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Prevention of corruption in emergency procurement: an imperative for the humanitarian aid community

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In a humanitarian emergency arising from armed conflict or natural disaster, thousands of lives are at risk and state institutions are often overwhelmed. The first priority for aid providers is to identify and meet the affected population's most urgent needs, through the purchase and distribution of certain goods and services. ...While price and quality are important considerations, the primary concern is that of urgent delivery. Inefficient acquisitions by procurement officers under severe pressure will inevitably occur. Sometimes, however, inefficient results are intentional. In those cases, people deliberately misuse their power for personal gain' (Schulz, Jessica and Tina Soreide, 'Corruption in Emergency Procurement', U4 Brief No. 5, November 2006).

Emergency aid amounts to around US \$6-7 billion annually, just from Official Development Assistance, not including private donations. In exceptional circumstances such as the recent Asian tsunami, it is estimated that close to US \$14 billion was pledged for emergency aid for tsunami victims alone. Such large sums of money make humanitarian aid vulnerable to corruption. Corruption poses a huge reputational risk for humanitarian aid providers, as it can erode support for their activities among institutional donors and especially the general public who funds a significant proportion of humanitarian assistance.

There are a number of factors that make procurement in emergency contexts particularly prone to corruption. The large influx of external resources, both financial and in kind, the urgency of delivering relief and reconstruction supplies and the breakdown of local institutions and public services, all exacerbate the risks of corruption in emergency situations. Relief supplies and services – including food, water, shelter and medicines – can as a result of corruption be diverted away from affected communities or distributed inequitably. This undermines the very spirit of humanitarian assistance: to help those in greatest need, the victims of natural disasters and civil conflicts.

Corruption risks in emergency procurement

Multiple and competing providers

The first corruption risk stems from the very large number of humanitarian agencies, both public and private, involved in emergency procurement. Intergovernmental agencies, international NGOs, national governments (both donor and recipient governments), local authorities, national or local NGOs, and international and national suppliers, all converge at the time of an emergency. Each agency has its own policies, procurement procedures and reporting systems, and the coordination that should take place through the recipient government or the United Nations frequently is ineffective. Competing procedures and requirements overwhelm the capacity of local authorities already



weakened by the emergency, making effective control less feasible. Local anti-corruption institutions are also weakened during an emergency. In these situations, corruption opportunities flourish.

Corruption risks throughout the procurement process

Corruption can take place at all stages of the procurement process, from drawing up the needs assessments and specifying the relief supplies, to circulating the invitation to bid, developing tender lists, evaluation and selection of bids, negotiation of conditions and contract award, ordering and delivery of supplies, implementation and project supervision. In addition, the emergency recruitment of procurement staff may result in insufficient or inadequate capacity to handle procurement tasks professionally, increasing corruption opportunities.

Needs assessment

Risks of corruption begin with the assessment of the needs for goods and services for the affected population. Needs assessments can be inflated, leading to oversupply of relief commodities, a portion of which can then be diverted corruptly. The difficulty of estimating relief needs in advance precludes stockpiling of more than a small portion of emergency supplies, necessitating on-the-spot purchases.

Special 'fast-track' processes

The urgency of emergency procurement may lead humanitarian aid providers to shortcut normal procurement procedures and quality controls. It is generally accepted in the humanitarian community that derogations from normal tendering procedures can be accepted in the early relief stages of an emergency. National and local procurement institutions may have been destroyed or seriously weakened. International procurement may be too time-consuming, unduly costly and also runs the risk of distorting local markets. It may also be difficult to obtain the minimum number of bids from local sources for emergency tenders in view of the devastation of the local economy.

However, 'fast-track' mechanisms can be highly prone to abuse and can be used to facilitate corrupt behaviour. In addition, even when multiple potential suppliers can be identified they may collude, come from a single family or crony network or even be fake companies created to take advantage of the aid resources.

Contract specifications, tender lists and contract award

Bribery or nepotism/cronyism can also influence inclusion of particular companies in a tender list. The same factors can lead to provision of insider information to particular bidders regarding the tender so that those bidders have more time to prepare a bid, can offer a more attractive bid, or learn of opportunities to negotiate the contractual conditions after the contract is awarded. Finally, bribery or nepotism/cronyism may simply lead to the corrupt bidder being awarded the contract despite not meeting 'value for money' standards. It often can be difficult in an emergency to determine the 'true' market price for goods and services. A large number of external organisations entering the local market seeking goods that are in short supply will inevitably drive up prices. A black market in relief goods is created that opens the door for corruption.

Poor quality implementation

As a result either of corrupted needs assessments, tender specifications or purchasing arrangements, substandard goods can be provided but paid for at standard prices. When this happens, for example in the case of shelter, this can mean that shelter financed by humanitarian aid is in the best case inappropriate for the needs of the beneficiaries; in the worst case, the housing collapses within a short time. As regards health services, distribution of counterfeit or out-of-date drugs and medical supplies can actually compound the loss of life from the original emergency.

Accounting, reporting and auditing

In emergency contexts, adequate accounting is often challenging. Not only have financial institutions and records been damaged or destroyed, but also high levels of illiteracy and lack of financial understanding may make it impossible for adequate records and accounts to be kept. Financial procedures may be too complex for the institutional and human resource context of an emergency, resulting in their being ignored. This in turn hampers effective ex-post audits. These problems can lead to inflated invoices or receipts for goods or services delivered, sometimes with the collusion of agency staff and the difference being pocketed. It also makes accurate monitoring, reporting and evaluation difficult, facilitating inflation of project results to claim unjustified funding. Audits have the further limitation that they focus on finances and the paper trail. They do not catch the diversion of goods to non-target beneficiaries, which can only be detected by field monitoring and evaluation.

Staffing

There is high management and staff turnover in emergency operations, particularly among international agencies. This reduces the institutional loyalty that normally would reinforce professional integrity. Moreover, expatriate staff (which could include, in the case of a large country, staff from other regions), probably do not have good knowledge

of the local context: the power structure, supply networks, market prices, etc. However, local procurement officers may be subject to pressures from family or friends to give undue preference to their companies or to accept artificially inflated prices.

Measures to detect, prevent and combat corruption risks

When facing risks of corruption, quite a number of preventive measures can be taken from the management side, but others – as or more important than the latter – have to focus on individuals' ethical behaviour and incentives when they have decision-making responsibilities in procurement processes.

Emergency preparedness and risk management

A great deal of corruption can be prevented through building anti-corruption safeguards into disaster preparedness and risk management exercises. Many disasters take place repeatedly or on a chronic basis in the same regions or countries (earthquakes, hurricanes, droughts, flooding). In such cases, a quick but thorough assessment of the corruption risks that arise within such emergencies can be carried out in advance, paying attention to the way procurement is likely to be implemented and identifying the most pertinent actions to prevent such corruption from affecting the good use of humanitarian aid funds (Ewins, Peter, Paul Harvey, Kevin Savage and Alex Jacobs, 'Mapping the Risks of Corruption in Humanitarian Action', July 2006). Staff could be given special training in corruption risk assessment. Supply tracking systems to complement financial tracking have been implemented by some of the larger humanitarian providers, which helps to reduce diversion of procured goods during distribution.

Improved coordination

Within the best practices that can be adopted from the management side, coordination among aid agencies remains crucial. Experience has shown that multiple uncoordinated interventions increase the possibilities of abuse. Therefore, to the extent possible, the various aid providers should use consistent and simplified procurement rules in order to streamline implementing, reporting and control processes and make them more effective.

Quality standards

Needs assessments and the technical specifications for relief goods to be purchased can be benchmarked against the Sphere Standards Handbook (The Sphere Project, 'Sphere Handbook: Sphere Humanitarian Charter and Minimum Standards in Disaster Response', 2004), to prevent inflation of requirements or the provision of substandard goods. These benchmarks will of course require field verification to guard against distortion through corruption. In countries with chronic emergencies, likely suppliers can be prequalified or framework contracts developed between a group of humanitarian agencies and regional suppliers (Schulz Jessica and Tina Soreide, 'Corruption in Emergency Procurement', U4 Issue No. 7, 2006). Finally, several humanitarian agencies are turning to cash payments or vouchers rather than supplying goods, to reduce the

number of actors and transactions and thus opportunities for corruption, transfer quality control to beneficiaries and increase beneficiary ownership. While this strategy is not corruption-free and anti-corruption safeguards would have to be built into the process, it would seem at least to present less corruption risks on balance than in-kind assistance through contracting of suppliers by the aid providers (Harvey, Paul, 'Cash-based responses in emergencies', Humanitarian Policy Group Report No. 24, January 2007).

Use of 'fast-track' procedures

If the urgency of the humanitarian crisis or the local context precludes competitive bidding, such 'fast-track' derogations from normal controls should be limited to the very initial relief operations and not continued for infrastructure development (housing, roads, water and sanitation, etc.) or reconstruction operations. Moreover, limited competition does not necessarily imply lack of transparency and accountability. Whenever direct contracting is used, the process should be sufficiently documented, the reasons that led to the various tendering decisions duly substantiated and the contract outcome should be open to the scrutiny of different stakeholders including, in particular, the people affected by the emergency.

Human resources

Conflicts of interest, nepotism/cronyism and the use of bribes to distort tendering decisions can be reduced by using different staff for the various procurement functions and by teaming expatriate and local staff to combine the disinterestedness of outsiders with the local knowledge of insiders. Background checks prior to recruitment, particularly of local staff or partners, can help reduce conflicts of interest and cronyism. Humanitarian agencies should share data on staff who have been found to engage in corrupt behaviours; a staff member dismissed for corruption may simply apply to another aid provider and continue his/her corrupt behaviour.

Monitoring, evaluation and audits

While audits are obviously an essential anti-corruption tool, including for procurement, they should be complemented by the monitoring of implementation to detect problems as they arise. On-the-spot field verification of the value-for-money and effective delivery of relief goods can permit corrective measures early in implementation. Monitoring and evaluation by actors independent of the aid providers, such as local civil society organisations, can be particularly helpful in detecting corrupt practices.

Transparency and accountability

Some of the most effective monitoring and evaluation can be carried out by the beneficiaries themselves. The active participation of emergency-affected communities, from needs assessments and programme design through the identification of appropriate local suppliers and vetting of local procurement staff, to quality control of goods and services received, can help prevent the distortion of relief processes through corruption.

For monitoring and audits, both by outside agencies or by beneficiaries, to be effective it is essential that procurement processes and documentation be as open, accessible, and easily understood as possible. If beneficiaries are made

aware of their entitlements, they can monitor what is being procured and the methods used for such procurement, so they can alert whenever inappropriate decisions are being made, predefined criteria are not being applied or the process is being manipulated to benefit one or several contractors, or goods are not reaching their intended targets. Finally, accountability requires not only access to information and to decision-making processes but effective complaint mechanisms, including clear staff incentives and protection for whistle-blowers. Easily accessible and confidential complaints channels should be set up both with the aid-providing organisation and in emergency-affected communities.

Increased resources needed

Improved and expanded quality assurance, accountability and corruption prevention mechanisms such as outlined above will require increased financial and human resources as well as management commitment. Pressures to reduce the administrative budgets and overheads of aid providers can lead to mismanagement, waste and corruption. A small investment in quality assurance and accountability programmes that reduce corruption can actually increase the net amount of emergency goods and services reaching the victims of emergencies, the ultimate objective of humanitarian aid.

About the authors



Roslyn Hees is currently leading a programme at Transparency International (TI) on Preventing Corruption in Humanitarian Assistance. This has involved supervising the preparation of a Corruption Risk Map for Humanitarian Action by the Humanitarian Policy Group of the Overseas Development Institute, published in July 2006. Roslyn has worked with TI since 1997, as Director for Africa and the Middle East Department (2000-2002), as well as advising on a number of topics including corruption in development aid, evaluation and fundraising, on a pro-bono basis. Prior to this she worked with the World Bank (1979-1997) as a project officer and manager for human development operations in the Asia/Pacific and Middle East/North Africa regions and with the UNDP in Haiti (1975-1978).



Marcela Roza graduated in economics at the Los Andes University in Bogota and holds a Master in Tropical Agricultural Development, Agricultural Economics and Planning from Reading University, UK. She worked for eight years with Corporación Transparencia por Colombia – Transparency International's national chapter – on the design and implementation of corruption prevention tools and has 10 years experience working with different national governmental institutions in Colombia, as well as with the government of the capital city, Bogotá. She is currently the Coordinator of the Public Contracting Programme at Transparency International's Secretariat in Berlin.



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About the organisation

Transparency International (TI) is the global civil society organisation leading the fight against corruption. Through more than 90 chapters worldwide and an international secretariat in Berlin, Germany, TI raises awareness of the damaging effects of corruption and works with partners in government, business and civil society to develop and implement effective measures to tackle it. TI has gathered the skills, tools, experience, expertise and broad participation needed to engage in the fight against corruption on the ground, as well as through global and regional initiatives. TI's mission is to create change towards a world free of corruption.

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