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Background paper

Opportunities for Corruption in a Celebrity Disaster

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Background paper for the Expert meeting on Corruption Prevention in Tsunami Relief, to be held in Jakarta, 7/8 April.

Introduction

Corruption is defined by Transparency International as “*the misuse of entrusted power for private benefit*”, it can also be described as representing non-compliance with the “*arm’s-length*” principle, under which no personal or family relationship should play any role in economic decision-making, be it by private economic agents or by government officials.”ⁱ

With this definition in mind there are four critical areas of economic activity to examine, in the context of the Tsunami and its resultant humanitarian relief operation.

1. The ongoing environment into which the Tsunami played out.
2. The effect disaster and crisis has on opportunities for corruption.
3. The opportunities created by the aid effort.
4. The issues of accountability and corruption opportunity within the aid agencies and the aid community.

The paper says little about actual corruption in Tsunami affected countries today since there has yet to be any systematic research done on the nature and degree of corruption associated with this disaster. Finally, the paper seeks to understand why this disaster has generated such a massive response and is, in itself, such a unique event.

Why the massive response?

Why was there such a massive worldwide reaction to the Tsunami? Just to say that it was a reaction to the suffering is not enough. Far too many humanitarian crises, with similar, and higher, levels of suffering go unfunded every year. Why was the Tsunami different? We can posit the following five key reasons which combined to create one of the largest and most rapid outpourings of humanitarian funding the world has ever seen.

1. The Tsunami gave the makings of a great media event. The apocalyptic style television images were the stuff of Hollywood, which itself has recently produced a string of disaster movies (Dante’s Peak, Twister, Armageddon, The Day After Tomorrow). And here, in real life, on prime time TV was the reality-show equivalent. Research to be published soon in the Journal of Politics and quoted by the Washington Post on March 13th shows that, in the past few years, “each additional [New York] Times story about a disaster produced about \$590,000 more in U.S. aid, even after controlling for such things as the number of people killed or left homeless and the relative wealth of the affected country.”ⁱⁱ

2. It was Christmas. Or more exactly, the day after Christmas. People in the West (that is where most of the international aid donations are derived from), are in their home environment, not in the “its business, not personal” environs of the work place. They are suffering from post Christmas day over indulgence and maybe a little guilt.
3. Personal connections. Many in the West now go to Thailand, Indonesia, Sri-Lanka or the Maldives for their vacations, or know people who went there and were killed in the disaster. Indeed there is some justification for saying that for Sweden the Swedish deaths in Thailand constitute the biggest natural disaster to affect Sweden for generations. The personal connections lead to personal television stories, bringing the “reality” of the disaster closer to home.
4. There were seemingly no moral dilemmas. This was no civil war, no politically complex struggle, no genocide. This was as close to the proverbial “Act of God” as one could get. The victims were seen as truly blameless victims. The survivors were blameless, the authorities were blameless (in the eyes of the donating public), at least for the first few weeks after the disaster. There was no lingering doubt of political analysis to come between the human compassion for the suffering of our fellow human beings and the act of commitment in writing a check.
5. The internet has arrived. Finally, for the general public, this was the first major disaster where the evolving technology of the internet transformed giving. Many Western aid agencies report that approximately half the donations they received for the Tsunami came in over the internet, as compared with maybe 10% in previous disasters.

All these factors came together to create an aid flow which is unprecedented in size, in the rapidity of build up of funds and in complexity.

The geography of a disaster

Also unprecedented is the geography of the disaster. There have been regional humanitarian crises before, as there was following the Rwanda Genocide, but never a regional disaster requiring parallel responses across such a wide geographical area.

The geographical shape of the disaster presented a unique challenge to agencies. The affected area being essentially a very long thin strip, maybe 5 miles wide at most and thousands of kilometres long. On the disaster side of the strip: a community in various levels of destruction, from near total in Aceh to marginal in Somalia; on the other side of the strip – a few hundred meters away – business as usual; a sudden radical and instantaneous shift in power relations along a line stretching half way round an ocean basin.

The disaster thus enhanced already existing inequalities and potentially provided opportunities for exploitation. The temptations to seize those opportunities for personal financial and political gain are many fold.

A question of proportion

We are looking therefore at a geographically massive disaster and an equally massive rapid build up of funding, but it does not necessarily follow that the problems of corruption will be massive. A paper focusing on the potential for corruption is in danger of painting a bleak and possibly misleading picture. We actually have no knowledge yet as to whether corruption in this disaster operation is a significant issue. Of the billions of dollars that may flow into the region, how many will be lost to corruption, a fraction of a percent, a worrying percentage? And how will this compare with other inefficiencies in the system such as miss-targeting of aid, inappropriate programming and poorly timed programming? We simply do not know and thus we have to guard against over reacting.

Corruption in the existing environment

Transparency International's own Corruption Perceptions Index lists many disaster prone and conflict affected countries near the top of its list of corruption affected countries. This should not surprise us. The economies of disaster prone regions of the world, and particularly those caught up in conflict exhibit many economic systems which greatly increase the potential for corruption as defined above. They tend to be resource poor countries and countries in which disparities of wealth and power are enormous.

The present day analysis of the political economy of civil wars, such as those in Sri Lanka and Aceh province, have demonstrated the clear linkages between personal power, family, tribal and religious affiliation and the exploitation of natural resources, local populations and external international resources to fuel doth personal gain and war objectives. In environments where the salaries of government officials and of soldiers or militia often go unpaid, personal survival may depend upon graft and exploitation. Your gun becomes your salary and exploitation becomes the primary mode of governance.ⁱⁱⁱ

Many of the analytical tools that aid agencies use today to enable their work in these complex environments seek to understand this political economy and how aid may play into it.

The "Do No Harm" analysis developed by Mary Anderson specifically seeks to understand how aid can exacerbate power differentials and fuel the possibility for violence.^{iv} It also seeks to understand the opposite: how aid can be used to promote non-violence and build communities.

Livelihood models have been adapted for use in crises which seek to understand how families put together their asset bundles and how they are impacted by local institutions and customs when trying to build livelihood strategies.^v

Learning point

All these methodologies, while not developed to understand or address corruption, provide a wealth of knowledge on how economies are functioning and thus where the possibilities for corruption may lie. Understanding the nature and dynamic of power and resource flow relations in the affected community is a prerequisite for designing assistance which decreases the opportunity for corruption.

The effect of the disaster on corruption

In the immediacy of disaster many of the systems normally used to encourage accountability and thus reduce the opportunities for corruption break down. Local officials are killed, offices destroyed, records – bank records, land titles, work permits are lost.

That said, experience from previous rapid onset disasters also suggests that the notion that anarchy prevails, looting is rife and it is “every man for himself”, is not upheld by the evidence. In general, people pull together and increase mutual support after a major crisis.^{vi}

However, disasters often exacerbate existing disparities in wealth and power thus increasing the likelihood of corruption. One aid agency active in the Tsunami relief expressed this well.

“As we seek to aid in the post-tsunami reconstruction effort, we must be acutely aware of the power dynamics in [this] complicated social fabric. Without understanding these dynamics, our programs run the risk of reinforcing already highly inequitable social structures. We seek to develop actions that not only help people rebuild their lives and livelihoods, but also help marginalized people enhance their social position. Issues of renegotiating social relations, supporting equitable collective action, promoting sustainable common property management, and facilitating a just and productive interface between the state and communities are just a few of the issues that need serious attention in the context of our tsunami-related programming.”^{vii}

A key question must be: in whose interest and under who’s guidance is rehabilitation and rebuilding taking place?

Most municipal and country authorities, faced with rehabilitating areas where the majority of the infrastructure is destroyed, err towards seeing it as a planning board that needs to be wiped clean and planned anew. Such plans inevitably ride rough shod over the needs and aspirations of surviving disasters victims, who are almost always drawn from the poorest and most marginalized sectors of the community and who have been further forced into marginalization by the disaster. Two examples will suffice.

In Sri Lanka the imperative to seek a quick technical solution to the interface of coastal hazard and human vulnerability has led to the imposition of a 100 to 200 meter deep coastal no-construction zone, with an overall proposal for a kilometre deep development

zone along the 260 km long coastal belt around the island. A new act passed by the Parliament has given the 100-200m setback provision the force of law.

The affected people of the zone have been unanimous in their opposition to the decision. It will delay their resettlement; cause them to lose the asset value of their beach housing properties. They will lose social capital, and their cultural roots along with their location centred employment in fishing, carpentry and the fibre industry. Already the poor and displaced are seeing exceptions made to the rule with tourist hotel projects and other capital intensive works receiving exemptions way ahead of the affected impoverished population.^{viii}

In Thailand similar issues have been reported along with the inevitable property disputes which follow such disasters. If possession is nine tenths of the law, then those who hold few legal documents and find themselves and their homes washed away from their land, have little chance of asserting their property rights.

Survivors who tried to reclaim their land in Laem Pom, part of an old tin mine site in Ban Nam Khem, the worst-hit seaside village in Phangnga, found the devastated area had already been sealed off by a group of armed men hired by the Nai Toon (money baron), who claimed ownership over the beach-front community of some 50 families.^{ix}

Disasters also distort local demand for material. In Aceh the rebuilding of houses and of the estimated 3,000 fishing boats destroyed is going to require an immense amount of timber.

In an effort to save Aceh's rain forest, logging quotas were set in 2004, at a level that, if fully diverted to rebuilding, could supply only enough timber for the boats, or the building of 1,000 barracks; a fraction of what will be needed to rebuild the entire province.^x 70% of Aceh's annual timber output is already cut illegally and indications are that the supply needed to rebuild is going to come largely from the same source.

Learning point

Disasters exacerbate power inequalities and create opportunities for the exploitation of people and resources. State and municipal officials, backed up by aid agencies, need to act decisively to ensure that the rights of the victim communities are protected and that commonly held resources of forest, land and water, are not exploited for unfair profit.

The aid influx affects corruption

The international aid community and the local aid community, by definition, seek to rapidly inject resources into a resource-stripped zone. This major influx of resources, often from unfamiliar sources and through unfamiliar channels, provides an additional opportunity for corruption for those willing to exploit it. Because of this, most well established aid agencies have strict and active internal audit systems in place which they

rely on to help them establish the management and auditing systems needed to guard against corruption.

All disasters and disaster recovery operations create opportunities for profit, legitimate or otherwise. In situations of famine, grain traders often flourish as do livestock marketers who are able to buy up herds at knockdown prices. The reconstruction of physical infrastructure presents a prime opportunity for the misuse of power and resources.

At one level, this is no different from any other major construction program in the commercial or public sector. At another level, aid systems create their own peculiarities which may enhance corruption.

Targeting

All aid programs seek to target their resources and services as accurately as they can to those most in need. Inevitably targeting is not always 100% accurate. For the purposes of this paper we need to understand two types of targeting errors: those of exclusion and those of inclusion. Errors of exclusion happen when individuals, households or communities who should have been targeted are left out. Perhaps an agency does not have access to a conflict affected area, or maybe they have not been able to carry out a thorough enough assessment. Errors of inclusion happen when people are targeted with assistance when they actually do not need it.

As a rule of thumb in emergencies, agencies err on the side of oversupply, thus accepting inclusion errors which may result in excess supply for some because the risk of exclusion errors could mean death for others.

Both errors may create opportunities for corruption, particular exclusion errors which may force desperate households and communities into illegal and unsustainable survival strategies.

Thus the normal aid practice of being safe rather than sorry should tend to diminish recourse to corruption at the community level.

Timeliness

A short note is needed on timeliness. Particularly after rapid onset disasters, survival aid is needed immediately, yet funding systems, and supply systems, take a finite period of time to build up. Most notorious is food aid. The time lapse between food aid being called forward and its delivery (usually from the USA) averages 150 days. This often means it arrives well after it is needed. Similar, though less dramatic, delays occur in all supply chains. It is rare however for agencies to adjust their activities to take late delivery into account. Late supplies are still delivered, sometimes into environments where they are now surplus to needs. And goods not needed for survival may be available for legitimate sale or for less legitimate use and exploitation.

Parallel systems

Implementing aid agencies, particularly those that are new to an area, or are having to rapidly scale up their interventions, have a tendency to create their own systems for delivery, service and accountability, rather than looking to use and enhance existing local systems. In effect they build a parallel economy, creating a large pool of relatively well paid but temporary jobs. They use their own vehicles and build their own warehouses. Aid programs have been accused of siphoning off the most educated in a community, those with language and computer skills, often offering salaries well in excess of normal local rates. As a state struggles to establish or rebuild itself, it finds that former teachers are working as administrators and translators for aid agencies on salaries way above that which the state can afford. In addition, the influx of expatriate aid workers has the inevitable supply and demand effect. House rentals soar and food prices rise as the market adjusts to the new wealthy demand.^{xi}

Through endeavours like the People in Aid initiative^{xii}, aid agencies are starting to reform the way they recruit, train and compensate international staff, but to date no such concerted move has been made to redress issues of inequality in the way local staff are hired and the distorting effect agencies have on local labour markets.

Parallel systems may not always be a bad thing. In many conflict environments, parallel systems are set up explicitly to bypass corrupt and exploitative local government, commercial or war-lord systems.

Learning point

Agencies need to pay particular attention to the targeting and timely delivery of their aid and to ensuring that aid delivered remains in the control of those for whom it is intended.

The humanitarian aid apparatus

Finally the humanitarian aid apparatus itself needs to be examined.

Over the past ten years the humanitarian community, donor governments, UN agencies and NGOs have done a tremendous amount to increase their level of accountability and ability to track their financial and supply resources.

The pressure on donor institutions to be more accountable to tax payers has been passed down the supply chain so that UN and NGO agencies are now well used to developing rigorous reporting metrics in the context of contract-like funding.

Within the government donor community, the Good Donorship Initiative has sought to ensure that funds are targeting more on the basis of need and less on the basis of politics or public pressure.^{xiii} Within the delivery-agencies, initiatives like the Sphere Project have sought to set minimum standards for operations, the Active Learning Network on Accountability and Performance (ALNAP) has sought to enhance the community's

competence in evaluation and monitoring and the newer Humanitarian Accountability Project has sought to address agency accountability back to affected communities.^{xiv}

All these, largely self initiated activities, have greatly increased the accountability of the aid business.

Agency opportunism and over funding

The multi-donor Rwanda evaluation of 1996 contained a now infamous quote. When the evaluators asked an aid agency why they were operational in Goma the reply was “be there or die”.^{xv} The logic being that the implementers of humanitarian assistance are funded on a voluntary and opportunistic basis. States and the general public can choose to either fund or not fund them. For the most part when disaster strikes and agencies have an opportunity to profile themselves, they do so.

This funding methodology means that all implementing agencies must, as an organizational necessity, view their operations as fund raising and marketing opportunities. Few agencies have the courage, or feel they have the financial certainty to do as MSF did and state clearly that they had enough funding. Most agencies continued to fundraise well beyond the point where their initial appeals were met. Even where fundraising ceases, funds from the public still continue to flow. One international agency originally appealed for \$59 million in December 2004, revised this upwards to \$155 million in January 2005 and is reported to have raised over \$1.9 billion to date across its global membership.^{xvi}

Some major US agencies estimate that they have raised, for the Tsunami alone, the equivalent of twice their normal annual global humanitarian budget.^{xvii}

This reliance on, and acquiescence to, opportunistic funding may push agencies to spend fast and furious. They find themselves caught in the dilemma of wanting to carry out thoughtful well planned programs whilst knowing that their agency can neither spend funding as rapidly as requested, nor be assured that the disaster affected communities can absorb such funding effectively.

Agency accountability systems, procurement systems, payment systems have been developed to handle a predictable level and rate of transactions. The Tsunami response is in danger of becoming overwhelming. There are significant problems associated with scaling up a ten million dollar operation turnover to a 100 million dollar turnover over in a matter of days. This rapid and possibly oversupplied environment results in three main problems.

1. Agencies need to hire large numbers of local staff rapidly, often with little understanding of cultural, religious, ethnic backgrounds and affiliations. In many former major operations aid agencies found themselves spending months if not years trying to undo the webs of nepotism and minor exploitation they had inadvertently put in place. Other issues apply to the rapid build up of international

staff where, because of a lack of available experienced personnel, relatively inexperienced agency staffers may find themselves administering relatively large and complex operations.

2. Systems for accountability and the tracking of financial and other resources become overloaded. It is not uncommon for a backlog of accounting to build up and for audit trails to be ignored in the rush to supply.
3. With pressure to spend, particularly where there is such a huge difference between that which agencies initially requested and what they received, poor targeting, oversupply, and inappropriate programs can present problems and opportunity for exploitation. Opportunities for corruption abound, as agencies seek to purchase goods locally in markets they are unfamiliar with.

New internet savvy NGOs

Whilst the major international agencies have seen a massive influx in their funding for Tsunami relief, there has been a parallel change within the wider NGO community.

There is anecdotal evidence which suggests that there has been a massive increase in public giving via the internet and that many non-traditional NGOs have benefited from this. Ten years ago in Rwanda some 480 NGOs turned up in Kigali after the genocide, many of them first timers and most of them European and North American. The Tsunami affected countries have seen a similar influx of agencies, but with the twist that this time many of the agencies are Asian.

There are, as with most disasters, a significant number of relatively new agencies seeking to operate in a largely unfamiliar environment. There is no reason to suggest that these agencies are any less honest or accountable than more established agencies, but there is reason to suggest that their relative inexperience makes their programming more susceptible to exploitation and corruption.

Biting the hand that feeds

There are few authoritative studies of the potential for, and actuality of corruption in the humanitarian aid business; the examination of the Iraq Oil for Food program notwithstanding.^{xviii} An interagency and donor forum convened by WHO in Geneva in late February 2005 listed 38 major agencies already planning some 45 evaluation and review initiatives. It is unclear how many of these evaluations will seek to understand the efforts of agencies to guard against corruption and exploitation of their aid.^{xix}

Aid agencies exist in a relationship with their public and funders where they are seen as holding funds in trust. They are the vital link between those with compassion and those with need. Those with compassion want their dollar to go to the needy and are perceived as only giving if they are sure their wishes are being met. Aid agencies feel they are caught in a bind. They seek to ensure their reporting emphasizes how little they spend on

overheads (to suggest that “every cent” goes to the needy), yet without systems of financial tracking, checks on authority, internal audits properly funded, and without training and monitoring, aid may go astray.

They know that their donor public (governmental and general) is fickle. If an aid agency admits either internal corruption or being the victim of corruption, its risks losing the confidence of its donor public and thus its funding life-blood.

A recent opinion poll by the Program on International Policy Attitudes found that “Americans show great pessimism about how effectively aid money going to Africa is being spent, with most assuming that large portions are lost to corruption.”^{xx} Figures for perceptions about aid in general are little different. Against this background it is extremely difficult for an individual agency to stand up and admit, let alone confront issues of corruption.

Learning point

Systems of accountability within aid agencies and between them are necessary to the professional integrity of their operations. These systems should be publicly encouraged and supported. In major disasters like the Tsunami, consideration should be given to the setting up of specific measures to help ensure good programming. The use of trust funds for aid, the creation of interagency monitoring and evaluation offices and the use of common audit and logistics tracking systems should all be considered.

Conclusions

This paper has sought to layout something of the environment which needs to be examined when seeking to understand opportunities for corruption in the Tsunami recovery operation. It has not sought to provide recommendations - that is best left up to the Jakarta conference - but we can pose a few closing questions.

Which is the most likely source of significant corruption? The underlying economic systems in the affected countries, the opportunities created by the disaster for profiteering, the over or miss supply of the aid system, or the internal workings of the aid system itself? Efforts to reduce corruption need to be focused.

Can the significant funding available for this rehabilitation effort be turned into an advantage to better develop the systems needed to guard against aid abuse? Can collective efforts be made, maybe out of the public eye, to study corruption in the humanitarian aid system and gain an understanding of how important, or trivial, it is?

If our prime concern is the rebuilding of livelihoods in a sustainable manner within the affected communities, then how do issues of corruption and aid misuse measure up against issues of inappropriate, ill-timed and poorly conceived aid projects? Wherein lies the greatest threat to recovery?

The concern for accountability, which is part and parcel of the transparency and anti-corruption agenda, has moved agencies to work their way down the supply chain, from accountability to donors, to accountability to self-set standards to accountability to beneficiary populations. Is there a potential in this massive operation to carry out some serious work on this last link in the chain and move agencies beyond what is largely rhetorical community accountability?

END

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ⁱⁱ Richard Morin. *Aid From the Gray Lady?* Washington Post, Sunday, March 13, 2005; Page B05. <http://www.washingtonpost.com/wp-dyn/articles/A28922-2005Mar12.html>

ⁱⁱⁱ See for example Stephen Collinson 2003, *Power, livelihoods and conflict: case studies in political economy analysis for humanitarian action*, Humanitarian Policy Group Report 13, Overseas Development Institute., for a good analysis of this.

^{iv} Mary Anderson. 1996, *Do no harm: supporting local capacities for peace through aid*. Boston, MA, Collaborative for Development Action Local Capacities for Peace Project.

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^v Susan Lautze and Angela Raven-Roberts (2003). *Violence and Complex Humanitarian Emergencies: Implications for Livelihoods Models*. Medford, MA, Feinstein International Famine Center, Tufts University. Paper presented at FAO International Workshop on “Food Security in Complex Emergencies: building policy frameworks to address longer-term programming challenges” Tivoli, 23-25 September 2003. <http://www.fao.org/crisisandhunger/root/pdf/lautze.pdf>

^{vi} Erik Auf der Heide. *Common Misconceptions about Disasters: Panic ,the “Disaster Syndrome,” and Looting*. 2004. <http://coe-dmha.org/Media/HeideCH27.pdf>

^{vii} Oxfam America. *Program Matrix Tsunami Response*. India (Feb. 21, 2005)

^{viii} The Asian Coalition for Housing Rights. March 6 <http://www.achr.net/000ACHRTsunami/Sri%20Lank%20TS/Tsunami%20Sri%20Lanka.htm>

^{ix} S.Ekachai. *This land is our land*. <http://www.achr.net/000ACHRTsunami/Thailand%20TS/Thai%20Extras%20Tsunami%201.htm>

^x Greeneconomics (January 2005). *A preliminary assessment of timber requirements for Ache’s reconstruction, and its implications*. http://www.greenomics.org/docs/report_gi_wwf_english.pdf

^{xi} US Agency for International Development. (2002) . *Foreign Aid in the National Interest: Promoting Freedom, Security, and Opportunity*. Chapter 5 p118. Washington, D.C.

^{xii} See there website <http://www.peopleinaid.org/>

^{xiii} Adele Harmer, Lin Cotterrell, Abby Stoddard. *From Stockholm to Ottawa A progress review of the Good Humanitarian Donorship initiative*. HPG Research Briefing. Number 18 October 2004. <http://www.odi.org.uk/hpg/papers/HPGbrief18.pdf>

^{xiv} Peter Walker. *Cracking the code: the Genesis, use and future of the Code of Conduct*. (2005) Forthcoming, Disasters.

^{xv} Steering Committee of the Joint Evaluation of Emergency Assistance to Rwanda. *The International Response to Conflict and Genocide: Lessons from the Rwanda Experience*. March 1996. <http://www.reliefweb.int/library/nordic/>

^{xvi} The International Federation of Red Cross and Red Crescent Societies.

^{xvii} Personal conversations with World Vision International, CARE USA, Oxfam USA, American Red Cross. March 2005

^{xviii} The Independent Inquiry Committee into the United Nations Oil-for-Food Programme. <http://www.iic-offp.org/>

^{xix} Minutes of the Interagency and Donor Meeting to Develop a Shared Approach for Evaluating Tsunami Assistance, WHO, 23 February 2005, Geneva

^{xx} http://www.americans-world.org/digest/regional_issues/africa/africa3.cfm