

OLAF
EUROPEAN COMMISSION
EUROPEAN
ANTI-FRAUD
OFFICE

EUROPEAN COMMISSION
EUROPEAN ANTI-FRAUD OFFICE (OLAF)

Investigations & Operations
A.4 External Aid

1/00286 1/15/07

Brussels,

[redacted]

2007/l/0061

OLAF SPECIAL HANDLING

Final Investigation Report

Case Identification

CMS No.	OF/2003/0521
CMS Title	ALGERIA - Sahara countries - [redacted]
Legal Basis	Art. 1.1 of Regulation 1073/99
Type of case	External Investigation
Head of Unit in charge	[redacted]
Investigator in charge	[redacted]
Investigator associated	[redacted]

Case History

Date of opening decision	1/22/2004
EU Institution concerned	European Commission
Official concerned	
Natural or legal persons concerned	
Area concerned	Refugee camps of the Western Sahara, in southern Algeria
Initial source of information	Directorate-General ("DG") of ECHO

Financial and other impact

Impact on EC Financial interests	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Other impact	
Estimation of the financial impact (in initial assessment)	Estimation by the source: impossible to determine Estimation by OLAF:
Amounts already established or	Established damage:
Final financial impact to the EC Budget (show calculations/estimation below or in attached document)	<u>Established damage:</u> concerning the diversions of assistance funded by the Commission, the witness testimonies gathered mention miscellaneous quantities, diverted from their end recipients for many years. The estimation of the financial impact of these diversions on the budget of the Institution has not been able to be determined.

	<p>With respect to population figures: ECHO has always relied upon the figures determined by Algeria and accepted by the UN Organization High Commissioner for Refugees, a census by the United Nations having never been able to be carried out. For example, ECHO funded assistance to 155,000 persons in 2003-2004, while a study carried out by the Joint Research Center of Ispra in 2004 at the request of OLAF showed that the population of the camps was approximately 90,000 persons. One could then calculate what amount the Commission "overpaid" since the beginning of its assistance, but for that, it would be necessary to take into account parameters not available to us - the evolution of actual population figures, for example.</p>
Final total financial impact (show calculations/estimation below or in attached document)	<p>Realized damage:</p> <p>Prevented damage:</p>
Judicial procedures	<p>Case dismissed</p> <p>Investigation by national authorities</p> <p>Pre-trial</p> <p>Trial</p> <p>Ruling</p> <p>Appeal</p>

Executive Summary

Since 1975, the European Commission has been assisting refugees gathered in camps of the Algerian south, following the conflict which, at the time of the departure of the Spanish from the territories of the Western Sahara, brought Morocco into opposition with the Polisario Front³. The ECHO⁴ Directorate-General has paid approximately 105 million Euros in miscellaneous food aid between 1994 and 2004, to a population whose number, indicated by Algeria to the International Institutions⁵, was close to 155,000 persons.

³ Translator's Note: "Polisario Front" = "*Frente Popular para la Liberación de Saguia el-Hamra y Río de Oro*" = Popular Front for the Liberation of Saguia el-Hamra and Río de Oro.

⁴ Translator's Note: "ECHO" = European Commission's Humanitarian Aid Office.

⁵ Translator's Note: "International Institutions" is noted as a capitalized term, but may refer to international institutions in general.

In October 2003, the ECHO Directorate-General informed OLAF⁶ of presumed large-scale diversions of the aid contributed to the refugee camps. OLAF decided to open an investigation, with the following two distinct objectives:

1. to establish a reliable number of refugees. A study by the Joint Research Center of Ispra, funded by OLAF and published at the end of 2004, made it possible to establish a number of 90,000 persons inhabiting the camps concerned. This number was utilized by the agencies of the United Nations (High Commissioner for Refugees and World Food Program) and by ECHO, in order to determine, as from the 1st September 2005, their aid to the refugees.
2. to establish proof of the diversions. The OLAF investigation made it possible to gather numerous witness testimonies between 2003 and 2006, the majority of which align to confirm that the diversions were organized, principally by and for the benefit of numerous dignitaries of [redacted], whose names were cited numerous times.

The number of facts of reported diversions, the similarity of the witness testimonies with respect to the names of the persons who benefited from such violations, the different operational modes utilized, and lastly, the duration of the diversions, leave no doubt concerning the fact that the fraudulent maneuvers took place over the course of a lengthy period. Moreover, the fact that the Saharaoui authorities have not given free access to the members of the humanitarian organizations present on-site, and also have not allowed for checks to be performed on logistical and distribution chains, as well as the reported existence of secret storehouses, constitutes an element which corroborates the conclusion to be drawn as to fraudulent intent.

Follow-up

Type of Follow-up	Internal	External
Administrative	X	DG ECHO
Financial		
Disciplinary		
Judicial		

1. Results

A. Allegations

Via a note of 10/29/2003, [redacted] DG ECHO, transmitted a document file to OLAF, consisting of an ECHO report [redacted], an operational audit report drawn up by ECHO 6 external audit, and a report of the Non-Governmental Organization [redacted]. This file concerned the aid granted by ECHO to the refugees of the Western Sahara, more particularly allegations of diversion of large quantities of food aid products, intended for the Saharaoui refugee camps in Algeria.

ECHO has been funding assistance to the refugees of the southern Algerian camps since 1975, which was the time of the departure of Spain from the territories of the Western Sahara. This departure triggered a war between Morocco and the Polisario Front for sovereignty over these territories. This war had as a consequence, a movement of the populations towards a region removed from the combats, in Algeria. Four camps were set up in the region of Tindouf in order to receive these refugees:

⁶ Translator's Note: "OLAF" = "Office européen de lutte antifraude" = European Anti-Fraud Office.

the camps of EL AIOUN, DAKHLA, AOUSSERD and SMARA - ANNEX 1, Geographic Location. Between 1994 and 2004, ECHO funded 105 million Euros of aid to these refugees, principally in the form of food aid.

Since 1999, ECHO has been informed that food products intended for the camps were being found on public markets in NOUAKCHOTT, Mauritania, 1,500 km away from the camps. Given this information concerning relatively minor quantities of products, ECHO did not conclude that there were fraudulent practices, but rather, bartering. However, at the end of 2001, ECHO discovered these products on BECHAR markets (Algeria, 800 km away from the camps), TINDOUF (Algeria, close to the camps), NOUAKCHOTT, CHINGETTI, and NEMA (3 cities of Mauritania).

Since [date omitted], 11 ECHO missions in the region have confirmed the presence, between the end of 2001 and April 2003, and in 12 different places, of several tons of ECHO food aid products intended for the Saharaoui camps, principally, canned tuna and powdered milk.

Finally, in April 2003, an ECHO expert on vacation discovered in NOUAKCHOTT 80 sacks of ECHO powdered milk (25 kg each), unloaded from a truck.

In his note, [redacted] wrote: "...this diversion had an organized character..." and "Moroccans have many times claimed that [redacted] diverts the humanitarian assistance. It becomes harder to deny these accusations."

B. Planning mechanism for ECHO aid 1994 - 2004 - procedures for it being brought into the camps:

ANNEX 2: Decisions of the Commission in favor of the Saharaoui refugees 1994-2004;

ANNEX 3: Contracts in favor of the Saharaoui refugees 1994-2004

The food distributions are planned out on the basis of instructions established by a coordinating unit, which meets each month in Algiers. This unit is presided over by [redacted], and composed of [redacted].

The recommendations of this coordinating unit are based upon information communicated by the [redacted] and the [redacted] based in [redacted] and on the perspectives of the next scheduled arrivals.

Each year, ECHO presents a funding project for aid to refugees of the Western Saharan camps. This project is submitted to the Cabinet of the competent European Commissioner, then goes into interdepartmental consultation, and finally to the Humanitarian Aid Committee, an organ of the Member States.

When all these forums have given their consent, the Commission is able to approve the project. During the process, the European Parliament has a Scrutiny Right ("*un droit de regard*") of one month. Once the Commission has approved (approval by the Commissioner for under 10,000,000 Euros, and by the College beyond such sum), ECHO can then sign contracts with its partners. ECHO is not able to assess the number of beneficiaries of its food aid, because the aid is done through a contribution upon the appeal of the [redacted] itself based upon the official number of [redacted] refugees.

ECHO's principal partners, with whom the contracts are entered into, are the [redacted], the [redacted] each year by ECHO depending upon the results obtained in the prior years. The most significant portion of the aid concerns foodstuffs, a smaller portion concerns equipment such as tents, hygiene products, or medical supplies. All products which are not purchased in Africa (fresh foodstuffs) arrive by boat at the port of Oran in Algeria.

In Oran, [redacted], verification in quantity and sometimes in quantity of the goods which are disembarked, on the basis of the document of carriage accompanying the goods. This check is performed in the customs zone of the port. A copy of the document signed by [redacted] or another is remitted by his partner to ECHO at the time of his final report. The firms [redacted] and others are not present downstream from Oran. In contrast, if the partners supply themselves in Algeria, [redacted] or another intervenes at the time when the products are embarked on the trucks. The representatives of the [redacted] have always expressed their opposition to members of [redacted] or [redacted] coming into the camps.

From Oran, the transport towards the camps is exclusively organized by [redacted] through the [redacted] and a private transporter. It is the partners who pay the [redacted] for all of its services, customs clearance costs, management, transport, and what storage costs there may be.

The partners maintain expatriates on site, the latter being the most often funded by the ECHO contract: these people live in the camps, either in the [redacted] compound, or in the 'Protocole', a place intended to receive NGO employees. These persons are in charge of organizing the distributions, assisting therewith, and participating in all useful discussions with the Saharaoui authorities. They are responsible for the monitoring of the projects, for example, to verify that stocking conditions are adapted, and to assist with the disembarking of trucks. Depending upon the circumstances (arrival of goods within the framework of a "big contract"), it sometimes falls upon an expatriate to have to verify the unloading of convoys of 20 trucks simultaneously.

The trucks arrive in Rabouni, the nerve center of the camps. They are unloaded there in the presence of the driver, a member of the [redacted], and a member of the [redacted]; the latter two sign for the receipt of the goods with respect to quantity. The unloaded goods are placed in containers or storehouses, and are the subject of an accounting entry in the inventory. A stock card is also placed in the container, with a view to facilitating thereafter the verification of the data, in the event, in particular, of a physical counting. Following the recommendations made by ECHO in 2003, [redacted] are supposed to have a double of the keys, making it possible to open the containers, and place seals on the containers. The original of the keys is held by the [redacted]. This procedure is theoretical.

C. Study on the number of refugees of the camps:

It appeared very rapidly during the course of the OLAF investigation that the allegations of diversions contained in the reporting made by ECHO did not constitute the sole problem in this matter: many sources, in effect, stated to us that the numbers of the population of the refugees of the camps, thus of the number of persons assisted by ECHO, were highly overestimated.

It should be known that the figures were always given to the NGO's agencies by the Algerian government; neither Algeria nor the Polisario Front agreed to have a census taken of the populations of the camps, that is to say, performed by the international forums, despite formal requests from the UN Organization's High Commissioner for Refugees in 1977, 2003 and 2005.

The figures have fluctuated since 1975: 165,000 persons in 1975. In 2000, 155,000 refugees are taken into account; Algeria corrects to 158,000 in 2004. During this time, the Moroccan government estimates this population at 50,000, the Polisario Front putting forth for its part the figure of 200,000 persons.

If this overestimation were confirmed, ECHO would have furnished food aid in overly large quantities, which would also explain the presence of ECHO products on the markets.

OLAF decided in the beginning of 2004 to contact the Joint Research Center of Ispra, capable of studying this problem. By a letter dated 3/10/04, [redacted] sent to OLAF an action plan and a budget plan for this study.

A contract was signed between OLAF and the Joint Research Center of Ispra on [redacted] for the carrying-out of this population study.

OLAF then listened to different sources of information in Europe and in third-party countries, which allowed working closely together with the Ispra Center. This information made it possible for the Joint Research Center, on the basis of snapshots taken by satellite in July 2004 and compared to prior photos, to establish a scientific assessment of the number of occupants of the camps. This number, 91,000 persons, is the conclusion of the scientific report remitted by the Joint Research Center to OLAF in November 2004.

A copy of this report was transmitted to the Directorate-General of ECHO on 1st December 2004.

On 25 April 2005 the [redacted] wrote to the Algerian government to request it to come to an agreement in order to organize as rapidly as possible a census operation of the refugees of the Western Sahara, and to put into place control mechanisms of the humanitarian aid which is being furnished to them.

In May 2005, an OLAF mission went to [redacted]. The mission had as its objective to report to our partners the state of the OLAF investigation with respect to the diversions and the population figures.

On 22 August 2005, a joint letter from the [redacted] and from the [redacted] reached [redacted] in Geneva, in which the two [redacted] deemed that the number of vulnerable persons would be along the order of 90,000. Consequently, this new figure will be utilized [redacted] starting from 9/1/2005.

This figure of 90,000 was taken into account by ECHO starting from 1st September 2005, as being the number of persons in need.

D. Investigation on the diversions:

a) The audit carried out by ECHO in 2003:

ECHO carried out an audit from 1/27 to 2/16/03 in Tindouf, on the food aid and distribution operations of essential products to the Saharaoui refugee population within the framework of the global 2001 and 2002 ECHO plans.

In its report of 9/3/2003, the ECHO Directorate-General in particular found that:

1. the operations are implemented by two local agencies: [redacted] for the transport of the funded goods to the camps, [redacted] for the storage and distribution in the camps.
2. the transport (2,000 km) of the goods between Oran and Rabouni ([redacted]) was subcontracted by the [redacted] to two transport companies [redacted] and [redacted], a private company), both contracted without calls for bids.
3. there exist numerous insufficiencies - unadapted infrastructures, lack of formalized procedures for management of the stocks - certain of which are linked to a lack of cooperation and transparency of the Saharaoui authorities (performing checks of the stock, monitoring of the distributions).
4. access to any data concerning the beneficiaries (list, last names, number of persons per family) has always been refused to the NGOs by the Saharaoui authorities.

However, the audit report makes no note of possible diversions.

b) examinations [of witnesses] and OLAF contacts:

OLAF then undertook a series of examinations, in Europe and in Morocco, with the goal of obtaining specific information on possible diversions. There follows hereafter summaries of these examinations - **in bold the names of the suspected persons, in Italics the secret warehouses, in underline, the direct witness testimonies of diversions.**

I. Meeting in [redacted] in [redacted] 2004:

[redacted] of the [redacted] Association, stated having published in [redacted] 2003 a report on [redacted]"; a census determined 1,182 prisoners in 2003, the majority of whom were freed following international campaigns; a large number of these prisoners were questioned by [redacted] in the Arab language; all non-officers were subjected to forced labor; the majority of the infrastructures constructed in the Western Sahara, funded by international donors, would have been thanks to the labor of the prisoners, thus, at no cost; the example of the TIFARITI hospital is given: it seems that [redacted] fabricated false lists of employees in order to have the labor paid to himself; prisoners returned from 'work' covered with flour: they stated having emptied large quantities of flour, from sacks marked with the international aid identifier, into unmarked sacks.

[redacted] cites to us the name of the "specialist" of the diversion, [redacted].

II. The [redacted] meeting in [redacted] 2004:

An informant, wishing to retain anonymity, active in the [redacted] Sahara [redacted] stated that:

[redacted] brought 3 new trucks in April 2003 into the DAKHLA camp; these trucks were immediately requisitioned by [redacted]. They were loaded with international food aid products and driven towards Mauritania to sell the food there; it was only in July 2003, following pressure [redacted], that the trucks were returned [redacted]; upon each trip, the trucks were loaded with from one to two tons of goods. The informant was not able to specify whether the diverted foodstuffs came from the European

Commission: he added that he confirms that the food items were poured out [from one sack to another] prior to transport, in order to render their identification impossible.

The informant added that:

- [redacted] was currently [redacted]; he is known to be one of the principal organizers of the diversions of international aid, principally towards [redacted]. He may have bank accounts in such country.
- [redacted] would also be one of the principal organizers of the diversions. He had a large house constructed in the vicinity of [redacted].
- the port of Oran, through which the international aid transits, particularly the ECHO food aid, to the Saharaoui camps, was strategic. It is in that place where sorting took place, between 'what must arrive' and 'what can be diverted.' This organization was in the hands of the office in Oran of the [redacted] shared with [redacted]. The operations were said to be organized by [redacted] member of the [redacted] and of the [redacted]. It was he who was responsible for the "sorting" upon the arrival at the port.
- the LEHFERA market, which is described as a trading post, completely under the control of the [redacted]: situated on the Mauritanian/Algerian border, close to Ain Ben Tilli and Bir Lefjah. This was one of the principal places where the diverted merchandise of the Saharaoui camps would be sold.
- another example of irregularity was given, not in direct relationship with the European funding: the refugees of the Saharaoui camps practiced bartering, for their own account. He told us that [redacted] would oblige the refugees to turn over to him a percentage of the result of the bartering. This procedure was illegal and served for the personal enrichment of the [redacted].

III. The meeting in Berlin in May 2004:

The [redacted] stated to us that: the problem of the overestimated population and of diversions of food aid was known by all, in the diplomatic circles of Algiers; he saw some goods - sardines and cans of tuna - coming from international aid, for sale on the Béchar market.

IV. Examination in [redacted] on [redacted]2004:

Mr. [redacted] stated that: [redacted].

He created an organization in order to raise awareness of the abuse carried out by the [redacted].

- LEHFERA was, in 1991, the hub of the international aid contraband.
- in 1990, [redacted], a dignitary of the [redacted], organized a [redacted] celebration. He arranged for a group of well-known musicians [redacted] whom he paid by offering them [redacted] filled with food items coming from international aid. [redacted] loaded the [redacted] foodstuffs himself. In addition, the singers received a tent coming from the NGO, of

a high price, and each one costing USD \$8,000. The name of the main singer of the group is [redacted], still very well-known.

- trafficking in camels was organized in 1985: the donor - the European or Swedish Commission - paid the rates for camels from Mauritania, while the camels that were actually purchased came from Mali, being worth 5 times less money. These camels were fed with food from international aid, in order to make their meat edible. This meat was then sold to the refugees, not given. [redacted] and [redacted] profited from this operation.
- the diversions were organized on a very grand scale by the high hierarchy of the [redacted], particularly [redacted]. The appointed [redacted], who was the right arm of [redacted], lives in his villa [redacted]: he is known for the diversions which he organized. [redacted] funded [redacted].
- [redacted] knows the reality of the diversions. [redacted], who coordinates the international aid towards Western Sahara, is also in the know. He refuses to speak about it because the [redacted] which he represents have been living off this matter for 25 years, and do not want it to stop.
- the diverted goods headed for Mauritania are sold in LEHFERA. Those intended for Algeria or Mali are sold in BORJ EL MOCHTAR.

V. Examinations [redacted] in [redacted] 2004:

Mr. [redacted] stated that: [redacted].

- there is a departure each month, headed for Mauritania, of the most highly-valued medicines - penicillin, ampicillin, sutures, Vitamin C, wheelchairs, crutches. These diversions were organized by [redacted].
- [redacted] the organizer of diversions [redacted]. His camels feed primarily on international food aid.
- [redacted] is very wealthy: properties [redacted], dozens of camel herds, a villa [redacted].
- [redacted] has his men and their own trucks which move the goods [redacted]. His men: [redacted]. The latter is [redacted].
- another center, *EL JAZHOUANI*, 26 km to the south of Tindouf: there they carry on with the pouring out of the food aid into unmarked packages. In the center there are sewing machines in order to produce the new packages.
- civilian [redacted] prisoners or prisoners of war have, and they alone, constructed all of the solid infrastructures (hospitals, schools, wells) in this region. If donors have paid for the labor for such work, that is another form of diversion. Movies were filmed by the [redacted] after the work is finished by the prisoners, [redacted]. Likewise, in zones controlled by [redacted], the detained persons are dressed in military outfits, in order to have it believed that the work has been performed by Saharaouis, which is untrue.

- There are former repented [redacted], who could testify on the diversions in which they participated: [redacted], both also in Morocco. The hundreds of camels of the latter fed on international food aid.
- Ms. [redacted] verified the theft of medicines sent by the International Red Cross Committee.⁷
- Mr. [redacted] stated that: he was [redacted] forced on a daily basis to participate in the diversions of international aid, between 1991, end of the hostilities, and 2003, [redacted].
- the diversion commences between Oran and Tindouf: the trucks of the [redacted] arrive in Tindouf. Goods are missing, often several tons. The Saharaoui person in charge, of the [redacted], signs for receipt and receives the money from the driver of the truck for what is missing, between 10,000 and 40,000 Algerian Dinars. These sums then 'go back up' the hierarchy of the [redacted], all profiting by so doing: Some names: [redacted]. The goods diverted at this stage are resold on markets in Algeria.
- the goods which arrive in Rabaoui are in large part diverted thereafter. Only the portion of the aid which enables the refugees to survive is distributed to them, the rest is loaded onto [redacted] trucks and sold in Mauritania, in Nouakchott, Nouadibou, Zouérate; northern Mali and in the Algerian south. Even trucks, trailers, tankers, and cranes from different donors are sold there. These sales are to the dignitaries' profit [redacted].
- a production unit of chickens and eggs was funded towards the end of the 80's by the United Nations Organization for the food needs of the camps; it is always subsidized by donors: the chickens and the eggs are sold and not given to the refugees. The following profit therefrom: [redacted].
- diversion of labor: hundreds of Moroccan prisoners have been/are being utilized to load and to unload the trucks, but also for construction: they have constructed schools and hospitals. For example, the Tifariti hospital, [redacted], was built by prisoners; at the time of the inauguration, he saw on a chart containing the various costs of such construction, a significant labor figure, which in reality was thus free of charge, since the prisoners were never paid.⁸
- **Lehfera:** he knows the place of reputation, situated in a triangle formed by Tifariti, Bentili and Big Moghrein. Some Saharaouis, including [redacted], possess stores there in order to sell the goods diverted from the camps.

VI. Examination which took place [redacted]/2004:

[redacted] stated that:

⁷ OLAF NOTE: the woman, [redacted], contacted by telephone, denied having been witness to the theft of medicine.

⁸ OLAF NOTE: a table was remitted to us by AIDCO - note [redacted] of the projects co-funded by the Commission in Algeria and in the Western Sahara. After review of these projects and meetings with the officials responsible for the matter at ECHO, it appears that no construction was ever funded by the Commission. This allegation of diversion of labor costs therefore does not apply with respect to the OLAF investigation.

- distribution poses the worst problems in terms of reliability. There are not enough expatriate employees in order to monitor all of the distributions, knowing that the distributions are being made simultaneously in several camps, and in numerous places per camp. There may be 6 trucks distributing the aid in each camp, at the same time. These distributions are spread out over several days, and it turns out that products remain without surveillance in a distribution point for more than 24 hours. For informational purposes, there are more than thirty distribution points, and taking into account the poor condition of the local transportation fleet, distributions often take place over periods of more than twenty days, which makes monitoring operations even more difficult.
- it is the [redacted] that is responsible for the management of the stocks: it should be known that the [redacted] has two persons maximum to perform checks of the stocks, [redacted]. That is completely insufficient for the checks which they are required to exercise. One may ask one's self why the [redacted] did not decide to reinforce his crew, taking into account the difficulties encountered.
- one of the weaknesses is that it is also very difficult for the NGOs to perform surprise visits or impromptu on-site monitoring. In effect, their movements about are controlled in an on-going manner by the Saharaoui authorities, and they must moreover request prior authorization from these authorities.
- ECHO had a discussion with [redacted], in follow up to a report [redacted]: this report mentions that tents, which were the subject of an ECHO-[redacted] contract, arrived in Rabouni, were stocked in containers for which the expatriates of the [redacted] did not have keys, and upon which the expatriates had not placed seals. Moreover, the stock card was not present in the containers.

VII. Meetings in [redacted] in December 2004:

[redacted]; stated that:

[redacted] had great herds, properties [redacted] of shares in navigation companies (fishing).

[redacted] organized the convoys, in particular the [redacted] gasoline contraband, with [redacted].

[redacted] was responsible for food and gasoline contraband, sold in the suburb of Zouérat.

[redacted] had properties [redacted] and boats.

[redacted] possessed a villa [redacted].

LEHFERA in Mauritania is known to them as being a place for the contraband of goods.

VIII. The meeting [redacted] in December 2004:

[redacted] states that:

- it is the [redacted] prisoners who load/unload the international aid. The persons in charge of the stocks in Rabouni 'help themselves freely'. In Oran, [redacted] removes a portion of the goods intended for the camps. He helped with the distribution of powdered milk in the families of the camp, and then with the passage of trucks within these families in order to take back the distributed milk.

He cites the name of [redacted], who would be enriched thanks to the international aid.

IX. Examination in April 2005:

[redacted] stated that:

- the distribution checks can only be performed up to groups of beneficiaries (1 representative for 150 beneficiaries), never to the beneficiaries themselves.
- 80 sacks of 25 kg of powdered milk of the 2002 contract were found on the markets in Mauritania. These sacks, found principally in Nouakchott, were sold in their ECHO packaging, bearing the contract number 2002/OI002 (ECHO-CARITAS).
- [redacted] possessed gas stations [redacted].

X. The meeting in April 2005:

A meeting was organized with the departments of the [redacted] and the [redacted]. During the course of such meeting, OLAF learned that:

- mention is made of a market in LEHFERA (in proximity to BIR-MOGHREIN), at a cross-roads; a dangerous place, no hangars, but goods are sold off the trucks: there one finds cigarettes, vehicles, and food assistance in its original packaging, also coming from ECHO.
- other international assistance products were seen on the markets of Mauritania: in Zouérate recently, a volume of 16 m³ for sale was seen.
- at the time of a reconciliation of stocks recently, the [redacted] found a "hole" of 500 tons of flour. There has not been any investigation.

XI. Examination carried out [redacted] in December 2005:

[redacted] who joined forces with Morocco in 1991 stated that:

[redacted] is a symbol of the contrabanding of humanitarian aid products. He takes the army or [redacted] stocks loads them onto civilian or military vehicles, certain of which also come from the humanitarian aid, and it is the military which are sent to sell this merchandise on the Algerian, Mauritanian, and Malian markets. [redacted] possesses one of the largest herds of camels in the region and several houses [redacted].

XII. Examination in [redacted] in December 2005:

[redacted], a former prisoner of war, who spent 5 years in detention [redacted] of [redacted] stated that:

- the [redacted] supplies the flour of good quality, purchased in Canada. The good quality flour is emptied into the Algerian sacks, and the Algerian flour is emptied into the Canadian sacks. It is the Algerian flour which is distributed in the camps. The Canadian flour is loaded by prisoners onto trucks which depart most often in Zouérate (Mauritania). A witness told [redacted] of having seen 13 semi-trailers arrive in Zouérate, all loaded with humanitarian aid belonging to the [redacted].
- He saw a nurse [redacted] fill crates of medications, which he took the next day in order to sell them [redacted].
- medical equipment is resold in Tindouf or in Algiers.
- water tank spare parts, supplied by the [redacted], are ordered several times per year and resold.
- Mr. [redacted] and his "henchmen" are responsible for this trafficking.

XIII. Examination in December 2005:

[redacted], who left the region in 1990. [redacted] stated that:

[redacted] heard that Mr. [redacted] had properties in [redacted] and in the [redacted] region.

XIV. Examination in [redacted] in December 2005:

[redacted], [redacted] who joined forces with Morocco in 2005, stated that:

- part of the humanitarian aid is sent to Tindouf in Algeria, and benefits people who live in houses and who are sometimes Algerian civil servants.
- trucks belonging to the [redacted] are loaded with humanitarian aid, which is sold in Mauritania in a place called **Gab el Gahin** which took the place of Lehfera.
- there exist in the territory of the camps numerous secret places, to which the NGOs do not have access, which serve as a depot for the trafficking of the humanitarian aid. Three centers are involved: **EN KAIA, EL GAZHOUANI and another place in proximity to the Ministry of Development in Rabouni.** These reserves serve to hide the actual stock in order to ask for additional aid. It is from these places that the convoys organized for the sale of the diverted products depart. The convoys were organized for the benefit of the [redacted].
- the diversions begin from Oran, for very large quantities.

XV. Examinations in [redacted] in February 2006:

Messrs. [redacted] utilized as labor by the Saharaoui government, stated that:

- **EL HAFED**, in Algerian territory, 8 to 10 km ENE of the Auserd prisoner camp, is a hidden storehouse. This storehouse is situated beside a salt depression and is constituted by concrete platforms, upon which the provisions are placed, covered over with tarps. The traces of former prisoners' chambers were still visible on the ground. Here they put the food aid which is not distributed to the refugees, but which is intended for sale in Mali or to Algerian nomads.
- **TIJARA** is a former school, abandoned, which serves as a hidden stocking place, situated 5 km to the south of Rabouni.
- **GHAZOUANI** is a center for provisioning for the military, in which one hides humanitarian foodstuffs. This military site is inaccessible to civilians and to humanitarians. It is situated 2 km to the SW of Rabouni, protected by a hill.
- **NKHILA** is 10 km W of Rabouni, a hangar beside the chicken and egg factory.

When a visit to perform a check is announced, [redacted] assembles all his means of transport, as well as a hundred or so prisoners, and transports the provisions [redacted] towards these hidden spots. This takes place about a week / 10 days before the date of the visit. In these cases, [redacted] assists in person with the loadings/unloadings, which take place day or night.

Messrs. [redacted] between 1986 and 1993 and [redacted] between 1986 and 1990, here present, participated in such maneuvers numerous times.

These maneuvers had as their goal to show the donor organizations that the storehouses were empty and that the refugees were short of provisions. These goods did not return [redacted]. When the prisoners returned in the secret storehouses, such warehouses were empty. The prisoners who were examined supposed that what had been stored there had been resold. In any case, only the goods to be found in the [redacted] storehouse were distributed to the refugees.

- the humanitarian aid which arrives in Oran or Algiers is cut down by a third in the ports. This third is distributed locally, sold, or given to the Algerians of the port. The remaining two-thirds are loaded onto trucks heading towards Tindouf. Upon their arrival in Tindouf, [redacted] note the absence of sacks on several rows. These sacks disappear between Oran/Algiers and Tindouf. The Algerian drivers steal and sell this merchandise along the way, upon arrival, pay the receiving personnel of the [redacted]. Such receiving personnel are often people placed by the managers of the [redacted], to whom they kick back a portion of the money which is given to them by the drivers. [redacted] of the Polisario Front, about ten persons, put this system into place. [redacted] and others. It must be noted that these people switch between functions depending on the circumstances, in order to always be in the right place in order to benefit from the diversions. For example, [redacted] when all of the provisioning was centralized in [redacted]. When the donors decided that everything would be distributed at the level of [redacted], he was appointed [redacted], which could be considered as a demotion. In fact, it is nothing of the kind - he was earning even more from the diversion than he was organizing at the level of [redacted].

These rotations in functions had as their goal enabling each one of the dignitaries of the [redacted] to benefit from the humanitarian windfall.

Another way to make money: [redacted], who is authorized to deal directly with the NGOs, imagines a project, for example, the construction of a school. He inflates the estimates at European standards, and presents invoices to the NGO, which often does not take receipt of the work in a rigorous fashion. On these invoices, there is a large item for labor, which obviously is free, since it is the prisoners who are doing the construction. The bricks are fabricated by the prisoners, with a clay base, thus without cost. The cement is purchased, invoiced to the NGO, but never used; the walls are thus only covered over with sand, then brushed in order to show a good finish. It is the prisoners who constructed the carpentry invoiced to the NGOs. For example, the civilian hospital of Rabouni was constructed in these conditions, and it cracked by the end of a few months. Only the zinc is real, as that cannot be fabricated. The windows are invoiced, but there are no windows anywhere.

- 4 trucks of flour left DAKHLA in 2002-2003, when [redacted] was [redacted], for the Algerian-Malian frontier, to places called LAKHCHACH and LAK-HAL. Upon return, the trucks brought back 450 sheep which became the property of [redacted]. These sheep were then funded by a region of Spain - ASTURIAS - for a humanitarian food project for the refugees, as well as construction of the garden⁹, done by the prisoners, thus at no cost.

The contract with the NGO included feeding of the livestock. [redacted] brought the sheep into the countryside and sold the fodder. The NGO paid wages for 7 shepherds, who did not exist; it was prisoners who watched the sheep. Upon each visit of the NGO, he brought back the sheep [redacted]. On one occasion, the NGO returned on-site a few moments after [redacted] and found that the sheep had already left the place.

- the majority of the persons in charge of the [redacted] transform its income into herds of camels, each one possessing 600-700. These herds were sometimes kept by the prisoners, in particular the prisoner [redacted], who is not present among us, for 6 years.
- Mr. [redacted] having often lived as a prisoner [redacted] often loaded [redacted] with his comrades, semi-trailers with flour, sugar, rice and lentils, as well as powdered milk. These loads took place every two months from the hidden storehouses which are mentioned above. Twice he accompanied three semi-trailers up to a place situated two days away on the road from [redacted] which he does not know precisely, in Mauritania. The goods were unloaded by him in this place. He asked where these foodstuffs were headed. The Mauritanian drivers told him that these goods were going to be sold. This diversion was ordered by [redacted] it is thus certain that it is the latter who benefited from the money produced by this maneuver. In fact, one day, some Mauritanian drivers brought back the empty trucks with the Moroccan prisoners, including [redacted] who saw these drivers visit [redacted] in the premises of the administration, probably in order to pay [redacted].
- another prisoner, [redacted], who worked as a manual laborer, stayed in 1991 and 1992 in [redacted], within the Sahara. There are two camps in LEHFERA, one for the population, another directed by Polisario Front security, reserved for the stocking of the diverted provisions destined for Mauritania. This center is supplied by 4 hidden storehouses. **MIJK** is another center of concentration of diverted merchandise, commanded by [redacted].

⁹ Translator's Note: French "*jardin*" - "garden"; in this case, within the context, probably a sheep enclosure.

- bakeries exist in each camp. These bakeries were funded by international humanitarian aid, as well as the flour which is worked there. Only, the breads are sold to the refugees, the profit from the sale going to the various governors of the Willayas or of the locality where the bakery is located. The same goes for the chicken and egg factory close to Rabouni, originally for the benefit of the refugees. In fact, the eggs and chickens are sold to the refugees and in Algeria, to the benefit of [redacted] through the intermediary of his subordinate [redacted].
- managers of the [redacted] installed points of sale, sorts of grocery stores, in the camps, intended to sell the humanitarian aid to the populations. That is an indirect manner of recovering all of the money circulating within the civilian population, in this instance, money paid to pensioners by the Spanish government.

XVI. Other examinations in [redacted] in February 2006:

[redacted], formerly high-level managers in the structure of the [redacted] and who joined forces with Morocco between 1992 and 2002, stated that:

- in 1975, the managers of the [redacted] were poor. Currently, they have real estate in [redacted], also in [redacted], constructed thanks to the sale of the humanitarian aid products. What is involved here is property belonging to close relatives of certain dignitaries [redacted]: the actual owners cannot have property in their own name, nor can they appear wealthy, in order not to lose their value as an example in the eyes of their people. There also exist straw men, Mauritians, confidence men of certain dignitaries, who possess property in their name, acquired with the money of the dignitaries. Everyone knows that these managers are very wealthy, but they do not show it. Our witnesses did not want to give us the names and addresses, out of fear of putting themselves in danger.
- [redacted] had hotels [redacted]. He was a shareholder of the [redacted] company.
- [redacted] has properties in [redacted]. He had several properties in [redacted] in his family's name.
- [redacted] had properties in [redacted].
- [redacted] is a [redacted] military man. He is the principal perpetrator of the diversions of the humanitarian aid. It is certain that he possesses properties in [redacted].

XVII. Numerous meetings took place [redacted] in 2005 and 2006:

OLAF had numerous meetings with the Moroccan authorities, in order to obtain useful information to verify the allegations [redacted] contained in several of the examinations cited above. A list of the principal suspected persons and of the allegations made against them was remitted.

At the time of the drafting of this report, OLAF had still not received such information.

XVIII. Examination in June 2006:

[redacted], who worked [redacted] between 1989 and 2000 in the Saharaoui territories, as an employee [redacted] between 2000 and 2003, also in the territories, stated that:

- many rumors existed concerning the diversions. Trucks with powdered milk diverted to Mauritania were spoken of. Cans of tuna were found for sale in the shops of the camps.
- the managers demanded to proceed with the distributions themselves.
- the [redacted] had hotels [redacted] had stores in [redacted] all the high-level managers had herds of camels.
- Everyone on site says that the diversions exist. The problem is to prove it: a title of ownership of camels does not exist.

c) On-site checks performed by OLAF

Parallel with these hearings, OLAF went to the European headquarters of different ECHO partners for the 2002, 2003 and 2004 contracts - contracts for a total sum of 27,251,000 Euros, in order to gather there any information that would be helpful for the development of the investigation, and to verify there the compliance with procedures in the framework of contracts entered into with ECHO. The following organizations were visited:

- in [redacted]
- in [redacted]
- in [redacted]
- in [redacted]

These controls did not bring to light any fraud or irregularities on the part of these organizations. On the other hand, a majority from amongst them recognized that it was impossible to them to have access to the refugees unless in the on-going presence of the personnel [redacted].

The list of organizations funded by ECHO for the years 2002-2004 also includes the [redacted]

OLAF, upon the occasion of a meeting with the [redacted] and the [redacted] in [redacted] 2004, informed [redacted] of the allegations contained in his file, as well as of the results of the study of the Joint Research Center on the population figures of the refugees in the camps.

Following this meeting, the [redacted] and [redacted] then each one launched an inspection of their projects in Algeria, covering the period 1/2004 to 2/2005. The reports of such inspections were remitted to OLAF on 8/16/2005 with respect to the [redacted]. An expurgated version, having taken the form of a briefing note for OLAF, was then transmitted to the Office on 2/2/2006, with authorization for OLAF to cite the terms of such version.

The [redacted] transmitted his report to OLAF on 7/11/2006. The summaries of the conclusions of these reports are contained below under *E.* and *F.*

When OLAF expressed [redacted] its wish to analyze the files of the contracts funded by the Commission, [redacted] (beneficiary of 2 contracts for a cumulative sum of 9,257,000 Euros) and [redacted] (2 contracts for 1,180,000 Euros) did not give access to their files, [redacted].

A meeting therefore was set up [redacted].

On this occasion, [redacted] agreed to share with OLAF the audit report brought up above, but persisted in their refusal to give OLAF access to the contract files.

E. Inspection report of the [redacted]

The [redacted] carried out his mission in March 2005, with a view to inspect the procedural logistics, the management of raw materials, and the scheduling for the period 1/2004 - 2/2005. The inspection did not involve population figures of the camps. At the end of this mission, the [redacted] recorded in his report that:

- a) all of the merchandise arrives in Oran; in the port, inspection observed that the containers are "unpacked" in order to comply with local legislation, which prohibits trucks loaded with more than 20 tons of merchandise; this unpacking and repackaging in the trucks is done in an environment out of the control of the donors or of the [redacted]. The waybills are not adapted to such handling; there is no longer any certitude at that point that the totality of the goods are still in the hands of the [redacted].
- b) [redacted] the transport from Oran to Rabouni poses a problem: a trip normally takes 5 days, [but] it has happened that it takes 15 to 49 days; [redacted] two Algerian transport companies have been sharing the contracts for a long while; the [redacted] then subcontracts the storage and distribution of the products to the [redacted] performance of checks of these stages is completely out of the control of the [redacted]. Upon arrival at Rabouni, the contents of the trucks are not physically verified.
- c) problems exist in the management of the storehouses in the camps; the procedures for internal control are non-existent; the stocks of goods are intermingled, without taking into account the donors; it has also appeared that the persons assigned to the storehouses are illiterate, thus incapable of keeping storehouse management documents up to date.
- d) numerous problems appeared in the secondary transport (from Rabouni to the beneficiaries): while 3 of the 4 camps are located less than 50 kms away from Rabouni, it has happened that the transport takes 4 weeks; the waybills which are supposed to accompany the goods being nonexistent in more than 50% of the cases.
- e) concerning the distribution of the aid to the refugees, significant problems have been brought up: the Saharaoui government refuses to record the refugees, the ration cards are not utilized, the refugees do not sign for receipt.
- f) another difficulty in the control of distribution comes from the fact that the personnel of the agencies does not have unlimited access to the camps; such members of personnel have authorization to perform checks in the camps only when accompanied by the personnel of the [redacted] or of the [redacted], and still these checks are difficult to arrange.

- g) in conclusion, the level of verifications put into place by the [redacted] and the [redacted] is far too weak; it is recommended [redacted] to remedy this problem.

F. Investigation report [redacted]:

The Inspectorate General of the [redacted] carried out a mission in March 2005, with the goal of identifying weaknesses in the system of food aid distribution.

At the end of the mission, the [redacted] records in his report that:

- a) the historic problem of a census-taking of the population remains to be corrected; in the absence of agreement of the local authorities to perform such an exercise, the number of beneficiaries to be taken into account by the [redacted] needs to be 90,000.
- b) a lack of clarity persists concerning the different donors of the [redacted] the latter receives aid from more than 30 different donors; this fact, coupled with the lack of procedures for control and accounting, accentuates the risk of "double funding", and thus of fraud.
- c) when trucks depart from Rabouni for the distribution in the camps, the goods are accompanied by "distribution slips." These documents are signed by the heads of the Daïras (villages), which then distribute the aid to the group heads representing 150 persons.
- d) the calculation of these distribution slips, compared to the volume of food approved each month by a food coordination meeting, would make it possible to verify whether the food is being distributed to 158,000 persons (the official figure); in this regard, a test was performed for the distribution slips for flour and lentils for November and December 2004; the volumes found on the slips are less than the volumes approved by the food coordination meeting.
- e) even if these detailed figures do not appear in the report of the [redacted], this could be due to missing slips, **or to the fact that, since there are less than 158,000 beneficiaries, the actual volume of food distributed is less than the volume decided upon by the monthly food coordination meeting.**
- f) following the check of the actual stocks in the storehouses of Rabouni, **a "hole" of 1,000 tons of flour appeared in the official figures of the report of the stock and the physical counting of the stock.**
- g) the [redacted] asked the [redacted] (date not identified in the report) to furnish food to [redacted] soldiers. **Another source of the [redacted] mentions that it is not unlikely that the humanitarian aid could be sent to soldiers of the [redacted].** This is obviously not provided for in the framework of the humanitarian policy of the Directorate-General of ECHO, which is responsible for assisting the refugees.

2. Conclusions and Recommendations

A. On the population figures:

OLAF's initiative to entrust the Joint Research Center of Ispra with a scientific study has made it possible to establish a reliable figure of refugees to be assisted, which had been made impossible up until then through the will of the Algerian governments and of the Polisario Front, despite successive attempts of the UNHCR to organize a census-taking of the population. This new datum was adopted fairly rapidly by the principle donors of humanitarian aid, including ECHO, which finally agreed to revise the quantity of aid to be provided downwards.

Numerous witness testimonies, of various origins, gathered within the framework of the present investigation, estimate that the over-assistance to the refugees, as a consequence of an erroneous population number, has made possible the diversion of great quantities of humanitarian aid. In keeping the quality and quantity of the aid constant for each assisted person, the adaptation of this figure to the reality of the actual number of refugees should reduce the possibility of diversions.

B. On the diversions:

The OLAF investigation made it possible to hear and to meet with witnesses, direct and indirect, coming from various environments but close to the topic of "aid to refugees of the Algerian south." The investigators met with and heard members of NGOs that were active on site, civilian and military prisoners [redacted] who were made to participate in the diversions, former members of the [redacted], the ECHO official responsible for the matter, an official of a Member State, an ex-military man of the Saharoui government.

Several meetings were organized with the representatives from agencies of the United Nations in charge of this matter [redacted]. Reports of an inspection set up in the region by such agencies in 2005 were remitted to OLAF, and their principle findings attached to the present document.

Lastly, audits were carried out by OLAF at ECHO's contracting NGOs for the period 2002-2004.

Information that OLAF gathered makes it possible to draw reasonably certain conclusions, and in particular that:

- a) a significant portion of the humanitarian aid, funded in part by the European Commission, has been diverted.
- b) a significant portion of such diversions was organized by Saharaoui dignitaries or dignitaries of the [redacted].
- c) further up the logistic chain, diversions were organized by personnel of the [redacted] of the [redacted] by some [redacted] also by some [redacted] who take charge of international assistance at the [redacted].
- d) one of the reasons which made such diversions possible is the overestimate of the number of refugees and thus of the aid furnished. This overestimation, well known, made possible and facilitated the diversions. The donors accepted population figures for which numerous witnesses say everyone knows that they are overestimated, without their assistance policy being modified accordingly.
- e) the diversions were carried out in an organized fashion:

- I. one portion of the merchandise is removed upon its arrival at the port of Oran.
- II. one portion of the merchandise is diverted during the trip between Oran and Rabouni.
- III. beside the official and known storehouses of the donors, in order that the goods be stored therein, there exist several clandestine storehouses (Er Rachid, El Jazhouani, El Hafed, Tijara, En Khila, Mijik) in which goods are stored intended to be sold and not distributed to the refugees. When a visit of donors is announced, these clandestine storehouses also serve to receive merchandise removed from the official warehouses, which are then shown to be empty in order to request additional assistance.

Moreover, the OLAF investigation made it possible to see that:

- f) it is prisoners, from war or civilians, who mainly poured out such goods into unmarked packaging and loaded it onto the trucks.
- g) it is prisoners who constructed buildings funded by international aid - the Commission did not participate in the constructions - while the labor was invoiced to the donors.
- h) good-quality food intended for the refugees is replaced by its equivalent of a lesser quality, the best being sold.
- i) a production unit of chickens, thus of eggs, was funded by international aide: its products are sold, and not given, to the refugees.
- j) when if, on an exceptional basis, certain donors are authorized to participate in the distribution in the camps, the trucks go by later in order to recover a portion of the merchandise, which will be sold thereafter.
- k) the [redacted] found during his inspection of 2005 that 50% of the waybills of the trucks were nonexistent.

C. On the persons involved:

The facts reported above are principally due to [redacted]. The names of these persons, cited most frequently by our witnesses, are:

[redacted], [redacted], [redacted]. Numerous other names of fraud beneficiaries are also cited in this report.

During the course of the investigation, these persons were mentioned by numerous witnesses as beneficiaries of the diversions of a significant portion of the aid.

These persons are also suspected of personal enrichment, in the form of real property in [redacted], or in the form of herds of camels. Witnesses having confirmed that, in order not to appear wealthy, these persons did not record their properties under their own name, it was not possible for OLAF to find

property titles for the litigious goods. Moreover, one witness said, there is no title of ownership for camel herds.

OLAF thus asked the Moroccan authorities (Embassy to the European institutions) and the Spanish police to help in identifying the real property, but at the moment of the writing up of this report, no information on this subject has reached OLAF.

The number of facts of reported diversions, the similarity of the witness testimonies with respect to the names of the persons having benefited from the violations, the various operating modes utilized, and finally, the duration of the diversions, leaves no doubt as to the fact that organized fraudulent maneuvers occurred over the course of a long period. Moreover, the fact that the Saharaoui authorities did not give free access to the members of the humanitarian organizations present on site, nor allowed for the performance of checks of the logistical and distribution chains, as well as the reported existence of secret storehouses, constitutes an element which corroborates the conclusion to be drawn as to fraudulent intent.

The European Anti-Fraud Office [OLAF] does not have the legal investigatory tools for investigation in depth, particularly on the fortune of suspected persons, and for the possibility of taking them to court.

Nevertheless, OLAF doubts the efficiency of a transmission of information to one or more national judicial authorities. Beyond the existing legal difficulties for the identification of the competent judicial authorities, the massive and long-term dimension of the detected diversions, as well as the geopolitical context surrounding the matter, render it fairly improbable that a national justice system could effectively intervene.

It is nevertheless a priority for the European Commission to take the appropriate measures, in order to keep the situation such as described herein from repeating itself in the future.

To this end, **OLAF is recommending to the Directorate General of ECHO:**

- a) to take into consideration the number of refugees as established by the study of the Joint Research Center of Ispra.
- b) to condition its assistance to the south Algerian camps upon the assurance of being able to move about freely in such camps, to be able to perform a check of the stocks without prior warning, to be able to perform a check of the distribution of goods, to be able to have free discussions with the beneficiaries.
- c) to obligate its contractors to effectively control the volumes of aid upon its arrival in the camps and the actual distribution of such aid to the beneficiaries.
- d) to require of the beneficiaries that the persons cited numerous times as being the perpetrators of diversions no longer take part in the scheduling, management, or distribution of aid funded by the European Commission.
- e) to inform OLAF of the measures taken following such recommendations, within a six-month period.

OLAF envisions keeping the necessary contacts with the Directorate-General of ECHO, for the follow-up on its recommendations.

Approvals

Investigator in charge	[redacted]	[redacted]
Unit Head	[redacted]	[redacted]

Annexes

	ANNEX 1: Geographic location ANNEX 2: Decisions of the Commission in favor of the Saharaoui refugees 1994-2004 ANNEX 3: Contracts in favor of the Saharaoui refugees 1994-2004.
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