Pakistan Anti-Fraud Hotline (AFH)

Daniel Altman, Special Agent-in-Charge, USAID OIG
Summers of 2010 and 2011 – Pakistan Floods
International Response to Floods

**Impact**
- 2,000 deaths
- 8 million people affected
- Over 1 million houses destroyed
- 4.5 million displaced persons
- Over 5,000 schools damaged
- 7.9 million acres of crops destroyed

**Response**
- Bilateral disaster relief (single donor countries)
- Support through U.N. Organizations
  - WASH
  - Food
  - Shelter
  - Agricultural inputs
  - Livelihoods projects
Case Study: Sunflower Project

The Project

- $15 million USAID-funded project in 7 flood affected districts
- Plant 50,000 fields of sunflowers from 11/10 to 5/11
- Implemented by Pakistani NGOs

Complaints

- Over 800 complaints from beneficiaries
  - Bribery/kickbacks
  - Theft and diversion
- OIG and WFP able to establish direct contacts on the ground
- Investigators caught NGO falsifying paperwork in real time

Outcome

- 22 employees/CEO fired
- Beneficiaries received inputs
- WFP permanently suspended NGO
- USAID suspended NGO
- $6 million questioned costs
Partnership to Fight Corruption
Transparency International Pakistan

*Misuse of entrusted power for private Gain – TI Definition of Corruption*

- It is a non-political, non-partisan and a non-profit organization.

- It works with Public and Private Sector to fight corruption in a non-confrontational approach.

- It assists in developing systemic reforms for Transparency and Good Governance.
Effects of Corruption

- Undermines Authority of Governments
- Distorts Government Decision Making
- Leads to Misallocation of Resources
- Undermines Public and Private Sector Developments
- Creates Mafias
- Aggravates Poverty
- Risks attainment of MDGs
Report by TI and TI Pakistan

- Corruption Perception Index (CPI)
- Global Corruption Barometer (GCB)
- Global Corruption Report (GCR)
- National Corruption Perception Survey (NCPS)
- National Integrity System (NIS)
USAID Inspector General

- Appointed by the President and confirmed by the Senate
- Provides *independent* oversight through:
  - Program and financial audits
  - Investigations
- IG for 5 organizations including USAID, MCC, OPIC, IAF and ADF
- Foreign service organization with offices worldwide
- Reports findings to Agency head, Congress, the President, and the Public
- Full law enforcement authority

Michael Carroll
Acting Inspector General
Establishment of AFH Project

• USAID OIG and USAID Pakistan developed concept for AFH mid-2010
• Five-year project envisioned to provide increased accountability for Kerry Lugar Funds
• Transparency International Pakistan (TI-P) awarded $3M five-year cooperative agreement to implement AFH in Sept 2010

• Objectives of the project:
  – Prevent corruption in implementation of USAID-funded projects and increase fraud awareness
  – Provide oversight of G2G Projects
  – Encourage citizens to report cases of corruption and fraud related to USAID-funded projects
  – Enable appropriate investigations
Implementation and Kickoff Event

- **Project History**
  - Oct 2010 to Jan 2011 – Project infrastructure developed
  - Feb 2011 – Hotline operational
  - Feb 17, 2011 – Kickoff event held in Islamabad
    - Sponsored by USAID Pakistan, OIG, NAB, PPRA, and Auditor General of Pakistan
    - 130+ participants representing NGOs, GoP, USAID, and other implementing partners
  - Feb 2012 – Awareness Event in Karachi ~ 100 participants
  - Jan 2013 – Awareness Event in Islamabad ~ 130 participants
  - July 2013 – Awareness Event in Lahore ~ 80

Auditor General speaks at kickoff event
Hotline Advertising

• Hotline advertised via:
  – Radio
  – Television
  – Newspaper (Regional languages)
  – Billboard (Multilingual)
  – Fraud Awareness Presentations

• Hotline database compiles info on:
  – How complainants learned of AFH
  – How complaints were filed

• Analysis of data used to increase project effectiveness
TV Coverage
Complaint Handling Procedure

• Complaints can be filed in-person or by phone, Internet, fax, mail, or email
• Telephone operators speak English, Urdu, Pashtu, Sindhi, Punjabi and other local dialects
• Complaints of fraud or corruption in USAID projects referred to USAID OIG for investigation
• Service delivery issues related to USAID projects referred to Mission and implementing partner
• Complaints on non-USAID projects referred to implementers, when possible
Referrals
• 5,941 complaints received by Hotline (vast majority related to flood-relief programs)

• 1,646 referrals
  – Hundreds of referrals to WFP regarding fraud, corruption, and service delivery issues
  – Many referrals to USAID Pakistan on program effectiveness
  – Referrals sent automatically to: BISP, FAO, UNDP, UNFPA, UNICEF, UNOPS, World Bank, Save the Children, ECHO, and DFID

• ~ 15 complaints received regarding PPRA violations on G2G projects. Resulted in numerous cancelled procurements and re-tendering
Complaints regarding Procurement violations by GoP entities on USAID-funded projects handled by TI-P in accordance with Pakistani law (with OIG notification)

Monitoring Tender Advertisement, Media reports, Complainants

14 complaints of Procurement Rules violations
- Water and Power Development Authority 8
- Benazir Income Support Program 2
- Sui Southern Gas Company 3
- Sindh Department of Education 1

In all cases Transparency International Pakistan wrote letters to the relevant Procuring Agency highlighting the violation of Rules

Majority of tenders were re-invited
### Quarterly Progression - Complaints Vs. Calls

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<th>Calls</th>
<th>OIG Fig</th>
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**Quarterly progression of Calls versus complaints**
Allegation Type Inception – Sep 2013

- AID request: 391
- PPRA violation: 15
- Procurement fraud: 609
- Solicitation of bribe: 467
- Theft of goods: 519
- Other: 736
- Service Delivery Issue: 3109

Total: 3,906
Quarterly Progression of Complaints

Quarterly Progression - Logged Complaints

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<th>OIG Fig</th>
<th>Jan-Mar'11 (Qtr 2 Yr 1)</th>
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Quarterly referrals

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Quarterly Referrals

Series1: Total quarterly referrals from Jan-Mar'11 to Oct-Dec'12 is 1646.
Provincial breakdown of complaints

Province Percentage

- Punjab: 11.58%
- Sind: 73.93%
- Balouchistan: 6.13%
- KPK: 4.41%
- Other: 3.52%
Results

• Significant program improvements
  – USAID scholarship program procedures improved
  – $200 million + in grants programs managed by local NGOs enhanced
  – Increased emphasis on conflict of interest policies
  – Service delivery improvements by WFP

• Termination of 3 USAID Projects
• 3 USAID debarments/1 UN permanent suspension
• Questioned costs of over $6 million
• Expected savings of over $2 million
• Termination of over 25 NGO employees
• Recoveries or savings of over $200K on grants programs
• Numerous education officials terminated for diverting cooking oil meant for children
Major Trends

- Vast majority of fraud and corruption issues relate to internal procurements or grant making by contractors
  - In addition to required audits, OIG recommends periodic bidder/vendor verification
  - Recommend that all bids and tenders contain “non-payment” statement as well as Hotline contact information
- Conflicts of interest (nepotism, business interests, favors to friends) a frequent issue
- Product substitution - especially in remote areas
- Various types of construction fraud
- Some projects are initiated before solid internal controls environment is created (lacking policies and procedures)
Thanks!