



## **Annual Report on IFAD's Investigation and Anticorruption Activities during 2023**

# Contents

<b>Abbreviations and acronyms</b>	<b>ii</b>
<b>I. Introduction</b>	<b>1</b>
<b>II. Executive summary</b>	<b>1</b>
<b>A. Salient observations from allegations and investigation</b>	<b>1</b>
<b>III. Investigation activities and prevention of corruption</b>	<b>2</b>
B. Investigation mandate and method .....	2
C. Investigation caseload overview .....	2
D. Investigation caseload in 2023 .....	4
E. Cases closed in 2023 – Overview .....	6
F. Investigations closed in 2023 .....	6
G. Cases closed after a preliminary assessment.....	7
H. Cases closed at the intake phase.....	9
<b>IV. Outreach and cooperation</b>	<b>9</b>
<b>V. AUO capacity, staff and resources</b>	<b>9</b>

## **Abbreviations and acronyms**

AUO	Office of Audit and Oversight
ETH	Ethics Office
FMD	Financial Management Services Division
IFI	International Financial Institution
IDD	integrity due diligence
HRD	Human Resources Division
PMD	Programme Management Department
SEA	sexual exploitation and abuse
SH	sexual harassment
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNRIS	United Nations Representatives of Investigative Services

# **Annual Report on the Activities of the Office of Audit and Oversight during 2023**

## **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 2023. Information is also provided on investigation outcomes and sanctions, on outreach and cooperation efforts, and on the use of staff and other resources in 2023.

## **II. Executive summary**

### **A. Salient observations from 2023 cases**

2. The trend in AUO's high intake rate for allegations of prohibited practices or misconduct continued. AUO received 118 such reports in 2023, significantly more than in previous years. This increase reflects not only the inherent fraud and corruption risks in the challenging environments where IFAD operates but also the alertness and improved detection capacity of the Programme Management Department (PMD), the Financial Management Services Division, the Financial Controller's Division and other colleagues with programme management, supervisory and audit responsibilities. It is also indicative of the strengthened anticorruption awareness efforts, the greater visibility of IFAD's reporting channels and staff's closer proximity to beneficiaries and local whistleblowers as a result of decentralization. As in previous years, most of the external allegations related to project procurement activities, such as corruption cases implicating project employees in soliciting bribes or kickbacks from goods or service providers in return for a favour in contract award, collusion cases implicating bidders who rigged bidding processes, and fraud cases involving bidders who submitted fraudulent bidding documents. Internal cases remained stable due to the constructive collaboration of the IFAD divisions and offices involved in helping resolve interpersonal grievances at an early stage of the conflict. In 2023, AUO closed the highest number of cases than in any previous year, and the IFAD Sanctions Committee issued 14 sanctions during the period. The closed cases include some complex and sensitive matters, and AUO's investigative output was timely, constructive and interactive where necessary to mitigate ongoing risks. Where allegations of prohibited practices coincided with audits of IFAD's supervision of country programmes, AUO fielded joint audit/investigation missions. This approach, which is uncommon in oversight functions in the United Nations system or among international financial institutions [IFIs], resulted in faster resolution of cases, better-supported audit and investigation findings and better-structured recommendations for improved control.
3. An independent external review of the IFAD investigation function was completed in February 2023, concluding that AUO has made great strides in integrating best practices into its internal and external investigative work, a laudable achievement considering the small size of the unit, its limited resources, its staff turnover and an increased workload. The review recommended some adjustments to AUO's investigation policy framework to bring the office more fully into line with best practices and increase its efficiency and effectiveness. AUO and other relevant IFAD divisions and offices are implementing action plans related to the recommendations of the review. Additional information on the review has been provided separately to the Audit Committee.

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

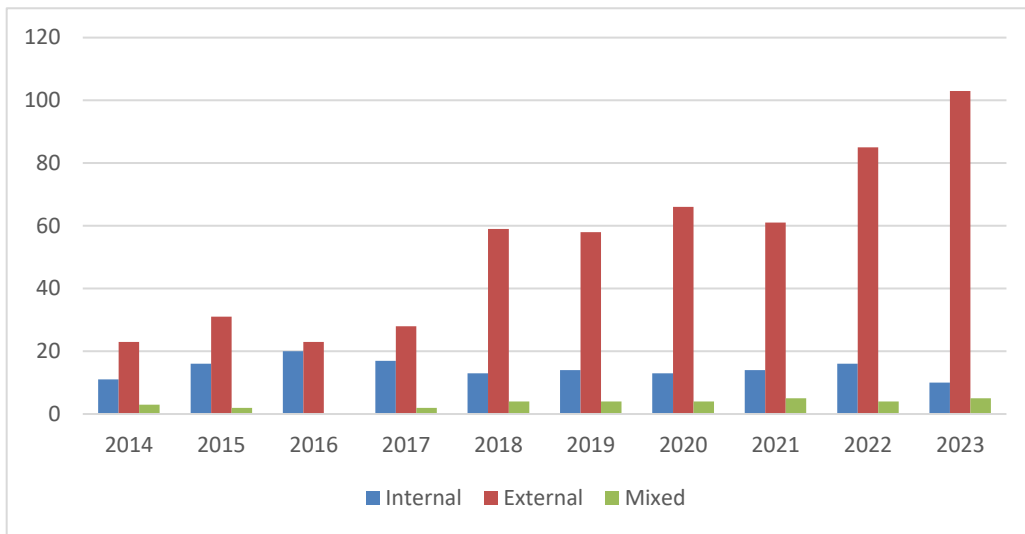
#### **B. Investigation mandate and method**

4. 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).
5. 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.

#### **C. Investigation caseload overview**

6. 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 with 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 (2014–2023)**



7. In 2023, AUO received the highest number of complaints and closed the highest number of cases in any single year.

Table 1  
**Active investigation cases in 2022–2023**

	<i>Internal</i>	<i>External</i>	<i>Internal/ external</i>	<i>Total</i>
<b>Cases pending at year-end 2021</b>	<b>3</b>	<b>61</b>	<b>7</b>	<b>71</b>
<b>Cases received in 2022</b>	<b>16</b>	<b>85</b>	<b>4</b>	<b>105</b>
<i>Total active cases in 2022</i>	19	146	11	176
Cases closed in 2022	9	78	4	<b>91</b>
<b>Cases pending at year-end 2022</b>	<b>10</b>	<b>68</b>	<b>7</b>	<b>85</b>
<b>Cases received in 2023</b>	<b>10</b>	<b>103</b>	<b>5</b>	<b>118</b>
<i>Total active cases in 2023</i>	20	171	12	203
Cases closed in 2023	13	91	8	<b>112</b>
<b>Cases pending at year-end 2023</b>	<b>7</b>	<b>80</b>	<b>4</b>	<b>91</b>

## D. Investigation caseload in 2023

### New allegations in 2023

Table 2  
Nature of allegations received in 2021–2023

<i>Nature of allegation</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
<b>External</b>			
Violations of IFAD's anticorruption policy (fraudulent, corrupt, collusive, coercive and obstructive practices)*	36	63	78
Violations of the Code of Conduct by IFAD consultants	-	2	2
Violations of IFAD's sexual harassment/sexual exploitation and abuse (SEA/SH) policy	-	-	2
Other (including bid/contract disputes, recruitment issues and other operational issues not within the scope of IFAD's anticorruption policy)	25	20	21
<b>Internal (or mixed internal and external)</b>			
Violations of IFAD's anticorruption policy (fraudulent, corrupt, collusive, coercive or obstructive practices)	3	2	5
Violations of IFAD's SEA/SH policy**	-	1	2
Workplace conflict cases***	6	4	2
Other violations of the Code of Conduct	8	12	6
Other (mixed – other misconduct)	2	1	0
<b>Total</b>	<b>80</b>	<b>105</b>	<b>118</b>

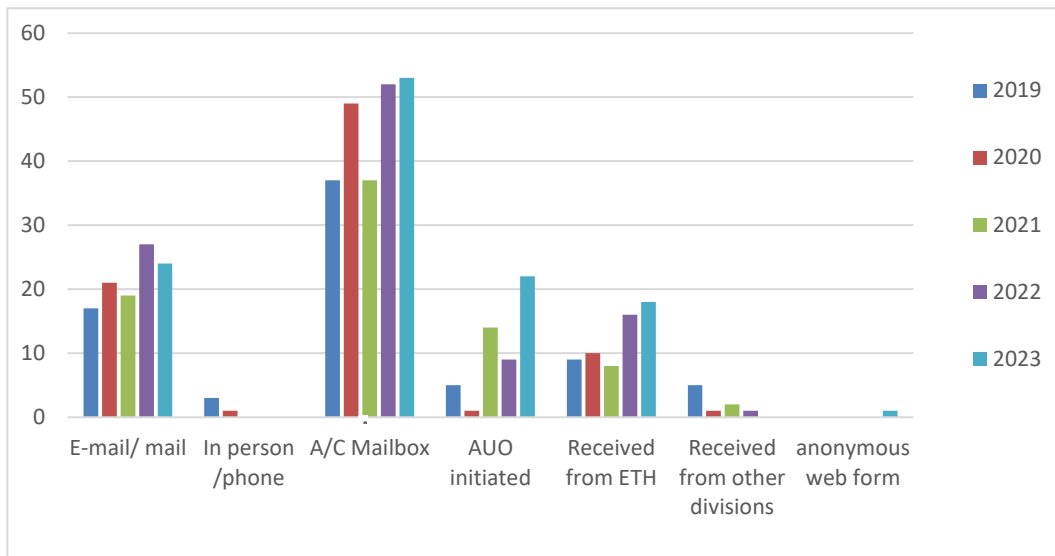
\* One external case mixed alleged violations of anticorruption policy and other.

\*\* One internal case mixed alleged violations of SEA and anticorruption policies.

\*\*\* One internal case mixed alleged workplace conflict and anticorruption policies.

8. As in prior years, the bulk of complaints were related to alleged fraud or corruption in IFAD-financed projects. The number of complaints stemming from bid, contract and recruitment disputes was stable, and such complaints were generally referred by AUO to PMD to be handled by IFAD's supervisory mechanism.
9. There was a slight decrease in the number of internal grievance cases involving complaints such as harassment and abuse of authority. AUO gives such cases high priority, while ensuring that complainants avail themselves of other internal resolution channels, where appropriate. The "other violations of the Code of Conduct" were related to alleged improper actions by staff members, including undeclared conflicts of interest, misrepresentation of information to the Fund, circumvention of rules and regulations, inappropriate behaviour towards project employees or other external entities, and gross negligence. There was an increase in internal cases involving violations of the anticorruption policy in 2023.

Figure 2  
Channels used for reporting issues to AUO in 2019–2023



10. Figure 2 points to a steady increase in the use of the AUO confidential anticorruption hotline (anticorruption@ifad.org). AUO audits continue to be an important mechanism for detecting potential prohibited practices in projects. The organic interactions with AUO’s audit section (including through joint missions) allow for prompt and systematic follow-up on the red flags noted in AUO’s audit work. AUO also introduced an online form on the anticorruption web page for complainants who wish to remain anonymous.
11. Of the 18 cases reported to AUO by the Ethics Office (ETH), six were formal referrals to AUO in relation to potential violations of the Code of Conduct by IFAD staff or consultants. One of these was referred to other divisions, as AUO did not have investigative jurisdiction over the allegations. In addition, another two staff-related cases were forwarded to AUO by ETH, as well as 10 external complaints involving potential fraud and/or corruption or contractual disputes in IFAD-funded projects.

Figure 3  
Source of allegations received by AUO in 2019-2023



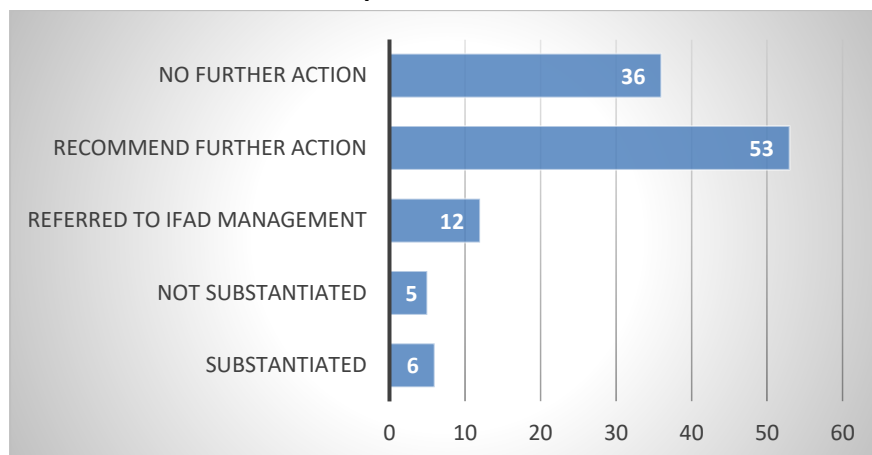
\* One case received from United Nations agency personnel.

12. The trends in figure 3 reflect the growing awareness of IFAD’s anticorruption reporting requirements and channels among IFAD staff, project employees, vendors and partners



## E. Cases closed in 2023 – Overview

Figure 4  
Cases closed in 2023 – case disposition



13. In 2023, AUO completed its work on 112 cases. Forty-seven of them involved complaints received prior to 2023, seven of which were fully investigated. Sixty-five cases received in 2023 were closed, with four having been fully investigated.
14. Forty-six cases were closed or referred to Management at intake (after AUO had ascertained that the complaint was not within its investigative mandate); 55 were closed after a preliminary assessment (after ascertaining that the allegations were not material, verifiable or credible); and 11 were closed after an investigation. Five of them were closed, with the allegations not substantiated; and four external and two internal cases were substantiated or partially substantiated. Of the four cases, the Sanctions Committee applied sanctions in two of them, and two cases were still ongoing pending the final decision.

## F. Investigations closed in 2023

### Cases referred to the Sanctions Committee or to the Human Resources Division (HRD)

15. The following external cases were referred to the Sanctions Committee in 2023:
  - A winning bidder misrepresented the technical specifications offered in its bid proposal for a tender issued by an IFAD-funded project. The bidder also submitted fraudulent supply orders to meet the tender’s requirements for previous work experience. The final decision of the Sanctions Committee is pending.
  - A project consultant signed a self-declaration form with false information, thereby misrepresenting the consultant’s criminal record to the IFAD-funded project in order to be selected for the position. The individual was debarred for three (3) years and placed on the integrity due diligence (IDD) list.
  - A former IFAD consultant submitted a forged endorsement letter to a bank, purportedly sent from IFAD’s representative in the consultant’s home country, for the purpose of obtaining a personal education loan, which the individual obtained. The individual was debarred for ten (10) years and permanently placed on the IDD list.
  - A former IFAD consultant signed a self-declaration and self-certification for an IFAD consultancy contract, falsely declaring that the consultant had no simultaneous contract with external entities and failing to disclose a concurrent full-time contract with another United Nations agency during the contractual period with IFAD. The final decision of the Sanctions Committee is still pending.

16. Sanctions decided in 2023 by the Sanctions Committee are listed in box 1 below:

Box 1

**Sanctions applied in 2023, including for investigations closed prior to 2023**

**Investigations complete prior to 2023**

- An individual and two firms were debarred for 8 years for fraudulent practices;
- An individual was debarred for 3 years for fraudulent practices;
- An individual and a firm were debarred for 8 years for fraudulent practices;
- A firm and two individuals were debarred for 8 years for corrupt practices;
- An individual was debarred for 2 years for corrupt practices.

**Investigations completed in 2023 (see paragraph 15)**

- An individual was debarred for 10 years for fraudulent practices and violation of IFAD's contractual obligations;
- An individual was debarred for 3 years for fraudulent practices.

17. AUO investigations concluding that staff members may have violated the Code of Conduct are referred to HRD and the Office of the General Counsel for assessment/confirmation. Depending on the nature and gravity of the violations, they may be referred to the Sanctions Committee for further assessment and recommendation to the President for disciplinary action. In 2023, AUO referred two cases involving staff members (the allegations were of undisclosed conflicts of interest and workplace conflict, including sexual harassment) to HRD to assess the evidence and nature of the violations involved. At year-end, the disciplinary process was ongoing.

**Cases closed by AUO after an investigation**

18. Five cases were closed at the investigation stage as not substantiated. Three of them were external and two were internal. Even when not substantiated, the work on such cases often led to risk mitigation measures such as strengthening fiduciary supervision, strengthening project controls or objecting to specific procurement actions.

**External cases**

- The allegations concerned corrupt and collusive practices during a bidding process for engaging a firm to conduct a midterm review of an IFAD-funded project. AUO did not find sufficient evidence to prove the allegation of prohibited practices during the procurement process.
- Two cases involved alleged fraudulent and coercive practices by two project staff from the same IFAD-funded project involving falsification of the quantities of seed in reports and possible collusive practices involving the distribution of seed to non-beneficiaries. AUO did not find sufficient evidence to prove the allegations.

**Internal cases**

- A staff member allegedly failed to disclose that he/she was the subject of national criminal investigations and was allegedly involved in an undisclosed conflict of interest. The case was closed due to insufficient evidence.
- Unidentified staff members allegedly improperly disclosed the identity of whistleblowers, leading to adverse consequences for the presumed whistleblowers and for government support for the project. The case was closed due to insufficient evidence.

**G. Cases closed after a preliminary assessment**

19. Of the 55 cases closed after a preliminary assessment, 41 were external (with six high priority), eight internal (with six high priority) and six were both 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. Some cases involved allegations related to both procurement and non-procurement.

### **External cases**

- **Project procurement or selection of service providers.** Of the 41 external complaints closed by AUO after a preliminary assessment, 19 included allegations of prohibited practices in project procurement and the selection of service providers. The subjects of the allegations included project and government employees, suppliers, project contractors or potential contractors and members of project/counterpart bid evaluation committees, with the latter either demonstrating favouritism for certain bidders or excluding other competent vendors. The alleged irregularities included fraud, corruption, collusion and coercion in manipulating the tender or selection process, offering or receiving bribes and generic corruption allegations. One case involved project employees allegedly conspiring with bidders by excessively increasing quotations from bidders for goods and services contracts, while another allegation involved project staff colluding with a vendor to award tenders in exchange for kickbacks and failing to deliver equipment as per the terms of the contract, including installation and equipment standards. Most allegations were generic or vague, but a few cited specific procurement activities (ongoing or recently completed), with values ranging from a few thousand United States dollars to over US\$3 million. As noted above, the evidence gathered by AUO in assessing these allegations was not sufficient to conclude that the allegations were credible, verifiable (by AUO) and material. These cases were therefore not pursued as full investigations. Nonetheless, for cases where AUO had some credible indications of prohibited or other improper 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 and strengthened IFAD supervision – in particular, ensuring that all bidders use standard templates and complete the necessary disclosures; and targeted capacity-building.
- **Alleged prohibited practices not directly related to procurement** (22 complaints): The alleged irregularities included fraudulent and corrupt practices involving the distribution of seed and fertilizer, embezzlement of project funds by a project staff member, beneficiaries not receiving funding and equipment from a project, the diversion of funds and farm equipment, collusion (e.g. project employees colluding to delay payments and disrupt the implementation of project activities, unjustifiably increasing the contractual fee of a consultant hired by a project, discrepancies in the distribution of cash payments to beneficiaries), coercion (intimidating project personnel into making false allegations to incriminate a colleague), 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 employees, 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 cases where AUO/IFAD found credible indications of improper practices. Such actions included parallel national investigations into the same allegations, corrective measures for irregular practices in recruitment processes, refunding of potentially misused funds and the declaration of ineligible expenditures, strengthened project controls, IFAD declaring its objection to certain actions, strengthened IFAD supervision and targeted capacity-building.

## **Internal and mixed cases**

- **Alleged violations of the Code of Conduct and IFAD anticorruption policy.** Fourteen complaints against staff members were closed by AUO after a preliminary assessment. These included allegations of fraud, corruption, collusion, undue interference with the implementation of a project and national government affairs, misrepresentation/omission of significant mission findings, manipulation of a project procurement process, improper and undisclosed acceptance of gifts, accommodation and hospitality, unauthorized disclosure of confidential IFAD information, inappropriate behaviour towards project employees and other external parties and unsatisfactory conduct and misconduct involving harassment, abuse of authority, bullying and retaliation. AUO found that these allegations lacked credibility and, in some cases, referred the matter to Management to consider corrective measures and/or other administrative or operational actions.

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

20. Forty-six issues reported to AUO were closed at the intake stage (including 11 carried forward from 2022), mainly after ascertaining that the allegations did not fall within AUO's mandate or were of very limited materiality (in terms of both financial and reputational/operational impact). Most of the matters were referred to Management for follow-up action, including complaints related to project recruitment, the application of project procurement procedures and seven cases of fraud by individuals with no contractual relationship with IFAD, all seven of which were referred to Management to issue a cease-and-desist order.

## **IV. Outreach and cooperation**

21. AUO helped raise anticorruption awareness through e-learning training, updated web pages, the induction of new staff, project procurement training, start-up workshops, financial management workshops and regional events. Over 410 staff and non-staff completed the mandatory online training throughout the reporting year, with nearly 90 per cent of IFAD staff having successfully completed by year-end, and over 1,000 participants receiving training at workshops and regional events.
22. AUO organized a hybrid event for International Anticorruption Day in December that was open to all IFAD personnel, with a former Deputy Inspector General of an IFAD Member country invited as a guest speaker. AUO further supported the negotiation of financing agreements with donors and recipients to ensure alignment with the IFAD anticorruption policy.
23. AUO actively participated in United Nations and IFI investigation peer networks, including co-chairing an annual meeting of the multilateral development banks. The AUO Investigation Manager led the United Nations Representatives of Investigative Services (UNRIS) as coordinator in 2023. He contributed to making United Nations investigation functions more coherent and effective, and his UNRIS role was recognized by his peers through his election to a second term for 2024.

## **V. AUO capacity, staff and resources**

24. **Staffing.** AUO's staff capacity has been reinforced in recent years with the addition of several new Professional positions. After several years of high turnover, AUO's staffing was relatively stable in 2023, which contributed to its attaining a record volume of high-quality audit and investigative output. As in prior years, external, local, regional and technical expertise was extensively used to complement the team's skill set to ensure that AUO had the right expertise and knowledge for a credible assessment of the audited subjects.

Table 3  
**AUO staffing in December 2023**

<i>Staff positions</i>	
Director, AUO	
Administrative Assistant	
<b><u>Internal audit</u></b>	<b><u>Investigations</u></b>
Audit Manager	Investigation Manager
Senior Audit Officer	Senior Investigation Officers (2)
Audit Officers (2)	Investigation Officers (3)
Data and IT Forensic Officer	Investigation Assistant
Associate Audit Officers (2)	
Audit Associate	

25. AUO staff received professional training on a wide variety of technical topics, some together with other Rome-based agency colleagues, along with the mandatory IFAD training courses and personal professional education. Professional updating also occurs through participation in the United Nations and IFI audit and investigation professional networks and working groups, as well as the personal board involvement of two AUO staff members in the United Nations Joint Staff Pension Fund and the United Nations Federal Credit Union.
26. **Budget.** The total budget allotted to and used by AUO in 2023 was US\$2.7 million, inclusive of staff costs of US\$2.1 million and of US\$0.6 million for non-staff expenditures (approximately US\$0.2 million of which was drawn from the funds for vacant AUO staff positions and used for capacity replacement consultancy resources). An additional non-staff budget allotment was promptly provided in response to AUO’s request during the year to meet operational needs.