

Research Report

**Economic and Financial**

**Affairs Council**

The Question of The Embezzlement of International Funds



**Background Information**

Embezzlement is a crime under international law, consisting of the withholding of assists, and theft of assets from a corporation or organisation, in addition to the misuse of those funds, for a purpose that wasn’t initially intended. In conjunction to this, making the distinctions can result in complications, when dealing with misappropriations of property by employees. To prove embezzlement, it must be proved that the employee had possession of the goods by his or her own employment, that the employee had formally delegated to have substantial control over the funds. The act of embezzlement involves falsifications of records, but should not be confused with skimming, occurring when income is underreported, and hence pocketing the difference. Over 85% of embezzlement cases included a manager or higher, with over 70% of cases going unnoticed for over a year, and over 31% lasting over 3 years. However, over 97% of firms were “confident the anti-fraud control in place...would prevent future embezzlements” occurring in the future.

**Issues**

A high proportion of donor funding occurs in LEDC’s, as a result, keeping track of where the funds are spent can be difficult. Further to this, the time pressure involved with the spending of these funds can cause the aims of the spending to be compromised, due to the urgency of the situation. An example of this includes the former executive director of the International Civil Society Support (ICSS), embezzled over £113 000 from a Dutch based civil society, with these funds were over £550 000 of suspicious transactions undertaken by the individual. The reduction in funds from international firms, partially NGO’s and charitable organisations leads to a reduction in investment in member states, causing a reduction in economic growth, potentially resulting in job loses, and deprivation in LEDC’s.

**Key Issues and Questions**

How can the transparency in the movement of funds be increased?

How can the embezzlement of international funds be reduced?

What incentives could be put in place to reduce embezzlement of international funds?

**Countries Involved**

USA, UK, Germany, Netherlands, Nigeria, Liberia

**Useful Links:**

<https://ti-health.org/corruption-type/embezzlement-and-misuse-of-donor-funds/>

<https://www.theglobalfund.org/en/oig/updates/2022-01-24-embezzlement-of-funds-from-global-fund-partners/>

<https://www.justice.gov/usao-cdca/pr/massive-international-fraud-and-money-laundering-conspiracy-detailed-federal-grand-jury>

<https://www.law.cornell.edu/wex/embezzlement>

<https://www.legislation.gov.uk/ukpga/1916/50/enacted>

<https://www.hiscox.com/documents/2018-Hiscox-Embezzlement-Study.pdf>

<https://legacy.acfe.com/report-to-the-nations/2020/>

<https://www.justice.gov/archives/jm/criminal-resource-manual-1005-embezzlement>