

Misuse in Emergency Aid

NGOs and Corruption in Relief Work

Georg Cremer

Non-Governmental Organizations (NGOs) are often believed to be more efficient and less susceptible to corruption than governmental agencies because they work in direct contact with the beneficiaries of aid. But, as this article shows, this is not always the case. Emergency aid by relief organisations is under similar pressures as official assistance.

Emergency aid organisations are forced to work under conditions which bear a high risk that one or another form of corruption may occur, because corruption is an everyday phenomenon in the countries where they usually operate. Emergency aid is often confronted with corruption as an external problem. Payments at road checks might assure delivery of relief goods in time. Bribes might be needed to make a relief program work. As long as people responsible in emergency aid organisations decide to cooperate with corrupt officials and to pay these bribes after responsibly weighing the detrimental effects for their own work against the positive ones this is done for the sake of the emergency program and not for private purposes. This article focuses on corruption as an internal problem in emergency aid, i.e. misuse by the relief organisations themselves or by employees within the structures of the organisations. "Diversion

of funds" is primarily achieved through various forms of embezzlement:

- "Kick-back" agreements when placing orders. Relief goods are ordered at excessive prices; the additional amount or part of it is given back to those who place the orders;
- Accepting relief goods of poorer quality than was agreed in the contract, in an arrangement similar to kick-back;
- Selling relief goods to dealers;
- Delaying the spending of funds intended for emergency aid and using them in the meantime to make a profit.

Diversion of funds on a larger scale reduces the quantity of assistance for those in need and creates benefits for hidden target groups which the emergency aid organisations never intended to support. Usually, also quality and appropriateness of the assistance is affected. Short-changing on the use of input goods affects the quality of investments made as part of a

rehabilitation programme. The timeliness of aid is affected when the spending of funds is delayed for the purpose of intermediate investment. When viewing some emergency projects one has to conclude that funds were embezzled to a considerable extent. For example, government-built houses for flood victims in the Gulf of Bengal; when they were built, cement was skimmed on to such an extent that the houses began to deteriorate after one or two years. As a result, the houses rapidly became too dangerous for the "beneficiaries" to live in and were used as stalls for animals. Keeping in mind the methods of diverting funds, it is difficult to assume that the failure of this or other projects carried out under government supervision is a result of incapable administration only. Those persons in charge who accept excessive prices or material of inferior quality receive a share of the additional profits which result for the contractor by means of kick-backs, bribes or other mechanisms.

State and NGOs: What is the difference?

The reservations which exist against emergency aid under government supervision result from the fear of emergency aid forming part of the system of illegal remuneration of an enlarged public sector. These reservations are often justified; however, one must differentiate between the various countries. In order to avoid the shortcomings of the government sector emergency aid organisations channel a substantial part of their assistance via non-governmental organisations. How should NGOs be judged with respect to our examination of misuse in emergency aid? Corruption, of course, does not only occur in the government sector. Directors and employees of NGOs have positions which are

NGOs engaged in relief work often work under the same constraints and shortcomings as government agencies. Only professional management can help to avoid misuse of funds.

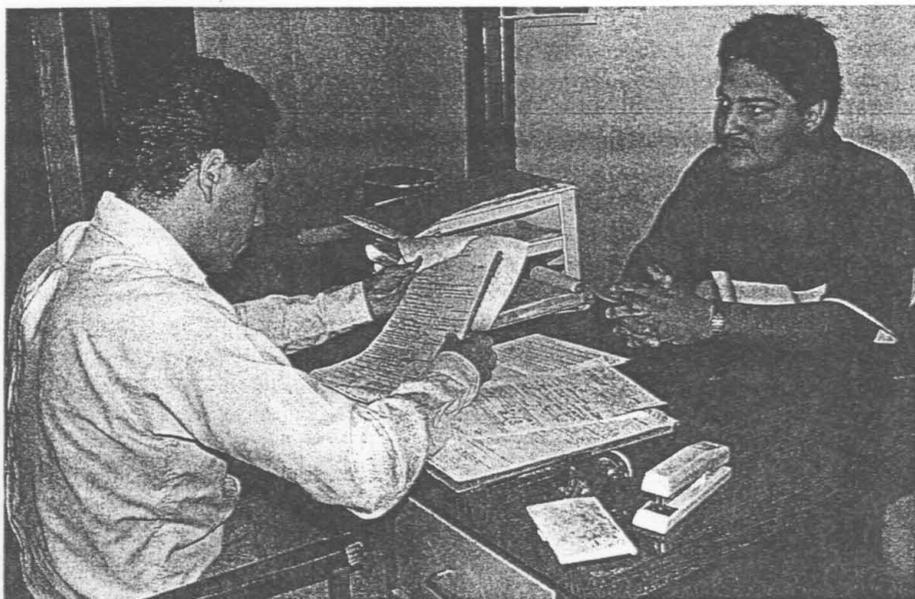


Photo: UNHCR

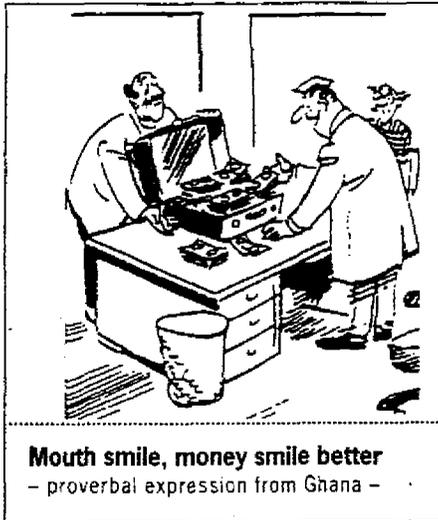
comparable to a public office and which can be misused for private purposes. All the forms of embezzlement listed above are also possible with projects which are carried out by NGOs. Two examples: an NGO in a West-African country commissioned a company backed by the president to effect customs clearance for foodstuffs which were to be imported as part of a relief program. The prices agreed upon were far above normal and obviously comprised a kick-back to the benefit of the director of the NGO. At the same time, part of the imported milk powder found its way to dealers who processed it into yoghurt and sweets for the middle and upper-class of the country. A NGO in Asia, for example, founded a special intermediate trade organisation for large deliveries of building material to a disaster area. In this way it was able to issue its own receipts when making its statement of accounts for the foreign donors. The profits concealed in this way were used as financial reserves for the organisation and to augment the salaries of its employees.

Therefore, the assumption that there is no danger of misuse when assistance is provided through NGOs is unrealistic. However, assistance provided through NGOs does help to control misuse as the foundation of NGOs creates competition in the field of emergency aid work. When there are several organisations there is competition for relief funds; NGOs compete to prove themselves more worthy of receiving such funds than other recipients. When several NGOs come into existence and put an end to the state monopoly the responsibility for foreign donors of emergency aid increases: their relief policy should favour the development of competent NGOs. The efficiency of the assistance provided must be the decisive criteria for allocating foreign aid funds.

Methods of Control

Even if foreign donors of emergency aid don't usually talk about the problem of misuse of funds, they are naturally aware of it. In most western industrialised countries there are budgetary regulations which include various mechanisms to prevent misuse: stipulating that an invitation to tender must be issued before large orders are placed and that the use of the funds must be proven with receipts. In countries in which corruption has become an everyday phenomenon, such administrative mechanisms provide much less protection against the misuse of the funds than in Germany, for example. In many countries it is

almost part of standard "customer service" for suppliers to issue receipts for more than was spent which can be used in statements of accounts given to foreign donors to conceal embezzled funds. An invitation to tender as a mechanism for preventing misuse is only effective if its not manipulated by those responsible for placing the order, for example, by selecting the suppliers who may submit a tender or by not being objective when comparing quality.



Mouth smile, money smile better
- proverbial expression from Ghana -

Source: Transparency International (TI)

Since the effectiveness of administrative control mechanisms is limited, additional methods of preventing misuse are necessary in emergency aid as they are in development aid in general. When foreign donors of emergency aid investigate market prices themselves, they considerably limit possible manipulation of receipts and offers to tender. Evaluation of projects and independent contact with the target groups by linguistically competent persons whom the foreign donor can trust give an indication of how successful prevention of misuse within the organisation was. The most important method of control is selecting the right partners. There is no point in working with independent local organisations unless there is sufficient trust that the pretended humanitarian goals of the partner organisation are their real goals and not intended to conceal a system for diverting funds. This trust comes about and grows when the local partner is willing to provide transparency toward foreign donors.

Avoiding disbursement pressure

When discussing the problem of misuse in emergency aid, foreign aid organisations should also look on themselves. There are some structural components of their work

which make it difficult for them to cope with this problem. One of these components is disbursement pressure. Development aid organisations, i. e. those responsible within them, are under pressure to spend funds allocated for a certain purpose within a certain time limit, but insufficient structures in the developing countries often prevent this. Non-governmental emergency aid is largely financed by means of donations. Time limits for spending the donations result mainly from strategic considerations of the non-governmental organisations, especially concerning their position on the donation market. Donations are primarily called for during the acute phase of disasters, as long as the disasters receive media coverage. In order to justify themselves to the donors and in order to fulfill the expectations partially created by their own appeals for donations, relief organisations feel under pressure to be present at the disaster site, especially in the acute stages. Their work is only seen by a large part of the public, and thus by past and potential donors, in this phase.

From the point of view of misuse prevention, such pressure to use funds is disastrous. One is inevitably less critical when deciding which project proposal to accept and the amount of assistance to grant when one is under pressure to use up funds. Whether it is a matter of critical questioning, checking up on the reliability of partner organisations applying for funds, or searching for possibilities to provide assistance more effectively and cheaply, disbursement pressure gets in the way of all of this. Partners in emergency aid are, of course, aware of this disbursement pressure. It reduces the motivation for partners to control misuse within their own organisation.

The value of administrative costs

Part of the scepticism whether relief aid even "gets there", is due to the assumption which is shared by many donors that most, or at least a substantial part of donations is eaten up by the administration of the relief organisations themselves. Relief organisations which depend on donations to finance their work virtually outdo each other in assuring their potential donors that no deductions are made from their donations to cover administration costs. In this way the donor can be "sure that every penny of his/her donation benefits the people affected". While it is true that a sensible limitation of administration costs is an important criterion in judging the efficiency of relief organisations; lower costs are not nec-

essarily better. This is true especially from the point of view of preventing misuse. In an environment which is characterised by corruption and lack of legal security, it is necessary to choose and supervise projects very carefully. Charitable organisations can only guarantee to spend 100 per cent of donations, but whether these actually "get there", and whether they are converted into efficient aid is also determined by the efficiency of their administration. The professionalization of emergency aid is not possible without an adequately maintained administration.

Partner NGOs - similar to government structures?

Foreign emergency aid organisations which work with NGOs in developing countries may be confronted with structures within the NGOs which are quite similar to those of a state bureaucracy. NGOs which work as local partners of foreign relief organisations depend on qualified employees, often they are underpaid compared with the salary earned by those in the pri-

NGOs are often under pressure for quick disbursement of funds. Otherwise, donations will dry up. This can lead to bad planning.

vate sector with comparable qualifications. At the same time, senior employees of the local organisations have considerable freedom to make decisions, for example, when procuring relief goods or drawing up plans for their distribution. This leeway can be used to earn illegal income. It is plausible to assume that the more employees feel that they are underpaid for the work they do, the less scruples they would have in doing so. Of course, fair remuneration alone is no guarantee against the misuse of funds as long as there are no effective control mechanisms. But without fair payment, control mechanisms cannot be enforced effectively. If the assistance policy of foreign donors doesn't leave them enough leeway to support the necessary local structure of their partners and to pay qualified employees adequately, they encourage the development of corrupt structures within the partner organisations.

Overcoming information barriers

Successful prevention of misuse is only possible when the employees of emergency aid organisations notice signs of misuse in their areas of responsibility, and if information barriers within the organisation do not prevent the use of the information. If misuse within one's own area of project work is never an issue, the person who discovers misuse is then suspected of being responsible for the problems since they

were only evident in his area of work. The fact that misuse occurs only in one's area of work shows that one was not careful enough in one's choice of approaches, partners and projects. If such an atmosphere is present within an organisation, information is not readily passed on and the knowledge of the employee is of no use to the management of the organisation.

Consequences

Emergency aid must often be effected in countries in which corruption is an everyday phenomenon. For foreign donors of emergency aid risks are therefore unavoidable. As a rule, it is not in their power to change the conditions under which they do their project work. What they can do, is to organise their work structures in such a way that misuse becomes more difficult. Promoting the development of capable partners is an important part of misuse control, as this undermines the monopoly of a state administration which is susceptible to misuse. Administrative control mechanisms are by no means adequate: it is necessary to gain sufficient insight into the projects themselves locally. Intensive project supervision, systematic evaluation and close contact to local organisations make it possible to differentiate between partners. These tasks are ensured by the administrations of the relief organisations which are so often scorned but without which it is not possible to control misuse effectively. External prevention of misuse is not sufficient however; when deciding which NGOs to support, one should make sure that the organisations in question are transparent and set up in such a way that their executives must answer to a supervisory committee. Such structures create internal mechanisms for preventing misuse. If legitimate running costs of local partner organisations are not recognised by foreign donors, this encourages the development of corrupt structures within the partner organisations similar to structures in government. In order to control misuse, it is necessary to reduce the disbursement pressure which is rampant among emergency aid organisations as a result of marketing strategies for donation appeals. Misuse and misuse control must be spoken about more openly in the emergency aid branch in order to reduce information barriers and in order to integrate these issues in the training and further education of employees of a more professional emergency aid. ■

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