Fraud and Corruption in UNDP Somalia Remittance Programme

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ACRONYMS

AML	Anti-money Laundering
ACP	Advisory Committee on Procurement
DFID	Department for International Development
DNB	Dutch National Bank
DSA	Daily Subsistence Allowance
EC	European Commission
FATF	Financial Action Task Force
FinCen	Financial Crimes Enforcement Network
GAP	Government Accountability Project
FAO	Food and Agricultural Organisation
HMRC	Her Majesty Revenue and Customs
NMTA	National Money Transmitters Association
OFAC	Office of Asset Control
OAPR	Office of Audit and Performance Review
RFP	Request for Proposal
SFSA	Somali Financial Services Association
SOMTA	Somali Money Transmitters Association
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
WFP	World Food Programme

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1. Introduction

1.1. This dossier explains and provides evidence regarding fraud and corruption in the United Nations Development Programme (UNDP) Somalia Remittances Programme in the last five years. It covers corrupt practices and fraud used to award contracts to a consultancy firm that established an improper relationship with UNDP management and programme staff, support provided to a company suspected of links with terrorist organisations, the failure to fully investigate repeated formal complaints of wrongdoing, the devastating impact this had on the Somali remittance industry, the reprisals I faced for my repeated attempts to blow the whistle and further fraud committed following non-renewal of my contract.

1.2. UNDP Somalia started the Somali Remittance Initiative in 2002 in response to the closure of Al-Barakaat, the largest Somali money transfer company, by the U.S. Treasury Department because of alleged links with terrorist organisations. The intervention was justified because of the critical importance of migrant remittances to Somalia. International remittances provide a vital lifeline to the Somali population as more than 40 percent of households rely on the transfers for their livelihoods. In 2004, remittances were about 67 percent of GDP and more than ten times the value of exports, making the Somali economy more dependent on remittances than any other in the world.

1.3. UNDP's engagement in the Somali remittance industry was sanctioned and supported by the Security Council. At the 4502nd meeting of the Security Council, held on 28 March 2002, the President of the Security Council made the following statement on behalf of the Council:

> "*The Security Council notes that the downturn in remittances and freezing of accounts of individuals following the closing of the offices of the Al-Barakaat Group reduced household incomes in Somalia. The Council underlines, as a matter of urgency, the necessity to develop mechanisms that facilitate legitimate financial transfer to and from Somalia while preventing further financial flows to terrorists and terrorist groups, taking fully into account the different concerns involved. The Council is encouraged by the initiative by the United Nations Development Programme to establish a monitoring and regulatory framework for money transfer companies to facilitate their operations locally and internationally*."

1.4. In 2004 the Financial Services Development Project (FSDP) was launched with funding from the European Commission (EC) and Department for International Development (DFID) to expand the activities of the initiative that commenced in 2002. The overall objective of the FSDP was to strengthen the Somali remittance companies with specific focus on improved compliance with international regulations on anti-money laundering and countering terrorist financing, transparency and accountability.

1.5. Like other UN agencies, UNDP Somalia is based in Nairobi with limited presence in the country. The absence of effective central authorities in Somalia and the fact that the UN agencies are based outside the country have led to increasing concerns of accountability. The case of $3.9 million of cash stolen from the UN office in Mogadishu in broad daylight in April 1994 in which no one was held accountable highlighted the concerns of accountability in the UN system in Somalia (www.ipsnews.net/interna.asp?idnews=17951).

1.6. Since the launch of the Remittance Programme, the Nairobi-based accountancy firm, KPMG East Africa, has provided advice and guidance to the Programme and succeeded to win all the professional services consultancy contracts awarded by the Programme. Moreover, a senior partner of KPMG East Africa who had prepared the Programme documents and served as the principal consultant for most of the contracts awarded to the firm was appointed as UNDP Chief Technical Adviser responsible for managing the same Programme. The EC technical advisor who provided the funding for the Programme also joined UNDP as Deputy Programme Manager.

1.7. Since early 2003 there have been repeated allegations of mismanagement, bribery, fraud and corruption. It has been alleged that UNDP management and KPMG used bogus contracts to defraud the Programme. Some of the complaints of allegations were submitted to UNDP's Office of Audit and Performance Review (OAPR), which conducted an investigation in March 2006. Despite overwhelming evidence showing conflict of interest, bid rigging and other corrupt practices, the findings of the OAPR cleared all those accused to have committed fraud and corruption of any wrongdoing (see section 12). By interviewing only those accused to have committed wrongdoing, the investigators failed to conduct a full and thorough investigation. Moreover, OAPR had a clear conflict of interest with investigating fraud related to KPMG (see section 2).

1.8. This report provides details of five of the KPMG contracts and presents evidence supporting the allegations of wrongdoing. It argues that the appointment of KPMG partner as Chief Technical Advisor for the Programme, the failure of OAPR to properly investigate allegations, retaliations against myself for launching formal complaints and recent fraud involving a payment of $382,200 to an IT firm that has no contract with UNDP or the industry association amount to a complete breakdown of internal controls and accountability.

2. Multiple Roles of KPMG and Relationships with UNDP

2.1. The relationship between UNDP Somalia and KPMG goes back to internal audits conducted by KPMG on behalf of OAPR. In 2000 OAPR contracted KPMG to conduct internal audit services in the Asia/Pacific and Arab States Regions from 19 May 2000 to 18 October 2002 for a fee of $1,198,210 (see Annex 1). Under this contract KPMG conducted internal audits for OAPR in 73 UNDP country offices including Somalia, Sudan and North Korea and 41 United Nations Population Fund (UNFPA) country offices. The three-year contract was awarded to KPMG after the firm completed an earlier contract with UNDP which covered internal audits of 24 countries. It was during this time that, after consultations with New York, the country office established the improper relationship with KPMG.

2.2. Since 2002 KPMG has provided a wide range of services for UNDP Somalia including consultancies, audit, technical support and advisory services. The exact number of contracts awarded to KPMG by UNDP is not known. Because most of the records related to the procurement of KPMG services have been destroyed, it has not been possible to ascertain the exact number and value of the consultancies. However, I have managed to piece together the evidence of a sample of five contracts awarded to KPMG from 2003 to 2006.

2.3. Since 2004 KPMG has also been responsible for overseeing $5.8 million dollar grant agreement between UNDP Sudan and the Global Fund (see Attachment A). As the Local Fund Agent, KPMG Kenya had an oversight role during the implementation of the programme with responsibilities including receipt of all reports, supervision and performance of ad hoc site visits. The named person responsible for overseeing this UNDP programme has been Simon Woods, who also managed and served as the principal consultant of KPMG in a bogus contract fraudulently awarded to his firm (see section 7).

2.4. KPMG's multiple roles in the provision of wide ranging services including audit, oversight, fund raising and project management created a conflict of interest for the firm. It also created a conflict of interest for OAPR especially when the firm that was responsible for conducting sensitive and confidential internal audit work is alleged to have been involved in serious allegations of fraud and corruption.

3. KPMG Contract on Feasibility Study on Financial Services in Somalia

3.1. The feasibility study on financial services in Somalia was the first key activity in the remittance programme aimed at identifying priority needs of the industry. A document entitled "Proposed Feasibility Study on Financial Services in Somalia" was jointly produced by Mayank Patel (KPMG Partner), Paul Simkin (EC Somalia Unit) and Abdusalam Omer (UNDP Somalia) with the intention to raise funding from the EC and launch the remittance programme. In this project the plan was "*to hire two banking experts with experience in the fields of 'Islamic banking' and 'financial institutions in post conflict countries,'*" according to Andrea Tamagnini's (UNDP Country Director) email to the EC (see Annex 2). With the support of Paul Simkin, who was responsible for governance and private sector for EC Somalia Unit, the EC agreed to fund and signed a contract based on this proposal with UNDP.

3.2. Presumably an informal agreement existed between the three parties involved in the preparation, as the contract was promptly awarded to KPMG as soon as the funding was secured without proper competitive bidding and in a clear breach of regulations. This was also in breach of the EC contract, which required that two independent banking experts be hired rather than a consulting firm. In an email dated 2 May 2003 to Abdusalam, Gina El Koury, UNDP Programme Officer, tries to find a way around this problem without going back to EC. She argued that the proposal document attached to the contract *"was never finalized-- it remains "DRAFT"*. *As such, I don't see how you are bound to it. The contract referred to the final, not specifically to a DRAFT version. Additionally, even if one is bound by it, that document proposes a team of 3 experts, which interestingly enough, correspond to our team of three experts from KPMG"* (see Annex 3). On 7 May 2003, a Reimbursable Loan Agreement (RLA) for $90,675.00 was signed with KPMG (see Annex 4).

3.3. After the contract was signed with KPMG, a UNDP lawyer and Paul Simkin suggested that UNDP still needed to seek contract amendments from the EC without disclosing the fact that a contract had already been signed with KPMG. Therefore, on 9 May 2003, two days after the signing of this contract, Andrea Tamagnini wrote to Roger De Backer, EC head of programmes, saying that they found it "*too difficult to assemble a team of experts with experience*" and "*to solve this matter, we are now proposing to hire a firm. The advantage of this solution is that an international firm can have access to a vast network of experiences and resource people"* (see Annex 2). Having already signed a contract with KPMG without EC approval, Mr. Tamagnini had no option but to resort to deception by saying that "*UNDP has been carrying out some consultations with various potential firms, and it is clear that this solution will produce the expected results. Rules and regulations will be duly applied in the awarding of the contract*" (Annex 2). With the help of Paul Simkin, a fast tracked EC contract with amendments was signed weeks later.

3.4. When Somali remittance companies found out about the KPMG contract, they refused to work with the consultants because of the lack of consultation and the fact that the principal consultant, Mayank Patel, had no background in remittances, international compliance problems and other urgent challenges facing the industry. The companies also established that the three key people who designed the project - Mayank, Abdusalam and Paul Simkin - were close personal friends responsible for the improper relationship between senior managers of UNDP and KPMG. The refusal by the industry to participate in the study forced KPMG to change the focus and the objectives of the study to an essentially desk-based review that could be completed without the involvement and support of the remittance companies. Another consequence of the refusal by most companies to work with KPMG was that UNDP and KPMG developed a relationship with Dalsan, a Somali remittance company with suspected links to terrorist organisations (see Section 10).

3.5. Both EC and UNDP accepted KPMG proposals to effectively limit the feasibility study to a desk review of the literature and a general roadmap of how the banking sector could be developed by a future yet to be formed Somalia government. UNDP also agreed to further amendments of the contract to extend the original period from 12 weeks to about a year and to. Amendments involving an increase of fees by the maximum 20% possible under the rules, extension of time to over a year and advance payment in violation of UNDP financial rules were common to most KPMG contracts with UNDP. See Annex 5 for documentation showing an approval of a 20% mobilisation payment and a suggestion from Gina (Programme Officer) that KPMG should make this a part of their contracts with UNDP in the future.

3.6.The feasibility study report was published just in time for a Somali remittance London conference organised by KPMG in December 2003. Some 200 copies were printed and paid for by UNDP and distributed at the conference in London. The report was described as "*the culmination of intensive research and findings*". According to the UNDP country director, the "*Feasibility Study has already been a success*" even before it was published (see Annex 6). Against the advice of KPMG consultants, who wanted the report to be treated as confidential, UNDP posted the report on its website to help raise the profile of the project.

3.7.It soon became clear that most of KPMG's report had been plagiarized. The report, which cost UNDP in excess of $100,000, was little more than a cut-and-paste job. Soon after it was published, UNDP received numerous complaints of plagiarism and shoddy work. Initially UNDP tried to defend KPMG by strongly rejecting the allegations of plagiarism. Responding to one of the complaints, Abdusalam said "*this study is timely, well researched, comprehensive and shows a realistic and accurate picture of the financial services situation on the ground*" (see Annex 7). The strongest complaint came from Abdirashid Saed, CEO of Dahabshiil, who said "*the KPMG report is neither "well researched" nor does it present an "accurate picture" of the Somali remittance. The report contains inaccuracies, misleading generalisations, and (without acknowledging) reproduces complete sections of published material"* (see Annex 8).

3.8.In a formal complaint letter to Max Gaylard, Resident Rep, and copied to the EC, Abdirashid argued that, "*It appears that little actual research work on Somali remittance was carried out by the consultants. For instance, more than 80% of the material in the remittance chapter was copied directly from published articles available on the Internet. In sections 3.2 to 3.3.5 (Pages 19 – 33) about 5,000 of the 6,000 words presented as original research were copied from three papers published by the IMF, UN and Interpol. The IMF paper entitled The Hawala System that appeared in Finance & Development magazine was reproduced almost in its entirety. A further 1,800 words were taken from the UN document"* (see Annex 8). The letter was sent with a Word document attachment showing plagiarised parts marked with different font colours to identify sections taken from various publications to prove without any doubt that the report was indeed plagiarised from the internet.

3.9. Gina El Koury, UNDP Programme Officer, investigated the plagiarism claim and found that not only were the allegations true, but in fact most of the report was plagiarized. She established, for instance, that even the banking section was taken from World Bank publications on banking and finance and that the background section on Somalia was copied from UNDP reports. At the end of the reviews it was agreed that KPMG did no more than a few days of cut-and-paste job. At the same time, allegations of corruption involving KPMG's work started to appear in the Somali media. The Resident Rep, who previously worked in the Iraq Oil-for-Food Programme as the Deputy Humanitarian Coordinator in northern Iraq, realised that this was a scandal in the making and so he instructed the Programme to take the report off the website and ask KPMG to do something about it.

3.10.An urgent meeting was arranged with KPMG to discuss the plagiarism. On 24 February 2004, Gina Elkoury and Abdusalam Omer, UNDP Programme Manager, met with Andrew Gregory, KPMG CEO, and presented the allegations and their findings. According to the minutes of the meeting, the concerns raised were: *"(1) embarrassment by UNDP and EC for submitting the report to our clients and other donors (including the World Bank), (2) frustration at the length of time this study has dragged on and (3) the quality control issues faced along the way*" (see Annex 10). Under the rules, KPMG should have been asked to return the money and barred from further consultancies, but because of the improper relationship including alleged kick-backs, KPMG was only asked to fix the plagiarism and write an apology letter to the Resident Rep, EC and remittance companies. Since the report was largely a desk review, the understanding was that with additional time KPMG would be able to rewrite the report. However, the KPMG CEO refused to make any admission or write apology letters, on the pretext that Mayank Patel, who was contracted by UNDP, was out of the country.

3.11.According to the meeting memo, after the discussions, "*Gina showed him the plagiarized sections of the document, duly highlighted, and the corresponding sections of the articles copied. As a result of this information, Mr. Gregory refused to make any admissions or apologies"*. He also claimed rather bizarrely that he was not sure if the terms of the contract covered plagiarism. According to the memo, "*Mr. Gregory further suggested that he had to revisit the terms of the contract before making any commitments, as he was unsure as to whether the terms of the contract would include revising plagiarized sections and making appropriate restitution"* (see Annex 10).

3.12.When Mayank who was on mission, returned and met with UNDP senior management, UNDP withdrew the demand requiring KPMG to fix the problems. With the help of UNDP, Mayank made some minor amendments and resubmitted the same report with a note acknowledging that the bulk of the report was a reproduction of material published by international agencies. Even the permission to reproduce was obtained by UNDP because IMF and World Bank copyright permissions are only for non-commercial use. The dilemma UNDP faced after KPMG resubmitted the same document is summarised by Gina in an email dated 5 April 2004. She says "*Truly, I want to get this study behind us, particularly since we now have so much excitement with the actual project document! But, I still have two fundamental issues with their citations: (1) I do not think that page 5 covers the lack of citations throughout the document. It is my understanding that by writing a disclaimer in the beginning that you have permission to reproduce in whole or in part does not mean that you can copy portions at random without making any notations or references to the original work. (2) If you quote a quote or a paraphrase, it must be from the original source. Here, they cited the article where they copied from, but ignored that article's citations and footnotes"* (see Annex 11). The document was still posted on UNDP's website without further changes and it remained there until senior management read my first dossier and the report and all references to the remittance programme quietly disappeared from the website. However, the report can still be accessed at another website (www.somali-jna.org/downloads/Final%20%20Feasibility%20Study%20%20April-2.pdf).

3.13.Just before the report was reposted on UNDP's website again, UNDP responded to the complaint from Abdirashid about the plagiarism. In an email approved by the Resident Rep and Paul Simkin, Abdusalam still tried to defend KPMG by describing their plagiarised report as "*groundbreaking*", "*balanced, informative, comprehensive and fair*". He added: "*In conclusion, UNDP supports the research, findings and recommendations of the Feasibility Study on Financial Services in Somalia. We hope that the above explanations have enhanced your understanding of our position and intentions throughout the course of the study*" (see Annex 9). Paul Simkin also reportedly wrote to the Dahabshiil CEO and threatened him that he should keep quiet for the interest of his company.

3.14. Dahabshiil, a Somali remittance company that had a cash facilitation and money transfer contract with UNDP, started to experience problems related to the payment of their invoices after its CEO made the complaints of plagiarism. Eventually when UNDP blocked payment of invoices worth several hundred thousand dollars for six months to Dahabshiil, the company was forced to terminate its contract with UNDP citing breach of contract. UNDP accepted the breach of contract and blamed withholding of payments for problems related to the adoption of a new IT software. Convinced that UNDP and KPMG were not interested in helping the Somali remittance industry to strengthen their compliance with new international regulatory requirements, Dahabshiil also withdrew from the Somali Financial Services Association (SFSA). At the same time, news articles and reports attacking Dahabshiil appeared in sources allegedly linked to KPMG and UNDP. A piece in one these reports was withdrawn after Dahabshiil threatened the authors with legal action.

3.15.In November 2003, KPMG put together a Financial Services Development Project (FSDP) document, which was essentially a copy of a similar project funded by the same donors in Kenya but with an introduction and background copied from UNDP documents. With inputs from Abdusalam and Paul Simkin – who was (with UNDP support) planning to get a senior post in the same programme he was funding (see Section 9) – this document was formally adopted by UNDP and presented to the donors for funding. The project succeeded in raising several million dollars of funding from the EC, Department for International Development (DFID) and UNDP core funding. Moreover, Mayank and his firm started to provide a wide range of other services to UNDP Somalia management and Programme staff. For example, KPMG provided a public relations consultant to Resident Rep Max Gaylard who, among other things, prepared a feature article on Max Gaylard that was published in a magazine (see Annex 12).

4. KPMG Contract on Somali Remittance Conference in London

4.1.KPMG proposed the idea of a conference in London and prepared the terms of reference for this project. The aim was to help raise the profile of the Programme and get more funding. With the support of Paul Simkin, the proposal secured funding from DFID with some contributions from EC. A request for proposal (RFP) was issued in June 2003 for the provision of compliance training and supporting the establishment of a self-regulating body for the industry. The RFP was sent out to a small number of selected individuals and firms including KPMG. At the time I was an independent consultant based in London providing consultancy services to Somalia remittance companies. As soon as I found out about the proposal, I contacted UNDP and asked them to email me the RFP. I joined forces with MHA Consulting (www.mha-consulting.co.uk), a leading anti-money laundering specialist firm that provides AML training to the British Bankers Association, and submitted a proposal.

4.2. Office notes suggest that Krishan Batra, UNDP/OLPS Procurement Advisor, recommended that they should at least get proposals from KPMG and two other companies/consultants. At the end of this process four proposals, including one from KPMG, were received. According to a Local Contract Committee (LCC) memo dated 3 July 2003 (see Annex 13), three proposals achieved the minimum technical score of 70%. The selection criteria in the RFP was to open and compare price proposals of all firms that achieved the minimum 70% score in the technical evaluation and select the firm offering the lowest price. My proposal with MHA Consulting offered the lowest price: $45,650 compared to KPMG, which proposed $66,650 (this was later increased to $79,738 through amendments).

4.3. In a clear breach of UNDP procurement rules, the LCC memo to the local and New York procurement committees requested that KPMG should still be awarded with the contract. A note was added to the recommendation saying that (see Annex 13): "*Should the committee disagree with our KPMG choice, we are prepared to accept Ismail Ahmed and his team. Although we feel that they would not be as good as KPMG, they would sufficiently perform activities delineated in the Terms of Reference".*

4.4. The LCC accepted the recommendation to award the contract to KPMG and since the total value of contracts to KPMG within the year exceeded $100,000, they submitted it to New York for approval. In the same submission David Allen, who at the time was Special Adviser (Operations), requested an increase of delegation from the New York procurement office for just KPMG. An increased delegation of authority for KPMG would have allowed the country office to avoid requesting approvals from New York. Krishan Batra responded to the request saying that "*we provide based on procurement performance and delivery amounts, an increased delegation of procurement authority. This can't be limited to one contract or one contractor as requested by you*" (see Annex 14). The email also added that "*if you feel that you are going to hire again KPMG for the same programme in the near future, I would advise that you go far long term arrangements with KPMG on the basis of competitive bidding and thus avoid coming to HQ for every contract*" (see Annex 14). Krishan also requested details of the responsive bids.

4.5. When it was realised that detailed submission to New York was unavoidable, the office resorted to falsifying documents. A new submission form was produced with the claim that only KPMG and Deloitte and Touche submitted proposals meeting the minimum score with KPMG offering the lowest price. The decision to falsify documents was made after David consulted Krishan about this submission. At a meeting with David, Gina was asked to amend the LCC memo and change the technical evaluation matrix by giving my proposal a score lower than 70%. Since Deloitte and Touche's price was more than KPMG's, their technical score was kept unchanged (see Annex 15). Gina wrote David's instruction on a hard copy of the original LCC memo.

4.6. The collusion between the country office and KPMG is further evidenced by an email dated 27 June in which Gina El Koury writes to Rohan Patel, a KPMG consultant, to tell him about how hard she was trying to get this contract for his firm. She says that "*the LCC (local contracts committee) is meeting on Tuesday to decide on the London workshop. I am writing your persuasive arguments as we speak*" (see Annex 5). This persuasive argument included misrepresentation of KPMG's qualifications in the bid submission by making up a new profile with a claim that "*KPMG has done substantive fieldwork in the northwest, northeast, and southern regions of Somalia, have worked with and evaluated all of the major Somali remittance companies*" when in actual fact neither of the two consultants proposed to do the work had done any work in Somalia. There is no mention of experience in Somalia in the CVs of the KPMG consultants in the proposal (see Attachment B).

4.7.The RFP for the London workshop was a standard UNDP RFP that required separate submissions of technical and price proposals. The instruction on the RFP cover pages clearly stated: "*Your offer comprising of technical proposal and financial proposal, in separate sealed envelopes, should reach the following address no later than 6 June 2003"*. This is critically important because technical evaluation should be completed before price proposals are opened to ensure that technical scoring is not influenced by prices. According to the RFP, "*A two-stage procedure is utilised in evaluating the proposals, with evaluation of the technical proposal being completed prior to any price proposal being opened and compared. The price proposal of the Proposals will be opened only for submissions that passed the minimum technical score of 70% of the obtainable score of 1000 points in the evaluation of the technical proposals. The technical proposal is evaluated on the basis of its responsiveness to the Term of Reference (TOR). In the Second Stage, the price proposal of all contractors, who have attained minimum 70% score in the technical evaluation will be compared. The contractor will be awarded to the Contractor offering the lowest price*".

4.8.Any firm that fails to submit separate financial and technical proposals should be automatically disqualified. Whereas the other responses submitted separate technical and price proposals, KPMG combined their technical and financial proposals in just one PDF document that was submitted to Gina rather than the Registry as per RFP conditions. The KPMG proposal was submitted as a PDF attachment file <<KPMG Proposal – London Workshop.pdf>> by Rohan on 26 May 2003 in an email to Gina. Pages 20-21 of this document contain their price proposal (see Attachment B).

4.9.The falsification of documents to rig the bid on behalf of KPMG was clear to Krishan, as shown through email traffic and the KPMG's proposal document that was sent to Krishan after he enquired about KPMG daily rates. Gina sent an email to Krishan and Lisa Roy of Advisory Committee on Procurement (ACP) on 6 August with an attachment of the same KPMG proposal she received from Rohan (KPMG Proposal – London Workshop.pdf , see Annex 16). The cover page of the document clearly stated that the document was a "*technical and financial proposal"*. The daily rates that Krishan wanted to check were also in this document and no doubt he must have seen that this was in breach of UNDP procurement rules and therefore he should have withheld the approval. Instead, Krishan recommended the award of the contract to "KPMG (United Kingdom)" on 14 August 2003. The proposal was from KPMG (East Africa), but perhaps it appeared better on file to say KPMG UK was conducting the workshop in London. The recommendation was approved by Jan Mattsson, Assistant Administrator and Director of Bureau of Management (see Annex 17).

4.10.The ACP approval of the contract was not immediately forwarded to the country office. On 19 August 2003 David sent an email to Gina saying "*the contract has to be signed by Susan first before KPMG is presented with it. Please bring three copies of the contract to me today and we will have it signed for you before your meeting tomorrow (what time), with or without NY authorization, for their counter signature*" (see Annex 16). Apparently David was so confident of the approval he was prepared to go ahead with the signing of the contract without authorisation from ACP.

4.11.In July 2003 I received a phone call from Abdusalam Omer, UNDP Programme Manager, who told me that because of on-going commitments and a long-term partnership between KPMG and UNDP New York, they had decided to give the workshop contract to KPMG. He said, however, that KPMG had proposed to offer me a short-term consultancy with fees comparable to the amount I would have earned as the lead consultant of the team that submitted the competing bid. After some discussion I agreed and the proposal I sent to UNDP was forwarded to KPMG. Upon approval of the contract from New York, Mayank sent me a consultancy contract and asked me to work with his firm and UNDP to encourage remittance companies to attend the conference. Because of repeated allegations of bribery and corruption, UNDP and KPMG were worried that most of the remittance companies would boycott the conference. This assignment gave me an opportunity to learn a lot about the relationship between UNDP, KPMG and EC.

4.12. After the contract was signed, KPMG requested an increase of the fees by the maximum 20%, extension of the contract time and advance payment of 20%. In a letter to Abdusalam, Mayank requested the additional fee of $12,948 with a list of expense items including "*presents for speakers*" (see Annex 18). All requests (including advance payment, which violated procurement rules) were granted with the knowledge and approval of New York and local procurement committees. On 9 October 2003, the mobilisation fee for this contract and the remaining 80% of the feasibility study contract were paid to KPMG (see Annex 19). Even with the additional budget, KPMG consultants failed to do the two basic requirements in the terms of the reference – training on anti-money laundering and countering terrorist financing and support for the establishment of a self-regulating organisation. With the help of UNDP, several EU financial service regulators were invited to provide (for free) training and awareness raising that KPMG was paid to do. If the intention from the start was just to bring together regulators and money transfer companies, UNDP could have easily organised the workshop without hiring an accountancy firm. (In December 2005 UNDP organised a similar workshop without hiring a consultancy firm). In addition to the fee increase and the cutting back of KPMG consultant's input, part of the hotel expenses originally budgeted by KPMG was paid by UNDP (see Annex 20).

5. KPMG Contract on Development of Compliance Manual

5.1. The development of a compliance manual for the Somali Financial Services Association (SFSA) was one of the consultancies proposed in the FSDP document prepared by KPMG in November 2003. KPMG intended to edit and present a compliance manual they had developed for a Kenyan bank as an SFSA generic compliance manual, though Somali remittance companies are required to comply with regulations of more than 30 countries where they have agents, whereas a Kenyan bank only has to meet one country's regulations. Gina shared the terms of reference with the industry in an email dated 5 February 2004 asking them to share it with their members and provide comments. The industry reiterated their objections to the approach taken by UNDP and explained that the development of one generic manual is not the way to deal with this issue. In an email dated 10 February 2004, Dr. Saad Shire, Managing Director of Dahabshiil UK, who was representing SFSA just before his company withdrew from it, summarised the position of the industry by saying: "*The regulations that exist in different countries are based on their laws and are different, even though there are some similarities, and we do not believe that a generic manual or guidelines would be the most effect (sic) way to go about this important issue*" (see Annex 21). Instead he suggested that UNDP "*commission the compilation of separate manuals for UK, USA and UAE/Gulf Countries which are based on the specific regulatory requirements of each country or region*". Gina brushed aside these concerns by arguing that UNDP objectives would be better served by sticking to the original proposal developed by KPMG.

5.2. Development of a database of regulations would have involved substantial work – something that it appears KPMG was not prepared to do – so Gina simply avoided addressing the issue and insisted that a generic manual, which could be downloaded from the internet free of charge, was what the industry needed. This together with the plagiarism issue in the feasibility study, the conflict of interest for KPMG because they developed the FSDP document and absence of any consultations with the industry led to the decision by Dahabshiil to withdraw from SFSA and sever links with UNDP. From February 2004 to August 2005, Dahabshiil and several other companies stayed away from SFSA and other UNDP projects. As a result UNDP relied mainly on Dalsan and small hawala operators – which were not generally very keen on compliance as they lack the substantial capital required to meet regulatory requirements – to justify KPMG consultancies. After some negotiations with UNDP, Mukhtar Osman, the Chairman of SFSA Europe and Director of Dalsan, agreed to support the project (see Section 10).

5.3. Gina emailed the TOR for a one-month consultancy for the development of a compliance manual to Kevin West (KPMG) on 3 March 2004 and asked him to send his proposal by the next day (see Annex 22), although the deadline for the consultancy, which was advertised on Relief Web, was 8 March according to a Consultant Review Committee (CRC) March memo. Kevin's proposal was apparently ready when he received this email because the cover page of the KPMG proposal he submitted was dated 2 March 2004.

5.4. The level of collusion with KPMG and bid rigging is shown by the fact that on 4 March, even before the advertisement deadline, Gina wrote to Abdusalam to inform him that she "*received a really good CV today for the consultancy position as well. Something to compare to Kevin at least-- and to hold onto for later!*" (see Annex 22). The good CV that Gina received was that of Kenneth E. Barden, a consultant who was better qualified and had more relevant experience than Kevin West of KPMG and would have most likely been selected if it were not for the corrupt relationship between UNDP and KPMG (see Annex 23 for the CVs of Kenneth Barden and Kevin West).

5.5. A CRC memo dated 9 March 2004 compared the CVs of Kenneth, Kevin and a third consultant and still recommended that Kevin West be awarded the consultancy (see Annex 24). Dirk Boberg, Assistant Resident Rep, who was one of a few people in UNDP Somalia' senior management unaffected by the allegations of bribery and kickbacks, was suspicious of the multiple roles played by KPMG in the Programme. At the CRC meeting he raised the issue of conflict of interest for KPMG since they originally proposed the development of a compliance manual for SFSA. He specifically mentioned that Kevin, the KPMG consultant who was proposed to develop the manual, was the person who proposed the manual and wrote the TOR in the FSDP document. With his insistence, the CRC recommended that the terms of reference be more widely advertised to get more responses particularly from other big firms.

5.6. A second CRC memo was presented to the committee on 22 March 2004 with a justification that "*since Kevin West is able to lower his costs considerably, is located in Nairobi for added convenience and flexibility in document production and our top choice in terms of experience, we reiterate our recommendation of Kevin West for this consultancy position*" (see Annex 25). This was an attempt to, without addressing the concerns raised by Dirk, justify awarding the consultancy position to KPMG by claiming that their consultant would cost less. Since the TOR was advertised as a one-month consultancy and the plan was to hire the consultant on Special Service Agreement (SSA), the regulations required hiring the best candidate and then offering a lump sum fee or daily rate depending on their qualifications and experience. There was no need to ask applicants to propose fees. Nevertheless, Kenneth was asked to provide his daily rates. In an email on 11 March, Gina wrote: "*Upon receipt and review of your resume sent to us regarding the Compliance Manual Development Workshop Consultancy, we have brought it to our committee and are interested in your services. There have been no decisions made at this point, but we were wondering if you could provide us with your daily rate, to help expedite the* *process"*. His response was "*My usual daily rate is $600 US per day plus expenses (travel, lodging, out of pockets) or a per diem. I am very interested in this project and would be willing to work with you at reaching a mutually acceptable agreement to perform the services indicated"*. Kevin's proposal was to charge UNDP $150 per hour for 26 days plus expenses for a total figure of $26,370. After Kenneth proposed a daily rate of $600, Gina went back to Kevin and asked him to adjust his figures. At the same time Gina made up some estimates of the expenses for Kenneth. In the end a table of costs showing overall costs for Kevin of $19,620 compared to Kenneth for $25,246 was submitted to the CRC (see Annex 26). However, this still failed to get approval from CRC.

5.7. A third CRC memo dated 13 April 2004 was submitted to the committee after the re-advertisement of the TOR. The memo said "*we reiterate our recommendation of Kevin West of KPMG for this consultancy position, since his fees are lower than our second choice, the individual consultant Kenneth Barden, and these fees also include support staff and supplies; he has additional worldwide expertise should such additional resources be necessary, and; he is the only candidate with all of the requisite skills and experience. As the other firm who submitted a proposal did not sufficiently meet our needs, we therefore, despite best efforts, only have Kevin West of KPMG capable of successfully completing the consultancy"* (see Annex 27).

5.8. After the third CRC submission, Dirk sought to obtain clarification from senior management on the issue of conflict of interest. He drafted a note to David Allen and Susan Kavanagh, Deputy Resident Rep (Operations), saying that "*Regarding the candidature of Kevin West and his earlier involvement in Remittance related events organised by UNDP I wish to seek your clarification on the issue (which was marginally addressed during last week's CRC) relating to possible conflict of interest*" (see Annex 28). He shared the email with Gina before he sent it because at some point she argued that Kevin did not provide input in anti-money laundering compliance issues in KPMG proposals, but when he specifically asked her to confirm this, she retracted and confirmed that Kevin's input was about the compliance issues. Dirk concluded in his email "*In light of above I would be grateful to receive your views on whether or not we may face a possible issue of CONFLICT OF INTEREST*". This was the third time senior management discussed the issue of conflict of interest regarding the multiple roles of KPMG. Dirk was informed that there was no conflict of interest and therefore the CRC finally approved the contract to be awarded to KPMG.

5.9. The actual work involved in this assignment was limited to a few days that the consultant spent in Dubai and the outcome was a manual that seriously misinterpreted the regulations of key source countries. For example, in many European countries regulations require remittance companies to keep their records for a minimum period of ten years. The manual based on Kenyan regulations asked companies to keep data for five years. More importantly, it misled the companies into believing that they only had to comply with anti-money laundering procedures rather than with licensing requirements including minimum share capital, fit and proper criteria, appropriate corporate structures and so on. In the end the manual was abandoned and another compliance guide was developed by KPMG (see Section 8).

6. KPMG Contract on Establishing a Central Bank of Somalia

6.1. Perhaps the most blatant violations of UNDP rules and regulations took place in 2005 when Mayank came up with a bogus contract specifically designed to defraud project funds. He proposed to "establish" a central bank for Somalia by using Kenya Central bank documents and presenting them as regulations and acts for Somalia Central Bank. Mayank first discussed this issue with senior management and then in February 2005 he met with Abdusalam and Gina to discuss his proposals in detail. After discussions, Mayank, who was still a partner with KPMG, drafted terms of reference for establishing a central bank for Somalia and submitted it in an email dated 28 February 2005 to Gina. In the email he said, "*I have put together a draft terms of reference for establishing the central bank. I have approached this from the viewpoint that a central bank needs to be established from scratch and so the scope covers a number of areas that you may wish to consider. The point is that, at the end of the day, you need an entity that is bale (sic) to fulfil (sic) its objectives*" (see Annex 29).

6.2. Without any changes, Mayank's TOR was issued as an RFP and emailed to Max Gaylard and David Allen on 7 March 2005 for approval without bothering to go through even a nominal bidding process. The email requested David to get a waiver from New York as the price agreed with Mayank was more than $100,000. In the email to Max Gaylard and David Allen, Abdusalam states that: "*Please see attached "Request for Proposal RFP" to commence the study for the establishment of the Central Bank in Somalia. We are requesting that we ask New York for a waiver, as it is anticipated to be more than 100 thousand USD$. We think that KPMG is the best to under take this study, since they have completed the feasibility study two years ago*" (see Annex 29). The feasibility study used as an argument to support violations of UNDP rules is the same one that was found by the Programme only a year prior to have been an embarrassment to UNDP and EC.

6.3.The email to David and Max was not copied to El-Balla Hagona, Country Director, who was Abdusalam's immediate supervisor. Normally the Country Director, not the Resident Rep, has the overall responsibility of the country office programmes and operations. The reason for this was that El-Balla had no personal or improper relationship with KPMG and in this case he would have most likely rejected this clear violation of the rules.

6.4.UNDP procurement rules require posting all bids for contracts valued at $100,000 and more on the websites of the country office, IAPSO and/or UNDP. However, David Allen responded to Abdusalam's email on the same day suggesting a limited local bidding process and using the waiver to rig the bidding. In the email he said: "*Am not sure this will be easier than doing a bidding as this will first have to clear the CAP and then go to NY to clear the ACP. Strongly believe it would be better to invite three or more local firms through RFP. You may be concerned about letting the dice roll and that may be an issue which we can think about to support a waiver*" (see Annex 29).

6.5.As suggested by David Allen, five Nairobi-based firms were solicited for the RFP. PricewaterhouseCoopers declined but the other four firms submitted proposals. Mayank drafted the terms of reference in a way that mislead any potential competitors, so the three firms other than KPMG that showed interest in the consultancy raised many legitimate questions about the scope of the study, security arrangements in Somalia and absence of bank officials and other partners to work with. Rather than provide written answers to all potential bidders as required, the queries were addressed by Gina through individual meetings with the bidders. Although the study was going to be conducted in Nairobi without the need to travel to Somalia, all other competitors were given the wrong impression that they would be required to travel to Mogadishu.

6.6.To avoid the problems that led to the local procurement committee withholding approvals several times, David Allen and Programme staff managed the process very tightly. In particular, the senior management (excluding El-Balla) actively participated in the bid rigging. To leave nothing for chance, Gina discusses in an email dated 21 April 2005 some of the suggestions she was given by Andrew Dick, UNDP Contract Specialist, to rig the bidding process. The aim of the discussion was to explore options that would allow them to hold discussions with firms if KPMG prices were not the lowest of the proposals achieving the 70% technical score. She states (see Annex 29):

> *"On the Central Bank, I think that we should discuss the possibilities in more detail when we are both back (on the 4th). I did meet with Andy today, and he suggested the following options:*
> *(1) Email all 4 companies who submitted proposals requesting the number of man hours anticipated for the project (not only the number of people assigned to it); this could assist in our evaluations*
> *(2) Put KPMG just under the 70% threshold (ie- 695), that way if the other ones come it way too high, discussions can be had with all 2 that passed and would allow us to go back and open up the one that just missed it*
> *(3) Put KPMG under the 70% and if the others are too high, take the best one in part (as the pricing has been broken down)*
> *(4) Include KPMG over 70%, but then if they are the lowest and we can afford it, then we have to proceed."*

6.7. According to the CAP submission form, the total budget for this line was $190,476. KPMG proposed $189,200, but given the scope of the terms of reference for the other two firms, Deloitte & Touche and Ernst & Young proposed $612,120 and $325,600 respectively. Surprisingly no one in ACP (New York procurement committee) questioned why a firm that also had two other on-going contracts with the same Programme managed to propose a price that was so close to the budget figure when competitors' prices were up to several times the budget amount.

6.8. "Establishing" a Central Bank for Somalia was a novel idea that was not part of the FSDP proposal that Mayank himself prepared in 2003 and so no funding was available for this activity. However, this was not a big problem for the Country Office management. As soon as the proposal was accepted, funds from Norway that were originally earmarked for governance activities including establishment of audit institutions and capacity building for treasury were diverted to fund this new activity (see Annex 29).

6.9. The contract was signed with KPMG in June 2005 and the firm was required to submit reports within three months. However, more than two years later the work has not yet been finalised, although up to 90% of the fees were paid to KPMG when they submitted two draft reports presenting Kenya Central Bank Act and Kenya banking regulations as a model for Somalia. Obviously Kenya and Somalia have very little in common in terms of banking (and Kenya Central Bank is not by any standards the best model in Africa or elsewhere), but as Mayank suggested when he proposed the idea, it was readily available material that required very little or no further input from the consultants.

7. Appointment of KPMG Partner as UNDP Chief Technical Adviser

7.1. As soon as the Central Bank consultancy contract was signed in June 2005 with KPMG, Mayank, who proposed the idea and became the lead consultant, was also appointed as the UNDP Chief Technical Adviser (CTA) for the same project. In one of the most blatant violations of UNDP rules and regulations, this international post with a gross annual remuneration of about $140,000 was given to Mayank without any competition. The post was specifically created for him and therefore never advertised internally or externally or subjected to the selection process mandated by UNDP employment regulations. Mayank is an accountant with virtually no development or international remittances experience.

7.2.Mayank started his employment with UNDP in August 2005 and one of his first tasks was to approve two payments ($37,840 mobilisation fee and $113,520 second instalment) for the bogus Central Bank contract that he proposed himself. His name was still listed in the contract documents as one of the lead consultants and the payments he approved were going to himself as a consultant and as a shareholder of KPMG. UNDP Country Office management, New York, which approved the post, and OAPR, which investigated Mayank, somehow all failed to see any conflict of interest in this case.

8. KPMG Contract on Creating a Database of Compliance Requirements

8.1.When I joined the Programme in October 2005 as a staff member there was another KPMG proposed consultancy on training of trainers that was about to be awarded to KPMG. Convinced that it had no relevance to the identified needs of the industry, I persuaded Mayank and programme management that the funds should be used to gather information about regulations in key remittance source countries and establish a database of regulations for the industry self-regulating body. My idea was that the project staff supported by an independent consultant would be able to create the database. As part of my earlier work with Somali remittance companies, I had already compiled the regulations of most EU countries and we only needed to expand and update this work. My proposal was turned down, but I was allowed to draft the terms of reference for a consultancy firm to do this work.

8.2.When the RFP was finalised I ensured that it was advertised widely with the view to solicit greater responses. Apparently by now it became clear to all KPMG local competitors that they had no chance of winning any contracts on this Programme. Despite my effort only the KPMG bid met the minimum requirements. The technical and price evaluation of the bid was managed by Mayank and he successfully presented it to Contracts, Assets and Procurement Committee (CAP) – the new name for the local committee. With the support of David Allen, CAP approved the bid and requested a waiver from New York.

8.3. Initially ACP (New York) recommended withholding the approval of a contract for KPMG for the reason that: "*It is difficult to assess the value for money since there is no competitive offer. Even the rate of the consultant i.e. $3000 per day is very much on the higher side. This is more than double of the rate negotiated by UNDP under long term arrangement with most of top accounting companies"* (see Annex 30). The total amount for consultancy fees (excluding reimbursable expenses) in the proposal rejected by ACP was $73,950.

8.4.However, the same total consultancy fee (and reimbursable expenses) of $78,370 was approved by ACP immediately after David Allen intervened. In an email he wrote on 11 November 2005 after ACP initially turned it down David said he would call "*selected people*" to get it approved. Within 24 hours of his calls the contract was approved. In their approval ACP said: "*As a follow up the consultancy company has provided the cost details. As per the data provided for workshop in Dubai, the rate is $1850 per day for partner level and $1236 per day for local manager from KPMG, Kenya. These rates are higher by nearly 25% than the one we have negotiated with all major consulting company on corporate basis including the one with Bearing Point which is consulting arm of KPMG. We would suggest that country office negotiates the consulting fee with KPMG …* ***Based on above observations, we recommend to award the contract to KPMG (Kenya) for developing compliance database and holding workshop in Dubai in the amount $78,370***" (see Annex 30).

8.5.In an effort to justify the approval of the consultancy, Mayank sent a note to David in which he outlined his reasons for urgent approval of the contract. He asked David to forward it to ACP. In the note Mayank, who had been with UNDP for only about three months, tried to argue that paying $3,000 per day to his firm (which he still owned shares of) was going to save remittance companies from sudden closure. He argued that:

> *"The need for a database of compliance regulations for the Somali money remittance companies is a matter of urgency since such companies face closure of their businesses from regulators as well as closure of banking services from banks. Were this to happen, the flow of remittances that Somali remittance companies currently facilitate would be in jeopardy.*
>
> *"UNDP Somali is holding a high profile conference in early December in Washington together with the World Bank …We are aiming for this issue of regulation v/s development to be our main policy advocacy issue during the Conference. Therefore, we need the research to commence urgently so that it can provide useful basis for our presentation and discussion.*
>
> *"The whole area of remittances, money transfer businesses and regulations affecting such businesses is a relatively new field and our experience is that there are indeed very few consultants who are knowledgeable in this area to carry out quality work within a short period of time we are faced with. This is now been demonstrated by the fact that we have not received proposals from other international accounting firms on two occasions for work involving the remittance sector. KPMG has been working in this area for the last few years and the project director is highly respected by the Somali remittance companies.*
>
> *"Based on the above, we cannot afford to go through another bidding process. However, we appreciate your concern on value for money and therefore we requested clarification from KPMG on their fees and rates. Please find attached their response. We believe the rates quoted and estimated consultant input days for this assignment are reasonable"* (see Annex 31).

8.6. The attachment from KPMG that Mayank submitted to David was the same financial proposal for a consultancy fee of $73,950 plus expenses (see Annex 32). The only difference is that the number of consultancy days originally estimated at 32 days was changed to 48 so that the average consultancy fees would look more reasonable. In the original financial document (see Annex 33) the proposal was 32 days at an average rate of $2,310. In the revised financials, they proposed 48 days at an average rate of $1,504 per day per person. The total amount remained the same. After David's intervention, ACP accepted this deception and approved the same total consultancy amount that they had rejected before.

8.7.A more serious failing that suggests collusion is the fact that in all previous KPMG consultancies approved by CAP and ACP the daily average rates for the consultants were all under $800. In the development of a compliance manual in which the only consultant involved was Kevin West, who was also the lead consultant in this one, the agreed rate was $700 per day. Therefore, the proposed rate was not only *"more than double of the rate negotiated by UNDP under long term arrangement with most of top accounting companies"* as ACP initially argued, but it was nearly three times the rate that the same consultant was paid by the same programme and approved by ACP.

8.8. Managing this consultancy was a significant challenge for me. By this time I was fully aware of all the corrupt practices that had been used to award contracts to KPMG, so I wanted to make sure that at least this time they did the services they were contracted to perform. However, in keeping with tradition, they submitted a report containing largely irrelevant bits of information copied from various websites. Mayank thought it was comprehensive and that it met all the requirements, but I disagreed and rejected the report. Mayank, who was my immediate supervisor, was not happy with this and he argued that my interpretation of the TOR I personally drafted was not right (see Annex 34 for my initial comments, Mayank's reaction and the consultancy TOR). In a series of meetings I had with Mayank on this issue he complained that by refusing to accept the report, I was undermining the timely implementation of the project work plan. The contract took much longer than was planned and after a series of detailed comments and contributions from the Programme, KPMG finally produced a report that I thought was satisfactory. (However, I probably spent more time than it would have taken me to do the work myself). The final outcome is, in my opinion, the only output from this firm that is value for money, but I still found it hard to convince the industry to trust a database compiled by KPMG. I underestimated the level of mistrust between KPMG and the industry and how this has undermined the credibility of UNDP.

9. Appointment of EC Technical Advisor as UNDP Deputy Programme Manager

9.1. Until July 2005 Paul Simkin was in charge of EC Somalia Unit technical assistance that provided several million dollars to the Remittance Programme. As a personal friend of Mayank Patel and Abdusalan Omar, he was closely involved in the activities of the Remittance Programme and the consultancy contracts awarded to KPMG. He participated in the Dubai and London workshops organised by KPMG and encouraged remittance companies to work with the consultants. On behalf of the EC, he was responsible for overseeing the implementation of the Programme. Moreover, Paul was a close friend of Max Gaylard, Resident Rep, and he helped UNDP to get EC funding for some of the other country programmes.

9.2. In early 2005 Senior Management decided to reward Paul by offering him a senior position on the Programme he was funding. To do this, they first moved Mo Hussein, who was the Deputy Programme Manager responsible for remittances programme and several other small projects, to a liaison office. Mo is a Somali professional who was opposed to the corrupt practices used to award contracts to KPMG. Even before he was moved, Programme management succeeded to sideline him by excluding him from all correspondence regarding the Programme. Although Gina was working under him, she never copied him on any of the correspondence regarding KPMG consultancies.

9.3. Paul was appointed as Deputy Programme Manager in July 2005 and he joined his close friends – Abdusalam and Mayank – in what was the second largest programme in UNDP Somalia. The three friends who until now represented the consultancy firm (KPMG), implementing agency (UNDP) and funding agency (EC) were brought together to manage the same programme. In the recruitment of Paul and Mayank, I learned from Abdusalam that a confidential note to file was reportedly written about the issue of conflict of interest in both cases. I have not seen these notes but I believe it would be important for investigators to review these files to see what they reveal about the role they had played in the programme before they joined and the conflict of interest issue.

10. Support to a Remittance Company with Suspected Links to Terrorist Organisations

10.1.Another major violation of UNDP regulations and international law is the support the Country Office provided to Dalsan, a Somali remittance company with suspected links to terrorist organisations. Dalsan was co-founded in August 2001 by Mohamed Sheikh Osman, the former official spokesman of Al-Ittihad al-Islamiya (AIAI), an organisation placed on the list of terrorist organisations on 24 September 2001 by President George W. Bush under Executive Order 13224, as well as listed by the UN Sanctions Committee.

10.2.Dalsan was alleged to have been a front company for AIAI and the Islamic Courts Union (see Attachment C - FSDP Evaluation Report). In addition to Mohamed Sheikh Osman, other Dalsan senior managers and shareholders had links with AIAI and the Islamic Courts Union. These include Abdilkadir Hashi Farah "Ayro", who was the chairman of the company when it collapsed in May 2006. Abdilkadir is the brother of Aden Hashi "Ayro", the leader of the notorious Al Shabab, the youth movement of the Somali Islamic Courts Union (ICU) responsible for most of the terrorist activities in Somalia, which the U.S. government designated as a terrorist organisation. On 1 May 2008 Ayro was killed in an air raid conducted by the U.S. military. Hassan Dahir Aweys, the former leader of AIAI and the chairman of ICU, sanctioned under EO13224 in November 2001, also owned some capital in the company. The links between Dalsan and ICU are explored by Dr. Pham in an article published in World Defence Review (http://worlddefensereview.com/pham092106.shtml).

10.3.From early 2003 to late 2005 the Country Office provided Dalsan critical support that may have helped the company to flout international regulations and commit a major fraud in which hundreds of Somali migrants and remittance recipients lost an estimated $30 million dollars. The support provided by UNDP to this company ranges from release of funds frozen by authorities, to assistance in obtaining licenses, to helping senior company officials to obtain visas and travel documents. Most importantly, UNDP supported the nomination of the UK managing director of Dalsan, Mukhtar Sheikh Osman, to become the Chairman of the Somali Financial Services Association (SFSA) Europe and assume the overall responsibility for the establishment of self-regulation systems for the Somali remittance industry. A company with such a link was tasked to promote compliance with anti-money laundering and countering terrorist financing. Mukhtar started to manage Dalsan's operations from an office in London when his brother Mohamed relocated from his base at East London Mosque to Jamia Mosque in Nairobi following the designation of AIAI as a terrorist organisation.

10.4.In an attempt to justify unusual interventions made on behalf of Dalsan and other companies, UNDP resorted to desperate measures by asking the Somaliland government to sign a request letter drafted by UNDP. In an email dated 16 October 2003, Gina wrote to Abdusalam, who was travelling to Somaliland, saying "*please find the letter for the Somaliland Authorities to put onto their letterhead and sign. It has gone through all, including Chris*" (see Annex 36). In this letter, Somaliland authorities were asked to request "*UNDP expertise*" on behalf of the Somali people in dealing with problems faced by the Somali remittance companies. The letter said that "*these companies have several major shortcomings: (1) they have no domestic regulations or financial certifications with which to comply, (2) do not possess the technical and operational capacities to act transparently. Consequently, they cannot adhere to the host countries rules and regulations. With regards to the United States, many companies are also unable to comply with requirements of Patriot Act (31 CFR 103) and with the Generally Accepted Accounting Principles (GAAP)*". This document containing such defamatory claims about Somali remittance companies that were complying with U.S. regulations was approved by a UNDP lawyer (Chris) and senior management. The only major Somali remittance company that these shortcomings claims applied to was Dalsan. The letter, which was later signed by Somaliland Minister of Planning on 28 October 2003, concluded with a note saying "*In light of the fact that we do not* *possess the ability, know-how, nor the capacity and resources to regulate these remittance companies, we respectfully solicit UNDP expertise to assist us with regards to the compliance of these companies with U.S. rules and regulation which, is necessary for the continuity of remittances flows into the country and the absolute lifeline survival of the people*" (see Annex 37).

10.5. The letter from Somaliland also served other purposes for the country office. In a memo dated 23 April 2003 Gina outlines the issues she discussed with Chris Mensah, UNDP legal counsel. In it she says: "*We explored the legal bars to UNDP establishment of the authority and brainstormed ways to circumvent this problem. The major issues were the Patriot Act and UN concerns over immunity and public relations. As a result, we felt that the best course of action would be to proceed with the oversight authority, but link UNDP only to the Somaliland authorities. Through this sole link, there were no direct connections to either the companies or the banks, and therefore with the flow of money. Additionally, it serves the UN mandate much better to coordinate directly with the Somaliland authorities, since they represent the people, than it does to coordinate with the private sector* " (see Annex 36). Some of the unusual activities and potential risks for the Organisation were apparently discussed in detail with senior management including the Office of Legal and Procurement Services in New York.

10.6. The specific interventions that benefited Dalsan include the release of funds frozen by Swiss Public Prosecutor in 2003 for suspected anti-money laundering and terrorist financing offence. In early 2003 the Swiss law enforcement agencies raided the homes of a number of illegal Somali money transfer agents, froze funds in their personal bank accounts and confiscated all their documentation. In addition to operating without a license, the agents were suspected of involvement in money laundering and terrorist financing. Some of the key agents whose funds were frozen were those acting for Dalsan International. In an unprecedented move, UNDP intervened on behalf of these agents facing criminal prosecution and tried to defend their illegal activities by falsely claiming that UNDP was addressing their non-compliance problems (see Annex 38). None of the agents had incorporated a company in Switzerland and so they used personal bank accounts to conduct a business involving the transfer of millions of dollars. Even after banks closed personal accounts after detecting unusual transactions, most agents in the country relied on one foreign exchange bureau in Geneva, which charged exorbitant commission rates because of the risks involved in such illegal business, to transfer their money to Dubai. Some of the funds frozen were at the time with this foreign exchange bureau.

10.7. The Swiss authorities were concerned that some of the agents who were sending a large volume of funds to many countries including Somalia, Kenya, Sudan, Ethiopia, Yemen and UAE were avoiding registering with the regulator largely because of suspected involvement in money laundering activities. According to the authorities, there was no justification for the agents to operate illegally as Switzerland has one of the easiest licensing regimes for remittance companies in Europe and they had been warned by the regulator to obtain necessary licenses and comply with regulations or risk prosecution. In Switzerland, remittance companies are given the option of either joining one of three self-regulating organisations or registering with a government regulator and there are no license fees or capital requirements.

10.8. In response to the UNDP letter dated 12 May 2003, the Swiss Prosecutor office wrote to UNDP on 19 August 2003 to say: "*I would like to inform you that the legal procedure is still on going in Switzerland and that various stages should be completed before being able to think of a possible access to the confiscated files. Please kindly note that all necessary steps have been taken for a quick possible solution. I take note that UNDP Somalia representatives would be available to come to Switzerland in order to provide us with all the useful information connected* *to the problem of funds transfer to Somalia through the parallel systems of remittances such as l'hawala. I found this proposal very interesting and I would be pleased to meet you in Switzerland to discus all matters related to the transfer of funds to Somalia and about the solutions that you are trying to evaluate/implement in collaboration with other western countries* (see Annex 39).

10.9.Following intensive lobbying from UNDP, including meetings in Switzerland (see Annex 40), the Swiss government dropped the case against the agents when UNDP provided a list of what it claimed were the ultimate beneficiaries in Somalia of the frozen funds. Since more than half of the funds were going to countries outside Somalia, there was no way UNDP could verify the identity of the people on the confiscated agent lists, but UNDP still provided assurances that all the funds were going to poor people in Somalia. The argument used was that agents were operating illegally because of lack of knowledge and awareness, which the UNDP remittance programme would provide immediately. In the letter to Swiss authorities, UNDP promised to help companies to comply with regulations. However, none of the promised activities were ever delivered and four and half years after the assurances, with the exception of one agent that I personally (as an independent consultant) helped to obtain a license in 2004, all the agents who benefited from this intervention are still operating illegally. Some of them claim they are exempted because of a loophole in the Swiss money transfer regulations that makes registration optional for individuals with an annual turnover below 8,000 Euros. This loophole was first identified by a UNDP mission during their meetings with the authorities and then later shared with the agents, although it did not apply to these agents because of the large volume of money they transfer annually.

10.10.UNDP also intervened on behalf of Dalsan agents and others in Norway when the Norwegian authorities ordered Somali money transfer agents operating without a license to cease operations and charged two agents for conducting unlicensed money transfer business. Dalsan agents in Norway were incorporated as charities to circumvent the country's financial service regulations. A UNDP letter to a Swiss Public Prosecutor cites the Norwegian government, which ultimately accepted UNDP assurances for allowing agents to resume operations. The letter says "*Achievements were also made in Europe, as the Norwegian government, who had imposed an entire ban on Somali remittance companies in their country, lifted the ban entirely*" (see Annex 38). To obtain a license, companies are required to be established under Norwegian laws with a minimum share capital of 5 million Euros (although this can in special cases be reduced to 1 million Euros). Although agents are a private business that charge commission, the transactions are reported as charitable transfers made by individuals. Financial Action Task Force (FATF) describes this as an abuse of charities in violating international money transfer regulations.

10.11.The Norwegian regulator, Rune Grundekjøn of the Financial Services Authority, who made a presentation at the KPMG organised London conference, noted that "*of the 12,000 Somalis currently living in Norway, 80% are legally unemployed. As such, it was alarming to the authorities that transactions of large proportions were still taking place, not simply family subsistence transfers*". What the regulators were not told by UNDP and the agents was the fact that more than half of the remittances were going to outside Somalia and that up to 20% of the funds related to proceeds of Khat (a leafy plant classified as an illegal drug that is imported from Kenya and Ethiopia).

10.12.Five years after UNDP succeeded to lift the ban imposed on hawalas operating illegally in Norway with the promise that UNDP was going to help them to comply with regulations, all agents in the countries are still operating without the necessary licenses. On 29 February 2008 several Somalia money transfer agents operating illegally were raided by Norwegian authorities for alleged links to terrorist financing (see Annex 41). The prosecutors claim that all suspects including the Hawala operators have links to the radical group Al Shabab and are suspected of sending money to Somalia to finance a "holy war" against the Transitional Federal Government. These agents remained in business for such a long time without complying with the country's regulations largely because of the ill-advised UNDP interventions. The volume of remittance from Norway to Somalia is large enough for at least two or three viable money transfer businesses, but thanks to the UNDP intervention there are at least ten illegal businesses/charities that now share the market.

10.13.UNDP support to Dalsan was particularly critical in the U.S. where its agents annually transferred about $100 million for recipients based mainly in Kenya, Somalia, Sudan, Yemen and Ethiopia. To capture the U.S. market share of Al-Barakaat, Dalsan established a large network of unlicensed agents in some twenty states with a large number of migrants from the Horn of Africa in 2002. However, it needed to get licenses in at least the key states for it to maintain bank accounts. As Dalsan had no proper corporate structure with the capacity to meet the stringent licensing requirements, it turned to UNDP for advice and guidance.

10.14.In addition to support letters, UNDP sent missions to the U.S. to give assurances to state regulators and banks that UNDP was in the process of establishing "an oversight mechanism" that would certify compliance with U.S. regulations to allay concerns about Dalsan and some of the other Somali money transfer companies. In one mission in March 2003, UNDP was successful in averting bank account closures faced by Dalsan in the U.S. The letter to the Swiss authorities cites this case. It says: "*A UNDP mission visited the United States again in March 2003 to resolve some additional complications confronting one of the largest Somali remittance companies operating in the U.S., as part of its ongoing commitment to prevent the occurrence of any foreseeable hindrances on the remittance companies in their host countries*" (see Annex 38). The "additional complications" Dalsan was facing included allegations that agents were involved in structuring financial transactions in order to evade federal reporting requirements. However, as one email from U.S. State Department clearly illustrated, U.S. banks were reluctant to accept the 'humanitarian defence' and promises of oversight mechanism and other assurances that UNDP used to support Dalsan and other companies. In July 2003, George Colvin, U.S. State Department Somalia and Kenya Desk Officer, wrote to Gina saying that: "*I was just called by an Atlanta-area bank's antifraud wallah about cutting cut off (sic) their customer list. I gave him an overview of what you-folks are doing, which I fear he did not find very persuasive. Either these guys professionalize and get with the Patriot Act (among other considerations), or frankly, they're history--at least in this jurisdiction. I'm assuming you're putting it exactly like that*" (See Annex 42).

10.15.In early 2004 when U.S. authorities started to investigate several of its agents, Dalsan requested UNDP assistance. However, this time a new Country Director, Mr. El-Balla, raised questions about the role of UNDP in the affairs of Dalsan and asked for more information about the problems one of its agents was facing. On 13 April 2004, Gina wrote the following email to Abdusalam: "*Thank you for forwarding the Dalsan information. Look forward to their follow up documentation to El-Balla to enable us to support them. However, I am concerned that El-Balla further inquired about the matter with their agent. Not sure how a private business matter concerns the Somali people and therefore UNDP*" (see Annex 42). The line of argument adopted by the country office with regards to Dalsan was that UNDP does not need to know specific cases of the company's agents and operations provided that they continue to be engaged in money transfer to Somalia. Even with the reservations from El-Balla, UNDP was still able to provide requested assistance with no questions asked about the matter with the agent.

10.16.The incident that is alluded to by Gina as being a private business issue involved an agent, who according to a press release by the Office of the U.S. Attorney Western District of Missouri, on 17 November 2004 "*was indicted by a federal grand jury today for operating an illegal money transmitting business that wired nearly $4 million to the United Arab Emirates and elsewhere, and for structuring financial transactions in order to evade federal reporting requirements*" (see Annex 43). The same man who acted as an agent for Dalsan and one other money transfer company on 26 October 2005, "*pleaded guilty in federal court today to operating an illegal money transmitting business that wired nearly $4 million to the United Arab Emirates and elsewhere*" (see Annex 44). The press release says that the agent "*transferred approximately $3.8 million to locations outside the United States, including United Arab Emirates, Thailand, Hong Kong, South Korea and Indonesia, as well as an account in Minneapolis, Minn., which later transferred funds to the United Arab Emirates and other countries".*

10.17.Dalsan also received critical advice that helped the company to obtain licenses in some ten states without meeting the minimum net worth requirements and 'fit and proper' criteria. The country office sent out a series of emails to state regulators to effectively find out about loopholes in the regulations. It was established that instead of setting up a company with sufficient capital to cover the capital requirement in all the states where Dalsan had operations, they would just need to use a property the company owned in Minneapolis, which was worth $600,000, to meet requirements in every state without informing regulators that the assets were already committed to meet commitments elsewhere. When Dalsan collapsed it was found out that this property was used to commit guarantees in excess of several million dollars, including share titles sold to Somalis living in the U.S. The advice to Dalsan was based on communications to regulators such as John Bishop, Senior Administrator of Ohio Division of Financial Institutions, who after inquiries from Gina, told UNDP that he required "*that the $500,000 net worth be in the US company as reflected in an unconsolidated, audit financial statement according to US general accepted accounting practices. It does not necessarily need to be in Ohio"* (see Annex 42).

10.18.In the UK where Dalsan's annual remittance volume was $50-$70 million dollars, it successfully used the chairmanship position of the SFSA and UNDP financial and technical support to the Association to stay in business without complying with the regulations. To hide the large volume of transactions and evade tax, Dalsan was incorporated in the UK as a business whose principle activity was travel agency and money exchange. In its entire life, Dalsan prepared annual accounts only once in 2005 and reported a turnover of £86,360, a figure that represented a fraction of the company's commission fee and foreign exchange margin (*see Annex 45 for annual accounts signed and approved by Mukhtar Osman on 13 January 2005, which are published on UK Companies House website. The information is available under the dissolved companies section*). Its bank and wire transfer charges alone were greater than the figure published as a turnover. In the 2004 annual return that Dalsan filed with the UK companies registrar it changed its principal business to "*computer related activities*" and "t*elecommunications*" (see Annexes 46 & 47 for Annual Return and Appointments). By all accounts this was a front company set up to evade regulatory oversight.

10.19.UNDP support to Dalsan was also crucial in Dubai where, until mid 2004, it operated one of the largest Somali clearing houses in UAE without a license. In June 2004 Dalsan was one of several Somali remittance companies that UNDP helped to obtain a simple *hawaladar* certificate from UAE Central Bank. Although the type of business Dalsan had in Dubai required a formal money transfer and exchange license with a minimum paid up capital of about $1 million, with the help of UNDP support, it deliberately misled the authorities and was granted a simple hawaladar certificate. The *hawaladar* certificate is a registration given to individual agents who send money on behalf of migrants from their home country and are therefore involved in sending money to a single corridor. The UAE regulations say that any company involved in foreign exchange and international money transfer should obtain a money exchange license.

10.20.*A Khaleej Times'* exclusive news story dated 25 June 2004 explains the justification used by UNDP officials to support registration of agents including those of Dalsan as *hawaladars*. It quoted Abdusalam Omer, UNDP Programme Manager, as saying that "*The amount remitted via UAE is estimated between 50-70 million yearly"* (see Annex 48). The actual amount remitted through UAE in 2004 was more than $2 billion, which is roughly equal to the entire remittance volume sent by Somali money transfer companies to the Horn of Africa. If the UAE Central Bank authorities were aware of the fact that Dalsan and other agents were processing in Dubai for such a large volume they would have made them obtain formal money transfer and money exchange licenses. However, UNDP officials misled the authorities to believe that agents were only dealing with remittances sent by Somali migrants in Dubai to Somalia. On average Dalsan was paying out about $1 million a day to traders who deposit their money with their agents in Kenya, Somalia, Sudan, Ethiopia and Yemen. It was doing business transactions much greater than most of the licensed exchange houses in Dubai. Also, the title of the newspaper story is misleading by suggesting that all Somali agents got hawaladar certificates; it was mainly Dalsan and a number of small agents who would not have obtained the certificate without UNDP intervention. It appears UNDP officials wilfully misled authorities and the media. Even Al-Barakaat had an exchange license in Dubai. Dahabshiil, a competitor of Dalsan, also obtained their exchange house license in 2002.

10.21.Dalsan used the free *hawaladar* certificate, which does not even require the agent to incorporate a company or set up a proper business, to compete with other Somali money transfer companies that put up the $1 million dollar capital and obtained formal licenses. When Dalsan collapsed in 2005 it was still operating in UAE with the *hawadalar* certificate, but at least four other Somali money transfer companies including three with much smaller transaction volumes than Dalsan had licensed money exchange houses that complied with costly and stringent regulations. Since Dalsan was not interested in establishing viable long-term business, the *hawadalar* certificate that UNDP helped them obtain satisfied their immediate objective of avoiding to tie-up significant amounts of their capital and the closer scrutiny subjected to exchange houses by UAE Central Bank.

10.22. Just before the registration of agents on 3 June 2004, UNDP sent an official letter to the UAE Central Bank acknowledging the release of funds belonging to one of the agents, which had been frozen by the Bank for suspicion of money laundering and terrorist financing (see Annex 49). The letter says "*The release of funds by your Central Bank for one of the largest members of the SFSA was greatly appreciated by the remittance company itself, the SFSA as a whole and especially by UNDP*". In reality none of the other SFSA members at the time was aware of this. According to Ahmed Mohamed, a UNDP consultant who at the time acted as the SFSA Secretary in Dubai, the company referred to in the UNDP letter was Dalsan whose funds were released following an intervention from UNDP. Also, when the Central Bank accepted UNDP's request for issuing simple certificates to the agents, in the interview with Khaleej Times on 25 June 2004, Abdusalam from UNDP showered praise on the authorities by claiming that "*According to our assessment, the UAE Central Bank has been the world's best financial regulator"*(Annex 49). This is the Country Office that never attempted even to understand regulatory requirements in the key source countries, let alone assess the world's financial regulators.

10.23.Some of the assistance Dalsan received from UNDP was entirely unrelated to money transfer. These include visa and travel arrangements for senior Dalsan managers, staff and associates to facilitate their international business travel. Examples of such arrangements include a letter UNDP wrote for Mukhtar Osman, the UK managing director of Dalsan, who was facing some difficulties in obtaining a replacement/renewal of his UK passport in June 2004. He wanted to travel to Dubai for the registration of his company and to attend a KPMG workshop. Without asking any questions as to why Mukhtar was facing difficulties, the Country Office promptly sent him an official support letter underlining his important role for UNDP programme as the Chairman of SFSA (see Annex 50). In an email sent to Mukhtar on 11 June 2004 Gina tells him that the letter will assist him "*in expediting the passport replacement process*" (see Annex 51). The UNDP letter together with travel tickets and accommodation all paid for by UNDP helped to convince UK authorities to issue him the passport. According to media reports, law enforcement agents were closely following activities of Dalsan officials during that time. Only three weeks after UNDP supported Mukhtar to get his passport replaced, the Dalsan office at Jamia Mosque in Nairobi was raided in an operation that was allegedly undertaken by Kenyan security services acting on behalf of Western intelligence services. In the operation, the company's computers and documents together with a large office safe containing $80,000 was taken from the office.

10.24.In addition to the support in passport replacement, UNDP paid Mukhtar and his colleague ten days of daily subsistence allowance and return tickets to Dubai worth $6,193. As the email correspondence between Gina and Mukhtar shows, the advance DSA payments were processed in Nairobi and a cheque was issued to Abdusalam to cash in Nairobi and to deliver cash to Mukhtar and his colleague at a Dubai hotel also booked for him by UNDP (see Annexes 52 and 53). Surprised by the special treatment Mukhtar was receiving, the Finance Office thought Mukhtar was an important UNDP staff member until Gina confirmed that he was just a participant of the workshop (see Annex 52). UNDP paid Mukhtar when the main purpose of his Dubai trip was to obtain the *hawaladar* certificate for his company. Mukhtar and his colleague from Dalsan's UK office were the only representatives from the industry sponsored by UNDP. At the time about 15 Somali remittance companies had operations in the UK including many that, unlike Dalsan, were committed to achieving full compliance with anti-money laundering and countering terrorist financing regulations, but none of them were invited.

10.25.Another travel arrangement example which proved difficult involved a senior Dalsan manager in Dubai who requested UNDP assistance after he failed to get a visa for the UK. Dalsan asked UNDP to invite him to the London conference and then arranged for him to get a UK visa. KPMG, which was organising the London conference, was asked by UNDP to make urgent arrangements for him to get a visa. KPMG first attempted to get his visa through the UK embassy in UAE but when this failed, they requested the British High Commission in Nairobi to intervene and get the visa issued from UK Home Office in London (see Annexes 54 & 55). The visa was finally issued and the Dalsan official managed to travel to UK.

10.26. UNDP also helped senior Dalsan officials to travel between Kenya and Somalia and within Somalia on UN chartered flights. Since private businesses are now allowed to travel on United Nations Common Air Service (UNCAS[1]), Dalsan officials often travelled under various local

[1] Because of alleged fraud and corruption in the contracts between UNDP and aircraft charter companies, until 2007 UNDP turned blind eye to misuse of UNCAS by people claiming to be NGO staff in order to create more business for the charter companies. In January 2007 following the defeat of Islamic Courts Union there were allegations in Kenya that suspected

and international NGO names. This arrangement was particularly important for Dalsan before its collapse when its senior managers travelled to the country to collect cash deposits from its main agents.

10.27. Dalsan used the Chairmanship of SFSA Europe and the special relationship with UNDP for massive expansion of its international money transfer business. It established a large network of illegal agents in continental Europe - Norway, Netherlands, Italy, Switzerland, Sweden, Denmark, Finland, Germany, Belgium and France. The European agents were either underground or in key countries such as Norway and Holland they incorporated their agents as charities. The company also established a very large network in the Gulf countries including UAE, Saudi Arabia, Qatar and Kuwait.

10.28.The profile of the company was helped by money transfer and cash facilitation contracts that the two brothers, Mukhtar and Mohamed, signed with Nairobi-based UN agencies with operations in Somalia. Dalsan marketed itself successfully in Nairobi with UN agencies relying on references from UNDP to win most of the cash facilitation and money transfer contracts with UN agencies. By the end of 2005 Dalsan was the second largest Somali remittance company with operations in more than 30 countries. In 2005, Dalsan's annual remittance volume to Somalia, Kenya, Sudan, Yemen and Ethiopia was about \$300-\$400 million (see Attachment D).

10.29.As the chairman of SFSA Europe, Mukhtar played a key role in the Remittance Programme. He supported KPMG consultancies in return for the support he received from UNDP management and undermined the effort by the Dubai-based SFSA board to establish a fully functioning self-regulation system. UNDP allowed him to dilute the Association's strict code of conduct on compliance by introducing a clause that required members only to comply with anti-money laundering and countering terrorist financial regulations by the second year of their membership – a condition that contravened the regulations of source countries. The lack of UNDP commitment to compliance was one of the main reasons cited by Dahabshiil, the largest Somali money transfer company, when it withdrew from membership of SFSA in February 2004. With no interest in the establishment of costly compliance systems, Dalsan used the chairmanship to undermine the genuine efforts made by other companies in the industry to establish a fully functioning self-regulation system.

10.30. Despite the fact that SFSA Europe seemed to exist for the sole purpose of serving the interest of Dalsan, UNDP continued to support it by hiring a full-time consultant to support Mukhtar and by providing funding for the establishment and running of an office in London. Against the constitution of SFSA Europe, which was originally designed to become a chapter of the Dubai-based SFSA, with the support of UNDP Mukhtar made SFSA Europe an independent entity . In breach of UNDP rules, UNDP gave authorisation to Mukhtar to select a person who worked for SFSA Europe as a UNDP consultant and submitted details to Nairobi for processing and payment. This was an eleven months Special Service Agreement (SSA) contract in which the consultant was going to be paid \$33,000 salary (\$3,000 per month) plus DSA and expenses.

10.31.Mukhtar requested that UNDP hire a consultant for him when he met the mission in Dubai in June 2004. On their return from Dubai, Gina sent an email to Mukhtar on 28 June saying "*If you are still interested, please send me 3 CVs by this Friday, with your recommendation and list of suggested activities*" (see Annex 56). Since this was not pre-planned, no terms of reference (TOR) or personal specification was available so Mukhtar was left to select a person and suggest

terrorists fleeing Somalia were flown by UNCAS. Since then Kenyan authorities imposed restrictions on people entering Kenya on UNCAS flights.

TOR. In the end Mukhtar selected one person and submitted his CV alone without a TOR to UNDP. The SFSA Board based in Dubai complained about the recruitment of the consultant saying: "*The SFSA Board is concerned about not being consulted prior to appointing the consultant although the SFSA constitution clearly specifies that the association headquarters is Dubai, and that Dubai is the center of all association activities. Considering what is clearly specified in the SFSA constitution, appointing a consultant without any consultation is seen as an attempt to undermine the existence and legitimacy of a duly elected SFSA Executive Board by the UNDP*" (see Annex 57).

10.32. The same fraudulent practices used to hire KPMG consultants were used to recruit this consultant for Mukhtar. To get approval of the CRC committee, a memo dated 12 October 2004 was prepared, claiming that "*we utilized the large file of CVs collected from past Somali remittance consultancy solicitations as well as conducted additional solicitations in London, UK, where the consultant will be based. As a result, we have narrowed our search down to 3 CVs"* (see Annex 58). One of the CVs compared to the candidate selected by Mukhtar is that of Kenneth E. Barden, who applied in March 2004 for the compliance training work awarded to KPMG (see Section 5). His CV has been repeatedly used for giving the false impression of a proper solicitation process. Although Kenneth E. Barden had better qualifications and "*relevant recent experience in anti-money laundering and countering the financing of terrorism for major financial institutions"*, interestingly he was not selected because among other things he is "*based in the Republic of Palau*". CRC approved Mukhtar's candidate and Mr. Hussein was given a six-month SSA contract that was later extended for five additional months (see Annex 59). Funding was also provided to Mukhtar to pay for his SFSA London office equipment and rent.

10.33. In a clear breach of UNDP Guidelines for Working with the Business Sector that demand full screening of private sector companies before engagement, the Country Office exempted Dalsan from the standard screening it should have gone through before any assistance was provided. Two other Somali remittance companies, Dahabshiil and Amal Express, which received some support regarding problems with bank accounts, provided detailed information about their corporate structure, ownership, compliance audit reports, compliance programmes and jurisdictions where they have money transfer operations (see Annex 60). No such information was ever collected about Dalsan.

10.34. UNDP was aware of Dalsan's suspected links with terrorist organisation and concerns raised by regulators and law enforcement agents about Dalsan. However, Dalsan's relationship and support of the Programme was considered important for maintaining the relationship with KPMG. The strong relationship between UNDP and Dalsan started in 2003 when Mohamed Sheikh Osman and his younger brother Mukhtar Sheikh Osman supported the plagiarized KPMG feasibility study, which the other remittance companies rejected. In mid 2003 when the feasibility study was going on, Dalsan, KPMG and UNDP had a series of meetings at Mohamed Sheikh Osman's office at Jamia Mosque in Nairobi (see Annex 61).

10.35.UNDP's support to Dalsan continued until I joined UNDP as programme officer. In November 2005, one month after I became the programme officer, Mukhtar and his main agent in the U.S. visited the UNDP Nairobi office to request from the Programme Manager an intervention from UNDP regarding seized funds and accounts closed by U.S. banks. When I learned of the meeting with the Programme Manager and their request for support in releasing funds and lobbying banks, I informed the Programme Manager that there was no screening information on file about Dalsan and therefore their request should not be considered unless they provided this basic information. I also told him about the information in the public domain linking this company to terror groups and how Mukhtar was attempting to undermine efforts by the industry to restructure the SFSA following my review of the Association. After some discussion he agreed to send a draft email I prepared for him asking Mukhtar to provide information on company structure, owners, officers, correspondence from banks, the AML compliance manual, independent AML audits/reports and details regarding the U.S. States in which Dalsan was licensed as a money transmitter (see Annex 62). We did not even receive an acknowledgement from Dalsan of the email, let alone any of the requested information.

10.36. In late 2005 Dalsan began to experience problems with banks in the U.S. where it had an extensive network of agents in about twenty States. It managed to get money transfer licenses in about ten key states by using a property the company purchased in Minneapolis to meet the minimum capital requirements in these states, but it still operated without a license in many states including Virginia, where one of its illegal agents disappeared with $300,000. Since Dalsan could not take the agent to court because of the illegal nature of the business in Virginia, it asked UNDP to intervene and help the company recover this money from the Virginia agent who had used the money to start a business in Dubai. (*Several folders containing detailed correspondence on UNDP interventions on behalf of Dalsan and other companies disappeared from the office after I submitted my first dossier in October 2006. Therefore because of the missing evidence I have decided to leave out those interventions*).

10.37.In May 2006, Dalsan suddenly went bankrupt and disappeared with a share of capital and funds belonging to remittance customers and depositors estimated to be over $30 million. The company was structured like a pyramid scheme in which new shareholders made payments to those who joined previously. It particularly targeted refugee women on welfare and those with no bank accounts in Europe or the U.S. through mosques by claiming that they were establishing the first Islamic bank in Somalia. It is estimated that over 15,000 shareholders lost their deposits with the company. According to UN Monitoring Group on Somalia, "*one of the reasons for the bankruptcy was that an ICU military leader managed to divert a large amount of money to help support the organization financially in its fight for the control of Mogadishu during the June 2006 confrontation with the counter-terrorism alliance*" (www.fas.org/asmp/resources/govern/109th/S2006913.pdf).

10.38. The collapse of Dalsan had a devastating impact on the local economy. The biggest losers were depositors who kept their money for safekeeping with Dalsan Bank of Somalia in Mogadishu and Puntland region of Somalia. A shareholder in Minneapolis who lost money describes Dalsan as Somalia's Enron (www.hiiraan.com/op/2006/sept/Dalson-Finincial-Warlords-worse-than-Enron.aspx). In another article (in Somali language), the same shareholder says about 30 people led by Mohamed Sheikh Osman were responsible for this massive fraud. He names Mukhtar Sheikh Osman as one of the key people who sold thousands of false shares to unsuspecting Somali diaspora members (www.hiiraan.com/op/2006/sept/Dalsan-iyo-dhibaatadeey-u-geeysteen-Soomaalida-Cabdullahi-Maxamed-240906.aspx). After the collapse of Dalsan some of the shareholders and depositors asked for UNDP assistance and information about the fraud, arguing that it had a moral responsibility since its misleading reports and announcements about "oversight mechanism" and effective self-regulation system were used to dupe unsuspecting poor Somalis. Several large depositors who visited us in the Programme Office said they were going to submit complaints to UNDP HQ in New York.

11. Effects of Fraud and Mismanagement on the Remittance Industry

11.1.The true cost of the fraud and corruption in this Programme is not just the funds lost but how it damaged the Somali remittance industry and undermined efforts made by individual companies and the industry as a whole to address the challenges in the aftermath of 9/11. Overall UNDP's remittance programme appears to have done more harm than good.

11.2. The Programme focused on interventions and short-term activities that only perpetuated the problems rather than helping the industry to find sustainable, long-term solutions to the compliance challenges they faced. The interventions such as the release of frozen funds and lobbying for companies, which had neither the resources nor willingness to comply with complex regulation in the key source countries, only helped to maintain the status quo. After the closure of Al-Barakaat, UNDP interventions distorted the market by encouraging a number of unscrupulous and opportunistic companies to enter the market. The end result was unusually high failure rates of Somali money transfer companies. Between November 2001 and May 2006, some fifteen companies including several large operators collapsed (see Attachment D). Most of these disappeared with substantial investments and deposits belonging to Somali diaspora, businesses and local people. Many of the companies transferred very large volume of remittances and often appeared profitable before suddenly declaring bankruptcy. In the absence of competition from Western Union and MoneyGram, which have no network in Somalia, even small Somali money transfer operators typically handle a large volume of remittances.

11.3. Despite the fact that non-compliance with regulations was a major contributing factor to the failures of so many companies, UNDP was still advocating for exemptions and special allowances for these operators as a humanitarian gesture. The humanitarian defence argument was misplaced as it led to complacency and market distortion, and failed to recognize the major changes in the regulations of financial services since 9/11, which allow no exceptions. The UNDP public warnings about the dire consequences for Somalia if companies are forced to comply with regulation encouraged many companies to continue to rely on traditional business practices, including informal trust-based relationship with their agents. In such arrangements, which pre-date 9/11, the legal and compliance responsibilities are not clear.

11.4. Perhaps one of the most damaging interventions was a controversial UNDP proposal that recommended direct taxation of remittances. Using the remittance volume figures collected by the Programme, the Country Office produced a report in 2005 that proposed to the Transitional Federal Government (TFG) of Somalia to impose a direct remittance tax of 1% on migrants and demand remittance companies to collect these taxes in the source countries, in contravention of laws in the source countries. In May 2007 the TFG attempted to implement this ill-advised proposal in Mogadishu by instructing company agents to collect $1 million of taxes each month from migrants sending remittances to any part of Somalia. This resulted in a dispute that is still ongoing between the TFG and money transfer companies that threatens to disrupt the flows of remittances (see Annex 63).

11.5. The proposal to tax remittance was part of a UNDP plan to setup a trust fund to be managed by KPMG Kenya. The suggestion was to use a framework similar to a UNDP Sudan project in which KPMG Kenya is the local fund agent with oversight responsibilities. KPMG Kenya is a Local Fund Agent with the responsibility to oversee a $5.8 million grant provided by Global Fund to UNDP Sudan for a specific project implemented by UNDP Sudan. Simon Woods, who became the principal consultant for KPMG Central Bank contract after Mayank joined UNDP, is the named person responsible for monitoring this project on behalf of the Global Fund (see Attachment A).

12. Complaints of Wrongdoing to Management and OAPR

12.1. I learned a lot about the corrupt practices used by the Country Office in their dealings with KPMG when I got the short-term consultancy contract with KPMG and read the feasibility study report. But it was my appointment as Programme Officer for the Financial Services Development Project (FSDP) in October 2005 that gave me an opportunity to understand more about the irregularities and corrupt practices used to award contracts to KPMG in breach of UNDP rules and regulations.

12.2. In January 2006 I put together sufficient evidence that I believed corroborated serious wrongdoing, fraud and corruption. Using a Yahoo! email account at an Internet Café in Nairobi I submitted my first complaint of wrongdoing to the UNDP fraud hotline in March 2006. At the time I decided to remain anonymous because I knew that I could face retaliation for my disclosures. I changed my style of writing and deliberately made some typing errors to avoid detection, as I was particularly concerned about possible retaliation against staff members and the remittance companies for the information they provided me. On 5 March 2006 I also sent an email from the same account to El-Balla Hagona, Country Director (see Annex 64). I particularly wanted to share with him some of the information in the attachment that confirmed beyond any reasonable doubt that Mayank was still a shareholder of KPMG and that he was still involved in some of the KPMG consultancy projects in the region. I spoke to KPMG, who confirmed this, and I wanted the country office to check this even before the Office of Audit and Performance Review (OAPR) started their investigation. In the email I tried to relay concerns raised by the industry and I pretended to be someone from the industry.

12.3. The email was forwarded to David Allen, Deputy Resident Representative (Operations), who already knew that Mayank was still working for his firm while in a full-time UNDP job. David forwarded the same email to Mayank, Paul Simkin and Abdusalam Omar. He told Mayank, "*Would greatly appreciate your providing relevant information outlining where the writer may not be completely correct. Although the communication is not signed, we would like to respond providing a bit of clarification. By the way, do you know who the individual is*? (see Annex 64)". The central message of my email was an estimated $1.5 million in contracts awarded to Mayank fraudulently and the conflict of interest issue. In the email, David did not attempt to deny the existence of both issues, he merely asked Mayank to identify where the writer "*may not be completely correct*".

12.4. In response to the complaints sent to the UNDP fraud hotline, OAPR immediately launched a formal investigation in March 2006. Two investigators from OAPR started the investigation at the Country Office in Nairobi a few days after I submitted my complaint. (When I submitted my second dossier to the Administrator and UNDP fraud hotline in November 2007, it took four months for OAPR to commence investigations despite the fact that this submission included complaint of retaliation which required urgent investigation as requested by UNDP Ethics Adviser). They reviewed documentary evidence related to KPMG consultancies including the establishment of the Central Bank and the development of compliance database contracts, which were on-going at the time. During the investigation, I ensured that all the key documents on KPMG contracts, which provided evidence of bid rigging, fraud and other corrupt practices, were shared with the investigators. I forwarded all these documents to Harpreet Panesar, FSDP project assistant, who was working full-time with the investigators (see Annex 64). I obtained some of these documents from Gina's email files after the IT Administrator was asked to give me access to Gina's past email data files. Harpreet, who was instructed by David Allen to work full-time and support the investigators, wrote to the IT administrator on 13 March 2006 and asked him to help me access Gina's email files. Harpreet later confirmed that copies of all the documents were given to the investigators.

12.5. All key subjects including David Allen, Abdusalam Omar and others were interviewed by the investigators. Mayank was not available for an interview initially (as he got sick during the first week of the audit), but he was interviewed toward the end of the investigation. I was told that the investigators wanted to meet me and representatives of the industry to get more information about a series of complaints made by the remittance industry. I provided the contact details of several people they wanted to meet. However, the auditors left without meeting with anyone else except the key subjects, and thus apparently failed to complete a full investigation. A few weeks later, I learned that Mayank, his firm and others were all cleared of any wrongdoing and that Mayank would be allowed to carry on his work, including the supervision of KPMG contracts. Despite the overwhelming evidence showing bid rigging, fraud, conflict of interest and other corrupt practices, OAPR concluded that everything was fine.

12.6. It was after he was cleared by OAPR that Mayank put together one of his most ambitious terms of reference for a compliance assessment consultancy worth more than $300,000. He timed the terms of reference and advertisement for July 2006, when I was on my annual leave. As expected, only KPMG submitted a responsive proposal that met the requirements.

12.7. The new KPMG bid proposal triggered a detailed and substantive complaint of wrongdoing and corruption against Mayank and KPMG to UNDP Country Office management from Somali Transmitters Association (SOMTA) members. Learning from the failure of SFSA, Somali remittance companies agreed to restructure their organisation to form SOMTA in May 2006 as a professional self-regulation organisation with sound governance structure, management and financing. In October 2006 UNDP entered a partnership with SOMTA in which the industry was given a greater role in the implementation of FSDP activities.

12.8. In an email dated 5 October 2006, Mohamed Djirdeh, SOMTA chairman, warned Eric Overvest, Deputy Country Director (Programmes); KNS Nair, Programme Manager; and Bruno Lemarquis, Country Director, what to expect when they meet with SOMTA Council (see Annex 65). The email was a draft note circulated to the Council and later adopted as Minutes of Meeting after some further editing. The tone of the complaint letter forced management to send a high level mission led by Eric Overvest to Dubai to meet with SOMTA Council.

12.9. On 9 October 2006 SOMTA formally submitted a letter of complaint detailing serious allegations of fraud and corruption against Mayank and KPMG. The conclusion of the letter was "*The industry has completely lost confidence in Mayank. The level of mistrust has reached a stage where every action he takes is viewed with great suspicion. Clearly he has competing professional and personal interests that make it difficult for him to fulfill his duties. As long as Mayank remains the manager of this program we do not believe we can rebuild the lost trust between the industry and UNDP. We simply can no longer work with him*" (see Annex 66). At the first meeting, the Council members were told that management accepted all their demands including the removal of Mayank from the FSDP, which he was hired to manage. The only condition attached to management's decision was that, as Eric explained at the Council meeting, since this action to reassign Mayank from the project was taken in advance of any investigation, it would not be documented as part of a Memorandum of Understanding (MOU) signed with SOMTA.

12.10. The decision to reassign Mayank from the project without an investigation was itself a breach of UNDP Investigation Guidelines, which say an individual has a right to a presumption of innocence through the fact-finding phase. Mayank was told at a meeting with Eric Overvest and KNS Nair in October 2006 about the strength of the wrongdoing allegations and how this had resulted in the complete breakdown of trust between UNDP and the industry. He accepted the decision with the knowledge that this would pre-empt another investigation. I was also notified that I should no longer report to Mayank since he had been moved to a separate private sector development programme. As Mayank was a project employee, transferring him to another programme or project normally would have required a new terms of reference and advertisement of the post.

12.11. Having seen a copy of the complaint letter from SOMTA that contained serious allegations of corruption, I found it extraordinary to learn the decision by current UNDP Country Office management not to call for a full and thorough investigation. When I asked Eric Overvest as to why the complaint was not forwarded to OAPR, he said that all the issues were thoroughly investigated before and there was no need for further investigation. He also argued that SOMTA verbally agreed to withdraw the complaint after their main condition – Mayank's removal from the project – was fulfilled.

12.12. When SOMTA's serious allegations were simply brushed under the carpet and my anonymous complaint to the Hotline failed to work, I decided to openly challenge the cover-up and formally request a full investigation. I immediately started to put together my first dossier by compiling copies of all the evidence I was able to get.

12.13. With the full knowledge that I could face retaliation from management, I waited for the extension of my contract, which was due for renewal on 9 October 2006, before I submitted the dossier. The extension of my contract was approved by Mayank and KNS Nair in August 2006, but management somehow delayed the signing of my extension to the end of September 2006. As soon as I secured the extension of my contract, I notified Eric Overvest and KNS that I had compiled sufficient evidence showing blatant violations of UNDP rules and regulations that required full and thorough investigation. Eric asked me to submit my complaint to KNS.

12.14. I submitted the dossier, including a summary of the evidence and all the relevant information supporting the allegations of wrongdoing, to KNS Nair in October 2006[2] (see Annex 64). At the time the FSDP project had been under KNS for only a few months and therefore he had not been involved in KPMG contracts. When he saw the evidence, KNS agreed that it amounted to serious violations of UNDP rules and regulations and would require fresh investigation from OAPR. He said he would consult senior management and make sure that the dossier was forwarded immediately to New York. He also asked me to be available for assisting the investigators once they began their investigation.

12.15. Soon after I submitted this dossier, I was transferred to Dubai. Since then every time I enquired about the investigation I was told by KNS Nair that it would take place soon. However, when I went back to Nairobi in October 2007 I found out that one year after I formally submitted the dossier containing detailed evidence of wrongdoing, there had been no further investigations. I understand that after consultations with senior management in New York and OAPR, a decision was made to hire a Nairobi-based local accountancy firm to do an audit with limited scope and comment on the issues raised in my dossier. I met PWC East Africa junior accountants hired for this work when they completed their audit at the end of October 2007 and they told me that their main findings about the FSDP were about a few missing expenditure receipts and minor procedural matters regarding payment of expenses. This confirmed my suspicion that country office management, with support from New York, wanted to use this audit as a cover-up. This was when I decided to submit a second dossier directly to the Administrator's office (see Annex 64). After careful review I came to the conclusion that my

[2] This report is an updated and expanded version of the first dossier.

second dossier met the three criteria in the UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct that allow disclosures of misconduct to entities external to UNDP. However, the Legal Framework says preference should be given to making reports directly to the Administrator or OIOS so I opted to first submit my complaint directly to the Administrator.

12.16. In October 2007 when I learned from KNS that the complaint was not forwarded to OAPR, I enquired about the whereabouts of the first dossier and I told him my decision to forward it directly to the Administrator. He told me that it was given to Sergio Valdini, Deputy Country Director (Operations), for safe-keeping but suggested that I should first discuss it with Eric. I met Eric and told him that I needed to get back the folder as it contained originals and other documents that I had not made copies of. He told me to deal with Sergio on this issue as it was mainly related to operations. On 30 October 2007, before I went back to Dubai, I emailed Sergio, who was out of the country at the time, and asked him about the whereabouts of the dossier (see Annex 64). He responded immediately and asked Carsten Hansen, Procurement Specialist, to get the documents. I went to see Carsten and I learned from him that the dossier was held somewhere outside the UNDP compound. He told me that, as per discussions he had with Eric, it would be submitted directly to the Chief of Investigations at OAPR once the dossier was retrieved from a secure location somewhere in Nairobi. I told him that I needed copies of some of the original documents in the dossier before it was forwarded to OAPR, but he suggested that I should get Eric's clearance. I went back to Eric, who finally told me that it would not be possible to get back those documents anytime soon because they were in a location where it would take days to get them. Frustrated by this, I told both Eric and Carsten that I was going to put together another dossier.

12.17. In February 2008 Sergio Valdini, Deputy Country Director (Operations), indicated in an email that the folder containing my dossier is in Nairobi (see Annex 72). I requested that he return it to me and send a copy to OAPR as well, so that we can both fulfil our mutual obligations under the UNDP Legal Framework (which says that it is an obligation for staff members to report any breach of UNDP's rules and policies to those whose responsibility it is to take appropriate action), but I have not received any response from him. At the end of March 2008, Kevin Curtis, OAPR investigator, informed me that they received a copy of what appears to be my first dossier from the country office management.

12.18. I prepared this dossier after I realised that I was not going to get back the first one. Although I expanded the first dossier and managed to get copies of most electronic evidence, I was not able to get copies of some key documents in the first dossier because these and other important Programme documents were apparently destroyed while I was in Dubai.

12.19. When I submitted my second dossier directly to the Administrator and copied it to OAPR on 22 November 2007, I was expecting that my complaint would be taken seriously and that all the allegations would be investigated thoroughly. In November 2007, OAPR was still responsible for receiving both allegations of wrongdoing and complaints of retaliation. On 17 December 2007, after I learned from OAPR that they were still reviewing my dossier and they had not yet made a decision as to whether it warranted formal investigation, I forwarded a copy of my complaint to the Ethics Adviser, who had commenced his work on 1 December 2007. In my several telephone conversations with Francis Dubois, OAPR Investigations Section Principal Adviser, he stated that the allegations in my dossier were investigated by OAPR in 2006 and they were not substantiated, although he said that I now provided additional information. He confirmed this line of argument in an email on 30 November 2007, shortly after they received my complaint (see Annex 64). Although Francis Dubois said in this email that "*this office is now* *dealing with this matter*", I did not received any further correspondence from OAPR for nearly four months. This is particularly important because the Ethics Adviser argued in his letter on 3 March 2008 to GAP that "*because Mr. Ahmed wrote to me on 17 December 2007 (17 days after his contract had expired), it was not possible for me to recommend suspension of the action as that action had already taken place. It was obviously also not possible to recommend that Mr. Ahmed be reassigned or that he be placed on special leave with full pay as he had already separated from the organization*." This fails to acknowledge the fact that OAPR, which was responsible for receiving complaints of retaliation in November 2007, received my complaint before I separated from the Organisation.

12.20.Four months after I submitted my formal complaint to the Administrator and OAPR, there has been no investigation despite the request from the Ethics Adviser for an expedient and in-depth investigation. On 12 March I received a phone call from Kevin Curtis from OAPR who told me that they would to like to start the investigation in April and want to interview me. He also told me in our telephone conversation that he led the investigation into the allegations of wrongdoing in the remittance programme in March 2006 following my anonymous complaint to the UNDP fraud hotline. Given OAPR's contractual relationship with KPMG, which led to the arrangement with the country office in the first place, and repeated failures to act on my earlier complaints, I found it troubling to learn the decision to select the same investigator who despite overwhelming evidence claimed that the allegations were not substantiated.

13. Inclusive Financial Sector Project (2007-2010)

13.1.When Mayank was transferred from FSDP, he was promoted to become the head of the Private Sector Development Programme and he used this opportunity to work on a new and much more ambitious project proposal called "Inclusive Somali Financial Sector". He also began to advocate premature closure and early exit from the FSDP.

13.2.The Inclusive Financial Sector is an $8.5 million dollar project that has already succeeded to get $4 million of funding commitment from UNDP and the United Nations Capital Development Fund (UNCDF). It was scheduled to start in October 2007. Essentially the plan is to manage this project just like the FSDP with one exception: the project will completely sideline the entire Somali financial services sector and handpick a few client NGOs and foreign entities based in Nairobi that Mayank says are interested in entering the Somali financial services industry.

13.3.The secrecy surrounding this project is such that I only found out about its existence in September 2007 when I received a copy of the document from a concerned colleague, despite the fact that I worked for the same programme and was responsible for financial services development. The document was not even shared with Arun Kashyap, UNDP Private Sector Development Adviser at HQ, who was asked to do a forward-looking review of UNDP engagement in the remittance industry and other private sector groups. He was surprised when I gave him a copy of the document during his mission in Dubai in October 2007. Concerned about the way the project was initiated and designed, he recommended in his mission report that "*UNDP Somalia should review the project to ensure that the strategy to implement is participatory, transparent and accountable*". He added that "*Money transfer and remittances are extremely important for Somalia and the money transfer companies must be included as a partner in this project to ensure their role as providers of inclusive financial products and services. These companies have a very good understanding, knowledge of the clan structures and information about the families – components that are critical for the success of such an initiative*".

13.4. The project document was finally shared with SOMTA on 20 November 2007, following my complaint to Bruno Lemarquis, Country Director, in October 2007 when I was in Nairobi about this project and the report from Arun Kashyap. In an email to SOMTA members, Eric acknowledged that their decision to share this document came as a result of the recommendation from Arun Kashyap. In other words, it did not occur to them to consult or include the Somali financial services industry (or partners and staff of the existing FSDP) for a project intended to support development of "inclusive" financial services for Somalia.

14. Retaliations I Faced for Blowing the Whistle

14.1. Attempts to cancel my contract in 2006

14.1.1 When Eric Overvest and David Allen learned about my first complaint dossier in October 2006, they immediately tried to cancel my contract extension on the pretext that it was extended by mistake. They told me that they wanted to cancel my current contract and instead offer me a much shorter contract extension, following their sudden decision to transfer me to Dubai. David in particular threatened me with an unspecified action unless I agreed to accept the cancellation. I rejected their verbal instruction and asked them to put it in writing. At a meeting arranged by David Allen, he demanded formally, in the presence of a Human Resources officer, that I accept the cancellation of my contract. I had obtained advice before this meeting from the Chairman of the Staff Association and colleagues at the UN Office in Nairobi. I found out that if management unilaterally foreshortened or cancelled my contract, I would be entitled to a termination indemnity that management could not justify, so I refused to accept the cancellation and once again asked him to put the instruction in writing.

14.1.2 Both Eric and David blamed me personally for pushing management and human resources to speed up the extension of my contract. The practice at the Country Office is often to extend contracts weeks after they expire, so it is true that I put pressure on management to either accept the recommendation of my Programme Manager for the extension or reject it so that I would have time to look for a job. While management was looking for ways to cancel my contract, all my responsibilities in the project were transferred to KNS Nair. I was effectively on an unofficial suspension for about forty days. With no work to do, I took an early leave from the end of October to mid November 2006.

14.1.3 When I came back from the leave, I formally complained to KNS and copied to Bruno Lemarquis, Country Director. I pointed out how my unofficial suspension together with the removal of Mayank from the project were undermining the process of turning around the failing project and how we lost crucial time before Christmas and Eid holidays to implement the new partnership agreement with SOMTA. On 8 November 2006, I also sent an email to KNS and Senior Management about my concerns regarding relocation to Dubai and my contract extensions issues including the proposed "*termination of my current contract six months before its end date*" as suggested at the time by David (see Annex 67). My concerns were supported by SOMTA members, who also raised questions about the delays in the provision of agreed technical support. With these complaints and my refusal to voluntarily accept cancellation or shortening of my contract, Eric and David reluctantly agreed that I could keep my one year extension (see Annex 67).

14.2. Relocation to Dubai and denial of work permit and visa documents

14.2.1 In early October 2006 UNDP and SOMTA agreed that a staff member would be posted in Dubai to work closely with the industry as part of a strategy aimed at turning around the failing remittance Programme. Senior Management used this as an opportunity to retaliate against me for the disclosure. As the relocation involved a change of duty station and amendments to my contract, I had further meetings with David Allen. After lengthy discussions we agreed that as part of my relocation package, I would get a $9,000 mobilisation advance payment (i.e. 50% of my entitlement) and that my monthly salary would increase by approximately $2,000 to reflect Dubai's very high cost of living. He told me that this was approved by New York and if I accepted I would get the amended contract and mobilisation payment on the same day. To avoid further delays and uncertainty, I agreed to this new proposal. On the day that I agreed with David and Eric to travel to Dubai, the Nairobi Human Resources office told me that they had difficulties in calculating the cost of living multiple in Dubai and they were waiting for some information from New York. In the meantime, they said they would process my mobilisation payment. David advised me to travel to Dubai while they finalised this issue and promised to send me the new contract later that day or at the latest by the following day. I was suspicious of the reasons for the delay, so initially I resisted travelling to Dubai without an amended contract, but after I discussed it with KNS and received further assurance from David, I agreed to relocate.

14.2.2 I travelled to Dubai on 20 November 2006, assuming that I'd receive an amended contract and mobilisation payment. As I suspected, nothing happened when I left and, despite my repeated phone calls and emails, I received neither the mobilisation payment nor a new contract (see Annex 68). Two days after my relocation I received an email from Irene Obwora, Human Resource Associate, saying "*I am waiting for clarification from Headquarters on two issues regarding your contract and will send it to you as soon as all is cleared*". I was told on the phone that since my relocation new "issues" came up which the country office management were discussing with New York.

14.2.3 I took my family to Dubai, assuming that I would get a contract that would allow me and my family to get residence visas. We stayed in a hotel apartment in Dubai without receiving the agreed mobilisation payment or DSA. When I realised that the work permit and contract amendments were going to take much longer than anticipated and that I could not enrol my children into local school without residence visas, I sent my wife and children back to London before their first two-month visit visas expired. As a consequence, in the first two months of my Dubai assignment I spent more than $30,000 on airfare, hotel accommodation, shipping and car rental without receiving funds through the agreed-upon relocation package.

14.2.4 UAE has strict employment regulations that require employees to work only in the offices of their sponsoring employer. Since UNDP Somalia had no office in Dubai and the regulations did not allow me to work from the SOMTA office, I asked management to notify my relocation to the UNDP UAE Resident Representative and request their assistance in getting office facilities and my residence visas. On 8 January 2007, Bruno sent a letter introducing me to Khalid Alloush, UNDP UAE Resident Representative. However, Mr. Alloush could not help me without an amended contract showing Dubai as my duty station. As I learned from management later in the year, Mr. Alloush sent a formal complaint to New York about the way my relocation was managed and how the denial of visa documents violated UAE employment laws.

14.2.5 The absence of a valid contract also meant that I was not able to rent an office from Dubai Humanitarian City, which houses UN agencies. Mr. Alloush also informed New York that unless my relocation went through the proper procedures, he would not be able to offer any assistance regarding work permit and office space. Through phone calls and email communication, I repeatedly requested that management urgently address the "issues" about my relocation that delayed the amendments of my contract for months. In March KNS visited Dubai and I discussed with him in detail the problems I was facing without an employment permit, residence visa, office or administrative support. Apparently he knew about discussions between the country office management and senior UNDP officials, including Office of Human Resources in New York. He told me that management in the country office was fully aware of the serious problems I was facing and would resolve them soon.

14.2.6 On 23 April 2007, five months after I moved to Dubai, I received an email from HR office saying that "*After lengthy discussions between Senior Management and HQ, a decision has been made to retain Nairobi – Kenya as your duty station. During your stay in Dubai, you will be on Mission status*"(see Annex 68). KNS Nair told me that in light of my complaint dossier and earlier allegations of fraud and corruption about the project, New York considered the entire remittance programme as an engagement posing unacceptable reputational risk for UNDP and this was the basis for the decision to deny me the agreed amendment of my contract. In May 2007 I was recalled to Nairobi to meet a mission from the Bureau of Management who was carrying out a "*review of accountability mechanism*" and risk assessment in consultation with OAPR. I met two members of this mission, Dale Leach and Alexa Hough, over two days and discussed in detail the past and present problems of the remittance Programme. The mission spent more time on this Programme than any of the other projects and the impression I got after two consecutive days of meetings was that Senior Management at HQ were aware of the repeated allegations of fraud and corruption in the Programme. However, it appeared that the mission and senior management were more concerned about options for an early exit than addressing the problems.

14.2.7 During the week I was in Nairobi for the mission, I had a meeting with Bruno and I explained to him the problems I was facing in Dubai and the fact that the full implementation of the platform and compliance activities that I was working on were going to last more than a year. His decision was that he would create a private sector technical assistance unit based in Dubai Humanitarian City soon and that this would resolve both issues.

14.2.8 For the whole year I was in Dubai (20 November 2006 to 30 November 2007) I was on short-term visitor visas. Since UAE does not recognise UN Laissez Passe without mission or residence visas, the UNDP administration office advised me to travel on my UK passport. This meant that I had to travel to the border once every two months to get a new visitor visa. I believe the failure to change my duty station and arrange a work permit was deliberate with a view to make my life difficult and force me to voluntarily leave the job.

14.2.9 Since I had no residence or employment visa, I could not buy a car and had to rely on a rental car for an entire year. Lack of a residency visa also meant that I could not open a local account and had to use foreign credit cards and pay substantial charges. For the whole year I stayed in hotels and had to work without a permanent office. In the end, my relocation to Dubai, which came immediately after my attempt to expose wrongdoing to country management, cost me at least $50,000 more than the reduced daily subsistence allowance payments based on a special rate that had never been used in the country office before. I have yet to be reimbursed for some of the agreed expenses..

14.2.10While management denied payment of the mobilisation money that I had been assured would be part of my relocation package to Dubai, a lump sum mobilisation of $9,000 was paid to Mayank Patel on 15 February 2007, although neither his duty station nor his contract changed at the time. When I saw this mobilisation payment in the FSDP expenditure in February 2007 I first thought it was a mistake. I made enquires on why he was paid mobilisation and why it was charged to FSDP since he was no longer with the project. The response I received was that the country office management made the decision to award him this payment and asked it to be charged to FSDP.

14.3. Non-Renewal of My Contract

14.3.1 Another opportunity for management to take retaliatory action against me was when my contract came up for renewal in October 2007. In July 2007 I discussed contract renewal with KNS Nair, who agreed that my contract would be extended for at least four months until a new private sector technical assistance unit that was proposed by the Country Office was established in Dubai. The idea was that a private sector adviser post based in Dubai would be created to support Somali private sector groups including SOMTA. This was originally proposed by Bruno Lemarquis in May 2007 and his justification was that since senior UNDP management in New York recommended withdrawal from the remittance programme because of perceived risks, the full technical assistance currently provided to SOMTA would continue but it would be through a private sector development unit. In other words, it was going to be the same arrangement with a different label to satisfy requirements from New York.

14.3.2 My contract was going to expire on 8 October 2007, but KNS and Eric extended it for a month while they waited for the outcome of the FSDP evaluation and Arun Kashyap's (UNDP Private Sector Development Adviser) mission report on the development of a Dubai-based technical support unit. Two evaluation reports produced by independent consultants, which addressed, among other things, the issue of risks of the continued engagement of the sector for UNDP, recommended that the risks were much higher for UNDP to prematurely withdraw technical support from SOMTA at this critical stage. Both reports argued for maintaining the momentum built since the partnership with SOMTA was signed in October 2006. Edwina Thompson, who was specifically tasked to do a risk-benefit assessment of continuing the project, underlined in her recommendations "*the need for continued financial and technical support to the Somali remittance sector at this critical juncture. A minimum package would include support for the full implementation of the IT platform and capacity building of staff, including the completion of compliance certification with the ICA [International Compliance Association]*" (see Attachment C).

14.3.3 At the end of October 2007 after Eric received the evaluation reports on FSDP and before the Private Sector Development Adviser issued his mission report, he told me that he was not going to renew my contract after all and that the FSDP activities would be closed down immediately. On the last day of the Private Sector Adviser's mission in Dubai I received urgent instructions from Eric that I should travel back to Nairobi immediately to meet FSDP project auditors who had finalised their work and wanted to discuss some issues with me. I was booked on a flight on the same day and without even notifying SOMTA I went back to Nairobi. I had a series of meetings with Eric in Nairobi and he argued that I could not work with SOMTA any longer. Since Bruno Lemarquis was on mission Eric was both the acting Country Director and acting Resident Rep at the time. He even suggested that I should not go back to Dubai, although SOMTA was not aware of the decision to end my contract and this was the most critical time for SOMTA as it was negotiating complex contracting arrangements with a firm providing a money transfer platform. Eric said he was fully aware of the fact that all key project activities were either on-going or had yet to start and that this decision was likely to result in the failure of the implementation of a $637,000 money transfer platform that UNDP was in the process of procuring for SOMTA.

14.3.4 At the end of October 2007, about $1 million of the EC funds that were designated for this project, including the platform money, were still in a UNDP account. It was not clear what this money would be used for, as the project was supposedly being "closed down" immediately. The decision to suddenly end my contract also meant that UNDP was going to be in breach of the terms and conditions of a Micro-Capital Grant Agreement signed with SOMTA which says that a "*UNDP staff member seconded to SOMTA will continue to monitor the activities on a day to day basis and will provide overall technical oversight*". Since SOMTA was only established in May 2006, it does not have the technical staff or institutional capacity to implement and manage such a complex project without technical support.

14.3.5 When Eric made the decision not to renew my contract at the end of October 2007, I had two weeks of annual leave days which after consultations with SOMTA and KNS I was planning to take in December. As my contract extension was going to end on 8 November 2007 Eric said that I would be compensated for my remaining leave days and therefore he would not extend the contract. However, Human Resources office confirmed that this was not possible in my contract and I would not receive any payment for my remaining leave days. They said if my contract was not extended I would lose all my remaining leave days. With his insistence that I would not get any more extension after 8 November 2008, I suggested that I would take the remaining week of my contract and use my own time to finalise the priority activities of the work I was doing for SOMTA. Later in the same day he called me and said he would extend my contract for four weeks to allow me to take my two weeks of leave days and finalise a few of the key activities for SOMTA including a review of the platform contract. He also issued me a travel authorisation for me to go back to Dubai. Before I left for Dubai I reminded him several times to instruct the Human Resources office, which was not informed about the four weeks extension, to extend my contract urgently before it expired to ensure that I didn't spend time in Dubai without a contract.

14.3.6 However, after I travelled back to Dubai Eric changed his mind for some reason and stopped the agreed contract extension. He also changed my travel authorisation without consulting me or telling me why he did it and asked me to go back to Nairobi immediately. I informed him that I had not received the agreed contract extension and therefore I could not travel. In the last few days of my contract I spoke to him on the phone several times when I learned from the office that he had not issued the instruction for renewal to the Human Resources office. Several days after my contract ended while I was officially on mission I sent him an email on 11 November 2007 and copied it to Bruno Lemarquis, asking him to notify me if he had changed his mind again (see Annex 68). Against UNDP rules I was forced to work some days without a contract because of Eric's decision to deliberately withhold the agreed extension. On 12 November 2007, after I had made my own arrangements to fly back to London, I received a new backdated contract extension for just three weeks ending 30 November 2007. When I signed the new extension the remaining days in the contract were equal to my accumulated leave days. However, after discussions with SOMTA Council, I decided to forgo my leave days and spend the remaining days of my contract and five days in December to finalise a few key activities for SOMTA including a status report, which I presented to the Council, at their request, on 5 December.

14.3.7 My contract was allowed to expire on 30 November 2007 but project activities continued with serious difficulties without my technical support. By the end of March 2008 there had been no progress on any of the key project activities in the Micro-capital Grant Agreement work plan that I was supporting and the $1 million funds were still in the UNDP account. None of the 36 tasks in the work plan for September 07 to March 08 that SOMTA and UNDP agreed to has been accomplished (see Annex 75). I was responsible for coordinating the implementation of the platform and providing guidance and support to SOMTA IT steering committee. As the purchase of the platform involves a complex UNDP procurement process, I was responsible for ensuring that the process was in full compliance with UNDP procurement rules and regulations. I was also responsible for providing guidance and support on all compliance activities and for monitoring the implementation of agreed work plans. The failure to make any progress in the agreed work plan for the last six months, specifically because of unexpected withdrawal of my technical support, is in sharp contrast to the tremendous progress SOMTA made with my guidance and technical support for the same period last year (i.e. October 06 – Mar 07), which was recognised in my Results and Competency Assessment (RCA) for 2006/7. The assessment of my Programme Manager was:

> "*Under the technical support of the s/m [staff member], the Financial Services project has made significant progress since October 2006, especially after the secondment of the s/m to SOMTA. His contribution in the formation of a Technical Subcommittee consisting of the IT professionals of all SOMTA members as a technical advisory body to SOMTA to oversee and support the implementation of the IT platform has greatly contributed to accelerate the process of arriving at the unanimous decision by all SOMTA members to accept and implement a common IT platform. In consultation with SOMTA, he has also supported the capacity development of members of SOMTA in the areas of licensing and related compliance requirements and successfully monitored their progress. Finally, he has also worked very closely with SOMTA to identify the broad and specific training needs of SOMTA members for their transformation into professional and corporate entities*" (see Annex 70).

14.3.8 The current situation of SOMTA is such that unless there is an urgent intervention this partnership project and the self-regulation system will collapse very soon and this will have serious and far reaching impact both for the Somali remittance industry and UNDP, which has been promising to regulatory and law enforcement agencies in some 16 countries that it would establish mechanisms for ensuring compliance with international anti-money laundering and countering terrorist financing. In March 2007 when UNDP formally approved the procurement of this platform, companies were advised to stop investing in their current systems and instead use the resources to build the IT infrastructure necessary for the adoption of the new shared platform that was originally scheduled for implementation by 15 December 2007. Therefore, the remittance companies which currently transfer more than $2 billion to the Horn of Africa may be now be relying on old IT solutions that do not have the compliance features necessary for detecting and preventing the use of the systems for money laundering and terrorist financing. This could have major repercussions for the Somali remittance industry and may ultimately affect the flows of remittances that provide lifeline to millions of poor people in Somalia.

14.3.9 Perhaps my biggest contribution to the remittance programme has been the progress I made in halting the widespread fraud and corruption in the programme. Through my disclosures and my insistence on full compliance with procurement rules, I succeeded to prevent further fraudulent contracts. One of the procurement decisions I was involved in was that of the money transfer platform which in the country office was recognised as one of the most transparent and competitive. However, as soon as my contract ended, there was an attempted fraud in the procurement of the platform. Eric and SOMTA chairman started secret negotiations with PayQuik, the platform vendor, and decided to release $ 477,041 in advance payment to the supplier without the knowledge of the SOMTA Council and before SOMTA or UNDP signed a contract or the supplier fulfilled any of the other prerequisite conditions (see Section 16). After this attempted fraud was exposed, country office management agreed with SOMTA Council that the project activities would continue and UNDP would continue to provide the technical support that I had been responsible for. But rather than renew my contract, UNDP assigned a new local staff member, Mohamed Abdi Ware, to work as my replacement. Since the only justification that management gave me for the non-renewal of my contract was the proposed immediate closure of the project's activities, recent events, including the decision by UNDP management to continue the activities and the hiring of someone to replace me, clearly show this was not the real motive behind my non-renewal. My termination was clearly in retaliation for my whistleblowing and my attempts to expose and prevent wrongdoing.

14.3.10 Mohamed Abdi Ware, who until his recruitment by Eric worked for a UNDP-funded Food and Agricultural Organisation (FAO) project, was hired at the end of 2007 as a Programme Specialist on a local contract. Mr. Ware is an agriculturist who has no background on international remittance, regulatory compliance issues or the private sector.

14.4.**Blacklisting**

14.4.1 Senior management took their boldest retaliation after I submitted my complaint to the Administrator on 22 November 2007. Eric was apparently not satisfied with the non-renewal of my contract alone. He knew that I was going to continue to work for either SOMTA or individual remittance companies because of my background and twenty years of experience in the Somali remittance industry. So he organised and directed a vicious campaign aimed at destroying my name and reputation in the Somali remittance industry. As soon as I notified my decision to send my complaint to the Administrator, Eric organised a mission to Dubai on 26-28 November specifically to warn the Somali remittance industry against recruiting myself either for SOMTA or for their companies. He was accompanied in the mission by Abdullahi Sh Ali, UNDP Policy Specialist. Abdullahi, who has been with the country office programme for over a decade, is very close to senior management who consider him as the fire-fighter/trouble-shooter in sensitive and confidential issues.

14.4.2 Before Eric travelled to Dubai at the end of November 2007 he spoke to Mohamed Djirdeh, SOMTA chairman, and deliberately misconstrued my internal complaint by describing it as something that would damage the image of UNDP and have negative implications for the Somali remittance industry. He claimed that I was going to disclose confidential information about the industry in my dossier. As soon as I learned this I spoke to Bruno and told him about Eric's decision to make public an entirely internal UNDP matter. Bruno's response was a further threat that everything I did would go into my personal file and that the way I presented my complaint was unprofessional. I asked him to explain what he meant but his response was that I should stay away from UNDP and SOMTA business.

14.4.3 Until Eric discussed my complaint with the chairman, I had an excellent professional relationship with him and we worked together very closely particularly in the last 12 months I was based in Dubai. Eric's discussion and the subsequent meeting they had in Dubai changed all that and all of a sudden the chairman refused to meet me or talk to me on the phone. I knew he was extremely worried that, as a result of my complaint, a payment of $50,000 (the first instalment of a $170,000 Micro-Capital Grant) that Eric was going to sign at the time would be cancelled. This payment was for, among other things, the chairman's salaries and expenses for October, November and December 2007.

14.4.4 During the mission, the chairman, Eric and Abdullahi Sh Ali agreed to counter my allegations in the dossier by alleging that I myself had committed wrongdoing similar to those I had put in the dossier and that I should be asked to leave the SOMTA office immediately. First, my telephone and internet access at the SOMTA office were cut-off and then on 29 November a part-time SOMTA admin assistant arrived at my office with an instruction from the chairman that I should immediately hand-over the office keys and all SOMTA and UNDP documents. The decision was that if I failed to leave the office and handover documents and equipment (including all the evidence supporting my complaint) he would call the police. While my UNDP contract was set to end on 30 November, SOMTA Council had requested that I produce a status report and make a presentation for them in the first week of December 2007. I tried to speak to the chairman but he ignored my repeated phone calls.

14.4.5 I explained what was happening to Sh Isse, SOMTA vice-chairman and a Council member, who shares the office with SOMTA. Naturally he was shocked by the dramatic developments and he was particularly angry at the way I was treated. He immediately spoke to the chairman and asked him to explain what was going on. The chairman's explanation was that there was nothing personal against me, but because of the allegations in my complaint he agreed with UNDP that SOMTA (as a partner of UNDP) should distance itself from me. Sh Isse was not convinced so he demanded that the chairman not take any action until they met on Saturday 1 December and asked him to notify this to the admin assistant. Sh Isse is the Chairman of Al-Mustaqbal money transfer company and he is one of the most respected Somali businessmen. Because of his fairness and strong ethical values, the Council normally asks him to deal with internal SOMTA issues.

14.4.6 At the meeting on 1 December Djirdeh explained to Sh Isse that his actions were the outcome of meetings he had with Eric and Abdullahi Sh Ali and phone calls he received from Bruno. He said UNDP management was seriously worried about my continued involvement in SOMTA affairs and that they heard about discussions regarding potential recruitment of me as a consultant for SOMTA. He said that the concern of UNDP management was that the allegations I made would damage the reputation of UNDP. Sh Isse was not convinced and he reminded Djirdeh that only a year ago SOMTA made similar allegations against UNDP management and he was not sure why my complaint was different and why SOMTA should in any case be involved given that it is an internal UNDP matter.

14.4.7 After lengthy discussions, Djirdeh phoned Abdullahi Sh Ali and he asked him to brief Sh Isse about their concerns regarding myself. Abdullahi was very direct in his phone conversation with Sh Isse. He said that if Ismail continued to be involved in SOMTA or if he is hired, there will be no partnership relationship between UNDP and SOMTA. He said given my recent actions regarding the complaint, my personal file at UNDP is no longer satisfactory and therefore I should not be hired by the industry. Sh Isse's response was that SOMTA is independent from UNDP and therefore they don't like to be told who to hire or not to hire. Following this exchange, Abdullahi said that SOMTA can hire anyone it likes but the Council should be mindful of the impact this will have on its relationship with UNDP. At the end of the conversation, Sh Isse told Djirdeh about his disappointment with the actions he had taken on behalf of UNDP without the knowledge or approval of the Council. I met Sh Isse on the same day and he briefed me about his meeting with Djirdeh and discussions with Abdullahi Sh.

14.4.8 At a Council meeting chaired by Sh Isse (as the chairman was not available) on 5 December, in which I presented a SOMTA activities status report to the members, the Council formally requested that the chairman cease his collusion in the retaliation against me and apologize for his actions and an email he had circulated to UNDP management on 29 November regarding the handover of the SOMTA office. While acknowledging UNDP's instructions against my potential employment at SOMTA, the Council still asked me in the same meeting if I would accept an offer of consultancy to help SOMTA continue the momentum built so far. This offer was subsequently blocked by the chairman. Two member companies who also offered me consultancies subsequently withdrew their offers in light of the threats from Eric. In February 2008 Eric had a private meeting in Dubai with a CEO of one of the companies that originally offered me the consultancy and I learned from sources in the company that Eric warned the CEO against my employment. Eric also asked him to convey his disappointment with SOMTA

Council members for seeking my advice and sharing copies of his correspondence in the attempted fraud regarding the money transfer platform (see Section 16).

14.4.9 I have also been blacklisted within UNDP. In July I applied for an Economist position advertised for the Country Office. As I fulfilled all the requirements and was an internal applicant, I was expecting that I would at least get short-listed. Not only was I not short-listed, but my name was not even included in the long list (see Annex 69). Since the Country Office was encouraging Somali diaspora to apply for this post, every Somali who had a PhD in economics including some who had no experience in Somalia were short-listed. I have more than 20 years work experience on Somali development issues, including international remittances, and a PhD in economics from the University of London. I also had received positive performance reviews and had been praised for my" "good performance" and "participatory approach" in my last Results and Competency Assessment (RCA) for 2006/7 (see Annex 70). In particular, the Career Review Group commended my performance and recommended that I should get a Merit increase because of the significant contributions I made to turn around a failing project within a short period of time.

14.5 Damage to my professional reputation

14.5.1 Perhaps the most damaging aspect of the retaliation is the attack on my character and the baseless allegation that I committed wrongdoing similar to those in my complaint. On 10 December after I travelled to London I received an email from the SOMTA part-time administrative assistant in which he attacked my reputation and made false allegations that I refused to "*hand over all SOMTA assets and documents*" and "*deleted all files from SOMTA's computer*" (see Annex 71). The Administrative Assistant, who wrote the email without the knowledge of the Council and who had no authority to act in this fashion, copied his email to Eric, Abdullahi, Bruno and SOMTA chairman. This was to show that he was acting on the instruction he was given by UNDP in their meeting in Dubai. He was later asked by his employer, SOMTA Council, to withdraw the allegations but has so far refused to do so.

14.5.2 After this email from the Administrative Assistant, I learned that the Country Office has started an internal investigation looking into the allegations that I disappeared with SOMTA and UNDP assets and deleted files to cover-up my actions. Emails from Sergio Valdini, Deputy Country Director (Operations), regarding the reasons why the office withheld payments that are owed to me, confirm the investigation and the allegations made against me regarding missing assets and equipment (see Annex 72). The investigations include the work of a private detective hired in Nairobi to look into my residential arrangements by interviewing management of two apartments that I lived in before I was transferred to Dubai. Although Sergio Valdini told me in an email on 9 February 2008 that they would inform me about their "finding", I have not yet received any information as to why they thought this necessary and what the detective found out about my accommodations.

14.5.3 After I obtained evidence to show that the Administrative Assistant was doing this for payment on behalf of individuals alleged to have committed corruption, I took legal advice and came to the conclusion to sue him in Dubai for libel (see Annex 71[3]).

14.5.4 For fear of retaliation, the CEOs of remittance companies who are also SOMTA Council members tried to avoid involvement in this issue. However, one of them, Ali Yassin, CEO of Amal Express, sent an email to Eric in December 2007 to tell him that the withdrawal of my

[3] Because of the lawsuit the evidence regarding the payment is confidential and I have not included it in the Annex.

technical support at the most critical time would in his view lead to the failure of the project. He therefore suggested that it may be better if UNDP cancels the platform and the $170,000 Micro-Capital Grant now rather than blame the industry later. Eric's response was to call the company's partners and shareholders to accuse Ali of supporting my allegations. In a thinly veiled threat, he told them to consider how this could affect the relationship between their company and UNDP. Ali was enraged by this because he wrote the email on his own without even telling me about it at the time.

14.5.5 UNDP may not appear particularly relevant to a private sector company, but in Somalia it has a much greater role than a typical country office. UNDP Somalia's approved budget of about 80 million USD in 2008 is bigger than the combined budgets of the three authorities in Somalia – Transitional Federal Government in South/Central, Puntland and Somaliland. UNDP Somalia also manages cash facilitation and money transfer contracts worth up to $50 million annually for all UN agencies. The contractor is selected from the Somali money transfer companies and therefore none of the Council members want to do anything that could jeopardise their chances of winning such a contract. A decision on an RFP for cash facilitation and money transfer service advertised in mid 2007 should have been made by now, but for some reason the country office decided to delay the evaluation of the bids and keep every one guessing. Currently the service is provided by Dahabshiil, which won the contract in 2006, but no one knows if the current provider will keep the contract or if a different company will win the bid. The successful company earns a commission of about $1 million annually from this contract for charging around 2% of the funds.

14.6 Withholding of payments

14.6.1 Five months after my contract ended, senior management are still withholding my daily subsistence allowances for November (which I should have received in advance before I travelled back to Dubai), residential security allowance, travel and expense reimbursements amounting to over $15,000. My October and November salaries, which were also blocked for several months, were paid in February after the intervention of the Ethics Adviser. At the end of March 2008 I also managed to secure release of my pension benefits, although the country office is still withholding my separation documents to block this payment. Despite my repeated requests, including two letters from my counsel from the Government Accountability Project (GAP) in January, UNDP is still withholding all these payments (see Annex 72).

14.6.2 When I first noticed problems in my payment in early November 2007, Irene Obwara, HR Officer, told me on 14 November that because of calculation errors, part of my October salary was missed and "*this will be paid together with your November salary*" (see Annex 72). Then at the end of November I found out that neither of the two salary payments was made into my bank account. On 27 November 2007 I wrote to Irene Obwara again and copied to Eric informing her that I had not received my November salary or the balance from October. On 28 November Irene Obwara responded by saying "*as 30 November 07 was your last working day, we did not release your salary because of the administrative procedures – Clearance form to be signed by various units in the office. Please find attached the above form for your action. As soon as completed form is received, you will advise how to receive your cheque – post/collect*" (Annex 72). This was the first time I learned about a clearance form, as the HR office only informed me when I enquired about my missing salary payments. I spoke to Eric and the HR office when I received this email and complained about not being notified about this clearance form before I left Nairobi on 2 November, especially since at the time my contract was set to expire on 8 November. On 2 November I personally went to the HR office to check if they had received my contract extension notification from Eric. In my phone calls to Eric and HR I was told that the form was "forgotten" and that as soon as I completed and returned it as an attachment I would receive a cheque.

14.6.3 Since I also travelled to Dubai without my DSA I was relying on money I borrowed to pay for hotel bills and therefore the unexpected withholding of my salary payments made my financial situation more difficult. I therefore needed to get at least some of the money urgently so on 29 November I wrote to Irene Obwara and copied to Eric and asked them to "*process the 1,000 or so that was deducted from my October salary by mistake asap while I get the clearance for my November salary*" (Annex 72). I also phoned the Finance office to ask them to get an update on my November DSA advance payment. The Finance office promised me that as soon as it got approval from Eric, who was in Dubai at the time, they would process it. I also asked the PRSL administration to follow up my November DSA and F10. Irene Obwara responded to my urgent request for the payment of my October salary portion. She said "*after consultation with Ashraf in Finance, the $1000.00 + the November salary are in one cheque. It is not possible to split the cheque into two"* (Annex 72). I wrote back immediately to explain that since I was not in Nairobi I would not be able to cash the cheque so I requested that my payments be "*made through EFT as usual*" and that since as they suggested "*the clearance form may have to go through different units which could delay the process … I really need to get my October payment now"* (Annex 72). I also returned the completed clearance form to the HR office immediately. On 30 November I received an email from Ashraf Abdelmoneim, Finance Specialist, saying that "*the October discretionary was included with November salary and can not be split since the check was already approved and signed. There is no problem if you are not in Nairobi since we can send it to you wherever you are once you are cleared. Sorry for the inconvenience but this is the only way that it can go"*.

14.6.4 I made several phone calls to the office to find out more about the problems I was facing with my payments. In my conversations with various staff members I learned that I should not expect release of payment anytime soon. I was privately advised by a staff member, who for fear of retaliation wants to remain anonymous, that I should talk to Eric if I want my salary payments to be released and my November DSA and F10 approved. I met Eric at the hotel in Dubai where he had a meeting with SOMTA. When I told him about the problems I was having with my payments he said he would talk to the HR office when he returned. However, he was more interested in my complaint and he asked me why I did not ask country office management to look into the complaints again rather than submit it to New York. I explained that they had more than a year if they wanted to do something about it. His defence was that the allegations were first fully investigated by OAPR and this was followed by the PWC audit in 2007 and both of them came to the conclusion that all allegations were not substantiated. He warned me against the approach I took by telling me that I have a good CV and I should not "burn all my bridges to the UN agencies".

14.6.5 On 3 December, I wrote to Ashraf Abdelmoneim and said: "*I don't have bank accounts in Dubai and I'll not be able to cash a cheque in Dubai. Therefore once again I ask for my payments to be made electronically. Even if I had a bank account in Dubai I would not have accepted a cheque for reasons you should know. Mark Boleate's*[4] *cheque took almost a year to clear and this is what happens when a cheque issued in Nairobi is deposited at a bank in Europe or the Gulf. I am also surprised that despite my repeated requests my October payment has not yet been made. This should not have happened in the first place and I urgently need this money given the unexpected delay in my November salary. There is no reason why my October salary should be tied to*

[4] Mark Boleate submitted a complaint to UNDP New York regarding payment and other problems he faced during his consultancy contract with the country office and his case was at the time being reviewed by OAPR and the legal office.

November payments” (Annex 72). Despite several reminders and phone calls, I received the same message which was that there is nothing they could do about the cheque payment. I was told on the phone that senior management are fully aware of the problems associated with dollar cheques but in this case since it had already been approved and signed, it would not be cancelled.

14.6.6 More than a week after I returned the completed clearance form to HR office and following several calls to them, I received an email from Irene Obwora on 7 December saying that *“the clearance will not be complete to release the last payment until you return the UNLP, MOFA, and the other items mentioned in this last section of the form”* (Annex 72). I checked the last section of the form. The items listed were: ground pass, UNLP, UNDP equipment, MOFA ID and UN Plates. I phoned HR office and told them that my UN Laissez Passer, Ground Pass and Kenya ID had all expired and I don’t have any other items. They suggested I should still send the expired documents. In the same email, Irene said: “*I am forwarding the clearance form to our colleagues so that they clear their respective sections (Communication & Finance)”* (Annex 72). It was forwarded to various units including the manager and administration of the PRSL programme. To speedy up the clearance process I sent the documents through DHL. On 13 December the Registry received the documents and sent them to the HR office. I phoned the HR office the same day when I received the confirmation from the Registry and asked them to confirm receipt. On 14 December, the HR office confirmed the receipt of all the documents and forwarded the email to the relevant offices dealing with my clearance. On the same day I enquired if my clearance had been issued. Finally after several reminders on 18 December the HR office told me that they issued clearance for my salary payments. After I resolved the issue of clearance, I was still told that payments can only be made by a cheque which would be posted to me to London.

14.6.7 I was surprised to learn that – against the Country Office’s policy – they wanted to post a dollar cheque to London. I explained that I could not accept cheque payment because of well known problems, including fraud, associated with dollar cheques issued in Nairobi. In a few of the recent cases in which payments to recipients in Europe were made in cheques, clearance took a year and attempts of fraud were reported. Since I joined UNDP, the Country Office’s policy was to make all international payments through EFT and dollar cheques were used only on exceptional cases approved by country Senior Management at the request of the payee who take the responsibility in case of problems such as fraud. It was clear to me that this was extremely unusual. Privately junior staff involved in the process told me not to accept the dollar cheque to avoid facing investigations of fraud and further delays. Since May 2005 when I first joined UNDP as a consultant, all my salary payments were made through EFT. After I protested against this absurd idea of sending a dollar cheque to London via post, Ashraf Abdelmoneim, the head of finance (as instructed by senior management) repeated his message which was: “*this is the only way that it can go*” and “*there is nothing we can do*” (Annex 72). At this stage I decided to take up the issue with senior management. I first wrote to Sergio Valdini, Deputy Country Director (Operations) on 13 December and asked to look into this issue and release my payment. I forwarded him all the correspondence I had with HR and Finance since early November. After he failed to respond to my email I left several messages on his phone and asked him to respond to my complaint about non-payment of salaries. Then on 23 December after HR cleared me I wrote to Sergio and copied to Bruno Lemarquis and Eric (who received copies of all my payment correspondence). In this email I said “*further to my earlier emails which I have not yet received any response, I understand that senior management have blocked all my payments including November salary, F10 and part of my October salary … As you know HR issued clearance for my November salary after they received LP and IDs. Other payments should not have been delayed in the first place as there was no clearance involved. I would appreciate if you could let me know the reason why my payments are still blocked*” (Annex 72). Still I received no response.

14.6.8 On 11 January I submitted my complaint directly to Bruno Lemarquis and requested from senior management "*to cancel the cheque and pay me through EFT … [and] release my F10 payments*". He responded by saying that he would ask Sergio to respond to my emails. I never expected that the sudden non-renewal of my contract would be accompanied by withholding of my salaries, DSA payments and claims of expenses. Given my difficult financial situation, in December I decided to withdraw my pension contribution which amounted to $14,560. On 3 January 2008 I sent my instructions for withdrawal of pension benefits to the United Nations Joint Staff Pension Fund. However, I learned from them that they could not process my payment because UNDP was still withholding my separation documents. As far as they were concerned I was still full-time staff member. I offered to send them a proof that my contract ended but they told me that they would only accept documents from the country office certified by UNDP Payroll office in Copenhagen.

14.6.9 I waited for a week when Bruno Lemarquis said he would ask Sergio but still I received no response from Sergio. So after several more phone calls to his mobile I managed to speak to him. I discussed with him at length the problems I was facing and I suggested that this appeared to me as a retaliatory action because of my complaint. He wasn't particularly able to explain why the country office was forcing me to accept a dollar cheque for payment against the country office policy and especially in breach of his own circular on the issue of dollar cheques. His instructions in the circular said that "*due to increasing attempts of fraud in the case of dollar cheque payments, all such payments will be done through Electronic Fund Transfer (EFT) modality … In exceptional cases (duly authorised by either the RR, CD or a DCD) when a payment has to be made by a dollar cheque, the staff member must sign a declaration letter (attached) that s/he as soon as possible will cash the cheque in Standard Chartered Bank in Nairobi, possibly at the Westland branch (no mail / post of cheques allowed either by pouch or any other mean)*" (Annex 72). The tightening of dollar cheques and use of local currency in all local payments were recommended by OAPR audit report following the problems in North Korea about the use of foreign currency in local payments. This instruction went beyond the original policy which always restricted the use of dollar cheques and particularly the posting of cheques to outside Nairobi. I asked Sergio given his circular why he was still adamant that I should accept a cheque; his only explanation was that it was already signed and it is difficult to cancel it. In the end he promised me that he would speak to Eric, HR and Finance and would get back to me soon.

14.6.10 Twenty days after Bruno Lemarquis said he would ask Sergio to respond and my subsequent phone conversation with Sergio, I wrote to Bruno again (30 January 2008). In the email I said: "*I have not yet received any response to my emails. Given the management's decision to withhold my payments, I decided to withdraw my pension fund contributions amounting to $14,560. However, I learned from UN Joint Staff Pension Fund that as of today, the Country Office is still withholding my separation documents … Two months after my contract ended the Country Office is still withholding my November salary, part of my October salary, my daily subsistence allowances for November (which I should have received in advance before I travelled back to Dubai), pension benefits, residential security allowance, travel and other expenses amounting to over $40,000. I would like to ask you once again to release my payments immediately through EFT and not a cheque and forward necessary documents to the Pension Fund*" (Annex 72).

14.6.11 At the end of January 2008, after a string of some twenty emails and a similar number of phone calls and after the intervention of the Ethics Adviser, management suddenly "discovered" new pending issues and missing equipment. The equipment they referred to was a projector loaned to SOMTA and an external hard drive at FSDP's office. An email from Sergio on 31 January 2008 said that "*until the UNDP assets mentioned in the referred email are unaccounted for*" my payments will continue to be withheld. Management had information about the location of both computer accessories, but I told them that the projector was with the SOMTA chairman, who in the first place collected it from the FSDP office in Nairobi, and that the hard drive was in the FSDP office. I also suggested that, for their peace of mind, they could keep one of the six payments they were withholding and release the others while they ascertain the exact location of these two computer accessories.

14.6.12 At last on 5 February Sergio wrote me to say "*we are releasing your cheques with November salary (which include also a 1,000 usd for October) and (EFT) your travel entitlement to return to London from NBO, while we are verifying others aspect of your file*". It was good to learn that, after the intervention of the UNDP Ethics Adviser, they were prepared to release my salary payments, but this was still in dollar cheque. Surprisingly they were willing to pay for my travel allowance through EFT but after all the emails and the reasons I provided for not accepting cheque payment, they decided to post me the cheque. I responded on 6 February and told them that if they post the cheque I would return it to avoid further delays and investigations. After further delays and discussions with the Ethics Adviser, management finally paid $8,515.01 into my bank account for October and November salaries, but continued to withhold all other payments including the travel entitlement that Sergio said he would pay through EFT.

14.6.13 The reasons given for the delay of my other payments are equally puzzling and keep on changing. For example, I first raised my residential security allowance in October 2007 when I was in Nairobi. The HR office told me that the payment, which I should have received at the end of 2006, would be checked and processed quickly. On 14 November when I was enquiring about my October salary problems, I also raised this with HR. In an email on 5 February Sergio said that I have never been entitled to residential security reimbursement. I responded to this by explaining that I was entitled to this allowance and I had already received partial payment, which clearly confirms my eligibility. As evidence of my entitlement, I sent him a copy of the certification document from the United Nations Security and Safety Service (SSS) that was used to process my residential security part payment. However, instead of apologising for this mistake, Sergio warned me in an email by saying: "*Note that you have attached to your mail a rental agreement that ends 15th January 2007. For your information we are making enquiries with the management of the apartments to corroborate if your persisting requests of security reimbursement are legitimate as you did not submit the correct evidences so far*". By desperately trying to find fault, they failed to notice that the rental agreement was part of a PDF document from SSS that was scanned at UNDP Somalia Registry and used to process payments in 2006. It was neither a new claim for payment, nor was it a request to extend my payments to 15 January 2007. I sent the document to prove that I was entitled to a residential security allowance. Therefore, the suggestion that I was making a new claim for January 2007 was unwarranted. After extensive reviews and investigations into my accommodation arrangements in Nairobi failed to find any fault, senior management finally admitted on 14 March that I was indeed entitled to a residential security reimbursement and I would be paid $1,770.61. However, it appears that this figure is still incorrect.

14.6.14Another outstanding payment that management is blocking is my November DSA. This mission was unusual because for the first time my travel authorisation (TA) was signed by Eric and not by the Programme Manager who was in the office at the time. Eric told me that I should deal with him directly on the TA and payments on this mission. The normal procedure is that once a travel authorisation and booking are confirmed, the DSA is processed and payments are made in advance. When I left Nairobi on 2 November for a mission to Dubai, I was told that there were some problems with Atlas (UNDP payment system) and I would get my payment by Monday 5

November. At one point I was told that this was also in a cheque, but later on it was confirmed that it had never been processed as Eric refused to authorise it. After my repeated requests for payment, on 5 February Sergio claimed that after they had reviewed all my 2007 travel entitlements and they came to the conclusion that I have no pending DSA payments for November. On 6 February I sent my travel authorisation (TA) that was signed by Eric and a copy of my ticket, which somehow the office failed to find, to prove my claim. After the UNDP Ethics Adviser intervened, the office asked me to fill a new F10 on 12 February 2008. I completed it and sent it back immediately. Normally processing F10 when all documents, such as copies of tickets and travel authorisation, are complete takes two days.

14.6.15 However, instead of processing my November DSA they decided to conduct a new investigation into all my travel and DSA claims and payments going back to the date I joined UNDP. This took them more than one month. After their investigation failed to identify any overpayment, inaccurate claims or other mistakes they could use to continue withholding my payments, they resorted to other delaying tactics. On 14 March I received an email from Sergio saying that "*after a cautious review of all your official mission travels performed, including the last one, I would like to share with you our final analysis. As you can see from the excel sheet attached for your easier reference we have transfer to you the amount of USD 86,369.01 as travel advance while you actual travel claim entitlement were USD 75,141.82*". Based on their analysis they said I was overpaid by $11,227.19, which after offsetting my entitlement of $4,170.61 for return to London ticket and residential allowance would amount to $7,056.58. The email from Sergio concluded: "*Therefore I would like to inform you that you owe UNDP the amount of US$ 7,056.58 and I would be grateful if you could agree with us the modality of reimbursement. Please note that only after the settlement form your side of the amount due we will be able to give you the clearance of the Pension Funds*".

14.6.16In the email Sergio suggested that the reason for their latest review of my past payments was because applicable DSA rates regarding the after-60-days rate and after-120-days rate were not applied. However, exhaustive reviews had been conducted on this same issue at least four times since November 2006. The first review, which lasted three months, confirmed in January 2007 that both my entitlement to DSA and applicable rates were correct (see Annex 77 for a summary of the reviews). Because of this review I received no payment for the first two and a half months of my stay in Dubai.

14.6.17The second review was carried out to reassess my entitlement and applicable rates from May to July 2007. In this review management discovered a new DSA rule, which had never been used in the country office. This rule proposed payment of 60% of the reduced DSA rate after 120 days in Dubai. Until now the country office only used the two rates (full rate and after-60-days rate) published in the monthly circular by the International Civil Service Commission. My payments were suspended while this review was going on. My payments were finally released at the end of June. However, in applying the new rates two mistakes were made in the calculations. Firstly, the new rule was applied retroactively and therefore deductions were made for overpayments in March and April. Secondly, the rule was misinterpreted in terms of the meaning of "one tour of duty". The rule says "*an after-60-days rate and an after-120-days rate shall be payable during any one tour of duty away from the regular duty station*". It describes a tour of duty by saying "a *tour of duty is an assignment at one location, continuous or otherwise, or which may be interrupted by official travel to other locations not involving the traveller's return, at UNDP's expense, to resume duties at the staff member's regular duty station. Each tour of duty away from the regular duty station shall be counted separately for purposes of determining the applicable rates*".

14.6.18 The interpretation of the rules was finally resolved on 13 July when KNS wrote to me and said "*your DSA issues has been sorted out finally for the eligible period and will be paid next week*". At last management agreed that my interpretation of the rule was correct and therefore the applicable rate on my return to Dubai was the full rate. Audrey also confirmed that the applicable rate agreed by management was the full DSA daily rate of $411. In an email on 13 July she said "*USD411 was used but adjusted against an overpayment done in a previous payment therefore total owing is USD5114.50*" (see Annex 77). In other words, my understanding of the rules was correct and my return to Dubai was treated as a new tour of duty. Since I returned to my duty station on 17 May 2007 at UNDP's expense, for the purpose of determining the applicable rates, this should be counted as one tour of duty as the rule says explicitly. Therefore when I travelled to Dubai on 23 May 2007 I started a new tour of duty and therefore I was entitled to DSA at full rate. However, in the calculations my second travel to Dubai was treated as part of the first tour of duty and so from March an after-120-days rate was applied.

14.6.19 In July the second review, which started in May, was finally resolved after senior management apparently made consultations with New York about my payments and my mission status in Dubai . I was therefore surprised when I learned of a further review in November. I only learned this after my DSA for 21 September to 25 October was delayed. I submitted this F10 on 2 November and since it was approved by the Programme Manager I was expecting to get paid on the same week. After I made several enquires as to why this payment was delayed I received an email from Abdirizak (Finance) on 20 November which notified me of a further review of my DSA payments and applicable rates. After the review of all my DSA payments was completed, I received another email from Abukar (Finance) who told me that he was carrying out further analysis of all my past DSA payments as requested by Ashraf (Finance Specialist). I spoke to Ashraf who told me that he was doing just one final review before he approved it. Finally on 23 November I received an email from Abukar with a spreadsheet approved by Ashraf providing details of all my DSA payments and different rates used since November 2006 (see Annex 77).

14.6.20 The November review reconfirmed that applicable DSA rates used in the calculations for all my payments were correct. The spreadsheet showed that on 25 October at the end of my second tour of duty, the total amount DSA due to me was $7,176.47. Ashraf and senior management approved this final review and at the end of November I received the balance of $7,176.47.

14.6.21 The November review was then followed by the March 2008 review – three and a half months after my contract ended. In the email from Sergio dated 14 March 2008 he said the difference "*between advances and claims is due to the fact that after 60 and 120days reduced DSA applies*". This comes after the extensive reviews which have already resolved this matter. There have been numerous discussions and email correspondence involving PRSL, Finance, HR office and senior management since May 2007 on precisely the issue of applicable rates and how the new DSA rule is interpreted. To make sure that there was no change in the rules, I contacted ICSC in New York . I have also sought opinions from different sources within UNDP, and all of them have once again confirmed what the country office belatedly accepted in July 2007: every time I returned to Nairobi, my tour of duty ended and therefore whether it is Dubai or elsewhere a new tour of duty started for DSA calculations. Therefore the claim that I received an overpayment of $11,227.19 has no basis and I requested from the country office to urgently release my separation documents and all my outstanding payments.

14.6.22 Sergio's email described my payments as "*travel advances*". This is not true. In the normal circumstances I would have received travel advances and submitted an F10 at the end of every month. However, since I submitted my dossier about fraud and corruption in the remittance programme in October 2006, I have not received any travel advance despite the fact that I was on missions for an entire year. I have been denied advance payments in all my business travels since October 2006. The missions in which I was entitled to advance payments and denied them include my travels to Dubai in November 2006, May 2007, November 2007 and my mission to Europe in May 2007. As a staff member I was also entitled to get my DSA payments in advance for every month during my mission in Dubai. However, not only was I denied payment of travel advances, but *all* my reimbursement payments were subject to unacceptable delays and therefore on average UNDP owed me about $26,000 of outstanding reimbursements at the end of each month since November 2006. The credit card and overdraft charges alone that I incurred because of these delays were in excess of $5,000.

14.6.23 What was particularly surprising about the 14 March 2008 email from Sergio was the decision to continue withholding separation notification documents, which should have been submitted at the end of November. This shows a total disregard for UN rules and regulations. The regulations are very clear on this issue and they say *nothing* should affect the submission of these documents to the Pension Fund. (This is the reason why UN staff members convicted of fraud and corruption receive their pension payments). The instruction is even clearly printed on the separation form itself (which management is withholding). It specifically says "*outstanding issues of staff members towards the organization must not affect the separation process of the staff members*". The decision is also in breach of UNDP circular (UNDP/ADM/99/7) on administrative arrangements for timely separation from UNDP which says Country offices must submit the early clearance action "*for separating staff* ***before or on the staff member's last day of work***". Even the Pension Fund describes the decision to withhold the notification of the ending of my contract to be in breach of UN regulations.

14.6.24 The email on 14 March confirming withholding of separation documents also conflicts with Sergio's email on 9 February in which he said: "*As we have released the last salary upon disclosure of information of the assets this is to confirm that the pension fund will be following accordingly*" (Annex 72). In February management was not planning to launch another audit/investigation and that is why he confirmed at the time that the separation documents would be released. More importantly when my salary payments were released, they said I was cleared and therefore there were no outstanding issues. If there were any outstanding obligations to be recovered they would have been deducted from my November salary. Even the Ethics Adviser was given the impression that I was cleared after my salary payments were released.

14.7 Referral to UAE authorities on my work without employment permit

14.7.1 In March 2008 I learned from Dubai that UNDP has reported to United Arab Emirates (UAE) authorities the fact that I worked in Dubai for a year without a government work permit alleging that I broke UAE employment law. This new allegation comes after country office management failed to find any wrong-doing following their investigations into the baseless claims that I disappeared with assets and destroyed records. The referral to the authorities was made by the SOMTA chairman and Eric in February after I foiled the attempted fraud that took place after my termination (see Section 16). The intention of this is to ensure that I do not apply for the Dubai post that SOMTA had advertised (for a person to do some of the work I had been doing). Copies of SOMTA office telephone bills that I used as a SOMTA adviser were sent to the authorities to prove that I operated from this office where I had no work permit. UAE apparently has strict employment laws that prohibit employees from working in offices other than their employer's office specified in the work permit. However, UNDP had instructed me to work in the SOMTA office and is thus responsible for this violation.

14.7.2 This is a very serious development and it shows how far senior management are prepared to go to destroy my name. I am now seeking legal advice in Dubai as to how to react to these allegations. The same UNDP office that deliberately denied issuing me the necessary work permit is now accusing me of breaking UAE employment law. I was officially transferred to Dubai and did everything within my power to get a work permit.

14.7.3 One of the first things I did after I relocated to Dubai was to look for an office at Dubai Humanitarian City, where UN agencies are based. The reason I went there was because I knew I could not get a work permit for an office outside UN offices in Dubai. On 21 December 2006, I wrote to Carsten, Operations Manager of PRSL. The email said: "*I visited Dubai Humanitarian City (DHC) to explore the possibility of getting office space… Normally it is difficult to get an office at the current DHC building but the administration office has told me that provided they receive formal request from UNDP before the end of the year, they will be able to allocate me an office in a building that houses UNOPS. Since UNDP Somalia does not have any presence in UAE, they suggested that we should ask UNDP UAE office in Abu Dhabi to help us in this process. Other agencies such as UNOPS obtained office facilities at the DHC through UNDP country office. The support we need from UNDP UAE is similar to that we currently receive from UNDP Kenya"* (see Annex 68). I specifically mentioned the fact that we needed to get support service from UNDP UAE similar to the one UNDP Kenya provides to the country office in Nairobi because the work permits in Kenya for UNDP Somalia staff are obtained through UNDP Kenya. Carsten asked me to get an estimate of the rent and I provided this information. The Dubai Humanitarian Office (Government of Dubai) told me that the rent for a small office is around 1,000 Dirhams ($270) per month. However, the Dubai Humanitarian Office said that UNDP UAE Resident Rep is responsible for all UN operations in the country, including office facilities at DHC, and therefore I should contact him. I was told that with the UAE Resident Rep's instruction, we may not need to pay anything as the building is apparently provided for free by the Government of Dubai.

14.7.4 I was desperate to get a work permit and residence visa as I moved my family to Dubai and I felt that I was not getting the support I should have received from the office. They just relocated me to Dubai and left me to deal with everything. Concerned about the delays in the process, which I was not familiar with myself, I phoned El-Balla Hagona, former UNDP Somalia Country Director, who used to work for UNDP UAE. El-Balla was at the time with the UNDP Iraq office based in Jordan and I asked him to help introduce me to the UNDP UAE office and explain my circumstances. He advised me to contact Faisal Mohammed, UN-DSS Security Advisor, based in Dubai Humanitarian City, who used to work for UNDP Somalia but is now attached to UNDP UAE. He said Faisal had gone through the same process when he relocated from Nairobi and would be able to help (see Annex 68).

14.7.5 I immediately contacted Faisal and arranged to meet him. Faisal was very helpful and he told me that the country office management should write to the UNDP UAE Resident Rep and inform him about my relocation and request that his office provide support and office facilities. He was surprised by the way my relocation was managed. He said in his case everything was done by the office. With this information, on 3 January 2007 I wrote to Carsten saying: "*I have contacted Faisal Mohammed, UN-DSS Security Advisor, based in Dubai Humanitarian City. Faisal used to work for UNDP Somalia and now he is attached to UNDP UAE. He suggested that we should write to UNDP Resident Rep in UAE (khaled.alloush@undp.org) to inform him about my relocation and request his office to support/facilitate getting an office in the humanitarian city. UNDP UAE will deal with the Humanitarian City. At this stage all we need to do is to formally write to the Resident Rep. We need a letter from Michel Michaan to UNDP UAE requesting their assistance on this issue*" (see Annex 68).

14.7.6 On 8 January 2007 Bruno sent a letter about my transfer to Dubai to Khaled Alloush and asked him to provide assistance. However, after already spending one and a half months in Dubai, I was still waiting for the amended contract, which I needed to get a work permit through UNDP UAE. The last email I received from the HR officer was that "*I am waiting for clarification from Headquarters on two issues regarding your contract and will send it to you as soon as all is cleared"*. After the letter to Mr. Alloush, Faisal suggested that I should accompany him to the UNDP office in Abu Dhabi to meet with Mr. Alloush and seek his assistance in getting an office while I waited for clearance from New York. On the day we were about to leave the DHC office, Mr. Alloush spoke to Faisal and told him that because of some issues he learned about from New York, he would not be able to meet with me. He apologised and said it was nothing personal but had to do with UNDP business. Before he received the introduction letter from Bruno, he complained about the failure of UNDP Somalia to notify my transfer to Dubai, but at the time he was not blaming me for this and in fact he was initially sympathetic to my case by saying I should not have been doing all this myself. However, after he discussed my situation with New York, he decided not to get involved in my case. Faisal was surprised and asked me if I knew why New York was withholding the clearance to issue my amended contract.

14.7.7 After Mr. Alloush refused to provide any assistance, I went back to the country office for advice. After a series of private calls and emails from KNS to management, on 13 March 2007 I received an email from HR saying "*A discussion on the matter was held today. A reply will be given, after some matters are clarified"* (see Annex 68). I enquired about the "matters" and "issues" that New York and country office management were discussing for more than four months and why amending my contract was taking such a long time, but I was told that these were confidential matters. After I received this email, I requested to go back to Nairobi and stay there until "*all is cleared*", but KNS asked me to stay in Dubai. He promised me he would do everything possible to get these issues addressed soon. I was still hoping that I would get an amended contract with Dubai as my duty station and work permit.

14.7.8 Although I am seeking legal advice on this issue now, I understand that my use of the UK passport complicates the matter. During my employment with UNDP I had a UN Laissez Passer that I used for all my official business travel except in Dubai. I had been told by UNDP that Gulf countries do not accept UN LP and therefore I was officially advised to use my UK passport. This is the information that the country office gave every staff member who travelled to Dubai. However, in October 2007 when Arun Kashyap, UNDP Private Sector Development Adviser, visited us in Dubai, I learned that the UAE accepts UN LP, but they need a special mission visa that is issued by their embassies. I also learned at that time that using private visitor visas for UN missions or employment is strictly prohibited and is illegal. Apparently in the Gulf UN staff cannot travel, let alone stay a year, without obtaining clearance and mission visas in advance. Mr. Kashyap, who also had a meeting with UNDP UAE Resident Rep, told me that what UNDP had advised me was wrong and that they should have known the applicable rules concerning official business travel.

14.7.9 During my time in Dubai, I was also told to work at the SOMTA office, as the country failed to obtain an office for me. In April 2007 when the New York office said I should stay in Dubai on mission instead of issuing me an amended contract with Dubai as my duty station as per agreement before my transfer, I was formally told that I would not get an office at the UN compound since my duty station was still Nairobi. Therefore, I was asked to share the SOMTA office until the establishment of a UNDP Somalia private sector unit in Dubai was finalized in the summer of 2007.

14.7.10 Because of this advice, I may be investigated by the UAE government. This could prevent me from attending a school in Dubai. After careful analysis in the face of UNDP’s continuing attempts to blacklist me in the Somali remittance industry which I have been involved in the last twenty years and international agencies in the region I came to the conclusion to do an Executive MBA in Dubai which I thought would give me the best opportunity to rebuild my career. The school accepted me in January 2008 and I am looking forward to start it in September 2008. However, in a further complication, the school mistakenly sent a letter to the country office in Nairobi. It appears the receipt of the acceptance letter that the school sent by DHL, which is still being withheld by the office, contributed to the decision to refer my stay in Dubai to the authorities.

15. Cover-up

15.1. My first dossier triggered a well coordinated response involving systematic destruction of documents that could be used to provide evidence of wrongdoing. My relocation to Dubai helped this as there was no one else who would notice what was happening. When I went back to the project office in October 2007 I was surprised to find out that all the hard copies of key correspondences, proposals and bidding documents regarding consultancy contracts and interventions on behalf of Dalsan and other companies in the last four years were removed from the folders. All that survived are a few key folders and a copy of the hard disk of the main project computer that I took to Dubai in November 2006.

15.2. Also I learned from confidential sources that a correspondence from New York apparently instructed the Country Office to erase from reports any reference to the remittance project, SOMTA and related activities. Although this was referring to current reports, the instruction was implemented retrospectively and references in all the programme and project documents were quietly amended to remove references to issues relating to Somali remittances. The campaign was so successful that at the end of 2007 it was hard to find much information on what was once a flagship programme for UNDP. This was justified on the grounds that senior management in New York consider the remittance programme as posing unacceptable reputational risk for the Organisation.

15.3. I learned from Eric Overvest and KNS Nair about the increasing concerns of UNDP senior management in New York regarding the risks associated mainly with the past four years of the remittance Programme. Eric in particular told me and SOMTA Council about UNDP problems in North Korea and the decision by senior management in New York to urgently review risky programmes in country offices such as Somalia. He said the view of management was to exit from the remittance programme as soon as possible. I explained to him in detail how the past activities of the project such as the release of funds for companies such as Dalsan and lobbying of banks and regulators for companies that were deliberately flouting international regulations posed significant reputational risks for UNDP. I compared this with the approach taken since I joined in which the direct support to individual companies was discontinued following a partnership agreement with SOMTA and how strict membership criteria based on commitment to full compliance and transparency led to a clear separation of companies that were committed to compliance goals and those that were not.

15.4. I sent an email summarising these points to Eric and copied to KNS Nair and Bruno Lemarquis (see Annex 73). In the email I particularly pointed out the controversial decisions management took in the past to lobby and unblock funds for agents facing criminal prosecution for suspected involvement in money laundering and terrorist financing and operating without licenses. I also explained how UNDP supported agents in Dubai to circumvent regulations and continue operating without proper licenses.

15.5.To address concerns about potential problems in the country office similar to those in North Korea, senior management ordered an urgent review of risks and accountability of key programmes including remittances. As a result, a mission from the Bureau of Management was sent to Nairobi to carry out a "review of accountability mechanism" from 18-24 May 2007. According to the mission TOR, "*there are growing concerns over accountability … reports of equipment missing and consultants, hired through LoA [Letter of Agreement], not being paid. The transfers through remittances companies also pose their specific problems. Furthermore, there are concerns about the lack of staff capacity in the field to effectively monitor the operations through Somali counterparts… A misuse of funds and lack of accountability mechanisms can jeopardize UNDP's programme in Somalia and have serious consequences for the UN image*" (see Annex 74).

15.6.When the mission was confirmed, KNS told me that remittances is one of the key projects that the mission was asked to review and he suggested that both I and SOMTA chairman, should urgently travel to Nairobi to meet with the mission. He also told me that their report would largely determine if and when the remittance project would be closed down. SOMTA chairman was not available at the time but I travelled to Nairobi and met the mission. The mission reviewed all the documents regarding the project and met key people involved in the past and present activities including Mayank Patel. One of the documents I shared with the mission was the email on "managing remittance project risks" that I had sent to Eric. They were keen to understand all the past problems including how the project supported companies such as Dalsan. From the discussions it appeared that despite the new strategy we adopted to minimize risks they were still inclined to recommend an early exit from the remittances.

15.7.According to Eric Overvest, the Regional Bureau for Arab States (RBAS) issued the instruction to prematurely close this project at a time when about $1 million of the project's funds were still in UNDP accounts and most of the project activities were either on-going or are about to commence. Also I understand in his visit to the country office in the first week of October 2007 Ad Melkert, UNDP Associate Administrator, discussed with the country office management issues of risks posed by programmes including remittances and irregular procurement practices raised by OAPR country office audit report. I have learned from sources in the country office that senior management consulted Ad Melkert about the non-renewal of my contract during his visit.

15.8.The EC is now questioning the extraordinary circumstances surrounding the FSDP project. Since the cover-up started in October 2006, a decision was also made to keep the donors in the dark about the developments of this project. Both EC and DFID have formally complained about the fact that for nearly two years they have not received any reports despite repeated requests. EC in particular told FSDP evaluation consultants that the absence of progress reports in the last two years was one of their main concerns about UNDP's management of the FSDP project.

15.9.A project evaluation report issued on 20 November 2007 is another important component of the strategy to cover-up problems. In August 2007, Jamasai Onyango, a retired Kenya Central Bank employee linked to KPMG, was hired to conduct an "independent" evaluation of the FSDP. Jamasai was one of the Kenya Central Bank officials involved in the high profile corruption scandal known as the Goldenberg scandal, according to Kenya newspaper reports. Given his lack of relevant background and experience in conducting such an assessment, management hired a second consultant with relevant research experience to help him gather data and write a convincing report. Dr. Edwina Thompson from Australia, who recently completed PhD research on an informal money transfer system in Afghanistan and used to work for the UN Office on Drugs and Crime, was hired as the second consultant.

15.10. The consultants were told to focus only on activities carried out by SOMTA in 2007 as those related to KPMG work had allegedly been thoroughly assessed by internal UNDP reviews and OAPR investigation in 2006. When the consultants met with the EC as part of their briefing, they were told that as the main donor of the project, they wanted a truly independent and full evaluation that covered the entire time frame of the project, from beginning to the end. The EC also raised serious concerns, including the decision by Eric to keep donors in the dark about the extraordinary circumstances surrounding the FSDP.

15.11. Edwina, who had serious concerns about the competence of Jamasai, wrote a confidential email to Eric and KNS Nair saying that she could not work with him. The email was forwarded to Jamasai, resulting in an open conflict between the two consultants. Edwina learned about the email issue on their way to Dubai and when I met the two consultants in Dubai, she was considering leaving because of the way her genuine concerns were dealt with. After lengthy discussions, I convinced her to stay. She accepted this after Eric agreed that the two consultants should work independently and produce separate reports.

15.12. When Eric Overvest received Edwina's report, he realised that its conclusions highlighted the same issues he was trying to cover-up so he decided to sweep it under the rug and instead accept Jamasai's report as the final evaluation report. Although I spent 8 days with consultants in Dubai and was the only full-time staff in the FSDP at the time, Eric Overvest directly managed this consultancy and refused to share the draft reports with me for two months. After keeping the reports for weeks without comments, Eric made a decision to call Jamasai's report the independent evaluation report and just add Edwina's name as the second author. This was then sent to Edwina and she was told plainly that if she wanted to be paid[5] she should approve Jamasai's report. Edwina was so frustrated that she started to add my email address to the correspondence and this is how I received copies of the reports. Her email dated 5 November sums up her situation and another sad chapter of this project. She wrote to Eric saying that "*I would love to comply with your request to endorse Jamasai's report, if for no other reason than to expedite payment for my fee. I hope however that you'll appreciate as a matter of principle that I am unable to do that*" (see Annex 76).

15.13. Against my advice as a Programme Officer/Compliance Advisor for FSDP, Eric Overvest accepted and distributed Jamasai's report on 20 November 2007. Just like the KPMG reports, Jamasai's report is based on plagiarised work and, as instructed by Eric, it praises KPMG's work while it blames the failures of the past four years on SOMTA – an organisation that was only established a year ago. Dr. Edwina Thompson, on the other hand, produced a report based on detailed interviews and a questionnaire survey that contrasts the tremendous progress made by SOMTA in the last year with the failures of the past fours years and the opportunities and resources wasted by KPMG's involvement in the project (see Attachment C). She also questioned Dalsan's leadership role in the SFSA Europe given the fact that the company's management and shareholders were already well-known as being connected to terrorist groups. Jamasai was paid about $20,000 for producing this plagiarised work, but Edwina, who wrote a professional and independent report, was denied payment because she reviewed the role of

[5] Withholding payment is a common tactic used by senior management to influence consultants' reports and impose their own views.

KPMG in the project and produced an independent report. This is yet another abuse of authority. I asked the Country Director to intervene and ensure that Jamasai's report was recalled.

15.14.When Eric distributed Jamasai's report to SOMTA members on 20 November, he falsely presented them as "*the findings of the evaluation team*". In response to this I sent a strongly worded email to Bruno saying it was deceptive to call this "*the findings of the evaluation team*" on 21 November. I submitted both reports from the consultants to Bruno and the country office management team. Following my intervention on 22 November, Eric sent an email to Edwina saying that: "*As we need to send out an evaluation report to the partners (we are end of November while the evaluation took place two months ago !!), I need to come to a closure on this and would like to ask you if you could provide comments before Friday 23 November by COB ... In case we do not receive any comments, we would like to suggest that the report goes out under the name of Jamasai but with a foreword or disclaimer which mentions your contributions to the evaluation and the general agreement on the main findings and recommendations* " (see Annex 76). This was a clear deception because he was asking Edwina to approve something that he had already done.

15.15.Edwina refused to approve the report and questioned his motives. On 23 November Edwina wrote to Eric and said: "A*s I said previously, I cannot agree with all the findings in Jamasai's report because some of them are neither factual, nor based on adequate investigations. Moreover, I am certainly not happy that Jamasai will take portions of my report and reference me as an acknowledgement. May I remind you that we did not agree that a 'consolidated' report would be produced. The revised TOR was to produce two reports, and then discuss what should happen once your team reviewed the quality. I have not been consulted in your process, even despite my comprehensive email correspondence with yourself since the original submission of my report - which is indeed almost 2 months ago. This is entirely unprofessional, and I am convinced will not stand up if the UNDP Evaluation Office were to review what has unfolded*" (see Annex 76). However, Eric simply sent another email with Edwina's report to SOMTA on the same day (23 November) saying that "*I understand from one of the evaluators, Ms. Thompson, that additional comments on the final report will follow. I am sending you her separate evaluation report to have full transparency*" (see Annex 76).

15.16.Eric also wrote to Edwina on 23 November saying that: "*Due to the disagreement among the consultants, it was decided in a teleconference with Jamasai and yourself that each consultant would write an individual report which then would be consolidated in a final report … So far, 90% of deliverables of SSA contract have been received (individual reports) but hope that we can go the extra mile. We are happy to process your final SSA payment. Did you receive the first 21 days*". On the day when Edwina decided to withdraw from the evaluation work, her condition for staying was to allow her to produce an independent report. When she told me this I immediately phoned Eric and told him about the problems regarding her confidential email shared with Jamasai and her condition. Since this was the only way we could keep Edwina he agreed and proposed a teleconference in the following morning. At the teleconference attended by both consultants myself and KNS, Eric clearly asked both consultants to work independently and asked me personally to provide the same information to both consultants. Surprised by this Edwina wrote to me on 25 November and said: "*I really don't understand this!!! He is so deceptive it is making me go mad. I am so busy in Somalia I cannot deal with this ...Can you also please confirm with me for my own sanity that Eric did NOT say the reports would be consolidated in Dubai - from my memory, it was to be left for further discussion once the reports were submitted. Which, by the way, Eric HIMSELF confirmed to me in person in Nairobi when I dropped by on my way to London. This is outrageous*" (see Annex 76).

15.17. On 29 November Edwina responded to Eric and said: "*At the teleconference meeting you agreed that we would submit individual reports - I was given the extra task of assessing risk issues, while Jamasai was tasked to focus on the Central Bank. We did not agree that there would be a consolidated report. I have not approved any ensuing consolidation by Jamasai. Regardless of this, I understand that you had already distributed your consolidated report with my name on it before asking for my feedback by COB on 23 November. Perhaps you could explain this. On the issue of payment; no, I have not received it. I understand from your finance and admin staff that you have been blocking that payment. If you will now approve it again, I would be grateful*".

15.18. Edwina faced retaliation for producing an independent report. As of 17 March 2008 – almost six months after she submitted her report - her consultancy fees are still being blocked by Eric. Although in earlier emails Eric argued that her payment was ready, after this email he confirmed that her payment would not be processed until she complied with his demands.

16. Attempted fraud after my termination

16.1. In March 2007 PayQuik, a U.S.-based IT firm, was selected through a competitive bidding process to supply, install and maintain a common money transfer platform for SOMTA members. The aim of the platform is to strengthen the capacity of the Somali remittance companies to comply with anti-money laundering and countering terrorist financing regulations by screening clients against 28 global sanction lists and creating permanent and secure audit trails of all transaction details.

16.2. UNDP issued a purchase order for $637,500 and a schedule of payments to PayQuik in May 2007 (see Annex 83). This was followed by a formal ownership transfer of the platform to SOMTA by UNDP on 20 June 2007 (see Annex 84). As a condition of the transfer agreement, SOMTA is required to enter a contract with PayQuik and to take full responsibility for the implementation of the platform. Although the ownership of the platform was transferred to SOMTA, the platform funds were still kept by UNDP and the agreement was to release agreed instalments to PayQuik once milestones approved by SOMTA Council are achieved.

16.3. Providing guidance and technical support necessary for the implementation of the platform was one of my main responsibilities until November 2007, when my contract was unexpectedly not renewed in retaliation for my whistleblowing. This was a critical time in the procurement of the platform as SOMTA was engaged in negotiations with PayQuik on a complex contract process involving software license agreement, sub-licenses agreement for individual companies and SOMTA and a long-term maintenance and technical support agreement. Until Senior Management decided to end my contract, the plan was that I would continue supporting SOMTA until the full implementation of the platform was independently certified and all payments made to the vendor. It was envisaged that once the contracting was finalised, the actual delivery and implementation of the platform would take between six and nine months.

16.4. As per RFP and purchase order, the release of the first payment to PayQuik was subject to a number of conditions including the signing of a contract, bank guarantee provided by PayQuik and procurement of servers and Oracle licenses by PayQuik.

16.5. Although PayQuik formally agreed to the schedule of payments and signed the purchase order in May 2007, they started informal negotiations in June 2007 with UNDP management on how they could get 100% of the payments in advance even before a contract was signed. In an email dated 4 June, Joseph Perpiglia of PayQuik requested a phone call to management "*with regard* *to drawing 100% of the funding for this project*" (see Annex 78). Although I was responsible for the project and was the key technical person for both UNDP and SOMTA, I was not copied on this email. However, I established from colleagues in UNDP that there had been discussions on advance payment, in breach of the Purchase Order conditions and UNDP procurement rules. As a result, both the SOMTA chairman and I sent protest emails to KNS and Eric (see Annex 78) who in response to our complaints shared the correspondence between management and PayQuik with the SOMTA chairman.

16.6. UNDP rules on advance payments are very clear. According to the rules, "*no contract or purchase order shall be made on behalf of UNDP requiring an advance payment(s) for goods or the performance of contractual services*" except in exceptional circumstances where normal commercial practice or the interests of UNDP so require. If the contract calls for an advance exceeding $30,000, the supplier is required to provide a bank guarantee and "*The advance payment, in all cases, should not exceed 20 percent of the total contract amount … Any interest earned by a payee on an advance payment by UNDP shall be recoverable and, when paid to UNDP, credited to miscellaneous income in the UNDP accounts*".

16.7. When my intervention led to the failure of the advance payment negotiations with management, PayQuik started to raise the issue of some upfront payments at the signing of the contract with the chairman and myself in July 2007. At the time both the chairman and I made it very clear to PayQuik that no payment could be made until: (i) SOMTA and PayQuik exchanged a contract, (ii) PayQuik purchased servers, Oracle licenses and other operating systems with an estimated value of $95,000 for SOMTA as per agreement; and (iii) PayQuik provided SOMTA a standard bank guarantee for $63,750 (i.e. 10% of the contract amount) using the Performance Security Form in the RFP.

16.8. On 28 June 2007 the chairman requested that PayQuik submit a bank guarantee immediately. Our understanding at the time was that as per the RFP, PayQuik should have issued the bank guarantee within 30 days of the Purchase Order. However, PayQuik has successfully argued that in the absence of a contract either with UNDP or SOMTA, their bank would not be in position to issue a guarantee. They suggested that this should wait for the signing of the contract. SOMTA accepted this and requested that PayQuik provide the guarantee as soon as the contract was signed. The PayQuik agreement to provide the bank guarantee was crucial because this requirement had been "forgotten" by UNDP management when they issued the purchase order and so PayQuik assumed that this was no longer a requirement, despite the fact this was a condition in the RFP as required by UNDP procurement rules for all contracts worth more than $500,000. On 7 July 2007 the chairman notified Eric that PayQuik had agreed to fulfil the bank guarantee condition (see Annex 78).

16.9. In August 2007 I sent a draft contract prepared by a SOMTA lawyer to PayQuik. In early October PayQuik came back to me with a completely new one-sided contract containing many clauses that contravened RFP requirements. I advised the chairman and SOMTA Council to reject it and asked PayQuik to use the earlier draft prepared by the SOMTA lawyer as a basis for negotiations. On 4 November 2007 PayQuik resubmitted the same version of their draft contract with minor amendments. It still had unacceptable clauses. For example, it was agreed that the license fee of $637,500 would be a one time fee and PayQuik would receive an annual maintenance of $95,000. PayQuik just simply ignored this and proposed that this license fee would only cover the license fee for the first five years. After this initial period they proposed that the licensee pay a new, unspecified license fee, in addition to the maintenance fee.

16.10.I raised contracting problems and the delays this was creating with Eric at the end of October when I was in Nairobi but he said that since my contract was ending I should leave this to the SOMTA chairman, although he knew that SOMTA was not in a position to effectively negotiate with PayQuik or manage technical issues involved. The reason why I was attached to SOMTA in the first place was because the organisation had no technical or professional staff. More importantly, the RFP was issued by UNDP and this was a UNDP procurement process.

16.11.As soon as my contract ended, Eric and the chairman started new negotiations with PayQuik and decided to conclude an agreement without the approval of SOMTA Council. Through a series of intensive discussions between Eric, the chairman and PayQuik an agreement was reached to release an advance payment of $477,041 (about 75% of the license fee) to PayQuik before it fulfilled any of the conditions such as a contract, bank guarantee or purchase of servers and software. It was clear to the chairman and Eric that the Council would not approve paying PayQuik such a large advance in the absence of a contract, so the decision was made to keep them in the dark. The regular SOMTA Council meetings were first suspended while PayQuik negotiations were going on. For about eight weeks after the termination of my contract in November the only meeting that took place was on 5 December, which I had with the Council. In this meeting the chairman did not turn up, presumably to avoid questions about the platform and the draft contract.

16.12.In the meantime, Eric and the chairman have developed a close and improper relationship with PayQuik. For example, PayQuik sent an invitation to the chairman for him to visit the PayQuik head office in the U.S. The chairman used this invitation to obtain a U.S. visa and was planning to travel to Philadelphia to meet up with PayQuik. The Council was not aware of this private arrangement.

16.13.By mid January 2008 I learned from UNDP sources that Eric was planning to release the advance payment to PayQuik without the approval of the Council. So I alerted the Council members, who were already suspicious of the total lack of information about the project activities. Since the end of November 2007, the chairman had been using all kinds of excuses to avoid holding the regular Council meetings. On 17 January 2008 the Council requested a crisis meeting, but the chairman succeeded to postpone several times to 24 January 2008, when the Council decided to meet even if the chairman failed to turn up. At this meeting the Council members asked the chairman to update them about the platform project and other activities, but he requested more time to prepare a report. After heated discussions, two of the four Council members told the chairman that they no longer have confidence in him. To buy more time for the work he was doing with Eric, the chairman promised to provide full details of all the activities he had been busy with in the last two months. The meeting was once again postponed to the following week.

16.14.The outcome of the secret negotiations was an advance payment of $477,041 to PayQuik. Eric and the chairman needed some sort of documentation to help them justify this unusual payment. So they secretly commissioned FMK Solutions, an IT consultancy firm based in London, to do a "*user-acceptance*" test. In the platform implementation plan, it was the responsibility of the remittance companies' IT engineers (i.e. SOMTA IT team) and the actual users of the system to carry out the user-acceptance test once the solution was installed at the SOMTA hosting site. The "*user-acceptance*" test commissioned was carried out without the knowledge of the Council and the ultimate users and it was conducted at a PayQuik hosting site. In the rush to release the payments before anyone else knew it, Eric and the chairman hired the IT consultancy firm without going through the normal procurement procedure in violation of UNDP procurement rules. In the meantime, the SOMTA lawyer, who advised against making any payment without an enforceable contract to PayQuik, was asked to prepare “heads of terms” suggested by PayQuik in the absence of a proper contract. The “heads of terms” proposed an interim payment of $477,041 to PayQuik as a payment on trust prior to the completion of the contract (see Annex 79 for an early draft of the “heads of terms” before PayQuik lawyers made amendments).

16.15.The SOMTA lawyer and the IT consultants were pressured and told by Eric and the chairman that the industry was going to lose the platform money unless this payment was released urgently to PayQuik. Apparently PayQuik also decided not to continue negotiations on the contract since they were going to get this large sum of money in advance without a contract. Eric and the chairman received the consultants’ report on 20 January 2008 and shared it with PayQuik. However, the IT consultancy report was not what Eric was expecting as it concluded that the system was still in the very early stages of development and that, in its present stage, it does not even meet the minimum requirements in the RFP. Most importantly, it did not justify any advance payment. Nevertheless, Eric went ahead with his decision to release the payment to PayQuik.

16.16.The plan was to exchange the “heads of terms” on 25 January 2008 and to release the payment on the same day. However, there was a last minute hitch. For anti-money laundering purpose, the SOMTA lawyer, who is based in London, said he needed to identify the SOMTA company directors before the transaction could take place. Apparently he established from the register of UK companies that the SOMTA chairman was not one of the company officials. So he requested that the chairman provide him the details of the two SOMTA company directors based in London and ask them to provide the lawyer their IDs and copies of utility bills. The chairman and Eric, who were desperately trying to conduct this transaction secretly, were told that this is mandatory in the UK and there is no way this can be avoided. To complicate matters, one of the two directors, Mahamud Haji Abdalle, is the UK representative of one of two Council members who called the vote of no confidence for the chairman. On the same day he lost the vote of no confidence from his company, Amal Express, the chairman sent an email to Mahamud Haji Abdalle and the other director and asked them to identify themselves and contact the lawyer. He followed the email with urgent phone calls warning the two directors that unless they did this immediately, SOMTA was going to lose the money. Since SOMTA Council based in Dubai is responsible for day-to-day activities of the organisation, the two directors in London were not aware of the meeting that took place in Dubai on the same issues and concerns raised by the Council.

16.17.Mahamud Haji Abdalle thought this very unusual and he told the chairman that he would consult me about this issue. Mahamud was not aware of my formal complaint about the Programme, but the chairman briefed him about it and advised him not to share this information about the platform with me. Like the rest of SOMTA, I had a very good professional relationship with Mahamud and this conversation only made him more determined to seek my advice even before he spoke to his CEO in Dubai. Before he phoned me he received a call from the SOMTA lawyer who also had lengthy discussions with Mahamud and put him under pressure to provide his ID. The lawyer told him if it was not possible for him to meet him on Friday 25 January, he would be prepared to meet him on Sunday afternoon in order to save this money for the industry. The lawyer was genuine and he believed what Eric and the chairman told him. Mahamud tentatively agreed to meet the lawyer at 3:00pm on Sunday at the lawyer’s office at Fleet Street (City of London) – something that Mahamud thought was extremely unusual.

16.18.Mahamud phoned me on 25 January and told me about his discussions with the chairman and lawyer and asked for my advice. I told him what was going on and advised him to contact

SOMTA Council members urgently to get their instructions. Mahamud immediately spoke to the Council members and found out this was an attempted fraud. On the same day he sent a letter to the lawyer (see Annexes 80) and notified him that neither the two directors in London nor the Council was aware of what was going on and therefore, as an official of the company, he formally requested that the lawyer stop the transaction.

16.19.The chairman and Eric were still determined to go ahead with their decision to release the payment so they asked the lawyer to issue the "heads of terms" under a different Dubai-based entity (Somta free zone company). Somta free zone company (FZC) is a service firm established to provide limited services for the industry. The SOMTA chairman is one of two partners of this company. The Somta FZC license was going to expire in the second week of February and the Council decided that they no longer needed the services of this company and were not going to renew its license. At this stage the lawyer got suspicious and he wrote to the chairman asking him to identify himself and the new company that he wants to use by midday Monday 28 January; if he failed to, the lawyer said that he would cease to act on the matter (see Annex 81).

16.20.Having found out this attempted fraud, the Council members wrote to Eric and demanded that no payments should be made to PayQuik without written approval from the Council. They notified him that they were kept in the dark for nearly two months. Sh Esse, the vice-chairman, also phoned Eric and asked him to explain the proposed release of payment to PayQuik. Eric explained his actions by saying that this was the only way he could secure the funds. Sh Esse asked him to formally write to the Council for his reasons.

16.21.On 26 January 2008 Eric wrote to all SOMTA members threatening them that unless they agreed to the release of advance payment to PayQuik, they would lose the funds for the platform. In the email he said that "*I would like to confirm that UNDP will be in no position to guarantee any availability of funds to finance the electronic platform purchased from Pay Quick, beyond 31 January 2008*" (see Annex 82). He deliberately misrepresented the findings of the IT consultants and claimed that "*An independent IT assessment of the progress of implementation of the platform estimated the delivery rate of implementation at around 65%"*. On the basis of this he suggested payment of 65% (which he said should replace the figure in the "heads of terms") of the fees agreed with PayQuik immediately. He tried to justify all this by saying that the UNDP "*financial system automatically cancels all unliquidated obligations in our system by 31 January 2008"*. There is no basis to this claim. FSDP has up to 30 September 2008 to fully utilise all commitments in the system and even this can be extended as EC, which funds the project, has agreed to extend the deadline if the work cannot be completed on time.

16.22.Eric followed up this email with frantic phone calls on Saturday and Sunday (26-27 January) to some of the Council members to try to convince them to authorise the release of payment without a contract. He also asked Abdullahi Sh Ali (who since November has been working closely with Eric on this project) to join him and warn SOMTA of the likely consequence of the Council's reluctance to approve the payment.

16.23.On 26 January 2008 I managed to get copies of the IT consultancy report, Eric's email and some correspondence from the SOMTA lawyer. It became clear that this was fraud. So I drafted a note for the Council members and gave them evidence showing that this was in clear breach of UNDP rules and regulations. I also confirmed to them that EC will not agree for the funds to be spent on any other activity and that as KNS and I told them many times, they have up to 30 September 2008 to fully utilise the funds committed in the system.

16.24.At a crisis meeting on 28 January 2008, the Council accepted my advice and resisted Eric's appeal on behalf of PayQuik. They adopted my note as Minutes of the Meeting and sent it to Eric and coped to Bruno (see Annex 82). They explained that because of the absence of a contract, the failure of the system to meet minimum RFP requirements, absence of the agreed bank guarantee and servers and operating system, they could not agree to his proposal for advance payment.

16.25.When the Council email exposed the fallacy of his argument, the deception and secret deals, Eric simply changed tact and praised the decision of the Council. In his email on 28 January 2008, he agreed that he would keep the funds provided that they release the first payment by 31 March 2008. However, he still argued that the first two payments of 20% and 30% in the Purchase Order payment schedule should be made as soon as possible "*as Payquick has already worked a lot on the platform*" (see Annex 82). But how can he make the claim that "*PayQuik has already worked a lot on the platform*" when FMK Solutions, the independent consultants, said that the platform does not even meet the qualifying requirements in the bidding documents?

16.26.Eric and the chairman knew only too well the many reasons why an advance payment should not be made to PayQuik. First, the report they secretly commissioned showed that the system does not even meet the minimum qualifying conditions required by the RFP. A key condition in the RFP that I was involved in its drafting with a UNDP IT consultant in 2006 was that "**the product offered should have been completely developed, tested and ready for immediate implementation. SMTs [Somali money transmitters] will not be subjected to Unit Testing, Alpha testing or Beta testing. The product offered should be the general version of release by the vendor as of 31 October 2006 and all the mandatory specifications mentioned in this RFP should be available in the product version as of 31 October 2006**." (http://www.iapso.org/supplying/procurement-notices-view.asp?id=2701).

16.27.The independent consultants found that "**Much of the functionality appears to be still being developed and requires more development time. In our assessment the system looks to be in a late alpha stage of development and requires further work to reach beta level**" (see Attachment E). This effectively means that the system should be rejected because the PayQuik response to the RFP said that the system was in general release and all that it needed was some limited customisation rather than full scale development. This raises a question about why Eric, who was involved in the selection process and knew very well of the RFP requirements, would read this report and use it to argue for the advance payment of 65% of the license fee to the vendor.

16.28.Second, the advance payment was in breach of the purchase order schedule of payments. According to the purchase order accepted by PayQuik, the first payment of 20% can be made only after PayQuik supplies servers and operating systems, including Oracle, and adequately tests at a hosting site selected by SOMTA. The second payment of 30% is also subject to the successful installation, customization of the platform at SOMTA site and training of company IT engineers.

16.29.Third, as a condition of the RFP, PayQuik was required to provide a performance guarantee within 30 days of the signing of the contract and before they commence the implementation of the platform. This was also a condition before any payment was released. PayQuik agreed in July 2007 that they would provide SOMTA a standard bank guarantee for $63,750 (i.e. 10% of the contract amount) using the Performance Security Form in the UNDP/SOMTA RFP. The bank guarantee is particularly important because PayQuik is a relatively small IT company which scored low in the vendor viability assessment. It is also important to note that in 2006

PayQuik had a County Court Judgement for unsettled bill of $23,888.17. It is particularly troubling that Eric was prepared to pay such a large sum of money in advance to such a company.

16.30.Fourth, the contract negotiations between SOMTA and PayQuik were at a critical stage as PayQuik proposed unacceptable clauses that contravene some of the key requirements in the RFP. Paying $414,050 (65% of the fee) to PayQuik in the middle of the negotiations would have denied SOMTA of their key bargaining chips, especially when PayQuik was responsible for the delay in concluding the contract.

16.31.While the Council and I have succeeded to foil this attempted fraud, about $45,000 of the project's funds were wasted in legal fees and the IT consultants in this process. With the instruction of Eric, the chairman has used funds provided by UNDP through a micro-capital grant without the knowledge or approval of the Council. Also, as I learned from the Council, without the approval of the Council and in breach of the terms of the Micro-capital Grant Agreement between SOMTA and UNDP, Eric released $102,000 (two instalments of $51,000 each) and paid it into the Somta FZC account controlled by the chairman on 28 January 2008.

16.32.In early February 2008 after SOMTA Council (with my support) successfully foiled the attempted fraud, Eric, Mr. Ware (my replacement; see section 14.3.10) and SOMTA chairman came up with a new strategy aimed at undermining the authority of SOMTA Council. The intention was to bypass SOMTA Council and find a way of releasing advance payments to PayQuik without the approval of the Council. They argued that SOMTA is not an inclusive organisation since three Somali remittance companies are non-members. In May 2006 when SFSA was restructured and the new name of SOMTA was adopted, these three companies (Tawakal, Amaana Express and Kaah Express[6]) stayed out of SOMTA and continue to claim that they are members of SFSA. The reason for their refusal to join SOMTA was very well documented by UNDP at the time (see Attachment D). They were essentially opposed to the intrusive application form that required companies to disclose all their owners, shareholders, management, agents and other officials associated with their companies. Some of them were also opposed to the idea of full compliance with international regulations and the authority SOMTA was given in the constitution to expel and refer non-compliant companies to regulatory authorities. The decision by these companies to stay out of SOMTA was even witnessed by El-Balla Hagona, Country Director, in May 2006 when he attended a key meeting in which SOMTA was launched.

16.33.The new strategy is to bring SOMTA and the three non-members together and launch for a third time a new organisation. To help implement this new strategy, Eric invited Abdisalan Hussein, former UNDP consultant for SFSA Europe who was hired by Mukhtar Osman of Dalsan, and asked him to travel urgently to Dubai. In February 2008 Eric, Mr. Ware, Djirdeh and Abdisalan held a series of meetings with the three non-SOMTA members.

16.34.This new development alarmed SOMTA Council. They were particularly surprised by the invitation of Abdisalan Hussein from London and the role their chairman played in the new strategy. In early February 2008 following the attempted fraud, the chairman lost his executive

[6] Of the three companies, Kaah Express has a better record of compliance with international regulations. Their reluctance to join SOMTA self-regulation is perhaps related to the fact that they have very limited operations in Somalia. The company was established to serve mainly the Somali migrants from the Somali region of Ethiopia and therefore it does not face the same challenges as other companies that have extensive networks in Somalia. The FSDP Evaluation Report discusses Tawakal objections to SOMTA. Amaana Express is a general trade business that conducts money transfer as a side business and therefore does not appear to have the necessary capital or the willingness to invest in compliance infrastructure.

role in SOMTA after the Council decided to hire a full-time managing director and asked the chairman to transfer the responsibilities of the platform to Ali Yassin Farah, who was asked by the Council to act at their IT project coordinator. Since December 2006 when the chairman suspended SOMTA Executive Director, he had been both the acting Executive Director as well as the chairman.

16.35. While the negotiations with SOMTA non-members were going on, Mr. Ware met with SOMTA Council and informed them of the new UNDP decision to bring the two groups together. He told the Council members that unless they agreed to form an all inclusive association with the non-members, UNDP would suspend its support to SOMTA. The Council told Mr. Ware how SOMTA was formed and suggested to him that he should consult UNDP project documents as the reasons why the three companies refused to join SOMTA. They also told him that since the signing of the partnership agreement between SOMTA and UNDP in October 2006 Eric never raised the issue of the non-members because UNDP was fully satisfied with the transparent process used to restructure SFSA and establish SOMTA. He told them that the earlier UNDP decision was wrong and unless they agreed to these new arrangements they would lose support. The meeting ended without agreement as SOMTA Council reiterated their position that they would not change their constitution to accommodate companies that are not committed to full compliance. They said if the companies want to join SOMTA they are welcome but their preconditions, including the requirement to abandon the constitution, are unacceptable.

16.36. After Mr. Ware, Djirdeh and Abdisalan Hussein failed to bring the two groups together, Eric went to Dubai for the second time in February 2008. He also invited PayQuik to Dubai and notified them that the platform would now be shared by SOMTA and the three companies, although UNDP formally transferred the ownership to SOMTA. In this visit to Dubai, it was reported that Eric threatened one Council member who proposed launching a formal complaint against Eric. In a private meeting with this Council member he told him that UNDP holds information about unlicensed agents of his company and any attempts to oppose UNDP decision could result in the disclosure of such information to law enforcement agents. Given the history of the country office's retaliation against some companies in the past, the Council member, who is also a CEO of a company, took the threat seriously and decided to drop his proposal. In the end Eric succeeded to arrange a joint meeting between SOMTA Council and non-members. Ali Yassin, the Council member who was asked to coordinate platform activities, decided not to attend this meeting. In this meeting Abdisalan Hussein, claiming to represent non-members, came up with conditions that proved unacceptable to three SOMTA Council members who attended the meeting. In the end it was agreed that the two groups would continue the dialogue on various options including the establishment of a new association.

17. Fraudulent Payment in April 2008

17.1. When Eric's new strategy for finding a way of releasing advance payment to PayQuik failed to work, he just simply decided to release the payment. In a blatant violation of UNDP procurement rules and regulations, a fraudulent payment of $382,200 (i.e. about 60% of the license) was made to PayQuik before it fulfilled any of the conditions such as a contract, bank guarantee or purchase of servers and software. Eric released this payment with full knowledge that the system does not even meet the minimum qualifying conditions required by the RFP and therefore should have been rejected. The transaction details are as follows:

Amount: $382,200
Vendor: Payquik.com, Inc., 150 Monument Road , Bala Cynwyd , Pa 19004
Date of Payment: 3 April 2008

Voucher No: 00022161
Vendor No: 0000001956
Project Code: 00036033

17.2.Given the SOMTA Council's refusal to approve the release of any payment to PayQuik, Eric justified this by claiming that he was "reimbursing" the company for the cost it incurred up to the end of March 2008. In his email to SOMTA members on 26 January 2008, he warned them that unless they approved an advance payment of 65%, ""*UNDP will cancel the purchase order with Pay Quick and reimburse the company for the investment made until today, i.e. pay 65% of the total amount*". However, when the Council wrote to him on 28 January 2008 they notified him that in addition to the absence of an agreed contract the PayQuik system currently does not even meet the minimum qualifying conditions required by the RFP.

17.3. In the long history of fraud and corruption in this programme, this latest one stands out from the earlier ones for several reasons. First, as the ownership of the platform was formally transferred to SOMTA, it was for SOMTA to negotiate a contract and approve any payment to the firm subject to the agreed terms and conditions in the UNDP/SOMTA RFP. The transfer of ownership document signed by SOMTA and Eric on 20 June 2007 says "The United Nations Development Programme hereby transfers and Somali Money Transmitters Association hereby accepts full title and ownership of the money transfer platform procured from PayQuik" (see Annex 84). In this fraud, Eric overruled the owners of the platform who clearly said that the system does not meet the RFP conditions.

17.4.Second, this fraud was foiled in January when Eric attempted to secretly release an advance payment of up to 75% of the license fee to PayQuik. Project expenditure report in 2008 shows that on 28 January 2008, a payment of $477,041.25 (i.e. about 75% of the fee) was processed. This was cancelled on the same day when SOMTA Council wrote to Eric and Bruno and formally demanded that no payment should be made to PayQuik. In the email, SOMTA Council provided the reasons why this proposed advance payment was in breach of the UNDP/SOMTA RFP.

17.5.Third, in a letter dated 21 March 2008, GAP General Counsel notified the Ethics Adviser this attempted fraud involving the money transfer platform and the new attempts by UNDP to release this payment fraudulently. The letter said "a staff member who had repeatedly retaliated against Mr. Ahmed (and informed his that his contract would not be renewed), started secret negotiations with PayQuik, the platform vendor, and decided to release $446,250 in advance payment to the supplier without the knowledge of the SOMTA Council and before SOMTA or UNDP signed a contract or the supplier fulfilled any of the other prerequisite conditions". I also raised this with the Ethics Adviser who told me on a phone that he flagged this and other on-going violations for an urgent review. Two weeks after this letter warned UNDP of the attempted fraud, this latest fraud was allowed to take place.

17.6.Fourth, PayQuik was dissolved after it was purchased by Citigroup and that the solution PayQuik was offering to SOMTA was discontinued. In January 2008 when PayQuik was acquired by Citigroup (http://www.citi.com/citigroup/press/2008/080206a.htm), the solution PayQuik originally proposed for SOMTA, QuikAgent, was discontinued. According to the information on Citi's website, the company now offers QuikRemit solution, which had been rejected earlier by SOMTA when PayQuik first proposed it in 2006. Further, according to the Terms and Condition of the UNDP/SOMTA RFP, PayQuik was required to request written consent from SOMTA before it was acquired by Citigroup. The RFP said "The Contractor shall not assign, transfer, pledge or make other disposition of this Contract or any part thereof, or any of the Contractor's rights, claims or obligations under this Contract except with the prior written consent of SOMTA" (http://www.iapso.org/supplying/procurement-notices-view.asp?id=2701). SOMTA has not received any request for an assignment to a successor, and this breach of the RFP conditions means the bidding process must be re-opened and the purchase order to PayQuik cancelled. Following the acquisition of the company by Citigroup, PayQuik no longer exists as a separate legal entity.

17.7. On 9 May 2008 I learned that the payment of $382,200 was by a dollar cheque and that it was available at the UNDP Finance Office to be collected and cashed at Standard Chartered Bank in Nairobi – the only place in Kenya where such cheques can be cashed. On the same day GAP notified this fraud to OIOS. It is also important to note that issuing a dollar cheque for PayQuik violates country policy. A memo from Sergio Valdini on the issue of dollar cheques says "*due to increasing attempts of fraud in the case of dollar cheque payments, all such payments will be done through Electronic Fund Transfer (EFT) modality … In exceptional cases (duly authorised by either the RR, CD or a DCD) when a payment has to be made by a dollar cheque, the staff member must sign a declaration letter (attached) that s/he as soon as possible will cash the cheque in Standard Chartered Bank in Nairobi, possibly at the Westland branch (no mail / post of cheques allowed either by pouch or any other mean*)".

18. Other Procurement Irregularities

18.1. An increasingly common violation of procurement regulations in the country office is shopping trips to places like Dubai where senior managers buy goods in violation of UNDP procurement rules. I presented here my one day experience (17 January 2007) of accompanying a UNDP mission sent to Dubai to shop for goods worth more than $1million.

18.2. In this trip two senior managers and two staff members from the procurement office visited Dubai to buy office equipment, generators and four wheel drive vehicles for the Transitional Federal Government (TFG) of Somalia. Since I was based in Dubai they asked me to help them and I was more than happy to support them and get first-hand experience of how such shopping trips work. The mission purchased goods using catalogues and price lists available at stores, warehouses and the World Food Programme (WFP) office.

18.3. According to the UNDP procurement manual, shopping can only be used for off-the shelf goods valued at less than USD 2,500. For goods and services with an estimated procurement value of US$100,000 or more, the requirement is to use a formal Invitation to Bid (ITB) or Request for Quotation (RFP) to ensure "*best value for money, fairness, integrity, transparency and effective competition*". To increase transparency country offices are required to post all bids for contracts valued at USD 100,000 and more on the websites of the CO, IAPSO and/or UNDP. For goods valued greater than USD 500,000, in addition to posting RFPs on websites of the country office, IAPSO and UNDP, it is a condition for bids to be advertised in a relevant publication of wide international circulation.

18.4. In this shopping trip and similar ones conducted before by David Allen, these requirements were breached as the mission just obtained quotations and proforma invoice on site and made procurement decisions. I obtained copies of two quotations/proforma invoices put together by a business unit at WFP office at Dubai Humanitarian City for two UNDP programmes. The total value of the two proforma invoices (see Annexes 85 & 86) is $1.54 million. The total value of the goods in the quotations/proforma invoices is only $846,297 which is about 55% of the total amount. WFP business unit commission is $177,877 and shipping charges to Somalia are $522,000.

18.5.When I received these two quotations I asked two leading Somali businesses based in Dubai who supply these goods to Mogadishu and Nairobi to quote the same list of items. The first quotation for the same goods was $730,000, while the second quotation was $765,000 inclusive of their commissions and shipping charges. The most important difference between the Somali companies and Dubai-based suppliers of UNDP, including WFP, is the terms and conditions. In the case of WFP and other suppliers with connections to UNDP management, all payments should be made in advance and goods are shipped to Somalia without insurance. According to the terms and conditions of the WFP proforma invoices, WFP requires "*payment in advance according to the proforma invoices before processing your orders*" (see Annex 87).

18.6.The terms and conditions of the Somali companies, which are often sub-contracted by brokers who work for WFP, UNOPS and other UNDP suppliers, only require payments within 30 days of receipt of goods in Mogadishu. In other words these suppliers bear all risks and costs associated with the transport of goods to Mogadishu. In their quotations Somali suppliers offered to deliver goods to Mogadishu within two weeks of receiving the UNDP purchase order.

18.7.Before 2007, UNDP management used to do procurement shopping through the UNOPS office based at Dubai Humanitarian City. Most of the goods purchased through them – often at prices more than double of what they are sold for in Dubai – were rarely delivered, but those they managed to ship to Somalia through brokers and intermediaries took close to a year to reach final destination. So by any standard there is no comparison between the services UNDP purchases through these agencies and their intermediaries, who have virtually no experience of working in a country like Somalia, and those provided by established Somali suppliers. Even staff of the UN agencies were puzzled by why UNDP Somalia, which could procure these goods inside Somalia and works with the Somali private sector, would rely on business units of UN agencies based in Dubai and completely sideline the Somali private sector.

18.8.After we received these proforma invoices from WFP and collected other quotations from individuals and companies proposed by WFP, I told the mission about the hundreds of Somali companies based in Dubai that supply food and other goods worth more than $1 billion to Somalia. Many of these were already registered as approved suppliers of UNDP and other UN agencies and the mission was aware of this, but they had no plans to even ask them to quote the goods. After a senior official from the Transitional Federal Government who was accompanying the mission also insisted that the Somali private sector should be given an opportunity to quote at least the office equipment, they agreed to visit some of the companies. I introduced them to some of the suppliers of office equipment. Later on I learned from the companies that although the mission procured some goods from them, the suppliers were asked to obtain quotations with inflated prices for a shopping list of goods, which they provided. When I met with the suppliers, they complained about this corrupt behaviour.

18.9.This shopping trip comes after repeated allegations of corruption on the procurement of goods and services purchased through the UNOPS office in Dubai. During the OAPR country office audit in September 2007, I ensured that auditors were briefed about the Dubai shopping cases including the one I witnessed and I understand they found wrong-doing related to these issues. In their briefing of staff at the end of the audit mission, shopping trips was one of the examples they used as a serious case of wrong-doing. Sadly though, following the subsequent visit of Ad Melkert, UNDP Associate Administrator, to the country office in which senior management complained about the audit, it appears the key findings of the report have either been withdrawn or completely watered down. In any case more than seven months after the audit, the findings have yet to be released to the office.