



Investing in rural people

## **Annual Report on IFAD's Investigation and Anticorruption Activities during 2021**

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## **Abbreviations and acronyms**

AUO	Office of Audit and Oversight
ETH	Ethics Office
FMD	Financial Management Services Division
IFI	International Financial Institution
HRD	Human Resources Division
PMD	Programme Management Department
PMU	Programme management unit
SEA	sexual exploitation and abuse
SH	sexual harassment

# **Annual Report on the Activities of the Office of Audit and Oversight during 2021**

## **I. Introduction**

1. This report presents information on the investigation and corruption prevention activities carried out by IFAD's Office of Audit and Oversight (AUO) in 2021. Information is also provided on investigation outcomes and sanctions, on outreach and cooperation efforts, and on the use of staff and other resources in 2021.

## **II. Executive summary**

2. The year 2021 was one of significant ongoing substantial organizational, workforce and business reforms for IFAD, including the implementation of the main phase of an extensive staff reassignment exercise and the restructuring of IFAD's country presence and the delegation of associated authorities. The resulting changes are bringing about improvements but are also placing controls under stress and stretching staff capacity.
3. The AUO intake rate of allegations of misconduct and prohibited practices has levelled off in recent years but the number remains high, probably reflecting the inherent fraud and corruption risks in the challenging environments where IFAD operates. Factors underlying the high number of allegations reported to AUO include the alertness and strengthened detection capacity and efforts of PMD, FMD and other colleagues with programme management responsibilities, AUO's anticorruption awareness efforts, the increased visibility of IFAD's reporting channels and the expanded field presence of IFAD staff with closer proximity to beneficiaries and local whistle-blowers. AUO stepped up its anticorruption response and completed more cases in 2021 than in previous years. However, the active caseload remained high and this had an impact on the timeliness of investigation deliverables. In this regard, AUO introduced a more rigorous prioritization procedure for incoming allegations and stepped up its risk mitigation efforts by sharing case status data through quarterly meetings with all key stakeholders, including PMD, FMD and the Financial Controller's Division, enabling colleagues to identify and respond to fraud risk promptly through operational actions.
4. As in previous years, most of the external allegations related to project procurement activities and many of these implicated project staff. AUO identified the following patterns: project staff soliciting bribes or kickbacks from goods or service providers, collusion among bidders to rig bidding processes, using fraudulent certificates for bidding activities and misrepresentations in bidding documentation. The number of complaints received by AUO in 2021 involving staff (mixed/internal) is similar to that of 2020 and the nature of the allegations was not indicative of any specific areas requiring particular attention.

## **III. Investigation activities and prevention of corruption**

### **A. Investigation mandate and method**

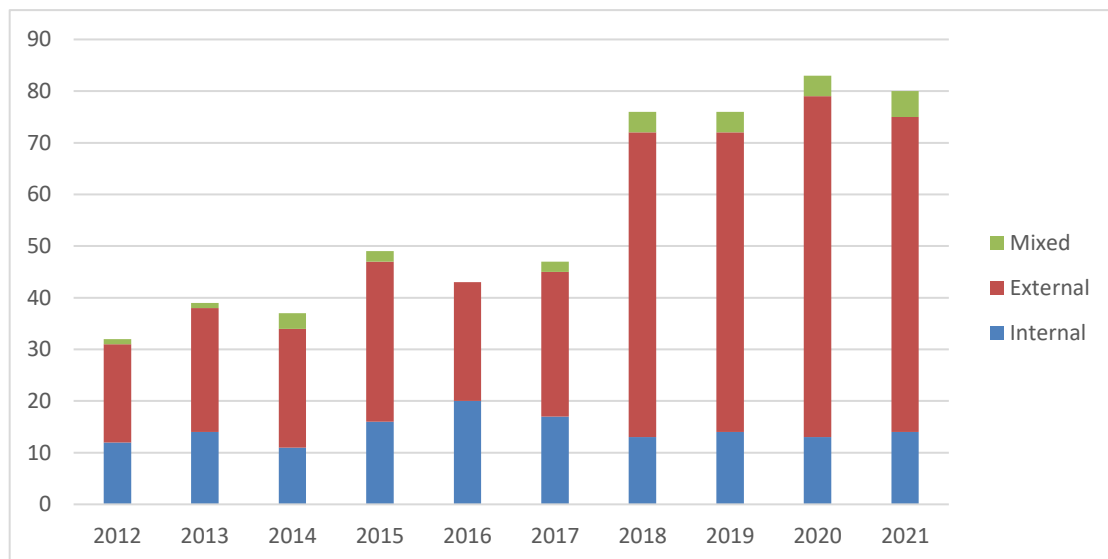
5. AUO is mandated to investigate alleged fraud and corruption involving entities, contractors and non-staff individuals engaged in any activity financed by IFAD; and staff misconduct. AUO investigations are administrative in nature; their purpose is to gather evidence that may either corroborate or refute an allegation. Upon receipt by AUO, an allegation is subject to an intake review. If it falls within the mandate of AUO, a preliminary assessment is performed to determine whether the allegation is credible, verifiable and material. If all three criteria are met, an investigation is launched. It may be determined that an allegation is better suited for referral to other IFAD divisions, outside agencies or governments, either at the preliminary assessment or after an investigation. Investigated allegations are classified upon completion as:

- **Substantiated:** when sufficient evidence is found to conclude that irregular practices have occurred; if a complaint/case involves multiple allegations and some have been substantiated while others not, the "partially substantiated" classification is applied.
  - **Unsubstantiated:** when the evidence obtained is insufficient either to corroborate or to refute the allegation(s).
  - **Unfounded:** when the evidence obtained is sufficient to refute the allegation(s).
6. Substantiated allegations are presented to the IFAD Sanctions Committee, which is composed of IFAD senior managers and chaired by the Vice-President. In cases relating to external parties, the Sanctions Committee will determine the sanction to be applied. Substantiated allegations against staff are first referred to the Human Resources Division (HRD) to assess the evidence and determine if disciplinary charges are to be served to the staff member; they are then submitted for final review by the Sanctions Committee, which is followed by the issuance of a recommendation to the President as to whether a disciplinary or other measure should be taken.

## B. Investigation caseload overview

7. Figure 1 sets out the trend of allegations/complaints of wrongdoing received by AUO during the last 10 years. Allegations of wrongdoing involving IFAD staff are considered internal cases, whereas allegations connected to contractors or IFAD-financed projects and programmes – including alleged prohibited practices by project employees, firms, private entities and other individuals – are categorized as external cases.

Figure 1  
**Allegations reported to AUO (2012–2021)**



8. Notwithstanding the high staff turnover, AUO was able to conclude and/or substantiate a larger number of cases than the previous year (table 1).

Table 1  
**Active investigation cases in 2020–2021**

	<i>Internal</i>	<i>External</i>	<i>Internal/ external</i>	<i>Total</i>
Cases pending at year-end 2019	6	54	4	64
<b>Cases received in 2020</b>	<b>13</b>	<b>66</b>	<b>4</b>	<b>83</b>
<i>Total active cases in 2020</i>	19	120	8	147
Cases closed in 2020	12	62	2	76
Cases pending at year-end 2020	7	58	6	71
Cases received in 2021	14	61	5	80
Total active cases in 2021	21	119	11	151
Cases closed in 2021*	18	58	4	80
<b>Cases pending as at 31 December 2021</b>	<b>3</b>	<b>61</b>	<b>7</b>	<b>71</b>

\*One case split – external and internal/external.

## C. Investigation caseload in 2021

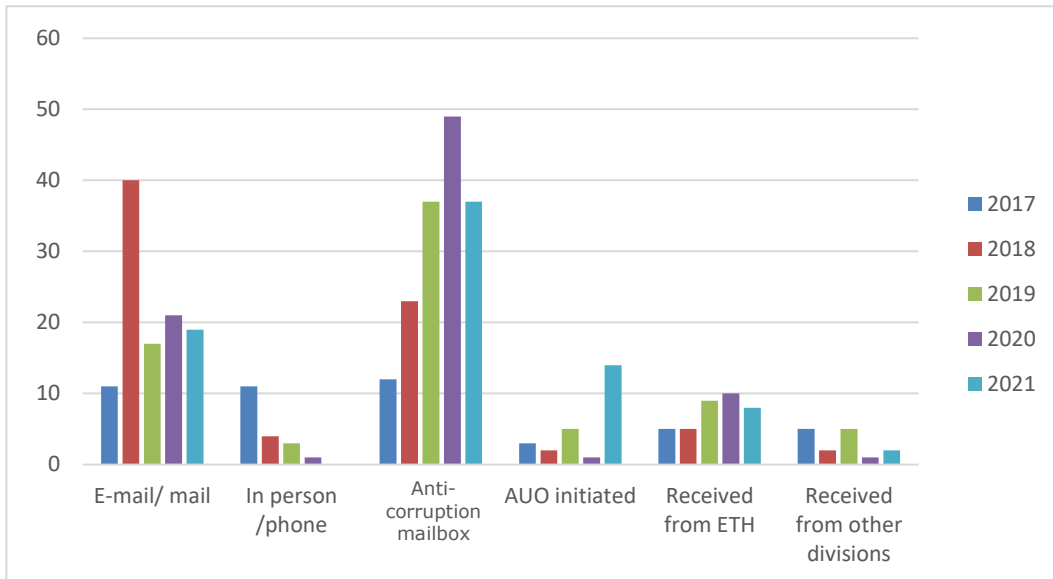
### New allegations in 2021

Table 2  
**Nature of allegations received in 2020–2021**

<i>Nature of allegation</i>	<i>2020</i>	<i>2021</i>
<b>External</b>		
• Violations of IFAD's anticorruption policy (fraudulent, corrupt, collusive, coercive and obstructive practices)	47	<b>36</b>
• Violations of the Code of Conduct by IFAD consultants	1	-
• Violations of IFAD's sexual harassment/sexual exploitation and abuse (SEA/SH) policy	-	-
• Other (including bid/contract disputes, recruitment issues and other operational issues not falling within IFAD's anticorruption policy scope)	18	<b>25</b>
<b>Internal (or mixed internal and external)</b>		
• Violations of IFAD's anticorruption policy (fraudulent, corrupt, collusive, coercive or obstructive practices)	3	3
• Violations of IFAD's SEA/SH policy	1	-
• Workplace conflict cases	1	6
• Other violations of the Code of Conduct	10	8
• Other (mixed – other misconduct)	2	2
<b>Total</b>	<b>83</b>	<b>80</b>

9. As in prior years, the bulk of complaints related to alleged fraud or corruption in IFAD-financed projects. A slight increase was noted in complaints stemming from bid, contract and recruitment disputes, which were generally referred by AUO to PMD to be managed through IFAD's supervisory mechanism.
10. There was an increase in the number of internal grievance cases, such as harassment and abuse of authority. AUO addresses such cases with high priority, while ensuring that other internal resolution channels are availed of by the complainants where appropriate. The "other violations of the Code of Conduct" related to various types of alleged inappropriate actions or decisions by staff members, including undeclared conflicts of interest, misrepresentation of information to the Fund, circumvention of rules and regulations, inappropriate behaviour towards project staff or other external entities, and gross negligence.

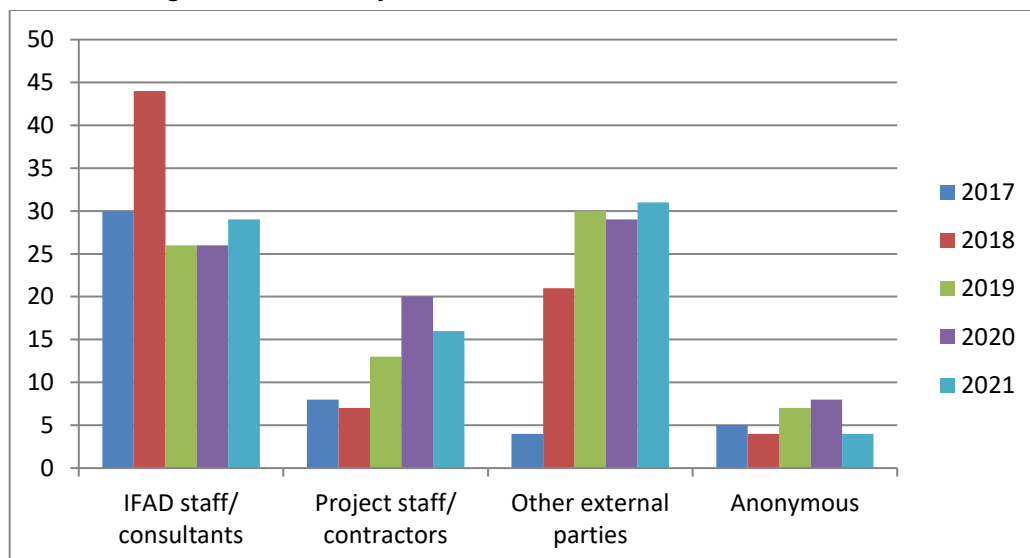
Figure 2  
Channels used for reporting issues to AUO in 2017–2021



Note: "Received from other divisions" indicates formal referrals by division head.

11. Figure 2 points to the sustained use of the AUO confidential anticorruption hotline (anticorruption@ifad.org) but also that AUO audit work triggered more investigations as compared to the previous years. This was facilitated through more organic interactions with AUO’s audit section that enabled systematic follow-up on the fraud red flags noted in AUO’s audit work.
12. Of the eight cases reported to AUO by the Ethics Office (ETH), six cases related to potential violations of the Code of Conduct by IFAD staff or consultants. Two cases were external complaints that related to potential fraud and/or corruption or contractual disputes in IFAD-funded projects.

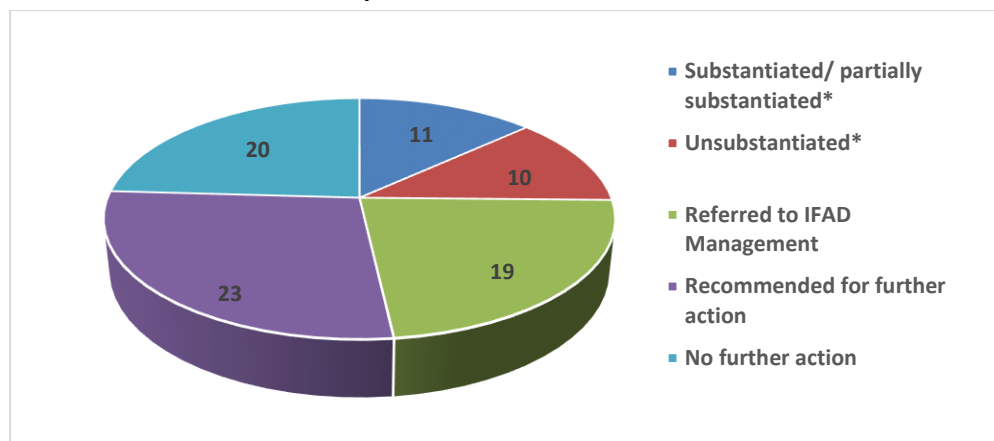
Figure 3  
Source of allegations received by AUO in 2017-2021



13. Figure 3 highlights the good awareness of IFAD’s anticorruption reporting requirements and channels among IFAD staff, project staff, vendors and partners.

## D. Cases closed in 2021 – Overview

Figure 4  
Cases closed in 2021 – case disposition



\*Two cases were substantiated but are still open pending the conclusion of other allegations, and the outcome of one case was split into two between substantiated and unsubstantiated.

14. In 2021, AUO completed its work on a total of 83 cases (see note under figure 4). Thirty-nine of the cases closed related to complaints received prior to 2021, of which 17 underwent a full investigation, including one by another cofinancing international financial institution (IFI). Forty-one cases received in 2021 were closed, with three having undergone a full investigation.
15. Twenty-four cases were closed or referred to Management soon after intake (after AUO ascertained that the complaint was not within its investigative mandate); 38 were closed after a preliminary assessment (after ascertaining that the allegations were not material, verifiable or credible); and 20 were closed after an investigation. Of these, 10 were closed with the allegations not substantiated, with one case split between substantiated and unsubstantiated as mentioned above and 11 cases substantiated or partially substantiated, including one by another cofinancing IFI. Ten cases were conveyed to the Sanctions Committee for deliberation.

## E. Investigations closed in 2021

### Cases referred to the Sanctions Committee or to HRD

16. The external cases referred by AUO to the Sanctions Committee in 2021 were as follows:
  - A consulting firm and two of its representatives were found to have submitted false information in their bid (relating to the engagement of experts as consultants) as part of a bait-and-switch scheme, in order to be selected as service supplier under an IFAD-funded project. A decision was taken by the Sanctions Committee to debar the entity and the two individuals involved for two years. The sanctions notification process is expected to be completed in the first quarter of 2022.
  - A company and its representatives colluded to submit falsified documents and bids from fictitious entities in bidding for contracts offered by IFAD-funded projects. This case also unearthed strong indications of collusion with project staff (not subject to IFAD sanctions). The company and the two individuals were permanently debarred.
  - An IFAD consultant participated in the preparation of a false document that was inserted as part of the procurement documentation submitted for a tender for an IFAD-financed project. The Sanctions Committee debarred the consultant for five years.



- An investigation by a cofinancing IFI substantiated the allegation that the director of a programme management unit (PMU) for a project cofinanced by IFAD and the IFI had misrepresented their academic qualifications in applying for the PMU position. The recipient government removed the subject from his PMU position.
  - Three bidders were found to have submitted falsified and/or manufactured seed certificates as supporting documents in their bid proposals for a tender carried out by implementing agencies of IFAD-funded projects. The Sanctions Committee deliberations were ongoing at year-end.
17. AUO investigations concluding that staff members may have violated the Code of Conduct are referred to HRD for assessment/confirmation together with the Office of the General Counsel and, depending on the nature and gravity of the violations, possible referral to the Sanctions Committee for further assessment and deliberation on disciplinary recommendations. In 2021 four staff cases were referred to HRD. The potential conduct violations included potential ethical breaches in interactions with and information disclosure with external and internal parties and acting without authorization. The disciplinary assessment of one case was ongoing at year-end. Following HRD assessment or deliberation by the Sanctions Committee, the other three staff cases did not lead to the application of disciplinary measures; however, other measures, including corrective action, were applied where deemed appropriate.
18. All sanctions applied or decided in 2021 are listed in box 2 below:

Box 1

**Sanctions applied in 2021, including for investigations closed prior to 2021**

<p><b>Investigations completed prior to 2021</b></p> <ul style="list-style-type: none"> <li>• A corruption case involving 12 entities (10 companies and two individuals) resulted in the debarment of all entities for seven years.</li> <li>• One individual and one firm were debarred for fraudulent practices for five years.</li> </ul> <p><b>Investigations completed in 2021 (see paragraph 60)</b></p> <ul style="list-style-type: none"> <li>• Two individuals and one firm were found to have engaged in fraudulent practices and were debarred for two years (the sanctions process is expected to be completed in the first quarter of 2022).</li> <li>• Two individuals and one firm were permanently debarred for fraudulent and collusive practices.</li> <li>• An IFAD consultant found to have engaged in collusive practices was debarred for five years.</li> </ul>
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**Cases closed by AUO after an investigation**

19. Ten cases were closed at the investigation stage as unsubstantiated. Of these, five were external, three internal and two internal/external.

**External cases**

20. AUO generally pursued an investigation (generally through remote actions) if the alleged actions raised significant integrity issues for key project management personnel and commonly used vendors, even if the amounts involved were small. Even when not substantiated, the work on such cases often led to risk mitigation actions such as strengthening fiduciary supervision, strengthened project controls or objecting to specific procurement actions.
- The allegations of collusive practices involved four entities and individuals in submitting bids for an IFAD-funded project. The bids had similarities in format, text and common typographical errors but AUO did not find sufficient evidence to substantiate the allegation that this was due to collusive practices.
  - There were various allegations of wrongdoing in relation to an IFAD-funded project, concerning: a procurement contract that resulted in substandard deliverables; procurement and distribution of fixed assets; handling of expenses; corruption related to training; receipt of commission for activities; and corruption in public notices. The evidence obtained indicated that all but

one of the allegations pertained to operational issues or issues outside the scope of AUO's investigative mandate. The evidence obtained by AUO in relation to the one remaining allegation (collusion in the procurement of an electrical distribution transformer) was not sufficient to substantiate that any of the three implicated suppliers had engaged in prohibited practices.

- A government official allegedly coerced a consultant hired by an IFAD grant recipient to offer him a bribe. AUO did not find sufficient evidence to support the allegation.
- Two individuals allegedly submitted non-authentic travel documents in relation to participation in activities for an IFAD-funded project and obtained excessive reimbursement. The investigation concluded that the travel documents submitted by one of the individuals were not authentic. Given the small amount and minor impact on IFAD project activities, a recommendation was shared with Management for taking appropriate operational actions for not involving the individual in future project activities.
- It was alleged that the top executive of an implementing partner of an IFAD-funded project offered a job to a daughter of a project officer in return for a grant being awarded to the implementing partner entity. AUO did not find sufficient evidence to prove the allegations.

#### **Internal**

- A staff member may have interfered in the selection processes for a project consultant and a project consulting firm in two IFAD-funded projects. The case was closed due to insufficient evidence of misconduct against the staff member, but a recommendation for an operational action was issued to appropriate Management.
- A staff member may have been in an undeclared conflict of interest situation. The case was closed due to insufficient evidence of misconduct against the staff member, but a recommendation for an operational action was issued to appropriate Management.
- Another staff member may have been in an undeclared conflict of interest situation. The case was closed due to insufficient evidence of misconduct against the staff member. AUO informed the staff member of the findings, and provided guidance on proper conduct.

#### **Internal/external**

- The allegations of corrupt and collusive practices were against internal and external entities, including project staff, a staff member of another United Nations agency and IFAD staff, who were involved in the procurement of goods that resulted in IFAD paying an excessively high price. Following an investigation, the evidence obtained was not sufficient to substantiate or corroborate the allegations that any corrupt or collusive practices had been committed by the implicated persons/entities.
- Suspicious similarities were found in bids for multiple procurements under an IFAD-funded project, indicating possible fraudulent and/or collusive practices involving project staff and selected contractors. The evidence gathered however was not sufficient to substantiate the reported allegations. Instead it raised the possibility that these similarities possibly resulted from the bidders' reliance on specific local providers to prepare and format their respective bids. These findings raised serious procurement issues, which were discussed with the procurement section.

### **F. Cases closed after a preliminary assessment**

21. Of the 38 cases closed after preliminary assessment, 27 were external (of which four were high priority), nine internal (of which five were high priority) and two

were mixed internal and external. Closure at this stage means that AUO's review did not generate sufficient evidence to conclude that the allegations were credible, verifiable and material. Many of the complaints included several allegations, often involving several potential subjects. A summary of the cases closed after a preliminary assessment is provided below and some cases had allegations covering elements related to both procurement and non-procurement.

### **External cases**

- **Project procurement or selection of service providers.** Of the 27 external complaints closed by AUO after a preliminary assessment, 10 included allegations of prohibited practices in relation to project procurement and selection of service providers. The subjects of the allegations included project staff, project contractors (including NGOs as service providers) or potential contractors, members of project/counterpart bid evaluation committees and in some cases beneficiary organizations. The alleged irregularities included fraud, collusion in manipulating the tender or selection process, offering or receiving bribes and generic corruption allegations. Most allegations were generic or vague but a few cited specific procurement actions (ongoing or recently completed) with values ranging from a few thousand United States dollars to nearly US\$500,000. As noted above, the evidence gathered by AUO in assessing these allegations was not sufficient to conclude that the allegations were credible and verifiable (by AUO) and material, and these cases were therefore not pursued as full investigations. Nonetheless, for those cases where AUO had some credible indications of prohibited or other inappropriate practices (such as non-compliant or non-transparent procurement practices), alternative risk mitigation actions were either ongoing, had been taken or were being considered. Such actions included parallel national investigations into the same allegations, cancellation of a procurement process, strengthened IFAD supervision and targeted capacity-building or referral to national authorities for further investigation.
- **Alleged prohibited practices not directly related to procurement.** Seventeen complaints included allegations of improper practices in relation to project activities other than project procurement. The alleged irregularities included fraud (such as false or inflated expense reimbursements, submission of false implementation reports, salary double dipping or submission of false credentials in applying for key project positions), diversion of project funds for personal gain (including attempted embezzlement, theft and misappropriation), collusion (e.g. in covering up overpayments, undeclared conflicts of interest and parallel commercial interests), coercion (withholding due payments), misuse of project assets for personal benefit and generic fraud or corruption allegations involving unidentified subjects or actions. The subjects of the allegations included project staff, counterpart staff, project contractors and implementation partners or subcontractors and in some cases beneficiary organizations. Most allegations were generic or vague but a few cited specific actions. Although these cases were closed by AUO, alternative risk mitigation actions have been taken or are being considered for those cases where AUO/IFAD had credible indications of inappropriate practices. Such actions included parallel national investigations into the same allegations, termination of subcontractor arrangements, refund of potentially misused funds and declaration of ineligible expenditures, strengthened project controls, IFAD declaring its objection to certain actions, strengthened IFAD supervision and targeted capacity-building or referral to national authorities for further investigation.

### **Internal and mixed cases**

- **Alleged violations of the Code of Conduct and IFAD anticorruption policy.** The 11 complaints against staff members closed by AUO after a

preliminary assessment included allegations of fraud, corruption, collusion, obstruction, coercion, undeclared conflicts of interest, misrepresentation of information to the Fund, circumvention of rules and regulations, inappropriate behaviour towards project staff and other external parties, and gross negligence. AUO found that these allegations lacked credibility and in some cases referred the matter to Management to consider corrective measures and/or other operational actions.

#### **G. Cases closed at the intake phase**

22. Twenty-four issues reported to AUO were closed at the intake stage, including one carried forward from 2020, mainly after ascertaining that the allegations did not fall within AUO's mandate. Most of the matters were transferred to Management for follow-up action, including six complaints relating to project recruitment. Two cases of fraud by individuals with no contractual relationship with IFAD were referred to Management to issue a cease and desist order.

### **IV. Outreach and cooperation**

23. AUO actively contributed to the implementation of the Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations (anticorruption policy). In coordination with the Operational Policy and Results Division and PMD, AUO supported the roll-out of IFAD's standard procurement documents for bidders and contractors of the IFAD-funded projects, including self-certification forms. AUO also supported the negotiation of funding agreements with donors and recipients to ensure alignment with the IFAD anticorruption policy. AUO contributed to anticorruption awareness-raising through online e-learning, updated web pages (now available in all IFAD official languages) the induction of new staff, project procurement training, start-up workshops, financial management workshops and regional events. Over 500 staff and non-staff completed the mandatory training throughout the reporting year, with 91 per cent of IFAD staff having successfully completed by year-end.
24. AUO, jointly with the World Bank Integrity Vice-Presidency, organized and hosted the 2021 annual MDB+ Investigation meeting with 15 MDBs/IFIs participating. AUO also jointly with Food and Agriculture Organization of the United Nations (FAO) and World Food Programme peers hosted the 2021 Conference of International Investigators, which brought together more than 50 international organizations. All AUO staff participated in and contributed to the joint meeting of the oversight offices of the Rome-based Agencies.

### **V. AUO professional capacity, resources and operational independence**

25. AUO's staff capacity has been reinforced in recent years with the addition of several new professional positions. However, AUO experienced high staff turnover in 2021 with eight of the 15 current staff members having joined in 2021. The thorough selection process applied ensured that the turnover did not compromise the team's collective audit and investigation professional skillset. The effective handover and orientation process put in place for new recruits and the dedication of new and former AUO staff ensured that work disruption was kept to a minimum. Audit and investigation capacity was supplemented with external expertise as necessary. With the gradual lifting of the restrictions imposed on working arrangements by the COVID-19 pandemic, AUO resumed in-person audit and investigation missions but continued to make extensive use of digital means and external services for its audit and investigation work assignments.
26. Overall, the human and financial resources available to AUO in 2021 allowed it to conduct investigative and audit work with the required skills and independence and to meet oversight responsibilities without limitations in scope.
27. AUO confirms that it was able to conduct its work independently and without any

interference or undue impediments in its access to people, information or assets necessary to perform its work or in the reporting of its findings and expression of the relevant opinions