



Good Governance and Anticorruption

ADB recognizes that the fight against corruption goes hand-in-hand with the fight against poverty

In response to the threat posed by corruption, the Asian Development Bank (ADB) has put in place an Anticorruption Policy. The policy, approved in July 1998, adopts a zero-tolerance stance toward corruption, which includes corrupt, fraudulent, coercive, and collusive practices. The policy covers all firms and individuals associated with ADB-financed projects, including all ADB staff, and all ADB public and private sector operations.

The policy has three main objectives:

- Support competitive markets and efficient, effective, accountable, and transparent public administration;
- Support promising anticorruption efforts on a case-by-case basis and improve the quality of ADB's dialogue with its developing member countries (DMCs) on a range of governance issues, including corruption; and
- Ensure that ADB projects and staff adhere to the highest ethical standards.

Good Governance

In 1995, ADB became the first multilateral development bank to adopt a Governance Policy. It recognized that the development process is consistently more successful in environments where there is transparency in decision making, with a culture of accountability among government officials, and stakeholder participation in decision making.

In 2000, the first Governance Action Plan was released. It was aimed at (i) elevating governance issues to the top level of the

development agenda in the Asia and Pacific region; (ii) developing a consensus on regional benchmarks, codes of conduct, and best practices across the whole range of public and private sectors; and (iii) enhancing the quality of governance in individual DMCs.

Following a review, the Second Governance and Anticorruption Action Plan (GACAP II) came out in July 2006. Its purpose is to improve ADB's performance in implementing the governance and anticorruption policies in the sectors and subsectors where ADB is active. Under GACAP II, ADB is partnering with its DMCs to design and deliver better quality projects and programs.

- A results-based action plan, GACAP II aims to
- improve identification and management of governance, institutional and corruption risks in country partnership strategies;
 - strengthen governance and anticorruption components in program and project design;
 - strengthen program and project administration and portfolio management; and
 - improve ADB's organizational structure, human resources, and access to expertise.

GACAP II outlines a comprehensive risk-based approach to managing governance and fighting corruption, refocusing efforts in three priority areas critical to poverty reduction and development effectiveness—improving public financial management, strengthening procurement systems, and combating corruption. As of end-2007, ADB has conducted governance, institutional, and corruption risk assessments in

Corruption harms a country's economy, undermines the rule of law, and weakens public trust in government. It also increases the cost—and jeopardizes the quality—of development

ADB is a leader in international efforts to counter corruption

14 DMCs while 30 national, subnational, and sector assessments were completed or are near completion.

Creating Awareness, Common Objectives

The Integrity Division of the Office of the Auditor General (OAGI) is the initial point of contact for allegations, and is the sole office authorized to screen and investigate fraud or corruption in ADB-financed activity, or among ADB staff.

OAGI is ADB's independent investigative unit. It conducts project procurement-related audits to prevent and detect fraudulent and corrupt practices in ADB-funded projects.

OAGI also expands fraud and corruption awareness through presentations and workshops to cover ADB staff in headquarters and regional/resident missions, executing agencies (EAs), and business communities.

OAGI details in its Annual Report the number of complaints and allegations it receives, and the nature of its investigations, but it preserves the anonymity of complainants as part of its whistleblower protection policy.

As of 8 April 2008, a total of 201 firms and 209 individuals were ineligible to participate in ADB-financed activity due to fraudulent or corrupt acts. Those sanctioned by ADB may appeal to a Sanction Appeals Committee within 90 days of receiving the decision from the Integrity Oversight Committee. Every appeal must state clearly, and in writing, the reason the review is being sought. The decision of the Sanction Appeals Committee on any appeal is final and binding.

As a result of its investigative findings and other activities, OAGI regularly issues recommendations to management and operational departments, EAs, and other entities to help improve procurement-related processes, project implementation, and internal and external control mechanisms to prevent fraud and corruption, and to increase the transparency and overall effectiveness of ADB's operations.

Toward International Consensus

ADB is a leader in international efforts to counter corruption. In November 2001 in Tokyo, 3 years of preparation by ADB and the Organisation

for Economic Co-operation and Development came to fruition when 17 countries endorsed an action plan to combat corruption. This plan now has the backing of 28 countries.

In September 2006, leaders of ADB, the African Development Bank Group, the European Bank for Reconstruction and Development, the European Investment Bank Group, the Inter-American Development Bank Group, the International Monetary Fund, and the World Bank Group agreed on a framework for preventing and combating fraud and corruption in the activities and operations of their institutions. These institutions recognize that corruption undermines sustainable economic growth and is a major obstacle to poverty reduction. The institutions pledged to continue working together to assist member countries in strengthening governance and combating corruption, in cooperation with civil society, the private sector, and other stakeholders and institutions, such as the press and judiciary, with the goal of enhancing transparency and accountability.

Revealing Resource Gains

In February 2008, ADB endorsed the Extractive Industries Transparency Initiative (EITI). It encourages governments to disclose their revenues—and companies to publicize their payments—from oil, gas, and mining, in order to promote transparency and fight corruption.

EITI, which was launched in 2002, is supported by a diverse group of stakeholders, including 24 countries, many of the world's largest oil and mining companies, and civil society groups.

By endorsing EITI, ADB aims to encourage its member countries to recognize that natural resource wealth should be translated into equitable economic growth, and that disclosure of government revenues and expenditures will foster greater accountability.

Five countries in Asia have already agreed to comply with EITI's principles: Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, and Timor-Leste.

For more information on EITI, go to its website: <http://eitransparency.org>. ■

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