

U4 HELPDESK ANSWER 2026

Corruption risks deriving from exchange rate distortions and foreign currency allocation

Implications for aid funded and humanitarian programming in fragile states and sanctioned economies

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Foreign exchange controls and the proliferation of exchange rate systems can create opportunities for corruption where access to scarce or preferential foreign currencies is discretionary and opaque. Documented risks include bribery, preferential allocation, trade misinvoicing, embezzlement, money laundering and the capture of parallel currency markets. These risks can also affect aid funded and humanitarian programmes by reducing the real value of assistance and creating opportunities for diversion and fraud in procurement, cash programming and financial reporting. Several measures can help organisations manage these risks, but evidence on their effectiveness remains limited.

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Caveat

There is limited cross-country evidence on the relationship between exchange rate distortions and corruption, and the available studies are largely correlational. This paper therefore uses these studies as background and relies mainly on country level evidence, including sanctions designations, court records, central bank and IMF documentation, investigative reporting and donor commissioned studies. The quality of evidence differs across the countries reviewed and is noted throughout the paper.

Query

What evidence exists on corruption risks linked to exchange rate distortions and foreign currency allocation systems? What mechanisms have been documented in Lebanon, Nigeria, Syria and Venezuela? Finally, how do these risks affect aid funded and humanitarian programming?

Main points

- Exchange rate differentials can create substantial economic rents, but they are not in themselves evidence of corruption.
- Corruption risks are greatest where access to scarce or preferential foreign currency combines economically valuable rents with discretion over allocation and limited transparency or oversight.
- Country evidence from Lebanon, Nigeria, Syria and Venezuela documents several mechanisms through which foreign exchange systems can become exposed to abuse. These include bribery for preferential allocation, shell entity capture, trade misinvoicing, institutional conflicts of interest, state capture of aid conversion and money laundering, although the strength of evidence varies considerably across countries.
- Exchange rate distortions can also affect aid funded and humanitarian programming. Risks arise at different points in the funding chain, including procurement, cash and voucher assistance, financial service provision, currency conversion and financial reporting, where opaque rates, fees or conversion arrangements can reduce the effective value of assistance and make diversion or fraud harder to detect.
- Unofficial or unregulated exchange channels are not inherently corrupt and may be necessary where formal financial systems are inaccessible. However, where transactions leave inadequate records of the amount converted, exchange rate applied or fees charged, donors and implementing organisations may find it difficult to distinguish legitimate exchange rate losses and transaction costs from manipulation or diversion.
- Available evidence suggests that financial and operational risks in humanitarian partnerships can fall unevenly on international organisations, local partners and aid recipients. However, this review identified little comparative evidence establishing who ultimately bears exchange rate related integrity risks or whether particular groups, including local organisations, women or financially excluded recipients, are disproportionately affected.
- Humanitarian actors use or have considered measures including preferential humanitarian exchange rates, diversification of conversion providers, digital delivery, financial audit and third-party monitoring, rate benchmarking and centralised currency management. Evidence of their effectiveness is limited, and each can introduce trade-offs related to access, compliance costs, financial exclusion, legal or security risks and the distribution of exchange rate losses.

Contents

Introduction	5
Background and analytical framework	7
Wider macroeconomic literature	7
An analytical framework: rent, discretion and opacity	9
Typologies of abuse in foreign exchange and allocation systems.....	12
Country evidence.....	14
Lebanon	14
Nigeria.....	15
Syria	17
Venezuela	18
Implications for donors, NGOs and implementing partners	21
Procurement	21
Cash and voucher assistance, and financial service providers	22
Financial reporting and donor accountability.....	23
Financial exclusion and other dimensions of vulnerability	24
Mitigation measures and their trade-offs	27
Negotiating a preferential or dedicated exchange rate for aid operations.....	27
Diversifying to multiple licenced conversion channels or providers	28
Shifting cash and voucher delivery to digital/mobile money channels	28
Financial audit and third-party monitoring of currency conversion trails.....	29
Publishing or benchmarking the applied conversion rate against market/parallel rates	30
Centralising currency holding and conversion timing decisions at the international/HQ level	30
References.....	32

Introduction

This Helpdesk Answer examines how exchange rate distortions can create opportunities for corruption in fragile, sanctioned and crisis affected economies. It sets out the mechanisms through which these risks materialise in practice, the implications for aid-funded and humanitarian programming, and the measures donors and implementing organisations can use to manage them. Exchange rate distortions are understood here as divergences between an official exchange rate and the rate at which currency actually trades on the market or parallel market.

Where an official exchange rate diverges from a market or parallel rate, it creates a rent, i.e. a gap in value that accrues to whoever converts currency at the more favourable rate. Such distortions frequently arise from “multiple currency practices”: government actions that create more than one exchange rate for the same currency, or apply different rates to different transactions (IMF 2022; IMF 2023). Multiple currency practices remain widespread across fragile, sanctioned and crisis affected economies.

Multiple currency practices are not inherently corrupt; governments have adopted multiple-rate arrangements for balance-of-payments management to protect reserves or to shield priority sectors from currency shocks. Corruption risks can arise, however, where access to more favourable rates is scarce, discretionary or opaque, creating opportunities for preferential allocation and rent capture. The IMF’s historical review of such systems documents repeated problems of preferential allocation and rent-seeking where access to foreign exchange was rationed or administratively determined (IMF 1969, Vol. 2, ch. 6).

However, the evidence base remains uneven. This paper therefore distinguishes between two types of evidence:

1. Analytical evidence on conditions that create corruption risks: literature explaining the mechanisms through which exchange-rate gaps, scarcity, discretion and opacity can create opportunities for rent-seeking, without necessarily documenting a specific instance of corruption.
2. Country-level evidence tracing specific allocation, diversion or arbitrage mechanisms: court records, sanctions designations, audits and other documented evidence that show how particular practices or schemes operated.

The paper draws on the first primarily to establish the analytical context and focuses on the second to identify specific mechanisms of abuse rather than infer them from the existence of exchange-rate distortions alone. Where the available evidence

indicates a corruption risk but does not document a specific corruption scheme, this distinction is explicitly stated in the text.

The paper reviews four core country cases: Lebanon, Nigeria, Syria and Venezuela. It examines how exchange-rate distortions have operated in each context and identifies recurring mechanisms through which preferential access, discretion and opacity can enable rent-seeking, diversion or arbitrage.

The paper then turns to the implications for donors and implementing organisations. Exchange-rate distortions can create vulnerabilities at several points in the aid delivery chain, including currency conversion, procurement, cash and voucher assistance, financial-service provision and financial reporting. The final section reviews mitigation measures available to donors and implementing organisations, such as preferential exchange rates, diversifying financial-service providers, digital delivery channels, and financial audit or third-party monitoring, though it stresses that evidence on the effectiveness of these measures remains limited.

Background and analytical framework

The following section reviews the wider literature on the relationship between exchange rate distortions and corruption, and then presents the analytical framework used to assess the country evidence.

Wider macroeconomic literature

Multiple currency practices and foreign exchange controls are primarily instruments of macroeconomic management. The opportunities they can create for unscrupulous actors to generate illicit rents must therefore be understood as an unintended consequence. Governments have used these tools to manage balance-of-payments pressures, conserve scarce foreign exchange, support priority imports or sectors, and pursue distributional objectives. The IMF has long treated multiple currency practices (MCPs) as a distinct policy category. The IMF's current framework generally discourages MCPs because they can: distort resource allocation; lack the transparency of equivalent taxes or subsidies administered through the budget; and encourage interest groups to seek preferential treatment (IMF 2019; IMF 2022; IMF 2023). The IMF's historical review of the practice also notes that multiple exchange rates have repeatedly become vehicles for rent extraction where allocation is discretionary and the resulting flows are not transparently reported (IMF 1969, Vol. 2, ch. 6). The World Bank's more recent treatment of the "parallel exchange rate problem" similarly frames official/parallel divergence primarily as a source of macroeconomic distortion and welfare loss for ordinary citizens, with corruption risk as one of several downstream effects (Malpass 2023).

The corruption risk arises from the rents that such arrangements can create. Where foreign exchange is available at an official rate below the market clearing or parallel rate,¹ access to the official window confers an economic benefit, the size of which increases with the exchange rate differential. If access is rationed rather than available to all eligible demand, decisions over who receives foreign exchange can therefore acquire considerable economic value.

¹ A market clearing rate balances supply and demand freely, while a parallel rate is an unofficial price set by alternative market forces when a government artificially fixes or restricts the official exchange rate.

This mechanism has long been recognised in the wider corruption literature. Tanzi (1998), for example, identifies foreign exchange as one of the resources that governments may provide at below-market prices. Where supply is limited, rationing gives public officials discretion over how scarce foreign exchange is allocated. This can create incentives for those seeking foreign currency to offer bribes in return for access, or greater access, to the limited supply (Tanzi 1998). In the analytical framework used in this paper, such discretion can also create opportunities for officials to favour particular interests, including potentially those from which they themselves benefit; this constitutes the basis of the “institutional conflicts of interest” typology presented in Table 1. The IMF’s subsequent review of MCPs similarly concludes that exchange rate spreads² can generate socially inefficient rent-seeking and opportunities for leakage between segmented markets, including through the over-invoicing of imports and under-invoicing of exports (IMF 2019).

Gray (2021) similarly finds that large gaps between official and parallel market rates encourage actors to seek privileged access to the official rate, sometimes misstating trade invoices to do so, and notes that transactions outside the formal banking system are harder to subject to anti-money laundering controls. The IMF’s current MCP guidance accordingly identifies rent-seeking for favourable treatment as one of the risks associated with multiple-rate systems, while emphasising that their broader macroeconomic effects are difficult to identify causally because MCPs tend to occur in already challenging macroeconomic environments (IMF 2023).

There is limited cross-country evidence directly examining the relationship between corruption on one hand and currency restrictions or parallel market premia³ on the other hand. Moreover, the studies that are available on this relationship do not establish causality.

Bahmani-Oskooee and Goswami (2005), using data from 60 developing countries from 1982 to 1995, find that black market exchange rate premia are higher in countries with greater corruption, with the result holding across five measures of corruption⁴ and in both cross-sectional and panel specifications. Their analysis does not, however, establish that exchange rate distortions *cause* corruption; indeed, its principal specification examines corruption as a determinant of the black market

² This is a technical IMF term for the gap between the effective rate applied to a specific transaction (as a result of official action) and a market derived reference rate.

³ Parallel market premia refers to the percentage gap between the official exchange rate and the rate at which a currency trades on the parallel (black) market.

⁴ Bahmani-Oskooee and Goswami (2005) draw on five corruption related indices from the International Country Risk Guide (ICRG): law and order, bureaucratic quality, a direct corruption measure, probability of contract repudiation by government and risk of expropriation. Results are strongest for the repudiation and bureaucratic quality measures; the direct corruption index and the law and order measure are less consistently significant across specifications.

premium. Related work by Bahmani-Oskooee and Goswami (2006) finds that weaker political rights and civil liberties are also associated with larger black market premia across 63 developing countries. Together, these findings suggest that parallel market premia are intertwined with the quality of the wider institutional environment rather than constituting an independent measure of corruption risk.

Overall, the evidence suggests that corruption risks can increase where exchange rate differentials coincide with restrictions or rationing of a foreign currency. However, these studies do not show that multiple exchange rates necessarily cause corruption; indeed, since Bahmani-Oskooee and Goswami's (2005) principal specification treats corruption as a determinant of the black market premium rather than the reverse, the relationship may run in both directions.

None of the cross-country studies reviewed above examine the aid sector specifically. For this reason, the paper uses macroeconomic and econometric literature to explain the underlying incentives, rather than as evidence of corruption in particular countries. The country findings rely instead on audits, court and enforcement records, sanctions designations, investigative reporting and donor commissioned studies that document specific mechanisms.

An analytical framework: rent, discretion and opacity

The macroeconomic literature establishes the plausible basic mechanism: exchange rate differentials can create economically valuable rents, particularly where access to foreign exchange at the favourable rate is rationed. It does not, however, explain why some such arrangements may generate corruption while others function primarily as distortionary but rules based subsidies. This paper uses three interacting features to organise the country evidence: rent, discretion and opacity.

Rent

Rent refers to the economic value created by access to a preferential exchange rate. A differential between an official and parallel market rate or between two officially sanctioned rates applied to different categories of transaction creates a potential gain for whoever can obtain the currency at the more favourable rate. The larger the differential, the greater the potential value of securing, diverting or reselling that access. Yet the existence of a rent is not evidence of corruption. A preferential rate may operate as an implicit subsidy or tax deliberately embedded in the exchange rate system to, for example, subsidise food, fuel or other priority imports.

This distinction between rent-seeking and corruption draws on the wider literature (Bhagwati 1982; Klitgaard 1988; Shleifer and Vishny 1993; Ades and Di Tella 1999), which differentiates between:

1. firms that legally lobby for a favourable exchange rate rule, who may be seeking a rent without engaging in corruption
2. bribery, manipulation of eligibility or diversion of allocated currency, which involves abuse or deception for private gain

The relevant integrity question is therefore not simply whether a differential exists but how access to the resulting rent is allocated and monitored.

Discretion

Discretion concerns who determines access to preferential foreign exchange, including eligibility, the amount allocated, the rate applied and the timing of allocation, and how much latitude they have in doing so. Adapting Klitgaard's (1988) formulation of corruption as a function of monopoly, discretion and accountability, corruption risks can be expected to increase where officials or institutions control access to a scarce and valuable benefit while retaining substantial case-by-case discretion over its allocation.

Where eligibility is governed by clear, published and consistently applied criteria, the resulting rent may remain distortionary but is harder to redirect selectively. However, where officials, central banks, committees or politically connected intermediaries can determine which transactions or firms qualify, preferential access becomes more susceptible to capture through bribery, political connections, favouritism or conflicts of interest. The Nigeria, evidence (examined below) illustrates this dynamic, including instances in which administrators deliberately shaped import eligibility to favour a particular company's interests (Roy, Obidairo and Ogunleye 2022).

Opacity

Opacity concerns the visibility of both allocation decisions and transparency in the subsequent movement and use of foreign exchange. Transparency matters at several stages: the eligibility criteria, the identity of recipients, the amounts allocated, the exchange rate applied, the underlying transaction and the eventual use of the foreign currency. Weak disclosure makes preferential treatment more difficult for auditors, oversight bodies, competitors, journalists and the public to identify and challenge. It can also obscure downstream abuse even where the formal allocation rule is public, including over-invoicing, transfers through shell entities and diversion of allocated currency into parallel markets.

Lebanon's Sayrafa platform (an electronic foreign exchange trading platform established by Banque du Liban in 2020 and operational from 2021) illustrates the interaction between these factors particularly clearly. The IMF's 2025b governance and corruption diagnostic found that subsidised access was extended to selected groups, that applicable limits were reportedly breached for well connected individuals and that importers sometimes over-invoiced transactions to obtain greater access to foreign currency. It identifies opacity around access criteria, participants and trading data, alongside inadequate integrity safeguards as factors that increased corruption, fraud and money laundering risks (IMF 2025b).

The three dimensions are mutually reinforcing. The exchange rate differential determines the value potentially available for capture; discretion shapes who can obtain or redirect that value; and opacity affects the probability that preferential or illicit allocation will be detected and sanctioned. Even a smaller differential may create substantial integrity risks where scarce foreign exchange is allocated through highly discretionary and opaque processes.

Typologies of abuse in foreign exchange and allocation systems

The country evidence points to several recurring forms of abuse.⁵ It is important, however, to distinguish corruption from other harms caused by exchange rate distortions.

Three types of harm should be separated. Corruption involves the abuse of entrusted power for private gain through, for example, bribery, embezzlement or self-dealing in currency allocation. Rent-seeking can exploit exchange rate distortion without necessarily involving corruption, such as legal arbitrage or lobbying for preferential treatment. Exchange rate distortions can also impose wider economic costs, including inflation, reserve depletion and reduced trade, even where no corrupt transaction takes place. The typologies below focus on documented corruption; other forms of rent-seeking or economic loss are identified separately where relevant.

This Helpdesk Answer's review of the country evidence identifies seven recurring corruption typologies; many cases involve more than one mechanism.

Table 1. Typologies of abuse in foreign exchange and allocation systems

Typologies	Description
Bribery for allocation	An official with discretion over access to the favourable rate is paid, directly or through an intermediary, to grant that access to a third party.
Shell entity capture	Currency allocated at the favourable rate is captured through companies whose real ownership is concealed, set up or controlled via nominee directors, offshore structures or intermediaries so the true beneficiary is hidden from regulators and the public.

⁵ The evidence base for the country case studies draws on both academic and grey literature, including reports by international organisations, government agencies, civil society organisations and research institutes, as well as investigative and specialist reporting. The availability and strength of evidence vary across countries.

Trade misinvoicing	Values of import or export invoices are falsified to move funds across the official/parallel spread, often disguised as an ordinary trade transaction.
Institutional conflicts of interest	Individuals or bodies responsible for administering or overseeing the allocation system have a personal or institutional stake in its outcomes.
Elite or security sector capture of parallel markets	Rather than (or alongside) capturing the official allocation channel, politically or militarily connected actors take direct control of the parallel market that develops around currency scarcity.
State capture of aid conversion	The state requires aid and humanitarian actors to convert donor funds at the official rate while a materially more favourable free or parallel rate exists elsewhere, extracting the difference as an implicit tax on aid delivery.
Money laundering	The proceeds of corruption, whether generated through the FX specific typologies above or through other forms of corruption, are laundered through currency conversion and exchange infrastructure, converting a one-off diversion into durable, apparently legitimate assets.

The evidence supporting these typologies varies in quality. Some cases are based on criminal prosecutions, while others rely on investigative reporting or academic studies. A typology is included where it has been documented through the literature reviewed; its absence from a country does not mean that it does not occur there.

Country evidence

The following country cases show how these corruption risks happen in practice. The strength of evidence varies considerably. Some cases are supported by court records, sanctions or primary institutional sources, while others rely mainly on investigative reporting, NGO research or academic analysis. These differences are noted in each case.

Lebanon

Typologies documented: institutional conflicts of interest; preferential access and arbitrage risks

Lebanon's Banque du Liban (BDL) established an electronic foreign exchange platform in April 2020, known as Sayrafa, which became operational in May 2021 and was subsequently expanded, particularly from early 2022 (Badil 2023; IMF 2025b). The platform sought to draw foreign exchange transactions away from the parallel market and provide an official reference rate following the country's 2019 financial collapse (IMF 2023; Badil 2023). However, information on access criteria, participants and trading data remained opaque (IMF 2025b). BDL also sold foreign currency through Sayrafa below the parallel market rate, with the gap reaching 35% at times (IMF 2023). The IMF (2023) characterised this differential as an untargeted foreign-exchange subsidy that created rent-seeking opportunities. IMF (2025b) further reports that access to subsidised foreign exchange was extended to selected individuals and corporations and that access limits were reportedly breached for well-connected persons.

Concerns over the misuse of preferential access to foreign currency predated Sayrafa's formal launch. In January 2021, then BDL governor, Riad Salameh, was charged with dereliction of duty and breach of trust over the alleged misuse of dollars provided by the central bank through an electronic trading mechanism at below market rates (Al Jazeera 2021). Prosecutors investigated allegations that some of these funds, intended to help cover essential needs and expenses, were instead sold on the parallel market at a higher rate.

The allegations and legal proceedings against Salameh have since expanded substantially. In January 2026, Lebanese prosecutors indicted him on charges including the alleged embezzlement of US\$44.8 million from a central bank "consultancy account", forgery and illicit enrichment (The National 2026a). In August 2026, he faced further charges of money laundering, bribery and illicit

enrichment in a case involving offshore companies in the Cayman Islands (The National 2026b). These proceedings sit alongside investigations in several European jurisdictions into the alleged diversion of approximately US\$330 million from BDL transactions through commissions paid to Forry Associates, an offshore company beneficially owned by Salameh's brother Raja (Public Eye 2024). Salameh has consistently denied wrongdoing.

Badil (2023) situates the risks associated with Sayrafa within a longer pattern of "exchange rate mis-regulation" and broader weaknesses in BDL governance and oversight. It highlights, among other issues, the "systemic double hatting" under which the BDL governor simultaneously chaired the higher banking commission and held veto power over its decisions, while also heading other banking oversight bodies. These arrangements illustrate wider institutional weaknesses and conflicts of interest surrounding central bank decision-making, rather than an isolated failure associated with the Sayrafa platform.

These concerns are independently corroborated by the IMF's Governance and Corruption Diagnostic for Lebanon (IMF 2025b). The report describes Sayrafa as an opaque policy mechanism that was vulnerable to corruption and money laundering. It finds that the difference between the lower Sayrafa exchange rate and unofficial market rates created arbitrage opportunities and generated rents for actors with privileged access. The IMF further identifies opacity surrounding access criteria, participants and trading data, alongside insufficient safeguards, as increasing corruption, fraud and money laundering risks (IMF 2025b).

Nigeria

Typologies documented: bribery for preferential allocation; institutional conflicts of interest; money laundering; trade misinvoicing

Nigeria operated multiple exchange-rate windows from 2016 until their unification in June 2023, including official and interbank rates, a parallel-market rate and, from April 2017, the Investors and Exporters (I&E) window (IMF 2017; IMF 2024b). At times, large differences between these rates created substantial rents for actors able to obtain foreign exchange through preferential channels.

Roy, Obidairo and Ogunleye (2022) document several ways in which these arrangements were exploited. These include: preferential access linked to political connections; changes to sector specific eligibility rules that benefited individual businesses; and arbitrage between officially allocated and parallel market foreign exchange. The authors provide, for example, an account of eligibility rules for sugar imports being changed as the production interests of a particular company evolved. They also document cases in which banks and bureaux de change (BDCs) exploited

differences between official and parallel rates, including through the resale of officially allocated foreign exchange (Roy, Obidairo and Ogunleye 2022).

More recent investigations illustrate continuing integrity concerns surrounding the allocation of foreign exchange. In January 2024, Nigeria's Economic and Financial Crimes Commission (EFCC) sought records from 52 companies concerning foreign exchange received from the Central Bank of Nigeria (CBN) between 2014 and June 2023 as part of an investigation into alleged preferential allocations under former CBN governor Godwin Emefiele (Sanusi 2024; Ailemen 2024). BusinessDay also reported allegations from a presidential special investigation into the CBN that public funds had been placed in 593 foreign bank accounts without the approval of the CBN board or investment committee (Ailemen 2024). However, these remain allegations, as Emefiele rejected the special investigator's findings as false and misleading (Sanusi 2024).

CBN sectoral utilisation data, analysed by Jaiyeola and Aina (2024), indicate that local and foreign companies received at least US\$347.49 billion in foreign exchange between January 2014 and June 2023. This figure represents total FX allocations over the period, rather than the value of allocations found to involve wrongdoing. The amount received by the 52 companies under scrutiny could not be established from the available data (Jaiyeola and Aina 2024). The investigation included the Dangote Group, whose headquarters were searched by the EFCC in January 2024. Jaiyeola and Aina state that Dangote had previously denied allegations that it was involved in foreign exchange malpractice involving US\$3.4 billion, including claims that funds had been channelled to its non-Nigerian subsidiaries, resulting in illicit financial flows and round-tripping.⁶ The company stated that CBN approvals between 2010 and 2018 had permitted it to purchase approximately US\$3.76 billion in foreign exchange for projects elsewhere in Africa, of which it said 47.7% was ultimately used (Jaiyeola and Aina 2024; Sanusi 2024).

BDCs have also featured prominently in documented vulnerabilities in Nigeria's FX system. Roy, Obidairo and Ogunleye (2022) identify weaknesses in the monitoring and enforcement of regulatory requirements governing BDCs. Interviews conducted for the study indicate that some BDCs routinely exceeded transaction limits without sanction and that banks used BDCs to circumvent their own stricter reporting requirements. The study also documents collusion where banks sold foreign currency allocated at official rates to BDCs serving demand at higher rates. These practices created opportunities for arbitrage and reduced the traceability of foreign exchange transactions (Roy, Obidairo and Ogunleye 2022).

⁶ Round-tripping refers to the practice of buying and selling the same asset – in this context, foreign currency – to profit from price variations between markets, rather than for any underlying commercial transaction (Roy, Obidairo and Ogunleye 2022).

Trade misinvoicing provides a further channel through which the exchange rate spread can be exploited, though the underlying mechanism is the falsification of trade documentation rather than the exercise of discretion over FX allocation. By mis-declaring the value of an export or import, a firm can capture or move value across the gap between official and parallel rates without needing preferential access to the official window itself.

Global Financial Integrity (2018) estimated potential Nigerian government revenue losses of US\$2.2 billion from trade misinvoicing in 2014, equivalent to approximately 4% of reported government revenue. The underlying estimated trade gaps included US\$5.9 billion in export under-invoicing, US\$5.6 billion in export over-invoicing, US\$2.4 billion in import under-invoicing, and US\$1.9 billion in import over-invoicing. GFI estimated that around US\$1.3 billion of the potential revenue loss was associated with mispriced exports, potentially concentrated in petroleum products. These estimates concern trade misinvoicing rather than corruption alone and should not be interpreted as the value of corrupt transactions (Global Financial Integrity 2018; Roy, Obidairo and Ogunleye 2022).

Syria

Typologies documented: state capture of aid conversion

CSIS's analysis of the Assad regime's currency practices finds that aid agencies were required to convert incoming assistance funds at the official exchange rate while the free market rate ran at a multiple of it. CSIS estimates that this allowed the regime to divert nearly 51 cents of every international aid dollar spent in Syria in 2020, or approximately US\$60 million that year, and more than US\$100 million cumulatively over 2019–2020. In practice, the gap between the two rates seemed to be substantial and persistent throughout this period. In 2021, the Central Bank of Syria's official rate stood at roughly 1,500 Syrian pounds to the dollar against a black market rate of around 4,000, a spread of more than 30% that CSIS characterised as an automatic loss on any aid transaction converted at the official rate. A subsequently negotiated preferential humanitarian rate for UN agencies only partially closed this gap (CSIS 2021). This is the clearest documented instance in the evidence base of the state capture of aid conversion typology.

The regime sustained this system despite comprehensive US sanctions by relying on money service businesses to move hard currency into the sanctioned Central Bank of Syria from outside the country (US Department of the Treasury/OFAC 2023). In May 2023, the US Treasury's Office of Foreign Assets Control sanctioned two Syrian money service businesses, including Al-Fadel Exchange, and three individuals under

the Caesar Act,⁷ finding that Al-Fadel Exchange alone had facilitated millions of dollars in transfers since 2021 into accounts at the Central Bank of Syria (US Department of State 2023; US Department of the Treasury/OFAC 2023). This illustrates how currency conversion infrastructure that was formally separate from the state, in this case nominally private exchange businesses, could be used to sustain the same rent-generating official/parallel spread that CSIS documents being extracted from aid flows. The reported mechanism therefore extended beyond the humanitarian sector into broader sanctions evasion.

Following the new government's takeover in December 2024, the central bank pledged to adopt a single, unified official exchange rate for the Syrian pound and appointed Maysaa Sabrine as governor, the first woman to hold the position in the bank's history (Strohecker, George and Jones 2025). Sabrine resigned after less than three months in the post and was succeeded as governor by Abdulkader Husrieh in March 2025, who continued the currency-unification agenda (Syrian Observer 2025). By mid-2025 the exchange rate had strengthened substantially from its wartime lows, though it remained far weaker than the pre-war rate of roughly 47 Syrian pounds to the US dollar in 2011, illustrating the scale of the currency collapse that the multi-rate, sanctioned system had presided over (Gobat and Kostial 2016; Strohecker, George and Jones 2025).

Venezuela

Typologies documented: bribery for allocation; shell entity capture; money laundering

Evidence from Venezuela illustrates how preferential foreign exchange systems can create opportunities for corruption at several points, including the allocation of foreign currency, import transactions and the laundering of proceeds. US authorities have documented schemes in which politically connected actors allegedly obtained preferential access to foreign currency and diverted the resulting gains through international financial networks. In 2019, the US Treasury sanctioned Venezuelan officials and associates over a currency exchange scheme that it alleged generated more than US\$2.4 billion in corrupt proceeds, including through bribes to officials at

⁷ The Caesar Syria Civilian Protection Act of 2019, also known as the Caesar Act, was US legislation that sanctioned the former Syrian government, including the former Syrian president Bashar al-Assad, for war crimes against the Syrian population. The act was signed into law by President Trump in December 2019 and came into force on 17 June 2020. On 18 December 2025, a little over a year after the fall of the Assad regime, the National Defense Authorization Act for Fiscal Year 2026 repealed the Caesar Act.

the National Treasury Office (US Treasury/OFAC 2019). As a sanctions designation, this case represents an administrative determination rather than a judicial finding.

Separate prosecution based evidence comes from a US Department of Justice case in which a former Venezuelan military official pleaded guilty to submitting fraudulent applications to the former commission for the administration of currency exchange (CADIVI), the foreign currency allocation system, paying bribes to avoid detection and laundering proceeds through US wire transfers (DOJ 2024).

Preferential exchange rates also created incentives for trade misinvoicing. In 2019, US prosecutors charged Alex Saab and Álvaro Pulido in connection with an alleged scheme involving a Venezuelan low-income housing programme. According to the indictment, the defendants submitted false documentation for goods and materials that had not been imported, enabling them to obtain US dollars at the government's preferential exchange rate, while allegedly bribing Venezuelan officials to approve the transactions. The US Treasury's 2019 sanction alleged that Saab obtained these preferential allocations through a global network of front and shell companies with concealed beneficial ownership, allowing him to obscure both his role in the scheme and the destination of the funds. Prosecutors alleged that more than US\$350 million was transferred through US bank accounts between 2011 and 2015 (DOJ 2019). While these charges should not be treated as findings of guilt, the case illustrates how the gap between preferential and market exchange rates can make fraudulent import transactions highly profitable when combined with weak oversight and bribery.

Similar dynamics extended into Venezuela's gold sector. An OECD commissioned study estimates that at least 70% of Venezuela's gold production was smuggled out of the country and notes that the market value of annual production could reach several billion US dollars, while stressing substantial uncertainty around production estimates (OECD 2021). A separate OCCRP investigation documents one route in detail: between 2012 and 2018, around 70 metric tonnes of Venezuelan gold worth more than US\$2.2 billion were funnelled through Curaçao before being refined in Switzerland. OCCRP reports that the gold was declared as scrap, while evidence reviewed by its investigation pointed to Venezuelan origins and raised questions about supply chain due diligence (Dalla Stella 2026). The OECD study also describes networks involving political and military elites and non-state actors, including a network associated with Alex Saab that purchased and traded gold through state-linked channels (OECD 2021; US Treasury/OFAC 2019).

Taken together, these cases illustrate how exchange rate distortions can generate corruption risks beyond the initial allocation of foreign currency. Large differentials between official and market rates can create rents that actors seek to capture through bribery and fraudulent documentation, while trade and commodity transactions provide channels through which those rents can subsequently be transferred or

laundered. In Venezuela, the interaction between preferential foreign exchange, import controls and opaque commodity markets therefore appears to have created mutually reinforcing opportunities for rent extraction and money laundering.

Implications for donors, NGOs and implementing partners

The country evidence presented above shows how exchange rate distortions can create opportunities for arbitrage and rent extraction, reduce the traceability of transactions and increase corruption and illicit financial flow risks, with specific instances of alleged or documented corruption identified in some national FX systems. This section considers how these mechanisms intersect with aid funded and humanitarian programming, organised by the value chain and modality through which funds move, and where in that chain the risks and financial losses may ultimately fall. For the purposes of this analysis, the value chain encompasses the movement of funds from donors through international and local implementing organisations to procurement, payments and transfers to final recipients.

Procurement

Procurement and supply chain management are already recognised as corruption prone functions in humanitarian operations. Transparency International's handbook on preventing corruption in humanitarian operations identifies risks including collusion, manipulation of tender processes and inflated prices, and recommends measures including competitive procurement and independent price benchmarking (Lawday 2014). Exchange rate distortions can compound these existing vulnerabilities where procurement takes place in the local currency.

Where an aid organisation or its implementing partner procures goods or services locally in a country with an official/parallel exchange spread, the transaction is exposed to the same price and conversion pressures that affect local markets more broadly. Recent humanitarian sector research provides more direct support for this transmission channel. A Cash Learning Partnership Network (CALP Network) (2026) study on diversion risks finds that exchange rate manipulation can affect humanitarian programmes whenever implementers pay for goods, services or operating costs in the local currency, and identifies local procurement as directly exposed where an overvalued official rate reduces the effective value of hard currency budgets. Conversely, internationally procured, in-kind aid may be insulated from that particular exposure.

The available evidence does not establish how prevalent FX specific abuse is within aid procurement. The mechanisms identified by CALP Network (2026) are consistent with the country level evidence presented above, but this Helpdesk Answer found no evidence that quantifies the prevalence of FX abuse specific to aid sector procurement.

Cash and voucher assistance, and financial service providers

Cash based and voucher assistance (CVA) depends on financial service providers (FSPs), including banks, mobile money operators, hawala networks⁸ and other money transfer services, to convert and deliver funds to recipients. In fragile and conflict affected settings, access to conventional banking services may be limited by weak financial infrastructure, regulatory constraints and financial institutions' responses to anti-money laundering and counter-terrorist financing (AML/CTF) risks. Where humanitarian organisations consequently rely on alternative FSPs, foreign currency conversion may take place through channels in which exchange rates, fees and transaction flows are less transparent, potentially increasing exposure to FX related abuse.

The CALP Network and the World Food Programme's interim guidance on cash programming in contexts of economic volatility names parallel exchange rates specifically, alongside inflation, currency depreciation and liquidity constraints, as an operational risk for CVA requiring active management (CALP/WFP 2022a).

A CALP commissioned scoping study in 2020 documents how banks may restrict or terminate relationships with humanitarian organisations in response to AML/CTF compliance risks. This can result in delayed transfers, account closures, higher transaction costs or difficulties opening accounts, leading organisations to rely more heavily on alternative FSPs, including hawala networks and mobile money operators. The study notes that such providers may be subject to less stringent AML/CTF requirements than banks (CALP Network 2020). This does not imply that the use of alternative FSPs entails the misuse of funds. However, where these arrangements involve foreign currency conversion, weaker documentation and reporting can make it more difficult for aid organisations to verify the exchange rate applied, associated fees and the effective value ultimately transferred to recipients.

⁸ Hawala is an informal, trust based value transfer system that moves funds through networks of brokers without physically transferring money across borders.

A USAID Office of Inspector General (USAID OIG) fraud alert on currency conversion similarly documents that unofficial exchange rates in settings such as Syria and Yemen have been reported as running two to six times higher than official rates, and that reliance on unlicensed money transfer agents in these settings can leave no documentation of the amount converted, the rate applied or fees paid (USAID OIG 2021). Such documentation gaps make it harder to distinguish legitimate exchange rate losses and transaction costs from diversion or other abuse.

Transparency International's handbook on preventing corruption in humanitarian operations similarly notes that bank or mobile money mediated cash transfers can remain vulnerable to fraud within the banking system and to collusion among money merchants over the exchange rate applied (Lawday 2014). Haver and Carter (2016) further find that the risks associated with cash programming in insecure environments depend significantly on the functioning of local markets, financial infrastructure and available delivery mechanisms. Digital or financial intermediation therefore does not in itself remove integrity risks associated with currency conversion.

These risks are difficult to quantify. This Helpdesk Answer identified no study establishing how frequently FX manipulation occurs in humanitarian cash and voucher programmes. Transaction records may capture the nominal amount authorised or transferred without necessarily establishing the exchange rate, fees or effective value ultimately realised by the recipient. This also makes FX related losses difficult to detect through conventional donor audits without verification further along the delivery chain.

This is a distinct integrity risk from procurement corruption because the loss is diffuse, falls on the intended beneficiary rather than the aid budget line and is structurally difficult for a donor audit to detect without recipient level verification of amounts actually received.

Financial reporting and donor accountability

Evidence from humanitarian research and practitioner accounts points to an uneven distribution of financial and operational risks between international and local partners. Atam (2023) describes how local NGOs assessed as entailing higher fiduciary risks may face shorter disbursement cycles and have to pre-finance programme costs, while Moutard (2020) describes how international-local partnerships can transfer operational risks to local organisations without corresponding decision-making power or resources to manage them. These dynamics suggest that local partners may face greater difficulty absorbing exchange rate losses and the costs associated with financial controls.

This distinction matters when assessing financial integrity. A USAID OIG investigation concerning projects in Syria examined an allegation that an employee of a USAID implementer had embezzled funds during an unofficial currency exchange. OIG substantiated that USAID funds had been transported from Lebanon into Syria but could not determine whether embezzlement had occurred because the implementer could not provide original documentation for the subsequent currency exchange transactions (USAID OIG 2021). OIG notes more broadly that unregulated exchange channels may leave no record of the amount exchanged, rate applied or fees paid, limiting oversight and increasing exposure to fraud (USAID OIG 2021).

The same investigation identified gaps in USAID's own procedures. Its rules required US-based NGO implementers to consult the relevant Mission Director, who was required to provide written procedures for converting US dollars into local currency. However, the rules did not provide an alternative point of contact for countries designated as "Complex Emergencies" that lacked a formally designated Mission Director (USAID OIG 2023). OIG found that this created a gap in the required consultation process, building on concerns it had first raised in 2021 (USAID OIG 2021; 2023).

These findings illustrate why the use of unofficial exchange channels should not be treated as evidence of corruption. Non-compliance may reflect deliberate efforts to exploit exchange rate differentials, but it may also arise where formal financial channels or donor procedures are unavailable or inadequate. Integrity assessments should therefore consider why an unofficial channel was used; the exchange rate and fees applied relative to appropriate benchmarks; whether reasonable controls were applied to prevent abuse; and whether transactions, rates and fees were adequately disclosed and documented.

More broadly, while humanitarian research and practitioner accounts indicate that local organisations can bear disproportionate financial and operational risks in partnerships with international actors (Moutard 2020; Atam 2023), this review identified no comparative evidence establishing whether they also bear disproportionate exchange rate related integrity risks specifically. The dynamics described above suggest this remains a plausible risk rather than a documented certainty.

Financial exclusion and other dimensions of vulnerability

Access to formal financial services is uneven across population groups, which raises the question of whether the effects of exchange rate distortions are also distributed

unevenly. The World Bank's Global Findex 2025 finds a persistent gender gap in account ownership of around 4 percentage points globally. However, this is far larger in some of the countries examined in this paper. For example, 22 percentage points in Nigeria, while the Middle East and North Africa region has the largest regional gap among low and middle-income regions at 14 percentage points. Moreover, adults in fragile economies overall are over a third less likely to hold an account than the wider low and middle-income country average (World Bank 2025).

In addition, women and female-headed households can also be particularly dependent on humanitarian cash assistance in some crisis settings. A gender analysis of the 2020 vulnerability assessment of Syrian refugees in Lebanon found 45% of female-headed households relied on WFP e-cards or humanitarian ATM cards as their main source of household income, against 34% of male-headed households, alongside a female labour force participation rate of just 12% versus 65% for men (UN Women et al. 2021). Female-headed households also made up almost 40% of Syrian refugee households in Jordan, with incomes up to a third lower than male-headed households (UN Women 2019).

What remains unclear from the literature surveyed here is the narrower question this paper would need to inform programme design: whether women and female-headed households, given the documented lower access to financial accounts and higher dependence on cash assistance specifically, are also more exposed to FX conversion losses, FSP markups or informal channel risks. It is plausible that a group with less access to formal banking is more likely to receive humanitarian assistance through the kinds of informal or parallel channels of currency exchange that this paper identifies as higher risk. However, no study identified for this paper tests that link directly.

There is more direct evidence that legal and employment status can shape exposure to exchange rate losses. Migrant workers in Lebanon under the kafala sponsorship system, which ties a worker's legal status to their employer and leaves them with little capacity to negotiate pay or currency, were reported to have been paid in Lebanese pounds as the dollar liquidity crisis deepened from 2019, then forced to convert those wages on the black market at a substantial loss to remit funds abroad (AFP/Jordan Times 2020). This is a single reported account rather than a systematic study, but it illustrates the same underlying mechanism: legal or documentary status can determine who has access to formal, better-value conversion channels and who is pushed toward the parallel market and forced to absorb the resulting loss.

For programme design, the evidence therefore supports examining whether recipients have equal access to the financial and currency conversion channels on which an intervention relies, including whether barriers associated with gender, migration or residency status, documentation requirements or other dimensions of

financial exclusion affect the effective value ultimately received. However, evidence on the distribution of FX specific losses across these groups remains limited.

Mitigation measures and their trade-offs

The evidence base on the effectiveness of potential mitigation measures is markedly weaker than the evidence base on risk mechanisms reviewed above, a limitation that the wider literature on anti-corruption in humanitarian settings acknowledges directly (Shipley 2019).

Recent operational research nevertheless documents a wider range of mitigation practices in use, including negotiated humanitarian exchange rates, stronger monitoring of service providers, digital delivery controls and localised risk management, while still finding insufficient evidence to rank these measures by causal effectiveness (CALP Network 2026).

The measures below are therefore practice based responses observed or recommended in the sources reviewed, not proven interventions, and each is assessed against both the risk it is intended to reduce and the new risk or cost it may introduce.

Negotiating a preferential or dedicated exchange rate for aid operations

Risk reduced: a preferential or dedicated humanitarian exchange rate can reduce the gap between the rate at which aid funds are converted and the prevailing market rate. Where an overvalued official rate would otherwise reduce the local currency value obtained from a hard currency aid budget, negotiating a rate closer to the market rate can preserve a greater share of that value for programme expenditure or transfers to beneficiaries (CALP Network 2026).

Potential trade-offs: depends entirely on continued donor/UN leverage vis-à-vis national authorities in aid recipient countries. This cooperation could be withdrawn or narrowed unilaterally by the host authority. Establishing preferential or dedicated exchange rates for aid operations could also create a rate hierarchy that further disadvantages local suppliers, vendors and partners who are not covered by the preferential arrangement and must still transact at the disadvantageous official or parallel rate, potentially widening the local-international asymmetry described above. A 2022 briefing from a donor-partner discussion convened by the CALP Network records donors and implementers debating exactly this trade-off in practice, without

reaching a settled position on how to weigh preferential rate access against its distributional effects on uncovered suppliers (CALP 2022b).

Diversifying to multiple licenced conversion channels or providers

Risk reduced: diversifying conversion across multiple vetted providers can reduce dependence on a single bank, BDC or FSP. In principle, this limits the extent to which the failure, capture or manipulation of one provider can affect all programme conversions and can allow implementers to compare the rates and fees offered by different providers.

Potential trade-offs: diversification increases the number of counterparties requiring due diligence and ongoing screening, raising compliance cost and the probability that at least one channel in the portfolio is compromised; could also fragment the audit trail across providers, making effective rate verification harder rather than easier. A CALP commissioned scoping study on financial compliance in cash and voucher assistance schemes found that identifying banking and money transfer providers both willing and able to meet AML/CTF requirements is a persistent operational constraint in many aid recipient countries (CALP Network 2020). This limits how much genuine diversification is practically achievable.

Shifting cash and voucher delivery to digital/mobile money channels

Risk reduced: digital and mobile money delivery can reduce cash handling risks and improve transaction level traceability by creating electronic records of transfers. These records can strengthen verification of whether funds reached intended recipients and provide an audit trail for programme accountability (Mebur 2021; Cizmaziova 2025).

Potential trade-offs: digital and mobile money providers are exposed to the same official/parallel FX pressures documented in the cash and voucher assistance discussion and can pass on conversion markups to recipients. Moreover, digital delivery can also exclude unbanked, undocumented or otherwise financially excluded recipients, a risk directly connected to the evidence gap flagged in the discussion of differential impacts since the exclusion is plausibly uneven across recipient groups.

A U4 Helpdesk Answer on the anti-money laundering risks of mobile money finds that mobile money can reduce cash handling risk and improve traceability relative to physical cash, but overly stringent verification requirements can themselves drive users toward less regulated channels, while overly lenient requirements can leave the system more exposed to fraud, so the balance depends on how proportionately a given provider's controls are designed (Cizmaziova 2025). Separately, GSMA's industry guidance on mobile money fraud notes that mobile money agents and staff are themselves a documented source of diversion, including cases of large-scale internal embezzlement that exploits weak identity verification and system controls (Farooq 2020).

Financial audit and third-party monitoring of currency conversion trails

Risk reduced: financial audit of currency conversion trails can address the transaction opacity identified in the USAID OIG evidence discussed above. Verifying the amount converted, exchange rate applied and fees charged against bank or FSP records and appropriate benchmarks can make unexplained differences easier to identify and strengthen scrutiny of potential embezzlement, diversion or fraudulent invoicing (USAID OIG 2021).

Financial audits should be distinguished from, but can be complemented by, third-party monitoring (TPM). TPM is an independent oversight mechanism that can encompass site visits, beneficiary verification, document review, expenditure tracking and, where specifically designed to do so, aspects of financial verification. Its primary role is generally to provide independent verification of programme implementation and reporting, particularly where donors face access constraints (Resimić 2026). Detailed examination of currency conversion trails, however, requires access to the underlying bank and FSP transaction records and appropriate financial audit expertise. TPM can therefore contribute to identifying inconsistencies or verifying programme delivery, but does not by substitute a financial audit specifically designed to trace currency conversions.

Potential trade-offs: financial auditing can be costly to sustain and depends on access to documentation on conversion amounts, exchange rates and fees. Such records may be particularly difficult to obtain in access constrained or insecure settings, as illustrated by the USAID OIG evidence discussed above. TPM can help overcome some physical access constraints and provide independent verification where direct donor monitoring is difficult, but it has its own limitations (Resimić 2026). Drawing on evidence from Afghanistan, Somalia and Syria, Sagmeister and Steets (2016) find that monitors may themselves face access restrictions and that the additional

distance between monitors and programme implementation can affect the quality and reliability of verification. More broadly, TPM should complement rather than substitute organisations' own monitoring and accountability systems (Resimić 2026). These limitations are particularly relevant where TPM is expected to provide assurance over financial transactions without the access to records and specialised expertise required for a dedicated financial audit.

Publishing or benchmarking the applied conversion rate against market/parallel rates

Risk reduced: publishing or benchmarking the exchange rate applied to programme funds against an appropriate reference rate can make unexplained deviations easier to identify and allow donors to compare the effective rates obtained by different implementers. This directly addresses the opacity around rates and fees that can make potential diversion or other abuse difficult to distinguish from legitimate exchange rate losses (USAID OIG 2021; CALP Network 2026).

Practice evidence: GOAL's 2020 study of cash and voucher assistance in north-west Syria documents operational responses to rapid depreciation, including adjusting vendor payments using exchange rates prevailing around invoicing and considering programme values in more stable currencies. These practices show how rate benchmarking and adjustment can be implemented in volatile settings, although the study does not provide a causal evaluation of their effectiveness (GOAL 2020).

Potential trade-offs: benchmarking against parallel market rates may be legally or politically sensitive where authorities restrict unofficial currency trading or require transactions to use official rates. Public disclosure may therefore not be feasible in all contexts, particularly where exchange rate information or engagement with informal currency markets could create legal, regulatory or security risks for implementing organisations and their staff. Where public disclosure is unsafe or prohibited, confidential reporting of the rate applied and its benchmark to donors or auditors may provide an alternative means of strengthening oversight.

Centralising currency holding and conversion timing decisions at the international/HQ level

Risk reduced: centralising decisions on when and through which channels funds are converted can allow an organisation to consolidate FX expertise, compare rates and providers and apply consistent controls across programmes. Where international

organisations can retain funds in hard currency until expenditure is required, this may also reduce their exposure to losses caused by premature conversion during periods of rapid depreciation.

Potential trade-offs: centralising currency management decisions at HQ can create an uneven distribution of exchange rate risk between international organisations and their local partners, depending on how funds are disbursed and how FX gains and losses are allocated. DG ECHO⁹ guidance, for example, leaves the exchange rate applied to implementing partner expenditure to arrangements between lead organisations and their partners, while exchange rate losses are generally ineligible for reimbursement ([DG ECHO n.d.](#)). This creates the possibility that partners operating and incurring expenditure in the local currency bear financial risks that international organisations may be better positioned to manage. This potential FX specific asymmetry is consistent with broader evidence that international organisations' risk-management practices can transfer financial and operational risks downstream to local partners (Stoddard et al. 2019). Nonetheless, this Helpdesk Answer identified no evidence directly measuring the distribution of exchange rate risk between international and local partners.

⁹ European Commission, Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO).

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