Pakistan Anti-Fraud Hotline (AFH)

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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
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

Billboard located in Torkham

Billboard located in Peshawar
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 of Complaints

Quarterly Progression - Logged Complaints

<table>
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<tr>
<th>Quarter</th>
<th>Complaints</th>
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<tbody>
<tr>
<td>Jan-Mar'11</td>
<td>516</td>
</tr>
<tr>
<td>Apr-Jun'11</td>
<td>1303</td>
</tr>
<tr>
<td>Jul-Sep'11</td>
<td>549</td>
</tr>
<tr>
<td>Oct-Dec'11</td>
<td>489</td>
</tr>
<tr>
<td>Jan-Mar'12</td>
<td>605</td>
</tr>
<tr>
<td>Apr-Jun'12</td>
<td>591</td>
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<tr>
<td>Jul-Sep'12</td>
<td>395</td>
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<tr>
<td>Oct-Dec'12</td>
<td>432</td>
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<tr>
<td>Jan-Mar'13</td>
<td>378</td>
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<tr>
<td>Apr-Jun'13</td>
<td>278</td>
</tr>
<tr>
<td>Jul-Sep'13</td>
<td>252</td>
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</tbody>
</table>

OIG Fig 516 1303 549 489 605 591 395 432 378 278 252
Quarterly referrals

<table>
<thead>
<tr>
<th>Series 1</th>
<th>Jan-Mar'11 (Qtr 2 Yr 1)</th>
<th>Apr-Jun'11 (Qtr 3 Yr 1)</th>
<th>Jul-Sep'11 (Qtr 4 Yr 1)</th>
<th>Oct-Dec'11 (Qtr 1 Yr 2)</th>
<th>Jan-Mar'12 (Qtr 2 Yr 2)</th>
<th>Apr-Jun'12 (Qtr 3 Yr 2)</th>
<th>Jul-Sep'12 (Qtr 4 Yr 2)</th>
<th>Oct-Dec'12 (Qtr 1 Yr 3)</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>211</td>
<td>342</td>
<td>184</td>
<td>158</td>
<td>314</td>
<td>186</td>
<td>80</td>
<td>171</td>
<td></td>
<td>1646</td>
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Provincial breakdown of complaints

<table>
<thead>
<tr>
<th>Province</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Punjab</td>
<td>11.58%</td>
</tr>
<tr>
<td>Sind</td>
<td>73.93%</td>
</tr>
<tr>
<td>Balouchistan</td>
<td>6.13%</td>
</tr>
<tr>
<td>KPK</td>
<td>4.41%</td>
</tr>
<tr>
<td>Other</td>
<td>3.52%</td>
</tr>
</tbody>
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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!