

OFFICE OF AUDIT AND OVERSIGHT

# IFAD policy on preventing fraud and corruption in its activities and operations

Reporting fraud and corruption in  
IFAD-funded projects and activities



Investing in rural people

*“Corruption strangles people, communities and nations. It weakens education and health, undermines electoral processes and reinforces injustices by perverting criminal justice systems and the rule of law. By diverting domestic and foreign funds, corruption wrecks economic and social development and increases poverty. It harms everyone, but the poor and vulnerable suffer most.”*

The Secretary-General,  
United Nations

Message on International Anti-Corruption Day (9 December 2016)

## Zero tolerance

IFAD shall apply a zero-tolerance policy where it has determined, through an investigation performed by the Fund, the borrower or another competent entity, that fraudulent, corrupt, collusive or coercive practices have occurred in projects financed through its loans and grants, and it shall enforce a range of sanctions in accordance with the provisions of the applicable IFAD rules and regulations and legal instruments.

IFAD will not tolerate:

- **Corrupt practices:** the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to improperly influence the actions of another party;
- **Fraudulent practices:** any action intended to deceive another party in order to improperly obtain a financial or other benefit, or avoid an obligation;
- **Collusive practices:** an arrangement between two or more entities without the knowledge of a third party, designed to improperly influence the actions of the third party; and
- **Coercive practices:** impairing or harming, or threatening to impair or harm, directly or indirectly, any party or its property, or persons closely related to a party, to improperly influence the actions of that party.

## Office of Audit and Oversight

IFAD's legal framework requires IFAD staff, consultants and project parties to promptly notify IFAD of any allegations of fraud and/or corruption that are received in relation to any of the project activities. The IFAD Office of Audit and Oversight - Investigation Section (AUO/IS) has the sole mandate to investigate suspected fraud and corruption by IFAD staff members and consultants, individuals or suppliers operating in IFAD-funded projects.

The responsibility of AUO/IS in investigating an allegation is simply to gather all relevant evidence and try to determine the facts so that IFAD can take action to prevent the misuse of project funds and avoid negative consequences on the persons relying on a project to help them improve their lives.

## What does the Office of Audit and Oversight do when it receives an allegation?

When it receives an allegation, AUO/IS assesses whether it falls within its investigative mandate. AUO/IS then considers three elements: **credibility**, **verifiability** and **materiality**. In other words:

- Is the allegation likely to be true?
- Has the complainant provided enough details for AUO/IS to go forward?
- Is there anyone who can verify the information?
- Is there any material evidence available to corroborate the allegation?
- How much money is involved?
- What is the risk to the success of and the potential impact on the project?

Once AUO/IS has assessed all the above factors, AUO/IS may decide to investigate. In conducting the investigation, AUO/IS will seek to coordinate with the government concerned and will need the support and cooperation of staff, consultants and project parties. In this context, IFAD will endeavour to take all possible measures to ensure that anyone who takes part in or supports an AUO/IS investigation is protected from reprisals. On the other hand, IFAD will take measures against any party which deliberately obstructs an AUO/IS investigation by, inter alia, falsifying, altering or concealing evidence, making false statements to IFAD investigators or threatening or intimidating potential witnesses.

## What types of complaints are typically investigated by AUO/IS?

Fraudulent, corrupt, collusive or coercive practices may include bribery used to influence the awarding of contracts, theft and misuse of public assets, falsification of accounts to cover the diversion of public funds to personal accounts, abuse of official discretion, or the disclosure of privileged information to help friends and relatives. Some examples are:

**Bid manipulation/collusion**, including: price fixing, bid rigging, bid rotation, market-division and allocation schemes.

*Example: Bidding companies agree in advance on how much to bid so that a particular company wins the bid, thus preventing fair competition and ensuring that the project overpays.*

**Kickbacks, bribes, extortion or commissions** to influence the awarding or payment of contracts.

*Example: A particular supplier has an arrangement with one of the evaluation committee members to pay him/her a "commission" if that supplier wins the competition.*

**Theft, embezzlement or misuse** of funds and assets.

*Example: A project staff member rents out a project vehicle to a private company and keeps the money.*

### **Fraud**

*Examples: A supplier fraudulently inflates invoices by charging twice for the same item or claims expenses not incurred. A supplier provides substandard goods in place of the agreed quality.*

**Conflict of interest:** where family, business or personal relationships could inappropriately influence the performance of official duties.

*Example: The project manager's son-in-law is the owner of a company bidding on a contract for the project, but the conflict of interest is not disclosed.*

Conflict of interest does not always mean there is fraud or corruption. But it does mean that the awarding of jobs or contracts can seem unfair and corrupt. Transparency is the best way to protect yourself and others from real or perceived conflicts of interest. If a project or government staff member is connected to a bidder on an IFAD project, or to an applicant for a job on the project, he/she should disclose this information and not involve himself/herself in the process of the awarding of a contract or the selection of a candidate.

AUO/IS is not responsible for investigating recruitment disputes, workplace conflict and bad management practices in IFAD-funded projects.

## **What happens when allegations are proven to be true and violate IFAD's legal framework?**

If AUO/IS substantiates an allegation of wrongdoing:

- IFAD staff and consultants will be subject to disciplinary measures, and/or recovery of the money lost, debarments from engaging in any activity funded by IFAD and, if necessary, referral to national authorities for criminal prosecution.

- Project parties, including contractors, implementation partners and project staff, may be debarred and/or prevented from obtaining further IFAD-funded contracts and, if necessary, matters will be referred to national authorities for criminal prosecution.
- Information may also be shared with other international financial institutions to prevent parties found by IFAD to have engaged in irregular practices from being awarded contracts on other development or humanitarian projects.

Where there are strong indications of wrongdoing but a full AUO/IS investigation is not possible, IFAD may refer matters to the national government for investigation and prosecution.

Where IFAD believes a government has not taken sufficient action, it may suspend the provision of funds for a project or, in extreme cases, cancel payments altogether.

## How to contact the Office of Audit and Oversight

You may contact AUO/IS by the below listed means. All communications are treated with the utmost **CONFIDENTIALITY**.

- **By phone:** +39 06 54592888
- **By fax:** +39 06 54597888
- **By e-mail:** anticorruption@ifad.org
- **Through the online complaint form:**  
[www.ifad.org/governance/anticorruption/how.htm](http://www.ifad.org/governance/anticorruption/how.htm)
- **In person or by mail to:**  
IFAD Office of Audit and Oversight, Investigation Section  
Via Paolo di Dono, 44  
00142 Rome, Italy  
(*Mark all mail "Personal and confidential"*)

If you suspect wrongdoing or have an allegation to report, please provide as much detail as possible – the more we know, the more likely it is that we can take action:

- What happened? Include as many details as possible.
- When and where did it happen? Indicate dates and times, if available.

- Who was involved? Provide full names, titles and contact details wherever possible.
- Who else can confirm what you say?
- Do you have any documents that could help confirm what you say?

Please let us know how we can reach you for further information or clarification. We are committed to protecting confidential information. This means that if you prefer to remain anonymous, we will not disclose that you are the source of the allegation, or the information that has been provided in support of the allegation.

Please remember, it is vital that you provide as much information as possible. If AUO/IS is unable to confirm the truth of your complaint by other means, its ability to investigate may be limited.

## Confidentiality

Reporting corruption takes courage. We do not underestimate how difficult it can be. Because of this, the AUO/IS will do everything it can to protect your identity if you make a complaint. This means that, if requested, your identity will be known only to the staff of AUO/IS and no one else in IFAD. This applies even if the investigation later proves that the complainant was mistaken, provided that the person making the complaint did so in good faith (i.e. the person had good reason to believe that it was true).

If, however, the allegation is malicious – in other words, if it is deliberately false or the person had no good reason to believe it was true and is simply making trouble – IFAD may take appropriate action to prevent damage to the reputation of those subjected to deliberately false allegations.

IFAD will take measures to prevent retaliation against anyone who, in good faith, has reported suspected fraud, corruption and misconduct, or who has otherwise cooperated with an investigation. It is important to state, however, that while IFAD will ask governments to assist in this, IFAD's ability to guarantee personal or professional security for persons other than IFAD staff is limited. The best protection is to be as discreet as possible about the fact that you have made a complaint.



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