



Emergency relief to victims of the 2005 earthquake in Pakistan, (Photo: Arne Strand, CMI)

CORRUPTION IN EMERGENCY PROCUREMENT

In a humanitarian emergency arising from armed conflict or a natural disaster, thousands of lives are at risk and state institutions are often overwhelmed. The first priority for aid providers is to identify and meet the affected population's most urgent needs, through the purchase and distribution of certain goods and services. These include medical supplies and equipment, drinking water, food, sanitation equipment, shelter, and more. While price and quality are important considerations, the primary concern is that of urgent delivery. Inefficient acquisitions by procurement officers under severe pressure will inevitably occur. Sometimes, however, inefficient results are intentional. In these cases people deliberately misuse their power for personal gain.

In this Brief, we explore risks of corruption within aid-funded emergency procurement.

How, and why, does corruption occur? Most importantly, what can be done to control it? Opportunities to engage in corruption are particularly high in emergency contexts, where controls are weak, funding levels are high, and staff turnover is rapid. Despite the obvious risks, corruption in relief aid has traditionally not been a topic of public debate. One reason is that it is difficult to produce concrete evidence when incidents of corruption are alleged. The risk that exposure could alienate donors or the taxpaying public also militates against disclosure – and therefore effective control.

However, the potential for corruption to sabotage the best-intentioned relief efforts cannot be ignored. Corruption reduces the amount of available resources for life-saving operations, impacts on quality of products and services, and diverts aid from those who need it most. Indirect consequences include reputational damage to individual agencies and the humanitarian system in general.

WHY DOES CORRUPTION OCCUR?

The incentives for both suppliers and procurement officers to engage in corruption depend on the availability of desired benefits and the risk of punishment. In emergency contexts, the influx of aid can result in extremely lucrative contracts for chosen suppliers. Institutional loyalty, which would normally re-enforce professional integrity, can flag over the course of rapid management turnovers common in emergencies. The threat of detection and formal sanctions is normally low in crisis situations due to weakened domestic institutions, and firms are unlikely to face debarment or international prosecution. It is also difficult to evaluate procurement decisions made under extreme circumstances through ex-post audits and monitoring. There is often little objective information about the population's real needs and preferences. It can also be hard to assess what the actual price of, for example, fuel or transport should have been in situations of short supply and great urgency. Formal requirements, such as the collection of multiple bids, can easily be manipulated by forging signatures, or collecting quotes from the same company on different letterheads.

FACTORS THAT INCREASE RISKS OF CORRUPTION

Opportunities to participate in corruption proliferate during emergencies: large amounts of funds are expected to be spent quickly, international managers change every few months, and accounting systems are often disorganised. Certain factors influence the specific risk of procurement-related corruption:

- **The need for on-the-spot purchases:** relief supplies purchased or organised in advance, in accordance with standard bidding requirements, are less prone to corruption than those acquired on an ad-hoc basis.
- **The use of emergency procedures:** derogations from normal procurement procedures offer needed flexibility to agency staff. They do, however, typically reduce the level of controls required for individual purchases. For contracts of moderate value, the requirement for multiple bids can be waived upon written justification.

These justifications can be difficult to challenge, and most managers lack the time or inclination to investigate them.

- **Increased demand for emergency supplies:** a significant rise in the demand for important products makes overpricing a common problem. Bribes and other illegitimate costs that inflate prices can be easily masked.
- **Complexity of technology:** the more technology involved, or seemingly involved, the easier it is to cover corruption. Third parties would be hard-pressed to determine whether urgently-required winterised tents should have cost \$600 or \$1000.
- **Firm's country of origin:** suppliers from countries with legislation outlawing foreign bribery might be less inclined to take a risk than those from countries with no such constraints.
- **Donor country policies:** some countries require that domestic industries benefit from a certain percentage of international aid. Politicians with ties to individual firms may misuse their authority to ensure these firms' products are demanded during an emergency operation.
- **Country of emergency:** countries that struggle with high levels of procurement corruption during "normal" circumstances are likely to be fertile ground for corruption in emergencies.
- **Knowledge of local market dynamics:** in some emergencies, literally hundreds of new operators arrive with large sums of cash. Managers unfamiliar with local supply networks will not be in a good position to monitor procurement decisions.
- **Type of goods and services:** some goods and services are widely considered more prone to corruption than others. Shelter, medicine, communications, non-food items, and transport are especially vulnerable. For example, in the transportation sector, fuel can be siphoned off from the stocks or vehicle tanks. Substandard vehicles and/or parts may be substituted

in purchasing agreements. Government and procurement officers can collaborate to collect "taxes" on cars and other imports that are legally exempt from duties following an emergency.

MEASURES FOR REDUCING THE RISKS OF CORRUPTION

Given the unique constraints of emergency aid management, what can agencies practically do to minimise the risks of corruption in procurement? Suggested strategies reflect a multi-layered approach that stresses internal agency control mechanisms, conflict-sensitive management, and the need for common systems among operators. Specific measures can be organised according to the following categories:

- **Preventive measures at the agency level**
- **Coordination**
- **Beneficiary participation**
- **Monitoring and evaluation**
- **Sanctions**

Preventive measures at the agency level

Preventive measures include, among others, reducing risks associated with "on-the-spot" purchases; ensuring that emergency procurement procedures are established, understood and enforced; and increasing the professionalism of procurement personnel.

Establishing long-term "**frame agreements**" with suppliers in advance, covering common relief items, may be an option for large operators. At the local level, smaller agencies can secure favourable, long-term agreements through collective bargaining. In Nairobi, for example, the Inter-Agency Group on Disaster Preparedness in East Africa¹ has negotiated contracts with local and regional suppliers on behalf of member agencies.

An **internal assessment of agency procedures** can identify where risks are most serious, and inform improvements accordingly. Who is involved in any given purchase, and how, in the different phases of the process? While one person might sign the final contract, other players can also influence decisions. Other issues to consider are whether rules regarding communication with suppliers are clear, whether

¹ Inter-Agency Group on Disaster Preparedness in East Africa: <http://www.humanitarianinfo.org/iawg-nairobi/>

too much emphasis is placed on formal indicators of competition, whether criteria for “good procurement” are explained, and whether policies exist for lifting fast-track procedures.

Training of procurement professionals is also important. The challenges of good procurement in emergencies are easily underestimated. While anyone could probably buy 1000 tents, not everyone can get them at the best price-quality combinations, at the right time and place, and with insurance of re-delivery if something goes wrong. Training also promotes collaboration by providing a common language and understanding to participants from diverse organisational backgrounds. Finally, it is important that **all** emergency personnel, whether they have the word “procurement” in their title or not, receive **basic training on agency purchasing procedures**.

When **hiring** emergency procurement personnel, it is essential that expertise is evaluated not only on technical grounds but also on **local knowledge**. Corruption often occurs because procurement specialists are ignorant of the local market dynamics, as well as cultural norms. Local staff should to the extent possible **mirror the diversity of society at large**. Hiring people with different ethnic and religious backgrounds, for example, reduces the possibility that existing social networks are exploited for corrupt purposes.

Adequate **administrative funds** are required to support a sound hiring process of specialised personnel, orient all new employees, management capacity at the field level, and conduct ongoing monitoring (internal and external) of the programme. Where governments are responding to a domestic disaster, administrative capacities should be assessed and buttressed as needed by the international community.

Coordination

Coordination of procurement processes in an emergency can range from “coordination light”, or basic sharing of information, to a heavier approach involving common supplies and services. The appropriate form of coordination will depend on the given context: who the actors are, whether the government is functioning, how urgent needs are, and the geographic scope of the crisis. Coordination can also occur in advance of the emergency, through the negotiation of multiple-agency

agreements that establish mechanisms for group purchasing.

A **template to track purchases** – with the supplier’s name, type of good or service, prices and lead times quoted – should be developed at a sectoral or centralised level in each emergency location. Such information should (with limited exceptions) be publicly available, so that donors, the media and beneficiaries themselves know what is being purchased from whom.

The **use of standard supplies** is an important tool for reducing corruption and maintaining quality in emergency relief. However, as agencies often use different standards, and not all “standard goods” are always appropriate, sectoral coordinating mechanisms should advocate for, and facilitate, a common approach in each context. After the 2005 earthquake in Pakistan, where the new United Nations-led “Cluster Approach”² was piloted, the shelter cluster recommended a standard quality and maximum purchase and transport price for aluminum sheeting, effectively limiting the possibility for corruption in the purchase of a major relief item.

A stronger form of coordination involves **assigning one operator to purchase** and deliver a given set of supplies or services on behalf of other agencies. This drastically reduces the opportunities for corruption as suppliers interact with a single purchaser rather than dozens or even hundreds. In Darfur, for example, a common logistics system was established in 2004 for non-food items (blankets, plastic sheeting, cooking kits, etc.). While UNICEF managed the actual purchasing, the aid agency CARE warehoused and distributed these items throughout Greater Darfur.³

Beneficiary Participation

To the extent possible, beneficiaries (and/or their representatives) should be informed about procurement processes and provide inputs into procurement decisions. In some situations, **cash transfers and vouchers** may be ap-

propriate substitutes for mass agency purchases. Catholic Relief Services, for example, has organised “seed fairs”⁴ in several emergencies, where beneficiaries receive a voucher with which to acquire their own seeds. Sometimes, of course, agency purchase is clearly preferable. This would be the case where people cannot access a supply of commodities, or where prices are inflating so quickly that cash loses value. Evidence from community development projects shows that beneficiaries can also be effective **monitors of non-technical inputs**.

Monitoring and Evaluation

Procurement decisions should be evaluated not only at a technical level (i.e. were three bids collected as the rules require?) but also according to the actual outcome (i.e. was satisfactory quality provided for a reasonable price?). Where it is unrealistic for auditors to compare data from other purchasers, they can ask beneficiaries directly whether they felt value-for-money was achieved. **Real-time evaluations** (RTE) that provide simultaneous recommendations to staff, can be a useful tool to identify and correct problems in procurement from the outset. RTE teams should include **procurement expertise**, and have a mandate to compare key purchases across agencies.

Sanctions

Ultimately, the most effective way to reduce the risk of corruption is to increase the costs of corrupt behaviour for dishonest procurement officers and suppliers. Punishment can include administrative sanctions at the agency level, debarment of firms, and prosecution in national courts. Establishing a **board of contract appeals** for losing firms might be feasible in some emergency contexts. Creating policies that favour companies from countries bound by **cross-border anti-corruption conventions** is another option. This must be complemented by active advocacy for better enforcement of these agreements. Finally, excluding firms with a history of corruption from the bidding process (**debarment**) could be considered. It should be emphasised that debarment policies are expensive and difficult to execute. There is no international agreement on the level

2 United Nations-led “Cluster Approach”: <http://www.humanitarianinfo.org/iasc/content/Cluster/default.asp?mainbodyID=5&publish=0>

3 CARE Logistics Coordination and Operation - Darfur: <http://www.care.org/careswork/projects/SDN098.asp>

4 CRS’ Agricultural Innovations: http://www.crs.org/our_work/what_we_do/programming_areas/agriculture/innovations.cfm

of proof required to justify a decision to debar individual firms.

When considering measures to mitigate risks of corruption, it is important to note that corrupt officers often operate in **networks**. For example, the agency's cashier must agree to process the check for an inflated payment. Diversion of goods from their intended target may require cooperation from the driver. This implies that if one person is caught, the ramifications can impact the organisation more broadly. The time and resources required to investigate and respond to these cases can be extensive. Agencies should be prepared to respond to the possible negative consequences of a considered approach to corruption, including financial expense, reputational damage, and the threat of prosecution. Donors can provide important incentives to increase agencies' willingness and ability to carry those risks.

RECOMMENDATIONS TO DONORS

- Encourage the establishment of inter-agency groups in crisis-prone countries and regions to facilitate **advance preparations for emergency procurement**. "Disaster preparedness" groups can plan joint assessments and negotiate long-term frame agreements on behalf of their members.
- Promote better practice in emergency procurement through the development of **standard procedures**. Currently the major humanitarian donors impose different requirements on their partners, and agency procedures at all levels vary enormously. "Best practices" have been established for public procurement generally but more efforts are needed with respect to emergency-specific procedures.
- Support innovative efforts to **streamline corruption controls** within humanitarian operations. The United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) has, for example, tried to improve monitoring of relief monies through its Financial Tracking System.⁵ **Corruption assessments** (including a local market analysis) should be piloted in countries known to be particularly corrupt.
- Increase **funding for administration** of emergency operations. Extra management support is needed to implement **basic transparency measures**, such as reporting on the disbursement of funds and publication of contract awards. Donors should set an example by making information about their own funding easily accessible to the public.
- Promote the inclusion of **procurement specialists in inter-agency evaluations**, including real-time evalua-

tions. Lessons learned from these evaluations should be disseminated and discussed with responsible authorities in the affected government and international agencies.

- Support the **professionalisation** of procurement officers, through certification and training programmes.
- **Second experienced procurement advisers** to UN-organised sectoral clusters where capacity is lacking.
- Assess the capacity of the affected government to monitor relief programmes, including procurement decisions. **Increase monitoring capacity** where needed with both human and financial resources.
- Provide **incentives for common procurement systems** in emergencies. Joint purchasing of non-food items and fuel has proven effective in past operations.
- **Publicly support NGOs that deal with corruption openly** and professionally in their programmes. Encourage an open dialogue about challenges posed by corruption, both in bilateral discussions and collectively among NGOs and other donors. Cooperation among donors on common approaches to the problem would help destigmatise the issue and increase buy-in from non-audit staff.
- **Consider support to local investigative journalism** as part of emergency response. Professional and independent media outlets should be encouraged to monitor relief operations. **Specialised courses on humanitarian aid** should be offered in donor-country journalism schools.
- Consider policies that favour purchasing relief supplies from firms based in countries with a recognised commitment to international anti-corruption conventions. Advocate for **prosecution of donor country companies** found in violation of the OECD anti-bribery convention.
- Advocate in donor fora for the **untying of aid**, as meaningful competition not only increases value-for-money in relief purchasing, but also reduces opportunities for political interference and corruption.

more information on
CORRUPTION IN EMERGENCY SITUATIONS:
www.U4.no/themes/ces/



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⁵ Financial Tracking System:
<http://www.reliefweb.int/FTS/>