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IFAD’s Anticorruption Policy and Actions

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What will we talk about today?

1. Cost and Effects of Corruption on Development
2. IFAD’s Anticorruption Framework
   • Zero-Tolerance Policy
   • Irregular Practices
   • Red Flags
3. How Can We Fight Corruption
   • Lines of Defence
   • Project Staff and Staff members’ Obligations
4. What AUO/Investigation Section Does
“Corruption suppresses economic growth by driving up costs, and undermines the sustainable management of the environment and natural resources. It breaches fundamental human rights, exacerbates poverty and increases inequality by diverting funds from health care, education and other essential services. The malignant effects of corruption are felt by billions of people everywhere. It is driven by and results in criminal activity, malfunctioning state institutions and weak governance.”

Ban Ki-moon, Secretary-General of the United Nations
Message on International Anti-Corruption Day - 9 December 2013
Corruption Impairs Development

Development Objectives

Higher incomes
Improved food security and nutrition
Improved natural resources management
Improved agricultural technologies
More opportunities for employment

Effects of Corruption

Inflation of costs
Diversion of resources
Delays in implementation
Failure to complete works
Defeating development goals
More debts

IFAD
Investing in rural people

ZERO CORRUPTION 100% DEVELOPMENT
Corruption is the single greatest obstacle to economic and social development around the world.

Every year $1 trillion is paid in bribes.

An estimated $2.6 trillion are stolen annually through corruption – a sum equivalent to more than 5 per cent of the global GDP.

In developing countries, according to UNDP, funds lost to corruption are estimated at 10 times the amount of official development assistance (ODA).
The IFAD Anti-Corruption Framework


President’s Bulletin 2007/02 on IFAD Investigation and Sanction Processes, 21 February 2007
The IFAD Anti-Corruption Framework

- Establishes a zero-tolerance policy towards irregular practices in IFAD activities and operations (HQ and in projects)
- “IFAD activities and operations”:
  - All activities financed and/or managed by the Fund at its headquarters and through its loans and grants
    - IFAD staff
    - Consultants
    - Project staff
    - Contractors and suppliers
That IFAD will pursue all allegations falling under the scope of the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations (hereinafter the anticorruption policy) and;

That **appropriate sanctions** will be applied where the allegations are substantiated.

What does Zero Tolerance mean?
The IFAD Anti-Corruption Framework main aspects

- Defines misconduct and irregular practices
- Whistle-blower protection
- Prohibits false and malicious accusations
- Confidentiality
- Operational independence
- Obligation to report
- Obligation to cooperate
What do we mean by irregular practices?

- **Fraud and Corruption:** when applied to *Project Staff*, entities, contractors, consultants, and other individuals not covered by misconduct.

- **Misconduct:** includes but is not limited to fraud and corruption, when applied to *IFAD staff*.

- **Conflict of Interest**
Financing agreements / General conditions for agricultural development financing:

- **Eligibility**: Any payments to a person or an entity, or for any goods, works or services, if making or receiving such payment constitutes a coercive, collusive, corrupt or fraudulent practice by any representative of the Borrower/Recipient or any Project Party, shall not be eligible for financing by the Fund.

- **Reporting**: …the Borrower/Recipient and the Project Parties shall promptly notify the Fund of any allegations of fraud and/or corruption that are received in relation to any of the Project activities.
Financing agreements / General conditions for agricultural development financing (cont.):

- **Suspension:** The Fund has given notice to the Borrower/Recipient that credible allegations of coercive, collusive, corrupt or fraudulent practices in connection with the Project have come to the attention of the Fund, and the Borrower/Recipient has failed to take timely and appropriate action to address the matters to the satisfaction of the Fund.

- **Cancellation:** After consultation with the Borrower/Recipient, the Fund determines that coercive, collusive, corrupt or fraudulent practices were engaged in by representatives of the Borrower/Recipient or any Project Party in respect of any expenditures incurred during the procurement or the carrying out of any contract financed by the Financing, and that the Borrower/Recipient has failed to take timely and appropriate action to remedy the situation.
Fraud and corruption: IFAD requires that its own staff and the staff of Borrowers/Recipients (including beneficiaries of IFAD financing), and all bidders, suppliers, contractors and consultants under IFAD-financed contracts, observe the highest standard of ethics and integrity during the execution of and procurement under such contracts. This position is clearly stated in the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations (hereafter: the anticorruption policy), which applies to these guidelines. In line with this policy, IFAD will have the right to:

- Access project and contractor records
- Suspend / cancel financing (see above)
- Sanction / debar entities
- Refer cases to national authorities for further investigation
Irregular practices include but are not limited to:

- **Corrupt Practices**: the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.

- **Fraudulent Practices**: 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.

- **Collusive Practices**: an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

- **Coercive Practices**: impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
RED FLAGS: CORRUPT PRACTICES

- **Unjustified or repeat sole source awards** (probably the single most common and telling red flag)

- (Repeated) selection of high priced or unqualified contractors

- Project officials ignore poor quality work, re-hire poorly performing contractors

- Project official takes unusual interest in the process, e.g. recommends a particular subcontractor

- Project official lives beyond means
RED FLAGS: FRAUDULENT PRACTICES

- **Poor quality** works, frequent repairs, early replacement
- **Substitution** of less expensive, lower quality materials
- **Goods not delivered**
- Repeated **failed tests** or **inadequate inspections**
- Delays or **refusals to allow independent tests** or inspections
- **Complaints** from users or beneficiaries
- Services provided by **unknown or unqualified vendors**
- Irregularities, errors or **missing documentation** and billing documents
- **Bait and switch** during procurement and contract implementation.
RED FLAGS: COLLUSIVE PRACTICES

- Connections between bidders, or phantom vendors
- Significant similarities in the bids/documents
- Rotation of winning bidders
- Persistent high bid prices or unusual pricing
- A losing bidder becomes a subcontractor
- Unreasonable pre-qualification requirements
- Bid specifications are too narrow or too vague
- Unreasonably short time to submit bids
- Questionable disqualification of bidders
- Bids lacking adequate details, documentation
Substandard goods
Defences against corruption

- **First line of defence**: Controls exercised by Project staff, Implementing Partners and Counterparts

- External audit of projects

- IFAD oversight: CPM / CPO / Finance Officers – Supervision, fiduciary controls and no-objections

- **Last line of defence**: Complaints mechanism, investigation and sanctions
How can we fight Fraud and Corruption?
The responsibilities of project staff

- **Enforce** the fiduciary responsibilities foreseen by the financing agreements – implement **internal controls** and segregation of duties

- **Comply** with procedures (for example in procurement) and exercise **due diligence** in selecting vendors and **monitor** contract implementation

- **Inform** staff and service providers of IFAD Anti-Corruption Policy and AUO Contact Details where necessary – **Report** allegations of irregular practice

- **Cooperate** fully with any AUO audit and/or investigation and respond promptly and fully to requests for information
Being in the field, you are in a unique position to be aware of information that other colleagues will not be in a position to observe.

That means you have some additional responsibility.

Reporting = Peace of Mind
What will AUO do?

- We will call or e-mail you
- We will corroborate what you say
- We will come and investigate if credible
- We will be discreet
- We will exercise “healthy suspicion”
What AUO will not do:

- Fly across the world whenever an allegation is made
- Shut down the project immediately
- Tell your boss what you said about her/him
- Tell other staff / suppliers / the government that you have spoken to us
- Pay you anything or give you a better job following your complaint
What do we need?

- Discretion
- Documents
- Details
  - Who?
  - What?
  - Where?
  - When?
  - Why?
  - How?
What do you need?

Please let us know how we can help you

- Leaflets in local language?
- Training?
- Unsure if something should be reported?

Contact us

We will do our best to support you
HOW TO CONTACT AUO

• Telephone: +39 0654592888
• Confidential fax: +39 0654597888
• Confidential email: anticorruption@ifad.org
• Postal address: IFAD
  Office of Audit and Oversight (AUO): Investigation Section
  Via Paolo di Dono 44, 00142 Rome, Italy.
IFAD anticorruption website

www.ifad.org/governance/anticorruption

- Annual reports of cases investigated and sanctions applied
- On-line channel for reporting allegations
- Frequently asked questions
Fraud and Corruption Quiz

If I become aware of a case of corruption in my project I will communicate this to:

A) The Police
B) The relevant authority in the Ministry
C) IFAD
D) Other relevant institutions
40) IFAD has a role in initiating or in participating in corruption investigations in IFAD-financed projects

A) True
B) False
C) To some extent
THANK YOU!

WELCOME TO SIERRA LEONE

If You Cannot Help Us
PLEASE DO NOT CORRUPT US

UN

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Investing in rural people