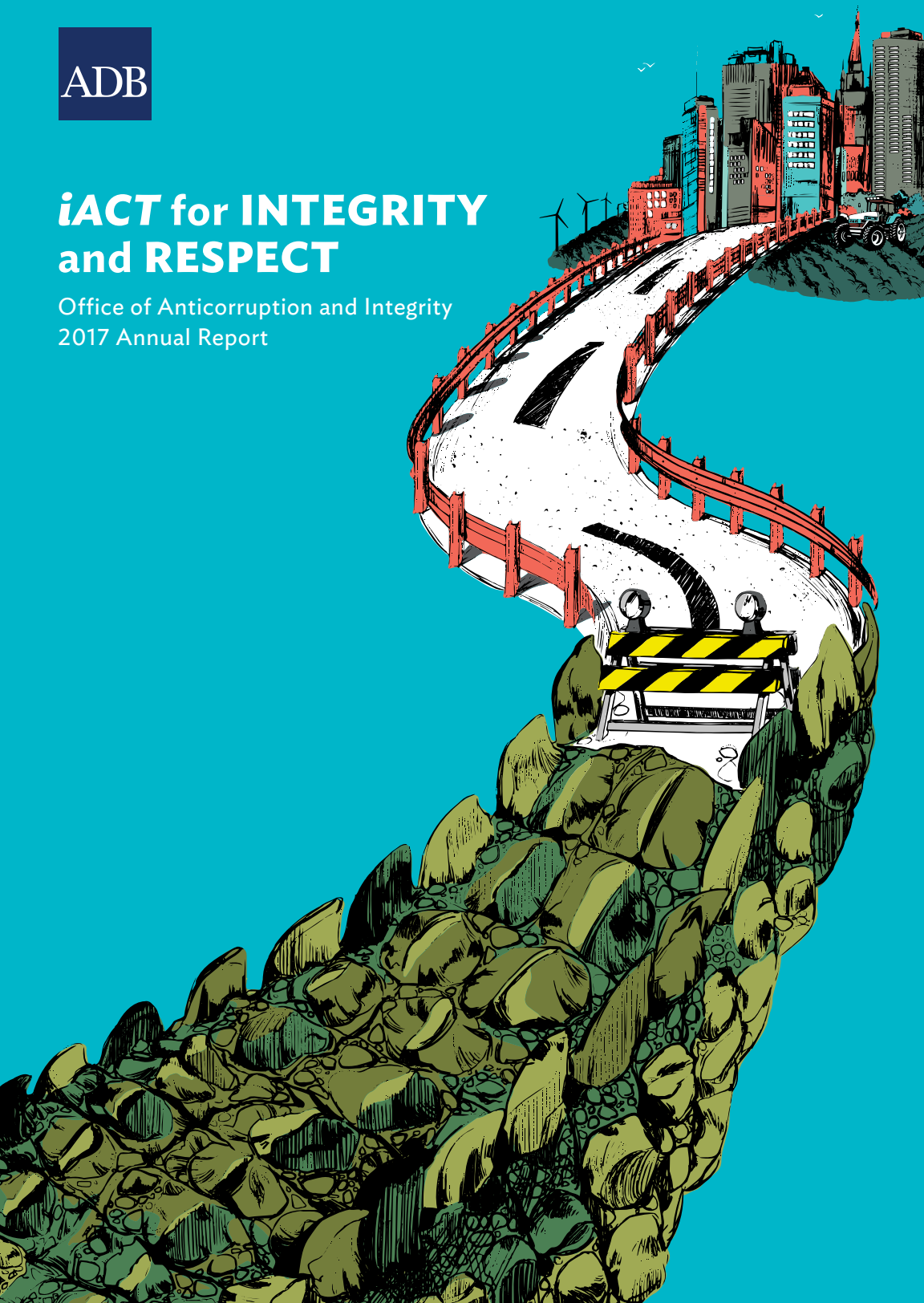


ADB

# *i*ACT for INTEGRITY and RESPECT

Office of Anticorruption and Integrity  
2017 Annual Report





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6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines  
Tel +63 2 632 4444; Fax +63 2 636 2444  
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# Abbreviations

<b>ADB</b>	Asian Development Bank
<b>AIID</b>	Investigations Division
<b>AMLC</b>	Anti-Money Laundering Council
<b>AML/CFT</b>	anti-money laundering/combating the financing of terrorism
<b>BSP</b>	Bangko Sentral ng Pilipinas
<b>CDD</b>	customer due diligence
<b>DMC</b>	developing member country
<b>FATF</b>	Financial Action Task Force
<b>FIU</b>	Financial Intelligence Unit
<b>FRC</b>	Financial Regulatory Commission
<b>IDD</b>	integrity due diligence
<b>MDB</b>	multilateral development bank
<b>MER</b>	mutual evaluation report
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OGC</b>	Office of the General Counsel
<b>PPRR</b>	project procurement-related review
<b>RWU</b>	Respectful Workplace Unit
<b>TA</b>	technical assistance

In this publication, “\$” refers to United States dollars.

# 2017 AT A GLANCE

## AIID Complaints



**226**  
Complaints Received  
**138**  
Complaints Closed

Includes 2014-2017 complaints

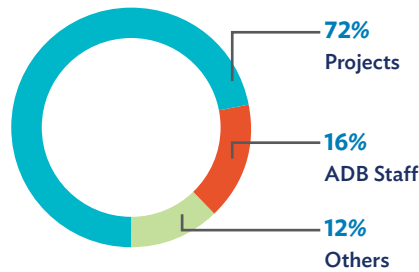
## AIID Investigations



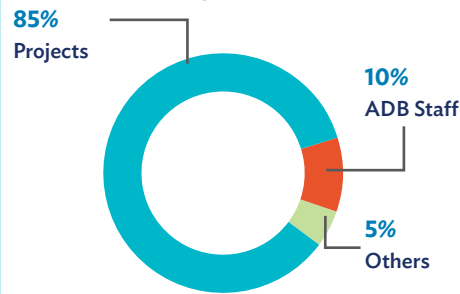
**39**  
Investigations Opened  
**90**  
Investigations Closed

Includes 2012-2017 investigations

## Subject of Complaints

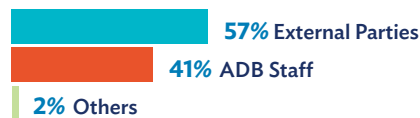


## Focus of Investigations

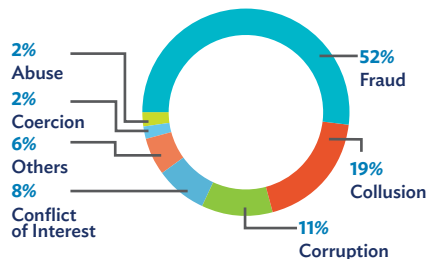


## Sources of Complaints

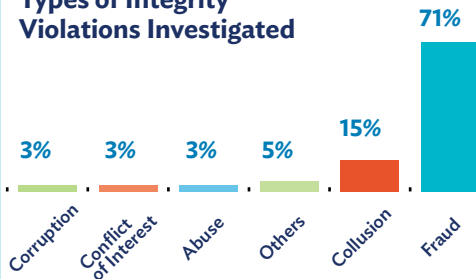
\* 91% of complaints received through e-mail



## Types of Alleged Integrity Violation



## Types of Integrity Violations Investigated

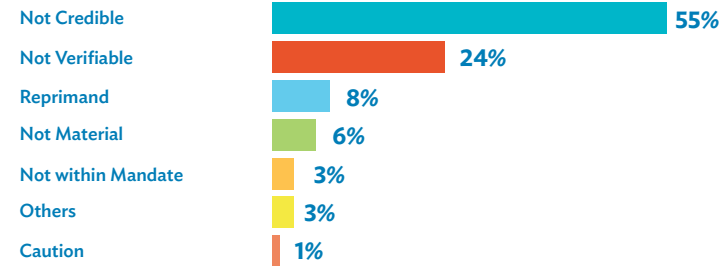


## Remedial Actions

	Firms	Individuals
Sanctioned by ADB	30	22
Reprimanded	11	12
Cautioned	8	5

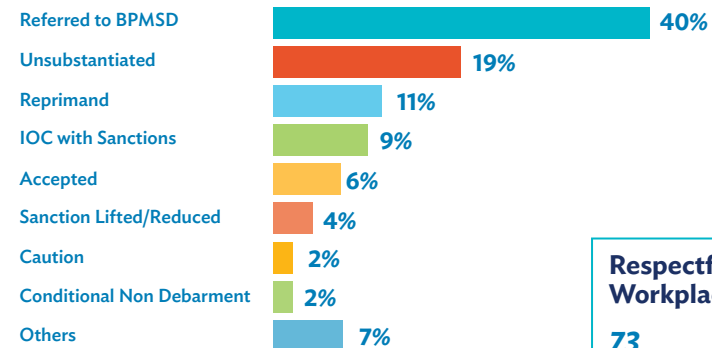
## Complaints Closed

Final Disposition



## Investigations Closed

Final Disposition



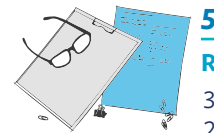
## Proactive Reviews

**\$940 Million**

Total Value of Projects Covered

**\$162 Million**

Total Value of Contracts Reviewed



**5**  
Reviews Conducted

3 – Project Procurement-Related Reviews  
2 – Follow-up Reviews

**10**  
Reports Issued

## Outreach

**119**

Anticorruption Seminars Conducted

**161**

Anticorruption Advisories Published

**3,971**

Participants

**2**

e-Learning Courses Produced

## Respectful Workplace

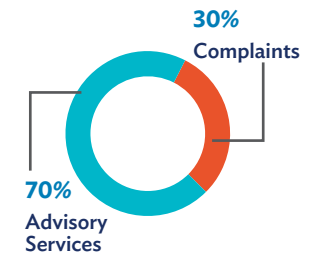
**73**

Received Visitors

**67**

Received Matters

Includes harassment, bullying, and other misconduct



## Advisory

**777**

Entities reviewed for anti-money laundering/integrity due diligence

**474**

Preemployment screenings



# A CULTURE OF INTEGRITY IS KEY *IN FIGHTING CORRUPTION.*



## **Nikos Passas**

*Professor of Criminology and  
Criminal Justice and Co-Director  
of the Institute for Security and  
Public Policy, Northeastern  
University*

*Keynote Speaker  
International Anticorruption  
Day 2017*

# 1

## Executive Summary

*“Corruption, money laundering, and tax evasion damage economic development as well as fairness among people. There is a growing consensus that these activities are threats to the basic fabric of society, including safety and security.”*

—PRESIDENT TAKEHIKO NAKAO

The Office of Anticorruption and Integrity (OAI) leads the integrity initiatives of the Asian Development Bank (ADB) through the conduct of investigations, project procurement-related reviews, integrity due diligence,<sup>1</sup> and knowledge-sharing with ADB’s stakeholders. OAI is also implementing ADB’s tax integrity policy<sup>2</sup> at country and project levels. OAI ensures a respectful ADB workplace through the Respectful Workplace Unit, which was established within OAI in February 2017.

<sup>1</sup>Includes tax integrity, anti-money laundering, and countering the financing of terrorism.

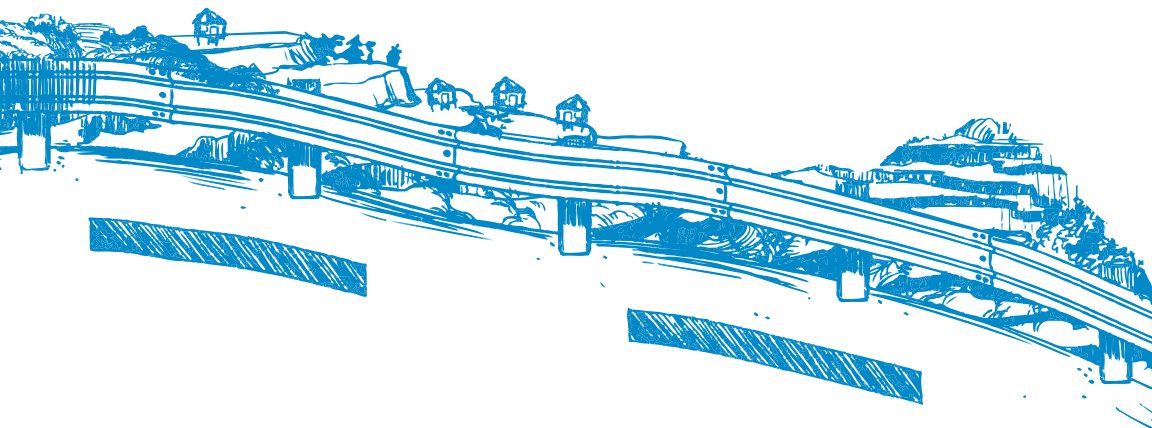
<sup>2</sup>ADB. 2016. *Anticorruption Policy: Enhancing the Role of the Asian Development Bank in Relation to Tax Integrity*. Manila.

In 2017, the Office of Anticorruption and Integrity's Investigations Division (AIID) opened 226 complaints, 37 of which pertained to integrity violations by ADB staff. AIID assessed and closed 138 complaints, including 29 complaints involving ADB staff, which did not meet the criteria for further investigation. At the end of 2017, 245 complaints were under assessment.

In 2017, OAI conducted 224 investigations (185 ongoing and 39 new investigations), including 57 staff investigations. OAI concluded 70 investigations with sanctions or other remedial actions. The remedial actions included disciplinary measures imposed by the Budget, Personnel, and Management Systems Department (BPMSD) in 20 staff investigations. Twenty investigations were closed as the allegations were unsubstantiated.

ADB debarred 30 firms and 22 individuals compared to 98 firms and 40 individuals in 2016. An additional 153 firms and 36 individuals were cross debarred by ADB. ADB also submitted three firms and four individuals to other multilateral development banks (MDBs) for cross debarment.

OAI's Review and Outreach Unit (AIOD-RU) carried out three project procurement-related reviews (PPRRs) and two follow-up reviews, besides issuing 10 reports in 2017 to provide assurance that ADB's finite resources are used for their intended purpose.<sup>3</sup> AIOD-RU updated its approach to PRRs in order to ensure that such reviews continue to add value. PRR tools and procedures were redesigned with an enhanced focus on integrity pillars, i.e., Fairness, Transparency, and Accountability and Control. AIOD-RU also conducted integrity risk management reviews for 44 ADB preapproval sovereign project documents.



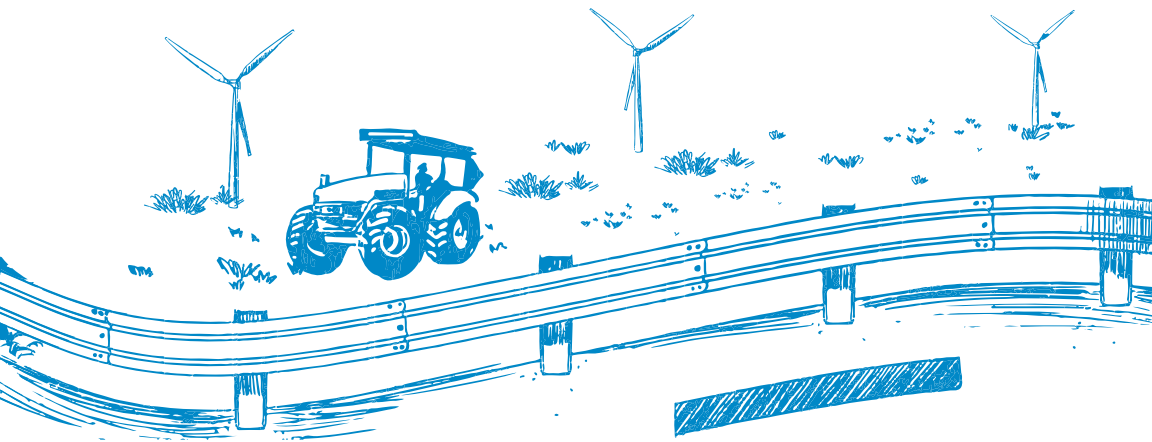
<sup>3</sup>Two PRRR reports and one follow-up review report conducted in 2017 and seven PRRRs completed in 2016 have been issued.



OAI champions integrity among ADB staff, stakeholders, and the public through its outreach activities. In 2017, OAI conducted 68 staff training sessions with 1,436 participants and 41 trainings for audit institutions, anticorruption commissions, executing and implementing agencies, money service businesses, nonbank financial institutions, civil society, and the private sector. OAI also launched a mandatory e-learning course on Anticorruption and Respect at Work for ADB staff in May 2017.

*iACT to Fight Corruption!*, ADB's bank-wide campaign, continues to be an effective awareness raising platform. Ten learning events were conducted for ADB staff, developing member countries (DMCs), and stakeholders in addition to OAI's flagship event in December celebrating International Anticorruption Day, which focused on the relationship between corruption and peace and security. OAI has also expanded its reach to a wider audience through new content via the office website and social media platforms.

OAI's Integrity Due Diligence Unit (AIOD-DU) conducts due diligence on nonsovereign transactions<sup>4</sup> and private entities involved in sovereign transactions to ensure that integrity, money laundering, and financing of terrorism risks are identified and mitigated. AIOD-DU received requests for integrity due diligence (IDD) advisory and reviews for 777 entities. The unit also received and conducted 92 IDD advisory and review requests from regional departments. AIOD-DU conducted 474 preemployment screenings of potential candidates for staff positions.



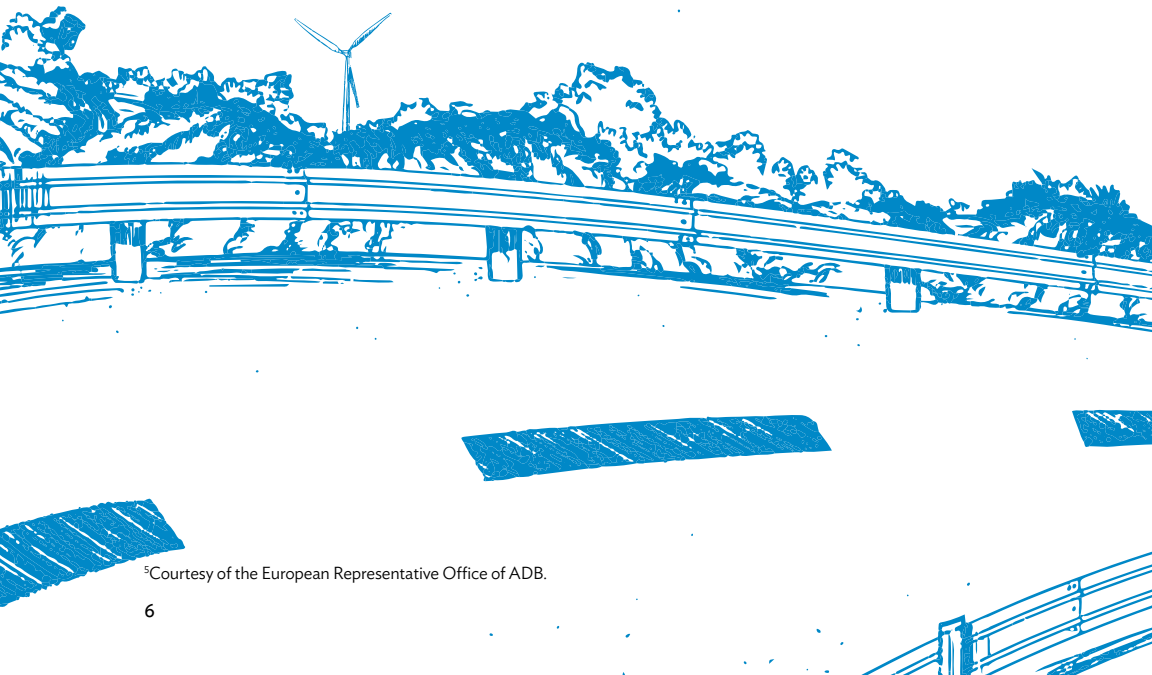
<sup>4</sup>For the purposes of this paragraph, transactions refer to loan, grants, guarantees, and other modalities of financing.

The Respectful Workplace Unit (RWU) opened 20 complaints related to bullying, harassment, and misconduct. RWU also provided 47 advisories, revised relevant administrative orders, and conducted 51 briefings and/or trainings.

OAI continued to bolster its partnerships and constructive collaboration with ADB stakeholders and partner institutions. Among others, OAI received significant support from BPMSD, the Office of the General Counsel, Office of the Ombudsperson, and the Office of Information Systems and Technology. OAI also worked closely with Staff Council and the International Women's Committee to prepare relevant administrative orders applicable to staff conduct. OAI hosted<sup>5</sup> the first Heads of Integrity meeting for 2017, participated in the MDB Plus Regional Development Bank group meeting, the Private Sector Integrity Conference, and the 18th Conference of International Investigators. Since 2017, OAI has represented ADB in jointly managing, with the Organisation for Economic Co-operation and Development (OECD), the ADB/OECD Anti-Corruption Initiative for Asia and the Pacific.

## **ANTI-MONEY LAUNDERING/COMBATING THE FINANCING OF TERRORISM INITIATIVES**

As the global economy evolves, it has become increasingly important to strengthen anticorruption platforms to better combat integrity risks. Technology and systemic legal loopholes have enabled entities to exploit gaps for money laundering and fraud through complex and rapid



<sup>5</sup>Courtesy of the European Representative Office of ADB.

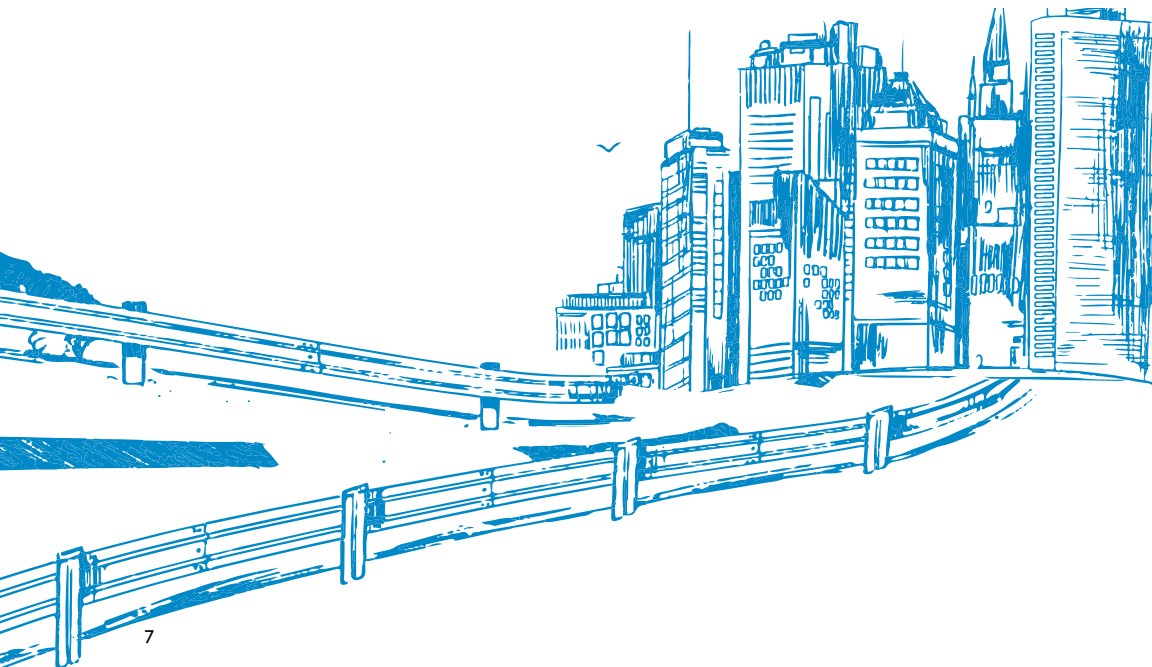
schemes that make detection difficult and expensive. These challenging circumstances require all stakeholders to combine their limited resources to mitigate the existing risks while also preempting the creation of new illegal mechanisms.

In recognition of these challenges, OAI ramped up its knowledge sharing activities with DMCs in 2017. For example, OAI provided the Philippines with support to enhance the regulatory framework to combat money laundering, and the Anti-Money Laundering Council further developed its Casino Implementing Rules and Regulations after OAI facilitated capacity-building workshops. In Mongolia, OAI assisted the government to develop an action plan to update the country's anti-money laundering (AML) legislation. Assistance is also ongoing in Bhutan and Papua New Guinea to strengthen their AML regimes.

## **LOOKING AHEAD**

OAI will most likely see an increase in the demand for IDD services in 2018 with procurement reforms and private sector development projects on the rise. OAI will need to develop new approaches to better service ADB's private sector operations as well as to ensure integrity under ADB's new procurement framework. With ADB's increased focus on ensuring respect in the workplace, RWU will be challenged to ensure harassment and bullying cases are expeditiously investigated.

OAI is set to consolidate its achievements and lessons to better assist DMCs while continuing to mitigate integrity risks in ADB activities.





## AN OVERVIEW

International efforts to combat money laundering and terrorist financing have made significant progress led by the United Nations and the Financial Action Task Force on Money Laundering (FATF). Several developing member countries (DMCs) have completed FATF-based mutual evaluations and made positive steps in addressing anti-money laundering and combating the financing of terrorism (AML/CFT) requirements. However, their overall level of compliance remains low.<sup>6</sup> As part of the ongoing efforts of the Asian Development Bank (ADB) to assist its DMCs in addressing these issues, the Office of Anticorruption and Integrity (OAI) met with government counterparts from Bhutan, Mongolia, Papua New Guinea (PNG), and the Philippines to better understand their AML/CFT challenges. Subsequently, ADB approved a technical assistance (TA) project to support these countries with their AML/CFT efforts.<sup>7</sup> OAI is implementing this project.

## THE PHILIPPINES

A major AML-related concern faced by the Philippines since the passage of its AML law in 2001 was that casinos have existed outside the scope of AML regulations. Due to this gap, the country's First AML/CFT National Risk Assessment (2011–2014) rated the casino sector as having a “Very High” money laundering vulnerability.<sup>8</sup>

<sup>6</sup>Jensen and Png, 2011. Implementation of the FATF 40+ 9 Recommendations: A Perspective from Developing Countries. *Journal of Money Laundering Control*. 14 (2). pp 110–112.

<sup>7</sup>ADB, 2017. *Third Review of Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila. <https://www.adb.org/sites/default/files/institutional-document/382316/in420-17.pdf>  
OAI worked closely with the Office of the General Counsel (OGC) in preparing and implementing this TA project. OGC has also implemented other TA projects focused on providing support to DMCs in meeting the international standard for an effective and robust AML/CFT regime. OGC represents ADB as an observer member, and attends the periodic meetings of the FATF and the Asia-Pacific Group on Money Laundering and the Eurasian Group on Combating Money Laundering and the Financing of Terrorism to keep abreast of AML/CFT developments.

<sup>8</sup>Government of the Philippines, Anti-Money Laundering Council. 2016. *The 1st Philippine National Risk Assessment on Money Laundering and Terrorism Financing*. Manila. p. 131.



**Signing of the Casino Implementing Rules and Regulations in the Philippines.** Present during the signing on 26 October 2017 were (seated from left): CEZA director Milton Alingod, director Arturo Bautista and administrator and chief executive officer (CEO) Raul Lambino; Insurance commissioner Dennis Funa; Securities and Exchange Commission chairperson Teresita Herbosa; Bangko Sentral ng Pilipinas governor Nestor Espenilla Jr.; PAGCOR chairman and CEO Andrea Domingo; president and chief operations officer Alfredo Lim; director Gabriel Claudio and director Rene Concordia; and APECO president and CEO Israel Madocdo. (standing from left) OAI Due Diligence unit head Joel Syquia; and Anti-Money Laundering Council Secretariat executive director Mel Georgie Racela.

In 2017, Bangko Sentral ng Pilipinas (BSP) and the Anti-Money Laundering Council (AMLC) seized the upcoming amendment of the AML law as an opportunity to collaborate with OAI and jointly develop an action plan to address the government's AML priorities and emerging issues. OAI partnered with the World Bank's Philippine Country Office to combine its AML assistance with an ongoing World Bank project.<sup>9</sup> The AML law was amended to add casinos as covered persons in July 2017 to mitigate the money laundering vulnerability in the sector.<sup>10</sup> The AMLC and BSP also expedited the establishment of the legal institutional framework before the next national risk assessment scheduled for the first half of 2018.

In August 2017, the AMLC, Securities and Exchange Commission, and OAI discussed the expansion of OAI's AML support to cover the Securities and Exchange Commission's AML-related priorities.

<sup>9</sup>The World Bank project was for the electronic filing by government officials of their statements of assets, liabilities, and net worth and was executed in partnership with the Office of the Ombudsman and the Civil Service Commission.

<sup>10</sup>Republic Act No. 10927, An Act Designating Casinos as Covered Persons Under Republic Act No. 9160, otherwise known as the "Anti-Money Laundering Act of 2001," as amended.

In September 2017, the AMLC and OAI further refined and finalized the casino implementing rules and regulations, which was formally signed on 25 October 2017. OAI also held a training of trainers program for officials from the AMLC and BSP to better understand the unique money laundering and terrorist financing typologies in the casino sector, and learn how regulators can best address the money laundering and terrorist financing risks faced by casino operators. Subsequently, AMLC and OAI also conducted a series of trainings for casino regulators and operators on the casino implementing rules and regulations, focusing on customer due diligence (CDD), record keeping, and reporting transactions.

## **MONGOLIA**

The Asia/Pacific Group on Money Laundering (APG) initiated a review of Mongolia's AML/CFT framework in 2016. The review identified several effectiveness gaps especially in the still developing designated nonfinancial businesses and professions sector, and the country's AML/CFT legislation, which only covers real estate and notaries.<sup>11</sup> However, the real estate sector also remains unregulated and rated as "High Risk" for money laundering and terrorist financing.<sup>12</sup> In addition, the Financial Regulatory Commission (FRC)—the supervisory authority for the nonbank sector—does not have an established process to identify and maintain a detailed understanding of the money laundering and terrorist financing risks between different sectors and individual institutions.<sup>13</sup>

To address these issues, OAI, the Mongolia Resident Mission, and the Office of the General Counsel (OGC) hosted an AML TA action planning exercise in April 2017 with the Financial Intelligence Unit (FIU) and FRC to agree on priorities that focus on expanding Mongolia's AML law beyond large domestic banks and into nonbank financial institutions and designated nonfinancial businesses and professions. This exercise resulted in an agreement between the FIU, FRC, and OAI for a 6-month nationwide capacity development program for domestic banks, money service businesses, and real estate agents. The program will include a training of trainers for selected FIU and FRC officials and it was also agreed

<sup>11</sup>APG. 2017. *Mongolia: Mutual Evaluation Report*. Sydney, pp. 20–29.

<sup>12</sup>Footnote 8.

<sup>13</sup>Footnote 8, p. 78.

that participants would develop their own internal AML CDD guidelines for their respective organizations.

The APG completed its review in September 2017 and reported several effectiveness gaps in its mutual evaluation report (MER) for Mongolia. In November 2017, the Government of Mongolia requested ADB for assistance in addressing the specific effectiveness gaps identified. In response, the Mongolia Resident Mission; the Public Management, Financial Sector, and Regional Cooperation Division of the East Asia Department; OGC; and OAI coordinated TA resources to support specific items listed in an action plan to improve the MER findings on Mongolia.<sup>14</sup>

## **BHUTAN**

In October 2016, the APG released Bhutan's first MER,<sup>15</sup> which presented gaps and vulnerabilities in complying with the FATF 40 recommendations and the effectiveness of Bhutan's AML/CFT system.<sup>16</sup> One of the priority actions identified in the MER was the adoption of a risk-based AML/CFT strategy. To support Bhutan in its AML/CFT efforts, ADB conducted a training program on AML/CFT regulations for supervisors and regulators of the Royal Monetary Authority of Bhutan and risk-based CDD for representatives of domestic banks and nonbank financial institutions in Bhutan. The program provided participants with a better understanding of AML/CFT regulations and risk-based CDD within the framework of Bhutan and equipped them with the capacity to draft a set of internal CDD guidelines for each of their respective entities. ADB is also finalizing a guidebook on CDD for Bhutan, and assisting the FIU to finalize its standard operating procedures manual, which is a key tool for the FIU to function efficiently and effectively.

<sup>14</sup>Footnote 8.

<sup>15</sup>Bhutan joined the APG in 2011.

<sup>16</sup>FATF. 2017. *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations*. <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>.



## **PAPUA NEW GUINEA**

The AML/CFT laws of PNG were passed in July 2015 and came into effect in February 2016, technically meeting the FATF standards and the action items that PNG had committed to. However, PNG needs technical assistance for reporting entities (i.e., domestic banks, nonbank financial institutions, and designated nonfinancial businesses and professions) to ensure that their programs, policies and procedures are reviewed to meet AML international standards and requirements.

In response to the government's request and in collaboration with the Financial Analysis and Supervision Unit of the Bank of Papua New Guinea, ADB discussed the AML/CFT international best practice in conducting CDD with the three reporting entities and agreed on the methodology required to prepare the draft technical guidelines on CDD and other preventive measures for each reporting entities cluster. ADB will draft these technical guidelines in consultation with the Financial Analysis and Supervision Unit, peer regulators, and reporting entities. ADB aims to finalize the technical guidelines and conduct training on its implementation by June 2018.

## **MOVING FORWARD**

OAI will evaluate the outcomes of the assistance in Bhutan, Mongolia, PNG, and the Philippines and develop an interactive AML/CFT knowledge product for DMCs. This will share the unique challenges of these case studies, outlining the various initiatives implemented as well as their strengths and weaknesses. As OAI has been carefully designing its assistance to match each country's unique regulatory and operating environment, the knowledge product will purposefully take a ground-up view to help readers analyze and put into context the lessons learned. By focusing on this perspective, OAI intends to provide relevant and useful strategies in the ongoing battle against money laundering and terrorist financing for all DMCs.

# 3

## Integrity in ADB Operations

In 2017, the Office of Anticorruption and Integrity (OAI), with support from the Office of the General Counsel (OGC), revised three internal rules or administrative orders related to staff conduct.<sup>17</sup> These revisions consolidate and clarify the staff rules of the Asian Development Bank (ADB) and procedures for staff disciplinary actions. OAI is reviewing internal investigative processes to fulfill its enhanced roles and responsibilities under the revised Administrative Order 2.04.

### COMPLAINTS INTAKE

OAI's Investigations Division (AIID) received 226 new complaints of alleged integrity violations in ADB-related activities and staff integrity misconduct during 2017, 12% lower than the number of complaints in 2016.<sup>18</sup> These 226 complaints were assessed along with the 196 open complaints brought forward from 2016. As of 31 December 2017, 245 complaints remained open.

<sup>17</sup>ADB. 2017. Code of Conduct. *Administrative Orders*. AO 2.02. Manila; ADB. 2017. Disciplinary Measures and Procedures. *Administrative Orders*. AO 2.04. Manila; ADB. 2017. Whistleblower and Administrative Protection. *Administrative Orders*. AO 2.10. Manila. AOs are instruments issued by the ADB President to implement its policies.

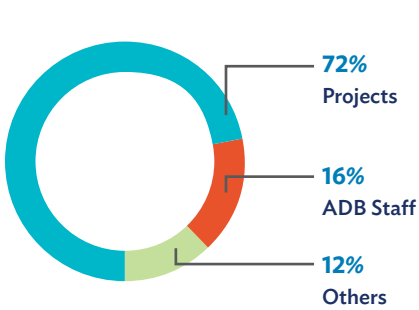
<sup>18</sup>Complaints related to respectful workplace-related matters are discussed in the RWU section.

## COMPLAINTS

226

### Complaints Received

#### Subject of Complaints



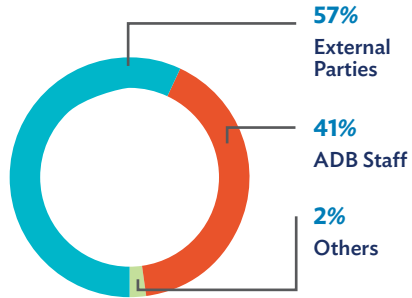
138

### Complaints Closed

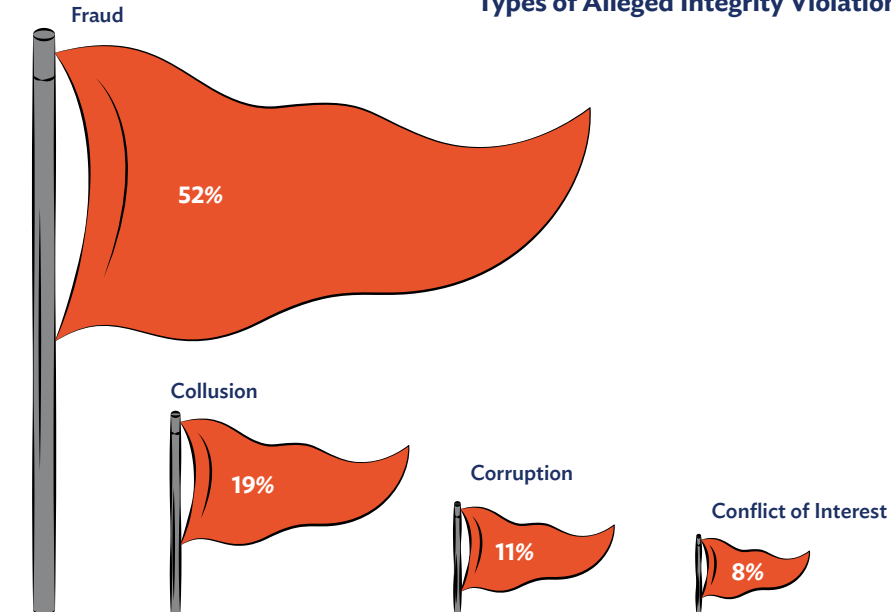
Includes 2014–2017 complaints

#### Sources of Complaints

\* 91% of complaints received through e-mail

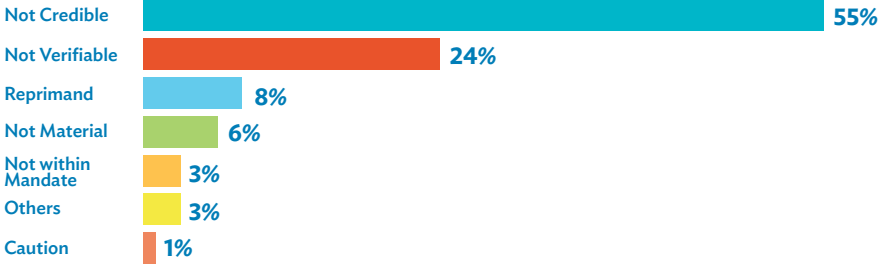


#### Types of Alleged Integrity Violations



## Complaints Closed

Final Disposition



## INVESTIGATIONS

During 2017, OAI focused on reviewing and concluding ongoing investigations from previous years. OAI closed 90 investigations, which is 22% more than the number of investigations concluded in 2016. As of December 2017, 134 investigations remained active.

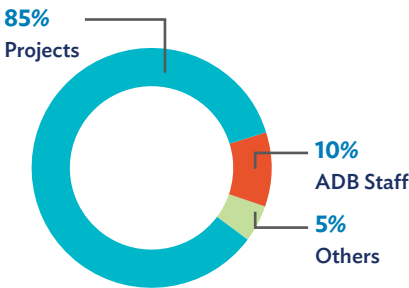
In 2017, AIID staff assisted OAI's Respectful Workplace Unit (RWU) to handle its caseload. Going forward, it is expected that while this support may continue, the extent of support to the RWU required will diminish.

### INVESTIGATIONS

**39**

#### Investigations Opened

##### Focus of Investigations

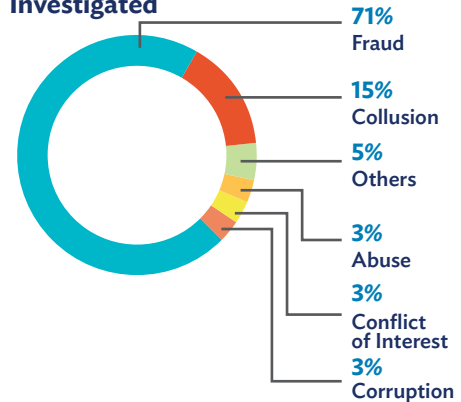


**90**

#### Investigations Closed

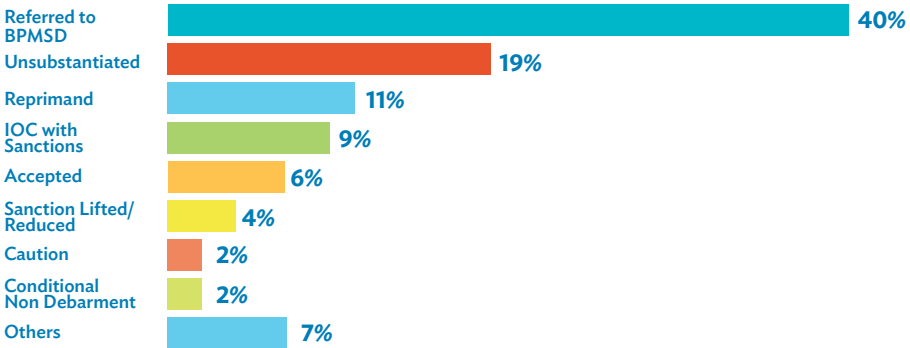
Includes 2012–2017 investigations

##### Types of Integrity Violations Investigated



## Investigations Closed

### Final Disposition



BPMSD = Budget, Personnel, and Management Systems Department; IOC = Integrity Oversight Committee

## REMEDIAL ACTIONS

In 2017, AIID presented 16 cases to the Integrity Oversight Committee<sup>19</sup> which imposed debarments on 27 firms and 18 individuals.<sup>20</sup> In addition, three firms and four individuals accepted OAI-proposed debarment in four cases.

	Firms	Individuals
<b>Sanctioned by ADB</b>	<b>30</b>	<b>22</b>
<b>Reprimanded</b>	<b>11</b>	<b>12</b>
<b>Cautioned</b>	<b>8</b>	<b>5</b>

<sup>19</sup>The Integrity Oversight Committee (IOC) is ADB's independent committee that considers submissions from OAI for remedial actions on integrity violations. The IOC includes two internal and one external members.

<sup>20</sup>Other remedial actions include Reprimands and Cautions. ADB. 2015. *Integrity Principles and Guidelines*. Manila, para. 86.

## **CASE: INVESTIGATION RESULTS IN RECOVERY OF MISUSED FUNDS**

The Office of Anticorruption and Integrity (OAI) found that a supplier colluded with other firms to misuse the Asian Development Bank (ADB) resources allocated for two contracts financed by ADB. The investigation established that the training was not carried out as envisaged under the project. The supplier did not train the government officials and subcontracted it to a training center without authorization. The payment ADB disbursed to the supplier was 97% higher than the actual amount spent by the supplier on the training. The Integrity Oversight Committee debarred the supplier for 4 years and the other firms for 3 years.

In 2017, after verification of OAI's findings by an independent forensic auditor, the government agreed that ADB could withhold the amount disbursed for the training from a newly approved project until the government confirms the exact amount of the unacceptable expenditures. The executing agency of the project committed to strengthen its internal controls and capacity to minimize corruption risks during the project implementation.

## **CROSS DEBARMENT**

In 2017, ADB cross debarred 153 firms and 36 individuals based on notifications received from four participating international financial institutions (IFIs), pursuant to the Agreement for Mutual Enforcement of Debarment Decisions (Cross Debarment Agreement).<sup>21</sup> ADB submitted three firms and four individuals for consideration of cross debarment by participating IFIs.<sup>22</sup>

<sup>21</sup>A full explanation of the Cross Debarment Agreement may be found on Cross Debarment. <http://www.crossdebarment.org>

<sup>22</sup>ADB submits individuals and firms for cross debarment if their names are included in ADB's published sanctions list. Those included on ADB's complete list, which is only accessible to ADB staff and eligible users, are not submitted for cross debarment pursuant to the Cross Debarment Agreement.

## REINSTATEMENTS

A debarred individual or firm is not automatically reinstated when the debarment period expires and must seek reinstatement. ADB, through OAI, will review the reinstatement request in accordance with the procedures on reinstatement outlined in the Integrity Principles and Guidelines.<sup>23</sup>

As part of its endeavor to instill sustainable impact, OAI insists that debarred entities take corrective action and improve their internal governance before reinstatement. These conditions for reinstatement, if implemented, would enhance the integrity of their operations and/or promote integrity in the industry and/or region in which they operate.

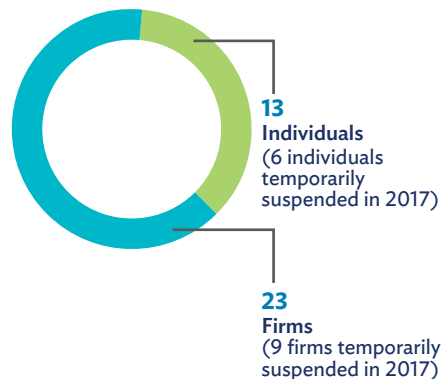
ADB has reinstated a cumulative total of 337 firms and 140 individuals since 2000. Two firms have been reinstated in 2017, while two firms and two individuals were not eligible for reinstatement as their debarment was ongoing.

## TEMPORARY SUSPENSION

Temporary suspension prevents the awarding of ADB-financed contracts to a firm or individual who is likely to be sanctioned. It is not subject to appeal. Any attempt to participate in ADB-related activity during the temporary suspension period will automatically result in a minimum debarment period of 3 years.<sup>24</sup>

**36**

**Temporarily Suspended**  
2003–2017



<sup>23</sup>ADB. 2015. *Integrity Principles and Guidelines*. Manila, paras. 102-109.

<sup>24</sup>The measure of temporary suspension was included in the Integrity Principles and Guidelines in 2012, and it was first utilized in 2013.

## APPEALS

Parties sanctioned by the Integrity Oversight Committee are entitled to submit an appeal within 90 days of the sanction notice. The Sanction Appeals Committee will consider appeals if these include new information that

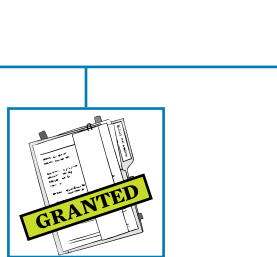
- was not available or known, or could not reasonably have been known, to the party at the time explanations were sought from it by OAI; and
- is relevant to the case and may have been relevant to the decision to impose sanctions.<sup>25</sup>

### 3

#### Appeals Received



OAI received 3 appeals in 2017 involving four firms and six individuals. These appeals did not meet the requirements for an appeal to be considered by the Sanction Appeals Committee as defined in paragraph 98 of the Integrity Principles and Guidelines.



One appeal pending from 2016 was granted after considering the appealing party's explanations and further review of the case.

<sup>25</sup>Footnote 23, para. 98.



## STAFF INVESTIGATIONS

In 2017, Budget, Personnel, and Management Systems Department (BPMSD) imposed remedial actions on 20 ADB staff that ranged from demotion, demotion with pay, permanent ineligibility for the relevant benefit, termination, and permanent ineligibility for future work with ADB.<sup>26</sup> These include ADB staff cases that were submitted to BPMSD in 2016 with remedial actions imposed in 2017. Further information on these investigations is available on page 53 of this report.

### STAFF CASES

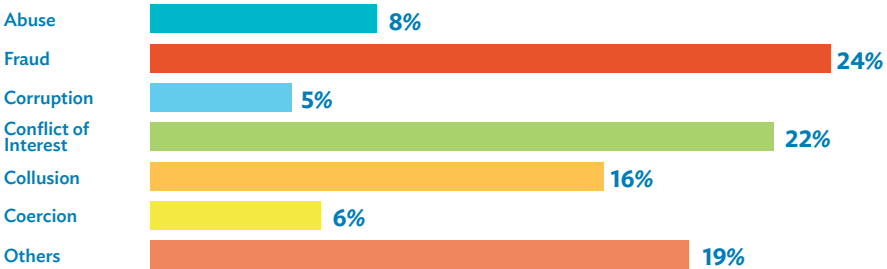
**37**

**Complaints Received**

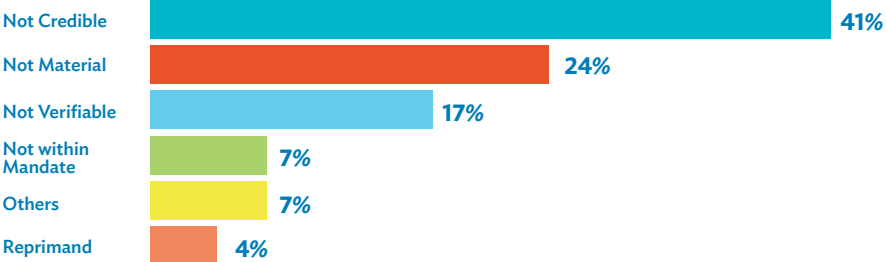
**29**

**Complaints Closed**

### Types of Integrity Violation



### Final Disposition



<sup>26</sup>The number of staff complaints and investigations is a subset of AIID's complaints and investigations which have been further analyzed in this section.

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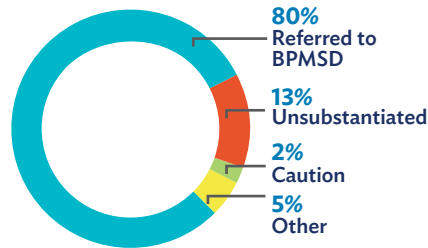
## Investigations Closed

Final Disposition

**45**

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**Investigations Closed**



BPMSD = Budget, Personnel, and Management Systems Department

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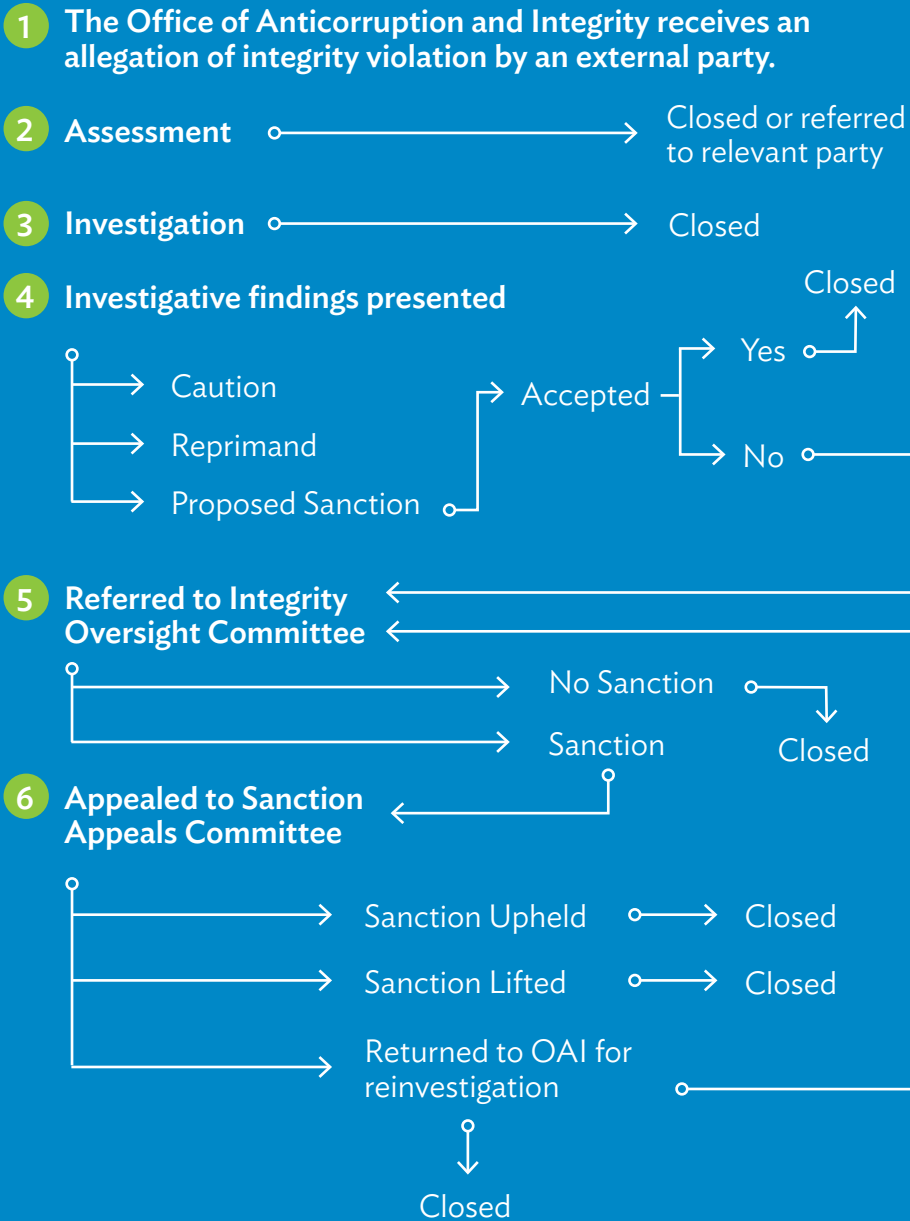
## WHISTLEBLOWER PROTECTION IN THE OFFICE OF ANTICORRUPTION AND INTEGRITY INVESTIGATIONS

Under ADB's Whistleblower and Witness Protection Policy, Administrative Order 2.10, ADB protects the identity of whistleblowers and witnesses acting in good faith to ensure that they are not subject to retaliation. Any complainant of an integrity violation or misconduct may remain anonymous or request that his or her name be kept confidential.

In 2017, OAI assessed 10 cases where three ADB staff and seven external parties requested that their identities remain confidential and protected. Of these, one complaint has been concluded without any adverse retaliation reports from the whistleblower. The other nine cases are still being assessed. OAI did not receive any claims of retaliation on whistleblowers.

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# PROCESS OF EXTERNAL PARTY INVESTIGATION



Notes: The flowchart is not intended to, and does not replace, modify, supersede, or amend the Asian Development Bank's Integrity Principles and Guidelines (2015). Integrity violation that the Office of Anticorruption and Integrity may investigate include corrupt practice, fraudulent practice, coercive practice, collusive practice, abuse, conflict of interest, or obstructive practice.

At any time during the investigation, the Office of Anticorruption and Integrity may present to the Integrity Oversight Committee a request for a temporary suspension of the party (paras. 72–78 of the 2015 Integrity Principles and Guidelines).

# 4

## Respectful Workplace



*Everyone has a responsibility to foster a respectful workplace.*

The Respectful Workplace Unit (RWU) was established in 2016, and is now fully operational. RWU supports the right of staff to work in an environment free from inappropriate conduct and promotes staff to act respectfully. RWU conducts awareness raising and provides advice on requirements in the new Code of Conduct introduced in 2017 that concern the behavior expected of staff, including the responsibility of managers and supervisors to set the tone for a respectful workplace. RWU has the mandate to investigate staff misconduct (non-integrity violations).

In 2017, RWU had two staff (a unit head and a senior integrity assistant), an international consultant and an intern. RWU is hosted in OAI for a pilot period of 2 years.<sup>27</sup> OAI's investigative, outreach, and policy resources have supported RWU in implementing its mandate since its inception.

<sup>27</sup>After the pilot period, lessons in the implementation of RWU will be reported to ADB Management to recommend permanent arrangements to address respect at work at ADB.

## **THE RESPECTFUL WORKPLACE UNIT'S MANDATE**

The Administrative Orders 2.02 (the Code of Conduct) and 2.04 (Disciplinary Measures and Procedures) establish RWU's investigative authority. RWU's mandate is to provide (i) policymaking, (ii) advisory services and investigations, and (iii) awareness raising and training on ethical and professional conduct and respect at work.

### **POLICYMAKING**

From June 2016 until the end of 2017, RWU focused its efforts on embedding respect at work into ADB policies, procedures, and practices with the assistance from the Office of the General Counsel (OGC) and BPMSD. RWU integrated respect at work policies into ADB's career website, human resource systems, and frameworks and agreements such as the Office of Administrative Services Framework for the Frequently Asked Questions on Procedures for Handling Contractors' Personnel-Related Concerns.

### **AWARENESS RAISING AND TRAINING**

To raise awareness on respect at work and the new Code of Conduct, RWU has issued regular e-bulletins, ADB Today advisories, and knowledge resources, as well as conducted management briefings and trainings.<sup>28</sup> RWU also created a dedicated "Integrity and Respect at Work" category in ADB Today to disseminate messages on respectful workplace topics. In November 2017, RWU launched its own intranet page containing resource materials in fostering a more respectful workplace, answers to frequently asked questions, and other related resources. Training sessions focus on how staff may demonstrate respectful behaviors, examples of disrespectful behaviors, and practical examples for staff, including managers and staff, to address disrespectful behavior.

<sup>28</sup>RWU launched a mandatory e-learning module for staff on Respectful Workplace and Professional Conduct. In addition, RWU issued monthly e-bulletins on fostering respectful behavior, launched new intranet web pages, and raised awareness through flyer campaigns providing advice on respectful behaviors and animated videos displayed at ADB. Monthly e-bulletin topics ranged from "How to Identify Bullying Behaviors" to "How Managers Can Foster a More Respectful Workplace."

51

Awareness-raising & Training Sessions Conducted

8

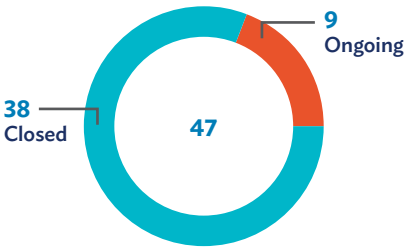
Member Countries Covered

990

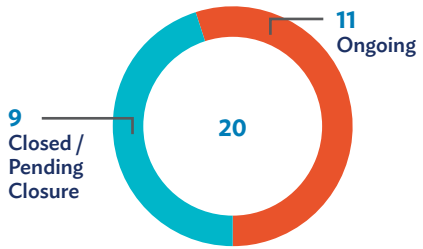
Number of Participants



Advisory Services



Complaints



Trainings at ADB have included four new staff inductions and customized sessions for the Office of Administrative Services; Public Management, Financial Sector, and Trade Division; Youth for Asia; ADB suppliers; and Southeast Asia Department Management team. RWU also conducted respectful workplace briefings to the Human Resources Committee, Across the Board, and the Country Directors' Forum.

## **COMPLAINTS AND ADVISORY**

RWU became operational from 1 February 2017. RWU received 67 matters from 73 visitors related to harassment, bullying, and other misconduct.<sup>29</sup> Of the 67 matters, 47 involve advisories and 60% of these advisories pertain to concerns of bullying and harassment, followed by other misconduct (34%) and sexual harassment (6%).

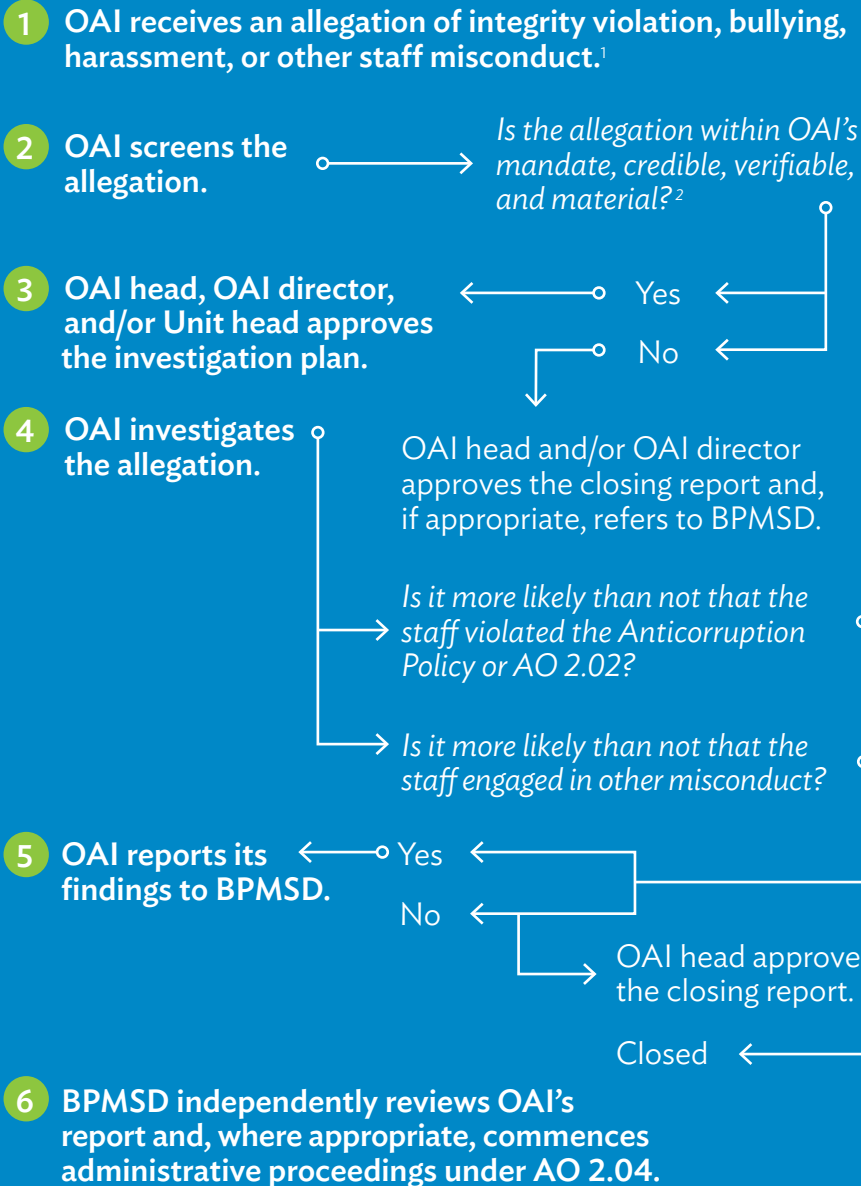
Bullying and harassment constitute 75% (15 out of 20) of the complaints received. The most common issue raised by RWU visitors relate to challenges arising from supervisor–supervisee relationships such as managerial style. Several matters in which staff raised bullying and harassment or other misconduct issues are complicated by staff performance issues identified by the supervisor. For example, staff who have filed allegations of bullying and harassment may be simultaneously undergoing a performance improvement plan or may have received a poor performance appraisal.

RWU is collaborating with BPMSD and other partners to consider how to offer support to staff who allege bullying and harassment while undergoing performance-related issues. RWU is also collaborating with relevant departments to address any fears of retaliation by staff should they file a complaint of misconduct and to reinforce the message that retaliation is prohibited.

<sup>29</sup>For the purposes of this section, “matters” refer to RWU complaints and advisories.



# PROCESS OF STAFF INVESTIGATION



AO = administrative order; BPMSD = Budget, Personnel, and Management Systems Department; OAI = Office of Anticorruption and Integrity.

<sup>1</sup> Where the allegation refers to an integrity violation (including fraud, corruption, and abuse), AIID addresses the allegation. Where the allegation refers to misconduct other than an integrity violation, RWU addresses the allegation. In 2018, OAI may review its processes to increase efficiency.

<sup>2</sup> Staff may consult or be referred to the Office of the Ombudsperson by OAI where appropriate.

Note: The flowchart is not intended to, and does not replace, modify, supersede, or amend ADB's Integrity Principles and Guidelines (2015), AO 2.02 (2017) and AO 2.04 (2017).

# 5

## Project Procurement-Related Reviews

*I personally feel that [the PPRR's] role is more to guide us in doing projects in a better way and in following ADB's guidelines. So, working with the PPRR team was very, very helpful for the JMRC (Jaipur Metro Rail Corporation) project. I also say it's knowledge-sharing.*

—ASHWANI SAXENA  
DIRECTOR (PROJECT), JMRC



**Ensuring project integrity.** Site and personnel safety inspection during a proactive review of an ADB-funded project conducted by OAI in 2017.

The Office of Anticorruption and Integrity (OAI) conducts proactive reviews, known as project procurement-related reviews (PPRRs), on selected active and ongoing projects, to identify potential integrity violations under ADB’s Anticorruption Policy (1998, as amended to date) and to address integrity risks. These proactive reviews improve project resilience against fraud and corruption by addressing the root causes of the PPRR findings. OAI shares the lessons from PPRRs with all stakeholders involved in project implementation.

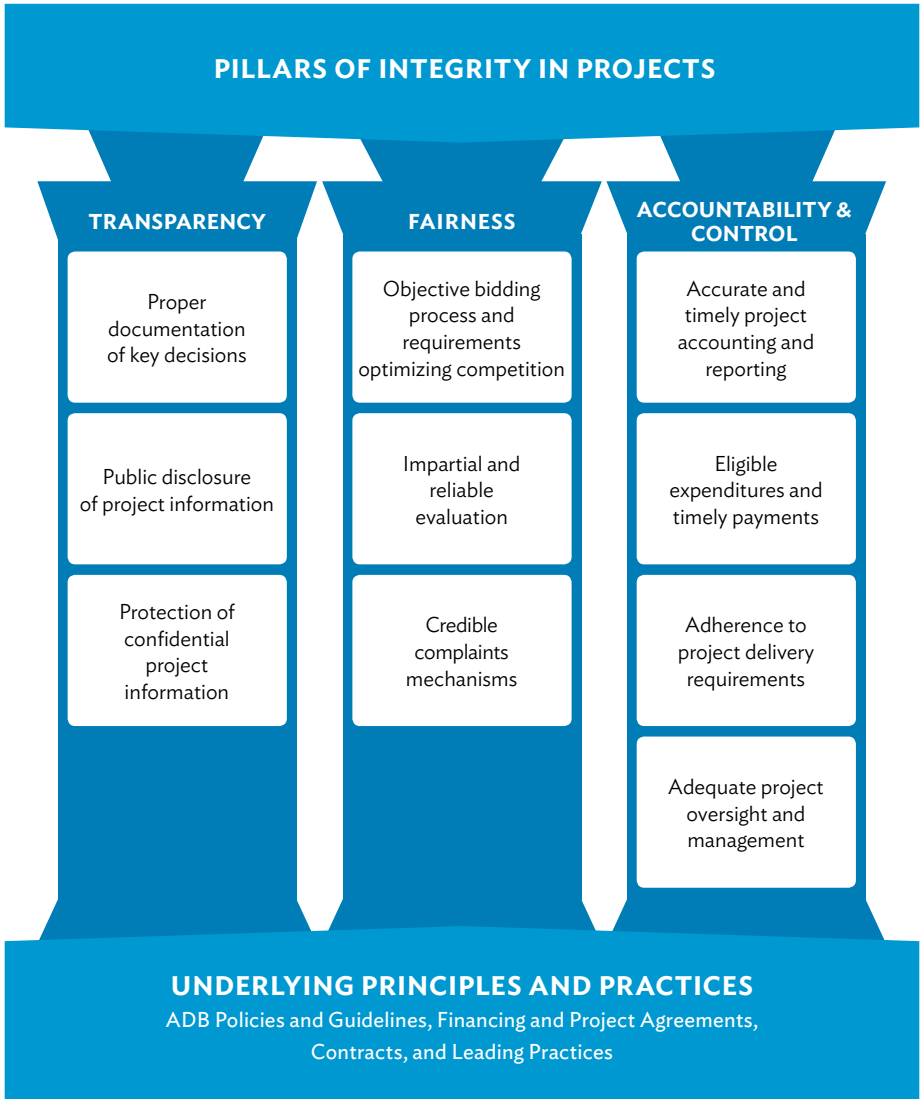
The scope of PPRRs included the following:

- 256 withdrawal applications valued at \$38.3 million
- 102 bid submissions and/or expressions of interests
- 217.45 kilometers of roads inspected
- 4425 units of goods inspected

PROACTIVE REVIEWS	
<b>Total value of projects covered</b>	<b>\$940 Million</b>
<b>Total value of contracts reviewed</b>	<b>\$162 Million</b>
<b>Reports issued</b>	<b>10</b>
<b>Reviews conducted</b> 3 Project Procurement-Related Reviews 2 Follow-up Reviews	<b>5</b>

## INTEGRITY PILLARS

In 2017, OAI modified its PPRR approach by further analyzing and classifying PPRR findings into three integrity pillars—Fairness, Transparency, and Accountability and Control. This aims to further strengthen the accountability of project stakeholders and controls over processes and activities as well as enhancing transparency in documentation and procedures, and fostering fairness in opportunities and decisions.



Below are sample findings from PPRRs based on these principles:

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## FAIRNESS

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### Inconsistent Treatment of Evaluation Criteria

- A bid evaluation committee disqualified some bidders based on inadequate personnel experience while deeming other bidders substantively responsive despite having similar inadequacies. This approach may disqualify bids otherwise deemed responsive as insufficiencies in personnel experience may be generally rectified prior to contract award.

- OAI provided training to project officials on procurement, focusing on ADB's Anticorruption Policy and due diligence during bid evaluation. As a result, the implementing agency committed to adopt the lessons from the PPRR and improve its procurement process.

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## TRANSPARENCY

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### Weak Records Management

- A project implementation unit did not maintain adequate project records, including bids and proposals, performance securities, contractor invoices, and consultant billing statements. Hence, it was challenging to verify each step of the procurement process and validity of expenditures.

- Consequently, the project implementation unit, with support from the resident mission, engaged a consultant to improve records management system and procedures.

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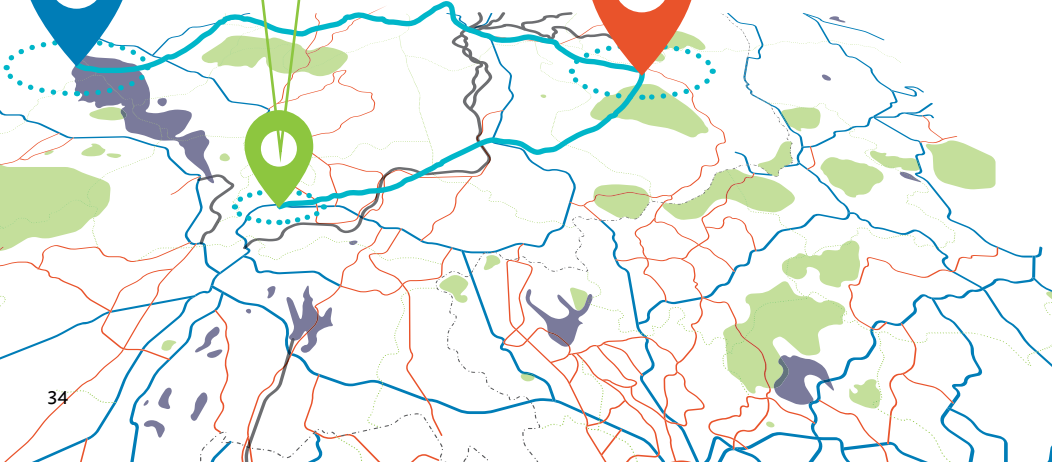
## ACCOUNTABILITY AND CONTROL

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### Inadequate Mobilization of Personnel by Contractor

- A contractor was unable to substantially mobilize its proposed personnel for two civil works contracts which contributed to implementation delays and poor-quality outputs. This was a consequence of improper assessment of the contractor's capacity during bid evaluation and inadequate monitoring of contractor performance during contract implementation.

- The ADB project team intensified its site visits and monitoring. ADB also engaged a consultant to assist in addressing PPRR recommendations, especially in improving procurement procedures.



## GEOTAGGING PROJECT ASSETS

Challenges with the implementation of development projects include difficulty in monitoring project progress and identifying associated integrity risks, especially in remote, vulnerable, and conflict-affected areas. Geotagging acts as a useful tool to address this by linking geographical coordinates to digital media such as photos, videos, or digital tracks. In 2017, OAI began<sup>30</sup> using geotagging during inspection for ADB project outputs to

- confirm the project location,
- eliminate fraudulent documentation or inaccurate progress reporting,
- show overlap or duplication of project outputs, and
- measure project or program completion.

## OTHER INITIATIVES

OAI developed a tool kit that serves as a practical guide for project staff from the regional departments and resident missions to identify potential integrity issues when inspecting outputs and works in progress. The tool kit provides examples of red flags of fraud and corruption that can be noted during the inspection of project goods and works, to enable proper and timely action.

Upon the request of regional departments, OAI conducts integrity risk management reviews of preapproval documents. In 2017, OAI carried out integrity risk management reviews for 44 preapproval project documents across 36 projects. OAI's inputs help ensure that acceptable preventive measures are introduced into ADB projects prior to implementation.

The revised Procurement Policy and Procurement Regulations for ADB Borrowers under ADB's procurement reform will impact the scope, process, and administration of the PPRRs. OAI has started redesigning and revising PPRR tools and procedures to adapt to these new developments. Additional actions are planned for 2018 as the practical application of the new policy and regulations will lead to more adjustments to the proactive integrity reviews.

<sup>30</sup>In 2017, OAI started geotagging on transport projects in Cambodia and Myanmar.

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

Thank you for playing!

facebook.com/  
anticorruptionandintegrity  
twitter.com/adb\_oai

**FINISH**



**NO** This is collusive practice.

**YES** Staff can always choose who they want to work with in a project.

## CROCS & LADDERS

An interactive educational game where staff, consultants, contractors, and visitors to ADB headquarters are reminded of the rules and guidelines of combating corruption and maintaining the highest ethical standards. Test your judgement and observation by playing this game. Start from the bottom left and work your way up to get to the finish line.

Is it acceptable to advise a consultant who you like working with about his/her application for a job that you advertised?

**6**

Staff who previously held a position with a decision-making authority in a private entity prior to joining ADB shall not be instrumental in any determinative process involving such entity for at least 1 year.

Any act 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 constitutes fraud.

**5**

Six months after resigning from your previous job as director in a construction firm, your former employer submits a bid for a project that you are managing. Should you recuse yourself from handling the selection?

**YES** This will ensure that there will be no conflict of interest.

**NO** My knowledge about the firm will be valuable to the selection process.



**NO** This is fraudulent practice.

**YES** Sources of receipts do not matter provided that expenses are properly accounted for.

On a recent mission, you forgot to obtain car hire receipts for local travel taken. Would it be acceptable for you to use blank receipts from another car hire then fill in the details yourself?

**4**

Giving or accepting gifts among staff is not allowed if intended to serve the purpose of obtaining or exchanging a favor, or influencing other staff's performance of official duties or responsibilities.

Theft, waste, or improper use of ADB assets, either committed intentionally or through reckless disregard, constitutes abuse and is subject to disciplinary measures.

**3**

Can you give your supervisor flowers or a book as a gift on his/her birthday?

**YES** As part of traditions and culture, staff may give personal gifts of nominal value.

**NO** The intention is to obtain or exchange a favor.



**NO** ADB's Information and Communication Technology resources should only be used for official purposes.

**YES** ADB has a robust bandwidth. A few downloads won't hurt.

Can you use the internet at ADB to download electronic books, music, and movies because it is faster than your connection at home?

**2**

Submit "Gift and Souvenirs" Report to immediate supervisor and submit the item to Office of Administrative Services.

**START**

**1**

Can a project officer accept a crocodile-leather briefcase from the owner of a consultancy firm that frequently submits bids for ADB contracts?

**NO** A return favor is possibly expected.

**YES** It would be difficult to refuse.





# 6

## Integrity Due Diligence



In 2017, the Office of Anticorruption and Integrity (OAI) received requests for integrity due diligence (IDD) advisory and reviews for 777 entities, which was a 21% increase compared to 2016. Project teams ensure that any significant integrity and tax-related risks are disclosed to the Asian Development Bank (ADB) Board of Directors, and mitigating factors are adequately explained. Full implementation of the update to the Anticorruption Policy to enhance ADB's role in relation to tax integrity led to 20 nonsovereign projects being subject to enhanced tax IDD.<sup>31</sup> The Private Sector Operations Department (PSOD) reported that one project was rejected at early stages of processing due to integrity concerns. Mitigation measures were included in 20 nonsovereign projects to address integrity and/or tax risks.

<sup>31</sup>ADB. 2016. *Anticorruption Policy: Enhancing the Role of the Asian Development Bank in Relation to Tax Integrity*. Manila.

The number of IDD advisory and reviews conducted for PSOD remain the highest, at 50% of total IDD workload, while those for the regional departments accounted for 12%. As in 2016, the remaining reviews relate to requests from the Controller’s Department and other departments regarding internal engagements, ADB events, and payments.

ADVISORY	
<b>Entities reviewed for anti-money laundering/ integrity due diligence</b>	<b>777</b>
<b>Preemployment screenings</b>	<b>474</b>

OAI received requests for and conducted a total of 92 IDD advisory and reviews from the regional departments, which was an increase of 46% from the 63 reviews conducted in 2016.

In addition to IDD advisory and reviews, OAI also responded to 78 requests from third parties that conducted know-your-customer and anti-money laundering (AML)-related inquiries on ADB. OAI is also developing Funds Integrity Due Diligence Guidelines in collaboration with the Office of the General Counsel and PSOD which aim to mitigate the integrity due diligence risks in ADB-managed funds.

**PREEMPLOYMENT SCREENING**

OAI assists the Budget, Personnel, and Management Systems Department with the preemployment screening of potential candidates for staff positions. This support was formalized and improved by the issuance of the IDD Guidelines for Employment Screenings in the third quarter of 2017. There was a 68% increase in the number of screenings conducted when compared with the previous year. Out of the total screening checks conducted, nine candidates or 2% were identified to have integrity-related concerns that made them unsuitable for employment.

# 7

## Outreach

*The Office of Anticorruption and Integrity's outreach work empowers individuals to tackle corruption at the source, to advocate and implement policy reforms to stop money laundering and terrorism funding, and most importantly, to ensure that development funds go to where it is needed most—to underprivileged communities.*



**Sharing lessons learned.** On 24 April 2017 in Dhaka, OAI spoke with 50 Bangladesh Resident Mission staff, consultants, and contractors on ADB's new code of conduct and maintaining a respectful workplace. Participants were reminded to adhere to a high degree of integrity and uphold ADB's interests and reputation.

The Outreach Unit of OAI focuses on strengthening the anticorruption skills of ADB staff and the public through training and learning events. Given the complexity and scale of anticorruption work, the demand for these and other learning opportunities continues to grow year by year and in 2017, more than 3,900 participants comprising of ADB staff and stakeholders from over 18 member countries participated in OAI outreach events.

## **INTERNAL TRAINING**

This year, OAI conducted 68 training sessions (258% more in-house training sessions than last year) covering 1,436 participants compared to 431 participants in 2016. Topics included the following:

- Integrity Due Diligence
- Fraud Detection and Prevention on Disbursements and Institutional Procurement
- Financial Management Modules: Financial Due Diligence for ADB Projects
- Project Design and Management Program: Due Diligence and Ensuring Integrity
- Integrity and Respect at Work
- Respect in the Workplace
- E-mail Fraud

As part of ADB's commitment to provide continued training for staff on anticorruption, harassment, and bullying, OAI launched a new mandatory e-learning course on Anticorruption and Respect at Work for all ADB staff in November 2017. Staff are given 6 months to complete the online course.<sup>32</sup> The course is intended to increase knowledge of ADB's Staff Values, Anticorruption Policy, and the Code of Conduct, and understanding of ADB's respect at work requirements. As of end 2017, 500 staff and 57 consultants have completed this course.

<sup>32</sup>ADB e-Learn online course on Anticorruption and Respect at Work.  
<http://elearn.development.asia/course/view.php?id=242>.



**Integrity outreach in action.** About 30 representatives from executing and implementing agencies of ADB projects in Uzbekistan strengthened their knowledge of ADB's Anticorruption Policy, including their ability to detect, prevent, and address possible fraud, corruption, and other integrity violations through an Anticorruption Seminar in Tashkent on 28 and 29 November 2017.

## EXTERNAL TRAINING AND OUTREACH

OAI helped external stakeholders to better understand their role in uncovering red flags and exposing integrity issues through a series of 41 trainings held in 2017 for audit institutions, anticorruption commissions, executing and implementing agencies, money service businesses, nonbank financial institutions, civil society, and the private sector. Through its regional technical assistance, OAI also generated high-level commitments and legislative reform to tackle money laundering in casinos.<sup>33</sup>

Techniques and lessons by OAI from its investigations, project procurement-related reviews, and integrity due diligence were also shared with external audiences. In the Philippines, recipients of these activities include the Bangko Sentral ng Pilipinas, the Department of Finance, the Department of Transportation, the Bureau of Customs, the Anti-Money Laundering Council, and the Credit Guarantee and Investment Facility.

<sup>33</sup>ADB. 2016. *Developing Anti-Money Laundering and Combating the Financing of Terrorism Approaches, Methodologies, and Controls—Developing Risk-Based Customer Due Diligence Requirements and Tools (Subproject A)*. Manila (TA 9287-REG).

Other recipients include the National Audit Office and Supreme Audit Institutions in the People’s Republic of China, the Association of Southeast Asian Nations Supreme Audit Institutions, and various universities in the region. In all, 1,706 external participants received training this year, a 59% increase from 2016.

## ONLINE OUTREACH PLATFORMS

OAI uses different online platforms to promote awareness of ADB’s anticorruption efforts and encourage participation and vigilance from the public. OAI released 161 announcements on the internal news bulletin ADB Today and posted on OAI’s intranet. Likewise, OAI’s website continues to be updated to reflect the department’s activities.<sup>34</sup> The website has been viewed 24,536 times, an increase of 12% from 2016. Four e-newsletters were also sent to subscribers in 2017.<sup>35</sup> OAI continues to use social media platforms such as Facebook<sup>36</sup> and Twitter<sup>37</sup> to promote its anticorruption work. OAI’s accounts have seen an increase in traffic in 2017.

OUTREACH	
<b>Anticorruption advisories published</b>	<b>161</b>
<b>Anticorruption seminars conducted</b>	<b>119</b>
<b>Member countries covered</b>	<b>18</b>
<b>Participants</b>	<b>3,971</b>
<b>e-Learning courses produced</b>	<b>2</b>

<sup>34</sup>ADB. Anticorruption and Integrity. <https://www.adb.org/site/integrity/main>.

<sup>35</sup>ADB. Anticorruption and Integrity e-bulletin special issue on the OAI 2016 Annual Report. <http://bit.ly/2mkNuNx>; ADB. Anticorruption and Integrity e-bulletin special issue on combating money laundering and terrorist financing. <http://bit.ly/2DcRJBj>; ADB. Anticorruption and Integrity e-bulletin issue 36 July 2017. <http://bit.ly/2mfSWAH>; ADB. Anticorruption and Integrity e-bulletin issue 37 October 2017. <http://bit.ly/2xP1qXP>.

<sup>36</sup>February 2018. <https://www.facebook.com/anticorruptionandintegrity/>

<sup>37</sup>February 2018. [https://twitter.com/ADB\\_OAI](https://twitter.com/ADB_OAI)

## **ADB/ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT ANTI-CORRUPTION INITIATIVE FOR ASIA AND THE PACIFIC**

OAI also became the lead office that jointly manages the ADB/OECD Initiative.<sup>38</sup> Throughout its 18-year history, this flagship anticorruption program continues to support developing member countries in fighting corruption and implementing the United Nations Convention against Corruption through capacity development, mutual support, and exchange of expertise and knowledge products.

From 15 to 17 November 2017, the 9th Regional Anti-Corruption Conference and 22nd Steering Group Meeting of the Initiative brought together more than 250 government leaders and delegates from anticorruption agencies, supreme audit authorities, planning agencies, and representatives of private sector, and civil society. The high-level panel discussed achievements and challenges to promote an anticorruption and integrity culture, and identified future priorities to improve and implement obligations and objectives. The Public Integrity Network was launched during the conference and provided an opportunity for practitioners from anticorruption and government agencies to learn about effective methods of developing and monitoring anticorruption and integrity policies.

The 22nd Steering Group Meeting was attended by 29 out of the 31 member countries and jurisdictions, observers, and advisory group members to discuss the Initiative's draft 2018–2020 work program that will set the Initiative's future directions in the next 3 years.

### **iACT TO FIGHT CORRUPTION!**

Now in its sixth year, ADB's *iACT to fight corruption!* has evolved from an internal campaign into a wide-reaching platform for anticorruption and integrity that has extended beyond ADB headquarters and through to its member countries. This year's iACT learning events shared one of Asia and the Pacific's successful anticorruption stories on Georgia and raised awareness on the international agenda on tax transparency, beneficial ownership, measuring cross-border corruption, empowering future

<sup>38</sup>OECD. ADB/OECD Anti-Corruption Initiative for Asia-Pacific. <https://www.oecd.org/site/adboecdanti-corruptioninitiative>



leaders on good governance and anticorruption, and enhancing domestic resource mobilization through tax transparency.<sup>39</sup> Anticorruption capacity development training was the majority of this year’s learning events, most of which were conducted upon the request of stakeholders, primarily from the Philippines. In total, these learning events hosted over 500 participants.



**iACT Exhibits.** The iACT exhibit featured three installations displayed along the various halls of ADB headquarters: “Why Resident Missions ACT to Fight Corruption” (top); “Crocodiles and Ladders” (bottom); and Mano-a-Mano.

<sup>39</sup>At the iACT learning event on 17 March 2017, Georgia’s former Prime Minister, Nika Gilauri, shared anticorruption reforms implemented in Georgia, and how ADB can help its DMCS better address corruption.



As part of its annual awareness raising activities, this year's iACT exhibit featured three different installations displayed along the various halls of ADB headquarters:

1. *Why Resident Missions ACT to Fight Corruption*: a mixed media installation of photographs and videos featuring almost 270 ADB staff from 22 resident missions who shared their professional and personal reasons for fighting corruption.
2. *Crocodiles and Ladders*: an interactive educational game where staff, consultants, contractors, and visitors to ADB headquarters are reminded of the rules and guidelines of combating corruption and maintaining ethical standards.
3. *Mano-a-Mano (Hand to Hand)*: a large-scale sculpture by Filipino artist A.G. Saño depicting humanity's struggle against corruption.



As in previous years, this year's iACT activities culminated with ADB's celebration of International Anticorruption Day on 8 December, in lieu of 9 December. The theme of the celebration focused on corruption as a threat to safety and security. The celebration was led by the ADB President and attended by members of the Board, senior management, staff, consultants, and contractors in headquarters and the resident missions.<sup>40</sup>

<sup>40</sup>T. Nakao. 2017. Welcome Remarks at the International Anticorruption Day Celebration. <http://www.adb.org/news/speeches/welcome-remarks-international-anticorruption-day-celebration-takehiko-nakao>.

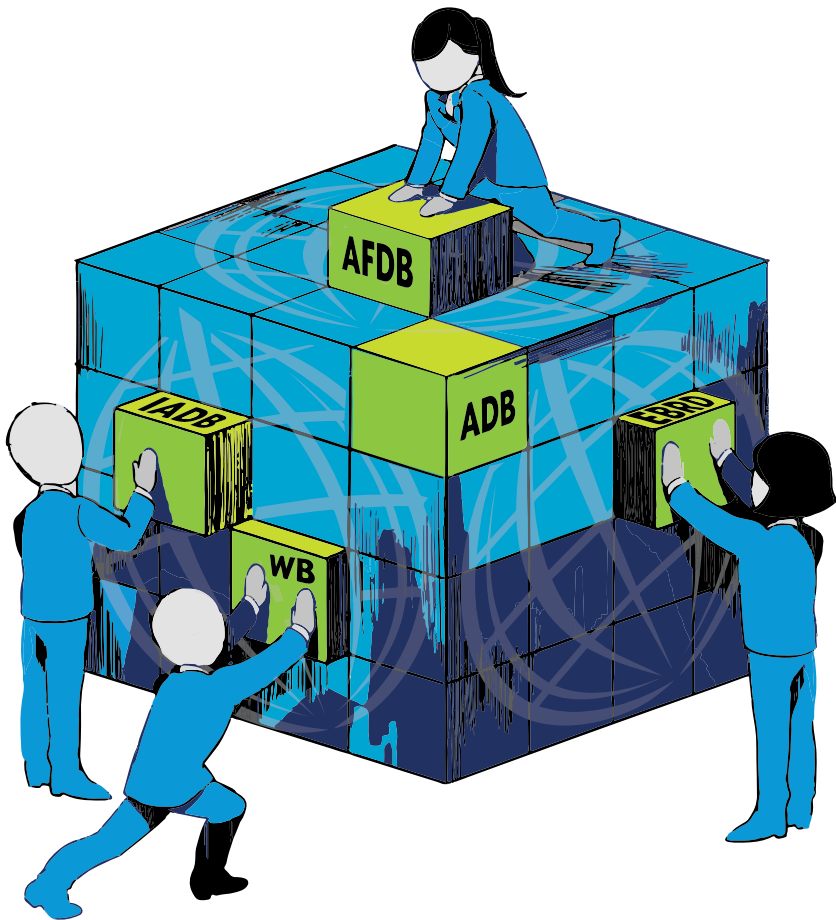


**International Anticorruption Day celebration.** From left: ADB President Takehiko Nakao; Sustainable Development and Climate Change Department director general Amy Leung; Institute for Security and Public Policy co-director and criminology and criminal justice professor of Northeastern University Nikos Passas; Integrity Watch Afghanistan executive director Sayed Ikram Afzali; OAI senior advisor Clare Wee; and OAI head John Versantvoort.

This year's keynote speakers and anticorruption champions were Nikos Passas, professor of Criminology and Criminal Justice and co-director of the Institute for Security and Public Policy, Northeastern University and Sayed Ikram Afzali, executive director of Integrity Watch Afghanistan and chair of the Oversight Commission on Access to Information. In their addresses, Passas highlighted, "to fight corruption, we need dynamic anticorruption leaders, resources, and a sense of urgency" while Afzali emphasized that "all actors in the international community need to coordinate their efforts and have a real will to put corruption as the most important problem to deal with."

# 8

## Working Together with International Financial Institutions



Harmonization of approaches to issues (such as proactive reviews, sanctioning of corporate groups and cross debarment) is an effective response to the threat of fraud and corruption.

In 2017, the Office of Anticorruption and Integrity (OAI) continued to foster open and constructive collaboration with Asian Development Bank (ADB) stakeholders, including its partner institutions. During the Private Sector Integrity Conference hosted by the Caribbean Development Bank, Inter-American Development Bank, and Inter-American Investment Corporation, OAI co-presented a session on anti-money laundering/combating the financing of terrorism assessments for financial intermediaries and participated in a panel session on international financial institutions' (IFIs) approaches to tax integrity due diligence.

OAI hosted the first Heads of Integrity meeting for 2017 in May. As in previous years, OAI engaged in productive dialogue with other IFIs and jointly agreed on definitions and guidelines relating to investigative approaches. The multilateral development banks (MDBs) also discussed possible further collaboration on information sharing and capacity building, arrangements on cross debarments, and development of harmonized guidelines on integrity compliance. In the Heads of Integrity meeting hosted by the World Bank later in the year, the MDBs further discussed approaches to integrity-related reviews as well as critical issues on debarment. The Guidelines for Integrity Offices When Conducting Risk Reviews published on ADB's website was prepared, discussed, and agreed to by certain participating IFIs during the Heads of Integrity meetings in 2016 and 2017.

In 2018, ADB will collaborate with the Green Climate Fund to co-host the 19th Conference of International Investigators. The Green Climate Fund will host the conference in Seoul, Republic of Korea.

# 9

## About the Office of Anticorruption and Integrity



**Corporate social responsibility.** Schoolchildren during the *Kusina ng Kalinga* and *Paraisong Pambata* programs, a co-organized event with Gawad Kalinga Community Development Foundation, Inc. and OAI held in Loon Sandigan, Bohol, Philippines.

The Office of Anticorruption and Integrity (OAI) remains the initial contact point for all allegations of integrity violations and continues to be the thought leader for proactive reviews. OAI fulfills its expanded mandate specifically through the Investigations Division, the Due Diligence Unit, the Review and Outreach Unit, and the Respectful Workplace Unit (RWU).

Following the reorganization of the office in 2016, OAI continues to conservatively expand its staff resources in line with the expansion of its mandate. Staff consultants and external retainers complement OAI staff in conducting investigations, audit, due diligence, and information technology.

At the end of 2017, OAI welcomed a new head. The outgoing head of OAI stays on as senior advisor for the first quarter of 2018 to allow for a fuller development of the RWU and to ensure a smooth transition of

leadership. Other staff movements in 2017 include the retirement of one staff, resignation of three staff, and departure of one staff on special leave without pay. OAI also welcomed a secondee from the Nordic Investment Bank for 6 months as well as an intern for the RWU.

OAI maximized access to worldwide experts through the use of Skype and other conferencing technologies, lessening the resources for requiring expert resources' face-to-face time at the Asian Development Bank (ADB) headquarters.

OAI continues to streamline its operations to adjust to new areas of responsibilities and challenges. With the institution-wide introduction of a new information technology system, 2018 will offer up opportunities to utilize a new case management system to maximize efficiencies.

## **SOCIAL RESPONSIBILITY**

In 2017, OAI staff and consultants also devoted time to organize and take part in two community outreach activities in the Philippines.

1. OAI joined over 100 schoolchildren in Loon Sandigan, Bohol for the *Kusina ng Kalinga* and *Paraisong Pambata* programs co-organized with Gawad Kalinga Community Development Foundation, Inc.<sup>41</sup> OAI staff prepared meals, distributed school supplies, and played games with the children.
2. OAI staff interacted with over 20 girls at the Laura Vicuña Foundation, Inc., a crisis home for young at-risk girls.<sup>42</sup> OAI's donation of industrial-grade baking equipment will help the foundation's skills development program qualify for Technical Education and Skills Development Authority certification. OAI also donated books, shared meals, and engaged in fun activities with the foundation's residents.<sup>43</sup>

OAI aspires to continue volunteering in local communities to demonstrate its commitment to give back to those who need it most.

***As OAI enters its 10th year in 2018, it will continue to engage more people, empower more communities, and work with more organizations and agencies to achieve its mandate: zero tolerance to corruption.***

<sup>41</sup>Gawad Kalinga. <http://www.gk1world.com/home>. Established in 2003, Gawad Kalinga Community Development Foundation, is a Philippine-based poverty alleviation and nation-building movement whose mission is to end poverty for 5 million families by 2024. Gawad Kalinga means "to give care." *Kusina ng Kalinga* is Gawad Kalinga's anti-poverty campaign to end hunger among Filipino children. *Paraisong Pambata* is a special activity of Gawad Kalinga's Child and Youth Development program which intends to provide a venue for children to express themselves through arts and play.

<sup>42</sup>Laura Vicuña Foundation, Inc. <http://lauravicunafoundation.weebly.com>. The Laura Vicuña Foundation, Inc. was organized in 1990 to build the capacities of children in need of special protection through integral education and development.

<sup>43</sup>Technical Education and Skills Development Authority. <http://www.tesda.gov.ph>. The Technical Education and Skills Development Authority is the government agency in the Philippines that formulates workforce and skills plans, sets appropriate skills standards and tests, coordinates and monitors manpower policies and programs, and provides policy directions and guidelines for resource allocation for the technical and vocational education and training institutions in both the private and public sectors.

## APPENDIX 1: Investigations in 2017

In 2017, 20 investigations on external parties led to sanctions. Representative summaries are provided below.

AIID'S INVESTIGATIVE FINDINGS	RESOLUTION
<b>Fraud</b>	
<p>The individual and his firm fraudulently altered the amount in the work experience contract it submitted to comply with the bid requirement.</p>	<p>The IOC sanctioned the individual and the firm for 4 years. The sanctions were posted in ADB's website to ensure constructive notice.</p>
<p>The firm furnished a bidder with a fake type test report for equipment, which the bidder submitted as part of its bid.</p> <p>The integrity violation was committed prior to the one for which the firm accepted a sanction.</p>	<p>The IOC imposed a second sanction for 3 years, which will run concurrently with the firm's existing sanction for 3 years previously accepted by the firm in another case.</p>
<p>The individual and his firm submitted fraudulent work certificates in three bid proposals.</p>	<p>The individual and his firm agreed to a proposed sanction of 3 years.</p>
<p>The individual and his firm submitted a fraudulent work order purportedly issued by a previous client to comply with the bid requirement.</p>	<p>The IOC sanctioned the individual and the firm for 4 years.</p>
<p>The firm submitted audited financial statements containing a fraudulent chartered accountant number, as part of its bid.</p>	<p>The IOC sanctioned the firm for 2.5 years.</p>
<p>A supplier issued a quotation to ADB to supply fabric when there was never any intention to do so, and subsequently issued invoices that charged for the supply of fabric, when none was supplied.</p>	<p>The IOC sanctioned the firm and two of its officers for 3 years.</p>

AIID'S INVESTIGATIVE FINDINGS	RESOLUTION
Fraud	
Two individuals and their firm submitted a fraudulent contract in support of its bid.	The two individuals and their firm agreed to a proposed sanction of 2 years.
ADB = Asian Development Bank; AIID = Investigations Division; IOC = Integrity Oversight Committee	

In 2017, AIID completed 45 investigations involving ADB staff. Representative summaries are provided below.

AIID'S STAFF INVESTIGATIVE FINDINGS	RESOLUTION
Fraud and Misconduct	
<p>Several ADB staff and former staff misrepresented and/or used fraudulent documents to obtain benefits for which they were ineligible.</p> <p>These ADB staff failed to observe the general principles of conduct as stated in AO 2.02, paragraph 4.3 (ii).</p>	<p>BPMSD dismissed one staff, demoted eight others, and demoted seven others with salary deduction. Demoted staff are permanently ineligible for the relevant benefits.* In addition, three former staff are permanently ineligible to work as consultants or contractual employees by ADB or on any ADB-financed activity.</p>

#### Abuse, Misconduct, and Obstruction

<p>An ADB staff abused his leave benefit and committed fraud when he misrepresented the true reasons for being absent. He obstructed OAI's investigation by fabricating documents to support his initial claim that he was in Manila while he was on leave, worked from home, or applied for an occasional absence.</p> <p>The ADB staff acted in reckless disregard of ADB's rules and in contravention of the highest ethical standards expected of an ADB staff.</p>	BPMSD dismissed staff.
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**AIID'S STAFF INVESTIGATIVE FINDINGS****RESOLUTION**

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**Misconduct**

An ADB staff communicated inappropriately with an individual in contravention of relevant AO provision. OAI established that minimal information was shared and that this information, while confidential, did not influence in any way the outcome of the matter at hand.

The ADB staff was cooperative and expressed regret. Nonetheless, OAI concluded that he engaged in misconduct and did not meet the highest ethical standards expected of ADB staff.

BPMSD issued an oral reprimand and a 5-year suspension from being involved in matters under the applicable AO.

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**Collusion and Conflict of Interest**

An ADB staff was associated with a firm that participated in ADB-financed contracts. While OAI was satisfied that he had not significantly influenced operational decisions with respect to the firm, his failure to disclose this to ADB exposed both himself and ADB to reputational risk.

Staff was reminded to declare any such associations in the future which may be construed as a conflict of interest, and recuse himself from any operational activities pertaining to the associated firm.

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**Conflict of Interest**

An ADB staff was engaged in activities that appeared to conflict with his official duties and responsibilities. Media for those activities gave the overall impression that staff was available to provide consulting services.

Staff took corrective action and updated the media platforms to remove any impression that the activities were intended to solicit business or provide consultancy services.

<b>AIID'S STAFF INVESTIGATIVE FINDINGS</b>	<b>RESOLUTION</b>
<b>Abuse</b>	
<p>A senior ADB staff was alleged to have abused his position by using ADB assets for personal purposes.</p> <p>OAI's investigation had not yet concluded when staff departed from ADB. Given this, there was no legitimate basis to warrant further investigation into the matter.</p>	<p>The case was closed.</p>
<p>ADB = Asian Development Bank; AIID = Investigations Division; AO = administrative order; BPMSSD = Budget, Personnel, and Management Systems Department; OAI = Office of Anticorruption and Integrity</p>	

In 2017, the RWU resolved 2 matters with remedial action.

<b>RWU'S INVESTIGATIVE FINDINGS</b>	<b>RESOLUTION</b>
<b>Bullying and Harassment</b>	
<p>A senior individual at ADB was alleged to have bullied and harassed staff. The complainants detailed incidents involving discourteous, disrespectful, bullying, and harassing conduct contrary to ADB policies.</p>	<p>The matter was resolved, appropriate remedial action was taken, and complainants were protected.</p>
<p>A staff member's personal employee was alleged to have bullied and harassed ADB service providers. It was also alleged that the employee had engaged in moneylending.</p> <p>ADB's Code of Conduct and other applicable rules prohibit disrespectful behavior and moneylending.</p>	<p>ADB revoked the staff's employee's ADB-issued identification card and banned him from ADB premises.</p>
<p>ADB = Asian Development Bank; OAI = Office of Anticorruption and Integrity; RWU = Respectful Workplace Unit</p>	

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

Source: OAI

\*The remedial actions are imposed on disciplinary proceedings completed in 2017 although OAI submitted the investigation report in 2016.

## APPENDIX 2: **Regional Technical Assistance Projects**

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### **TA 8176-REG: Prevention and Detection of Fraud and Corruption**

Training completed: 5 forensic auditing workshops in the People's Republic of China, Fiji, Indonesia (jointly with Southeast Asia Department), the Kyrgyz Republic, and Solomon Islands (jointly with the government's National Audit Office).

Participants: 162 representatives from supreme audit institutions and internal auditors and investigators of current and potential executing and implementing agencies of ADB projects to enhance their fraud prevention and detection skills.

### **TA 8609-REG: Enhancing Integrity and Anticorruption Awareness in ADB Projects**

Training completed: 16 anticorruption seminars in 5 developing member countries (Bangladesh, Fiji, Myanmar, Solomon Islands, Uzbekistan)

Participants: 364 representatives from government, mainly from executing and implementing agencies, private sector (consultants, contractors, and suppliers), international and local civil society organizations, including other ADB stakeholders and partners.

### **TA 8873-REG: Understanding and Arresting Corruption in ADB-financed Activities**

Developing a tool to help the executing agencies and regional departments assess integrity risks at project design stage and develop measures to mitigate these risks during project implementation.

OAI developed the initial version of the integrity risk database which categorizes risks by country, sector, subsector, project, and area (governance, procurement, financial management, asset management).

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## **TA 8719-REG: Developing Anti-Money Laundering/Combating the Financing of Terrorism Approaches, Methodologies, and Controls for Nonbank Financial Institutions**

Published the AML/CFT Handbook for NBFIs in March 2017 (<https://www.adb.org/publications/handbook-anti-money-laundering>)

Launched the e-learning course on AML/CFT in May 2017 ([elearn.adb.org](http://elearn.adb.org))

Conducted AML/CFT workshops in four locations in the Philippines: Pampanga (January 2017), Cebu City (March 2017), Iloilo City (June 2017), and Laoag City (August 2017) for money service businesses, in collaboration with the Anti-Money Laundering Council of the Philippines and Bangko Sentral ng Pilipinas.

## **TA 9287-REG: Developing Anti-Money Laundering and Combating the Financing of Terrorism Approaches, Methodologies, and Controls**

Training completed: 7 AML trainings in Bhutan, Mongolia, and the Philippines

Participants: 361 participants from banks, NBFIs, central bank representatives, and casino regulators and operators

## **TA on Enhancing Tax Transparency of ADB Developing Member Countries**

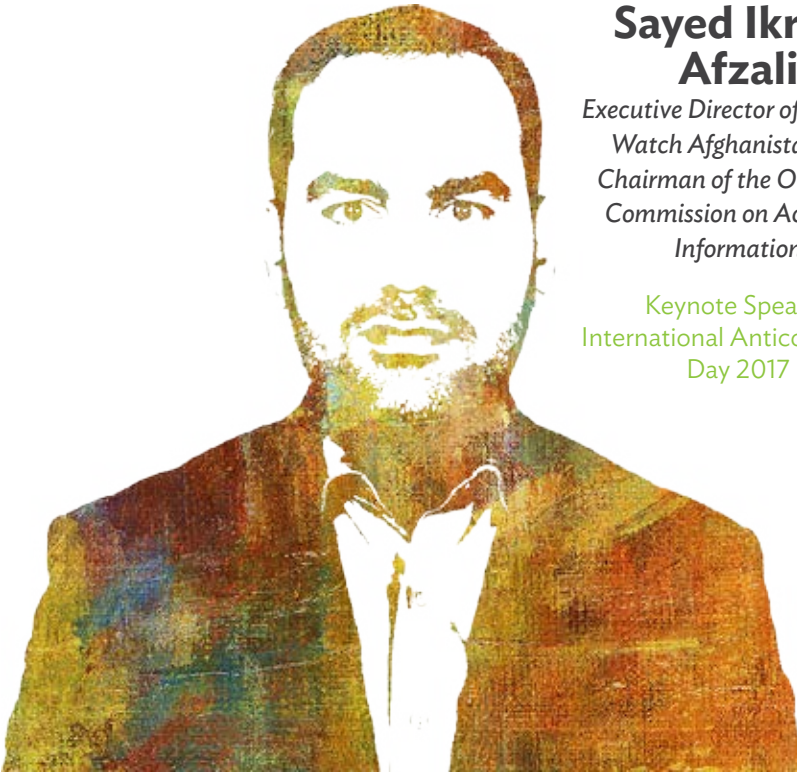
Processed a \$2 million project to enhance the capacity of developing countries to strengthen tax systems, reduce illicit financial flows, and combat tax evasion (a predicate offense for money laundering).

For implementation from 2018 to 2020

ADB = Asian Development Bank; AML/CFT = anti-money laundering/combating the financing of terrorism; NBFIs = nonbank financial institutions; OAI = Office of Anticorruption and Integrity; TA = technical assistance

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**THE INTERNATIONAL  
COMMUNITY  
MUST HAVE A  
REAL WILL  
TO FIGHT  
CORRUPTION.**



**Sayed Ikram  
Afzali**

*Executive Director of Integrity  
Watch Afghanistan and  
Chairman of the Oversight  
Commission on Access to  
Information*

*Keynote Speaker  
International Anticorruption  
Day 2017*

**If you have information about possible violations to ADB's Anticorruption Policy, please contact the Office of Anticorruption and Integrity:**

Tel +63 2 632 5004

Fax +63 2 636 2152

E-mail [integrity@adb.org](mailto:integrity@adb.org)  
[anticorruption@adb.org](mailto:anticorruption@adb.org)

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

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