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Sida's management of suspicions of corruption

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PREFACE

Battling corruption is essential to achieve the Global Goals for Sustainable Development in Agenda 2030 and a highly prioritised issue for me as Director-General of Sida. Sida's main mission is to work to ensure reduced poverty in the world. Corruption hampers the battle against poverty, undermines democracy and holds back economic growth and investments. The nature and incentive of corruption may differ between cultures, contexts and geographic regions and change over time. Hence, it is important for Sida to follow the developments to understand the face of corruption in different contexts, to act when suspicion arises and to pursue prevention by being proactive and engaging in continuous discussion on these areas with our collaborative partners.

Since corruption is a serious obstacle to development, Sida always works to strengthen the analysis of corruption as an obstacle to development, to develop working methods for risk assessments and follow-up, and to implement lessons learned for preventive purposes. In 2017, Sida has, for example, further strengthened educational efforts concerning lessons learned from actual cases of corruption, conducted specific initiatives in units and regions that have few reported suspicions of corruption, and developed support for follow-up measures during field visits. Experience shows that Sida's specific initiatives strengthen our capacity and ability to actively battle corruption.

As many other actors, Sida faces several challenges. One example is to follow up and investigate in difficult environments, which is a prioritised area to further develop methods for in the future.

Sida defines corruption as abuse of trust, power or position for improper gain. The work to prevent, follow up and counteract corruption also includes harassment and abuse of power, which are matters that we take very seriously and monitor closely. The trend indicates that the number of reported suspicions of corruption is increasing over time. Sida began to compile statistics in 2007 and in 2017 the highest number was recorded. My understanding is that Sida's staff and collaborative partners are getting better at reacting to warning signals and at reporting suspicions according to agreements. For Sida, it continues to be essential that all development work is permeated with Sida's watchwords; always prevent, never accept, always act and always inform upon suspicion of corruption.

Carin Jämtin

Director-General, Sida

Corruption as a term is not defined in Swedish legislation, but Sida's anti-corruption rule states our interpretation as "an abuse of trust, power or position for improper gain".

INTRODUCTION

Sida's main mission is to work toward reducing poverty in the world. Poverty and corruption often go hand in hand in that corruption affects the poor the hardest and contributes to increased poverty in several ways. Since corruption is a serious obstacle to development, Sida continuously works to develop internal systems and methods for risk assessment and follow-up. In this way, Sida can manage the risks of corruption and address suspicions that arise.

The investigation group is Sida's designated function for managing and investigating suspicions of corruption and comprises expertise within, inter alia, investigation, finance, auditing and law. Organisationally, the investigation group has during the year been moved from the Director-General's office to the Unit for Controlling and Investigations within the Department of Operational Support. The investigation group will of course continue to maintain its independent role.

Corruption as a term is not defined in Swedish legislation, but Sida's anti-corruption rule states our interpretation as "an abuse of trust, power or position for improper gain". This term encompasses, for example, the offering and receiving of bribes, bias, conflicts of interest and harassment.

The investigation group manages reported suspicions of corruption according to a process determined by the Director-General. This aims to ensure that the handling is performed in a uniform, legally certain and expedient manner. The procedures entail that the investigation group receives reports and conducts investigations with the aim of producing a sufficient basis for Sida to establish whether a breach of agreement has been committed and to determine what measures are to be taken. The investigation group's mandate is to coordinate the investigative work and advise the manager responsible for the contribution affected by a case. It is the manager's responsibility to make decisions regarding measures. The group keeps Sida's Director-General informed when necessary.

Common measures carried out by Sida include auditing, withholding payments, reclaiming unreported or misused funds, terminating agreements and filing police reports. In cases where suspicion of corruption has arisen at a partner that forwards Swedish aid money, Sida ensures that the partner handles the case according to Sida's demands and according to underlying agreements.

The investigation group's activities in 2017

In 2017, Sida has received 262 reports of corruption or irregularities, which is the highest figure since statistics began being compiled in 2007. In 2017, Sida has made request for repayment in 108 cases totalling an amount of approximately SEK 44 million.

The investigation group's assessment is that the significant increase in reported suspicions is due to a greater awareness of what should be reported and how it should be reported. The major increase in the number of reports for 2017 is mainly due to an increase in Sida's partners sharing information with Sida.

Sida places great importance on partners working actively to counteract corruption, that they continuously inform Sida of suspicions of corruption and that they demonstrate a capacity to handle cases of corruption, which is stated in Sida's agreements.

Generally, Sida also considers it very important that agreement partners continuously develop and adapt monitoring methods based on experience and lessons learned in order to prevent similar incidents from reoccurring.

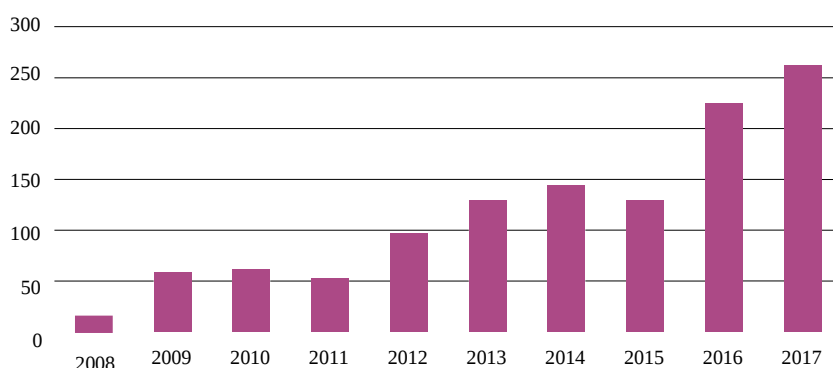
NUMBER OF REPORTS

In 2017 Sida received

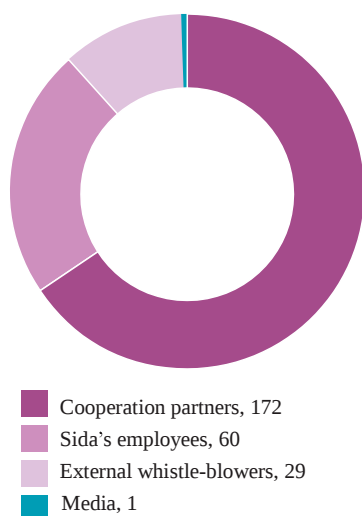
262

reports of corruption or fraud

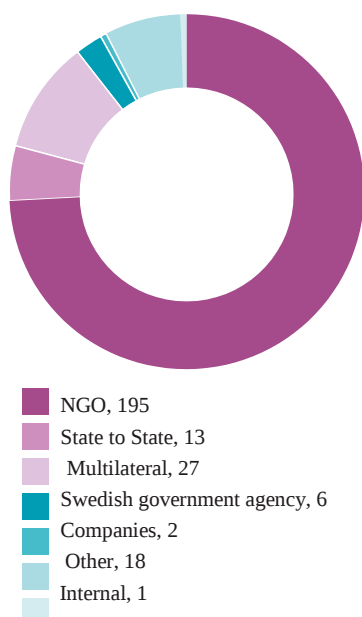
NUMBER OF REPORTS OF SUSPICION RECEIVED



WHO REPORTS SUSPICIONS OF CORRUPTION TO SIDA?



WHO ARE SIDA'S PARTNERS IN THE REPORTED SUSPICIONS?



CASE MANAGEMENT FOR 2017

In this chapter, this year's figures for handling suspicions of corruption are presented. Since statistics began to be compiled in 2007, restructuring and other changes have taken place within the organisation. This entails some difficulties in comparing figures from the first years with current figures.

Reports

In 2017, a total of 262 suspicions of corruption and other irregularities have been reported to the investigation group. In 2016, the equivalent number was 225, which means a 16 per cent increase. Out of the suspicion reports received in 2017, 94 of the cases were closed during the year, which is comparable with 66 in 2016. In 2017, a total of 195 cases have been closed, which relates to cases opened in the last few years, compared to 139 closed cases in 2016. The investigation group strives to ensure expedient handling of corruption cases and aims to close an investigation within one year of the report being received. At the year's end, there were 168 open cases. Of the year's reports, 34 were dismissed as lacking substance or not concerning funding from Sida.

A significant number of the reported suspicions concern organisations that have received funds forwarded from Sida's agreement partner. There is an existing awareness of this situation and it is addressed in the risk assessment in the contribution management system. Sida has worked to clarify the support regarding capacity assessments within contribution management during the year. The most common types of suspicion of corruption mainly concern different forms of fraud, embezzlement, irregularities connected to procurement, nepotism, bribes, theft and harassment. Sida's definition of corruption also covers different forms of harassment, and the investigation group sees a need to clarify this to Sida's agreement partners.

The number of reports from multilateral organisations has increased to 27 cases, comparable to 10 reports in 2014, 18 reports in 2015 and 24 cases in 2016. However, Sida estimates that the number of unreported cases is still high. In 2018, the collaboration between the investigation group, the Unit for Multilateral Coordination and the Ministry for Foreign Affairs has been strengthened further to achieve a better exchange of information and collaboration concerning matters of corruption. During the year, Sida has also entered a specific agreement concerning information exchange in the form of a so-called Memorandum of Understanding (MoU) with the investigative function within the United Nations Office for Project Services (UNOPS). Sida has an existing MoU with the investigative functions within the World Bank and the EU.

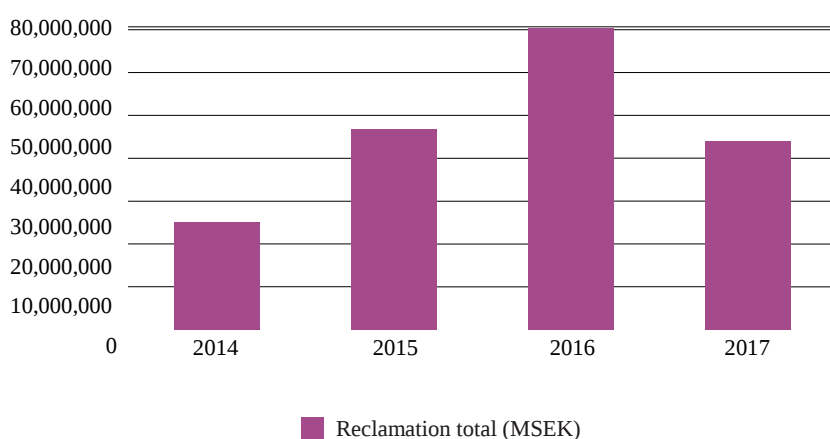
Request for repayment

Requests for repayment have been made in 108 cases totalling an amount of approximately SEK 44 million. Although the figure for requests for repayments have decreased compared to last year, the number of reclamations is higher. However, Sida cannot rule out the possibility of requests for repayments that have not been reported to the investigation group. Ensuring that Sida and the investigation group receive correct information is a continuous area of improvement with which we are actively working by reminding Sida's employees.

The statistics also include cases where a partner of Sida has issued a request for repayment to an agreement partner of theirs and used the repaid funds for other purposes agreed upon with Sida. This includes cases where Sida has decreased the upcoming disbursements with the amount of repayments well as cases where the partner has covered the amount with their own funds.

A significant number of the reported suspicions concern organisations that have received funds forwarded from Sida's agreement partner

REQUESTS FOR REPAYMENT TOTAL (MSEK)



Sida places great importance on partners working actively to counteract corruption, that they continuously inform Sida of suspicions of corruption and that they demonstrate a capacity to handle cases of corruption. This is stated in Sida's agreements.

SPECIFIC FOCUS AREAS DURING 2017

Specific initiatives

As part of its mission, the investigation group must work proactively. This is done partly to acquire more knowledge about corruption in general, but also to develop new working methods and to constantly remind the agency about the importance of anti-corruption work. Specific initiatives have previously resulted in greater awareness regarding corruption issues and more open lines of communication, which in turn results in more reports of suspicions.

In 2017, the investigation group has specifically reviewed activities at the Unit for Research Cooperation. The selection has been made in consultation with the unit management and controller based on the scope of activities and previous shortfalls in information regarding suspicions of corruption. The initiative has resulted in an increase of reported cases and a deeper dialogue regarding procedures for information sharing.

The investigation group had registered a decrease in received cases from Asia and the Pacific region during 2016. During 2017, an employee from the investigation group was placed at the embassy in Bangkok. At year-end we have noted an increase in the number of cases from this region. Sida will make suggestions for working methods that contribute to more effective support and cooperation with foreign authorities.

In Sida's operational plan for 2017, Sida's work with environment and climate was intensified. Corruption often has a serious effect on environment and climate through, for example, resulting in a more rapid depletion of natural resources and increased pollution. Corruption also erodes the content and implementation of environmental laws and regulations. Countries with a higher degree of corruption are more likely to have fewer government mandated environmental laws and guidelines, reduced protection for land rights, lower participation in international environmental conferences and fewer domestic corporations that are ISO 140001 certified. Corruption can be viewed as a catalyst for environmental offences. Corruption plays a particularly important role in facilitating fraudulent trade, falsified import or export certificates, violations of custom regulations, illegal waste management etc. However, based on the information obtained, the investigation group cannot clearly trace case's direct impact on environment and climate.

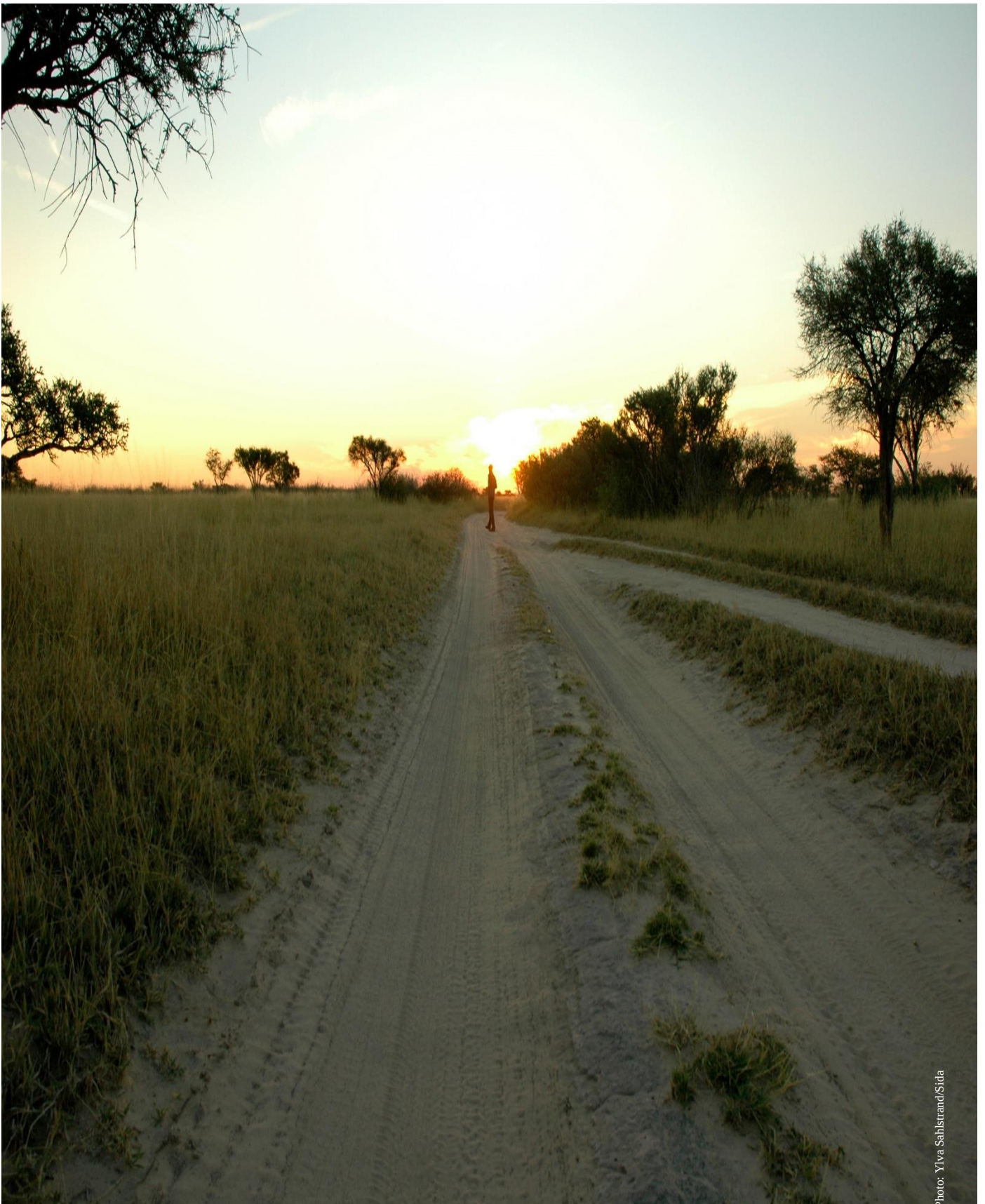
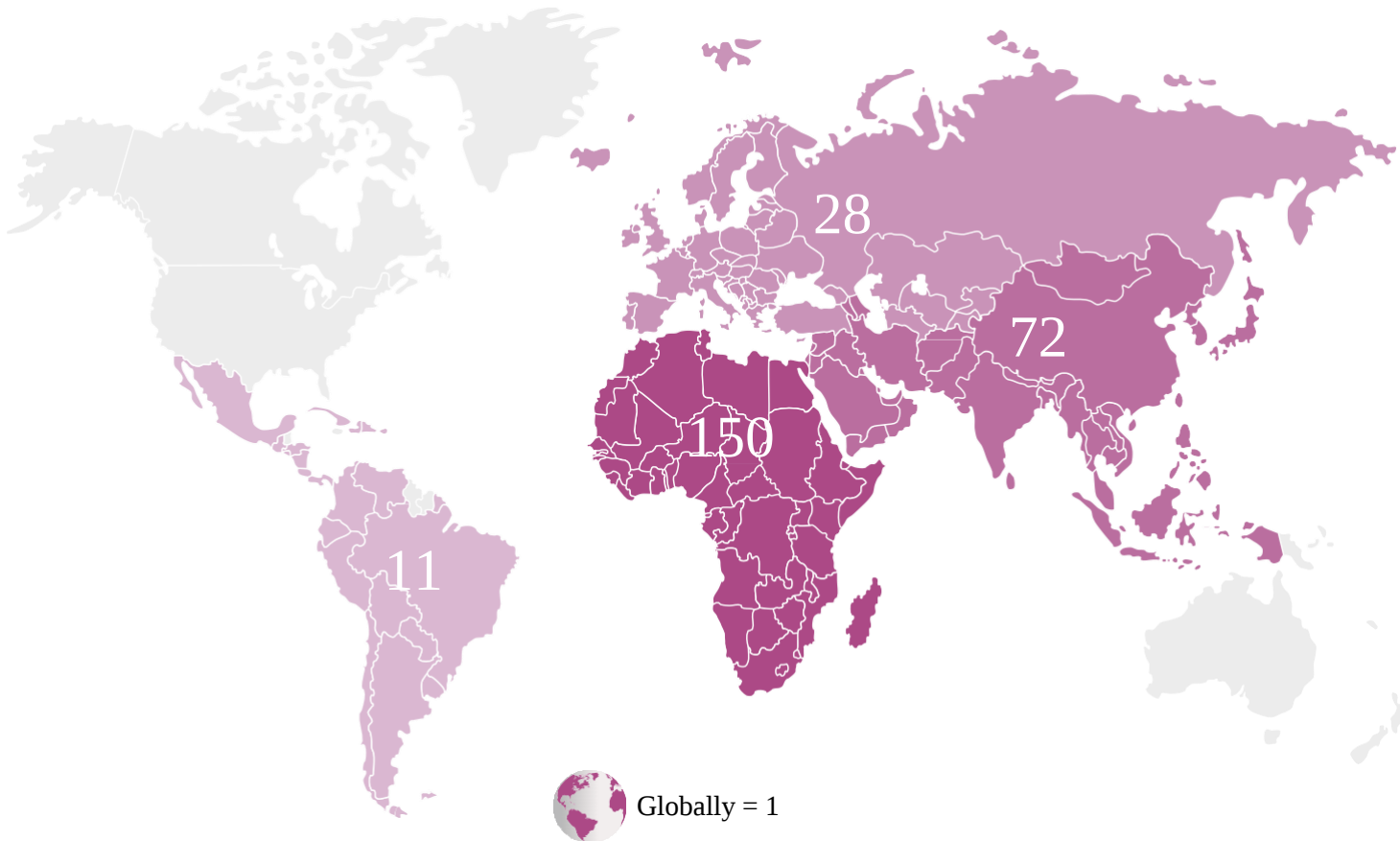


Photo: Ylva Sahlinstrand/Sida

Distribution across continents

The number of reported suspicions of corruption is distributed according to the following illustration of continents.



Africa continues to account for the highest number of reported suspicions of corruption. One of the reasons why the highest number of reported suspicions of corruption concerns Africa is because a significant proportion of Sida's operations are focused on countries in this region. Increases compared to last year are observed for the Asia region. The Investigation group has noted an increase in reported cases from 44 in 2016 to 72 in 2017 in the Asia region. Generally, this increase is believed to be due to the continued focus on internal control as well as a higher level of awareness and knowledge on corruption risks and implementing actions in response to warning signals of corruption. Another reason is that, during the year, Sida has improved its internal communication and thus has been made aware of more cases. Sida's partners have also become better at detecting and following up on corruption risks in subsequent links, which also contributes to an increase in statistics.

All continents show an increase in the number of reported suspicions of corruption and irregularities.

OBSERVATIONS DURING 2017

Sida has several important methods to prevent and discover corruption in contributions. The method of tailoring additional assignments in the Terms of Reference to the annual audit of contributions is one way of following up on risks in internal control that has been a tool for a while. Aside from this, Sida increasingly works with a risk-based work approach by choosing partners and/or contributions with high risk that become the subject of internally-procured so-called rolling audits with specific focus. Methods for financial monitoring field visits have also been strengthened.

As with previous years, it has been found in some of this year's investigations that there have been weaknesses in the underlying agreement that Sida has signed with the agreement partner. This may entail difficulties during implementation of development aid projects when corruption occurs. Sida is currently working to clarify the writings and formulations in various agreement templates.

Similarly, to previous years the investigation group notes that in some of this year's investigations, the approved budget is estimated to have been too general and unspecified. An inadequate budget analysis can imply a risk that agreement partners use Sida's funds for unintended purposes, prevent Sida from making requests for repayment and risk funding being granted to a partner more than actual needs. As a result, Sida has incorporated these conclusions in a new guideline for budget analysis. In addition, all controllers within Sida have been given specific training in budget analysis in 2017.

An increased focus on support in difficult environments and contexts entails challenges regarding conducting investigative work. Due to increased security risks, Sida can sometimes be forced to compromise on otherwise high demands on quality in follow-ups and investigations.

In 2017, Sida's investigation group hosted the Nordic network of investigative functions which works with cases of corruption within the Nordic countries' development agencies. The network's purpose is to find synergies and collaborative forms and to exchange experiences. The investigation group plans to continue being an active member in the World Bank's working group and network with a focus on financial crime, illegal financial flows and counteracting corruption. In February 2017, the investigation group participated in a meeting with this network in Paris.

In 2017, Sida's Director-General decided on several measures to strengthen Sida's activities concerning anti-corruption. One of the measures was to improve the learning from actual cases of corruption. In addition, knowledge on corruption as an obstacle to development needs to be strengthened to increase Sida's capacity to achieve results in its development collaborations and thereby contribute to the new sustainable development goals.

During the year, Sida has developed new training material that incorporates corruption as an obstacle to development, and has expanded its learning from previous cases of corruption, including exercise examples. The training has so far been held on five occasions and is estimated to have had approximately 170 participants.

An increased focus on support in difficult environments and contexts entails challenges with regard to conducting investigative work.

Each year, the investigation group customises training courses for different embassies and occupational groups within Sida, as well as for Sida's agreement partners.

PERSPECTIVE 2018

Specific initiatives

The investigation group has for a long period of time observed limitations and problems concerning investigative activities in countries and regions where, for example, there are armed conflicts. In 2018, Sida will designate a special project to highlight and identify new methods for monitoring results and for investigative activities in the context of "conflict environments characterised by security challenges". This is a comprehensive project with high priority from Sida's management.

In 2018, Sida's agreement templates will be reviewed to clarify the applicable requirements for Sida's agreement partners. The review will include a clarification of Sida's definition of corruption, to also cover abuse of power.

Continued proactive work

A significant part of Sida's budget is channelled through the multilateral system, including the UN. In January 2018, the investigation group, together with colleagues at Sida and the Ministry for Foreign Affairs, visited several UN organisations' functions within the areas of investigation, reporting, auditing and monitoring in New York to gain a better understanding of the UN system and to improve Sida's monitoring of these initiatives.

In 2018, Sida will implement training courses including anti-corruption and investigation to provide Sida's staff with a deeper understanding of these areas.

Furthermore, the investigation group will, within the scope of specific initiatives, continue to focus on departments, units or collaborative forms where the number of reported suspicions of corruption in relation to the scope of the initiatives are relatively few or show a decreasing trend.

Sida will develop and improve the collaboration with the Ministry for Foreign Affairs concerning the anti-corruption work and corruption investigations at foreign authorities where both Sida and the Ministry for Foreign Affairs are represented. This will be done through reviews of regulations, procedures and knowledge sharing.

The next meeting of the Nordic network of investigative functions will take place in Copenhagen in 2018. The investigation group also plans to participate in the International Anti-corruption Conference (IACC) in October in Copenhagen.

Challenges

Along with other donors, Sida notices an alarming trend in increased threats against auditors in the investigations. This hampers the investigative work and is a challenge that Sida needs to manage in the years to come. Another common challenge is how to handle the protection of whistle-blowers. In many contexts, whistle-blowers take great risks when they report suspicions of corruption and irregularities.

The audit instrument is an important tool in the monitoring of contributions, and Sida has been working for some time with, based on risk analysis, tailoring the terms of reference for the annual audit. Despite this, Sida's experience is that when internally-procured in-depth audits are performed, deficiencies are discovered that are not noted in the regular audit. Sida continuously develops methods for monitoring to address these challenges and continues to provide training initiatives for its staff.

The investigation group's assessment is that audit reports sometimes are unclear in their conclusions, which can contribute to difficulties in requesting for repayment.



Sida works on behalf of the Swedish Parliament and Government to reduce poverty in the world. This requires cooperation and perseverance. Through development collaboration, Sweden supports countries in Africa, Asia, Europe and Latin America. Every country is responsible for their development. Sida allocates resources and develops knowledge and competence. This makes the world richer.



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