Anticorruption and Integrity (OAI) learned that a firm that is 50% owned by the individual and where he acts as a top officer signed a contract for an ADB-financed project. The OAI investigation confirmed the sanction violation. Neither the firm nor the individual responded to OAI's queries.

The Integrity Oversight Committee imposed a 10-year sanction on the firm. The sanctions on the individual and the firm were likewise published on the ADB website.

Source: OAI.

Under ADB's *Integrity Principles and Guidelines*, ineligible entities cannot accept a variation order that is beyond the scope of the original contract without OAI approval. Also, they cannot participate in any ADB-financed activities, including ADB-sponsored conferences and workshops. In 2009, two firms (and all affiliates of one of these firms) and two individuals violated their sanctions, resulting in the extension of their respective sanction periods.

Appeals

ADB has an appeals mechanism that allows individuals and firms that have been the subject of an IOC sanction to request that the Sanction Appeals Committee (SAC) review the decision. The SAC, composed of three ADB vice-presidents, can reduce or lift sanctions, as well as require that the IOC reconsider a case. Like the sanctions process, the appeals process is administrative in nature.

OAI, which serves as the secretariat, reviews all appeals to ensure that only those that meet the ADB appeals criteria are heard by the SAC. Appeals will only be referred to the SAC if the appellant provides new information that may have affected the IOC's decision and could not have been reasonably known when OAI finalized its investigation.

An individual or entity that has been the subject of a sanction has 90 days to appeal that decision. The appeal must be in writing and state, clearly and concisely, the reason(s) for the requested review of the IOC's decision.

During 2009, ADB received appeals from 13 individuals and 15 firms, compared to 8 received in 2008. All of the individuals were either directors or proprietors of firms that had been sanctioned. Of these, three of the appeals received during 2009 met the criteria for providing new information that justified a referral to the SAC. Two resulted in sanctions being lifted, and one was treated as a request for reinstatement, which was subsequently granted upon completion of the sanction.

Box 14: Case Example—Successful Appeals Case— New Evidence Merited Modification of Sanctions

Ordinarily, a party's failure to respond to allegations of the Office of Anticorruption and Integrity (OAI) may be considered an aggravating circumstance. Under unique circumstances, however, the lack of a clear opportunity to respond may constitute new evidence that could merit a reconsideration of the sanctions.

The attending circumstances worked in favor of two firms originally sanctioned for 7 years. The firms did not respond to OAI's findings letters and were debarred on the strength of evidence presented by their representative and the winning bidder. In their appeal, the firms denied receiving the findings letters, any connection with the representative, or participation in the bid.

The Sanctions Appeals Committee considered the appeal letters as new evidence. The firms never had a clear opportunity to respond, because the findings letters were addressed to the representative. The committee ruled that there was sufficient uncertainty about the evidence available against the losing firms, and accordingly lifted the sanctions.

Source: OAI.

Observations from Investigations

OAI reports observations from its investigative findings to Management, operational departments, executing agencies, and other entities, as appropriate. These observations are intended to (i) strengthen internal and external control mechanisms, procurement and financial management practices, and project implementation arrangements to prevent fraud and corruption in ADB-financed activities; and (ii) increase transparency and overall effectiveness of ADB operations.

In sharing these observations, OAI adds value to its investigative activities by suggesting proactive measures that protect ADB-financed activities from fraudulent and corrupt actions.

ADB Operations

As a result of several investigations relating to ADB institutional procurement activity, OAI noted that the adoption or improvement of certain operational procedures could have prevented or enabled detection of the fraudulent and corrupt activity that occurred.¹⁵

¹⁵ "Procurement" refers to both the purchase of goods and services, and the engagement of consultants. These procedures complement and endorse observations made as a result of an ongoing review on the implementation of ADB's anti-money-laundering and counter-terrorism funding policy adopted on 1 April 2003. The review is conducted by an inter-departmental working group, initiated and led by the Office of the General Counsel.

A general observation is that ADB-financed activities would generally benefit from increasing the awareness of

- ADB's code of conduct among staff members;
- ADB's anticorruption policy among vendors, contractors, and consultants;
- potential conflicts of interest and appropriate action to take if affected; and
- the importance of conducting due diligence.

Specific procedural suggestions shared include

- enhancing clarity in the descriptions and practices of the disparate roles and responsibilities of both ADB staff members and departments;
- respecting the integrity of authorizing signatures as proper authorization to proceed, rather than merely a procedural obligation;
- delegating certain responsibilities to staff on a rotational basis;
- tightening contractual language to avoid misinterpretation;
- adopting e-mail address conventions that clearly distinguish ADB consultants from ADB staff members; and
- encouraging reporting of misconduct.¹⁶

When a staff member departs ADB employment under hostile circumstances, specific steps need to be taken to limit potential harm and loss to ADB. In response to a specific case in 2009, OAI requested that ADB restrict staff member's access to ADB premises, including blocking staff access to personal assets held by ADB against outstanding damages, and preventing predatory moves on ADB staff and in ADB's name.

Project Implementation

// OAI's investigative work in 2009 also resulted in several observations related to project implementation //

OAI's investigative work in 2009 also resulted in several observations related to project implementation. For example, projects would have benefited from increased scrutiny over imprest funds, disbursements, quality of materials purchased, application of financial control systems in project implementation offices, compliance with ADB's procurement process, delays in contracting by executing agencies, and project monitoring. In specific instances, internal investigations were advocated as an appropriate follow-up, and to recover mobilization

¹⁶ Several of these have been adopted by relevant ADB departments.

advances when justified. These observations were directed to the relevant executing agencies and ADB departments.

On a need-to-know basis, ADB regional departments were also encouraged to inform relevant borrowers about firms and individuals that were debarred by ADB, so that they may assist ADB in carrying out these sanctions. OAI also suggested that anticorruption and integrity awareness be introduced to project officers at project commencement, to ensure that project officers have the maximum opportunity to apply these concepts during project implementation.

Project Procurement–Related Reviews

OAI conducts project procurement–related reviews (PPRRs) in line with ADB’s efforts to manage for development results.¹⁷ PPRRs help prevent and detect fraud, corruption, or abuse. They focus on procurement, financial management, and asset verification, identifying enhancements to internal controls that mitigate opportunities for fraud, corruption, or abuse of resources. PPRRs provide greater assurance that project funds are used for intended development objectives and beneficiaries.

// OAI encourages the participation of the DMC’s supreme audit institution when it conducts a PPRR //

OAI encourages the participation of the DMC’s supreme audit institution when it conducts a PPRR. In 2009, the supreme audit institutions of Cambodia, India, Papua New Guinea, and Sri Lanka accepted the invitation. OAI offers a workshop to these institutions after completion of the PPRR to enhance the exchange of lessons learned from the review.¹⁸ In the process, OAI builds productive partnerships with these institutions, which are vital to the success of future anticorruption efforts.

In 2009, OAI visited seven DMCs with large development projects financed by ADB.¹⁹ Eight projects were selected from 489 active project loans totaling \$38 billion as of 15 September 2008. Projects are selected for PPRRs after considering the following factors:

- the supreme audit institution of the borrowing DMC has accepted the invitation to participate in the PPRR;
- ADB funding for the project exceeds \$20 million, and a sufficient number of contracts have been awarded;
- these are projects for DMCs where a PPRR has never been done or has not recently been done;
- these are projects for a region or sector where a PPRR has never been done or has not recently been done;

¹⁷ In previous years, PPRRs were referred to as project procurement–related audits. The change is in line with OAI’s new terms of reference.

¹⁸ See page 36 of this report.

¹⁹ Armenia, Cambodia, the Philippines, Sri Lanka, India, Papua New Guinea, and Mongolia.

// An increasing trend in project design is to decentralize project implementation to improve and build the capacity of provincial and local governments //

- similar projects are in the pipeline, so these pipelined projects have an opportunity to benefit from PPRR findings and recommendations;
- these are projects with contracts not fully awarded and/or not fully disbursed, and are not relatively close to completion so they may still benefit from PPRR findings and recommendations; and
- these are projects that have been suggested by ADB's relevant department head and/or ADB senior staff.

An increasing trend in project design is to decentralize project implementation to improve and build the capacity of provincial and local governments. In such projects, the responsibility for contract procurement and implementation is increasingly devolved outside of traditional project management units of the central government. PPRRs conducted on these decentralized projects required significant effort and resources. OAI will need to consider how it can best align its PPRR methodology with its resources to ensure that PPRRs continue to add value to such decentralized projects.

OAI conducted nine PPRRs in 2009.²⁰ Three of these involved projects with decentralized design; another three were limited in scope. One final report and four draft reports (for comments) were issued by 31 December 2009. OAI's recommendations were incorporated in these reports. The remaining reports will be finalized in 2010; all reports will be posted on OAI's website.



ADB-financed road project: Substandard base material used.

²⁰ One of the nine PPRRs started in 2008 but was postponed for security reasons.

Limited Project Procurement–Related Reviews

PPRR methodology continues to evolve to ensure alignment with ADB’s development effectiveness agenda and Strategy 2020’s focus on good governance. In 2009, OAI piloted limited PPRRs—PPRRs with a narrower scope. OAI and ADB operational departments collaborated on these limited PPRRs, with the aim of progressively enhancing ongoing project administration and management. Recommendations made from them are expected to benefit projects immediately.

In 2009, three limited PPRRs were conducted on two loan projects and one grant project in Mongolia, in conjunction with routine project review missions.²¹ Draft reports for comment have been issued for all three limited PPRRs and will be finalized in 2010.

“ OAI and ADB operational departments collaborated on these limited PPRRs, with the aim of progressively enhancing ongoing project administration and management ”



ADB-financed road project: Slope protection not provided, exposing the area to erosion.

Advancing Awareness of ADB’s Anticorruption Policy

Communications

Regular dissemination of anticorruption information is a key strategy in raising awareness. OAI continued to develop and maintain effective communication informing the development community on how it can contribute to ADB’s anticorruption efforts.

²¹ These projects are Loan 1736-MON(SF): Cadastral Survey and Land Registration Project; Loan 2238- MON(SF): Third Education Development Project; and Grant 0086-MON(SF): Third Health Sector Development Project.

OAI continued to issue advisories to staff members and consultants at ADB headquarters via *ADB Today*, a regular, internal news bulletin. It produced the quarterly *Anticorruption and Integrity* e-bulletin, which features topical articles on anticorruption and is another avenue to promote OAI activities. OAI also disseminated one-page laminated sheets that contain definitions of practices that are considered violations of ADB's anticorruption policy to participants in training events and interested parties as a convenient, quick reference.

The OAI external website (www.adb.org/integrity) remained in the top 30 most-frequently visited topical sites on the ADB website. Further, the 2008 OAI annual report was published in March 2009, and downloaded 38,253 times in 2009. The 2008 publication *Frequently Asked Questions about Anticorruption and Integrity* for ADB staff members has proven to be a useful reference. Another publication is planned for 2010, which targets consultants, contractors, and suppliers involved in ADB-financed activities.

Learning and Development

// The most effective anticorruption approaches have combined effective investigation of allegations of fraud and corruption and subsequent sanctions, with an even stronger emphasis on prevention //

ADB's anticorruption policy recognizes that the most effective anticorruption approaches have combined effective investigation of allegations of fraud and corruption and subsequent sanctions, with an even stronger emphasis on prevention. Strategy 2020 reinforces this policy position with its focus on good governance, and OAI's terms of reference retain the emphasis on prevention efforts. Thus, education remains a significant element of OAI's workload.

Training material is specifically tailored to meet the needs of trainees, but all has the central message that adhering to ADB's anticorruption policy is only possible with the active cooperation of each individual involved in ADB-financed activities. The core message delivered is that each individual is responsible for ensuring that ADB-financed activities are free from fraud and corruption.

In 2010, OAI will also deliver the message that integrity needs to be another core value for every individual involved in ADB activities. The Merriam-Webster dictionary defines integrity as "*incorruptibility, soundness, honesty, completeness.*" With this attitude of independent wholesomeness, compliance with the anticorruption policy will become effortless, automatic, and innate—not only fulfilling ADB's anticorruption stance, but each government's espoused desire for a corruption-free nation.

OAI also intends to continue strong collaboration with other ADB departments to take advantage of existing and proposed regional and country training opportunities scheduled for 2010, so that ADB's anticorruption message can be delivered concurrently.

Learning and Development for ADB Staff Members

OAI continues to run workshops and seminars for resident missions and new staff members. In 2009, resident missions in India, Mongolia, Pakistan, Tajikistan, and Uzbekistan benefited from these, while 18 orientations for new staff members at ADB headquarters were also conducted.

Learning and Development for Supreme Audit Institutions

As part of its mandate to advance awareness, OAI works with DMCs' supreme audit institutions in the areas of transparency and public accountability.²² OAI established a small-scale technical assistance in 2008 to capitalize on opportunities to work in partnership with these institutions through PPRs.²³

Four supreme audit institutions participated in the PPRs conducted in 2009, learning fraud detection and prevention skills. After the finalization of the PPRs, 2-day fraud and corruption awareness workshops were held for Mongolia's National Audit Office in January, Indonesia's Supreme Audit Board (BPK) in February, and the State Audit Office of Viet Nam in June 2009. Over 110 participants including auditors, investigators, key government officials, and ADB resident mission staff members attended the workshops. The workshops focused on the technical aspects of how to detect fraud and corruption, and discussed PPR methodologies, results, and lessons learned.

// Four supreme audit institutions participated in the PPRs conducted in 2009, learning fraud detection and prevention skills //

Knowledge and experience in combating fraud and corruption were also shared. Training materials included case studies from OAI case files. Interpreters were used during the workshops and training materials crucial to the success of the workshops were translated into the relevant national languages. Furthermore, materials were revised iteratively to take into account individual requests and experiences to maximize the training benefits for each state audit institution. The technical assistance thus built on the DMCs' awareness of, and compliance with, ADB's anticorruption policy.

²² ADB. 1998. *Anticorruption Policy*. Manila, para. 67.

²³ ADB. 2008. *Technical Assistance for Enhancing Collaboration with Supreme Audit Institutions through PPRs*. Manila (RETA 6449-REG).

Learning and Development for Project Stakeholders

ADB approved more technical assistance in 2008 for anticorruption seminars to be run by OAI in 2008 until 2010.²⁴ This aims to reduce the risk of fraud and corruption by increasing the understanding of and compliance with ADB's anticorruption policy and raising the awareness of potential irregularities throughout the entities implementing these projects.

“ Firms and individuals that it engages are also bound by relevant contract clauses that require them to adhere to ADB's anticorruption policy ”

The beneficiaries of the technical assistance include government officials, consultants and contractors from the private sector, members of steering and evaluation committees, beneficiaries, and other project stakeholders. The borrower government is bound by the general loan clause that requires adherence to ADB's anticorruption policy and its stated desire for good governance. Firms and individuals that it engages are also bound by relevant contract clauses that require them to adhere to ADB's anticorruption policy. Through the technical assistance, however, all will better understand ADB's anticorruption policy and related procedures and be able to identify and address potential fraud and corruption in ADB-financed activities.

In 2009, OAI conducted anticorruption awareness training for national government departments in Tajikistan and Uzbekistan, in advance of project-level workshops scheduled for 2010. Training for stakeholders of other DMCs is also planned for 2010.

²⁴ ADB. 2008. *Technical Assistance for Anticorruption Seminars, 2008–2009*. Manila (TA 6447-REG).

The Office of Anticorruption and Integrity: New Initiatives

Whistleblower and Witness Protection Provisions

The term “whistleblowing” is generally used to describe someone who, in good faith and voluntarily, reports, or is believed to be about to report or have reported a suspected integrity violation of misconduct.²⁵ Whistleblowers play an important role in the anticorruption effort. In response, ADB has updated and revised its whistleblower provisions as part of ongoing efforts to stamp out integrity violations and misconduct, and protect those willing to come forward.

// Whistleblowers play an important role in the anticorruption effort //

During 2009, draft whistleblower and witness protection provisions were posted on the ADB website for comments. The consultation process concluded with the issuing of a new Whistleblower and Witness Protection administrative order (AO) within ADB. The AO is to provide a comprehensive and coordinated approach to whistleblower and witness protection.

The AO provisions were updated to reflect best practice and included comments received from internal and external commentators. It seeks to improve protection measures available to staff members and the limited protection available to external parties who report information about integrity violations and misconduct. It consolidates existing relevant language and provisions from various ADB documents into one single document, improves accessibility of information about how to respond to retaliation related to whistleblowing, harmonizes ADB’s definitions and approach against comparator institutions, confirms the existing prohibition on retaliation against whistleblowers, and clarifies responsibilities and procedures for handling allegations of retaliation.

²⁵ ADB. 2009. Whistle-Blower and Witness Protection. *Administrative Orders*. AO 2.14. Manila. www.adb.org/Documents/Integrity/AO2-10.pdf

Harmonizing Debarment among Multilateral Development Banks

In 2006, ADB, along with participating multilateral development banks (MDBs), endorsed common principles and guidelines for investigations conducted by their respective investigative units.²⁶ This endorsement laid the ground for the potential harmonization of other aspects of each MDB's anticorruption efforts. Continuing discussions between integrity units of respective MDBs has highlighted the possibility of mutual recognition of debarments imposed by participating MDBs.

Entities sanctioned by one MDB are currently not effectively prohibited or debarred from involvement with other projects or activities financed by other MDBs. This approach—known as “cross-debarment”—would have the effect of greatly multiplying the reach and impact of one MDB's sanctions globally. To enable a coordinated approach among MDBs and to strengthen the fight against corruption, discussions continue among ADB and other MDBs about the possibility of harmonizing debarment practices.²⁷ ADB will play an active role in strengthening the exchange of information between the MDBs toward this objective.

Publicizing ADB's Sanctions List

“ ADB adopted the practice of not publicizing its anticorruption sanctions list when it first established procedures to implement the anticorruption policy in 1998 “

ADB adopted the practice of not publicizing its anticorruption sanctions list when it first established procedures to implement the anticorruption policy in 1998. OAI provides most ADB staff access to the anticorruption sanctions list, and currently shares the information, on a confidential basis, with other MDBs and international organizations and parties outside ADB with a need to know. OAI does not currently provide the anticorruption sanctions list to any of ADB's member countries, but will extract and share certain information on the list in an appropriate manner on a need-to-know basis.

In 2009, OAI reviewed ADB's current procedures for disclosure of its sanctions list. The expanded use of national procurement in ADB-financed projects combined with an increase in the degree of self-regulation by government agencies involved—particularly with regard to procurement decisions—has raised the need to ensure that government agencies and other stakeholders are aware of sanctions imposed by ADB on firms and individuals. As a result of this review, ADB will allow relevant government agencies to access its sanctions list from 2010.

²⁶ ADB. 2006. *Integrity Principles and Guidelines*. Manila. Para 1. Participating MDBs were the African Development Bank, ADB, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, and the World Bank.

²⁷ To date, participating MDBs are ADB, the African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and the World Bank.

The Office of Anticorruption and Integrity: Our Future

The first responsibility of OAI, according to its terms of reference, is to collaborate with relevant departments and offices to advance awareness of ADB's anticorruption policy.²⁸ OAI will continue to tailor its communications strategy and learning and development efforts to ensure that this message is successfully delivered to relevant audiences. In particular, OAI is completing a quick guide for recipients of ADB funds, whether through consulting and contracting with or supplying to either ADB or the projects it funds. The intention is to reinforce this with workshops and seminars, in collaboration with other relevant ADB departments, particularly Central Operations Service Office and the operations departments.

OAI intends to devote more resources toward bringing the message of ADB's anticorruption stance to project officials, both from government and the private sector, at project commencement. Prevention is better than cure; bringing this awareness to the project stakeholders at the project commencement will indicate ADB's resolve in the matter and pushes anticorruption expectations to the forefront.

OAI also intends to work more collaboratively with operations departments to conduct more limited PRRs. One definite benefit of this is the opportunity to share knowledge with both ADB and project staff members in real situations, in the area of compliance and in the realm of fraud and corruption prevention and detection.

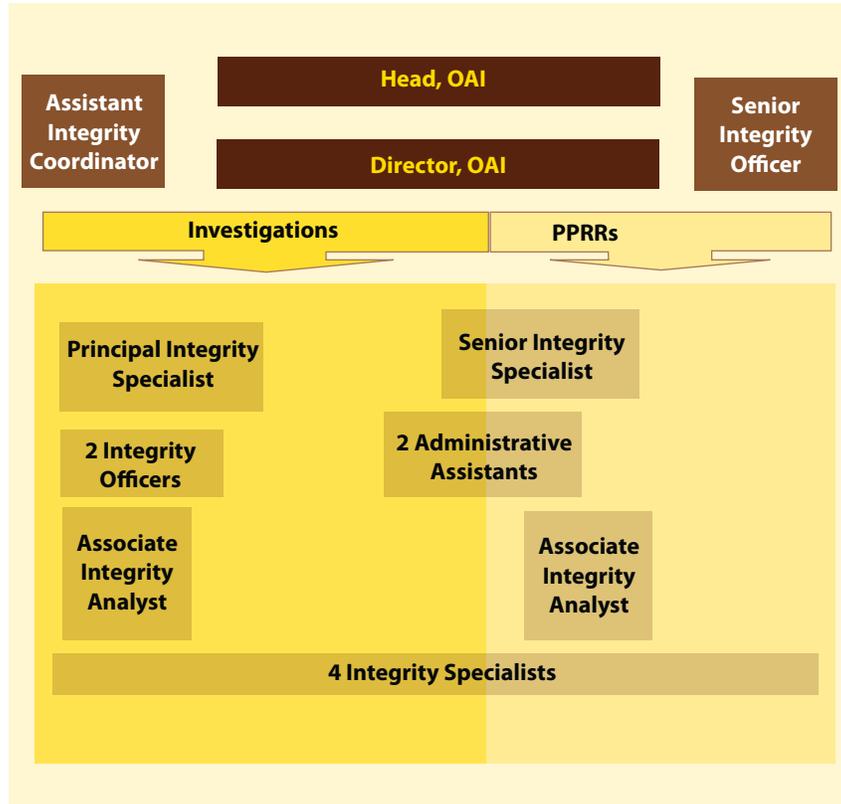
OAI will continue to invest time and effort in improving information technology capability. It aims to progressively train staff members in investigative software it purchased in 2009. Over time, the information collated will not only assist OAI in resolving and presenting its individual or grouped investigations, but also produce data useful for other ADB departments in alerting them to the potential behavior that may violate ADB's anticorruption policy.

// Prevention is better than cure; bringing this awareness to the project stakeholders at the project commencement will indicate ADB's resolve in the matter //

²⁸ This is now contained in Administrative Order 1.02.

Appendix 1

Office of Anticorruption and Integrity Organizational Chart



OAI = Office of Anticorruption and Integrity, PPRR = project procurement-related review.

Source: OAI.

Appendix 2

Status of Reported Fraud and Corruption Investigations, as of 31 December 2009

Year Received	Status	Total	Technical Loan	ADB Assistance	Staff	Others	Grant	MFF
1998 and 1999	Closed	55	32	6	10	7	0	0
2000	Closed	59	35	5	14	5	0	0
2001	Closed	77	58	6	7	6	0	0
2002	Closed	81	54	10	12	5	0	0
2003	Closed	92	53	17	11	11	0	0
2004	Closed	99	52	16	25	6	0	0
	Open	1	1	0	0	0	0	–
	Closed	101	67	6	15	13	3	–
2005	Total	102						0
	Open	2	2	0	0	0	0	–
	Closed	106	72	14	17	0	3	–
2006	Total	108						0
	Open	18	14	2	0	1	1	–
	Closed	77	57	4	10	4	2	–
2007	Total	95						0
	Open	40	32	2	1	2	3	–
	Closed	49	25	5	13	5	1	–
2008	Total	89	–	–	–	–	–	0
	Open	66	41	8	6	4	6	1
	Closed	7	2	2	2	1	0	0
2009	Total	73	–	–	–	–	–	–
	Open	127	90	12	7	7	10	1
	Closed	803	507	91	136	63	6	0
Cumulative	Total	930						

– = no data, MFF = Multitranches Financing Facility.

Source: OAI.

Appendix 3

Closed Investigations as of 31 December 2009

Year Received	Total	Closed after Investigation	Closed after Appeal	Closed without Sanction	Closed with Sanction	Referred to BPMSD
1998	21	12	0	0	5	4
1999	34	22	0	2	7	3
2000	59	37	0	4	8	10
2001	77	58	1	3	12	3
2002	81	56	0	3	18	4
2003	92	69	0	3	18	2
2004	99	52	2	6	21	18
2005	101	70	1	0	22	8
2006	106	62	3	2	30	9
2007	77	54	0	0	16	7
2008	49	20	0	0	20	9
2009	7	5	0	0	0	2
TOTAL	803	517	7	23	177	79

BPMSD = Budget, Personnel and Management Systems Department.

Source: OAI.

Appendix 4

Significant Cases Involving ADB-Financed Activities Concluded in 2009

Allegations	Investigative Findings	Case Resolution
Fraud: Misrepresentation		
Four firms submitted false information in their bids for construction services in an infrastructure project.	<ul style="list-style-type: none"> ◆ The firms submitted a forged qualification certificate and equipment invoices. ◆ The firms misrepresented information regarding professional qualifications and experience of proposed project staff members and ownership of necessary construction equipment. ◆ One firm misrepresented the identity of its proposed project manager by submitting forged national identification. 	<p>Four firms received 3- to 7-year sanctions, taking into consideration mitigating and/or aggravating factors related to (i) the falsifications involved, and (ii) the firms' attitude during the investigation.</p> <p>5 individuals received 3- to 7-year sanctions.</p>
A bidding firm submitted falsified qualifying documents from its proposed supplier in two proposals for the supply and installation of electrical equipment.	<ul style="list-style-type: none"> ◆ The proposed supplier provided the qualifying documents to the bidding firm, who accepted these in good faith. ◆ The bidding firm included the documents in its bid proposals without verifying the authenticity of the documents. 	The supplier (firm) received a 7-year sanction.
A firm misrepresented its partnership with another firm in implementing an ADB project.	<ul style="list-style-type: none"> ◆ Firm B, in association with firm A, was awarded an ADB-funded contract. ◆ Subsequent to the awarding of the contract, firm C was created by ex-officers of firm B. One of these ex-officers was the key negotiator for firm B, who did not inform firm B that the contract was awarded to it. ◆ The contract was executed by firm C, in association with firm A. Firm C misrepresented itself as firm B. 	<p>Firms A and C were reprimanded.</p> <p>Two individuals from firm C were reprimanded.</p>
Agents of a firm misrepresented themselves as ADB agents to conduct real estate transactions and to recruit other agents with promises of ADB financial assistance.	<ul style="list-style-type: none"> ◆ ADB was falsely presented as a buyer, financier, or conduit of funds in proposed land transactions in a developing member country. ◆ ADB was also falsely presented as a provider of financial assistance to prospective agents. 	<p>The firm received a 7-year sanction.</p> <p>The individual received an indefinite sanction.</p>

continued on next page

Appendix 4: continuation

Allegations	Investigative Findings	Case Resolution
<p>Firm B complained that two experts, X and Y, never authorized firm A to include their CVs in firm A's proposal.</p>	<ul style="list-style-type: none"> ◆ X and Y prepared misleading affidavits and statements for firm B, indicating that they did not consent to the inclusion of their CVs in firm A's proposal. ◆ Firm B repeatedly sent these misleading affidavits and statements to the project management office and ADB, in an attempt to get firm A disqualified. ◆ X and Y lied in their affidavits. ◆ However, there was insufficient proof to show that firm B knew that X and Y lied in their affidavits. 	<p>X received a 3-year sanction, as his cooperation during the investigation was considered a mitigating circumstance.</p> <p>Y received a 7-year sanction.</p>
<p>A firm submitted an expert's CV without his express permission.</p>	<ul style="list-style-type: none"> ◆ The expert did not see the reformatted and significantly enhanced CV that was submitted as part of the firm's bid proposal. ◆ The signature on the reformatted CV was not a digital copy of the expert's signature from the stated source document, as claimed by the firm. 	<p>The firm and two individuals received 3-year sanctions.</p>
<p>Fraud: False Documents</p>		
<p>A firm provided false information in its bid.</p>	<ul style="list-style-type: none"> ◆ The firm misrepresented its litigation history in a proposal for an ADB-financed contract. ◆ The firm also misrepresented its litigation history in a bid for a different ADB loan project submitted in a joint venture with another firm. ◆ The firm further provided contradictory information on its litigation history in a third bid under another ADB loan project. 	<p>The firm, joint venture partner, and signatories for each bid received 2-year sanctions.</p>
<p>A firm falsified its past work experience.</p>	<ul style="list-style-type: none"> ◆ The firm submitted a bid for multimillion-dollar infrastructure contracts. The firm claimed prior experience in building a tunnel and submitted documentation to support this. ◆ The firm falsified documents and made material misrepresentations to meet contract award criteria. ◆ Three individuals were responsible for preparing the documents, while the fourth individual signed off on the documents submitted. All but one individual were disciplined internally. 	<p>The firm and one individual received 6-year sanctions.</p> <p>Three individuals received 5-year sanctions.</p>

continued on next page

Appendix 4: continuation

Allegations	Investigative Findings	Case Resolution
A firm used false financial statements.	<ul style="list-style-type: none"> ◆ A construction firm submitted falsified financial statements in four technical proposals for construction packages. ◆ The statements showed that the firm met the minimum construction turnover and working capital required for bidding. However, the firm's official financial statements (submitted to the relevant authorities) did not support this. 	<p>The two firms received 7-year sanctions.</p> <p>Two individuals received 7-year sanctions.</p>
A firm provided a falsified license to meet tender requirements for the construction of a sanitary landfill site.	<ul style="list-style-type: none"> ◆ The firm claimed to possess an upgraded license and presented it as part of its bid. ◆ Both the first license and the upgraded license were false. 	<p>The firm received a 7-year sanction.</p> <p>One individual received an indefinite sanction.</p>
A firm provided falsified qualifying documents of its appointed supplier in two proposals for the supply and installation of electrical equipment.	<ul style="list-style-type: none"> ◆ The supplier issued the qualifying documents to the bidder, which the bidder accepted in good faith. The bidder included the documents in its bid proposals without verifying the authenticity of the documents. ◆ The two qualifying documents were false. ◆ The supplier's representative provided the false documents to the bidder but failed to cooperate during the investigation. 	<p>The supplier (firm) received a 7-year sanction.</p> <p>One individual received an indefinite sanction, and his name was posted on the ADB website.</p>
A large electrical firm contracted to construct a power transmission line falsified its previous international work experience to meet the technical requirements for the contract. The contract was valued in excess of \$2.4 million.	<ul style="list-style-type: none"> ◆ The firm submitted an end-user certificate, which stated that it was the sole contractor for a power transmission line in another area. ◆ The end-user certificate was fabricated. The firm did not construct the power transmission line in the area. 	<p>The firm received a 7-year sanction.</p>
A firm misrepresented financial information in its bid.	<ul style="list-style-type: none"> ◆ A firm bid for three construction contracts totaling \$105.39 million. It provided financial information indicating that it had adequate working capital to meet eligibility for the contract award. ◆ The firm was not eligible. It had negative working capital; thus, it did not meet the required criteria. ◆ The relevant bank confirmed that the guarantee was false. 	<p>The firm and two individuals received 7-year sanctions.</p>

Appendix 4: continuation

Allegations	Investigative Findings	Case Resolution
<p>A firm submitted a false guarantee as part of the required documents for contract award.</p>	<ul style="list-style-type: none"> ◆ The firm's former employee was responsible for preparing and submitting the false guarantee. ◆ However, the firm and its proprietor did not exercise due care in conducting the firm's operations, thus enabling the fraud. 	<p>The firm and an individual received 1-year sanction, without prejudice to new evidence warranting modification of the sanctions.</p> <p>The other individual received an indefinite sanction, and his name was posted on the ADB website.</p>
<p>Fraud: False Documents and Bid Manipulation</p>		
<p>Firms submitted fraudulent documents in their bids.</p>	<ul style="list-style-type: none"> ◆ Three firms submitted bids for several infrastructure contracts totaling \$266.87 million. The firms claimed credentials with falsified documentation in both English and the local language. ◆ The firms also inflated the prices of their prior contracts, and one firm falsely claimed to have been awarded a contract. ◆ The firms falsified documents and made material misrepresentations to meet contract award criteria. 	<p>Two firms and three individuals received 7-year sanctions.</p>
<p>Fraud and Collusion</p>		
<p>Three firms colluded and manipulated their proposals for consideration in a \$1 million local government capacity-building activity.</p>	<ul style="list-style-type: none"> ◆ The proposals of firms A and B contained identical content, font, size, outline numbering, and graphics. The local language proposals of both firms were likewise the same, including formatting errors. ◆ The proposed personnel in firm A and firm C's proposals had the same birthdates. Also, the firms' letterheads indicated the same telephone number. 	<p>Three firms received 7-year sanctions.</p> <p>Three individuals received indefinite sanctions.</p> <p>One firm and two individuals had their names posted on the ADB website.</p>

continued on next page

Allegations	Investigative Findings	Case Resolution
Sanction Violation		
<p>Firm A, in an attempt to circumvent ADB sanctions, used consulting firm B as a front to submit bid proposals for an ADB-funded contract.</p>	<ul style="list-style-type: none"> ◆ Firm B was implementing two ADB consulting contracts and was negotiating with the executing agency for a third contract when the complaint was lodged. ◆ Firm B was affiliated with firm A. Hence, the sanctions previously imposed on firm A automatically applied to firm B, as an associated firm. As a result, firm B was not awarded the third contract. ◆ X acted as a representative of firm B when communicating with the executing agency, but hid the fact that he was an employee of firm A. ◆ Y, who is a key officer of firm B, also hid her firm's association with firm A. 	<p>Firm A's (including firm B and all its affiliates) sanction was reset for an additional 10 years. Their names are currently posted on the ADB website.</p> <p>X received an indefinite sanction.</p> <p>Y received an indefinite sanction.</p>
<p>An individual violated the sanction imposed on him in 2005, which covered all firms in which he had or may have a principal interest.</p>	<ul style="list-style-type: none"> ◆ A firm, 50% owned by the sanctioned individual who is also its president, signed a contract in an ADB-financed project. 	<p>The firm received a 10-year sanction.</p> <p>Sanctions on the individual and all associated firms were published on the ADB website.</p>
Collusion		
<p>Firms A and B submitted similar bids for the supply and delivery of office equipment.</p>	<ul style="list-style-type: none"> ◆ The two firms proposed the same equipment at different prices. ◆ Firm A manipulated both bid submissions. ◆ Two individuals—an officer of firm A and a trustee of firm B—manipulated the bids. ◆ Firm A's president did not respond to inquiries and was considered accountable for his employee's actions. ◆ There was insufficient evidence against firm B. 	<p>Firm A received a 7-year sanction.</p> <p>Two individuals received 7-year sanctions plus posting of the sanctions on the ADB website.</p> <p>One individual received a 7-year sanction.</p>

continued on next page

Appendix 4: continuation

Allegations	Investigative Findings	Case Resolution
<p>Two separate joint ventures submitted identical bids.</p>	<ul style="list-style-type: none"> ◆ One of the bids submitted by one joint venture essentially copied the bid documents of the second joint venture and submitted these as its own. ◆ The header and title of several pages of the copied bid documents inadvertently included the name of the second joint venture, and included identical typographical conventions, lists of equipment, prices, and spelling errors. ◆ The lead firm of the first joint venture was responsible for bid preparation and submission, and therefore was considered more culpable than the associate firm. 	<p>The lead firm received a 7-year sanction.</p> <p>An individual received an indefinite sanction.</p> <p>The associate firm and an individual received 4-year sanctions.</p>
<p>Associated firms and individuals colluded with a former ADB staff member to secure ADB business.</p>	<ul style="list-style-type: none"> ◆ Over an 18-month period, ADB awarded eight contracts totaling \$2.25 million to a series of firms registered locally and in other jurisdictions. ◆ The individuals involved, and the firms that they represented, engaged in fraudulent practices by misrepresenting their status, history, and composition. ◆ All individuals and firms involved colluded with the former ADB staff member to secure these contracts. 	<p>Seven firms received indefinite sanctions.</p> <p>Five firms received 7-year sanctions.</p> <p>Four individuals received indefinite sanctions.</p> <p>One individual received a 10-year sanction.</p> <p>Two individuals received 7-year sanctions.</p> <p>Two individuals received 5-year sanctions.</p> <p>One individual received a 2-year sanction.</p>

continued on next page

Allegations	Investigative Findings	Case Resolution
<p>A consulting firm was exclusively provided with the names of preferred consultants for an ADB project under processing. This gave the consulting firm an unfair competitive advantage during the procurement process for the project.</p>	<ul style="list-style-type: none"> ◆ Although the firm was not initially aware that it was being provided with exclusive information, the firm’s senior officer subsequently realized that this was the case, but did not report it. ◆ Given the officer’s prior extensive experience with ADB projects, he should have known that this was contrary to proper ADB procurement practice and reported it. 	<p>The firm and individual were reprimanded.</p>
<p>Companies colluded to supply equipment to ADB.</p>	<ul style="list-style-type: none"> ◆ Despite apparent competition, the same firms were consistently awarded supply contracts for several years. ◆ Six firms that purportedly submitted competing quotes were actually related to the winning supplier. ◆ Striking similarities were found in the firms’ letterheads, signatures, and addresses. ◆ During procurement of equipment for an ADB office, firm A invoiced ADB on the basis of a canceled purchase order provided to firm B. ◆ Firm A made material misrepresentations during the investigation. ◆ Firm B provided quotations on letterheads of other companies and colluded with firm C to manufacture quotations. ◆ Firm C supplied most of that type of equipment over a span of several years. Firm C purchased the equipment from firm B to supply ADB. ◆ Firm C and its officer were previously sanctioned. 	<p>Six firms received 7-year sanctions, with the names of two firms posted on the ADB website due to the inability to contact and locate them.</p> <p>One individual received a 7-year sanction.</p> <p>One individual received an indefinite sanction considering his failure to respond to the findings as an aggravating circumstance.</p> <p>One firm and two individuals received 3-year sanctions.</p> <p>One firm received a 7-year sanction.</p> <p>One individual received an indefinite sanction.</p>

continued on next page

Appendix 4: continuation

Allegations	Investigative Findings	Case Resolution
<p>An audit of an ADB office found indications of systemic collusion in institutional procurement.</p>	<ul style="list-style-type: none"> ◆ Quotations provided for printing and related services over a span of several years had striking similarities, including identical signatures, letterheads, and location of the firms. ◆ Of all printing contracts during the same period, 99% were awarded to the same firm. 	<p>Three firms received 7-year sanctions.</p> <p>Two individuals received indefinite sanctions.</p> <p>One individual received a 7-year sanction.</p>
Bribery		
<p>A firm paid bribes to secure a contract under an ADB project.</p>	<ul style="list-style-type: none"> ◆ The former project director at the executing agency received kickbacks from a firm that was awarded a consultancy contract. The kickback was paid in installments by an affiliated firm, and hidden under the guise of “project development expenses.” ◆ Both the firm and its representative involved in the bribery engaged in corrupt practices. 	<p>Three firms received 7-year sanctions.</p> <p>One individual received an indefinite sanction.</p> <p>Eight individuals received 7-year sanctions.</p> <p>One individual (complainant) was reprimanded.</p>

CV = curriculum vitae.

Source: OAI.

Appendix 5

Significant Cases Involving ADB Staff Members in 2009

Allegations	Investigative Findings	Case Resolution
Corruption: Conflict of Interest		
A staff member used his position to hire distant relatives and friends through a service provider.	<ul style="list-style-type: none"> The staff member violated ADB's anticorruption policy when he failed to declare conflicts of interest and recuse himself of ultimate authority in the matter. 	A written censure was issued to the staff member.
Staff member A failed to disclose conflicts of interest by hiding his ownership of a consulting firm, which won ADB contracts with his assistance.	<ul style="list-style-type: none"> Staff member A violated ADB's anticorruption policy through a premeditated course of actions. He misrepresented the composition and beneficiaries of his network of firms. A total of eight contracts valued at \$2.25 million were awarded to these firms over about 18 months. Staff members B and C were involved. They helped to facilitate staff member A's scheme. Staff member B violated ADB's anticorruption policy by falsifying CVs and modifying business documents. He also covertly shared confidential information with staff member A. Staff member C was negligent in the performance of assigned duties. 	<p>Staff member A resigned from ADB before completion of OAI investigation upon entering into an agreement with ADB on terms and conditions, which included reimbursement to ADB for any amount determined by ADB as wrongfully gained or that he was not entitled to. ADB has issued the staff member with a demand letter for reimbursement of money owed to ADB. ADB is also exploring the possibility of instituting proceedings and actions against the staff member in national jurisdictions.</p> <p>Staff member B was suspended for 5 days without pay.</p> <p>Disciplinary proceedings were instituted against staff member C. The proceedings were closed following an investigation as there was no evidence of misconduct.</p>

continued on next page

Appendix 5: continuation

Allegations	Investigative Findings	Case Resolution
<p>A staff member owned, or had vested interests in a firm that supplied equipment to ADB.</p>	<ul style="list-style-type: none"> ◆ The staff member had established a business network with legitimate office vendors and used these as a front for conducting business with ADB for personal gain. ◆ The staff member established a firm, which colluded with other firms that provided goods and services to ADB. Over a 10-year period, ADB contracts secured by these firms totaled over \$500,000, including over 33% of all administrative procurement for an ADB office. ◆ The staff member also used ADB resources and his position to further personal business gains. He continued to trade on these relationships and his former status as an ADB staff member after separating from ADB. 	<p>For the former staff member's dealings as a private individual (non-staff), he was sanctioned as a contractor and debarred from participating in any ADB-financed activity for an indefinite period.</p>
<p>A staff member was seen using ADB vehicles for private use.</p>	<ul style="list-style-type: none"> ◆ The use of ADB vehicles was authorized and duly paid for by the staff member. 	<p>The allegations were unsubstantiated. Case closed.</p>
<p>A former staff member took up a board position in an investment bank that he had helped set up while with ADB.</p>	<ul style="list-style-type: none"> ◆ The staff member was conflicted in his interests. 	<p>As 2 years had elapsed from the time the staff member was separated from ADB, BPMSD closed the matter.</p>
<p>A staff member was a former officer of a firm short-listed for consideration in an ADB project for which he was responsible.</p>	<ul style="list-style-type: none"> ◆ The staff member properly disclosed his association with the firm. ◆ There was no indication that he received a benefit in exchange for the contract awarded to his firm. ◆ The staff member did not violate ADB's anticorruption policy. 	<p>The allegations were unsubstantiated. The case was closed.</p>

continued on next page

Allegations	Investigative Findings	Case Resolution
Corruption: Kickbacks		
<p>A staff member worked with a firm to secure an ADB service contract. He allegedly received monthly bribe money from the firm and supplied the firm with the materials required for the ADB contract.</p>	<ul style="list-style-type: none"> ◆ There was insufficient evidence to substantiate the allegations that the staff member received monthly bribe money or that he fixed the contract. ◆ However, the staff member did engage in private business activities incompatible with the proper performance of his official duties. He misused his position to personally profit from the supplies that he provided to the firm. 	<ul style="list-style-type: none"> ◆ The staff member resigned prior to the conclusion of investigations.
<p>An ADB selection committee received favors in exchange for favorable decisions toward a supplier.</p>	<ul style="list-style-type: none"> ◆ The selection process was done appropriately and in a transparent manner. ◆ There was no evidence showing that any of the staff members involved received any gifts or expensive dinners from the supplier concerned. 	<ul style="list-style-type: none"> ◆ The allegations were unsubstantiated. The case was closed.
Fraud		
<p>A staff member abused ADB facilities and misrepresented overtime claimed.</p>	<ul style="list-style-type: none"> ◆ The staff member regularly worked on weekends. However, he frequently changed the dates on his overtime authorization forms after they were signed by the authorizing officer. ◆ On several occasions, the staff member understated time taken for lunch during his weekend work. ◆ He also abused ADB premises and facilities by regularly bringing his family members into his work area during weekends to use ADB facilities. 	<ul style="list-style-type: none"> ◆ The matter was referred to BPMSSD. The result of the disciplinary proceedings is pending.

continued on next page

Appendix 5: continuation

Allegations	Investigative Findings	Case Resolution
<p>A staff member misrepresented his medical condition when he went on leave.</p>	<ul style="list-style-type: none"> ◆ The staff member provided fraudulent medical certificates to support his medical leave. The certificates contained typographic, spelling, and grammatical errors that would not be expected on a medical certificate. ◆ The doctors who purportedly signed the certificates were not associated with the hospitals appearing in the certificates. 	<ul style="list-style-type: none"> ◆ The staff member resigned from ADB before the complaint was received. ◆ The matter was referred to BPMSD. ◆ BPMSD disapproved the staff member's application for sick leave. Upon the staff's resignation, his end employment date was computed based on earned annual leave utilization and no sick leave was considered after his last working day.
<p>Others: Misconduct</p>		
<p>A staff member released confidential ADB documents to an external party without authorization.</p>	<ul style="list-style-type: none"> ◆ The staff member forwarded confidential ADB business information to an external party without authorization, thus potentially facilitating procurement fraud against ADB. ◆ The staff member misused ADB equipment and facilities in the process. 	<ul style="list-style-type: none"> ◆ The staff was dismissed.
<p>A staff member abused diplomatic privileges.</p>	<ul style="list-style-type: none"> ◆ The staff member acted inappropriately when he was refused diplomatic privilege. ◆ He also failed to correct a misperception of the government regarding the status of his employment. 	<ul style="list-style-type: none"> ◆ The matter was referred to BPMSD. The result of the disciplinary proceedings is pending.

continued on next page

Appendix 5: continuation

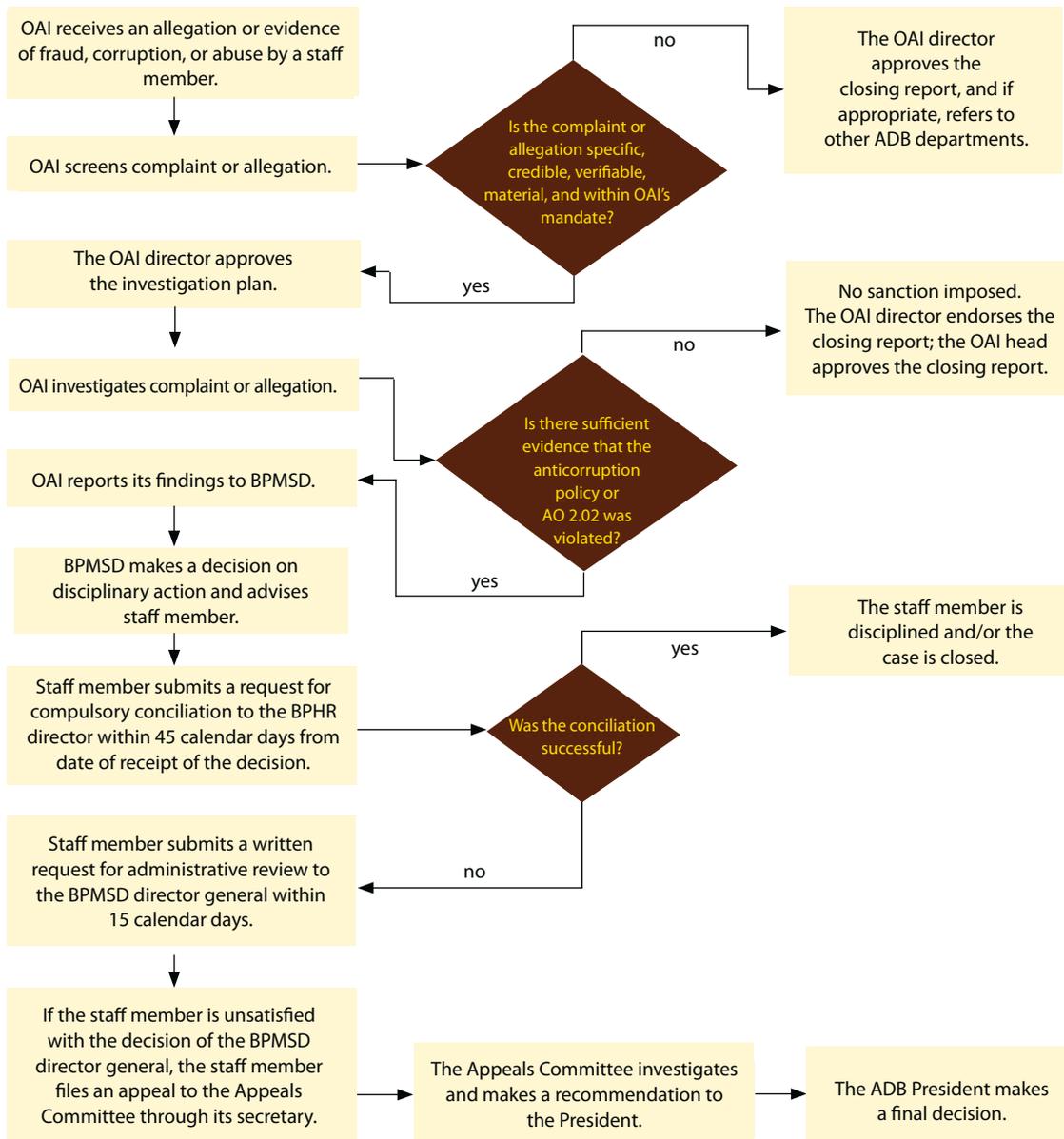
Allegations	Investigative Findings	Case Resolution
<p>Staff members A and B provided exclusive information to a firm that was seeking a contract for an ADB project.</p>	<ul style="list-style-type: none"> ◆ Staff members A and B provided the firm with the names of the preferred consultants for the project. ◆ During the procurement process, staff members A and B did not disclose that the firm was given exclusive information. ◆ The exclusive information gave the firm an unfair competitive advantage over other firms, and was awarded the contract. The contract was subsequently terminated and awarded to the second-ranked bidder. 	<ul style="list-style-type: none"> ◆ BPMSD initiated disciplinary proceedings against the two staff. ◆ Staff A was issued a written censure and was suspended for 2 weeks without salary. ◆ Staff B was issued a written censure and was suspended for 1 week without salary.

BPMSD = Budget, Personnel and Management Systems Department; CV = curriculum vitae.

Source: OAI.

Appendix 6

Process for Dealing with Allegations of Fraud, Corruption, or Abuse by ADB Staff Members



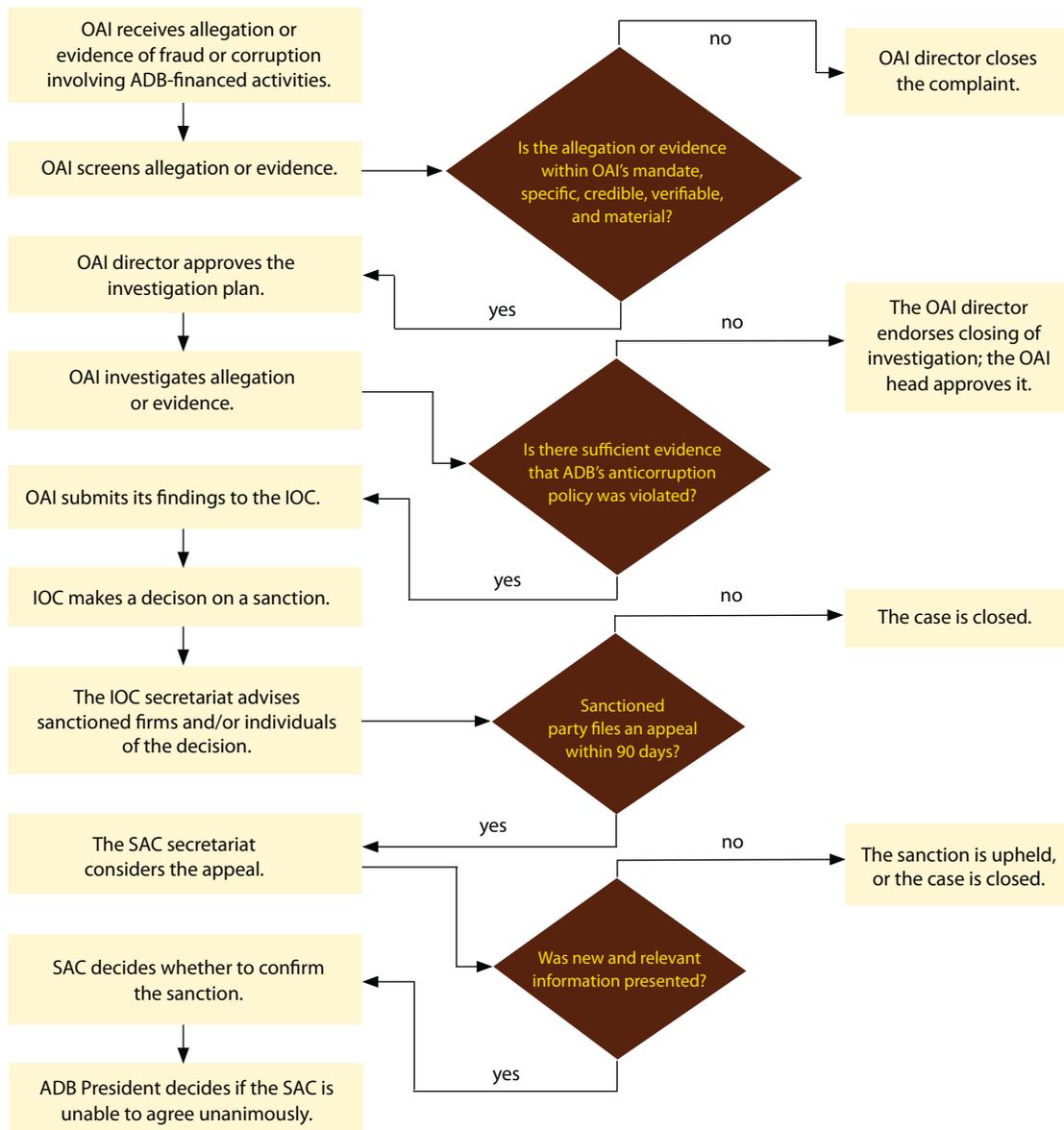
The flowchart is not intended to, and does not replace, modify, supersede, or amend ADB's *Integrity Principles and Guidelines (2006)*.

ADB = Asian Development Bank; AO = Administrative Order; BPHR = Human Resources Division; BPMSD = Budget, Personnel, and Management Systems Department.

Source: OAI.

Appendix 7

Process for Dealing with Allegations of Fraud or Corruption Involving Bidders, Consultants, Contractors, Suppliers, or Other Third Parties in ADB-Financed Activities



The flowchart is not intended to, and does not replace, modify, supersede, or amend ADB's *Integrity Principles and Guidelines (2006)*.

ADB = Asian Development Bank; IOC = Integrity Oversight Committee; OAI = Office of Anticorruption and Integrity; SAC = Sanction Appeals Committee.

Source: OAI.

How to Report Fraud or Corruption

Contact the Office of Anticorruption and Integrity (OAI) to report concerns or evidence that fraud or corruption may have occurred or is occurring in any ADB-financed activity. Information concerning the identity of a complainant is strictly controlled and will not be released to other ADB staff members nor to anyone outside of ADB without the consent of the complainant.

When reporting concerns, please provide as much information and detail as possible, including **who, what, when, where, why, and how**.

For further guidance, see www.adb.org/Integrity/whatto.asp

Tel	+63 2 632 5004 (note that this is not a toll-free number, and normal local or long-distance telephone charges will apply)
E-mail	integrity@adb.org or anticorruption@adb.org
Fax	+63 2 636 2152 (note that this is not a toll-free number, and normal local or long-distance telephone charges will apply)
Online form	www.adb.org/Integrity/complaint.asp
Postal address/In person	Office of Anticorruption and Integrity (OAI) Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550 Metro Manila, Philippines

Office of Anticorruption and Integrity 2009 Annual Report

This report describes the mandate of the Office of Anticorruption and Integrity of the Asian Development Bank (ADB), its work and achievements in 2009 on case investigations, project procurement-related reviews, and awareness-raising of ADB's anticorruption policy. It also features ADB's updated whistleblower and witness protection provisions.

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 substantially 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: 1.8 billion people who live on less than \$2 a day, with 903 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.