

Issue paper (Workshop C)

Preventing Corruption in Humanitarian Relief Operations

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"making humanitarian action accountable to beneficiaries"

On a recent visit to Aceh, it was explained to me that there is a clear moral distinction between theft and fraud – or “trickery” as it more accurately translates into English - the latter being much less reprehensible and in particularly audacious cases perpetrated against less sympathetic targets, even considered to be rather admirable. Yet in spite of the Tsunami relief operation channelling unprecedented amounts of cash in to what Transparency International CPI index rates as the 8th most corrupt political economy on earth, after six months none of the relief agencies that I visited was able (or willing?) to admit to having themselves experienced a single case of fraud, although, somewhat curiously, all believed that other agencies had encountered such problems. Similarly, in 2003 while evaluating a major donor’s \$220 million Kosovo relief operation, I was told by its Foreign Ministry’s audit department that not one case of financial misappropriation had occurred in any of the 217 completed contracts managed by 44 different implementing partners. A remarkable record of perfect implementation in a territory widely thought to contain one of the most criminalised economies in existence. If you took such aid donors and implementing agencies reports at face value, you would be bound to conclude that the management of humanitarian resources is nigh on perfect and that this conference might be well advised to turn its attention to other sectors.

However, on challenging the plausibility of this official record of perfect performance in Kosovo, I was told by the field coordinator in charge that he had been made aware of at least one allegation of serious fraud, but had not followed this up because “this was not in my job description”. I also learned that the Ministry’s audit process is routinely conducted in the headquarters of the implementing agencies, and that no visits are made to the field. Thus, the absence of reported cases of fraud is more likely an indication of chronically weak financial management and audit controls, rather than an indication of peerless management. This particular donor’s practices are not I believe unique. For example, a new initiative led by Transparency International to engage aid agencies in seeking solutions to the problem of corruption within the humanitarian aid system seems to have encountered widespread disinterest in the issue amongst operational humanitarian agencies.

All of this points to a rather disturbing problem about the phenomenon of corruption in humanitarian aid operations. The agencies themselves appear to be in state of general denial about the scale of the problem, in large part I suspect because there is a widely held assumption that any public acknowledgement of the existence of financial mismanagement would lead to a loss of donors, tax-payers and politicians confidence in the aid system, and thus threaten their income. This simplistic and I believe ultimately self-defeating public relations policy promotes systemic under-investment in corruption control measures which in turn produces a systematic under-reporting of fraud and corruption. While preparing this talk I took a look at the annual reports of six major NGOs, not one of which reported even a single case of fraud or offered any general estimate of “shrinkage”. In my view, without the scale of the problem being measured and acknowledged, it is highly improbable that financial malfeasance is being adequately controlled by humanitarian agencies.

Thus, the first hurdle in addressing the challenge of corruption is to persuade the donors and relief agencies that this is a “mission critical issue”. But how can we calibrate the scale of the problem when the aid system is in a state of collective denial that there is a problem in the first place. Indeed, perhaps they are right?

From almost 30 years of involvement in the aid system, over half of which I have spent “in the field”, I am quite convinced that there is a veritable iceberg of corruption, with the great majority of it remaining undetected and unreported. Why do I think it is so ubiquitous a problem? There are a range of organisational, system and contextual risk factors at play here.

Organisational issues:

1. Most humanitarian assistance projects are chronically under-managed in the field, mainly due to pressure from donors to meet unrealistically low “overhead” ratios. As a consequence, the typical relief project manager works 80 hours per week. It is all too easy to exploit the benefits to the system of such apparently heroic devotion to the mission, while ignoring the inevitable costs of this form of organisational irresponsibility that is incurred by field staff and ultimately also by intended beneficiaries.
2. Largely due to this management over-stretch, due diligence in human resource and financial management is rarely fulfilled. Staff (local and international) is often recruited without proper checks, job descriptions are usually inadequate, unrealistic or non-existent, performance management is usually absent or ad hoc in nature. Due to shortsighted and dysfunctional human resource management practices, most relief aid is administered in the field by staff on very short-term contracts that seem almost purposely designed to encourage organisational disloyalty and all its attendant ills. The average first phase deployment of senior emergency operations managers in response to the Tsunami was probably about three weeks.
3. The “culture of urgency” that characterises humanitarian field operations is antipathetic to the nurturing of a “culture of accountability”. An almost theatrical obsession with speed means that managerial oversight is de-prioritised, which in turn increases opportunities for corruption. Relief aid managers are subject to a perverse incentive to ignore cases of fraud because of a combination of the time-consuming consequences of fraud investigations on the one hand, and a desire to not be tainted by the discovery of corruption on the other.
4. The habitual dependence of most major relief agencies upon expatriate managers (more often than not male) means that the humanitarian system’s key managerial cadre are too often devoid of local language skills and adequate cultural knowledge. Corruption is frequently perpetrated through bent procurement practices, and many expatriate managers have insufficient knowledge of local markets to be able to “sniff a rat” and initiate investigative proceedings. How many national staff appointed by expatriates are locally renowned as persistent crooks?
5. The remoteness from headquarters of most humanitarian work provides by default unusual degrees of managerial autonomy in the field, allowing individualistic, arbitrary and authoritarian management styles to thrive. When combined with a managerial culture that condones that oft heard claim that “I am too busy saving lives”, good practices of consultation, participation, complaints-handling and redress mechanisms attract only meagre management support. The absence of transparency coupled with the top-down and supply-sided characteristics of the relief industry militate against “community policing” and whistle-blowing behaviours that are essential for identifying and preventing corruption.
6. Although there are a few NGOs capable of mounting sizeable relief operations, a combination of donor preference and NGO competition tends towards relief operations being highly fragmented in nature, with the individual agencies then unable to enjoy the economies of scale that would allow them to employ, for example, the procurement and internal audit specialists needed in establishing a far more

robust control environment in the field. Small is not always beautiful. In the international relief business, it may be something of a curse.

System factors:

1. The standard practice of aid coordination typically encourages and then sanctifies the creation of mini aid agency “bush-governorates”, often reflected in the popular labelling of particular villages, provinces or refugee camps. The CARE camp, the World Vision village or the Oxfam region all reflect a standard system of humanitarian coordination that seems to respect the principle of political patronage more than performance and quality management. This further exaggerates already grossly asymmetrical power relations between aid provider and beneficiary and would automatically lead any principal-agent theorist to predict with great confidence a high incidence of cases of inappropriate choice (e.g. agencies being contracted to do tasks for which they are not competent) and moral hazard (e.g. the failure to secure the informed consent of beneficiaries to specific interventions that might be harmful to their interests). Indeed, humanitarian aid beneficiaries are typically denied any choice in the selection of the aid provider by humanitarian coordination mechanisms, and legitimate complaints are all too often dismissed as the work of political troublemakers or rent-seeking freeloaders. Agencies are normally loath to criticise each other and in most cases there are no systems for the safe handling of complaints. The costs of corruption and fraud are of course ultimately borne by the legitimate intended beneficiaries of relief work, and while they remain profoundly disempowered, they, who have most to gain from anti-corruption measures, are invariably excluded from participating in its identification and prevention.
2. While aid coordination practices tend to reinforce contract rather than market based behaviour, this oligopolistic tendency is further reinforced by the nature of the donor system that allocates resources first on the basis of national affinity with results-based performance appraisal being of secondary concern at best, indeed, if it figures at all. This takes me back to my Kosovo study, and the fact that all emergency aid contracts were awarded to organisations from the donor nation, none of which had been subjected to a system of pre-contract appraisal or any meaningful post contract quality assurance. Similarly, when researching the practice of “strategic coordination” in Afghanistan in 2002, I came across one donor that had imposed one of its officials upon OCHA to ensure that the NGO’s from the donor country received “their fair share” of the avowedly “unrestricted” contributions made by that donor to the UN’s emergency trust fund.

Contextual factors

1. The great majority of relief operations are conducted in weak, fragmented, contested or failing states, usually with corrupted police and judicial systems. Furthermore, agencies can rarely depend upon the forces of “law and order” to comply with basic standards of due process. On various occasions in Sudan and Uganda I have found myself pleading, sometimes in vain, with enthusiastically brutal policemen to not torture potential witnesses, to refrain from the practice of sub-contracting witch-doctors for crime detection through divination, and to not abandon suspects to summary mob-justice. Initiating a criminal investigation can often have quite horrendous consequences, and many relief workers have witnessed suspects being lynched for petty or even non-existent offences. In some contexts, the pursuit of accountability can be counter-productive in humanitarian terms.
2. Another confounding factor for transparency and accountability is the weakness of civil society in most humanitarian theatres. Local NGOs – or their staff - are invariably contracted into the international aid system through the popular practice of “partnerships for capacity building”, and with this goes their independence. Local news media capacities are invariably under-resourced and, (a fatal flaw), are produced in local languages that have next to no penetration into the international aid milieu. It seems that humanitarian aid corruption stories have no leverage value until they hit CNN. In fact, allegations of

aid agency corruption are frequently made in local newspapers, but these are rarely exported to the northern news media. A recent article by Michael Wrong of the UK Financial Times points out that foreign correspondents such as herself are now so dependent upon the aid system to get out to remote field sites that they are reluctant to file stories that might be seen as “biting the hand that feeds them”.

These external hazards combined with the systems and organisational vulnerabilities described above, must generate a significant degree of “shrinkage” in donated resources, yet this remains unacknowledged and thus largely uncontrolled. When confronted with an oligopoly in denial, it is all too tempting to turn towards challenges that offer more obviously achievable solutions. This is perfectly rational, and is indeed the reason why so many good people in the aid business appear to be behaving like ostriches. However, I still think that we can do better than this.

First, international relief aid is founded upon a moral rather than a commercial calculus, and the “bottom line” is about basic life, health and dignity. The opportunity costs of corruption and fraud within the humanitarian system can thus be calculated in terms of lives lost, morbidity not averted and dignity denied. Surely, you might think, this is self-evident? Unfortunately it is not, and I suspect this is not unconnected to the abnormally low levels of numeracy amongst aid agency managers. Well planned research that measures the scale and the opportunity costs of corruption and fraud within the aid system would, I believe, have the same galvanising effect on the humanitarian aid system as the punch delivered by the Save the Children UK/ UNHCR report on sexual exploitation by aid workers in West Africa in 2003. A determined effort to stamp this out followed, and while I am sure that this scourge has not been eradicated, it most certainly has been checked after years of system-wide denial that it was even an issue. Once the scale and consequences of the wider dimensions of corruption have been enumerated and explained, I believe action will follow.

Second, there are a number of initiatives under way to improve humanitarian emergency management practices. For example, the French inter-agency forum Coordination-Sud is promoting a quality management system specifically adapted for humanitarian emergency projects. HAP-International has initiated an Accountability and Quality Management Standards Development Project, with a view to establishing an accreditation and certification scheme in the latter part of 2006. At the national level, we know of several other initiatives for developing stronger mechanisms for self-regulation, most of which cite enhanced transparency and accountability as both an aim and an output. To complement these, I believe that an international humanitarian managers association needs to be formed to create a stronger motor for the promotion of more coherent quality management processes within the aid system, and in particular to challenge the ludicrous and perverse donor policies that treat management as an undesirable cost and coordination as a free good.

Third, and in my view perhaps most critically, there is a trend towards strengthening accountability to the intended beneficiaries of humanitarian action, both at the level of agency leadership and in the field. The inaugural speech of the new High Commissioner for Refugees, Antonio Guterres, and a recent paper published by the UN Relief Coordinator Jan Egeland might both have been scripted by HAP-International. Having publicly stated the fundamental importance of transparency and accountability to the subjects of humanitarian action, both agencies must surely now take practical action to follow these commitments through. At the other end of the system, we in HAP-International see small, but in their own way quite dramatic changes in accountability field practices. Oxfam’s public notice boards and complaints boxes in Aceh are just one of many signs that reform is under way where it probably counts most. There is much still to do, but if the asymmetrical power relations between aid agencies and beneficiary populations can be addressed through the provision of accessible and safe complaints-handling mechanisms, those with the most to gain from preventing corruption will at last be in a position to play their rightful and crucial part.

To finish, my first experience of community-managed relief aid distribution convinced me over 20 years ago that real participation is the most potent tool to control fraud and corruption in the relief system. Nothing I have seen since persuades me to revise that opinion. However, to make this happen more systematically we must first identify, and persuade donors of the case to fund, an optimal management quotient for

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humanitarian emergency operations; we must replace the hard incentives for denying the existence of corruption and mismanagement with a system of resource allocation that rewards the application of quality management, transparency and accountability principles; and finally, we need an independent mechanism for verifying agency compliance with these.

