

# Curbing Corruption in Tsunami Relief Operations

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Proceedings of the Jakarta Expert Meeting organized by the  
ADB/OECD Anti-Corruption Initiative for Asia and the Pacific  
and Transparency International, and hosted by the  
Government of Indonesia

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Asian Development Bank  
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# Abbreviations and Acronyms

ACA	Anti-Corruption Agency (Malaysia)
ADB	Asian Development Bank
BAPEL	Badan Pelaksana (Executing Agency)
Bappenas	National Development Planning Agency (Indonesia)
CRC	citizen report card
CSC	community score card
DAC	Development Assistance Committee (OECD)
DFID	Department for International Development (United Kingdom)
GSDMA	Gujarat State Disaster Management Authority (India)
ICB	international competitive bidding
ICT	information and communication technologies
IMC	Integrity Management Committee (Malaysia)
KPK	Corruption Eradication Commission (Indonesia)
LCG	local government/donor coordination group
M&E	monitoring and evaluation
NGO	nongovernment organization
NSD	National Security Division (Malaysia)
OECD	Organisation for Economic Co-operation and Development
PM&E	participatory monitoring and evaluation
RAN-PK	National Action Plan for Eradicating Corruption (Indonesia)
RM	Malaysian ringgit
PSPE	Practices, Systems and Procedure Examination Unit (Malaysia)
SME	Small and medium-size enterprise
TI	Transparency International
UN	United Nations
USD	United States dollar



# Foreword

**T**he Indian Ocean tsunami that hit South and Southeast Asia in December 2004 was one of the worst natural calamities of recent times, the scale of the devastation to coastal communities across the region almost incomprehensible. As befits a disaster of such magnitude, the humanitarian response was massive. Emergency efforts to relieve the survivors' suffering were accompanied by financial pledges to fund the huge cost of reconstruction and long-term recovery.

Concerns that corruption, waste, and mismanagement may undermine these efforts were voiced at an early stage and from many quarters. The huge amounts of money involved, the urgent need for speedy assistance, and the difficult conditions in the affected areas contributed to widespread fears of potential diversion of aid resources away from those in need.

The Expert Meeting on Preventing Corruption in Tsunami Relief, jointly organized by the Asian Development Bank (ADB), the Organisation for Economic Co-operation and Development (OECD), and Transparency International, was held to address these concerns directly. It brought together representatives of the six worst-affected countries, from government and civil society as well as major aid provider organizations, to identify for the first time concrete measures to curb corruption in post-tsunami relief and reconstruction activities.

The resulting discussions were frank and rich in potential solutions to address the risks of corruption in tsunami aid. These proceedings seek to synthesize the meeting's most important deliberations and conclusions, thus providing a useful resource for the wide range of individuals and organizations working to ensure equitable tsunami assistance.

The meeting was the result of the collaborative efforts of many institutions and individuals. First, we express our sincere appreciation to the Indonesian Ministry of Finance for hosting the meeting in Jakarta and for providing both organizational assistance and substantive input. We are grateful to Gretta Fenner, Consultant, Project Manager of the ADB/OECD Anti-Corruption Initiative for Asia-Pacific; Frédéric Wehrlé, Coordinator for Asia-Pacific at the OECD Anti-Corruption Division; and Helen Green, also of the OECD, for her editorial support. At ADB, our

special thanks go to Marilyn Pizarro, Consultant, for her editorial and organizational assistance; to Staffan Synnerstrom, Advisor for Governance; and Ayun Sundari, External Relations Officer, both of ADB's Indonesia Resident Mission; for their input. From the Transparency International Secretariat, we thank Cobus de Swardt, Global Programmes Director; Aled Williams of the Policy and Research Department; and Nikola Sandoval of the Asia-Pacific Department.

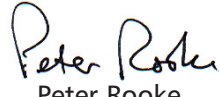
The Jakarta meeting was an important step in wider efforts to address the risk of corruption in tsunami relief and reconstruction. Many more steps are needed to ensure that the billions of dollars pledged by aid providers and the general public reach their intended destinations. Our hope is that these proceedings—and, in particular, the meeting's key conclusions—will help inform and strengthen these broader activities on the part of all stakeholders.



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# Meeting Conclusions and Framework for Action

Expert Meeting on Corruption Prevention  
in Tsunami Relief  
(7–8 April 2005, Jakarta, Indonesia)

**H**umanitarian relief and reconstruction following natural disasters is particularly vulnerable to corruption. Sudden flows of large amounts of money, goods and services, pressure to deliver aid quickly, as well as the substantial economic opportunities that arise from large-scale reconstruction, all contribute to increasing the risk of corruption, waste and mismanagement. Given the scale and scope of the relief and reconstruction required following the Indian Ocean Tsunami of 26 December 2004, the Asian Development Bank (ADB), the Organisation for Economic Co-operation and Development (OECD), Transparency International (TI) and the Indonesian Government jointly hosted a two-day meeting on preventing corruption in tsunami relief. The meeting, held in Jakarta on 7-8 April 2005, was attended by representatives of six tsunami-affected countries (India, Indonesia, Malaysia, Maldives, Sri Lanka and Thailand), bilateral and international donor organizations and civil society, who discussed risks of misuse of the funds and identified concrete ways to mitigate these risks.

To ensure that aid funds are appropriately managed and benefit the people affected by natural disasters, participants agreed on the importance of concrete and specific actions to be taken by affected governments, civil society, donors and international governmental organizations. Participants reached a broad measure of agreement on a framework for action that provides applicable solutions to counter

corruption in humanitarian relief and reconstruction efforts for use by policy makers, civil society, donor and international institutions.

This framework for action embraces some key measures that main stakeholders should take to assist affected countries in humanitarian relief and reconstruction efforts.

## **Framework for Action**

Affected communities and their governments, as well as nongovernmental organizations, the private sector, donors and international governmental organizations should work together to ensure that aid delivery and relief and reconstruction efforts are not tainted by corruption. This enhanced collective action should strengthen trust between stakeholders and lead to a more effective channelling of resources to affected communities.

### **Country Ownership**

Affected countries should exercise effective leadership over their humanitarian relief and reconstruction and should be enabled to do so. To this end, governments of affected countries, in dialogue with local communities, civil society, donors and the private sector, should commit themselves to translate their national reconstruction strategies into prioritized, results-oriented operational programs and take the lead in coordinating the aid they receive in conjunction with other ongoing development programs.

Donors should commit themselves to respect affected countries' leadership in relief and reconstruction efforts and help strengthen their capacity to exercise it; they should further align with affected countries' strategies and base their overall support on these countries' national reconstruction efforts.

### **Community Participation**

The active participation of affected communities in relief and reconstruction decisions can minimize the risk of corruption in the delivery of aid. From the earliest stages of relief, through to the design, implementation and evaluation of long-term projects, such communities should be enabled to articulate their needs and assist in devising reconstruction

plans, as well as evaluate end-results. The economic capacity and expertise of affected communities should be utilized wherever possible in delivering relief and reconstruction to reduce cost, ensure appropriate solutions and assist with economic recovery.

## Access to Information

To ensure more effective participation in relief and reconstruction efforts and in the process of making decisions on issues which impact them, affected communities need accessible and understandable information about relief and reconstruction efforts as well as about relief and compensation benefits they are entitled to. Governments, public and private donors, international organizations and local civil society organizations should implement comprehensive and harmonized information strategies that uphold internationally recognized access to information standards. Such strategies should make use of appropriate formats and of local languages to ensure ease of access by local communities. All stakeholders should additionally seek to support the role of the media in ensuring transparency in relief and reconstruction efforts.

## Transparency of Aid Flows

A major concern of all stakeholders is the transparency and traceability of aid flows. Disaster responses require the rapid flow of funds that result in an increased risk of corruption. The establishment of appropriate mechanisms to track aid flows from source to end-user as well as the publication of this information becomes crucial.

Coordination of information from all stakeholders through national tracking systems designed to respond to the emergency is important. Such tracking systems can contribute to coordinating, monitoring and managing the overall rebuilding effort in a given country. They not only trace needs and commitments but become an effective tool to meet legitimate expectations for transparency, accountability, and sound governance. It is important that such tools be developed, owned and maintained by affected governments and communities, and used to coordinate the support of all providers of relief and reconstruction including donors and local and international nongovernmental organizations.

National tracking systems need to show the funding mechanism, preferably on budget, and the contribution of multi-donor funds set up

for such catastrophes. Tracking systems should contain information comprehensive enough to respond to government and donor exigencies yet simple enough to be accessible by affected communities. International organizations and donors should support the development and maintenance of such national tracking systems, as well as collate national information for cross-country comparison and implement compatible international tracking systems.

## Monitoring and Evaluation

Effective independent monitoring and evaluation is key to ensuring the transparent implementation of relief and reconstruction programs. The development and application of mechanisms to facilitate such monitoring is of vital importance. Effective internal control and external auditing should be complemented by community-led approaches, such as people's audits, that reinforce accountability towards affected peoples. Such approaches should be promoted by governments and by donors and all stakeholders should implement necessary action to rectify problems identified.

All stakeholders should commit themselves to maintain adequate accounts and provide timely, transparent, comprehensive, and accessible information on programming, aid flows, and expenditure.

## Complaints and Reporting Mechanisms

Affected countries should provide accessible grievance procedures including corruption reporting channels and protection for whistleblowers in the context of humanitarian relief and reconstruction efforts, including for private and public sector employees, the media, and the general public.

## Mutual Accountability and Coordination

All stakeholders are accountable for their own actions in the relief and reconstruction processes. A major priority for affected countries, civil society and donors is to enhance mutual accountability and coordination in the use of aid relief and reconstruction resources. This also helps strengthen public support for country-led reconstruction strategies.

Donors should coordinate both with governments and among themselves and establish a regular dialogue to avoid duplication of

programming. Similarly, nongovernmental actors should also coordinate with governments and among themselves and seek, where appropriate, cooperation with other stakeholders.

### Capacity Development for Improved Governance and Corruption Deterrence

As a consequence of natural disaster, local institutions may lose capacity, local government may be diminished, and civil society institutions may be weakened. Consequently, strengthening the capacity of institutions and individuals in affected countries is also critical for countering corruption in disaster relief and reconstruction efforts. Capacity development for improved corruption deterrence is the responsibility of affected countries with donors and international organizations playing a supporting function. Measures aimed at strengthening local institutions and civil society organizations should recognize existing in-country expertise and, where appropriate, provide technical assistance to promote the implementation of adequate policies aimed at preventing and deterring corruption.

Such institutional development within both the government and nongovernment sectors should notably promote sound financial management, including effective procurement arrangements and increased administrative accountability, provide for effective project implementation, ensure sound oversight of the utilization of donor and national funds, and enhance capacity to follow up on audit results and monitoring and evaluation reports. Institutional capacity development should also aim at ensuring that the public procurement legal and regulatory frameworks of affected countries adequately address disaster situations. Public contracts should contain an explicit anti-corruption clause embodying effective sanctions for breach, and ethics training and codes of conduct should be provided to procurement staff. While processes may be accelerated to reflect urgency, competitive bidding and other measures to promote cost-effective, corruption-free procurement should not be bypassed except according to appropriate predetermined criteria in exceptional cases.

Donors should support such efforts of affected governments in their capacity development assistance and in bilateral programs and international fora such as the ADB/OECD Initiative's procurement review and the OECD DAC/World Bank procurement capacity strengthening initiative. For aid-funded procurement, they should rely on the affected

country's procurement system if the latter corresponds to mutually agreed standards or, if this is not the case, should agree to other harmonized systems.

Full transparency is required for all information related to needs assessments; assistance pledged, delivered and utilized; procurement rules and procedures (e.g. via Integrity Pacts); contracts awarded; and progress in execution via regular public reports.

## **Next Steps**

ADB, OECD, and TI will disseminate this framework for action as widely as possible and publish the proceedings of the meeting. They will also

- Actively pursue bilateral and multilateral contacts with all stakeholders for advancing the implementation of this framework for action;
- Discuss the framework for action with the international donor community, in particular through the OECD DAC Network on Governance (GOVNET), as well as with other key stakeholders such as organizations involved in humanitarian relief and reconstruction;
- Encourage TI national chapters in affected countries to disseminate and discuss the framework for action with the local stakeholders; and
- Consider establishing a roadmap, to be presented at the fifth ADB/OECD Regional Anti-Corruption Conference for Asia-Pacific, to develop a set of operational guidelines which can be used for planning, tracking, monitoring and evaluating aid flows and the implementation of relief and reconstruction efforts with a view to preventing waste, mismanagement, and corruption in humanitarian relief and reconstruction.

# Summary of Proceedings

## INTRODUCTION

In the space of a few hours on 26 December 2004, the Indian Ocean tsunami resulted in a humanitarian catastrophe on an unprecedented scale. The disaster left nearly 300,000 dead and thousands of coastal communities destroyed. One estimate of the cost of recovery for the affected region is USD11.5 billion (*Asian Development Bank Review*, April 2005). In response, a massive humanitarian effort ensued in which billions of dollars in emergency aid and longer-term assistance to affected countries were pledged. The sudden flow of large amounts of money, goods, and services to the affected region has, however, fed widespread fears of monetary losses due to corruption, waste, and mismanagement.

Corruption in the delivery of aid undermines the very spirit of humanitarian action: to “do no harm.” Relief supplies—including food, water, medicines, and shelter—can, as a result of corruption, be diverted away from affected communities or distributed inequitably. This, in turn, can have fatal consequences for many individuals and can force desperate households to engage in other, often illegal, means to survive. The longer period of reconstruction required after major disasters is particularly prone to corruption due to a tendency to bypass standard procedures to ensure rapid rebuilding. Improper planning or contracting processes that favor particular interest groups can, for example, result in substandard or inappropriately located roads and housing, or lead to commercial interests’ acquiring land at the expense of former owners who are “relocated.” Such outcomes ignore the needs of survivors, often further marginalizing those from the poorest sections of society. Preventing opportunities for

corruption in relief and reconstruction efforts is therefore key to ensuring effective and equitable assistance to those in greatest need.

Given the scope and scale of the relief and reconstruction required following the tsunami, the Asian Development Bank (ADB), the Organisation for Economic Co-operation and Development (OECD), Transparency International (TI), and the Indonesian Government jointly hosted a 2-day meeting on preventing corruption in tsunami relief. The meeting, held in Jakarta on 7–8 April 2005, was attended by representatives of six tsunami-affected countries (India, Indonesia, Malaysia, Maldives, Sri Lanka, and Thailand), aid provider agencies, and international organizations, as well as civil society groups.

Opening the meeting on behalf of the Indonesian government, **Taufik Effendi**, Minister of Administrative Reform, welcomed the opportunity to discuss concrete recommendations to address corruption in tsunami relief efforts. He added that the participants represented a range of anti-corruption expertise and looked forward to their views over the coming days. Speaking on behalf of Transparency International, **Peter Rooke** noted that the risk of corruption following the tsunami was widely acknowledged, both by governments and by the public. He added that the role of civil society is key in addressing this risk, and welcomed TI's involvement in the Jakarta meeting.

Recognizing that the meeting would not provide conclusive answers to the corruption risks in tsunami relief efforts, **Jak Jabes** of ADB noted, however, that it was an important step toward assuring transparency in the relief and reconstruction process. The meeting's purpose was to identify concrete priority measures to be taken by each stakeholder involved in aid delivery and reconstruction work, to prevent and curb corruption related to the tsunami relief effort. Welcoming participants on behalf of the OECD, **Patrick Moulette** noted that the meeting would address key issues in corruption prevention and that each stakeholder group present had a responsibility to ensure transparency in the wake of the tsunami disaster.

The meeting was composed of an opening and a closing plenary, a roundtable session highlighting approaches to preventing and curbing corruption as presently employed by governments of affected countries, and six thematic sessions. Based on expert presentations and discussions during the meeting, participants reached a broad measure of agreement on a framework for action that provides applicable solutions to counter corruption in humanitarian relief and reconstruction efforts, for use by policy makers, civil society, aid providers, and international institutions (see Meeting Conclusions and Framework for Action).



## GOVERNMENT APPROACHES IN TSUNAMI-AFFECTED COUNTRIES

*Chairs: Gretta Fenner, OECD, and Cobus de Swardt, TI Secretariat*

The tsunami disaster of December 2004 affected the citizens and economies of India, Indonesia, Malaysia, Maldives, Sri Lanka, and Thailand in different ways and to different degrees. Economic, political, and social structures in these countries vary greatly, as do their anti-corruption systems and infrastructures. Despite the variety of circumstances from which each affected country had to approach tsunami relief and reconstruction and the prevention of corruption, each country has found innovative solutions to meet these challenges. It is precisely this variety of solutions from which participants at the Jakarta meeting can benefit. The exchange of experience on implementing anti-corruption measures in post-tsunami relief and reconstruction has inspired supplementary and additional action and has also allowed for comparisons as to the adequacy and efficiency of solutions in different circumstances.

Though the scale of destruction in **Malaysia** was small in comparison with other affected countries—the cost of reconstruction was put at some USD17 million—**Hasnan Bin Ahmad Zakaria** of the country's National Security Division admits that the risk of corruption is still present. He noted that, in particular, blurring of responsibilities can lead to the corrupt diversion of large amounts of money. Consequently, Malaysia's response to such risks has been guided by existing national policies and a clear division of labor between relevant institutions.

Thirty percent of **Maldives'** total land mass has been affected by the tsunami, resulting in estimated damage worth USD400 million—equivalent to 60% of the country's gross domestic product. **Ibrahim Naeem** of Maldives Monetary Authority explained that a Tsunami Relief and Reconstruction Trust Fund had been established to manage incoming aid. The fund is controlled by a board consisting of three government officials, members of the tourism and construction sectors, and the resident representative of the United Nations Development Programme. Though no major diversions of funds have been reported so far, a mix of internal, external, and performance audits will be conducted to deter and detect possible future corruption. In addition, the country's existing anti-corruption board will oversee reconstruction efforts.

In **Sri Lanka**, the tsunami left 40,000 dead and affected a further 1 million people. The country's fishing community was almost entirely

destroyed, as were many coastal roads and railways. According to **Kasgahamula Gedera Wimalasena Dahanayake** of the country's Foreign Aid and Budget Monitoring department, Sri Lanka did not have a pre-designed disaster response plan to deal with an event of this magnitude. Following the tsunami, however, the Government established three task forces for i) Relief Operations, ii) Logistics and Law and Order, and iii) Rebuilding the Nation. The largest sectors identified in the national rebuilding action plan are housing, fisheries, and roads. Consultations with affected local communities are taking place at district level but not always at national level. For the reconstruction phase, special procurement guidelines will be prepared by the Government in consultation with aid providers. A number of issues continue to be discussed, including the 100-meter coastal exclusion zone, the alleged slow implementation of aid, regional bias in aid distribution, and public participation.

The destruction experienced in **Thailand** was not on the same scale as in Sri Lanka or Indonesia. Nonetheless, thousands of individuals lost their lives and thousands more their livelihoods as a result of the tsunami. According to **Nongkran Chanvanichporn** of the Thai Prime Minister's office, the Government had never before dealt with a disaster on this scale and quickly realized that corruption posed a real threat to aid effectiveness. She noted that all donations were being centralized in a Tsunami Relief Fund governed by an executive board that was chaired by the deputy prime minister. A number of monitoring and complaints processes had already been put in place, as had external audit procedures. Above all, the challenges lie with having to balance the need to guarantee quick relief with the need for transparency.

## COUNTRY OWNERSHIP AND PARTICIPATORY DECISION- MAKING AS MEANS TO ENHANCE TRANSPARENCY

*Chair: Todung Mulya Lubis, TI Indonesia*

Participatory decision making in the design of aid strategies, as well as recipient country "ownership" of these strategies, are key to enhancing the transparency of relief and reconstruction efforts. By enabling resources to be matched with real needs, they can significantly reduce the risk of misuse of aid for corrupt purposes. Aid providers play a key role in ensuring recipient country ownership of relief and reconstruction strategies; governments, on the other hand, are challenged to ensure broad societal

and political participation in the development of such strategies, for which civil society organizations should play a facilitating role.

**Todung Mulya Lubis**, Chair of TI Indonesia, agreed that ownership of relief and reconstruction strategies by affected countries is important in enhancing their effectiveness and transparency. He further noted that participatory decision-making is an important, though often overlooked, method for ensuring such ownership. Introducing the session, he argued that all stakeholders must be involved in the decision-making process, from the identification of needs onward.

In the wake of the 2001 earthquake in the Indian state of Gujarat, a State Disaster Management Authority was established to coordinate the massive reconstruction activities. According to **Pramod Kumar Mishra** of the country's Ministry of Urban Development, the experiences of this body showed that community-driven approaches can lead both to high levels of public ownership and high quality reconstruction. He noted that, following the earthquake, local community representatives were directly involved in assessing levels of damage. Despite a lack of uniformity in these assessments—partly due to the high number of engineers involved—3 years later almost all of the 215,000 damaged private houses had been repaired. An owner-driven housing construction program was responsible for 80% of rebuilding. The program involved training in earthquake-resistant construction, as well as stringent technical checks to ensure high building standards. In addition, measures to increase access to information at the local level were introduced, including the establishment of legal literacy camps and information kiosks. Accountability levels were strengthened with the introduction of third party quality audits and monitoring by both aid providers and nongovernment organizations (NGOs). Social impact assessments provided real-time feedback on reconstruction activities, reinforced by benefit monitoring conducted by the accountancy firm KPMG.

To ensure country ownership in the dispersal of assistance after the tsunami, aid providers and the Government of Sri Lanka conducted separate damage assessments. A final joint assessment is currently being completed by the country's Task Force on Rebuilding the Nation. **Kasgahamula Gedera Wimalasena Dahanayake** of the country's Foreign Aid and Budget Monitoring department explained that, although the government has been criticized for a lack of public consultation on reconstruction plans, weekly assessments involving civil society were used to inform monthly meetings between aid providers and the Government. He agreed that country ownership of such plans was extremely important

and that affected communities should be widely consulted in their development. He concluded by saying that the Government would publish its national action plan to allow for full transparency.

Speaking on behalf of the World Bank in Indonesia, **Joel Hellman** noted that various mechanisms had been introduced by the Indonesian Government to ensure appropriate ownership of the country's reconstruction strategy. These include the development of a reconstruction "master plan" and the establishment of a central agency to oversee rebuilding efforts. Though useful, he noted that these mechanisms have their limitations. When such strategies cover too great a range of issues, appreciating their full range of implications and reacting to them becomes difficult for any individual or institution. Also, any approach involving a centralized agency should be reinforced by both institutional and citizen oversight. To ensure participatory decision-making and community ownership, he identified networks of facilitators at the village level as a useful tool to provide information to the central Government as well as distribute reconstruction funds.

Pointing out the distinction between country ownership and "people ownership," **Jayasuriya Chrisantha Weliamuna** of TI Sri Lanka noted that from his experience, governments are usually more concerned with the former than the latter. As an example, he stated that no information was apparently available in Sri Lanka about government procedures for appointing members of special agencies or institutions, including those responsible for post-tsunami reconstruction. He added that no official information was available about the informal sector, in which the country's coastal inhabitants often play a substantial role. Lack of publicly available information, coupled with a lack of consultation with affected communities, may quickly result in the exclusion of intended beneficiaries of aid from decision-making processes.

Though communities affected by disaster are often portrayed as helpless victims, participants recognized that these communities can and should be consulted from the earliest relief stages onward, as they are ideally placed to assess their needs. Asking them even the most basic questions about their needs can create a strong sense of ownership of relief and reconstruction activities and thus contribute to a strengthening of these activities' overall quality. The role of access to appropriate forms of information regarding aid activities was repeatedly emphasized as a means to facilitate improved public ownership. Publishing lists of aid figures on websites is not enough, especially as access to computers and the Internet is likely to be particularly difficult in post-disaster situations:

information must be communicated in ways that will reach affected communities. Participants also noted the importance of cross-sector representation on, for example, the boards of trust funds dedicated to tsunami relief. A significant caveat, however, was that participation of civil society organizations does not automatically equate with the participation of affected communities. Special efforts are required by governments to ensure consultation among particularly vulnerable members of society who, as a result of disaster, are often at risk of further marginalization. Civil society organizations must also seek to represent adequately the views and opinions of affected populations and involve them in their work to the extent possible. Overall, the principle of mutual accountability among all stakeholders was seen as a key element for ensuring strong ownership of relief and reconstruction strategies.

## IMPROVING THE TRANSPARENCY OF AID FLOWS

*Chair: Jak Jabes, ADB*

Recognition is widespread that the high level of bilateral, multilateral, and nongovernmental aid flows in the context of the tsunami disaster has brought with it an increased risk of corruption, both during immediate relief efforts and in the longer-term reconstruction phase. Important requirements to reduce such risks are the establishment of appropriate mechanisms to track aid flows from source to end-user by both aid providers and governments, and the enabling of civil society organizations to monitor aid flows.

Speaking on behalf of the Indonesian Ministry of State Planning, **Syahrial Loetan** appreciated the concern of the international community in this regard. The Indonesian Government has taken a number of steps to address the risk of corruption in aid flows, including the lifting of restrictions on press freedom and measures to strengthen the judicial system. The National Action Plan responding to the disaster was developed via extensive public consultation and the Government is considering use of a performance budget system to better assess reconstruction program outputs. Finally, a toll-free telephone number will be established by the Government to allow public complaints to be registered.

Ensuring access to appropriate information is a key element to improving the transparency of aid flows. **Yasmin Ahmad** of the OECD explained that a wide range of statistical information on aid activities is

gathered each year by OECD's Development Assistance Committee (DAC). Due to the long-term nature of the information gathered, however, this data is difficult to apply in the context of emergency aid operations. On the other hand, the DAC will conduct a special survey on tsunami aid, the results of which are expected to be available by the end of 2005.

Echoing the importance of access to information measures, **Zia Choudhury** of Humanitarian Accountability Partnership-International noted that, in order to improve transparency, information systems should be geared to the needs of affected communities. He argued that most of the information currently made available by governments and the UN was both complex and quantitative in nature and therefore difficult for most affected people to understand. In order to ensure the relevance and accessibility of information provided, affected communities should be consulted about the type of information they require and the form in which they would like to receive it.

Acknowledging the unprecedented levels of aid pledged following the tsunami, **Rashid Khalikov** of the UN Office for the Coordination of Humanitarian Affairs introduced the UN's system for tracking financial contributions, developed with the assistance of PriceWaterhouseCoopers (available: <http://ocha.unog.ch/fts>). The system, which records all funds for emergency aid channelled through the UN as well as their intended use, will be complemented by a new website tracking project implementation. This tracking system, however, can only reflect and report on the information that it receives in addition to that of UN agencies, and many organizations, including NGOs, do not make use of this free service.

Participants recognized that access to information on financial flows was not enough to improve the transparency, and especially the effective use of aid flows. Rather, such information should also reflect the actual outputs of funds used. For example, although the Government of Indonesia has made public its "Blueprint for Aceh," a recent case saw the construction of 1,000 temporary shelters, of which only 30% were eventually used to house internally displaced people. It was argued that, in order to address such issues, aid providers should actively encourage implementation of public consultation mechanisms.

Joining the meeting, the Indonesian Minister of National Development Planning, **Sri Mulyani Indrawati**, noted that, once the centralized agency dedicated to overseeing reconstruction work was established, monitoring financial aid flows would be an important next step for the Government. She spoke of the need for aid providers to coordinate among themselves

to ensure the harmonization of policies with governments of affected countries. With regard to public participation in the design of reconstruction activities, she added that the Government was open to citizens' ideas. Ultimately, however, she noted that the government would have to decide on the way forward.

## STRENGTHENING FINANCIAL SAFEGUARDS AND ADMINISTRATIVE CAPACITY TO CURB THE RISK OF CORRUPTION

*Chair: Juree Vichit-Vadakan, TI Thailand*

**Paul Harvey** of the Overseas Development Institute noted that development aid situations are often characterized by dominant international actors and marginalized local groups. People affected by disasters are particularly vulnerable and, thus, the risks posed by corruption are particularly significant. Relations between aid providers and governments can quickly become antagonistic in the context of emergency relief efforts. These significant corruption risks that arise in responding to disasters are exacerbated by any existing shortcomings in the financial and administrative systems of affected countries. It is therefore essential that appropriate systems be in place *before* disasters occur in order to create trust between aid providers and recipients.

Aid providers and governments jointly need to establish an enabling environment for effective risk assessments, ensure proper financial management of aid provider-supported activities, and strengthen the country's financial and administrative capacity. **Igusti Agung Rai** of the Indonesian Supreme Audit Institution highlighted these often difficult issues of harmonization and coordination as being of critical concern. In particular, he noted how aid harmonization, alignment, and coordination can help reduce transactional inefficiencies and prevent the use of aid funds as instruments for rent seeking, thus increasing the efficient use of development resources.

In advocating the adoption of appropriate risk assessment strategies and capacity building in financial management, civil society organizations can play an important role. Similarly, noting the importance of the media in ensuring accountability to aid recipients, **Jerry O'Brien** of the United States Agency for International Development emphasized the need to build media capacity in affected countries to

report freely and independently on corruption. Finally, capacity building should also take place in private sector companies, as these may also play a role in fuelling corruption if not equipped with appropriate fraud prevention strategies and capacity.

According to **Ajith Cabraal**, former president of the South Asian Federation of Accountants, the building of financial and administrative capacity should be accompanied by the development of norms and benchmarks against which progress can be measured. While capacity building measures require professional expertise, they should be designed in such a way as to achieve an appropriate balance between using external and internal resources. He further noted that capacity development should be based on needs assessments and locally driven and owned, and that aid providers in particular should be careful to identify real capacity building needs rather than simply giving what they can provide. Finally, he commented that a useful exercise would be to collate and compare, ideally sector by sector, capacity building experiences following previous natural disasters.

Participants supported the importance of using local experts and building local capacity wherever possible. It was noted that in Sri Lanka, despite a 90% literacy rate and a strong pool of academics, unemployment is high and local experts are often marginalized in favor of outside consultants. Consequently, capacity building efforts should focus on building local capacity so as to make use of and strengthen this source of skills and expertise.

The regulation of humanitarian actors was raised as a key issue for ensuring appropriate financial safeguards and administrative capacity. Though international NGOs are often reluctant to submit to the regulation of an ombudsman, it was argued that they should follow the regulations of the country they work in and the country in which they are headquartered, as well as their own internal accountability regulations. Local civil society organizations, like governments and aid providers, also need to take appropriate measures to ensure transparent financial management of their activities.

Concluding the session, **Juree Vichit-Vadakan** of TI Thailand noted that a holistic early warning system for corruption in tsunami aid was necessary if the wider aim of social justice was to be achieved. She argued that aid and reconstruction programs solely driven by affected country governments or aid providers were not enough. Rather, such programs require the involvement of all social stakeholders—including affected local communities—to be effective.



## FACILITATING EFFECTIVE AND TRANSPARENT PROCUREMENT AND IMPLEMENTATION

*Chair: Peter Pease, OECD*

The implementation stage of relief and reconstruction efforts is particularly vulnerable to the risk of corruption. These risks vary between the relief phase, in which the distribution of goods and services may, for instance, fall prey to corrupt networks, and the longer-term reconstruction phase, in which nontransparent or closed contracting processes can lead to the corrupt diversion of resources away from the intended recipients. Aid providers should establish appropriate guidelines for contracting and service delivery. Governments must ensure coordinated and transparent design, procurement, and implementation of contracting and service delivery, while civil society should both advocate such government systems and themselves ensure transparent implementation of their own projects.

Though it is argued that transparency in project procurement and implementation comes at a high price, **Peter Pease** of the OECD noted that the overall benefits of transparency were well known. In this regard, he pointed out that it was important to focus less on process costs and more on actual outcomes.

Outlining the various steps necessary to ensure transparency in project procurement, **Michael Wiehen** of TI Germany noted that appropriate risk and needs assessments are crucial in keeping corruption at bay. In addition to the standard corruption risks associated with any procurement process, procurement conducted in post-disaster situations is particularly vulnerable to corruption due to, among other things, disruption of administrative infrastructure and markets, a massive inflow of funds, and a multitude of procurement rules. Even greater risks are present in areas that are also current or former zones of conflict, where a general lack of trust can make monitoring of procurement processes extremely difficult. Overcoming the risks of corruption requires a thorough assessment of actual needs, involving affected people and local NGOs, conducted by a central body using common rules.

During the contracting phase, the importance of uniform procurement rules was underlined and it was recommended that affected country governments and aid providers should form national-level coordination groups to agree on common procurement standards. It was also recognized that the implementation of contracts is highly vulnerable to corruption and that, accordingly, appropriate mechanisms

should be in place to deal with, for example, change or variation orders to the original contract. TI's Integrity Pact tool for countering corruption in procurement was presented as an effective means for ensuring transparency in specific procurement bids. In conclusion, it was emphasized that all stakeholders—from affected communities to international businesses operating in such communities—had a role to play in minimizing corruption in tsunami-related reconstruction.

**Ismail Fathy**, Auditor General of Maldives, underscored the need to forcefully implement laws and procedures designed to prevent corruption in project procurement and implementation. He explained that the Maldives Relief Fund had been established to provide quality accounting for tsunami aid and noted that an operations manual for public contracting had been developed.

**Ajay Guah** of ADB's Project Coordination and Procurement Division addressed the importance of aid provider coordination in procurement. He noted that aid providers should agree to divide responsibility for particular sectors among themselves to ensure the effectiveness of their support. In addition, he pointed to the benefits of aid providers' working directly with implementing agencies, rather than going through central government channels. He explained that ADB is opening offices in Tamil Nadu and Banda Aceh to provide direct auditing advice, funded by the ADB's existing administrative budget.

Participants also recognized that aid provider procedures themselves may sometimes facilitate corruption. Aid provider insistence on the use of their own procurement rules rather than a common set of national standards can, for example, lead to a multitude of procedures that are difficult to implement and oversee and, further, often increase transaction costs. As a result, the aid provider community increasingly agrees on the need to work toward using national procedures in projects wherever possible.

According to **Chong San Lee** of TI Malaysia, transparency in the implementation of relief and reconstruction projects following natural disasters could be more easily facilitated through the adoption of certain mechanisms already used in the oil industry. In this sector, companies often pool resources with governments to ensure sufficient funding in the event of future disasters. Aid providers could emulate this approach, establishing predesigned contracting strategies that come into force following natural disasters, thus making contracting quicker, more efficient, and more transparent. Noting that open tenders and bids are sometimes not enough to avoid corruption, Chong San Lee emphasized the importance of the media as an overall watchdog.

Finally, auditing mechanisms play an important role in enhancing the transparency of project implementation. The concurrent audits conducted during reconstruction following Hurricane Mitch were raised as an example of how timely auditing can lead to rapid reductions in project expenditures. Participants noted, however, that such audits should be accompanied by appropriate whistleblower as well as fraud awareness training.

Returning to potential lessons from the oil sector, **Peter Pease** described an innovative method for controlling corruption in the disbursement of project funds implemented in the wake of a Russian oil spill. In this case, the contracting agency insisted on a transparent process whereby money was advanced according to a monthly work plan. The contractors reported monthly on progress made and any unspent funds were channelled directly into a pool designated for the following month's work. This example shows that mechanisms that address the reality of a particular situation can produce concrete results.

It was noted that many corrupt private sector operators are known to the aid provider community; the World Bank was praised for publishing its blacklist of companies and individuals found to have engaged in corruption while conducting bank projects. Participants pointed out, however, that public blacklisting will achieve little unless it covers not only companies but the people behind them.

Participants expressed concerns about the lack of transparency surrounding the building of temporary shelters to house internally displaced people in Aceh. It was alleged that the bidding process for the shelters had not been open and that, in addition, they were constructed on land belonging to indigenous people without prior consultation with them. Questions were also raised concerning the 100-meter coastal exclusion zone in Sri Lanka. Some participants noted that it was unclear whether the zone had been established for safety reasons or whether it was intended to allow particular kinds of coastal redevelopment. The problems faced by governments in dealing with large-scale relief and reconstruction were also highlighted. In Maldives, for example, the Government had faced criticism for providing inappropriate temporary accommodation in the wake of the disaster, though it was itself dependent on donated shelters.

Concluding the session, **Michael Wiehen** commented that decisions relating to procurement and implementation should be made in full consultation with affected communities, to ensure both a high degree of transparency and the appropriateness of project outcomes. He added that, although transparency may come at a price, the cost of corruption is far higher.

## ENSURING EFFECTIVE PROJECT MONITORING AND EVALUATION

*Chair: Patrick Moulette, OECD*

Ensuring effective project monitoring and evaluation (M&E) in relief and reconstruction operations is key to ensuring their transparency. Ideally, external and internal evaluations, as well as audits of service delivery and project procurement, need to be combined for this purpose. **Gopakumar Thampi** of the Public Affairs Foundation in India argued that such traditional monitoring and evaluation approaches should be strengthened by empowering affected communities to own and drive assessment processes. He noted that community-based assessments can enhance the impact of monitoring and evaluation by, for example, giving feedback on key problems and the quality and reliability of services, as well as providing suggestions for improvement. Two community monitoring methods developed in India, the citizen report card (CRC) and community scorecard (CSC), have proven especially useful in diagnosing weaknesses and benchmarking institutional change. In conclusion, he noted that community approaches can only effectively address corruption if all stakeholders are committed to this approach.

**Pinsak Suraswadi** of Thailand's Ministry of Natural Resources and Environment noted that the success of aid efforts in his country had been challenged by the mistargeting of aid. He added that, although effective monitoring was difficult in rapidly changing emergency situations, such mechanisms were nonetheless key to ensuring the appropriateness of aid allocations. Further, **Hans Mueller**, speaking on behalf of the Swiss Agency for Development and Cooperation, added that aid assessments and evaluations need to take into account that disbursing money effectively, i.e. with proper planning and execution, may take considerable time. At the same time, participants also noted that aid providers often find themselves under enormous pressure to disburse large amounts of aid quickly following the occurrence of natural disasters. Such conditions make M&E extremely difficult, particularly when standard aid provider requirements are relaxed as a result. It was noted that international standards that address these issues—such as the “Sphere” standards<sup>1</sup>—do exist and should be used by humanitarian organizations and aid providers.

**Ridaya La Ode Ngkowe** of Indonesian Corruption Watch noted that M&E efforts should be linked to ongoing anti-corruption projects as well as to important issues such as ensuring freedom of expression and

opinion. Some participants noted further that, although the value of local participation for reducing levels of petty corruption is well established, community approaches may not be particularly suited to monitoring large-scale projects. It was argued, however, that even large projects can be broken down into their component parts and that community monitoring could be effective if access to relevant information is ensured. Participants recognized that although different monitoring mechanisms are applicable to different relief and reconstruction phases, all stakeholders should work together to ensure a comprehensive approach, although this may be difficult in areas where intense security concerns prevail.

If M&E techniques are to be effective, it was noted that public participation must begin at the design phase. If people are informed from the very beginning about what a particular project will mean for them, they will be in a good position to monitor the project's implementation and eventual outcomes. It is also important that post-evaluation steps are clearly communicated to the public to ensure that reports of abuse can be made in a credible manner.

Concluding the session, **Patrick Moulette** of the OECD noted the key role played by effective and independent monitoring in enhancing the transparency of relief and reconstruction activities. He added that involvement of the media and the establishment of trust among all stakeholders were key issues that need to be addressed.

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<sup>1</sup> Sphere Project Handbook—The Humanitarian Charter and Minimum Standards in Disaster Response, <http://www.sphereproject.org>.

## EFFECTIVE ANTI-CORRUPTION ENFORCEMENT AND COMPLAINT-HANDLING MECHANISMS

*Chair: Dini Widiastuti, ARTICLE 19*

Anti-corruption enforcement mechanisms in many of the countries affected by the tsunami have been weakened as a result of the disaster. Strengthening local capacity to effectively enforce anti-corruption measures, as well as mechanisms for reporting on corruption and for protecting those who do so, are therefore key to preventing large-scale corruption in the relief and reconstruction process.

Presenting the strategy for anti-corruption enforcement undertaken by the Anti-Corruption Agency of Malaysia (ACA Malaysia), **Abu Kassim bin Mohammed** underlined the need for a proactive approach to anti-corruption enforcement in the wake of the disaster. His agency took particular efforts to gather information from affected communities regarding their needs, as well as to disseminate information regarding their rights. Furthermore, various complaints channels were established to provide the public an opportunity to report instances of abuse. Finally, he underlined the importance of a sound institutional framework for the proper functioning of anti-corruption enforcement agencies.

Following the tsunami, the Indonesian Corruption Eradication Commission (KPK) encountered difficulties in responding immediately to the disaster. Commissioner **Erry Riyana Hardjapamekas** explained that the KPK was now, however, establishing citizen complaints boxes to make reporting of abuse easier, as well as a program to visit Aceh in roving teams. In addition, a local KPK office will be established in Aceh. Participants welcomed these measures, but at the same time stressed the need for the KPK to take into account the ongoing social conflict in Aceh.

Echoing Abu Kassim bin Mohammed's call for a proactive government approach in curbing corruption, **P. S. Bawa** of TI India noted the need for long-term capacity building for public institutions. Specialized anti-corruption agencies, an effective criminal justice system, whistle-blower legislation, and a strong auditor-general and ombudsman can, with the support of civil society, all help to address the risk of corruption in relief and reconstruction activities.

For anti-corruption enforcement mechanisms to be effective, sufficient resources and capacity need to be available to the respective institutions. It was noted that, although Sri Lanka has established its own anti-corruption agency, its lack of financial and human resources

will most likely render it ineffective in controlling corruption in tsunami aid. Expanding on the mandate of the Indonesian KPK, **Erry Riyana Hardjapamekas** further noted that while the organization was empowered to prosecute corruption cases, it still needed to build the courage and capacity required to pursue such cases.

Partnerships between enforcement agencies in neighboring countries could reinforce national efforts to combat corruption in tsunami aid, according to **Staffan Synnerstrom** of ADB. With a common language and mandate, he argued that the relatively young Indonesian KPK could learn from the approach taken by ACA Malaysia. In addition, he highlighted the need for transparency and access to information, noting that both the KPK and ACA depend on citizen complaints for ensuring effectiveness in detecting and prosecuting corruption cases.

Participants noted that the establishment of effective complaints mechanisms and accompanying whistle-blower protection is important to ensure the effectiveness of anti-corruption enforcement in the wake of the tsunami. It was recognized that protecting those who come forward with information about corruption is particularly difficult in situations where the rule of law is weak. A lack of complaints therefore does not necessarily equate with a low level of corruption—or none—and may rather be related to a lack of evidence to substantiate the complaints, or fear among potential reporters about possible reprisals. It was noted that, in Indonesia, two bills are waiting to be passed on whistle-blower protection and access to information; a toll-free telephone number has been established for citizens to report complaints. With regard to complaints mechanisms in humanitarian organizations, it was argued that these are often intended for staff rather than for the beneficiaries of aid. Providing beneficiaries with access to such complaints mechanisms could significantly enhance their sense of dignity and empowerment, as well as open up effective new methods of project evaluation and corruption detection.





# Issue Papers

## Theme 1: Country Ownership and Participatory Decision-Making as Means to Enhance Transparency

### **The Case of the Kutch Earthquake Reconstruction**

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#### **26 January 2001: A Terrible Human Tragedy**

The date 26 January 2001 was marked by one of the most destructive earthquakes ever recorded on Indian soil. The natural catastrophe, hitting the country already in the wake of two consecutive years of drought, inflicted enormous damage to life and property in Kutch (Kachchh) and some other districts of Gujarat State, leaving the entire nation in a state of shock and gloom.

The massive earthquake—one of the worst in the last 180 years—measured 6.9 on the Richter scale (7.7 on the Mw scale) and was felt across most of India and Pakistan. The seismic activity's epicentre was Kutch, where the towns of Bhuj and Bachau were flattened and severe damage was inflicted on the towns of Anjar and Rapar. Overall, 7,900

villages were affected and more than 400 villages were completely destroyed.

The earthquake, and a large number of aftershocks, affected more than 10 million people. The reported number of lives lost is 13,805; 167,000 people were injured and over 1 million homes were destroyed.

The United Nations Children's Fund has estimated that as many as 5 million children were directly affected through the loss of family, home, or school. Authorities have estimated that 15,000 schools were damaged or destroyed, along with more than 300 hospitals. Massive damage was also inflicted on water and sanitation systems.

More than 20,000 cattle were killed. More than 10,000 small and medium-sized industrial units went out of production, and 50,000 artisans lost their livelihoods.

In financial terms, the estimated direct loss adds up to USD3.3 billion (for human lives, livestock and other animals, private property, municipal infrastructure, power and telecommunications infrastructure, health care and education assets), USD635 million for indirect losses (exports and imports; agricultural, industry, and services output; remittance income; lost earning potential due to disability, trauma, etc.; unemployment, health hazards) and USD2.1 billion for tertiary losses (long-term development, overall investment climate, funds reallocation, community migration and relocation).

For residents of the area, the devastation was immediate and seemingly unending. The collapsed infrastructure and the loss of life undermined determination and optimism, even in a part of the world that is familiar with struggle.

## **Short- and Medium-Term Reconstruction and Rehabilitation**

In the aftermath of the earthquake, both state and society had to gear themselves for the long-haul task of reconstruction and rehabilitation. The government of Gujarat undertook a wide-ranging reconstruction and rehabilitation project. It was specially designed to address the needs of beneficiaries comprehensively and was composed of capacity building, housing, urban reconstruction, education and health care, livelihood rehabilitation, social and economic rehabilitation, and physical infrastructure reconstruction. The cost of the program was estimated at USD625 million, with housing, education, and water supply constituting its largest components.

The concerted efforts of nongovernment organizations (NGOs) from across the country and the globe ensured that immediate relief was provided to the villagers, in the form of temporary housing, medical supplies, food, and clothing. The main concern was the repair and reconstruction of the villages to enable villagers to return to normal lives as soon as possible. The government also appealed to NGOs and private organizations for assistance in rebuilding shattered villages where the structural damage sustained exceeded 70%. If the involved NGOs or private organizations agreed to follow prescribed government guidelines for building, the government would often agree to bear 50% of the capital costs.

The short- and medium-term rehabilitation policy was targeted to offer immediate, effective, and transparent relief. The program comprised 28 reconstruction and rehabilitation packages, providing for a total of 1.2 million beneficiaries, covering the rehabilitation of orphans and women, rural and handicraft artisans, housing, capacity building, industry, trade, services, agriculture, and tourism. These rehabilitation projects were remarkably supported by the revival of livelihood and economy, the resurgence of trade and enterprise, and the renewal of social capital, as well as by the reinforcement of critical infrastructure.

During the last 4 years, an extraordinary number of tasks has been accomplished. About 95% (898,816) of the affected private houses, 75% of all 12,896 affected public buildings, and the totality of the 44,215 affected school rooms were repaired. One third of 9,019 kilometers (km) of broken-down transmission and distribution lines as well as 75% of destroyed roads were restored, and about 80% of 2,700 km of needed water supply and sewage pipelines were laid. Furthermore, the livelihoods of 200,000 families were restored, to name just a few accomplishments.

## **Ensuring People's Participation and Transparency**

A key lesson learned following the Kutch earthquake was that people had to be involved in the reconstruction and rehabilitation process. The entire process had to be people-centered and participatory. In order to create awareness about the forthcoming process as well as to obtain acceptance and cooperation, policies and actions had to be as comprehensible and transparent as possible. In addition, an extensive system of internal and external audits allowed for reviewing and, where necessary, revising procedures or decisions taken.

## A. Formulation of Policies

A state-level advisory committee comprising representatives of the government, academic or management institutions, NGOs, and concerned industries was formed to assist and advise in policy formulation. An operations manual for project implementation was prepared in consultation with funding agencies, clearly spelling out powers and responsibilities. The housing reconstruction program was designed in an owner-driven way so as to ensure homeowners' participation. Finally, a program of public-private partnership was set up to secure public participation by further involving concerned NGOs, and to enhance transparency.

## B. Creating Awareness about Policies

To create awareness not only about the project as a whole but also about ongoing processes and applicable procedures, the state government issued advertisements in the relevant newspapers at regular intervals on the individual rehabilitation packages. Government resolutions were translated into the Gujarati language and made available to the public and to NGOs. They were also published on the website of the Gujarat State Disaster Management Authority (GSDMA), [www.gsdma.org](http://www.gsdma.org), which is still used and updated regularly. Furthermore, a booklet containing a list of frequently asked questions and corresponding answers about the available assistance and the disbursement procedure was prepared and distributed to the public and NGOs. Finally, video shows were held in two phases in affected villages to inform people about the assistance packages and to educate them about earthquake-resistant construction methods.

The Gujarat State Legal Aid Services conducted legal literacy camps in 1,800 villages to educate people about their eligibility for assistance, legal rights, and existing mechanisms for redress of grievances. Information kiosks were also installed in various places to provide information about assistance schemes and beneficiaries as well as about financial resources available and disbursed.

NGOs also contributed to the public awareness and education campaign, for instance through a network of public information offices named "SETU" providing guidance on policies and acting as an interface between the affected people and the administration.

### C. Damage Assessment

Damage assessment was another area in which public participation was crucial in order to provide equal treatment to the affected population and ensure that aid was disbursed in a fair, effective, and appropriate manner. Each damage assessment team consisted of an engineer, a revenue department official, and a local schoolteacher or member of a local NGO. Each evaluation was subject to objective criteria and followed clear and predefined guidelines for damage assessment. To avoid inconsistency, damaged houses were assessed and photographed and this information was archived. A system for reviewing decisions on rebuilding damaged structures was put in place; despite the above-mentioned precautions, such measures became necessary in quite a few cases in which a lack of uniformity in damage assessments was detected.

### D. Project Implementation

In addition to public participation in damage assessment and awareness raising about the rights of affected people, the Government of India further sought to integrate local people into a number of other crucial areas of concern. Decisions on relocation, for instance, if applicable, were taken by local self-government institutions at village level. Debris removal was conducted by a village-level committee, though problems arose in a few cases. Village civil works committees accomplished the repair of classrooms. Furthermore, town planning schemes were prepared in consultation with the affected people; development plans, especially for the four worst-affected towns, were prepared in consultation with all stakeholders.

Moreover, housing assistance was linked to physical progress in reconstruction and was offered and released in installments. Those installments were released only upon the issuing of a quality certification by government engineers and were carried out by direct payment—in most cases through bank accounts—to the homeowners. At the same time, third-party quality audits of all the houses being reconstructed were conducted by various implementing agencies involved in the rehabilitation and reconstruction program.

## E. Monitoring

The implementation of the program was monitored by a state-level advisory committee consisting of eminent public persons, NGO representatives, and other experts. In addition, a central implementation review group assessed and monitored implementation. Further periodic review was conducted by institutions such as the Asian Development Bank (ADB) and the World Bank as well as state level review groups. GSDMA submitted monthly, quarterly, and annual reports to all concerned.

National commissions for minorities, socially weaker groups of society, and women were also involved in the implementation review. Social impact assessment studies were conducted to provide for real-time feedback by the affected people. Benefit monitoring evaluation was put into place to ascertain the delivery of benefits, especially to the socially and economically weaker groups of society, women, and other vulnerable groups.

## F. Redress of Grievances

As for redress of grievances, the reconstruction and rehabilitation program foresaw two types of committees, one at village and the other at district level. The village-level committee included a member each from a socially weaker group of society, women's organizations, and the minority community. The district-level committee comprised five NGO representatives, a social welfare officer, the president of the local self-government, and all elected members of the legislative assembly and parliament. The District Judge acted as Ombudsman to inquire into any complaint and direct the district administration to follow up if needed.

## **Avoiding Corruption in Humanitarian Relief and Reconstruction**

Full transparency of the entire process is crucial to ensure the project's effective operation and to ensure people's participation. It is also a fundamental precondition for meeting another principal objective of the reconstruction system, namely to minimize any corruption and damage deriving therefrom.

In this context, the reconstruction and rehabilitation project paid special attention to the procurement of goods and services, which is highly vulnerable to corruption, even under normal circumstances. Other decisive factors to bridle corruption were the maintenance of financial discipline and the implementation of distinct disciplinary proceedings and anti-corruption measures.

## A. Public Procurement

The procurement system provided for proper delegation of powers. Procurement approval was located at different levels, as follows:

- Rs 10 million : Secretary of the Department
- Rs 20 million : Secretary of the Department and Chief Executive Officer, GSDMA
- Rs 20–50 million : 3-member Committee composed of the Secretary of the Department; the Chief Executive Officer, GSDMA; and the Secretary of the Finance Department
- Rs 50 million and above : Governing Body

The standard procurement procedures of ADB and the World Bank were applied to all procurement related to the Kutch Earthquake reconstruction. To gain broad awareness and attention to open tenders and the tendering process, notices for pending procurement of goods and services were advertised on the GSDMA website and in leading newspapers in regional and national languages. As a means to prevent corruption in public procurement, the concerned authorities attempted, where feasible, to initiate a system of e-tendering. Expert committees were specifically established to conduct technical evaluations of received tenders, and before implementation of projects could be started, administrative approval had to be sought from the GSDMA.

## B. Financial Discipline

To oversee financial discipline during the reconstruction procedures, an independent professional accounting system was set up. It consisted of day-to-day internal as well as statutory and Comptroller & Auditor General of India audit. Annual financial statements were subject to statutory audit certificates provided on a semiannual or annual basis.

## C. Disciplinary proceedings and Anti-Corruption Measures

Various steps were taken to ensure disciplinary proceedings and provide for appropriate anti-corruption measures. A special system was established for reporting suspicions of corruption. Verification and departmental proceedings were set up. On the law-enforcement side, a number of arrests and legal prosecutions were initiated in some cases.

### **Summary**

Following a massive earthquake causing widespread damage and destruction, the Government of Gujarat State succeeded in installing a comprehensive reconstruction and rehabilitation program involving NGOs, industries, and other institutions. The program consisted of various features such as an owner-driven approach to housing reconstruction; participatory decision making at various levels; the involvement of affected people, people's elected representatives and civil society; and the decentralization of decision making. Autonomy and delegation of powers, independent audit and review systems, social impact assessment and benefit monitoring studies played a decisive role as well.

The Government of Gujarat state specially designed the project, taking into account the importance of the transparency of policies, proceedings and actions, and of people's participation and integration, to ensure widespread and multistakeholder cooperation in avoiding corruption.



## Theme 2: Improving the Transparency of Aid Flows

### The Implementation of Good Governance for the Rehabilitation and Reconstruction of Aceh and Nias

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#### Concerns about Corruption in Indonesia

The aftermath of an emergency situation such as the Indian Ocean tsunami of 26 December 2004 leaves the affected regions dependent on external support from the international community. The speed and efficiency of aid delivery is often crucial to ensure the survival of heavily affected populations. At the same time, despite the need for fast disbursement of aid, transparency and proper planning of aid delivery are crucial to ensure that aid can reach those who need it most. Proper planning and implementation, as well as oversight mechanisms, must thus be in place in situations that are often characterized by weak institutions, lack of infrastructure, and temporary malfunctioning of otherwise normal procedures. Competing priorities of efficiency and speed versus transparency and oversight in the especially corruption-prone environment of emergency situations are, thus, some of the main challenges facing tsunami-affected countries in their ongoing relief and reconstruction efforts.

In this context, the Government of Indonesia appreciates the concerns of the international community regarding the lack of good governance and widespread perception of corruption in Indonesia. Some in the aid community are reluctant to channel their funds through the Government's budget, as they have constituencies to whom they must account for the funds designated as aid to Indonesia. At the same time, the Government of Indonesia needs all the support it can get to promote development, reduce poverty, and rebuild communities affected by the disaster.

To ensure close cooperation with aid providers in this context, the Government therefore is doing its utmost to see that corruption is eliminated and enhance the Government's capacity to accelerate

development and improve the livelihoods of the people. Our reasoning behind this fight against corruption not only arises from our desire to meet the aid providers' expressed concerns. It is also crucial for us to improve the investment climate, as foreign investment is crucial to strengthening the economy and creating productive jobs for the growing workforce. The President has, therefore, repeatedly expressed the Government's commitment to stamping out corruption.

## **Recent Initiatives by the Government of Indonesia to Promote Good Governance and Curb Corruption**

Fighting corruption needs to be considered in the larger context of promoting principles of good governance. Indonesia's efforts to curb corruption and to apply good governance are not confined to the Aceh region alone. In recent years, significant progress has been achieved in many related areas:

- The Government has taken great strides toward strengthening democracy, fostering political debate, and directly electing leaders and parliamentary representatives.
- Restrictions on the freedom of the press have been lifted, media have proliferated, and journalists are learning to use their powers of investigation responsibly and effectively.
- More effective measures for public participation have been incorporated in ministerial decisions and are being widely adopted.
- Tough measures have been introduced to punish crime and the courts are sending an increasing number of prominent offenders to jail.

Of major importance in the Government's effort to enhance the effectiveness of its efforts to curb corruption is the President's Instruction (Inpres) No. 5/2004 which orders ministries to accelerate the reduction of corruption. To implement this instruction, the Indonesian National Development Planning Agency (Bappenas) and others have recently completed a National Action Plan for Eradicating Corruption (RAN-PK). The plan takes a comprehensive approach as it addresses all major aspects of an encompassing anti-corruption strategy covering prevention, enforcement, investigation, supervision, monitoring, and evaluation. RAN-PK is being publicized among lawmakers, government officials, and the public at large so as to enhance the level of awareness and capacity to

act according to it within all concerned stakeholder groups. RAN-PK is expected to be enacted through a Presidential Decree or a Joint Ministerial Decree.

## **The Particular Challenges for Good Governance in Aceh-Nias**

As in other countries, it is hard for outsiders to fully comprehend the far-reaching ramifications of the tsunami disaster on people's lives and the functioning of civil society and the debilitating impact it has had on people and institutions. The disaster has severely weakened the capacity of local government and other institutions through loss of life, property, equipment, and records. At the same time, local communities have shown a remarkable will and energy to rebuild their lives and resume their daily activities. But trauma, physical suffering, and the loss of homes and family members have understandably undermined the ability of many workers to fully attend to their jobs and responsibilities.

In this difficult environment, the tsunami disaster presents a special set of challenges in fighting corruption, in particular in Indonesia's most severely affected province, Aceh.

- In post-disaster humanitarian relief operations, fast, targeted, and efficient delivery of aid is required, as many individuals are in need of the most basic goods for survival. Therefore, those who have suffered are expecting the Government to act with speed and urgency in meeting their needs and helping them to restore their livelihoods. At the same time all concerned are anxious to ensure the effective and appropriate use of available resources, and to minimize the misuse or "leakage" of these resources. Meeting both expectations is one of the greatest challenges that the governments of tsunami-affected countries are facing.
- Providing adequate, sufficient, and understandable information to the affected population as well as those involved in reconstruction efforts is key to ensuring the effectiveness of aid delivery. The sharing of such information is also crucial to gaining the ownership and participation of all concerned stakeholders in the relief operations so as to ensure the latter's efficiency. Recent measures introduced by the Government have made big strides in introducing concepts of good governance and public participation in decision making. However, officials, elected representatives, and others involved in reconstruction efforts still lack detailed knowledge and understanding

about specific methods and procedures to implement these concepts. It is therefore crucial to continue building this capacity and improving the flow of information so as to ensure the efficiency of the relief operations.

- In terms of funding, Indonesia is faced with yet more challenges, in particular as a result of aid providers' lack of confidence in the Government's capacity to handle public funds. This issue needs to be addressed fast and in close cooperation with involved aid provider agencies.

While the Government deeply appreciates the very generous contributions offered by aid providers for Aceh, we find ourselves with a proliferation of funding mechanisms, such as

- funding through the national budget (APBN or "on budget");
- the Multi-Donor Trust Fund set up by ADB;
- "off-budget" resources, including those from multinational institutions such as the United Nations (UN) organizations; and
- other "off-budget" resources from major bilateral aid providers, such as the Australian Agency for International Development, Japan International Cooperation Agency, United States Agency for International Development, and others.

The multitude of funding channels and modalities aggravates the difficulties of coordinating programs and may eventually delay reconstruction and render coordination and transparency in the use of funds particularly challenging.

## **A Master Plan to Apply Good Governance in Aceh-Nias**

In response to these challenges, the Government has from the start made strenuous efforts to adopt principles of good governance in tackling the enormous challenge of providing emergency relief and planning the rebuilding of the region. Particular attention has been paid to ensuring transparency of information and provision for public consultation mechanisms, so as to facilitate public participation and ownership; and to introduce reliable audit mechanisms and transparent rules in public procurement and make the relief operations accountable.

## A. Public Information and Transparency

Within its limited means, the National Coordination Board for Natural Disaster Management has sought to keep people informed of relief operations through a public information center accessible to all interested parties. For example, the Government of Indonesia has installed an “e-Aceh” website ([www.e-aceh.org](http://www.e-aceh.org), launched on 26 January 2005) to demonstrate its commitment to transparency and accountability in the utilization of government and aid provider resources for the rehabilitation and reconstruction process. This website provides timely and reliable information on the activities of all government agencies, international institutions, bilateral aid providers, and international and local nongovernment organizations (NGOs) participating in this reconstruction effort to support the rapid and coordinated multi-actor response and restore the lives of the people of Aceh and North Sumatra.

At the regional level, the work achieved by the UN Office for the Coordination of Humanitarian Relief should be recognized; the organization has operated a comprehensive Humanitarian Information Center (for emergency) designed to facilitate coordination among more than 250 national and international relief organizations active in the entire tsunami-affected region.

## B. Public Consultation

Consulting concerned citizens and facilitating public participation in decision making are key aspects of ensuring the transparency and efficiency of reconstruction efforts. Consequently, the process of preparing the recently completed Master Plan for the rehabilitation and reconstruction of the region involved massive and widespread consultation with stakeholders. This was achieved partly through 10 working groups set up by Bappenas in Jakarta, in combination with a similar set of working groups established by the government of Aceh Province and some of the affected local governments.

In addition, the University of Syiah Kuala, a local university in Aceh, organized a 10-day series of workshops open to all to discuss ideas and proposals drafted by the Working Groups. Meanwhile, Bappenas—with support from the World Bank—has launched websites posting a continuous stream of documents and information on draft components of the Plan and related matters.

The process culminated in a weekend “retreat” in Cikampek that was intended to finalize the Plan. This opportunity was clearly well received, as more than 400 participants attended, a large contingent of them from Aceh.

### C. Accountability

The working groups included four that were specifically tasked with addressing issues of law, governance, accountability, and funding, and the Master Plan itself includes four volumes prepared by each of these working groups on these topics. The specific proposals they contain include measures to promote widespread public consultation at each stage of elaborating the details of the Master Plan and its implementation, and the use of newly introduced procedures for electronic procurement so as to enhance the transparency of procurement processes, as well as other measures aimed at curbing corruption.

Further, the Master Plan proposes an oversight system for the entire program of rebuilding that envisages specific roles for several auditing agencies, including

- the Supreme Audit Board, an autonomous government agency that reports to the National Assembly;
- The Financial and Development Supervisory Board which reports to the President;
- the Inspectorates General that report to each central government Ministry; and
- local government auditing units (Bawasdas), that report to the Provincial Governor, city mayors, or district heads (Bupati).

The involvement of independent auditors in the process is also foreseen.

### D. The Implementing Agency

To implement the Master Plan, the Government plans to set up an implementing agency called Badan Pelaksana (BAPEL) as soon as possible. BAPEL will have three main components:

- a Steering Committee, composed of government executives, public figures, and religious officials, should provide overall instructions and guidance;

- an Oversight Board, with representatives from the community, national and local assemblies, and the aid community, and equipped with specific powers to conduct its own investigations, including independent audits, is to monitor implementation and to handle complaints; and
- a further Implementing Agency is to execute the Master Plan while coordinating with all parties involved in implementation.

## **Web-Based Application**

Finally, to further ensure transparency and accountability of all relief and reconstruction operations, a web-based application has been installed to provide all relevant particulars and proceedings (<http://rencanaindukacehnias.org/english/index.asp>). The status of this application to date is that the technical apparatus has reached 75% and that it is therefore ready to be published. A system for online entry and update of data is also available. Furthermore, the website will contain information on

- all activities of the Master Plan and its implementation, as well as the implementing agency,
- the program of all line agencies related to rehabilitation and reconstruction of Aceh and North Sumatra,
- the names of aid providers and the amount of their assistance,
- the source of funds, and
- brief news and current issues concerning the implementation.

## **Conclusion**

While the first and utmost concern in post-disaster situations such as in the Aceh and Nias region after the December 2004 tsunami is fast, targeted, and efficient delivery of aid, it is at the same time crucial to ensure the effective and appropriate use of available resources by establishing systems to guarantee the accountability, transparency, and efficient use of reconstruction funds. To meet these expectations, the Indonesian Government has undertaken a strong effort to adopt and further advance practices and principles of good governance.

While progress has already been significant in many related areas during the past year, even more efforts have been made in this regard during the last few months. The President's Inpres No. 5/2004 and the recently completed RAN-PK, developed by Bappenas in cooperation with other concerned institutions, have formulated an extensive and all-encompassing anti-corruption strategy. In immediate response to the tsunami disaster, a Master Plan for the rehabilitation and reconstruction of tsunami-affected areas in Northern Sumatra, available since March 2005, was set up by the Government of Indonesia. To realize the Master Plan, the Government foresees setting up an implementing agency and involving several internal and external auditing agencies.

Furthermore, several projects are ongoing that pertain to the key task of providing adequate, sufficient, and understandable information to the affected population, as well as those involved in reconstruction, so as to ensure public participation in and transparency and oversight of relief operations. A number of web-based applications were developed with the aim of providing timely and reliable information on the relief activities of all involved public and private stakeholders. Information is also available in a public information center, and workshops were organized in various regions to directly consult concerned citizens and facilitate public participation in decision making.



## Theme 3: Strengthening Financial Safeguards and Administrative Capacity

### Managing the Risks of Corruption in Humanitarian Relief Operations

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#### Introduction

Humanitarian relief is worth, at a rough estimate, up to USD10 billion every year. This aid is disbursed through a variety of channels, including government-to-government transfers, multilaterals, nongovernment organizations (NGOs), private contractors, and local communities. Each tier of this relief chain provides opportunities for mismanagement, diversion, and corruption. The United Nations' (UN's) Iraq Oil-for-Food program is just one high-profile recent example of corruption in relief; sexual exploitation in West African refugee camps illustrates how the abuse of power and trust can go far beyond fraud or embezzlement for financial gain. Further opportunities for corruption may have opened up following the unprecedented international response to the Indian Ocean tsunami disaster in December 2004.

Aid agencies are extremely concerned about the dangers of corruption, and have an array of systems for trying to minimize the risk that funds will be diverted. Yet the kinds of problems associated with corruption—kickbacks, bribery, theft, false registration—remain largely unseen and certainly unreported. Corruption is, of course, a sensitive matter; the relief system is highly competitive, and it is very difficult for any one agency to admit to problems, because to do so may put it at a disadvantage. However, this silence is damaging to the system as a whole.

This is a short version of a report prepared for a jointly-hosted Organisation for Economic Co-operation and Development (OECD) and Transparency International conference that addressed the question of corruption risks in relation to the response to the Indian Ocean tsunami. The work was funded by the United Kingdom's Department for

International Development (DFID). This is very much a preliminary look at the issues, based on a rapid review of the literature and interviews with a small number of key informants.

## **What are the Risks?**

Humanitarian relief is often delivered in challenging environments, in countries affected by conflict, or where natural disaster has overwhelmed national capacities. There is often pressure to disburse aid rapidly, both because of the scale and immediacy of need and because of the media and public interest that typically accompany disasters. The countries in which humanitarian relief is delivered are often already some of the most corrupt in the world, and the predatory political economies that characterize many of today's conflicts and complex emergencies make the risks of aid diversion particularly high.

### **A. Levels**

Risks relating to corruption in emergency relief are to be found at all of its many layers and levels, ranging from aid agencies defrauding aid providers through false accounting at headquarters to field staff demanding payment from or otherwise exploiting beneficiaries. At the highest level, embezzlement from aid providers can take place when two of them pay for the same project (sometimes called double funding). An agency reports to each that it has disbursed funds, providing fake receipts and accounting trails. Another risk area concerns discretionary parts of a budget, such as management overheads or contingency funds, which can be inflated.

At the national level, governments may present particular corruption risks. For example, repressive regimes may insist on aid being delivered through government channels, as in North Korea. In a more generic sense, risks of corruption at a national government level relate to the power to register NGOs and the ability to tax relief goods and to withhold permits and clearances for goods and people, both to enter the country and to move around freely, all of which present opportunities for bribery.

Once funds have been passed to an agency, many opportunities exist for individuals to make personal gain. This normally entails some collusion among agency staff internally, or between staff and outside suppliers or authorities. At field level, staff might be "paid off" for turning a blind

eye to the false registration of relatives on a distribution list or theft from a warehouse. Staff might themselves extract payments directly to include people on beneficiary lists who do not fit vulnerability criteria. Procurement, storage, and transport offer widespread opportunities for corruption. Staff might accept kickbacks or bribes to favor a particular supplier or agree on an inflated quote, or relatives' goods might be preferred even though the quality or price is uncompetitive. Staff may be complicit in the theft of relief goods from warehouses, or they may simply remove goods from warehouses by subverting inventory systems.

At the level of the country headquarters, senior staff may be involved in procurement fraud on a greater scale, or in false invoicing for goods never received. "Phantom staff" might receive salaries that find their way into real staff bank accounts. Kickbacks (or indeed threats) from local leaders may influence an agency's project selection, so that it supports a particular group or geographical area. Public officials may use their position to ensure that relief projects benefit themselves, or their friends and family. If a local authority representative is required to sign off on temporary refugee housing, for example, they may see to it that a family member is awarded the construction contract.

Finally, relief may also be manipulated at the individual or family level. People may register twice for a distribution, or buy a real or fake ration card. They may claim vulnerability, such as being from a female-headed household, when in fact they do not meet the vulnerability criteria—though this may be because the criteria have been poorly defined, in which case the question arises as to whether this is corruption. It may also raise questions about the adequacy of the assistance being provided. For desperately poor people, amid an acute crisis, attempting to subvert relief systems may be part of a strategy for survival.

## B. Sectors

Different sectors and commodities present different challenges and opportunities for corruption. Food aid is often regarded as highly corruptible, as it can be used both for consumption and for trade. Medicines are small and valuable, meaning that they can be easily stolen and resold (sometimes by staff within the same health care facility from which they were stolen). Vehicle management in particular seems prone to corruption in many forms, due to the high value of transport, fuel, and spare parts. The straightforward theft of fuel or spares could entail collusion between drivers and suppliers, or falsification of receipts and

paperwork. Agency vehicles may be used to provide paid rides, taxi services, and in some cases public bus services. Providing aid in the form of cash, rather than commodities, also raises questions about corruption and diversion, though evidence suggests that cash aid can be safely delivered, even in situations of conflict. In some circumstances, cash-based programming may potentially be more transparent and less prone to corruption than in-kind alternatives.

## What Can be Done?

This report uses a typology for analyzing corruption that draws from the literature on security strategies in humanitarian relief. This framework uses three categories: protection, deterrence, and acceptance.

By *protection* we mean the systems and procedures that agencies put in place to try to minimize the risks of corruption in the first place. This would include logistics and accounting systems, tender procedures, independent and internal audit functions, monitoring systems, and management procedures. This is often referred to as “prevention” in the anti-corruption literature.

By *deterrence* we mean strategies to discourage people from being corrupt, by imposing penalties. This would include using the legal system to convict people found to be embezzling funds, internal mechanisms to investigate possible corruption and to discipline and dismiss staff found to be engaged in corrupt activities, or ways of naming and shaming other actors involved in corruption. This is often referred to as “enforcement” in the anti-corruption literature.

By *acceptance* we mean the extent to which humanitarian actors are accepted within the societies in which they are working. Are they seen as fair game for exploitation or as effectively trying to save lives in ways that command local support? Strategies to increase acceptance include awareness, information, and beneficiary participation in project planning and implementation.

### A. Protection and Prevention Strategies

Perhaps the first step in any prevention strategy needs to be better assessment of the risks and opportunities for corruption. Just as agencies routinely conduct security assessments and develop and disseminate security guidelines as part of good security management, so risk

assessments for fraud and corruption should be a standard part of good management practice. Systems for financial management and accountability are clearly crucial. This includes systems and processes of budget formulation, accounting, reporting, and audit and related accountability mechanisms covering both expenditure and revenue. Aid agencies have invested heavily in developing strong financial systems able to cope with complex aid provider reporting requirements, multiple projects, sudden jumps in funding, and rapid deployments to urgent crises.

Better management of the procurement process is also required. This would involve standard procurement procedures such as multiple quotes, sealed bids, procurement committees, and monitoring by technical specialists. Warehousing systems too need careful consideration about who has access, to reduce the potential for collusion between agency staff, warehouse staff, and contractors. Coordination between agencies will also be important, to ensure that a consistent approach is taken to bribery, or to make sure that agreement is reached on the level of informal “incentives” for obviously underpaid officials.

## B. Deterrence Strategies

As a starting point, agencies need to have clear policies against fraud and corruption, and to make sure that these are publicized and understood within the agency and by contractors, suppliers, and others who do business with the agency. Clear whistle-blowing policies are also needed, so that staff feel that they are able to report reasonable suspicions, and clear plans for how to deal with fraud if and when it occurs. The Fraud Advisory Panel’s booklet “Fighting Fraud—A Guide for SMEs” suggests some elements of a fraud response. Particularly in conflicts and complex emergencies, the question of whether to involve the police and national legal systems is difficult, as they may themselves be prone to corruption, or they may use methods with which aid agencies are not comfortable. Staff security may also need to be considered.

## C. Acceptance Strategies

The main focus of agency risk management is on protection, and to a lesser extent deterrence. However, much more could be done to reduce corruption by involving beneficiaries more in project design, making them aware of their entitlements through awareness and information campaigns, and providing mechanisms for feedback and complaint. By

giving people affected by disasters a clear understanding of what aid they are entitled to, what the criteria for targeting and selection are, and—ideally—involving them in the management and decision-making process, the possibilities for corruption are greatly reduced. An anti-corruption strategy should also include mechanisms that allow people affected by disasters to complain about inequities or corruption in the relief response.

At a more fundamental level, aid agencies need to consider ways in which humanitarian responses can be more clearly rooted in local societies and political contracts, and avoid the corruption risks that arise from being perceived as external and removed from local networks of obligation and accountability. As long as humanitarian action is perceived as largely a Western enterprise, external to the societies in which it is operating, other efforts to minimize corruption may remain insufficient.

## What Next?

Minimizing the risks of aid diversion and corruption while still responding to acute needs on the basis of a humanitarian imperative is one of the fundamental dilemmas facing humanitarian practitioners. Aid providers and agencies have developed a number of ways to deal with these risks. However, current approaches have tended to focus on protection and prevention—on trying to put ever more watertight systems in place to prevent corruption from happening in the first place. Clearly, strong systems are needed. These efforts are important, but they are likely to be insufficient without equal efforts being put into deterrence and—especially—acceptance. The best systems in the world are likely to be subverted when the possibility of being caught is very small, and few penalties are incurred if you are. Emergency relief is seen as external and not rooted in local systems of accountability; recipients do not understand their entitlements, cannot complain if they are subject to extortion, and do not participate in the management of relief delivery.

A number of steps could be taken to address the question of corruption in humanitarian relief.

- Corruption needs to be talked about and discussed collectively: ways need to be found to conduct further research on the issue, and for the findings from this research to be discussed in nonthreatening environments.

- Some of this discussion may need to be private, to allow agencies to share and learn from each other openly without fear of this forming the basis of damaging stories in the media.
- Perhaps the first step in any prevention strategy needs to be better assessment of the risks and opportunities for corruption. Just as agencies routinely conduct security assessments, and develop and disseminate security guidelines as part of good security management, risk assessments for fraud and corruption should be a standard part of good management practice.
- The focus needs to be not just on better systems to prevent corruption, but also on systems dealing with corruption when it occurs, penalties for being caught, and steps to promote downward accountability, including the ways aid agencies are perceived by local actors.
- Focusing on acceptance implies moving forward with the downward accountability agenda in a way that goes beyond rhetoric to involve real investment in greater local-level transparency, participation, and complaint mechanisms.
- More consideration could be given to building anti-corruption issues into planning for future disasters. One strategy would be to consider the risks of corruption in relief through risk assessment frameworks.

Corruption in humanitarian relief raises many important questions. It is also hugely underresearched territory, and further work is clearly needed to investigate all of the issues in greater detail. Humanitarian aid agencies are already burdened with many issues that need to be taken into account in providing emergency relief. As such, corruption could be seen as just another problem to add to the list. It is better to see the need to minimize corruption as an integral part of good management.

Aid providers need to be willing to finance these costs. For their part, agencies need to invest in the capacity to analyze corruption risks better and more explicitly, and to continue strengthening the systems needed to minimize these risks. A focus on dealing with corruption provides a further rationale for greater downward accountability on the part of aid agencies. For many other reasons as well, greater transparency toward, and participation by, disaster-affected populations in emergency relief is needed, but this may also contribute to a relief system that is more accountable and less at risk from corruption.

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# Theme 4: Facilitating Effective and Transparent Procurement and Implementation

## Needs Assessment, Contracting, and Execution

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### Introduction

Following a major disaster (such as a tsunami, earthquake, volcanic eruption, or war), the affected people and their governments, on the one hand, and aid providers, on the other, move through several phases of activity. For the purposes of this paper, a distinction is made between the *relief* phase (which covers the immediate aftermath of the disaster, when the priority is to save people's lives and restore basic services) and the medium- to long-term *reconstruction* phase (which usually consists of several subphases, from restoring livelihoods and communities to long-term new development).

Different concerns and priorities exist for these relief and reconstruction phases, and thus different rules should apply. The entire process should, however, be people-centered and participatory.

One overriding objective for all post-disaster activities should be to minimize damage from corruption. The procurement of goods and services is highly vulnerable to corruption even under normal circumstances. These risks increase significantly in post-disaster situations for a variety of reasons, as elaborated further below. Major efforts are necessary to ensure that the goods and funds made available internationally (including by countless private contributors) actually reach the intended beneficiaries and are not siphoned off via criminal activities.

Full transparency of the entire process (including full financial transparency of all inflows and outflows) is an important precondition for keeping corruption at bay. As has been shown in many past disaster situations, opaque processes are quickly abused by criminal elements. Internet-based transparency can be complete, and is inexpensive and easy to provide. Transparent and accountable management of the

financial flows may require that a central trust fund be established that is used as a conduit, at least for all external assistance funds. It might make sense also to channel all domestic budget funds spent on post-disaster activities through such a trust fund. Alternatively, a government may decide to channel all domestic and external assistance funds through the national budget. In this case, budget rules must be adapted to allow for the rapid decision making required in post-disaster situations. In either case, the affected country's government should arrange for uniform tracking and monitoring procedures, irrespective of the source of funds.

An important companion to transparency must be full accountability. This refers to the ability of governments and aid providers to account fully to their own institutions, to any external control bodies, and to the ultimate beneficiaries of aid, for the proper utilization of resources, the quality of the end product, and its effective delivery. An important element of accountability is that any shortcomings be appropriately sanctioned. The governance structures chosen to manage relief and reconstruction efforts, including financial flows, must give voice to the governments of affected countries, the affected communities, and ultimate beneficiaries, as well as to the aid providers whose resources are at stake.

As in any other situation, effective and transparent project implementation and related procurement in post-disaster situations requires a reliable assessment of actual needs before contracting for the supply of goods and construction and other services can take place, followed by the execution or implementation of the contracts. One important aspect of post-disaster situations is that, usually in parallel with structured government activities, massive relief and early reconstruction efforts are already taking place in the affected communities, often with direct external help from domestic and international nongovernment organizations (NGOs). This calls for intensive and complex efforts at effective coordination. All such activities are vulnerable to corruption, and it is very helpful to identify the steps in the process where corruption is most likely to occur, so as to be able to guard against it (i.e. via risk mapping).

## Risk Mapping

In any project involving a multitude of aid providers and beneficiaries, the regular risk of routine corrupt action can come from

- government officials;
- representatives of the affected people (the ultimate beneficiaries);
- construction and other service contractors (including consultants providing engineering, management, or any other services), suppliers, and their agents or intermediaries;
- NGOs acting as contractors/suppliers;
- representatives of aid providers and other funders (including private charitable organizations); and
- civil society actors, such as external independent observers or monitors (NGOs, commercial monitors).

Providing assistance in a post-disaster situation carries additional corruption risks caused by one or several of the following factors:

- the extreme urgency of the relief phase (the overriding priority is to save lives);
- the logistical and physical difficulty of getting assistance to the people in need;
- the massive inflow of funds (from a multitude of providers) and the difficulty or even inability of the recipient government to manage them properly;
- the absence or disruption of administrative infrastructure at the local, regional, and/or federal levels;
- the insistence of some aid providers—in certain circumstances fully understandable and justified—to manage the distribution and delivery of assistance themselves (lack of coordination and absence of local controls);
- the absence or disruption of normal (local and regional) markets for the purchase of needed goods and services;
- the existence of special rules or incentives of aid providers/funders for post-disaster assistance; and
- the inexperience of aid providers, and especially private charities with local conditions.

Providing post-disaster assistance in an area where civil conflict has taken place, possibly for an extended period of time, carries additional special corruption and other risks due to

- the logistical problems of communication (disruption of the communication and transport infrastructure and distrust among local inhabitants);
- possible local resistance to involvement by central government personnel;
- the physical danger when moving around (i.e., the presence of armed people or landmines); and
- the absence of a culture of information sharing, accountability, and mutual trust.

In all such situations, the temptation to abuse a position of power or influence to gain an unwarranted personal benefit is ever-present. It is important to recognize that, even if a bribe is paid by a well-meaning assistance provider to carry out an assistance activity (e.g., bribing an official to allow safe passage of an aid convoy), it may still involve a “personal” gain.

## **Needs Assessment**

In all circumstances, the decision to procure goods or services must be preceded by an objective assessment of actual needs, so as to ensure the optimal use of resources.

Procurement for the relief phase is obviously governed by the urgency of getting basic supplies to the people in need and maximum economic efficiency may be difficult to achieve at this stage. Here, the urgent task is to identify and quantify the goods and services needed immediately (involving government administrators as well as the affected people through their representatives and possibly local NGOs), and ascertain the logistical requirements to assure rapid distribution.

Post-disaster restoration and reconstruction activities should, however, be based on a careful, comprehensive, and transparent needs assessment, carried out by the affected country’s administration with the full involvement of the ultimate beneficiaries and their elected representatives. To start with, one should not assume that everything should simply be replaced as it was prior to the disaster. Damage may

have occurred to housing or infrastructure because it was located in an especially endangered location (too close to the coastline, on a flood plain, or in the lava flow of a volcano, etc.). It makes good sense to avoid repetition of such damage by rebuilding in a safer location and keeping endangered areas clear of construction. Of course, this may entail difficult decisions about how to deal with “acquired rights” (e.g., shanty towns along the coastline, or rich homeowners being prevented from rebuilding in a “choice” but endangered location). Many such decisions are particularly prone to corruption.

First of all, the government of the affected country should determine the administrative responsibility for decision making during the needs assessment phase, identifying the appropriate federal, regional, or local-level authorities. It should assure adequate personnel and the logistical and financial strength of responsible offices. A central coordinating office is likely to be required for coordination among national offices and international aid providers/funders including charitable organizations. A central trust fund may also be desirable, especially for channelling international assistance resources.

Those responsible should then carry out a systematic and comprehensive damage assessment and determine the needs for goods and services required in the disaster area, for removal of debris, for repair or reconstruction of pre-disaster housing and infrastructure, and for totally new construction. Part of the needs assessment may be the determination that certain houses, villages, or infrastructure should be relocated to safer zones. The administration also needs to determine the quantity and quality of construction, as well as the cost of goods and construction and other services, including the assistance and services needed to manage the implementation of the reconstruction phase. It is very important that the administration also ensure that building codes are practical and that they are enforced (especially in earthquake zones). In the past, and particularly in relation to earthquakes, it has often emerged that many lives could have been saved if existing building codes had been properly enforced.

It is critical to the effective implementation of post-disaster projects that the affected people are fully integrated into the assessment and decision-making process, especially when it comes to relocating housing units or whole villages. It is also part of the government’s task to match the actual, identified needs against assistance offers, and to coordinate and negotiate with aid providers/funders to ensure an optimal match.

## Contracting the Supply of Goods and Construction and Other Services

During the relief phase, affected country governments must

- assess and sort all the in-kind assistance delivered and offered (to the extent it has not yet been delivered directly to the beneficiaries);
- match the available assistance with the assessed needs and deliver goods and services to the appropriate people;
- negotiate with aid providers/funders for additional assistance toward meeting the remaining needs;
- use the available and committed financial assistance and their own resources (if any) to acquire and deliver the necessary goods and services to meet remaining needs; and
- purchase goods and distribution services on a competitive basis: for most goods and services in this phase, full international competitive bidding (normally the most corruption-proof method) would take too much time, but seeking three or four competitive offers before awarding a contract (unless market prices are fully and transparently competitive), and making the process transparent, should be a useful minimum safeguard against manipulated deals.

During the reconstruction phase, affected country governments should

- publish the results of the needs assessment;
- assess and sort the in-kind assistance delivered and offered, match it with the needs assessment, and negotiate with aid providers/funders for additional assistance in meeting all established needs (or as many of them as possible);
- in case of financial assistance, urge aid providers/funders to provide only untied aid (to avoid the potentially higher cost of goods and services procured in a noncompetitive situation, and the potentially higher transport costs);
- use financial assistance and, to the extent necessary, their own resources to contract the remainder of the identified needs; and
- ensure the clear definition of goods and services, and the full design of the civil works to be contracted.

Considering the multitude of procurement rules applied by various aid providers/funders, and the high risk that complex and perhaps unclear or conflicting procurement procedures will invite corruption and manipulation, it is highly desirable that affected country governments seek to negotiate uniform procurement standards with all their aid providers. The World Bank or Asian Development Bank could take the lead in this regard, starting with their own procurement guidelines, suitably adapted to a post-disaster situation.

Irrespective of whose procurement guidelines are used to build a common approach, the affected country governments should procure and contract the needed goods and services on a fully competitive basis (i.e., via international competitive bidding [ICB]), except for smaller contracts (up to, say, the equivalent of USD100,000) where three to five competitive offers should be sought on a direct basis, or where local competitive bidding may be suitable on the grounds that local providers are, or can become, competitive. Whenever ICB is used, the response times should be shortened by using Internet-based procedures.

Especially when selection processes other than ICB are utilized, governments should ensure transparency of the invitation to tender, provide a clear and unequivocal list of goods and services to be procured, and state the expected quality assurance and available legal recourse. In addition, governments should make the entire contracting process fully transparent (including the process steps and the reasons for selecting the “winner”).

To safeguard against corruption, governments should install effective internal and external controls of the contracting process, and should, in particular, arrange for external independent monitoring of the contracting phase (by civil society representatives, one or several NGOs, or a commercial consultant).

Especially for large contracts, governments would be well advised to apply the Transparency International (TI) Integrity Pact concept, under which the principal and all bidders recommit to a no-bribery policy, including external independent monitoring and sanctions in case of violations. In all other cases, governments should require a simple integrity pledge from all bidders and their subcontractors.

Based on global experience, the use of agents, representatives, and other middlemen by contractors or suppliers in the contracting process should alert the government to the increased possibility that manipulation or corruption is intended, and should lead to enhanced caution and transparency.

Finally, governments must keep full records of all activities to allow proper monitoring and evaluation.

Like the government, aid providers/funders, NGOs (whether they act as aid providers or service providers), and affected people (the ultimate beneficiaries) should make all appropriate efforts to minimize corruption during the contracting process. Aid providers/funders can do this particularly by assuring that their standard operational and financial control functions operate effectively, and that the procurement process is made as simple and predictable as possible, through the use of uniform procurement rules. They should cooperate fully and constructively with the central national management structure in the affected country. The aid providers/funders should also provide adequate channels for whistle-blowers (those wishing to offer information about corrupt behavior of any of the actors).

NGOs must, in particular, cooperate fully with government and assure that they have adequate operational and financial control functions in place, introduce full transparency, and encourage whistle-blowing.

The affected people also have a major responsibility to help avoid or minimize corruption in a post-disaster environment. Acting through their elected representatives (if any) and/or civil society organizations, they should do their part in ensuring that needs assessments and contracting processes are as transparent and free of corruption as is feasible. Once they have been integrated into these processes, they should act constructively and responsibly.

## **Implementation of Contracts**

Next to the contracting phase, the implementation or contract execution phase is highly vulnerable to corruption. The contract winner may indeed have submitted the most economical bid, but may, for example, only have been able to do so via collusion with the principal's supervisory engineer, who agreed to ignore sub-specification work (e.g., lower quality cement or smaller quantities of concrete or steel) or allow unjustified "change" or "variation orders" to reduce the actual costs or increase prices.

First of all, affected country governments should apply the standard general provisions against corruption, such as the "four eyes principle," frequent rotation of staff in sensitive positions, ensuring adequate internal and external controls, and assigning major decisions not to individuals,



but to committees. In addition, the governments should closely monitor full compliance with the signed contract and, in particular, carefully assess the justification for each “change” or “variation order.”

Again, governments should maintain full transparency during the execution phase and should involve civil society representatives in the control structures and processes.

Indeed, civil society has a particularly important function at this stage: it should create awareness about the process and its risks among all stakeholders, monitor implementation, track all funds, and provide feedback to stakeholders on the progress of the implementation and any problems encountered.

During both the relief and reconstruction phases, governments should carefully monitor (internally and through external independent observers) the scrupulous implementation of all contracts as signed (with regard to cost, quality, timeliness of delivery), and should publicize (e.g., through the Internet) all reports of the monitors.

During the reconstruction phase in particular, governments should be especially careful to monitor all “change” (or “variation”) orders for signs of manipulation. Where such orders cumulatively exceed a threshold of, say, 15% of the original contract price, high-level review and approval of the order should be required. In addition, the government must assure the post-completion evaluation of contract performance and a comparison of the originally estimated price against actual final cost. The government should make sure that the external independent monitor has the power to go public if violations of the process that he/she or others identify are not corrected by the principal in a timely manner. Again, full records of all activities are to be kept, to allow effective post-evaluation.

## **Recommendations for Various Stakeholder Groups**

In order to minimize the risk of corruption in post-disaster relief and reconstruction processes, the several stakeholder groups should do the following:

*Multilateral/bilateral aid providers and funders* (including funding charitable organizations) should form (in each affected country) a local government/aid provider coordination group (LCG), which should

- elect from its members a “manager” who would set up a secretariat (possibly within a government department or in the local office of a

multilateral or bilateral aid provider), with costs to be shared among the aid providers;

- review and “endorse” the needs established by the government;
- work out and publish a common “needs list” for the recipient country against which all aid providers and others will provide financial or in-kind assistance;
- verify and confirm all offers of assistance;
- coordinate carefully with bilateral “assistance adoption schemes” (where civic organizations or administrative subunits in aid provider countries have “adopted” a particular group of beneficiaries and have established a direct support scheme);
- agree on who does what (identified by region and/or content);
- agree as far as possible on uniform procurement rules for all assistance;
- allow generous flexibility for the employment of local contractors, suppliers, and other service providers;
- maintain clear books and records on all assistance pledged, delivered, and utilized (including all assistance pledged by private aid providers);
- maintain full transparency of such books and records, and on the allocation of responsibilities among aid providers and among government departments;
- pledge assistance against the needs identified and agreed in the LCG;
- maximize “budget support” assistance as the form of aid leaving the recipient government the greatest flexibility in its use;
- avoid tied aid;
- require a standard “integrity pledge” from each contractor/supplier/other service provider bidding for contracts supported by aid provider funds; and
- assure full control of fund flows and other activities via effective internal and external controls.

*Affected country governments should*

- cooperate fully with the aid providers/funders via the LCG;
- involve local beneficiary communities and civil society fully in needs assessments and reconstruction decisions;
- where appropriate, hold public hearings to obtain stakeholder input into needs assessments and reconstruction decision making;
- maintain full transparency of all information related to needs assessments; assistance pledged, delivered and utilized; procurement

rules and procedures; contracts awarded; and progress in execution (the latter through regular public reports);

- denounce corrupt behavior; point to rules and sanctions; and apply sanctions strictly, swiftly, and transparently;
- require an integrity pledge from its own officials involved in post-disaster administration;
- require an integrity pledge from all bidders;
- apply the TI Integrity Pact for larger contracts;
- appoint a senior official in charge of fighting corruption, who should
  - be attached to a very high-level government office or even one outside government (such as the auditor general);
  - monitor the entire reconstruction process with a view to minimizing corruption;
  - act as recipient of (confidential and anonymous) information about corruption in needs assessments, procurement, and implementation; and
  - monitor the application of sanctions by government against contractors, suppliers, and other service providers found guilty of corruption;
- provide effective mechanisms for encouraging whistle-blowers to deliver their knowledge about corrupt activity to the appropriate government authorities; and
- provide effective whistle-blower protection.

*Civil society organizations (national and international) active in post-disaster relief or reconstruction activities* either as aid providers or as direct service providers or supporters in the field should

- commit themselves to the highest degree of transparency in their activities;
- submit a comprehensive integrity pledge;
- coordinate their activities with the government (at all levels) and other NGOs, commit themselves to playing their part in assuring maximum efficiency of the multi-actor relief and reconstruction process, and submit to the agreed rules;
- accept and implement full accountability for their activities;
- allow and encourage whistleblowing;
- assist the affected government in facilitating maximum stakeholder participation and information exchange, including any public hearings;
- provide full transparency as to sources of their funding;

- report any suspicion of corruption among their own or other organizations to the authorities;
- monitor the relief and reconstruction process and publish results (monitoring to be coordinated and subdivided);
- hold government to the task of providing full transparency of relief and reconstruction activities;
- make sure all groups of beneficiaries are adequately informed and involved;
- bring ultimate beneficiaries into the public decision-making process on needs assessment, procurement, and implementation; and
- involve beneficiaries in priority setting and decision making (especially regarding location and type of reconstruction or resettlement).

*Businesses operating in the disaster area* (contractors, suppliers, consultants etc) should

- submit an integrity pledge to government before accepting any government/aid provider contracts for relief and/or reconstruction;
- behave with high ethical standards and refuse to participate in corrupt deals and activities;
- report to the appropriate authorities any suspicion of corruption among any of the other actors; and
- agree to enter into, and comply with, the TI Integrity Pact where required by government.

*Media (domestic and international)* should

- monitor the relief and reconstruction process and facilitate the flow of information to the public at large (both in recipient and aid provider countries);
- report to the appropriate authorities any suspicion of corruption;
- report to the public any confirmed incidents of corruption; and
- hold government(s), aid providers, and civil society accountable.

# Theme 5: Ensuring Effective Project Monitoring and Evaluation

## Exploring the Role of Community Feedback Mechanisms

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### Introduction

*“Whose emergency is it anyway?”* The provocative banner that greeted the participants in a 5-day workshop on “Participatory Approaches in Emergencies,” held in Addis Ababa in December 1999, perhaps sets the perfect backdrop for contextualizing the arguments put forth in this paper. For those of us who wonder why the question arises in the first place, the following passage from the workshop report flags some disturbing concerns:

Because in most emergency situations, wherever you find them in the world, governments, emergency services, aid agencies and donors all treat emergencies as if they belonged to them—not as if the emergency is the concern of the people affected by it (Scott-Villiers 2000).

Accepting the fact that the sentiments expressed above cannot be generalized or, for that matter, may not be representative of responses to disasters and calamities, they still reflect the growing concern for the need to integrate community participation in the design, implementation, and monitoring of relief operations following large-scale humanitarian crises. Admittedly, the disabling factors are stacked heavily against any objective and planned intervention in the wake of a major calamity: large numbers of people are displaced and traumatized, livelihoods are wrecked, kinship groups are scattered, and long-established residential settlements are disorganized. Social and economic infrastructure too takes a heavy blow. Community assets and skill bases are destroyed, health care tends to deteriorate, and informal social networks that are part of daily sustenance systems—providing mutual help in child care, food security,

revenue transfers, short-term credit, labor exchanges, and other basic sources of socioeconomic support—are dissolved.

Responses to humanitarian crises are much faster today than in the past, thanks to the spread of information and communication technologies (ICTs) and also, in part, to better coordination among various stakeholders. The effectiveness and impact of many post-disaster programs and operations has, however, been criticized. A recent assessment has highlighted seven key areas of concern (UNCHS 2001):

- *Responding to local needs.* Often programs are implemented without consultation with local (affected) populations about what they feel their needs are. Without a clear understanding of the needs of the affected population, the relevance of the program will be limited.
- *Understanding the local context.* The context in which a project operates is often quite dynamic. There will be many factors affecting the project both directly and indirectly—its design, implementation, and outcomes. Mapping out all of these specifics—what the issues are, who the main actors are, what power dynamics exist among them, and so forth—is a crucial exercise when planning any post-disaster project.
- *Misallocation of resources.* Resources in post-disaster situations are precious, and it is therefore a very serious matter when funds and manpower are diverted into activities that do not succeed. Many post-disaster projects become extremely expensive, much more so than is necessary. Apart from cost overruns, misappropriation of funds is also a danger.
- *Short-termism.* Often in post-disaster situations the focus of the project can be very specific—for example, the provision of shelter or the rebuilding of roads. These specific issues are, however, connected to the broader environment of the post-disaster situation and the long-term development of the area. To put it another way, a project cannot exist in a vacuum. It will affect, and be affected by, the broader context of post-disaster rehabilitation. The role of local authorities in the long-term development and rehabilitation of their communities after disaster is central. The pressure on them to enact short-term solutions to deal with the effects of the disaster needs to be tempered by an understanding of the longer-term issues and strategies.
- *Dependency vs. Capacity.* The issue of building capacity rather than dependency is particularly acute in post-disaster cases. Many projects

bring in important resources (funding or expertise) necessary for the emergency relief phase after the disaster. Once the emergency need has been met, however, the funding or expertise is gone. This perpetuates a dependence of the affected communities on aid and relief projects, rather than fostering the development of local capacity so that the affected community can become self-sufficient.

- *Accountability.* When projects are not connected to the area in which they operate—i.e., they are not staffed by local people or do not use local resources—they also do not have to be accountable to the local populations as to their impact. This distance helps to perpetuate the cycle of failed projects, as the lessons from each project are not passed on to the next. The view of the affected groups as passive recipients of aid also affects the level of accountability, as they are not seen as partners to whom the project must answer as to its success or failure. Accountability to the local population engenders a feeling of ownership of the project, which is a key factor for project sustainability.
- *Quality assessment.* Without built-in assessment mechanisms, these projects cannot learn from their past mistakes and determine where they have gone wrong. In addition, this disconnects the web of post-disaster projects generally, not just from the local groups, but also from other projects, as they cannot learn from other project mistakes if the lessons are not examined and recorded.

As is evident from the above discussion, community consultation and participation are extremely critical in post-disaster rehabilitation and reconstruction activities. This paper will focus exclusively on one aspect of post-disaster work, namely, monitoring and evaluation (M&E). It will focus on the need for community-led bottom-up initiatives in M&E and, in particular, explore the application of a few tested tools of social/public accountability. A caveat is in order here: the tools discussed in the subsequent sections have evolved mostly in the governance context and are relatively untested in specific post-disaster contexts. Given their implicit emphasis on equity, representation, community voices, and end-user focus, however, it is hoped that these tools will, with suitable modifications, be a useful complement to existing M&E frameworks.

## Monitoring and Evaluation in Relief Operations

The intersection between development and evaluation has a history of more than 50 years. It was during the 1980's, however, that the field of evaluation started undergoing a paradigm shift, moving from a tight theoretical framework to a much more praxis-informed and inclusive approach. A major part of this new thinking appears under the general rubric of "participatory monitoring and evaluation" (PM&E) (Estrella and Gaventa 1999). Put very simply, PM&E is an approach that involves local people, development agencies, and policy makers deciding together how progress should be measured and results acted upon. PM&E has emerged primarily out of a recognition of the limitations of conventional M&E (see Table 1). This involved outside experts coming in to measure performance against pre-set indicators, using standardized procedures and tools. In contrast, PM&E offers new ways of assessing and learning from change that are more inclusive and more in tune with the views and aspirations of those most directly affected. This shift in thinking has been prompted by

- the surge of interest of participatory appraisal and planning, a set of new approaches which stress the importance of taking local people's perspectives into account;
- pressure for greater accountability, especially at a time of scarce resources; and
- the shift within organizations, particularly in the private sector, toward reflecting more on their own experiences, and learning from them.

Following trends in the field of development, agencies involved in humanitarian relief operations are increasingly recognizing the need to recast the role of M&E approaches in assessing the impact of their work. It is no accident that evaluations of relief operations today place lot of emphasis on themes like stakeholder participation and downward accountability. This is visible in the new emphasis on standards, including initiatives such as the Code of Conduct for the International Red Cross and Red Crescent Movement and nongovernment organizations (NGOs) in disaster relief, the Sphere Project, the Humanitarian Ombudsman project, and the work of the Active Learning Network for Accountability and Performance in Humanitarian Action (Kaiser 2002).



**Table 1. Differences Between Conventional and Participatory Evaluations**

	<b>Conventional</b>	<b>Participatory</b>
<b>Who</b>	External experts	Community members, project staff, facilitators
<b>What</b>	Predetermined indicators of success, typically cost and material outputs	Indicators generated by community
<b>How</b>	Focus on “scientific objectivity,” distancing of evaluators from other participants; uniform, complex procedures; delayed, limited access to results	Self-evaluation; simple methods adapted to local culture, open, immediate sharing of results through local involvement in evaluation process
<b>When</b>	Usually on completion of the project or program; sometimes also mid-term	More frequent, small-scale interventions
<b>Why</b>	Accountability, usually summary, to determine if funding continues	To empower local people to initiate, control, and take corrective action

Source: Narayan-Parker, 1993

The need to rethink M&E approaches in relief operations has been strongly emphasized by many commentators. One pertinent comment (Hallam 1998) is as follows:

Humanitarian assistance is essentially a “top down” process. Humanitarian agencies are often poor at consulting or involving members of the affected population and beneficiaries of their assistance. Consequently, there can be considerable discrepancy between the agency’s perception of its performance and the perceptions of the affected population and beneficiaries. Experience shows that interviews with beneficiaries can be one of the richest sources of information in evaluations of humanitarian assistance. Interviews with a sample of the affected population should be a mandatory part of any humanitarian assistance evaluation.

Further, criticism is also emerging that institutional priorities and concerns often override the larger issues of community voices and capacities. In cases where institutional priorities coalesce around themes of “learning” and “accountability,” the emphasis is slanted toward the perspectives of aid providers, national governments, and aid agencies, and rarely resonates with the affected communities. The key challenge, therefore, is to recast the actors and actions in the M&E processes—a transition that would move the affected communities from the margins to the center.

## **Community Voice as an Aid to Participation and Accountability**

Policy makers, development practitioners, academia, and civil society around the world are increasingly realizing that the missing “user perspective” is required to gain credible and reliable feedback on both the qualitative and quantitative dimensions of service delivery. User feedback offers service delivery agencies a much-needed insight into the pulse of the people they serve. Given the complexities of service provision, especially in the context of humanitarian emergency relief, direct feedback from users has great value in capturing information about where effectiveness can be improved and what measures can lead to greater cost-efficiency. The information also provides inputs on variations in efficiency across geographical units, so that more attention can be paid to areas where problems seem to be deeper and more frequent. At another level, participatory tools that build on user/community feedback take this momentum forward by extending the initiative at community level as a diagnostic tool for identifying feasible and practical solutions (Paul 1995).

Two tested tools for community-led participatory evaluation are discussed below in order to explore the possibility of their application in tsunami relief and reconstruction projects.

### **A. Citizen Report Cards**

Citizen Report Cards (CRCs), as independent nongovernmental initiatives, were pioneered by the Public Affairs Centre, Bangalore, as a means to strengthen civil society in its interaction with the state, while pursuing the mission of improving governance. The methodology has been used extensively in India, as well as in several other countries, to pursue a wide spectrum of accountability and monitoring objectives (Paul 2002).

CRCs use a systematic random sample survey of the users of different public services to benchmark the quality of these services as citizens experience them. They aggregate public feedback to rate and compare service providers on criteria that are simple but relevant to service users. In other words, CRCs go beyond particular problems faced by individual households and create a collective perspective on service quality and related issues. In many instances, a separate sample is drawn from poor households to ensure that the problems experienced by this segment receives adequate attention.

In more practical terms, CRCs provide the following strategic inputs:

- Provide *benchmarks on access, adequacy, and quality of public services* as citizens experience them. CRCs go beyond the specific problems that individual citizens face and place each issue in perspective with other elements of service design and delivery, providing also a comparison with other services so that a strategic set of actions can be initiated.
- Provide *measures of citizen satisfaction* to prioritize corrective actions. CRCs capture citizens' feedback in clear, simple and unambiguous fashion by indicating their level of satisfaction or dissatisfaction. When this measure is viewed from a comparative perspective, it gives very valuable information to prioritize corrective actions. For example, the most basic feedback a citizen may give about power supply is total dissatisfaction. To appreciate this feedback, it must be related to the ratings given to other services by the same person. For example, water supply may be rated worse than power supply. When these two pieces of information are compared, one can conclude that power supply may be a cause of dissatisfaction, but the priority for corrective action may be water supply.
- Provide *indicators of problem areas* in the delivery of public services. CRCs inquire into specific aspects of interaction between the service agency and the citizen, and seek to identify problems experienced by citizens in interfacing with the services. In simpler terms, CRCs suggest that dissatisfaction has causes, which may be related to the quality of services citizens enjoy (like reliability of power supply, or availability of medicines in a public hospital); difficulties encountered while dealing with the agency to solve service-related issues like excess billing or complaints of power supply breakdown; and credible estimates of hidden costs in making use of the public service (bribes

paid for getting repairs done or forced investments like installing a filter to purify drinking water).

- Provides a mechanism to *explore citizens' alternatives* for improving public services. CRCs go beyond collecting feedback on existing situations from citizens. They are also a means of testing different options that citizens wish to exercise, individually or collectively, to tackle various problems. For example, CRCs can provide information on whether citizens are willing to pay more for better quality of services, or to be part of citizens' bodies made responsible for managing garbage clearance in the locality.

### 1. Why use a Citizen Report Card?

*As a diagnostic tool:* The CRC provides citizens and governments with qualitative and quantitative information about gaps in service delivery. It can also measure the level of awareness about citizens' rights and responsibilities, because

- it is a powerful tool when the monitoring of provisions/services is weak;
- it provides a collective picture about the quality of provisions/services; and
- it compares feedback across locations/subgroups to identify variations in delivery of services/provisions.

*As an accountability tool:* The CRC reveals areas where the institutions responsible for service provision have not fulfilled their obligations. Findings can be used to identify and demand improvements in services/provisions.

*To benchmark changes:* The CRC, if conducted periodically, can track variations in service quality over time, because

- multiple CRCs can be conducted in a particular location over time;
- findings can be compared across CRCs to reveal improvement or deterioration in service delivery; and
- before-and-after surveys can be conducted on the introduction of a program/policy to measure its impact.

*To reveal hidden costs:* Citizen feedback through the CRC can expose extra costs related to using public services, because

- it conveys information regarding the proportion of the population that pays bribes (either demanded or given) and the size of these payments; and
- it allows for extrapolation about the amount of private resources spent to compensate for poor service provision.

CRCs are a powerful tool when used as part of a local or regional plan to improve services. Institutions undertaking a program to improve services can use CRCs to determine necessary types of changes and evaluate the impact of their intervention.

## **2. Key Phases In a CRC**

Generally a CRC initiative goes through the following key stages:

- identifying issues through focus group discussions (providers and users);
- designing the survey instrument;
- framing a scientific sample;
- conducting the survey;
- coding, analysis, and interpretation;
- presenting the findings; and
- creating partnerships and initiating advocacy for service improvements.

## **3. Themes/Issues CRCs Can Address in the Context of Relief Projects**

In the context of disaster relief, a CRC study can play an important role in (i) helping benchmark the initial state of services, including building up a comparative picture; (ii) identifying the problems and shortcomings as perceived by the intended beneficiaries; and (iii) designing solutions and strategic approaches to planning complementary investments and making cost-effective improvements in the quality of such services. In specific terms, CRC can highlight the following themes:

- priorities and felt needs of the affected population;
- awareness of and access to entitlements/services;

- usage of entitlements/services;
- quality and reliability of entitlements;
- key problem areas;
- quality of problem redress; and
- estimates of hidden costs.

In summary, CRCs have demonstrated a potential to lead to a wide variety of outcomes, depending on the manner in which they are designed and strategized. When carried out as an independent initiative, CRCs inform the government about the effectiveness of critical public services and empower civil society to build a sustainable and credible voice. On the other hand, when the process is deeply embedded within a context of aid providers/aid agencies/governments, CRCs tend to be a useful tool for supervision and planning.

## B. Community Score Cards

The community score card (CSC) process is a community-based monitoring tool that is a hybrid of the techniques of social audit, community monitoring, and the CRC. Like the CRC, the CSC process is an instrument to obtain social and public accountability and responsiveness from service providers. However, by including an interface meeting between service providers and the community that allows for immediate feedback, the process is also a strong instrument of empowerment (Singh and Shah 2003).

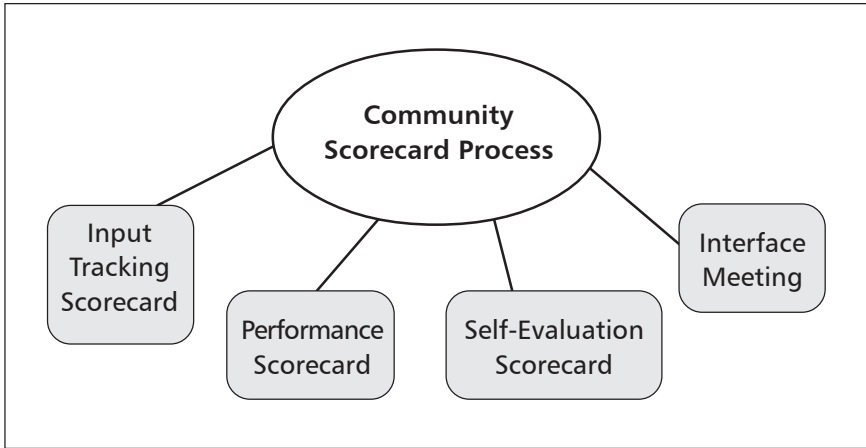
The CSC process uses the “community” as its unit of analysis, and is focused on monitoring at the local/facility level. It can therefore facilitate the monitoring and performance evaluation of services, projects, and even government administrative units (like district assemblies) by the community itself. The CSC process consists of four critical components, depicted in Figure 1:

### 1. Development of the Input Tracking Scorecard

The starting point for the input tracking scorecard is to assemble data on inputs, budgets, or entitlements, such as

- inventories of inputs like drugs, textbooks, or furniture;
- financial records or audits of project activities;
- budgets and allocations of different programs/activities; and
- entitlements based on established norms.

**Figure 1. The Community Scorecard Process**



*Source:* Singh and Shah 2003.

This information is then shared with the community and the project/facility staff. This is the initial stage of informing the community of their “rights” and providers of their “commitments.” The participants are then divided into focus groups based on their involvement in the service/project—e.g., as workers, aid-receiving households, facility staff, users, etc. Usually one needs to separate the providers from the community and then subdivide each group. The resulting subgroups should include sufficient numbers of respondents from each group (users, workers, aid recipients, etc.) and should ideally be mixed in terms of gender and age. The next step is to finalize a set of measurable input indicators that will be tracked. These will depend on the type of project or service under scrutiny. Examples include the wages received for different work programs, food rations or drugs received, sources of procurement under a project (Were the cheapest sources used? Was a friend/relative given a contract? etc.). In each case, the aim is to come up with an indicator for which a variance between actual and entitled/budgeted/accounted data can be compared. Then, with the input indicators finalized, the next step is to ask for and record the data on actuals for each input from all of the groups and record this in the form of an input tracking scorecard, as shown in Table 2.

**Table 2. Example of an Input Tracking Scorecard**

Input Indicator	Entitlement	Actual	Remarks/Evidence
Medical kit per family			
Children per class			
Sanitation Facilities			
Furniture per classroom			
Wages of health workers			

*Source: Simulation provided by the author*

Wherever possible, each of the group members' statements should be substantiated with any form of concrete evidence (receipt, account, actual drugs or food, etc.). One can triangulate or validate claims across different participants as well. In the case of physical inputs or assets, one can inspect the input (e.g., toilet facilities) to see if it is of adequate quality/complete. One can also do this in the case of some of the physical inputs—such as the number of drugs present in the village dispensary—in order to provide first-hand evidence on project and service delivery.

## **2. Generation of the Community-Generated Performance Scorecard**

This stage involves classifying community participants into focus groups; the most important basis for classification is usually usage or type of program for which feedback is sought. The focus groups then brainstorm to develop performance criteria with which to evaluate the facility and services under consideration; ideally, the number of indicators should not exceed 5–8. The scoring process can take separate forms, either through a consensus in the focus group, or through individual voting followed by group discussion. A scale of 1–5, 1–10, or 1–100 is usually used for scoring, with the higher score being “better”; in order to draw people's perceptions better it is necessary to ask the reasons behind both low and high scores. This helps account for outliers and provides valuable information and useful anecdotes regarding service delivery. The process of seeking user perceptions alone would not be fully productive without asking the community to come up with its own set of suggestions as to how things could be improved based on the performance criteria they come up with. This is the last task during the community gathering, and completes the generation of data needed for the CSC (Table 3).



**Table 3. An Example of a Community Scorecard**

Indicators selected	Score out of 100	Reasons for the scores
1. Management of village relief center		
2. Attitude of doctors and paramedics		
3. Equal access to health facilities for all members of the community		
4. Involvement of community in identifying and maintaining temporary shelters		

*Source: Simulation provided by the author*

### **3. Generation of Self-Evaluation Scorecard by Facility Staff**

In order to capture the perspective of providers, the first stage is to choose which facilities will undertake self-evaluation. This choice depends to a large extent on the receptiveness of the staff at the facility, and it may be necessary to explain to them the purpose and use of the CSC process. As with the community, the facility staff needs to go through a brainstorming session to come up with its own set of performance indicators. These should then be classified in a manner that is easily comparable with the indicators chosen by the community. As with the community gathering, the staff of the facility (e.g., a school or health clinic) needs to fill in their relative scores for each of the indicators they came up with. These are again averaged to get the self-evaluation score card. In addition, the facility staff needs to be asked to reflect on why they gave the scores they did, and to come up with their own set of suggestions for improving service delivery. For the record, one can even ask them what they see as the community's most important grievances, and then compare and see the extent to which deficiencies are common knowledge.

#### 4. Interface between Community and Facility Staff

This final stage in the CSC process holds the key to ensuring that the feedback of the community is taken into account and that concrete measures are taken to remove shortcomings in service delivery. To prepare for this interface, it is therefore important to sensitize both the community and providers about the feelings and constraints of the other side. This ensures that the dialogue does not become adversarial, and that a relationship of mutual understanding is built between client and provider.

#### Key Applications of Community-Led M&E Approaches

##### *As diagnostic tools:*

Community-led M&E approaches are extremely powerful tools when the monitoring of provisions/services is weak. And in the absence of regulatory frameworks, the tools act as proxy regulators by placing in public domain critical information on access, usage, costs, and quality.

These approaches can also compare feedback across locations/subgroups to identify variations in delivery of services/provisions and thus unbundle community needs, experiences, and priorities and shift focus to vulnerable sections.

##### *As accountability tools:*

Salient findings and interpretations from these approaches can be used to identify and demand improvements in services/provisions. Also, this community owned information repository can trigger a demand based on rights and entitlements and thereby place issues of accountability in the public eye.

##### *To reveal hidden costs*

One key information often captured by these approaches is the phenomenon of hidden costs like bribes. Services which are deemed to be free can often be accessed only after paying extra legal costs and this proves to be a major burden for communities struggling to cope with the challenge of rebuilding livelihoods. A related aspect is the forced investments made to compensate for poor service provision like water filters to take care of impurities.

Community-led M&E approaches provide critical information to a wide range of stakeholders:

#### A. National, Provincial, and Sector Ministry Levels

- National-level coordination/allocation bodies like finance and planning may get insights as to how to reallocate resources across services, locations, and segments of population.
- CRC findings may trigger the design of incentives for better performers and disincentives to put pressure on inefficient ones.
- The institutionalization of community-led initiatives will make the functioning of the government more transparent and create space for affected communities to voice their experiences in a structured and credible manner.

#### B. Public Service Providers/Agencies

- Implications for the design of the service: critical information provided by the community can point to the need for redesigning the approach and processes of delivery.
- Reallocation of resources and people to remedy the gaps identified by community: e.g., increased training of personnel, creation of redress mechanisms, etc.
- Implications of responding to the needs of different community groups: e.g., economic variations (middle class vs. poor); gender variations (men vs. women).
- Need to seek additional resources or improved policies: e.g., increased dissemination of information; creation of forums for public interfaces, public information and education campaigns.
- Prioritizing issues and designing “quick-win” solutions: community inputs assist in strategically facilitating an avenue to initiate a dialogue with various stakeholders and carry out practical problem-solving actions.

#### C. Aid Providers

- Programs could be redesigned to impact directly on the critical and strategic issues identified by the survey.
- Targeting should be improved to impact the worst-affected locations and communities.

- Indicators should be provided for themes/issues where service delivery systems need to be strengthened.
- A critical set of “benchmarks” should be provided that can be used to assess the impact of development interventions.

#### D. Civil Society/NGOs

- A base for “demand mobilization” can be set up to improve service delivery by converting individual issues to collective themes.
- A credible tool is provided for effective follow-up actions.
- Comparative statistics provide good handles to lobby effectively for change.
- Possibilities open up for sector-level consultations and dialogues with service providers.
- Networking with other stakeholders on a common action agenda is facilitated.

### **Follow-up, Institutionalization, and Outcomes**

Community feedback-led M&E initiatives, especially those that arrive as one-off experiments, will serve little long-term purpose unless implementation is followed through on a sustained basis. Both demand- and supply-side measures can be undertaken to ensure this institutionalization. From the supply side, the key is to get local governments, national and provincial authorities, and aid providers/aid agencies to create forums for feedback from communities so that performance-based policy action can be taken. The regional and national governments and aid providers can integrate these findings into their planning and budgetary functions by making the results of the feedback exercise the basis for allocation of resources or performance-based incentives. From the demand side, community-based organizations can train their staff in ways to conduct these evaluation exercises, so that these interventions become institutionalized as independent and credible assessments. Further, various indirect uses of the data and findings from these approaches can be promoted by ensuring that the information contained in them is disseminated in the public domain through grassroots media like community radio, or through conventional conduits such as the press and television.

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# Theme 6: Effective Anti-Corruption Enforcement and Complaint-Handling Mechanisms

## The Malaysian Experience

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### Introduction

Natural disasters have no timeframe, know no boundaries, and possess no sense of sympathy. Consequently, when they strike, they not only overtake their victims unexpectedly, they also present tremendous challenges to those who offer and provide aid to the victims. It is also highly probable in the midst of natural disasters that corrupt elements may exist that, like vultures preying on human misery, will take every opportunity to swoop down on the helpless, innocent, and woefully desperate victims in need of aid and assistance.

In this respect, Malaysia has a varied experience of natural disasters. We are no strangers to extensive floods, widespread peat-soil fires, occasional landslides, and so on. But the tsunami disaster of 26 December 2004 was totally unexpected; indeed it was unprecedented and so caught the country completely unaware. The extent of the damage called for a swift and expedient response, not just in terms of the identification of damage and resulting needs, but also in terms of speedy procurement and the distribution of financial aid and physical supplies. This led to a concurrent need for preventing corruption and abuse in relief activities, in order to stave off any hungry predatory vultures.

The tsunami disaster was indeed extensive and unexpected, and the threat of corruption and abuse was very real. Penang was one of the states in Malaysia hardest hit by the tsunami. Being aware of the threat of corruption, the Anti-Corruption Agency (ACA) Penang took action to head off this threat. It was well contained and attempts at corruption and abuse were detected early and foiled. This is, however, still an ongoing exercise needing much concerted cooperation from other government departments and individuals from the public as well as support from the political leadership. It is still a fight far from over.

This paper sets out the valuable lessons learned with regard to corruption prevention during the tsunami disaster, particularly in relation to effective anti-corruption enforcement and complaint-handling mechanisms. The emphasis will be on how proactive and preventive actions are crucial to nipping the problem in the bud.

## **Anti-Corruption Enforcement and Complaint Handling Mechanisms in Malaysia**

It is inconceivable for any government that is serious about combating corruption to do so with half-hearted measures and ill-planned programs carried out on an ad hoc basis. It is even more inconceivable to try to control corruption in the context of a disaster of the magnitude of the tsunami without the necessary legal framework, institutional infrastructure, and support from the community and political leaders. Malaysia's history of fighting corruption is a story in the making from its independence until today, 48 years later. It is only this relentless and determined effort that stood us in good stead when the tsunami struck on that fateful day. The Malaysian Government has, from the early days of independence, taken steps in the right direction to combat corruption. When independence was achieved in 1957, one of the earliest acts of then Prime Minister the Right Honourable Tengku Abdul Rahman Ibni Putra al-Haj was to identify an expert on combating corruption to conduct a special study on the problem of corruption in our newly independent nation. Subsequent to this report, entitled "The Problem of Corruption in the Federation of Malaya," which was tabled and discussed in the Cabinet, numerous steps were taken to combat corruption, including the setting up of a special force to investigate corruption cases. Later, an entire Anti-Corruption Agency (ACA) with officers independent of other government departments, was formed and tasked with enforcing the Prevention of Corruption Act, 1961.

### **A. Capacity building**

Through the ACA Malaysia, further groundwork was laid by the establishment, not only of an Investigation Division (which includes the Complaints Processing Branch, Sensitive Records Branch, and Special Investigation Areas Branch), but also divisions for Prevention (including the Community Education Branch and Systems Examination cum

Consultation Branch), Intelligence (including the Intelligence Branch, Surveillance Branch and Technical Services Branch), and other supporting divisions. The organizational infrastructure was in place and enhanced. Forensics teams were recently formed and an Academy for Asia-Pacific Regional Cooperation will shortly be established. The ACA has its headquarters in the Putrajaya Administrative Capital and has branches in each of the 14 states in the Federation. Within the states themselves, many subbranches have been formed and more are being planned so as to expand the presence of the ACA to more remote areas of the country. The size of the ACA will grow by another 400 officers this year, a 30% increase in manpower. The Government has empowered the ACA to grow from a tiny agency to one which, today, has extensive reach.

## B. Legal Framework

The Government also laid and continuously strengthened the legal framework underpinning the fight against corruption. Upon review of three previous major laws used against corruption and abuse of power, (the Prevention of Corruption Act 1961, Emergency Ordinance 1971—Emergency Regulations, and the Criminal Procedure Code 1957), the Prevention of Corruption Act 1997 (<http://www.bpr.gov.my/English/mainact.htm>) was approved by Parliament to make it more all-encompassing and powerful. Among the new provisions passed were Section 15, which stipulates that when any civil servants in their official capacity make any decisions or take any action from which he/she gains either directly or indirectly (it includes proxies, associates, and family members down to the third generation), he/she is presumed, until the contrary is proven, guilty of the offence of using his or her office or position for gratification; Section 44 (1) (b), which allows for evidence of agents provocateurs in trials; and Section 53, which provides protection for informers and information. Alongside these provisions were Sections 10 and 11, which penalize both bribe takers and bribe givers; and Section 17, which deals with those who fail to report cases of bribery. Apart from the punitive sections above, legal provisions were also approved to enable the ACA to examine the system and procedures of any department and make the necessary recommendations to rectify any shortcomings found (Section 8 [c] and [d]).



### C. Internal Control

The fight against corruption took on a new dimension when, in 1998, the Prime Minister directed that Integrity Management Committees (IMCs) be set up in all federal departments and agencies as well as in all state governments, state departments, and agencies. The function of these committees is to look into matters relating to good governance, with a view to preventing corruption, abuse of power, and mismanagement. The aim of the IMC is to instill internal controls against corruption. The ACA was appointed together with the Modernisation, Administrative, Manpower Planning Unit in the Prime Minister's Department as the joint coordinator for the national-level IMC. Through this, a channel is created whereby not only can integrity be enhanced but the ACA is able to access the various heads of departments and agencies, interact with them, and establish close cooperation to combat corruption. This channel is considered vital for promoting internal control of corruption and abuse. This is another significant development in the right direction which can be seen in the light of the tsunami experience.

### D. Complaint Channels

Yet another structure the ACA has put in place is the "reception of information" channels. One channel that is already well established is the ACA post office box- 6,000-which is applicable nationwide and postage free. A lot of information in the form of anonymous as well as official signed letters of complaint is received annually through this channel. The national ACA toll free number is manned 24 hours a day for the entire year, including public holidays. Another channel is the website of the ACA. All of these means of contact are featured in national newspapers in their "To Call for Help" columns. The ACA has also run advertisements on both radio and television stations appealing for the public's cooperation in the fight against corruption. These have had a positive impact.

### E. Political Will

The building up of all of the above structures and their continuous improvement would never have occurred if the Government were not sincere in its fight against corruption. A lot of money is involved; moreover, even political leaders themselves will at times have to face the music of

the law if they run foul of anti-corruption laws. The political will of government leaders is absolutely essential and, in the case of Malaysia, it has been demonstrated.

## **Handling Complaints on Corruption in Tsunami Relief**

### **A. Situation Assessment and Institutional Response**

When the tsunami struck various parts of Malaysia on 26 December 2004, it may have dealt a disastrous blow, but the anti-corruption groundwork that had been carefully laid down and enhanced over the years stood us in good stead.

Briefly, the devastation wrought in Malaysia was in the 4 states of Penang, Perlis, Kedah, and Perak. The nationwide death toll stands at 68, of which 52 were from Penang itself. Another four people, all from Penang, still remain missing. In terms of physical damage, 138 houses were totally destroyed, of which 8 were in Penang. Reported cases of houses damaged number 770, with 258 in Penang; 551 large fishing boats were damaged, 102 from Penang; 3,026 small fishing boats were damaged, 1,502 from Penang; 1,195 cases of property damage were reported, 415 of them Penang cases.

The Government set up a National Disaster Aid Fund. Arising from the generosity of the public from all spheres and walks of life, and through the five main mass media, a sum of RM89,673,280.74 was collected. Under the Management Committee for the National Disaster Aid Fund, chaired by the Honourable Deputy Prime Minister Datuk Seri Najib bin Tun Razak, the federal National Security Division (NSD) was appointed as the coordinating body. NSD, from its state-level offices, has been collecting data on the disaster-stricken areas with regard to the victims, the extent of damage to various categories of properties, and other damage.

It is in the management of the distribution of the RM89,673,280.74 that the ACA Malaysia had to take steps to see that the anti-corruption infrastructure previously discussed was put to effective use. Keenly aware that opportunities abounded for corruption, it would be irrational to wait for cases to be reported before anything is done at all.

## B. Anti-Corruption Strategy of the ACA

A dual strategy was put into effect. The first part consists of *Proactive Action* which is pre-emptive in nature. The main objective of such action is to prevent corruption before it can take place. Thus, teams of ACA officers from the Intelligence Department become active without waiting for complainants to come to ACA to lodge reports. At the same time the Practices, Systems and Procedure Examination (PSPE) Unit was deployed to meet with heads of agencies in charge of dispensing aid, to check on the status of the infrastructure that should be in place when aid is being channelled and dispensed. The action of the Intelligence Unit officers serves to strengthen the work of the Systems and Procedure Examination Unit.

The PSPE Unit of ACA Penang operating under section 8 (c) and (e) of the Prevention of Corruption Act 1997, also conducted an examination, the results of which are listed below:

### 1. Administrative Control Structure Element

The Examination Unit found that a good structure existed for receiving and dispensing aid funds, with elements of accountability and transparency already in place. Funds collected were channelled into the National Disaster Aid Fund. It was found that the NSD, working with the State Working Committee on Disaster, would receive the list of the victims and reports of loss and damage to properties from three separate committees: the State Welfare Department Committee, which focused in particular on victims who had died or were missing or injured, and victims of forced evacuation, including the damage done to their homes and to their livelihoods; the State Fisheries Board, which focused on fishermen who had lost their livelihood and fishing equipment; and the State Education Department, which focused on the needs of students whose schools were adversely affected by the disaster. Each of these committees, headed by the District Officer, with the presence of the elected state government representative and concerned local community representatives, deliberated on the census carried out on the categories of affected victims and the extent of loss and damage they experienced. Reports were prepared and forwarded to the state NSD office which, upon their vetting, then tabled them to the State Working Committee on Disaster for deliberation and decision. The approving authority was the State Working Committee, chaired by the State Secretary. An effective administrative control structure is therefore in place.

## **2. Accountability Element**

Accountability can be observed from the ground level itself where a census of the categories of victims was taken. Reports of deaths, missing persons, and the extent of loss and damage to properties given to the various relevant committees all require the completion of police reports. The police also had to fill out application forms stating the details of a particular case truly and correctly. Upon collection of these forms, the committees—via the local task force—verified and confirmed the details. The head of the local task force had to sign the form. Then the committees concerned would countercheck with each another to weed out any duplicated claims. The State NSD office, which collected the lists of deaths, missing persons, and damages and losses, coordinated this verification. Once finalized, the lists were dispatched to the national-level NSD, which coordinated with the other affected states at the federal level. Finally, they were submitted to the National Disaster Aid Fund Management Committee for deliberation and approval. Upon approval, the funds were channelled through the various state-level NSD offices that, in turn, disbursed the aid through the concerned State Welfare Committees, State Fisheries Boards, and State Education Departments. Each of these departments has its own IMC at federal and state levels.

## **3. Transparency Element**

Examination also found that the list of the recipients of compensation was openly displayed at the time of disbursement, while the recipients themselves received letters informing them of the approval of their applications. The amount of compensation eligible for the various categories of victims was announced over the mass media, so recipients were aware of the amount they were to receive: for example, death victims—RM20,000.00 to their next of kin; completely destroyed house—RM5,000.00 per victim; damaged house— RM2,000.00 for each; large fishing boat damaged—RM3,000.00 per victim; small fishing boat damaged—RM1,000.00 for each; loss of income—RM500.00 per victim; and so on. It must be emphasized that the amount of compensation was not sufficient to cover the total actual loss to the victims, but was only a token of relief to alleviate their hardship.

#### **4. Checks and Balances Element**

By cross-checking with one another in a check-and-balance effort, the committees mentioned above were able to identify duplicated claims. Further, the departments and committees, when visited by the ACA PSPE Unit, were open and offered their cooperation. Furthermore, officers of the ACA went into the field during disbursement; this had a positive impact, as related in the following paragraph.

#### **5. Correctability Element**

The PSPE Unit found that the forms that were going to be used to disburse aid were worded in a way that would technically make a person receiving aid incapable of being culpable of a false claim offense under Section 11 (c) of the Prevention of Corruption Act. In addition, this meant that the person dispensing aid would not be culpable of abetting a false claim offense, if he or she acted in connivance with the receiver. It was also found that the form contained no element of deterrence of corruption. The ACA Penang then devised a form that warned both the dispenser and recipient of aid of the offenses of corruption, false claims, duplicate payments, and false information. These warnings were highlighted in bold print at the bottom of each form which the recipient as well as the dispensing officer had to sign. To the credit of the committee that was given this advice, this form was agreed to and subsequently used during the aid dispensing exercise.

The first part of the dual strategy achieved an initial success. A result of this proactive action of devising and using the new format that embodied a corruption deterrent element, along with the open presence of ACA officers during aid disbursement, was that 12 persons, out of more than 200 applicants approved for aid, did not come forward to collect their claim. To date these 12 persons have not turned up at the relevant office to pick up the payments.

Following up on these 12 cases, the PSPE Unit found that at the state-level NSD office about 110 cases of dubious claims had been detected and payment withheld pending further inquiry. The NSD state-level offices have records of the dubious claims. All details of these cases are in the process of being passed over to the ACA.

The ACA has been working with the state-level NSD office as well as the various state department committees concerned to pursue these cases. What needs to be stressed is that, where anti-corruption

infrastructure is firm, internal good governance will come to the fore. Through the state-level IMCs, the ACA was acquainted with other departments and in turn they have been exposed to the need for corruption prevention, as well as the prevention of the abuse of power and mismanagement. Working together toward a common objective has been a good development, in spite of the destruction caused by the disaster.

Having ensured that the proactive part of the strategy is on track, the second part of the strategy was to be more reactive in nature, with a punitive approach. With the Intelligence Unit as well as PSPE Unit officers having already worked on the ground, it would be up to the information receiving channels described earlier to bring in any complainants should they surface. The preferred approach is, of course, to prevent rather than to cure. In this respect, through the action of the first part of the strategy, I do believe it had a positive impact. The amount of information relating to the tsunami disaster received through the various channels opened has been minimal: fewer than 15 examples of such information from all the affected States of Penang, Perlis, Kedah, and Perak together. Most of these were related to the unfair distribution of aid, i.e., people who were more deserving of aid were deprived, while those less deserving received aid. Some information was also received relating to the abuse of position by a person responsible for the distribution of aid. Whatever cases may subsequently be proved, the Government has promulgated laws sufficient to cover the broad spectrum of possible offences.

## **Lessons Learned/Recommendations**

When the ACA was first formed, its initial approach was to concentrate on the investigation of corruption cases and bringing offenders to court. Over the years, however, it has realized that, by itself, it is impossible to curb and control corruption with a purely punitive approach. It takes not only a multipronged approach but a concerted effort in tandem with various other departments before it is possible to curb this cancerous social disease.

As stated above, the institutional, legal and administrative structures built up over the years were used and tested following the tsunami disaster. Deploying ACA personnel to actively ensure that the structures in place were working, while making it known that the ACA was monitoring tsunami relief aid, showed that the internal governance

system promoted through the IMCs is in good working condition. Rampant corruption would surely have caused the ACA to be flooded with information about corruption and abuse. Through the proactive strategy adopted and reliance on the structures in place, a mere 12 cases were brought before the ACA.

The experience of ACA Malaysia in this tsunami disaster is that any country would be wise to set up and then continuously build upon its institutional, legal, and administrative structures so that, no matter what disaster strikes, it will be able to withstand the damages wrought and curb the possibility of corruption and the abuse of power.

Corruption and the abuse of power cannot be tackled on a half-hearted, ad hoc, and poorly planned basis. It is thus recommended that basic and vital infrastructure to fight corruption, the abuse of power, and mismanagement must be in place and be continuously strengthened. Below is a list of the elements needed if a country is seriously interested to combat corruption, not just when a natural disaster strikes but for the long-term good and well-being of its citizens:

- an anti-corruption department/agency/commission,
- an effective and strong legal framework, and
- an establishment of government departments and agencies supportive of the work of the anti-corruption department/agency/commission.

Following is a checklist of success factors for each of the infrastructures above that is needed for the infrastructure to function well. The most vital element of all, however, is that government leaders must show strong political will if corruption, the abuse of power, and mismanagement are to be curbed and controlled.

## **Box 1. Checklist of Essential Success Factors**

### **A. The anti-corruption department/agency/commission**

- It must be given the independence to carry out its functions.
- It must have the necessary legal powers to investigate corruption cases.
- It must be given sufficient manpower and financial means to carry out its functions.
- It must use integrated strategy to combat corruption, abuse of power, and mismanagement by using a three-pronged attack: investigation, education, and prevention.
- It must have earned public confidence and support in the fight against corruption.
- The officers must be easily accessible to the members of the public who wish to give information about corruption.

### **B. Effective and strong legal framework**

- The laws/regulations in place must clearly state the functions of the department.
- The offenses of corruption must be defined properly and carry with them elements of deterrence, i.e., punishment provided for.
- Corruption frequently involves accomplices, so it will be essential that evidence given by accomplices be made acceptable and, even better, that evidence of agents provocateurs be made admissible too.
- Provision must be made for special powers to legalize interception of telecommunications, arrest without warrant, seizure of exhibits, examination of bank accounts, etc.
- Protection must be given to informers and to the information given.

### **C. Establishment of integrity management committees within government departments and agencies that support the anti-corruption agency**

- The heads of the department and agencies must head the committees and lead in promoting programs that enhance integrity.
- The programs must develop integrity risk assessment and risk management plans for their own departments and agencies.
- The integrity management committees should develop a code of conduct for their personnel.
- An internal complaints or whistle-blower system should be developed.



# Appendices

## Appendix 1: Background Paper

### **Opportunities for Corruption in a Celebrity Disaster**

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#### **Introduction**

Corruption is defined by Transparency International as “the misuse of entrusted power for private benefit”; it can also be described as representing “noncompliance 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” (TI 2000).

With this definition in mind, this paper examines four critical areas of economic activity in the context of the tsunami and its resultant humanitarian relief operation:

- the ongoing environment into which the tsunami played,
- the effect that disaster and crisis have on opportunities for corruption,
- the opportunities created by the aid effort, and
- the issues of accountability and corruption opportunity within the aid agencies and the aid community.

This paper says little about actual corruption in tsunami-affected countries today, since no systematic research has yet been 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.

- *The tsunami had 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 13 March shows that, in the past few years, "each additional [*New York Times*] story about a disaster produced about US\$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" (Morin 2005).
- *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), were in their home environment, not in the "it's business, not personal" environs of the work place. They were suffering from post-Christmas Day overindulgence and maybe a little guilt.
- *Personal connections.* Many in the West now go to Thailand, Indonesia, Sri Lanka, or 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 teli-visual stories, bringing the "reality" of the disaster closer to home.
- *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. 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. No lingering doubt of political analysis came between the human compassion for the suffering of our fellow human beings and the act of commitment in writing a check.

- *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 reported 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 that was unprecedented in size, rapid buildup of funds, and complexity.

## **The Geography of a Disaster**

Also unprecedented is the geography of the disaster. Regional humanitarian crises have happened before, like the one 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 seven kilometers wide at most and thousands of kilometers 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 provided potential opportunities for exploitation. The temptations to seize those opportunities for personal financial and political gain are manifold.

## **A Question of Proportion**

We are looking, therefore, at a geographically massive disaster and an equally massive rapid buildup 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

mistargeting of aid, inappropriate programming, and poorly timed programming? We simply do not know and thus we have to guard against overreacting.

## **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 that 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 in Aceh Province, has demonstrated the clear linkages between personal power; family, tribal, and religious affiliation; and the exploitation of natural resources, local population, and external international resources to underwrite both 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 (see for example Collinson 2003 for a good account of this).

Many of the analytical tools that aid agencies use today to facilitate 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 (Anderson 1996, 1999). It also seeks to understand the opposite: how aid can be used to promote nonviolence and build communities.

Livelihood models have been adapted for use in crises that 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 (Lautze and Raven-Roberts 2003).

## 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 that decreases the opportunities 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 are 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 (Auf der Heide 2004).

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 (Oxfam America 2005).

A key question must be: in whose interest and under whose 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 toward seeing it as a planning board that needs to be wiped clean and planned anew. Such plans inevitably ride roughshod over the needs and aspirations of surviving disaster 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 (m)-deep coastal no-construction zone, with an overall proposal for a kilometre (km)-deep development zone along the 260 km coastal belt around the island. A new act passed by the Parliament has given the 100–200 m 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 and 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-centered employment in fishing, carpentry, and the fiber 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 (Asian Coalition for Housing Rights 2005).

In Thailand, similar issues have been reported along with the inevitable property disputes that 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 beachfront community of some 50 families (Ekachai 2005).

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 (Greeneconomics 2005). Seventy percent 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 inject resources rapidly 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 that may enhance corruption.

### **A. 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 that 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, particularly 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.

## B. 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 United States) 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.

## C. 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 at salaries way above



those 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 (USAID 2002).

Through endeavors like the People in Aid initiative, 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 labor 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 warlord 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 10 years, the humanitarian community, aid provider governments, United Nations (UN) agencies, and nongovernment organizations (NGOs) have done a tremendous amount to increase their level of accountability and ability to track their financial and supply resources.

The pressure on aid provider institutions to be more accountable to taxpayers 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 aid provider community, the Good Donorship Initiative has sought to ensure that funds are targeted more on the basis of need and less on the basis of politics or public pressure (Harmer, Cotterrell, and Stoddard 2004). Within the delivery agencies, initiatives like the Humanitarian Charter and Minimum Standards in Disaster Response of the Sphere Project (<http://www.sphereproject.org>) have sought to set minimum standards for operations, the Active Learning Network on Accountability and Performance in Humanitarian Aid 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 (Walker 2005). All these largely self-initiated activities have greatly increased the accountability of the aid business.

### A. Agency Opportunism and Overfunding

The multidonor 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” (Steering Committee of the Joint Evaluation of Emergency Assistance to Rwanda 1996)—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 fundraising and marketing opportunities. Few agencies have the courage, or feel they have the financial certainty, to do as Médecins Sans Frontières did and state clearly that they had enough funding. Most agencies continued to raise funds 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 USD59 million in December 2004, revised this upwards to USD155 million in January 2005 and is reported to have raised over USD1.9 billion to date across its global membership (International Federation of Red Cross and Red Crescent Societies). Some major US agencies<sup>2</sup> estimate that they have raised, for the tsunami alone, the equivalent of twice their normal annual global humanitarian budget.

This reliance on and acquiescence in opportunistic funding may push agencies to spend fast and furiously. They find themselves caught in the dilemma of wanting to carry out thoughtful, well-planned programs while 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.

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<sup>2</sup> Personal conversations with World Vision International, CARE USA, Oxfam USA, American Red Cross. March 2005.

Agency accountability systems, procurement systems, and payment systems have been developed to handle a predictable level and rate of transactions. The tsunami response is in danger of becoming overwhelming. Significant problems are associated with scaling up a USD10 million operation turnover to a USD100 million turnover in a matter of days. This rapid and possibly oversupplied environment results in three main problems:

- Agencies need to hire large numbers of local staff rapidly, often with little understanding of cultural, religious, or 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 buildup 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.
- 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.
- 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 opportunities for exploitation. Opportunities for corruption abound, as agencies seek to purchase goods locally in markets with which they are unfamiliar.

## B. New Internet-Savvy NGOs

While the major international agencies have seen a massive influx in their funding for tsunami relief, a parallel change has taken place within the wider NGO community. Anecdotal evidence suggests a massive increase in public giving has occurred via the Internet and that many nontraditional 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.

As with most disasters, a significant number of relatively new agencies are 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.

### C. Biting the Hand that Feeds

Few authoritative studies have been done of the potential for, and actuality of, corruption in the humanitarian aid business; the examination of the United Nations Iraq Oil-for-Food program notwithstanding (Independent Inquiry Committee into the United Nations Oil-for-Food Programme, 2005). An interagency and aid provider forum convened by the World Health Organization 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 (WHO 2005).

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 that 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 training and monitoring, aid may go astray.

They know that their aid provider public (governmental and general) is fickle. If an aid agency admits either internal corruption or being the victim of corruption, it risks losing the confidence of its aid provider 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" (Program on International Policy Attitudes Survey, January 2003). 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 to, 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 lay out something of the environment that 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 for profiteering created by the disaster, the over- or mis-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 aid providers, to accountability to self-set standards, to accountability to beneficiary populations. Does the potential exist 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?

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## Appendix 2

### Meeting Agenda

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#### Thursday, 7 April 2005

- 09h00– 09h45 : Opening
- Chair : *Agus Muhammad*, Inspector General  
Ministry of Finance, Indonesia
- Opening remarks : *Jak Jabes*, Director, Capacity Development and  
Governance Division, ADB
- Patrick Moulette*, Head, Anti-Corruption Division  
Directorate for Financial and Enterprises Affairs  
OECD
- Peter Rooke*, Regional Director, Asia-Pacific  
Transparency International
- Keynote addresses : *HE Taufik Effendi*, Minister of Administrative Reform
- 09h45– 11h00 : Roundtable
- Chair : *Gretta Fenner*, Consultant, Project Manager  
ADB/OECD Anti-Corruption Initiative for Asia-Pacific
- Cobus de Swardt*, Global Programmes Director  
Transparency International
- Country presenters : *Hasnan Zahedi Bin Ahmad Zakaria*, National Security  
Division, Prime Minister's Department, Malaysia
- Ibraim Naeem*, Deputy Managing Director, Maldives  
Monetary Authority
- Kosgahamula Gedera Wimalasena Dahanayake*  
Director, Foreign Aid and Budget Monitoring  
Sri Lanka
- Nongkran Chanvanichporn*, Director of Information  
Technology Centre, Office of the Prime Minister  
Thailand



One government representative per concerned country provides brief overview of his/her government's basic approach to address the corruption risk in the tsunami relief.

- 11h30–13h30 : Country ownership and participatory decision-making as means to enhance transparency (theme 1)
- Chair : *Mulya Lubis*, Transparency International Indonesia
- Presenter : *Pramod Kumar Mishra*, Member Secretary, National Capital Region Planning Board, Ministry of Urban Development, India
- Discussants : *Kasgahamula Gedera Wimalasena Dahanayake*, Director, Foreign Aid and Budget Monitoring Sri Lanka
- Joel Hellman*, Senior Governance Advisor, World Bank Indonesia
- Jayasuriya Chrishantha Weliamuna*, Transparency International Sri Lanka

Participatory decision making in the design of aid strategies, as well as recipient country "ownership" of these strategies, are key to enhancing the transparency of relief and reconstruction efforts. By enabling resources to be matched with real needs, they can significantly reduce the risk of misuse of aid for corrupt purposes.

This session will address measures to ensure recipient country ownership of aid strategies as well as appropriate public participation in their design. Particular attention will be paid to

- the role of aid providers in ensuring recipient country ownership of relief and reconstruction strategies;
- the role of recipient governments in ensuring broad societal and political participation in the development of such strategies; and
- the role of civil society in facilitating citizen participation in relief and reconstruction strategy development.

- 14h30–16h30 : Improving the transparency of aid flows (theme 2)
- Chair : *Jak Jabes*, Director, Capacity Development and Governance Division, ADB
- Presenter : *Syahrial Loetan*, Inspector General, Ministry for State Planning/Head of Bappenas, Indonesia

Discussants : *Rashid Khalikov*, Deputy Director, UN Office for the Coordination of Humanitarian Aid  
*Yasmin Ahmad*, Administrator, Statistics and Monitoring Division, Development Co-operation Directorate, OECD  
*Zia Choudhury*, Accountability Advisor, Humanitarian Accountability Partnership International

The high level of bilateral, multilateral, and nongovernmental aid flows in resulting from the tsunami disaster has brought with it the increased risk of corruption during emergency relief efforts, the medium-term distribution of goods and services, and the longer-term reconstruction phase. A key requirement for reducing such risks is the establishment of appropriate mechanisms to track aid flows from source to end-user.

This session will seek to address what can be done, and by whom, to ensure maximum transparency in the aid allocation and distribution process, focusing in particular on the tracking of aid once it has entered the affected countries. During the session, emphasis will be placed on

- the role of aid providers (including aid-giving NGOs and humanitarian organizations) in supporting the establishment of in-country tracking mechanisms and in disclosing aid given;
- the role of recipient governments in establishing tracking mechanisms and in publicizing aid received and used; and
- the role of civil society organizations in monitoring aid flows.

17h00–19h00 : Strengthening financial safeguards and administrative capacity to curb the risk of corruption (theme 3)

Chair : *Juree Vichit-Vadakan*, Transparency International Thailand

Presenter : *Paul Harvey*, Research Fellow, Humanitarian Policy Group, Overseas Development Institute

Discussants : *Igusti Agung Rai*, Board Member, Supreme Audit Board, Indonesia

*Jerry O'Brien*, Senior Anti-Corruption Specialist  
USAID

*Ajith Nivard Cabraal*, former President, South Asian Federation of Accountants

The significant corruption risks that arise in responding to disasters are exacerbated by any existing shortcomings in the financial and administrative systems of affected countries. In order to integrate effective corruption prevention and risk reduction strategies within relief and reconstruction efforts, it is first necessary to identify the specific risks present. Appropriate measures for strengthening the financial safeguards and administrative capacity of affected countries must then be undertaken within a specific timeframe.

This session will seek to identify appropriate risk assessment and support strategies to strengthen the financial and administrative capacities of recipient governments in the aftermath of the tsunami. Particular attention will be placed on

- the role of recipient governments in implementing an appropriate risk assessment strategy and strengthening local financial and administrative capacity through improved coordination and control mechanisms;
- the role of aid providers in establishing an enabling environment for effective risk assessments by recipient governments, strengthening the financial and administrative capacity of affected countries via coordination mechanisms, and ensuring the proper financial management of donor-led activities; and
- the role of civil society organizations in advocating the adoption of appropriate risk assessment, capacity-building, and fraud-prevention strategies, as well as their role in ensuring transparent financial management of civil society-led activities.

## Friday, 8 April 2005

08h00–10h00	:	Facilitating effective and transparent procurement and implementation (theme 4)
Chair	:	<i>Peter Pease</i> , Public Procurement Advisor, Policy Coherence Division, Development Cooperation Department, OECD
Presenter	:	<i>Michael Wiehen</i> , Board Member, Transparency International Germany
Discussants	:	<i>Ismail Fathy</i> , Auditor General, Audit Office, Maldives <i>Ajay Guha</i> , Project Coordination and Procurement Division, ADB <i>Chong San Lee</i> , Transparency International Malaysia

The implementation stage of relief and reconstruction efforts is particularly vulnerable to the risk of corruption. These risks vary between the relief phase, in which the distribution of goods and services may, for instance, fall prey to corrupt networks, and the longer-term reconstruction phase, in which nontransparent or closed contracting processes can lead to the corrupt diversion of resources away from the intended recipients.

This session will seek to identify measures to facilitate effective and transparent procurement and implementation of relief and reconstruction programs. Particular attention will be paid to

- the establishment of appropriate aid provider guidelines for contracting and service delivery as well as mechanisms for ensuring appropriate coordination of donor-led activities;
- methods for ensuring transparency in the design, procurement, and implementation of recipient government contracting and service delivery; and
- the role of civil society in advocating and supporting transparent procurement and implementation, and in ensuring coordinated and transparent implementation of civil society-led activities.

10h00–12h00 : Ensuring effective project monitoring and evaluation (theme 5)

Chair : *Patrick Moulette*, Head, Anti-Corruption Division  
Directorate for Financial and Enterprise Affairs, OECD

Presenter : *Gopakumar K. Thampi*, Public Affairs Foundation  
Bangalore, India

Discussants : *Pinsak Suraswadi*, Dept. of Marine and Coastal  
Resources, Ministry of Natural Resource and  
Environment, Thailand  
  
*Hans Müller*, Senior Financial Officer, Humanitarian  
Aid Department, Swiss Agency for Development and  
Cooperation

*Ridaya La Ode Ngkowe*, Project Manager of  
monitoring team for Aceh and Nias, Indonesian  
Corruption Watch

Effective independent monitoring and evaluation is a key element in ensuring the transparent implementation of relief and reconstruction programmes.

This session will seek to identify appropriate mechanisms for facilitating such monitoring. It will focus in particular on

- the role of aid providers in establishing external evaluation mechanisms (including external audits) and in supporting recipient government evaluation and civil society monitoring activities;
- the role of recipient governments in ensuring effective internal evaluations covering both service delivery and project procurement, and in engaging with civil society in monitoring and evaluation activities; and
- the role of civil society in providing independent monitoring of government and aid provider activities and in ensuring effective evaluation of their own relief and reconstruction activities.

13h30 – 15h30	: Effective anti-corruption enforcement and complaint-handling mechanisms (theme 6)
Chair	: <i>Dini Widiastuti</i> , Asia Programme Officer, Article 19
Presenter	: <i>Abu Kassim Bin Mohamad</i> , Director, Anti-Corruption Agency of Pulau Pinang, Malaysia
Discussants	: <i>Erry Riyana Hardjapamekas</i> , Vice-Chairman / Commissioner, Anti-Corruption Commission Indonesia  <i>Staffan Synnerstrom</i> , Governance Advisor, ADB Indonesia Resident Mission  <i>P. S. Bawa</i> , Transparency International India

Anti-corruption enforcement mechanisms in many of the countries affected by the tsunami have been weakened as a result of the disaster. Strengthening local capacity to enforce anti-corruption measures effectively is therefore key to preventing large-scale corruption in the relief and reconstruction process. Mechanisms for reporting on corruption in the wake of the disaster—and measures for protecting those that use them—are also a key requirement.

This session will focus on measures to strengthen enforcement capacities in the affected countries, with a particular emphasis on corruption reporting mechanisms. Particular attention will be paid to

- the role of aid providers in supporting recipient government enforcement and complaints mechanisms and civil society advocacy activities, as well as

ensuring appropriate reporting mechanisms for corruption in aid provider-led activities;

- the role of recipient governments in ensuring appropriate complaint and whistleblower protection mechanisms, as well as strengthening the role of government enforcement agencies; and
- the role of civil society in advocating and supporting recipient government enforcement activities, as well as reporting on corrupt activities.

16h00 : Press conference

17h00 – 18h00 : Closing session

Chair : *Agus Muhammad*, Ministry of Finance, Indonesia

Speakers : *Jak Jabes*, Asian Development Bank

*Frédéric Wehrlé*, Organisation for Economic  
Co-operation and Development

*Peter Rooke*, Transparency International

Presentation of draft meeting recommendations and closing.

# Appendix 3

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