

Corruption as an internal problem for emergency operations

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1. The need to acknowledge corruption as an internal problem for emergency operations

Even though there is a growing public awareness about widespread corruption in politics and the economy and its detrimental effects on development, especially in poor countries, it is still largely a taboo to talk about it as an internal problem for aid organisations¹. Individual cases might be reported, occasionally also in the media, but in general, the aid community is extremely reluctant to acknowledge the fact that corruption is happening in numerous projects. The issue is widely perceived as concerning only auditors and accountants; however, aid practitioners easily agree that it is a widespread phenomenon which is part and parcel of aid operations in a large number of countries, affecting a large number of organisations active in all the different sectors of aid. It is high time to acknowledge that it is important for aid agencies to openly talk about the issue, to exchange experience and to train their management staff – not only their accountants.

Despite the fact that the problem affects long-term development projects as much as emergency ones, this article focuses mainly on its relevance in emergency aid operations where a number of factors – such as high time pressure, transfer of large quantities of relief goods, an often very volatile security environment and a high level of media interest – make fighting corruption especially difficult.

2. The manifestations of corruption in emergency aid operations

In general, corruption is defined as the misuse of authority by an official in order to obtain a personal benefit. In aid projects, this misuse is manifested in four different ways:

- 1) Nepotism: the use of friends, family members or “cronies” to do a certain task or to be recruited for a certain post.
- 2) Bribery: the provision of money or other favours to someone.
- 3) Kick-backs or cuts: getting money or other favours in connection with a certain (trans)action
- 4) Theft and diversion: the use of project funds or assets for personal benefit

In the following section, these different modes of corrupt practices are examined in order to describe the respective aims and objectives - the motives behind such actions - the occasions and opportunities to execute them and the damage caused to aid operations.

2.1 Nepotism

¹ Thus, there is also very little literature about the issue. For some additional information, see final notes.

Nepotism is used to give friends, family members or other cronies access to a certain job or other resources with the objective of providing them with a livelihood but also with the certainty that they will feel indebted to the person who helped them into the job, so that s/he can expect future favours from them. The motives are therefore twofold: there is high social pressure in most developing countries to use one's position to allow other family members and friends to get access to jobs and resources, but there is also a widespread habit of resolving problems through the use of friends and family rather than through official channels. Given the poor infrastructure, weak public services and legal systems in many countries where emergency projects are implemented, knowing a lot of people or being able to count on favours facilitates one's life and is often seen as the only way to get things done.

Aid organisations confront this phenomenon each time when a limited number of people have to be chosen from a large number of interested persons. This is the case when they are recruiting staff, selecting local partners for implementation, selecting contractors or suppliers and selecting beneficiaries.

The damage caused by non-transparent systems include collusion of staff with third parties, less qualified staff, staff that are no longer independent but owe favours to other people and a decline in public image, as those practices are usually well known by the local population.

2.2 *Bribery*

Bribery is the act of paying someone money or giving him/her other favours in order to influence that person to do something, not to do something, to do it with a particular result or to do it in a particular way. It occurs when the legal or official way of doing things is either more costly, slower, more difficult or impossible because the intended act is illegal in the first place.

Aid organisations have to deal with requests for bribes when civil servants ask for permits or certificates or when staff are trying to buy their way out of a difficult situation – for example, when committing a traffic law offence. Those payments can also happen when the agency or a staff member is involved in a legal case whose outcome they want to influence. And finally, payments are made at road blocks which are a frequent phenomenon in many conflict-prone areas; in addition, the obligation to hire specific people (members of one armed group or staff of a local warlord) as security guards can also be subsumed under this category.

The damage caused consists of committing a legal offence as bribery is illegal in most countries. Thus, those who are doing it have to fear prosecution and might commit other offences in order to camouflage the first one. The credibility of an aid organisation and its staff is severely damaged when such a payments becomes public and, last but not least, the funds used to bribe are lost for the legal objectives of the operation.

2.3 *Cuts and Kick-backs*

Cuts or kick-backs are payments or other favours received by staff when completing a (trans)action such as procuring equipment or resources, signing a service contract or renting premises or vehicles. On the recipient's side, the motive behind is greed; on the payer's side, the motive is to avoid or outmanoeuvre competition or to achieve a

higher price by sharing the profits with staff members. Kick-backs can come in the form of presents, a monthly percentage of all purchases or fixed amounts per transaction. Suppliers can also issue two original receipts which permit the billing of one item to two different donors; or the amounts shown on the receipts do not correspond with the amounts actually paid.

These kick-backs lead to inflated prices or the procurement of lower quality goods, to indebtedness of staff members to the payer as they become easy victims for blackmail and they in turn owe the payers favours in return. Extensive fraud in procurement can lead to lower quality aid as lots of money is lost in those transactions and the agency has to put very costly control measures in place in order to prevent them. Aid agencies spend a great deal of money to employ expatriate procurement staff to improve oversight functions even though the tasks themselves could as well be accomplished by local staff.

2.4 Diversion or theft

When agency staff use project assets or funds for their personal use, these assets are diverted, regardless of whether they are permanently stolen or only “borrowed”. The motive behind this is either a strive to enrich oneself by stealing goods in order to sell them (e.g. fuel, vehicle spare parts, food aid etc.) or to save money by borrowing goods for private use (e.g. generators, computers etc.). Without downplaying the seriousness of those offences, agencies must also be reminded that they should pay their staff decent salaries that permit them to provide the basic necessities for their families. If salaries are kept below minimum standards in order to please donors, staff will hesitate much less to get involved in these practices as temptation is high when a staff member sees an opportunity. The fear of losing a job will not be great if the salary does not really allow for a living anyway. As there is widespread corruption in many developing countries, staff often see their own acts of fraud only as a copy of larger-scale corruption habits in national politics which are not routinely persecuted, as the rule of law is very weak in many developing countries.

These actions can happen any time in any place of an operation: in procurement, in the warehouse, during or after distributions, when using office equipment or vehicles. Distribution of relief goods to persons who are not entitled to receive them is another form of diversion. In this case, aid agencies can face the specific problem of staff exploiting beneficiaries sexually by promising them extra goods in return for sexual services. Direct diversion of cash can happen at any step in the financial circuit when staff forge receipts, takes advantage of parallel exchange markets or bluntly steal money from the cash box.

Diversion leads directly to a loss of funds, assets and resources and causes additional costs when agencies try to put expensive control mechanisms in place. They also lead directly to a loss of trust in staff and the question whether the employment of more expatriate staff would lead to a reduction of these practices.

3. Who is involved in corrupt practices?

Agencies facing corruption problems in their programmes tend to hire more expatriate staff as they are supposed to be less inclined to get involved in malpractices.

Experience of aid workers show that they are, indeed, less often involved, but this is most likely due to their considerably higher wages rather than higher virtue or moral standards. However, once an expatriate are caught in the diversion of assets or reception of kick-backs, the amounts of money involved are usually higher than in cases involving exclusively local staff. Men seem to be more often involved than women - an observation which reflects a pattern in crime in general. It could also be caused by the fact that more men are holding higher, more influential positions in agencies than women. They are also under higher social pressure as they are more often the breadwinner or even the overall head of the extended family. On the other hand, women – especially working in administration – are more vulnerable to direct pressure exerted by others to cooperate in malpractices and are often too shy to report those acts.

Different groups of staff are able to engage in the different forms of corruption, depending mostly on their ability to take or influence decisions: management staff and human resources personnel can exert direct influence on recruitment decisions and field supervisors can manipulate distribution lists. For bribery to happen, a management person must authorise the use of cash to effectuate the payments, thus local staff is less inclined to do it. However, it is mostly local staff who are confronted by the requests for bribes as international personal rarely go to government offices personally. And even if they do, the requests for bribes will most likely be less explicit, thus leaving local colleagues to sort it out when they want to pick up the licences or permits.

Kick-backs and cuts are most common in procurement functions where logisticians and warehouse managers often have a lot of power to influence purchasing and contracting decisions. The longer a person stays in a key job including responsibilities to directly spend money, the more chances s/he has to establish a fixed procedure with the most regular suppliers. Direct diversion of funds or theft can be committed by any staff member who has knowledge about those resources, has an opportunity to take them away and has is sufficiently confident that s/he will not be punished for it. Thus, practically all staff could get involved in that type of malpractice.

4. Outside factors that aggravate the problem

There are a number of outside factors that can create a climate conducive for corruption: there is normally a very considerable time pressure in emergency operations, leading to a need to take quick decisions on very limited information base. Local staff need to be recruited as soon as possible; local partners have to be chosen within days or a few weeks; and high levels of media attentions lead to a need to be able to show quick and tangible results. Compared to the goal of saving lives, following detailed procedures might appear less important.

There is a tendency towards competition between different agencies, be it for good staff, good local partners or media attention. Thus, it can happen that the outside look of an operation is judged to be more important than solid fundamentals. The considerable speed needed to get operations up and running does not allow for careful procedures such as background checks on candidates or extensive market surveys before starting procurement of relief items. Good local partner organisations can find

themselves with a large number of possible outside funders which reduces the pressure to show solid financial and personnel management.

As described above, putting in effective control mechanisms to mitigate against corruption practices cost money and tend to increase the percentage of funds used for administration, the so called “overheads”. When donors insist that “every penny has to reach the poor”, they overlook the need for supervision functions which can lead agencies to put all emphasis on the direct implementation of field operations at the expense of oversight and accountability procedures.

Many emergency operations take place in conflict-affected countries. Very often, widespread corruption is one of the root causes of those conflicts and aid agencies who want to work in those countries are faced with widespread corruption throughout the entire system – the political sphere as well as in the economy. Where access to beneficiaries is a problem due to security problems, aid agencies might have to hire private transporters to get the relief goods into a special zone where local authorities are responsible for the distribution. Both the transporters as well as the authorities can embezzle the goods either by selling them before they reach the destination or by distributing them according to their own priorities. In those cases, agencies have to weigh between losing goods on the way or not getting any to the beneficiaries at all.

Some other factors are related to oversight personnel, in many cases international aid workers. If there is a climate of laissez-passer in the agency, staff who direct attention to malpractices might be perceived – or feel to be perceived – as trouble makers. This worry can reduce an aid worker’s readiness to look closely at all procedures and practices in his/her project. If the person is only on that assignment for a short period of time – which is often the case in emergencies where staff turnover tends to be high – staff might not want to get embroiled with such a fundamental problem. The turnover of staff also reduces institutional memory and learning and staff who were caught once for corrupt practices might easily get away with the same thing some other time.

Senior staff can also be worried that the detection of corrupt practices will lead to donor requests to pay back funds, or to the complete withdrawal of their support. Thus, the agency would have to find the resources to pay back and the project might have to close which would lead to a loss of all jobs for the staff employed. On a more emotional level, senior staff members often have difficulties accepting that their colleagues with whom they work on a daily basis are involved in corruption. To listen to the first signals and to start an investigation is usually a painful process of disillusionment and personal disappointment. Not all personnel are prepared to go through such a process, which is why senior staff might prefer to ignore the signals and to close their eyes, thus allowing the corruption to go on. And if those inclined to resort to malpractices realise that there is no punishment and very little effort to stop them, the number of cases and people involved will keep growing.

5. Possibilities to fight corruption in aid projects

Aid agencies are very creative in developing mechanisms to fight corruption in their projects. Depending on the different manifestations of corruption, they use a variety

of means, but a number of principles are fundamental to all ways of addressing corruption: transparency in decision making; publicity and openness in handling information; a four-eye principle throughout all procedures and enforcement mechanisms for rules and regulations. All existing legal information and procedures should be used to enforce those procedures. Individual staff members who see signals of corruption must under all circumstances be supported by the agency and should not be seen as trouble makers. These are the basics; however, there are also possibilities for more specific actions.

Transparent recruitment procedures are the only way to avoid or at least reduce nepotism. This includes the public announcement of vacancies in newspapers, on the radio, in public places; a careful decision on who receives the applications in order to avoid unwelcome candidates' papers never reaching the decision-making staff; a written test that can be done by larger numbers of people; and careful background checks on potential candidates for recruitment. Especially in urban centres, the public tends to be very well informed about recruitment practices, as large numbers of people are looking for the well-paid jobs with international agencies. Thus, an agency can very easily spoil its public image by allowing staff to bring in their family and friends and can as easily earn a lot of credit if recruitment is done in a transparent and merit-based way. Placing staff in other regions can be a measure to reduce pressure from family members.

Bribery should be banned as a principle for all aid operations. As it is illegal in many countries, especially those who signed the UN Convention against Corruption² (UNCAC), senior staff can easily forbid all types of payments, but need to set an example themselves. Even if tempted to take short-cuts, senior staff should never instruct subordinates to affect such payments. If it is done once, there is no point in forbidding it the second time. As a consequence, all "receipts" given for such form of payments should be refused to be paid with project money thus obliging the person who wishes to pay a bribe to do it from his or her own pocket.

There are legions of procurement procedures which reflect the fact that the system of kick-backs and cuts is widespread in aid operations. Providing several quotations and launching public tenders for the more valuable contracts are standard procedures; however, suppliers and vendors find lots of ways to cheat the system, often with the help of insiders to the organisation. Thus, aid agencies must be very alert to make sure that sensitive information is well controlled, tender openings are done in public or at least by a committee of people, preferably including representatives of third parties such as other organisations, civil society groups, churches and the like. Doing background checks on suppliers and exchanging the information as well as experiences with other agencies helps a great deal to eliminate the worst cases and to put them on formal or informal black lists. If possible in the local context, legal action must be taken and suppliers who were found guilty should be exposed as publicly as possible.

Payment by cheques, signed by two people, reduces the likelihood of direct cash cuts; quality control of goods reduces the likelihood of cheating through the provision of

² For full text and additional information on international conventions fighting corruption see www.transparency.org/global_priorities/international_conventions/regional_coverage/list/uncac

lower quality goods. Using pre-numbered special forms for procurement orders limits the ability of staff to abuse the organisation's letterhead or to benefit from price arrangements done by the agency for personal / private procurement. The latter can also be achieved by confirming all orders through phone calls from senior management staff. Finally, the rotation of staff occupying key or sensitive posts reduces the chances of building a tight system that is more difficult to detect by senior management where turnover is often quite high.

The systematic involvement of communities in general and the intended beneficiaries in particular is the best way to tackle the diversion of aid resources during distributions. Again, transparency in setting up selection criteria, consistency in applying them and the publicity of the actual distributions contribute enormously to making diversion less likely. Post-distribution monitoring can give valuable insight in the methodology used as beneficiaries who are victims of malpractices might be willing to expose them when interviewed in a careful way, in a protected environment, whereas they will not dare to denounce culprits in public during the distribution itself. Other forms of ex-post evaluations can help to detect malpractices that were done in the past and provide lessons for current operations.

Physical controls of all stocks and equipment are the basis of all storage systems used by professional aid agencies. However, a tight control of who has access to these resources and unannounced counting is necessary to achieve a higher level of vigilance. If a person is found guilty, exposure of the act and consequent punishment are necessary to make sure that procedures are taken seriously. By buying less valuable and only the minimum quantities of equipment, agencies can contribute towards reducing the staff interest in the items and their opportunity to take them away. Again, information about the resources should be only given to those who need to know, not everybody who might be interested to know.

6. How to tackle the negative side effects of fighting corruption

Apart from the factors fostering the existence of corruption, there are also a number of factors that deter agencies from fighting corruption more vigorously. Those unintended side-effects are threats to staff, the threat of legal action taken against them, the worsening of their public image by sensationalist media (amongst others) and the danger of being confronted with false allegations.

6.1 Threats to aid personnel

Unfortunately, there are plenty of cases where staff committed to fight corruption and make thorough investigations get personally targeted. An agency has an obligation to make sure that all investigations are done in a way to show that corruption is an issue concerning the whole organisation or its project and not a personal issue between the investigating and the accused staff members. It also must make sure that the investigating staff is able to personally withdraw from the location whenever s/he no longer feels safe. Backing from head office is indispensable as an encouragement of the staff on the ground and as additional protection, if necessary and possible.

6.2 Threat of legal action taken against the agency

Legal action could be taken by the agency, either by the donor of the project funds or by the government of the country in which fraud takes place if they accuse the agency of having failed to put in appropriate control mechanisms.

Legal action by donors is usually preceded by audits which are done in order to establish evidence about alleged corruption. Full cooperation by the agency personnel and full transparency throughout the process can help to keep the loss of trust in the agency's integrity to a minimum. The audit should also be used as a learning exercise to make sure that any malpractices detected cannot be repeated elsewhere and are prevented in the future.

If the government of the country in which the operation is done is taking legal steps, it is again important for the organisation to show a readiness fully to investigate the case, to take appropriate measures to punish culprits and to put mechanisms in place to make sure that the same thing will not be happening again. However, there is also a need to show that it is individuals that are involved in the detected acts of corruption but not the entire organisation. Under all circumstances, the risk to a project having to be stopped should be minimised, which would only be a punishment for innocent colleagues and would deprive the beneficiaries of the improvement of their living conditions.

6.3 Deterioration of the agency's image

In all aid operations, especially in emergency situations, the image of an organisation is heavily dependent on the perception of the recipient communities and reporting in the media. Losing a positive public image can be fatal for agencies that heavily depend on private donations. If a case of corruption is reported in the media, the most likely reaction of the public will be condemnation and withdrawal of support. Fewer people will congratulate the agency for having the courage to acknowledge the issue or encourage them to dig deeper. However, this is more an issue for the media in the organisation's home country. The local media might just be interested in the sensational aspect of the corruption case and information must thus be handled with care. But again, the public debate of the issues should be used to show the agency's efforts to fight corruption rather than its failure to stop a specific practice in the first place.

Agencies might also fear a deterioration of their record with a certain institutional or private donor who is funding their operation. Again, the agency should make it clear that it is individual staff members who are involved and should openly and transparently inform the donor about the detected fraud, the ongoing investigation as well as about the measures taken against the culprits and in order to avoid the same practices happening again in the future. A growing number of donors encourage their partners actively to take measures against corruption and an agency reporting a case in their operations might find more support and understanding than previously assumed.

6.4 Danger of false accusations

A fight against corruption can also include the risk that people feel encouraged to report even though their accusation is based on rumours only or that individuals use the fight against corruption in order to make false allegations against colleagues or third parties. Thus, every investigation must be done with utmost care, relying as

much as possible on the existing legal system in the country, even though it might well be weak. However, agencies must be aware of the fact that not all accusations must be based on facts and widespread jealousy and envy can motivate people to report malpractices which do not exist. This in turn can lead to a situation where these allegations are used to get rid of a staff member e.g. whose job could later on be given to a family member or a friend.

7. Conclusions

Corruption in emergency operations is not a necessary evil that should be accepted without any question. Corruption in emergency operations manifests itself in many ways and requires differentiated means of dealing with it. The article showed that there are possibilities to address all of them and to establish mechanisms that would reduce their frequency and severity. It might not be possible to eradicate them totally, especially in countries where there is widespread corruption all around the operations – but it is at least to mitigate them to a minimum level. However, this can only be done effectively if aid agencies start to acknowledge the phenomenon more openly and start talking frankly about the occurrence of corruption as well as their efforts to fight against it. If more information is exchanged, individual agencies and their staff do not have to reinvent the wheel each time and collective learning can lead to better results in fighting a joined enemy.

Notes:

Georg Cremer, On the problem of misuse in emergency aid, in The Journal of Humanitarian Assistance, June 1998. <http://www.jha.ac/articles/a042.htm>

Additional general information is available at

www.transparency.org/global_priorities/aid_corruption