



Photo: Ramon Sanchez Orense

ANNUAL REPORT 2021

Sida's handling of suspicions of corruption and irregularities in international development co-operation

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INTRODUCTION

Corruption is one of the biggest obstacles to reducing poverty and oppression. Corruption diminishes social trust and hinders economic growth and investment. When people lack trust in authorities, democracy weakens, and the misuse of funds limits access to health care, education, housing, food, water and sanitation.

Sida's work against corruption is a vital and integral part of our work for development, poverty reduction and against oppression.

Many countries where we operate are severely affected by corruption. Several of our partner countries appear at the bottom of Transparency International's corruption index. Our work against corruption as an obstacle to development is therefore very urgent.

It is equally important that we prevent and deal with corruption impacting our own operations. This report considers such cases. Transparency is an antidote to corruption and Sida as an agency must facilitate scrutiny and thus demonstrate our management of risks and instances where Sida's operations are exposed to corruption. To this end, we have published our annual corruption report since 2009.

We define corruption broadly. Most common are financial irregularities, such as funds used in ways other than as agreed with Sida or with one of Sida's many partner organisations, or funds embezzled using false invoices and receipts. But Sida also includes various forms of abuse of power, such as recruiting unqualified candidates based on their family or other private ties to the recruiter. Sexual exploitation, abuse and harassment (SEAH) can also be included in the statistics concerning irregularities in some instances.

In the context of the Coronavirus pandemic, some aspects of this work were made more difficult by the fact that it became more challenging to travel and to follow-up or audit activities on site. This contributed to adaptations in our methods and to the digitisation of parts of the investigation work. One result of this work is that, for the first time, we have been able to close more cases than we opened.

We are constantly improving our procedures, hiring more investigators to improve their availability and developing and publicising our whistleblowing functions. A large part of the increase in the number of cases is due to the fact that more people in partner organisations dare to report suspicions and know how to do so, with great confidence in our management. They know they can make a report without risk to themselves.

We have also confirmed many suspected instances of irregularities. Of the 374 cases closed in 2021, irregularities were confirmed in more than 60 per cent (228 cases).

With transparency and persistence, we continue to work towards eradicating corruption connected to development assistance and helping to reduce the incidence of corruption in the countries where we work. Together with our partner organisations, we continue our work to strengthen the rule of law and ensure equal opportunity all over the world.

Carin Jämtin
Director-General, Sida

"Sida's work against corruption is a vital and integral part of fighting poverty"



CASE NUMBERS

In 2021, Sida closed

374cases of suspected
corruption or irregularities,
compared to 184 cases
in 2020.

“The increase in the number of cases is due to increased awareness among partner organisations regarding the importance of acting and reporting on suspicions, as well as strengthened agreement arrangements and dialogue with partners and other donors.”

SUMMARY

Corruption is one of the biggest threats to fighting poverty. For poverty to be reduced and people's rights respected, corruption must be vigorously fought. Corruption diminishes social trust, and when people do not trust authorities, democracy is weakened. Corruption hinders economic growth and investment. Corruption limits access to health, education, housing, food, water and sanitation. Sida's approach is to always inform, never tolerate and always act on and investigate suspected instances of corruption..

All suspected cases of corruption or irregularities, regardless of size or scope, are investigated by Sida. Of the 374 cases closed in 2021, suspicions were confirmed in 228 cases (61%). In the remaining 146 cases, the investigation concluded that the suspicion was unfounded or could not be confirmed.

In 2021, the number of closed cases exceeded the number of new cases for the first time, and 374 cases were closed compared to 184 cases in 2020. The increase in the number of closed cases is primarily due to the fact that Sida has expanded and strengthened the investigation team from three to four investigators.

In 2021, repayment request was the single most common sanction, followed by capacity-increasing measures and dismissal/resignation from the organisation where errors have been committed. A total of SEK 49 million was recovered in 59 cases from Sida's agreement partners. The volume of individual repayment requests varies, and in 2021 amounts ranged between SEK 18 million and several hundred SEK. Capacity-increasing measures could be, for example, training or recruitment of new skills to organisations to improve their procurement, internal audits or similar.

In 2021, 303 new cases were registered. This is a decrease compared to 2020, when 326 cases were registered. In the three previous years, between 2017 and 2019, the number of cases remained relatively constant at around 260 cases per year, before increasing sharply in 2020 to 326. Although the number of cases has now decreased compared to 2020, the long-term upward trend is expected to continue. The increase over time is mainly explained by an increased awareness among partner organisations of the importance of acting and reporting on suspicions, as well as strengthened agreement arrangements and dialogue with partners and other donors.

The Coronavirus pandemic has coincided with an increase in the number of investigators, which has allowed the investigation team to be more accessible to the operational units at Sida. The pandemic may also have allowed programme managers to spend more time on analysis. Digitisation and other pandemic-related changes in working practices have increased the ability of Sida's partner organisations to engage in close dialogue with implementing organisations and, through this, to detect more suspicions.

The 303 cases registered in 2021 are spread over 148 active contributions. This means that just over 8 percent of all Sida contributions were subject to investigations in 2021. This figure can be considered relatively low, given the extent of corruption in many countries where Sida operates.

Misuse of funds and embezzlement were the most common suspicions in 2021. The number of suspected conflicts of interest increased during the year, while the number of suspected SEAH incidents remained at the same level as in 2020. In 2021, a total of 446 different suspicions were registered and there may be several suspicions within the same case.

Whistleblowers and regular follow-up are the most common tools for Sida's partner organisations to identify suspicions of corruption or irregularities. Geographically, countries in Africa continued to account for the majority (just over half) of cases in 2021, where the majority of Sida's contributions are also implemented.

SIDA'S HANDLING OF SUSPECTED CORRUPTION AND IRREGULARITIES

When a Sida employee has received a report or has identified suspected corruption or other irregularity, the employee is obliged to report the suspicion to Sida's investigation team and his/her immediate superior. If a suspicion is deemed credible and involves activities financed by Sida, Sida's investigation team opens a case, which is registered in a stand-alone case-management system.



Once a suspicion has been registered, Sida decides where and by whom an investigation shall be carried out. In many cases, the suspicion concerns third-degree implementing organisations, i.e., Sida's partner organisations have reported suspected corruption or irregularity by their implementing partner. For example, an international aid agency may report that an implementing organisation in a particular country demonstrates weaknesses in its procurement practices. In such cases, Sida usually assesses the partner organisation as best placed to investigate the suspicions, but it is important that Sida is continuously updated regarding the investigation and is given the opportunity to take a position on the partner organisation's actions on an ongoing basis.

In other cases, corruption and irregularities may be suspected in the partner organisation itself. In these cases, Sida may engage external auditors for part or all of the investigations. Alternatively, Sida's own staff investigates suspicions, using either investigators from the investigation team or other staff in the unit responsible for the contribution in question.

Regardless of who is responsible for the investigation, the vast majority of investigations start with a preliminary investigation. The preliminary investigation assesses the suspicion based on, for example, relevance and credibility. In addition, the preliminary investigation develops a plan linking the investigation activities to the overall objective of the investigation. The preliminary investigation may also include communications to inform the parties concerned by the investigation.

During the investigation, a hypothesis regarding what has occurred is created and tested. The hypothesis is tested by collecting data, assessing accounting and reporting documentation, auditing, evaluation and similar efforts, as well as by conducting field visits and interviews. Once the investigation has been completed, Sida decides on sanctions. If corruption or irregularities are confirmed, the sanctions may include repayment requests, or changes to or termination of contracts. The judicial system of the country concerned must be informed of suspected crimes, if this has not already been done previously in the process.

After the investigation, in the final stage of the process, lessons learned from the closed case are documented to contribute to improving the efficiency of Sida's working methods and to the development of methodologies.

"Once a suspicion has been registered, Sida decides where and by whom an investigation shall be carried out."

"During the investigation, a hypothesis regarding what has occurred is created and tested."

CASE NUMBERS

Total

303

cases registered in 2021

2021 CASE MANAGEMENT

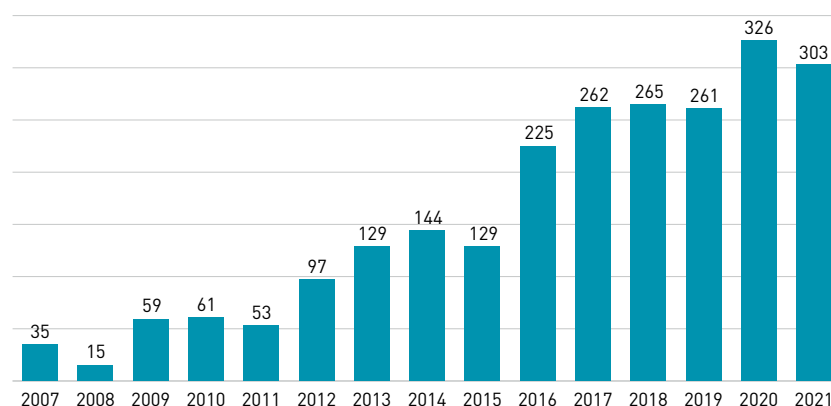
The statistics presented below relate to suspected corruption or irregularities registered as cases with the Sida investigation team in 2021. This includes how suspicions are detected and reported, the number of cases registered and cases closed, and the most common types of suspicions.

Number of registered cases

A total of 303 cases were registered in 2021. This is a decrease of 7 percent compared to 2020, when 326 cases were registered. As shown in the table below, the trend over time is a clear increase in the number of cases. Although the number of cases has now decreased compared to 2020, the long-term upward trend is expected to continue.

Sida's case-management system permits registration of several suspicions within the same case, i.e., suspected embezzlement as well as harassment. This means that the number of suspicions of corruption or irregularities may exceed the number of registered cases.

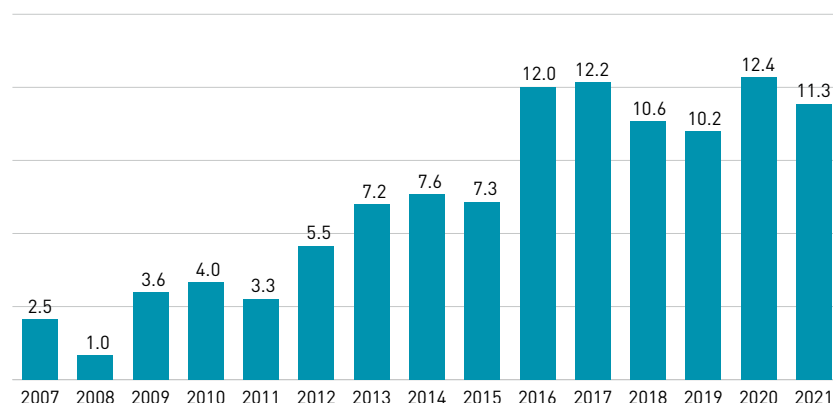
NUMBER OF REGISTERED CASES 2007–2021



"Compared to the previous year, Sida's distribution of development funds increased marginally in 2021, to 26.8 billion."

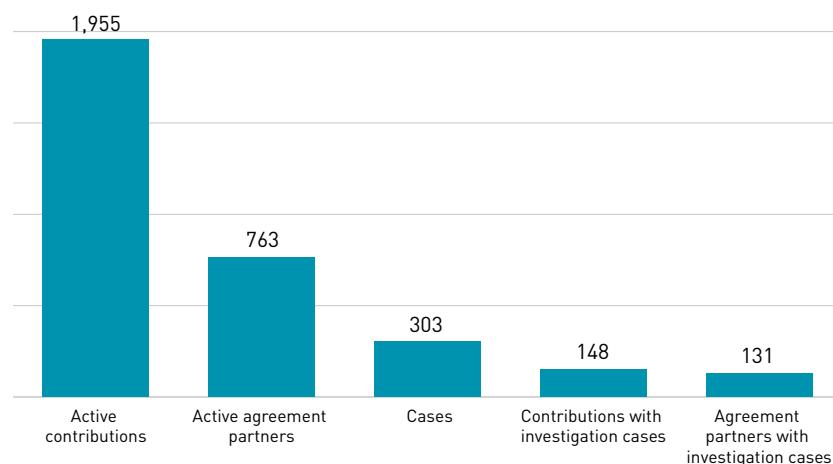
Compared to the previous year, Sida's distribution of development funds increased marginally in 2021, to 26.8 billion. This means that the number of cases per billion disbursed has decreased compared to 2020. However, observing the ten-year trend in the chart below makes it clear that an increase has occurred here as well. Sida believes that the increase over time is mainly explained by an increased awareness of the importance of acting on and reporting various types of suspected irregularities internally at Sida and at partner organisations. Sida has also continuously clarified agreement conditions and increasingly raised the issue of corruption and irregularities in dialogues with both partner organisations and other donors.

NUMBER OF CASES PER BILLION DISBURSED 2007–2021



The graph below shows the relationship between Sida's total contributions and the number of registered cases. Some contributions have many registered cases. Not infrequently, these are larger, global contributions where funds are channelled to third parties. In just over 8 percent of Sida's active contributions, suspicions have been identified that led to a case being registered, and 17 percent of Sida's partner organisations have ongoing cases. Sida considers the 8 percent rate of suspected – but not yet confirmed – suspicions across all Sida contributions in 2021 to be a relatively low figure, although what constitutes a reasonable or expected proportion has not been established. Eight percent of Sida's active contributions registered suspicions in 2020 as well. Given the presence of corruption in many of Sida's partner countries and the increased focus in recent years on cooperation with conflict and post-conflict countries where corruption is particularly evident, an under-reporting of suspicions should be expected.

CASES IN RELATION TO SIDA'S 2021 PORTFOLIO



REGISTERED CASES

In 2021

446

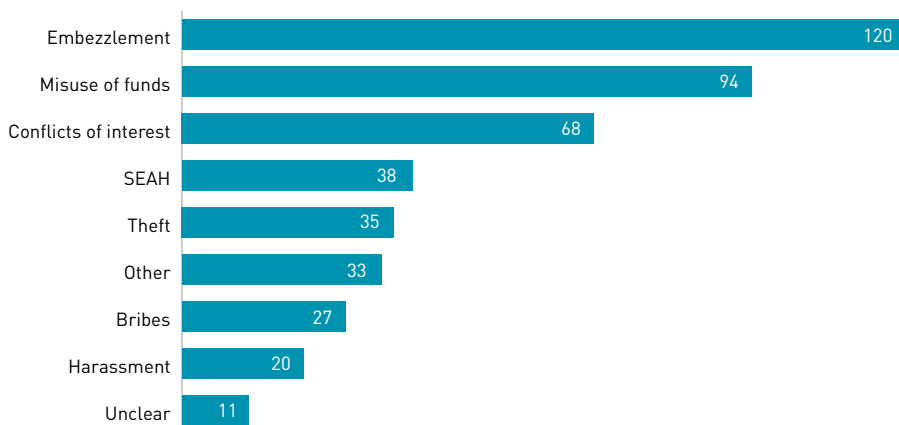
suspicious were registered
in 303 cases**What is suspected in the cases?**

Since 2020, several types of suspicion can be registered in the same case. In 2021, 446 different suspicions were registered in 303 cases, and reports of embezzlement and/or misuse of funds remain most common. In total, 94 suspicions of misuse of funds and 120 suspicions of embezzlement were reported in 2021. This means that more than 30 percent of all cases involved suspected misuse of funds and almost 40 percent of all cases involved suspected embezzlement.

In 2021, the number of suspected conflicts of interest reported also increased from 50 in 2020 to 68 in 2021. This is likely a direct effect of the fact that cases often contain several different suspicions that are now visible in the statistics. Previously, only one suspicion per case was recorded in the system.

In 2021, the number of suspected SEAH incidents remained at the same level as in 2020, with 38 reports of suspicions. This can be compared to the 50 percent increase observed in 2019 when the investigation team started to distinguish SEAH from other types of harassment. Statistics remain insufficient to draw any conclusions from this reporting, but the investigation team sees a trend of increased awareness and willingness among partner organisations to report such suspicions to Sida, which is positive. To manage a greater number of SEAH cases and maintain a high-quality advisory capability, three of four investigators in the investigation team have undergone special continuing professional development in the investigation of this type of case in 2021.

REGISTERED SUSPICIONS 2021



Cases categorised as “unclear” may involve suspicions which, upon reporting, cannot be fully established and must be investigated and then re-categorised. “Other cases” may include, for example, cases where partners have been placed on sanctions lists, or cheating in the context of research, falsified CVs in recruitment and the like.

It is also worth mentioning that, as the responsible government agency for development cooperation, Sida registers all types of suspicions regardless of size or scope, as long as it is suspected that contributions supported by Sida have been affected. A registered case can therefore involve anything from simple matters, such as suspected theft of petrol or animals or double-billed bus tickets to the sophisticated embezzlement of large sums.

How Sida detects suspicions

In 2021, 77 percent of all registered cases were reported by Sida's partner organisations and the corresponding figure for 2020 was 75 percent. As in previous years, a significant majority of suspicions are reported to Sida in this way.

As expected, Sida's partner organisations account for the majority of reports to the agency, as they are closest to the activities and Sida has assessed that they have the capacity and capability to work on corruption issues in their entirety, i.e., prevention as well as investigation. Sida also stipulates in cooperation agreements that partners follow up activities and make prompt notification of any suspicions within organisations or activities receiving support from Sida.

External whistleblowers directly inform Sida of suspected corruption and irregularities in 12 percent of cases. The corresponding figure for 2020 was 13 percent. Sida's external whistleblowing channel is particularly important as a complement to the regular reporting channels between Sida and partner organisations. Both external and internal complainants can communicate suspicions to investigation@sida.se.

In 3 percent of cases, suspicions are detected by Sida's partner organisations through audits, the same figure as in 2020. There are relatively few cases detected in Sida's regular follow-up (3%) of contributions, although there has been a marginal increase compared to 2020, when the corresponding figure was 2.6 percent.

In-depth financial monitoring, spot checks, financial field visits and coordination with other donors are methods that have proven effective in both deterring and detecting irregularities. Sida is working to continue to strengthen this capacity through increased presence, and field visits are expected to increase to sites that could not be reached during the Coronavirus pandemic.

The investigation team occasionally receives information from several different reporting channels during an investigation, in which case the first channel used is recorded. Sida wishes to emphasise the importance of individuals having the courage and ability to report suspected corruption or irregularities, and is working to ensure the safety of whistleblowers.

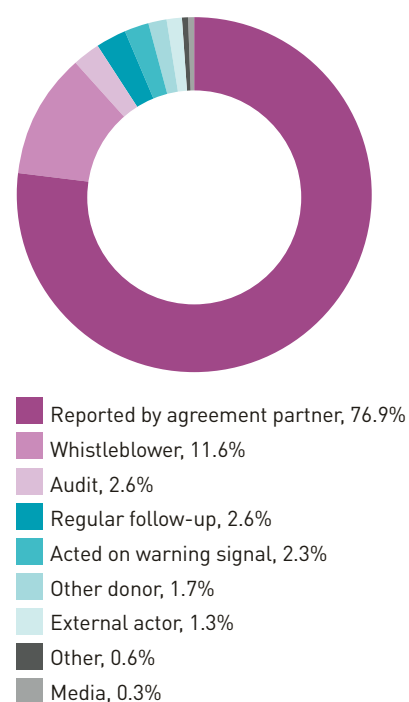
How Sida's agreement partners detect suspicions

The investigation team maintains statistics about how Sida's partner organisations learn of suspected corruption and irregularities leading to registered cases. As in previous years, whistleblowers (29%) and regular follow-up (24%) are by far the most common tools used by Sida's partner organisations to identify suspected corruption or irregularities.

However, different agreement partners detect suspicions differently. International aid actors and multilateral organisations are more likely to learn of suspected wrongdoing via their own regular follow-up and by acting on warning signals, while smaller civil society organisations mainly learn of suspicions through whistleblowers. Because international aid actors and multilateral organisations usually receive more aid funds and have larger and more specialised staff than smaller civil society actors (even if these can also be very well organised), they are expected to generally have a greater capacity to detect and manage suspicions through regular follow-up.

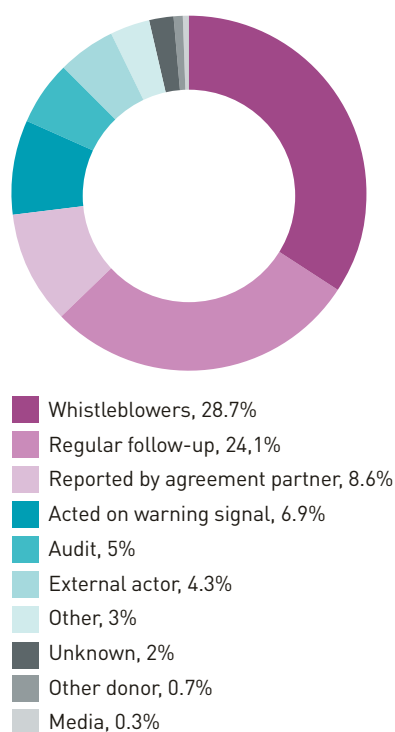


HOW SIDA LEARNS ABOUT CASES, 2021



"As in previous years, whistleblowers and regular follow-up are the most common ways to detect corruption and irregularities."

HOW PARTNERS LEARN OF CASES, 2021



The vast majority of registered cases at Sida concern civil society organisations. Approximately the same amount of funds was disbursed to civil society organisations as to multilateral organisations in 2021. The difference in the number of suspicions between different types of organisations can be explained by two root causes: reporting requirements and capacity. Civil society organisations have a clear requirement to report and promptly act on all suspicions to Sida. International aid actors have the resources and capacity for internal management and control, allowing a higher reporting rate. The multilateral organisations of the United Nations and the World Bank Group have robust systems of special investigative and anti-corruption functions as well as internal auditors who review activities with the purpose of preventing and detecting corruption. By contrast, multilateral organisations do not have the same reporting requirements as other agreement partners, since their agreements are negotiated centrally between member states and the organisations. In order to ensure the quality of their work, Sida monitors them on an ongoing basis to ensure their ability to manage Sweden-funded development assistance. This is done, for example, through structured assessments focusing on internal governance and control, through governance work and in cooperation with other donor countries.

Geographical distribution

This map provides a geographical overview of cases reported to Sida and shows registered cases based on where the suspicion arose. The fact that countries such as Sweden, the United States and the United Kingdom are marked means that the suspicion can be linked to an office belonging to a partner organisation or a partner organisation in one of these countries.

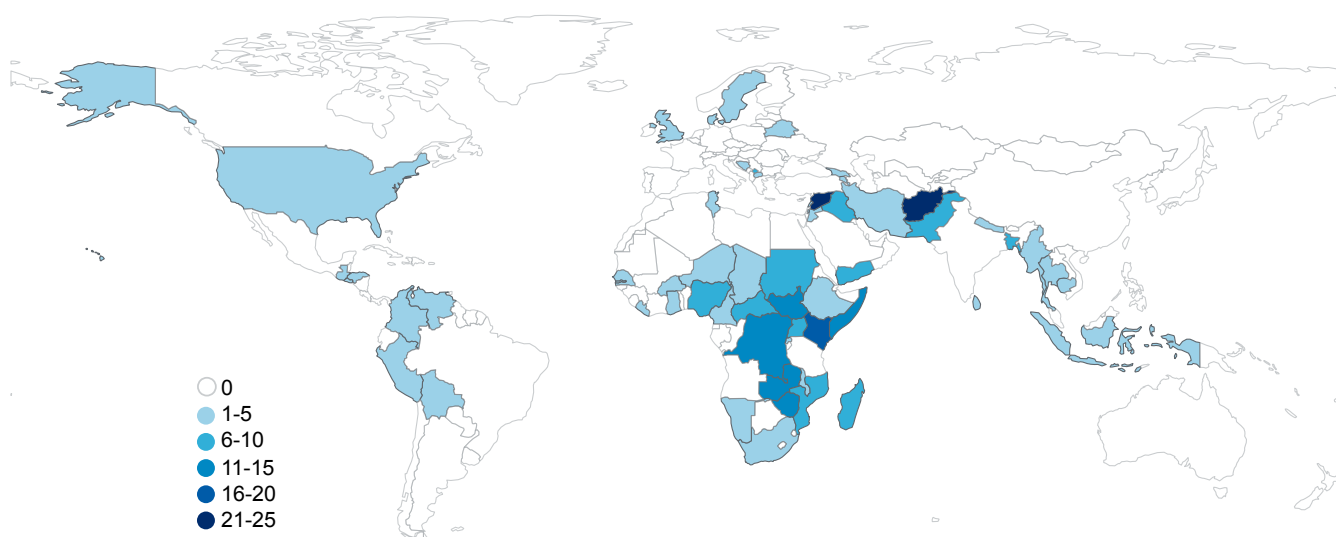
In 2021, Afghanistan, Syria and Kenya had the highest number of reported cases. Cases reported in both Afghanistan and Syria have increased since last year, while the number of cases related to Kenya slightly decreased. The increase in reporting in Afghanistan is largely due to improved dialogues regarding irregularities with local organisations in the country, which has contributed to an increase in the number of reported cases. Sida does not see that the increase is related to the fall of the regime or events in Afghanistan in the autumn of 2021.

As the map shows, countries in Africa still account for the majority of cases (54%). Africa is also the continent that receives the largest share of Swedish aid. In addition to Kenya, Somalia, South Sudan, Zambia, Zimbabwe, the Democratic Republic of the Congo and Mozambique are greatly represented. Uganda, however, has reduced the number of cases from 18 to 8 between 2020 and 2021.

Humanitarian crises and conflicts often present a risky environment for corruption, where follow-up opportunities are difficult and states have a weakened or even non-existent capacity to counter corruption. Several of the countries most frequently involved in cases also rank at the bottom of Transparency International's Corruption Perception Index.

In Latin America, an increase was seen in 2021. 13 cases are located in Latin America. The corresponding figure in 2020 was four. Sida sees the increase in the number of cases in Latin America as progress in relation to the underreporting that is likely to have taken place in previous years.

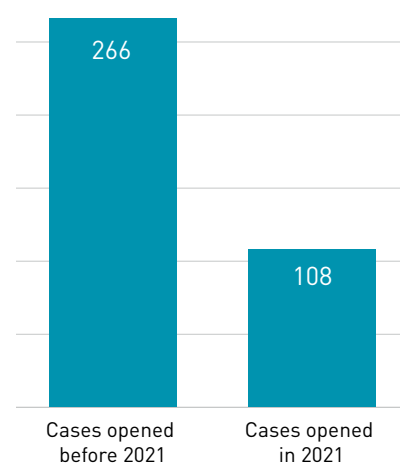
GEOGRAPHICAL DISTRIBUTION OF CASES, 2021

**Closed cases**

In 2021, a total of 374 cases were closed. This is twice as many as in 2020, when 184 cases were closed. This increase means that, for the first time, more cases were closed than opened in a given year. Of the 374 cases closed in 2021, 108 were opened in 2021 and 266 were opened in previous years.

In 2021, the staff resources of the investigation team were increased from three to four investigators. This is a welcome and necessary increase. This increase in resources has enabled the investigation team, together with the responsible operational unit, to reduce the number of older open cases. Work continues on the simplification of administrative procedures in order to maximise investigation time and high-quality advice to operational activities. The new IT-based case management system used by the investigation team has contributed to increased efficiency and the system is in continuous development for improved adaptation to the needs of Sida's operations.

NUMBER OF CASES CLOSED IN 2021



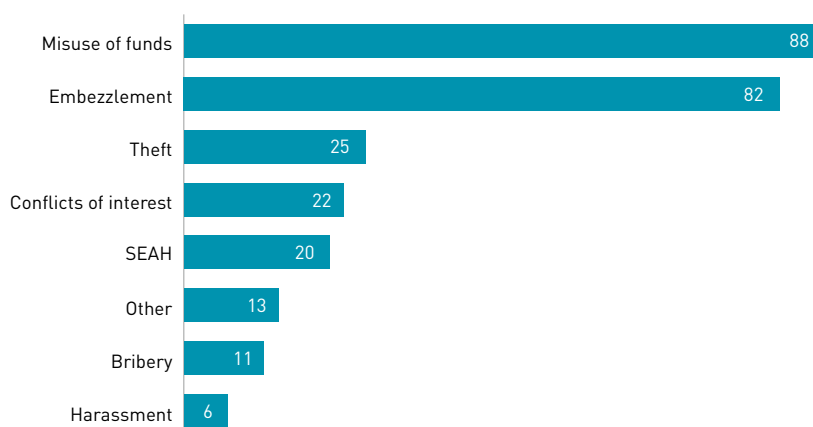
"Misuse of funds is the most commonly confirmed suspicion."

Confirmed suspicions

Of the 374 cases closed in 2021, suspicions were confirmed in 228 cases (61%). In the remaining 146 cases (39%), the suspicions could not be confirmed. Most commonly, an investigation is carried out which shows that the suspicion is unfounded.

Misuse of funds is the type of suspicion most commonly confirmed, appearing in 88 of the 228 cases closed, followed by embezzlement (82) and theft (25). Misuse of funds and embezzlement were also the types of suspicions most commonly confirmed in 2020, followed by conflicts of interest.

MOST COMMONLY CONFIRMED SUSPICIONS, 2021



Sanctions

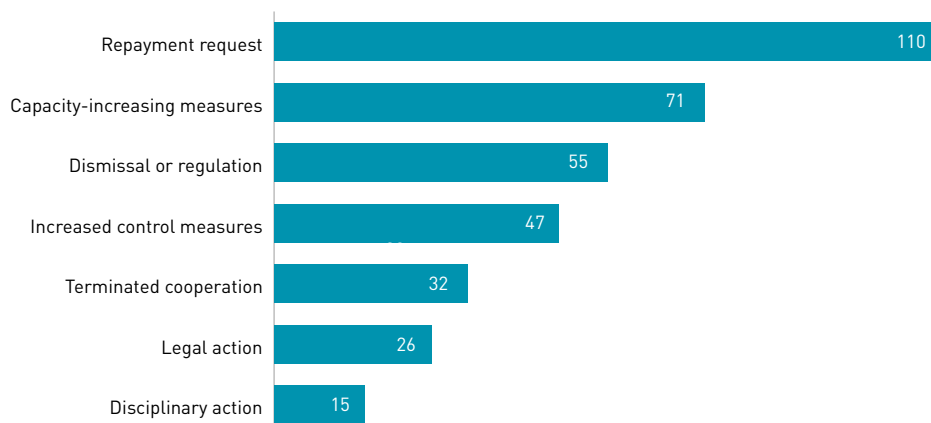
Sanctions for confirmed breaches of contract may be imposed both on Sida's partner organisations and/or downstream in the implementing level. The statistics in this section provide an aggregate picture of the impact of sanctions both in relation to Sida's partner organisation and the implementing organisation. The investigation team plans to implement updates to the case-management system in 2022 to better follow up the sanctions decided on by Sida and by Sida's partner organisations.

Upon confirmation of suspicions, sanctions are decided on that vary according to several factors – including the type of suspicion, the seriousness of the breach of agreement and whether it concerns intent or negligence. In addition, differences in the structure of the contribution or the agreement relationship may affect the sanctions that are applied.

If the suspicion that has been confirmed occurred in a downstream implementation partner, it may lead to the termination of an agreement with that organisation or the withholding of funds from Sida's partner organisation even if Sida continues cooperation in accordance with the agreement. Sida can also condition the continued cooperation with the partner organisation on capacity-building measures. Sida can also choose to strengthen follow-up through additional checks. It is therefore common for cases where suspicions have been confirmed to lead to several different sanctions.

"Cases where suspicions are confirmed commonly lead to several different sanctions."

SANCTIONS BY TYPE, 2021, CASES CLOSED



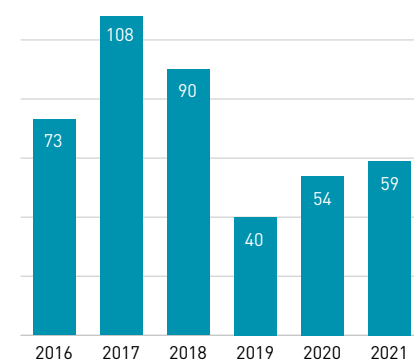
In 2021, repayment request was the single most common sanction (110), followed by capacity-increasing measures (71) and dismissal/resignation (55). These sanctions were also the most common in 2020. Capacity-increasing measures mean that the organisation where the shortcomings occurred can receive special training or that Sida requires them to hire staff with specific skills that the organisation lacks, for example to correctly carry out procurement or auditing.

In cases where embezzlement or misuse of funds has been confirmed, the sanction of repayment request is imposed in about 65 percent of cases. The sanction of repayment request includes repayment requests to Sida partner organisation but also repayment requests made by a Sida partner organisation to their implementing partner. 13 percent of cases where suspicions were confirmed led to a terminated agreement but this is usually with the implementing organisation and not with Sida's direct partner organisation.

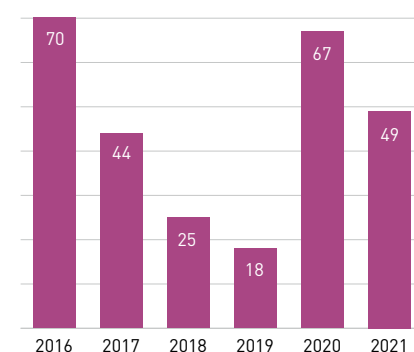
As in 2020, about one in ten suspicions that are confirmed lead to legal action. The reasons for this vary. A breach of contract in the contribution need not constitute a criminal offence, and in other cases there is insufficient basis in an investigation to substantiate criminal charges. However, the basic rule in Sida's agreements is that measures taken must include legal action in the country concerned, where warranted. In some cases, there may be reasons to refrain from, for example, reporting a crime to the police even if a crime is suspected, for example, if there is no established rule of law or if there are obvious risks in terms of human rights or retaliation against whistleblowers. Each case must be assessed on its own merits and in dialogue with Sida's investigation team. However, it is the assessment of the investigation team that in some cases partner organisations have chosen not to report offences to the police for other reasons. These may be concerns regarding a costly and/or time-consuming process, concerns regarding negative effects on the implementation of other activities, but also pure reputational or brand risks for the organisation.

In the event of breach of agreement due to corruption, misuse of funds or other irregularities, repayment request shall be made and funds shall be reimbursed. In 2021, a total of 59 repayment requests for a total of SEK 49 million were ordered of Sida's partner organisations. The two largest repayment requests were for SEK 18 and 12 million respectively, and the smallest for a few hundred SEK.

NUMBER OF REPAYMENT REQUESTS



VOLUME OF REPAYMENT REQUESTS (SEK 1M)



Sida works on behalf of the Swedish parliament and government to reduce poverty around the world. This requires cooperation and perseverance. With development cooperation, Sweden supports countries in Africa, Asia, Europe and Latin America. Each country is responsible for its own development. Sida provides resources and develops knowledge and skills. This makes the world a richer place.



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