



ANNAUL REPORT 2014

Sida's handling of suspicions of corruption

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SUMMARY

In 2014 Sida increased the transparency into its handling of suspicions of corruption by publishing summaries of concluded cases, i.e. concluding memorandums on Open Aid.

Sida received 144 reports of suspicions of corruption during the year which led to some form of investigation. 42 of these relate to suspicions within Sida's framework organisations. Such reports are investigated independently by the framework organisations and are therefore reported separately in this report.

Sida received 36 reports via the whistleblowing function, of which 24 were expressions of dissent and were rejected directly.

The majority of the reports relates to cases where partners are suspected of having used Sida funds for non-intended purposes and cases of suspected crime.

During the year, Sida reclaimed funds equivalent to SEK 25,070,960 from partners in 26 cases.

Of the year's reports (102), 50 investigations were completed and concluded during the year compared with 45 in 2013. A total of 101 investigations were completed or concluded during the year.

Sida has obtained improved possibilities for accessing information regarding the World Bank's corruption investigations after signing a Memorandum of Understanding regarding information sharing.

In addition to Sida's regular follow-up and anti-corruption work, Sida's investigation group has begun using proactive methods such as in-depth reviews to uncover suspicions of corruption in Sida-funded contributions. The investigation group's continued focus on selected departments/units, more close-knit collaboration and customised training, has led to an increase in the number of cases of suspicions of corruption being reported this year in these departments/units.

CORRUPTION INVESTIGATIONS 2014

Sida has reclaimed approx.
SEK

25,1
million

144 reports of
suspected
corruption

101 investigations
completed and
concluded

Sida has increasing the transparency into the handling of cases of suspicions of corruption by publishing summaries of concluded cases, i.e. concluding memorandums, on Open Aid.

***SIDA'S ANTI-CORRUPTION RULE**

The main message of the rule is to *Always prevent, Never accept, Always inform* and *Always act* on suspicions of corruption.

All employees are obligated to report all suspicions of corruption and other irregularities to Sida's investigative function.

INTRODUCTION

Sida operates in environments where corruption is widespread and the agency therefore has a well-developed regulatory framework and system for handling corruption issues. As soon as suspicions of corruption or other irregularities arise, they are investigated promptly. Payments are stopped while the investigation is ongoing. If misuse of funds is proved, funds are reclaimed and measures taken to prevent corruption in future.

Sida's anti-corruption rule* is the basis of Sida's work to combat corruption and other irregularities in the operations.

The concept of corruption is not defined in Swedish law. Sida defines corruption as abuse of trust, power or position for improper gain.

Sida has a special and independent function, the Investigation group, for handling suspicions of corruption.

The group consists of three people with expertise in corruption investigation, finance, auditing and law; it is placed at the Director General's Office and reports directly to the Director General.

The Investigation group handles all cases of suspicions of corruption in accordance with adopted procedures, which aim to ensure that cases are handled in a uniform, legally secure and prompt manner. According to the routines which are illustrated on the next page, the Investigation group receives reports and conducts investigations aimed at obtaining adequate source material for Sida to establish that a breach of contract has occurred and to decide which measures should be taken. An investigation can include both internal and external reviews and audits. Measures include Sida withholding payments, reclaiming paid funds, terminating agreements and reporting cases to the police or prosecution authority.

In cases where the suspicion of corruption lies with a partner that is responsible for forwarding Sida's funds, the Investigation group ensures that Sida's partner handles the case in accordance with Sida's requirements.

The Investigation group does not have a mandate to investigate cases of suspected crime: they should be reported to the police or prosecution authority.

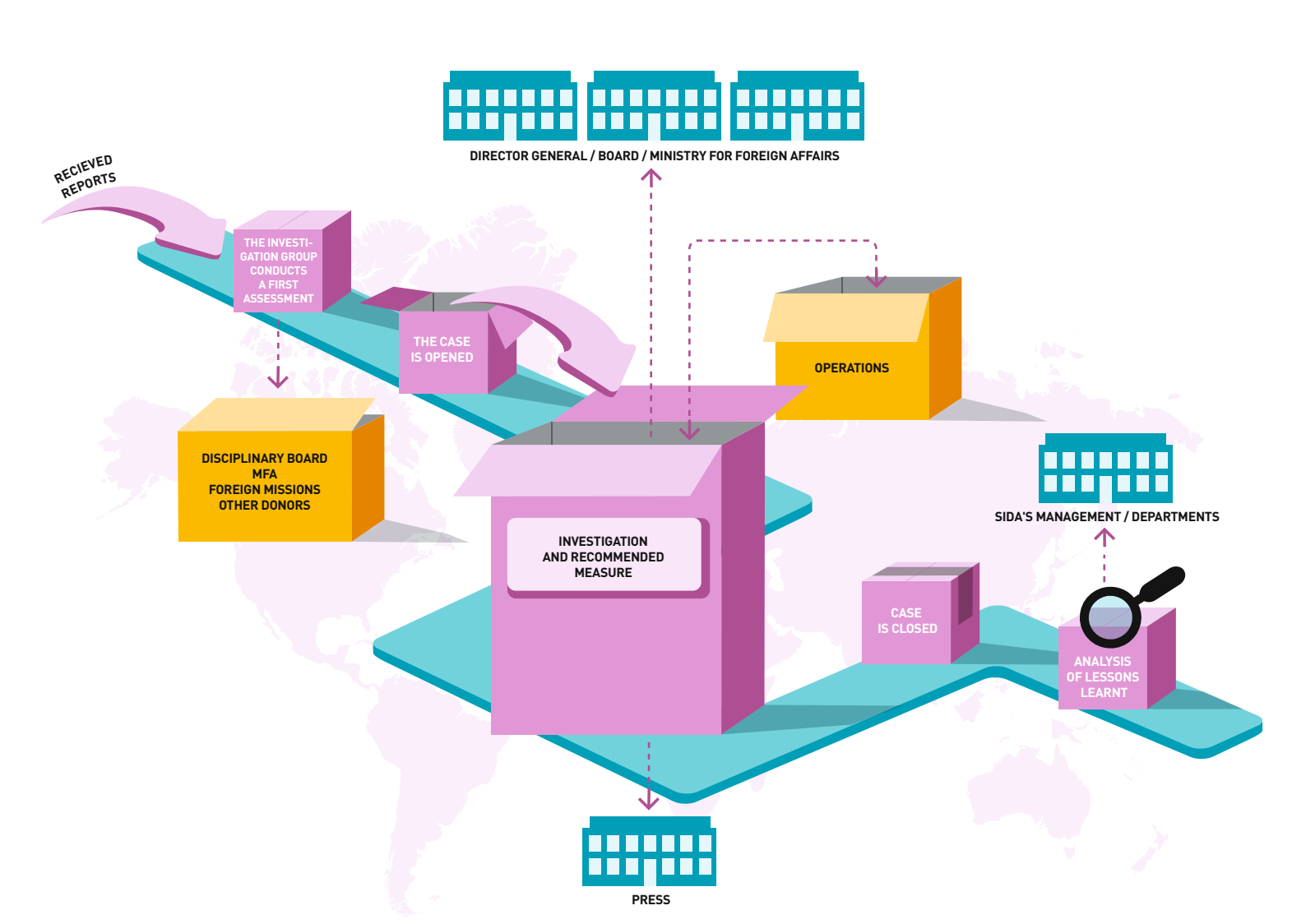
Each report is initially assessed to determine whether it is inside the Investigation group's assignment. If not, the report is forwarded to Sida's Staff Disciplinary Board or the Ministry for Foreign Affairs.

The Investigation group coordinates all corruption investigations and has an advisory role to the department affected by a case.

During an investigation, the group keeps Sida's management and the media service informed about the case. When the investigation has been completed, the Investigation group sends written recommendations to the manager in charge regarding the measures that should be taken.

The manager in charge makes a decision about which steps should be taken in consultation with the Investigation group. The Investigation group concludes the investigation and summarises the lessons that can be drawn from the case in a concluding memorandum. The concluding memorandum is published on Open Aid after the investigation is completed provided the matter is not subject to confidentiality.

PROCESS FOR HANDLING SUSPICIONS OF CORRUPTION



SPECIAL ISSUES IN 2014

Publication of concluded investigations on Open Aid

After conducting an investigation, the Investigation group writes a concluding memorandum which includes a brief summary of the measures and suspicions, which measures have been taken and the conclusions and lessons that can be learned from the investigation.

To increase the transparency into Sida's anti-corruption work, these concluding memorandums are published on Open Aid.

<http://www.openaid.se/sv/corruption-reports/>.

Increased information-sharing with the World Bank's investigation unit

In Sida's cooperation with multilateral organisations such as the World Bank and the UN, Sida has limited transparency into how these organisations handle suspicions of corruption. As part of the process of improving transparency, Sida and the World Bank's investigation unit (Integrity Vice Presidency) have concluded a Memorandum of Understanding to share information about current corruption investigations. Sida has previously signed a Memorandum of Understanding regarding information sharing with the European Anti-Fraud Office, OLAF.

CASE HANDLING IN 2014

This section presents the year's figures from handled corruption cases. Since Sida started collecting and reporting information on corruption cases in 2007, reorganisations and other changes to the operations have made it difficult to compare figures over time. This report therefore presents an overall view of the patterns that can be observed in Sida's corruption cases, incorporating the figures for this year and previous years.

Cases of suspicions of corruption that arise in development cooperation contributions among Sida's framework organisations within civil society are handled differently than those described above. The framework organisations shall investigate suspicions of corruption independently and keep Sida informed about the investigation and measures taken.

These reports are therefore presented in a separate section, see also *Aid to Sida's framework organisations*.

Reports

In 2014 a total of 144 suspicions of corruption were reported to Sida. In 2013 the equivalent figure was 129, which shows that the number of reported cases continues to increase.

Sida previously included expressions of dissent through Sida's whistleblowing function in the total number of reports, but as they are rejected directly, they are not included in the combined figure.

The comparative figures for 2013 and 2012 have been adjusted. In 2014 a total of 36 reports were received via the whistleblowing function of which 12 were cases of suspicions of corruption. In 2013, 20 reports were received via the whistleblowing function, of which 9 were cases of suspicions of corruption.

Of the 144 reported cases, 42 are being investigated by Sida's framework organisations and are reported separately; see also *Aid to Sida's framework organisations*. There are therefore 102 suspicions that are reported hereinafter.

During the year, 50 investigations of reported cases during the year were concluded compared with 45 during 2013. In total, 101 cases were concluded in 2014 compared with 60 cases in 2013. Sida strives to conclude the average investigation within one year from being reported. There were 75 ongoing investigations at the end of the year.

REPORTED CASES OF CORRUPTION 2014

There were

144

cases of suspected
corruption

of which

12

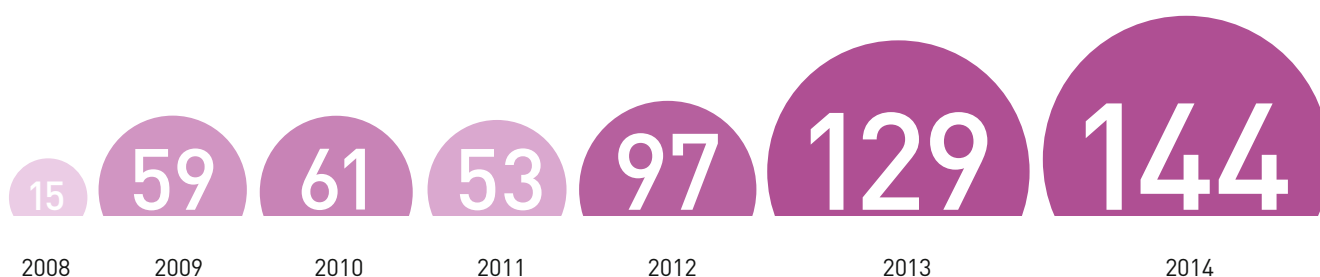
were reported via the
whistleblowing system

and

42

relates to Sida's
framework organisations

REPORTS OF CORRUPTION CASES 2008–2014 (INCLUDING FRAMEWORK ORGANISATIONS)



WHO REPORTS CORRUPTION?

82

of 102 suspicions
are reported by Sida's own
officers and managers

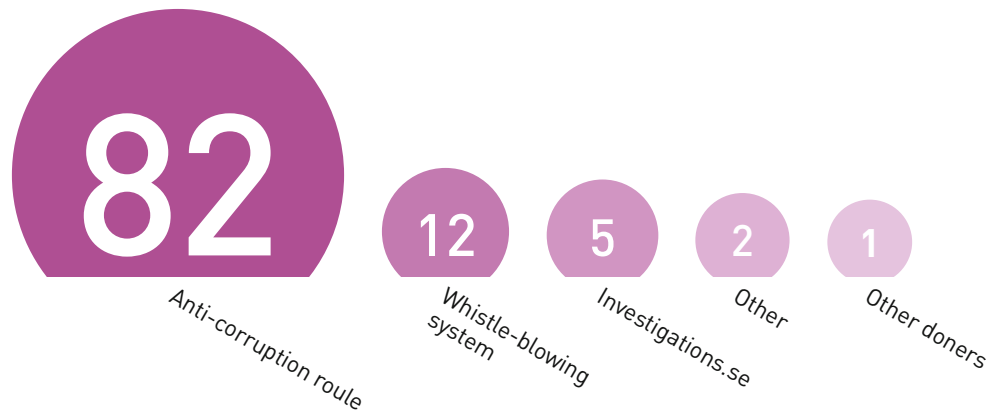
Who reports suspicions of corruption?

The great majority of incoming reports (82 of 102) on suspicions of corruption were made by Sida's officers and managers in accordance with the anti-corruption rule.

Of the 82 reports made by officers and managers, suspicion in 77 cases emerged during the standard monitoring of initiatives. They acted on warning signals in the written reporting, audit reports or in the dialogue with the partner and contacted the Investigation group.

In the remaining 15 reports which were received by officers and managers, they were tipped off externally, after which the tip-offs were forwarded to the Investigation group. The fact that most reports are received by Sida's own staff shows that the control system is working. The number of reports received via the whistleblowing system after removing expressions of dissent remains relatively unchanged at 12 reports in 2014 compared with 9 the previous year.

WHO REPORTS SUSPICIONS OF CORRUPTION?



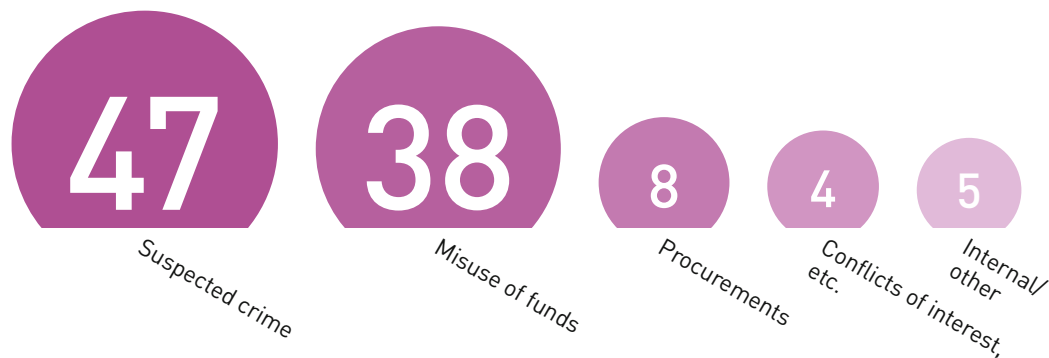
Type of corruption

Many reports contain suspicions of different nature and it is not until the investigation has been concluded that Sida can claim which type of corruption existed in the individual case. In light of this and taking into consideration that the investigation is still ongoing in many of the year's reports, Sida can confirm that these reports largely concern suspected crimes and misuse of funds. It is noteworthy that only eight of the reports concern suspicions of corruption in procurements, as the risk of corruption in procurements is particularly prominent.

"Conflicts of interest, etc" refers to reports concerning corruption internally among partners, which can include impartiality, nepotism and improper employments.

It is noteworthy that only eight of the reports concern suspicions of corruption in procurements, as the risk of corruption in procurements is particularly prominent.

TYPES OF CORRUPTION

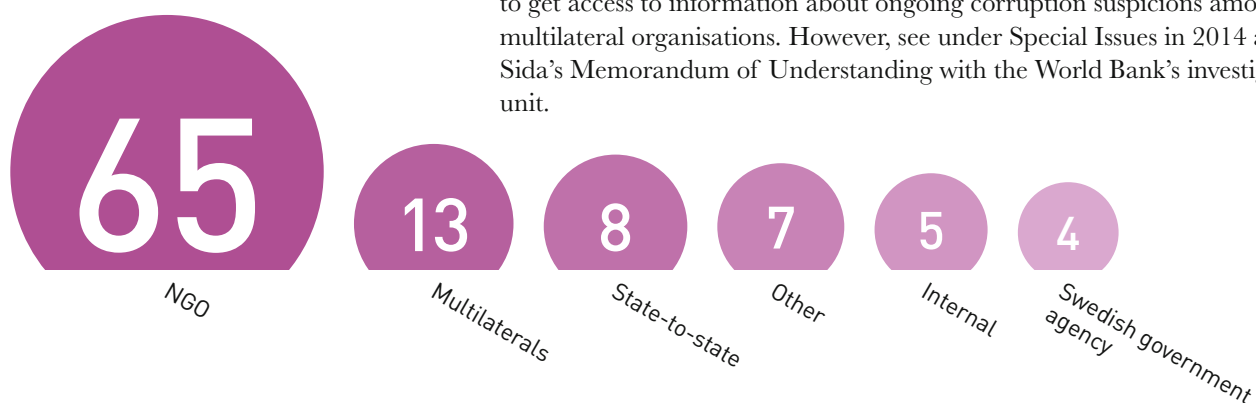


Partners

When it comes to the number of suspicions of corruption among Sida's partners, the majority relate to non-governmental organisations (NGOs), followed by multilateral organisations and other states.

Sida's partners are required either to use the funds for their own operations or forward them to other organisations. 57 of Sida's 102 suspicions of corruption which were reported concern forwarding organisations (42 NGOs, 12 multilaterals, 2 Swedish government agencies and 1 other state). In these cases the suspected corruption may have occurred in an organisation which has forwarded Sida's funds and which is thus not Sida's direct partner.

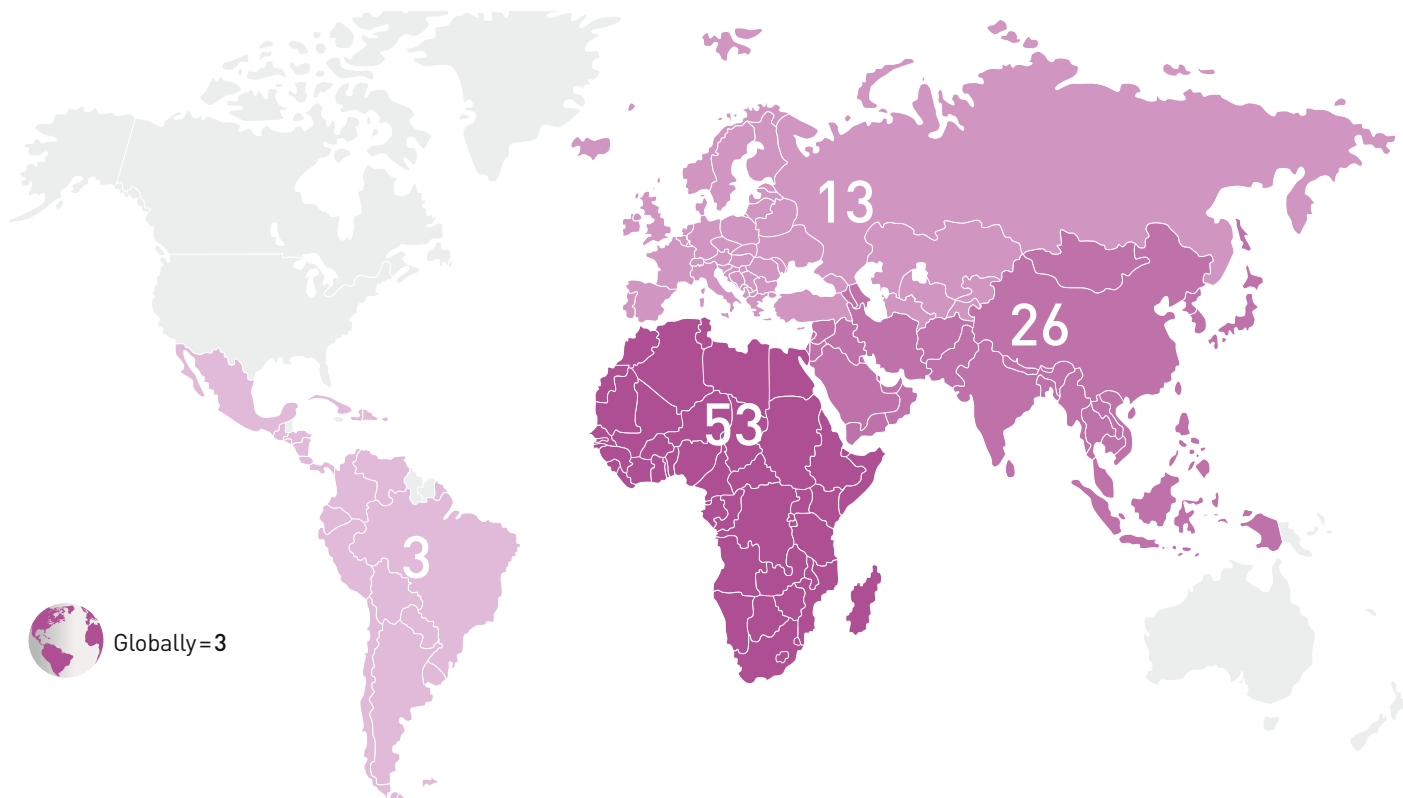
PARTNERS



It is reasonable to assume that most reports concern NGOs as they account for the majority of Sida's partners and their agreements have clearest regulations about the obligation to report suspicions to Sida. During the year, 13 reports were received from Sida's cooperation with multilateral organisations. However, this figure is deemed to be uncertain as it is difficult for Sida to get access to information about ongoing corruption suspicions among multilateral organisations. However, see under Special Issues in 2014 about Sida's Memorandum of Understanding with the World Bank's investigation unit.

Distribution among continents

The number of reported cases of suspicions of corruption is highest in Africa for natural reasons as Sida has the greatest number of contributions there. The reports regarding Asia and Africa are on roughly the same level as the previous year, while the number of reports from Europe has increased, which is partly attributable to the Investigation group's specific initiative on the European cooperation, see also under *Other observations*.



Measures taken

Common measures taken by Sida are withholding payments, reclaiming paid funds, terminating agreements and reporting cases to the police or prosecution authority.

In cases where the suspicion of corruption lies with a partner that forwards Sida's funds, the Investigation group ensures that Sida's partner handles the case in accordance with Sida's requirements.

Withholding and reclaiming funds are two of the most important measures that Sida has for ensuring that partners use received funds for agreed purposes. At the end of 2013, Sida's rule for managing contributions was clarified with a supplement that stipulated that Sida shall, as a rule, reclaim funds that have been used for non-intended purpose and will only refrain from reclaiming funds in cases where there are special reasons for doing so. During the year Sida has reclaimed funds in 26 cases for a total of around SEK 25,070,960. Fund reclaims also include cases where Sida's partner has reclaimed funds from its forwarding party and used the funds for agreed purposes and cases where Sida has offset reclaims against upcoming payments.

There was one case where a reclaim was not possible as the agreed budget was not sufficiently clear about what was included in the overhead expenses.

When there is suspicion of a crime in a corruption investigation, Sida or Sida's partner shall report it to the police or prosecution authority. As Sida now publishes concluded investigations on Open Aid and they specify which measures have been taken, the Investigation group lists the concluding memorandums as the primary source of reference.

Aid to Sida's framework organisations

The number of corruption investigations among Sida's framework organisations is relatively constant and in 2014 there were 42 corruption investigations compared to 35 in 2013. Two-thirds of the year's cases relate to suspicions of corruption in Africa. Misuse of funds and suspected crimes comprise the most common type of corruption. In twelve cases, framework organisations have reclaimed funds from partners totalling approximately SEK 735,000.

MEASURES

Sida has reclaimed funds in

26

cases

FRAMEWORK ORGANISATIONS

There were

42

investigations in 2014 compared to 35 in 2013

Other observations

As the number of reported suspicions of corruption has decreased in Europe in 2013, the Investigation group decided to focus particularly on the European cooperation in 2014. This focus entailed a closer cooperation between managers and officers at Sida's units and the Investigation group, participation in departmental and unit meetings and visits to two embassies: Serbia and Albania. During these visits, a number of in-depth reviews of Sida's partners were carried out and a customised training programme was conducted at the embassy in Belgrade. Reported cases of suspicions of corruption increased from 6 in 2013 to 13 in 2014.

One observation that was made in several of this year's investigations was that the budgets for the contributions have not been specified in sufficient detail to allow follow-up. This means that the budgets, during the execution of the contributions, did not serve as support to assist Sida's officers in their follow-up work while also increasing the possibilities for partners to use Sida's funds for non-intended purposes.

Unspecified budgets that lack clear details about which costs are included as overhead expenses and/or personnel expenses make it difficult for Sida to reclaim funds in cases where Sida's partners have included costs that were not intended but are within agreed budget amount.

A number of investigations this year showed there were shortcomings in the agreements that Sida has drawn up with its partners. These shortcomings included the lack of a right to withhold funds and the lack of a right to reclaim misused funds, which makes it difficult for Sida to take steps when tackling confirmed cases of corruption.

Planned initiatives in 2015

The Investigation group will continue to actively contribute to an approach that entails acting early on warning signals during the contribution cycle for the purpose of minimising corruption risks. The Investigation group will also be conducting in-depth reviews for proactive purposes.

The Investigation group will also be focusing on departments/units or cooperation forms in which the number of reported suspicions are relatively few or have decreased.

In Sida will 2015 will begin negotiations regarding the sharing of information in ongoing corruption investigations with the UNDP's Investigations function.

For more detailed information about concluded and completed investigations, please go to Open Aid:
<http://www.openaid.se/sv/corruption-reports/>

Sida works according to directives of the Swedish Parliament and Government to reduce poverty around the world, a task that requires cooperation and persistence. Through development cooperation, Sweden assists countries in Africa, Asia, Europe and Latin America. Each country is responsible for its own development. Sida provides resources and develops knowledge, skills and expertise. This helps to increase the world's prosperity.



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