U4 BRIEF

Confronting corruption in humanitarian aid: Perspectives and options

Humanitarian crises that call for international assistance almost always take place in countries that either can't or won't meet the needs of their population at risk. Vulnerable environments, poverty, and poor governance enable these crises. Given this reality, does humanitarian assistance actually increase corruption? How do aid workers and the populations they serve perceive the impact of corruption? Where and how is corruption most likely to occur? And finally, what do agencies do to reduce risk? This Brief summarises key findings from a set of studies investigating these questions, and offers some thoughts about how donors and implementing agencies could better address the challenges of corruption in the context of humanitarian action.

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Does humanitarian response add to corruption?

In many humanitarian operations, international agencies enter into an already corruption-prone environment. Most have a very low tolerance for corruption and assume that, because their cause is noble, those that work for them will behave nobly. However, models describing how corruption can occur on the ground suggest otherwise.

In addition, agencies essentially work by bringing substantial resources into a resource poor environment, and they do so rapidly and often with little in-depth knowledge of that environment. To illustrate: Sudan had a Gross National Income (GNI) per capita of $960 in 2007 (and a great deal of that wealth was concentrated in the hands of those who wield power in Khartoum, not those who suffer from disaster and civil war).[1] The relief effort of that year brought in an estimated $588/beneficiary,[2] more than half a year's income. Indonesia, had, in the year of tsunami relief efforts (2005) a per capita GNI of $1,280. Estimates suggest that the per-beneficiary value of relief flowing into the Aceh region was a gross $7,000, nearly five times the annual income! Of course we are cherry picking our data here. There are many emergencies that receive a criminally low level of relief funding. The point however, is that often the influx of humanitarian assistance is at risk of both being corruptly diverted and of exacerbating existing endemic corruption.

To make matters worse, these resources are often brought into environments and societies where the aid agency only has a very superficial knowledge of how things function in normal times, let alone in a crisis. Most aid agencies that responded to the Bam earthquake in Iran in 2003 had never worked in Iran before, let alone in Bam itself and only a few had worked in Aceh before the 2004 tsunami. Finally, consider the nature of the population being assisted. By definition, they have lost a great deal and have often suffered massive violence. What may appear to outsiders as clear corruption may be interpreted locally as a highly rational survival strategy for self and family.

Humanitarian assistance therefore, typically takes place in countries with a high tolerance for corruption, through the agency of organizations highly intolerant of corruption, by rapidly introducing substantial resources into a suddenly resource-poor environment, of which the organization may have very little knowledge, and targeted to citizens who quite rightly prioritize their and their families survival.

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It is against this background that we set out to research just how aid agencies perceive corruption and how they counteract it.

Evidence – what the research found

In 2007 and 2008 Transparency International (TI) commissioned a study conducted by a team from the Feinstein International Center, the Humanitarian Policy Group of the Overseas Development Institute (ODI) and TI to analyse the perceptions of corruption and its significance in humanitarian operations; the consequences of corruption for humanitarian action; and the major risk areas as well as what agencies do to manage corruption risks (Maxwell et al 2008).[3] In addition, TI commissioned ODI to carry out two case studies of aid recipients' perceptions of corruption, which complemented similar case studies conducted previously by ODI (Bailey 2008). While these studies do not represent the views of all agencies or all aid recipients, they found that perceptions of corruption differ tremendously between the employees of aid agencies and the recipients of aid. The agency staff interviewed tended to view corruption narrowly, and mainly in terms of financial fraud. While financial fraud and procurement kickbacks are certainly major components of corruption, there are also many other, less well-defined areas of corruption, including nepotism and other abuses in human resource practice, misinformation or other practices that deliberately distort programming, sexual abuse, and of course outright theft or diversion of humanitarian assistance – either for resale or for channelling to one party or another in a conflict. The fact that the emphasis of agency staff was on financial and procurement fraud is telling – that is where their greatest prevention efforts are focused as well.

Recipients of assistance, on the other hand, may have rather different views. They sometimes see systems of humanitarian assistance that are not transparent, or which may seem arbitrary, or even appear to be downright biased, but have no understanding of why the systems that are supposed to help them have these distortions. This makes it difficult for the recipients of aid, or the local authorities

for that matter, to distinguish genuine corruption from mismanagement or simply poor programming. Recipients of aid also see systems that demand something from them – sometimes cash or sexual favours – in order to receive assistance. And they see waste on the part of humanitarian agencies (living in high rent houses, driving around in new Land Cruisers, etc.) as synonymous with corruption.

In the humanitarian agencies, there is a widespread perception that preventing corruption is at odds with speed and flexibility of response, but also a growing recognition that these are complementary – not competing – goals. There are times when the risk of loss of human life may mean that speed of response is prioritized above all else. But many of today's emergencies turn into protracted crises in which the issue of the speed of the response rapidly recedes in importance, and the quality of programme delivery becomes the more critical imperative.

Perceptions of the extent of corruption vary widely as well. Most agency staff interviewed thought it was a relatively minor problem. Certainly most agencies viewed corruption as, at most, one of a number of risks that have to be managed simultaneously. Corruption is often accepted as "part of the operational environment" in emergencies.

Consequences of corruption for humanitarian assistance

Overwhelmingly, agency staff saw the worst consequence of corruption as being **damage to the reputation and morale** of the agency – and damage to its future fund-raising ability and programming capacity. Other consequences include damage to the quality of programmes and the loss of humanitarian resources for disaster-affected populations, as well as security risks resulting from corruption and the amount of staff time spent on preventing or dealing with the consequences of corruption. For recipients, **being victimized** by corruption – and **particularly sexual abuse** – were the worst consequences.

In contrast, much of the academic literature on humanitarian crises focuses on other consequences, particularly the role of corruption in subverting local economies, or feeding resources into war economies and exacerbating conflict. However, much of this is based on indirect evidence. Given the nature of the problem, there is scant empirical evidence on this, particularly quantitative evidence to allow for a rigorous conclusion to be drawn.[4]

Major risk areas

The major risk areas for corruption include particular elements of humanitarian operations – either programmes themselves or the administrative and financial systems that support programmes. The main programmatic risks include the **delivery of food assistance** – which is bulky and very difficult to hide but also practically ubiquitous in emergencies, and sometimes in massive quantities being managed by a small handful of staff operating under incredible pressure and security risks. The number of different actors and different nodes in the supply chain

make food aid particularly at risk of corruption or diversion. Food aid operations in complex emergencies vary from well-funded and well-staffed operations, such as Darfur, where the risk of diversion has been minimized (though not eliminated!) through adequate oversight, to poorly-funded and under-staffed operations where the risk of corruption and diversion are much higher.

Other problematic programme areas include **construction materials** and **high value inputs like medicine**. In Aceh after the 2004 tsunami, aid agencies moved quickly to help rebuild people's homes, using the normal best practice of working through local contractors, thus supporting the local economy. But they were working on an unprecedented scale and in an area where they had no experience of the construction trade. Some got stung. The result: shoddy housing, disputes over home ownership, cash and resources gone astray. Within a year a major reform of their aid was put in place by one of the agencies, as well as a programme to retrofit the poorly built homes. The agency hired an experienced civil engineer and quantity surveyor to oversee their construction works. They worked with local authorities to ensure services were provided to houses that were built and they ensured that for each house, land and home ownership issue were clear and sealed in a contract before a new house was handed over.

Cash programmes, while a tempting target, are often easier to conduct out of sight of the general public (food aid distributions are much less easy to conduct out of sight, though some large operations are conducted on a very small scale in an attempt to keep them out of sight – particularly when posing security risks to recipients).

Other elements of humanitarian programming that are subject to corrupt influence include **assessments and targeting practices**, or outright **interference in distributions** and the theft or diversion of humanitarian assistance.

The main channel for classical corruption in programme support systems is through **financial fraud** and **procurement kickbacks**. But other practices are risk-prone as well, including transportation and warehousing; port clearing and forwarding operations; and other elements of logistics and maintaining a supply chain of humanitarian assistance. **Human resource practices** were a nebulous area; nepotism for example, was generally viewed as a corrupt practice, but occasionally practices that border on nepotism or other forms of favouritism in hiring procedures were sometimes seen as the only means of hiring trustworthy people quickly in a rapid-onset emergency when the need for staff scaling-up is intense.

Another nebulous area is that of working in partnership. **Partnerships**, with local organizations, community groups, or local government are usually viewed as a good thing, with an outside agency providing some knowledge of donor procedures while local partners have a better knowledge of the operating environment – and hence the capacity of both agencies is enhanced through working together. However, the trade-off between too much trust and too much oversight is often a tricky balance for external agencies to manage. And local partners sometimes perceive that partnerships are a way of "outsourcing" corruption risk by external agencies.

Means of preventing or managing risks

Agencies and local communities do what they can to minimize corruption or the risk of corruption. Agencies have developed a number of mechanisms, including **whistle-blower policies and mechanisms** that are intended to allow either staff or recipient populations to communicate directly and confidentially with someone outside the immediate context to report potential corruption. While most agencies have these mechanisms, staff interviewed were often not familiar with their operations, and recipient communities ignorant of their existence. Some staff expressed the fear that such mechanisms could actually be used corruptly themselves – to make bogus accusations against staff who might be about to report real corruption, for example. Such cases are reported, but it is impossible to estimate their frequency or seriousness. More serious is the fact that whistle-blower mechanisms remain for the most part unknown and unused.

Agencies are taking seriously not only the risk of corruption, but poor management generally – and many have put in place **financial and human resource managers** as part of their "surge capacity." In the past, these rapid deployment teams included mainly programme staff and logisticians.

> *"While most agencies have [whistleblower] mechanisms, staff interviewed were often not familiar with their operations, and recipient communities ignorant of their existence"*

Lastly, **improved monitoring and accountability** mechanisms are recognised as one of the most promising means of reducing corruption risks. A number of industry-wide initiatives, such as the Humanitarian Accountability Project - International (HAP-I), promote increased transparency and responsiveness to beneficiary feedback. Such measures, while not corruption-focused, can have a positive impact on corruption.

In this mapping of corruption as it exists in the humanitarian aid business, we have to recognise sexual abuse and the demand of sexual favours in return for access to assistance. The extent of the problem has been highlighted recently in West Africa and in the Great Lakes region. A number of agencies have put in place specific measure to prevent this. Moreover, improved coordination mechanisms will help to prevent one agency from being played off against another by corrupt service providers or local officials. Lastly, we found that **highlighting organizational values** and organization culture has been effective in reducing corrupt practices within agencies.

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Recommendations – so what should humanitarian agencies, and donor governments, do about it?

Humanitarian operations often take place in environments that are prone to corruption risks and the aid process itself can add to these risks. The above-mentioned research suggests that a number of measures can be used by humanitarian agencies to minimize the corruption risk. Humanitarian aid agencies should:

1. Be keenly aware of corruption risks – both to agency reputation and ability to achieve results, and to the broader context, particularly in conflicts or fragile states and otherwise already corruption-prone places.

2. Include corruption risk analysis in emergency preparedness, risk assessments, and in after-action reviews. This analysis should reflect the fact that corruption is a broader phenomenon than financial and procurement fraud.

3. Develop codes of conduct, transparency policies and complaints mechanisms internally – and model these to partners, governments and aid-recipients.

4. Include adequate budgets for recruiting the right staff – including procurement and finance specialists – to set up and manage operations, and for monitoring activities.

5. Ensure that staff induction includes training corruption risks (including sexual abuse), and agency policy on corruption prevention and reporting.

6. Encourage openness about corruption threats and challenges (i.e. if someone is forced to pay a bribe, don't also force them to hide it).

7. Ensure involvement of disaster- and conflict-affected communities in decisions about assessment, targeting and distribution. Entitlements should be made clear to all recipients, as well as the basis for such decisions, and there should be a safe mechanism for complaints. These procedures for community feedback should be understood and practiced by all agency staff.

8. Use coordination mechanisms in-country to share information about corrupt suppliers, staff and officials, and develop joint strategies for addressing specific or systemic concerns.

Donor governments that substantially fund humanitarian assistance should:

1. Be willing to fund higher administrative costs for agencies, including ample support for monitoring. Without systems to track the efficiency and effectiveness of aid, there is no way to even start addressing corruption.

2. Play their part in promoting an open dialogue about inevitable corruption challenges in crisis-affected areas. Corruption needs to be discussed, not hidden.

3. Think more critically about how they expect agencies to spend in emergencies. The pressure to spend fast and against deliverables locked in from the beginning was identified as a significant driver of corruption opportunities. Donors need to give agencies more space to programme to context and accept that sometimes it is better to spend wisely and slowly rather than with haste and ignorance. ■

References

- Maxwell, D, Walker, P, Church, C, Harvey, P, Savage, K, Bailey, S, Hees, R and Ahlendorf, M-L 2008. *Preventing Corruption in Humanitarian Assistance*. Berlin: Transparency International.

- Bailey, S 2008. *Need and greed: corruption risks, perceptions and prevention in humanitarian assistance*. London: Overseas Development Institute.

Endnotes

1 World Development Indicators database, World Bank, revised 17 October 2008.

2 Aid per beneficiary figures taken from *Global Humanitarian Assistance Report 2006*. Development Initiatives. http://www.globalhumanitarianassistance.org/gha2006.htm

3 The purpose of the study was to provide an evidence base for a forthcoming TI Handbook on preventing corruption in humanitarian assistance.

4 For a recent perspective on the existing evidence, see Keen, D J 2008. *Complex Emergencies* Cambridge: Polity Press.

Photo: Internally displaced people receive humanitarian aid in E.J. Yancy Camp, Liberia (2004) by Tord Rø

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