

Common fraud and corruption schemes and sample actual cases

1. The primary fraud and corruption risks include misconduct by vendors, local partners and NGO insiders, and include, among others:

- *Price gouging and the delivery of substandard products by vendors*
- *Kickbacks offered or demanded to facilitate the purchase of such goods*
- *Bid rigging to improperly steer contracts to unqualified bidders, again in exchange for kickbacks*
- *Kickbacks in exchange for hiring for staff positions*
- *Bribes to inspectors to approve poor quality goods or works*
- *Collusion among suppliers to raise prices*
- *The sudden appearance of unqualified “shell company” vendors, including such vendors that front for political interests*
- *Fictitious vendors*
- *Diversion of products and services from the intended beneficiaries*
- *Mishandling of cash*

2. Information on fraud and corruption schemes from the [Guide to Combating Corruption and Fraud in Development Projects](#)

See how the most common fraud and corruption schemes operate in the Guide <https://guide.iacrc.org/proof-of-common-schemes/>.

Also see information from actual cases in the article [on how corruption and fraud occurs in development projects](#).

3. Recent articles on fraud and corruption cases involving international NGOs:

The Congo

- a. “Leaked review exposes scale of aid corruption and abuse in Congo...‘Everyone will be shocked.’”

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“12 June 2020 - A review of fraud and corruption risks in the Democratic Republic of Congo – one of the world’s longest-running humanitarian crises – delivers a blistering assessment that could spark major changes to aid operations in a country where hundreds of millions of dollars of foreign aid are spent annually.

The 70-page draft review – circulated last month to aid officials working in Congo and obtained by The New Humanitarian – looks at everything from corruption within the Ebola response to how women and girls are subjected to sexual exploitation. It also details how donor funds are siphoned off and how aid recipients ultimately lose out...”

https://www.einnews.com/article_detail/519284805/3CLohyo_vCMaJnkV?n=2&code=7x_WZpNvRewbq5A&utm_source=NewsletterNews&utm_medium=email&utm_campaign=News+Check&utm_content=article

SYRIA Relief Operations

b. “Suspecting fraud, US suspends some Syrian aid programs...”

“Jul 26, 2016 - While the White House has placed humanitarian aid at the heart of its Syria policy, the government agency charged with disbursing it has frozen more than \$200 million in contracts, fearing significant fraud...”

https://www.washingtonpost.com/world/national-security/suspecting-fraud-us-suspends-some-syrian-aid-programs/2016/07/26/9ad4c600-5285-11e6-88eb-7dda4e2f2aec_story.html

c. “USAID Programs in Syria are in need of reform, U.S. watchdog says...”

In a report, the Office of the Inspector General cited incidents of fraud and price fixing

“The Office of the Inspector General has been investigating corrupt practices including bid rigging, bribery and fraud in Syria since 2015. Incidents of corruption have resulted in the suspension of at least \$239 million in funds ...”

<https://www.wsj.com/articles/usaid-programs-in-syria-are-in-need-of-reform-u-s-watchdog-says-1543021069#:~:text=Jessica%20Donati,-Biography&text=WASHINGTON%E2%80%94U.S.%20Agency%20for%20International,barred%20from%20receiving%20U.S.%20contracts.>

d. “U.S. investigations expose fraud, bribery in Syrian aid response”

“ANKARA (Reuters) - U.S. investigations have exposed bribery and fraud in Syrian aid programs, the United States Agency for International Development (USAID) said, raising concern about profiteering in the humanitarian sector...”

<https://www.reuters.com/article/us-mideast-crisis-syria-aid-idUSKCN0ZV218>

e. “U.S. probes reports of fraud in obtaining aid for Syria”

“NEW YORK (Thomson Reuters Foundation) - The activities of several vendors obtaining humanitarian aid for Syria for the International Rescue Committee have been halted amid an investigation by the U.S. government into reports of corruption, officials said...”

<https://www.reuters.com/article/us-usa-aid-investigation-idUSKCN0Y22AU>

f. “Corruption investigation results in debarment of several Syria-related aid workers”

“...Since March 2015, the USAID Office of the Inspector general (OIG) has been investigating “bid rigging, collusion, bribery, and kickbacks” in cross-border humanitarian aid supplied from Turkey to Syria. A significant portion of the approximately \$500 million in international aid annually going to opposition-controlled areas comes through Turkey. Even a Save the Children staff member was found to have engaged in bid rigging and collusion as part of a concerted effort to manipulate the procurement process...”

https://www.google.com/search?q=Corruption+investigation+results+in+debarment+of+several+Syria+...+www.jww.org+%E2%80%BA+Conflict+Areas+%E2%80%BA+Syria&rlz=1C5CHFA_enID756US756&og=Corruption+investigation+results+in+debarment+of+several+Syria+...+www.jww.org+%E2%80%BA+Conflict+Areas+%E2%80%BA+Syria&aqs=chrome..69i57.2452j0j8&sourceid=chrome&ie=UTF-8

g. ‘Bribery and Kickback Schemes’ Plague Syrian Relief Program Funded With Tax Dollars”

“ U.S. tax dollars are going to relief agencies in Syria that are engaging in “bid-rigging and multiple bribery and kickback schemes” and the federal government has taken inadequate steps to prevent it, according to ... a [Government Accountability Office report](#), released last week...”

<https://www.dailysignal.com/2016/07/19/bribery-and-kickback-schemes-plague-syrian-relief-program-funded-with-tax-dollars/>

h. “Suspecting fraud US suspends some Syria Aid Programs”

“...While the White House has placed humanitarian aid at the heart of its Syria policy, the government agency charged with disbursing it has frozen more than \$200 million in contracts, fearing significant fraud.

As fighting deepens nightmarish conditions across northern Syria, the suspensions have affected the delivery of medicines, food and other life-saving aid to hundreds of thousands of civilians since December. An investigation into the suspected fraud was formally announced in April, but details did not emerge until a congressional hearing this month...”

https://www.washingtonpost.com/world/national-security/suspecting-fraud-us-suspends-some-syrian-aid-programs/2016/07/26/9ad4c600-5285-11e6-88eb-7dda4e2f2aec_story.ht

i. “US seeks to extradite ex-NGO worker over Syria aid fraud”

“A former logistics officer for Irish NGO GOAL was detained last year in Ukraine and is now facing US extradition on charges of corruption and witness tampering related to US-funded aid projects in Syria, The New Humanitarian has learned from court documents.

The criminal charges are the first to emerge from more than three years of investigations by USAID, the US foreign aid department, into corruption involving hundreds of millions of dollars of relief supplies delivered to Syria through Turkey.

Staff from GOAL, Save the Children, and a New York-based aid organisation that has not been publicly identified – referred to in court documents as NGO-2 – are alleged to have favoured certain vendors to win procurement contracts involving US taxpayer funds...”

<https://www.thenewhumanitarian.org/news/2019/05/29/us-seeks-extradite-ex-ngo-worker-over-syria-aid-fraud-scandal>

**j. “US bans aid workers in Turkey-Syria scam
Ex-GOAL staffer gets 10-year contract ban; 20 firms and individuals named”**

“A former logistics officer with an Irish NGO has been banned from doing business with the US government for 10 years for his key role in a corruption ring that sought to pocket a slice of Syrian aid budgets...”

In the latest set of measures, implemented in late June, and confirmed by IRIN this month, GOAL’s former global logistician Ernest Halilov (also listed as Ernest Khalilov) was given a 10-year debarment. Halilov did not respond to a message seeking comment.

Luan Meraku, the former Turkey country director of another NGO, the International Rescue Committee, was one of nine individuals debarred for five years. Neither GOAL as an institution nor its management are named in the findings...

<https://www.thenewhumanitarian.org/news/2018/09/11/us-bans-aid-workers-turkey-syria-scam>

**k. “Oversight in challenging environments: lessons from the Syria response
USAID Report”**

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https://oig.usaid.gov/sites/default/files/2018-07/featurereport_110917_lessons_from_syria_old.pdf

The Academy for Educational Development (AED) case

a. “US suspends aid group in Pakistan fraud”

“Dec 9, 2010 - The Office of Inspector General at the U.S. Agency for International Development has said in a report to Congress that USAID terminated a \$150 million development agreement [with US-based Academy for Educational Development (AED)] in Pakistan after evidence of procurement fraud had been uncovered... Initial findings by USAID’s OIG reveal evidence of serious corporate misconduct, mismanagement, and a lack of internal controls, and raise serious concerns of corporate integrity,” USAID said...”

<https://www.reuters.com/article/us-usa-pakistan-aid/u-s-suspends-aid-group-in-pakistan-fraud-probe-idUSTRE6B90B420101210>

b. “Fraud charges prove costly to international development...”

“Dec 10, 2010 - Earlier this week, the U.S. Agency for International Development (USAID) said it would stop doing business with AED because of initial findings from an investigation that show “evidence of serious corporate misconduct, mismanagement, and a lack of internal controls...”

<https://nonprofitquarterly.org/fraud-charges-prove-costly-to-international-development-agency/>

c. “Why did USAID suspend one of its biggest contractors without any explanation?”

“Mar 31, 2011 - USAID announced its decision to suspend AED because of “evidence ... in Pakistan and Afghanistan, two projects out of scores that AED ... Yet USAID has uncovered instances of fraud that have not resulted in suspensions...”

<https://slate.com/news-and-politics/2011/03/usaaid-aed-suspension-why-did-usaid-suspend-one-of-its-biggest-contractors-without-any-explanation.html>

d. “Washington, D.C.-based Academy for Educational Development Pays More Than \$5 Million to Settle False Claims Act Allegations”

“June 30, 2011 - The Academy for Educational Development (AED) in Washington, D.C., has agreed to settle allegations that the company submitted false claims to the United States Agency for International Development (USAID) in connection with two cooperative agreements under which AED provided foreign assistance in Afghanistan and Pakistan, the Justice Department announced today. Although certain terms of the settlement are contingent on future events, the agreement

ensures that the United States will receive more than \$5 million, and potentially could receive more than \$15 million, to settle these claims.

The government alleges that AED failed to ensure that its actions under two cooperative agreements with USAID complied with applicable regulations concerning competition in procurements, adherence to contract specifications, and supervision of its subcontractors. The government further alleges that AED failed to inform USAID that AED had discovered defects in AED's systems of internal controls and that certain of AED's subcontractors may have engaged in corruption and other wrongful activities..."

<https://www.justice.gov/opa/pr/washington-dc-based-academy-educational-development-pays-more-5-million-settle-false-claims>

e. "Fraud does not pay/Devex"

"Aug 11, 2011 - Today, AED exists no more following its acquisition by FHI, which has since rebranded itself as FHI 360..."

<https://www.devex.com/news/fraud-does-not-pay-75591>

f. "Critiquing US aid in Pakistan: a second take"

"Oct. 15, 2015 - The New York Times [published a story last month](#) about the second largest United States Agency for International Development (USAID) mission in the world: Pakistan. The Times argued that despite over a decade of work and billions of dollars, "aid has had minimal impact on the ground," thanks to overreliance on "American contractors with little development experience," and corrupt Pakistani subcontractors that don't do the work or return equipment..."

<https://www.cfr.org/blog/critiquing-us-aid-pakistan-second-take>

g. "The costs of corruption during humanitarian crises, and mitigation strategies for development agencies"

"The COVID-19 outbreak poses particular challenges to anti-corruption efforts. The health sector is especially vulnerable to corruption; causing estimated annual losses of at least US\$ 455 billion of the US\$7.35 trillion spent. With a huge influx of cashflows and medical supply shortages, humanitarian emergencies create fertile ground for such problems. Corruption in humanitarian assistance results in a reduced quantity and quality of aid reaching the targeted beneficiaries, which may prolong humanitarian crises. Donor agencies can take some immediate steps to reduce the exposure of their own operations. These range from communication and coordination strategies to aid transparency and preventive safeguards in the area of internal controls and procurement processes." [Download PDF](#)

<https://www.u4.no/publications/the-costs-of-corruption-during-humanitarian-crises-and-mitigation-strategies-for-development-agencies>