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COMPLEXITY AND CORRUPTION

Irregularities in the world's most corrupt business in times of emergency

Housing reconstruction and embedded reporting in Bosnia-Herzegovina in the 1990s

a seven minutes glimpse

What I'll be presenting rests on evidence from international agencies' work, by no means Norwegians only. Bear this in mind.

Transparency International's 2002 Bribe Payers Index reported that construction/public works are perceived to have the highest level of bribery of any sector, higher than both the arms industry and the oil and gas sector

According to Transparency International, the construction industry is the world's most corrupt business sector. This is because they deal with one-off projects, often of massive scale involving loads of money, many people, rest upon numerous complex contractual relationships in a traditionally closed system of tendering and negotiations that by nature of the projects depend on discretionary decisions. Add to this the social, and political – and financial - complexities of a war-affected society where international reconstruction funds by the millions and in cash - are brought into the reconstruction scene in bags.

This is what the Bosnian reconstruction scene was like when the security situation allowed foreign agencies to start housing re/construction in the early 1990s. I have followed the Bosnian housing re/construction process from 1995 onwards and will share with you one case where corruption most certainly was one of the ingredients, not to 'out' the organization or people involved, but to highlight the structural and practical challenges in conducting business in such a complex context – and how the reporting back either within the agency or through the press - never knew or wanted to know.

Slides of empty houses examples of type of half-finished houses

Composite picture of Breze houses

Workmanship pictures

Admittedly, this is small fry, yet illustrative of questionable (fraudulent?) reconstruction practices. These houses were completed in order to shelter 246 IDPs. Not one single IDP ever lived there. Projects for 207.000 DEM in five houses were left standing till the war was over when the owners could reclaim the whole building. *Why was that, and what was done about it? What was structural – and what was merely the result of inappropriate behaviour of individuals?*

The following issues, I feel, explain the discovered phenomena.

Corruption and complexities in post-war reconstruction

1. 'Strictly Cash'

Bosnia's early re/construction was paid for in cash. All foreign agencies brought their funds into the country in cash. Aside from the enormous sums brought in as remittances from the many hundreds of thousand Bosnian refugees. The financial infrastructure – or lack of it – created a cash culture where the response to payment often was *"What sum should I write on the racun, sir?"* (Just imagine how transactions go in present day Iraq?)

2. Acting within a unknown, volatile, complex, and violent environment

The incoming agents generally didn't have a clue. They had to learn the ropes from locals they came to trust, yet even they did not know what was happening. The response to the break-up of the societal web, or the social contracts, left many with no other choice but to first and foremost fend for their own interests. The incoming expats were left on the outside, first of all by the very nature of the mission (think of Italians coming to the North of Norway in 1945!!!), but just as important, by not speaking the local language. Yet at the same time, they were the people with the money.

In my housing case the final decisions were made by the expat head of office, which enabled the agency to act independent of local haggling. Yet *"they probably did not understand the situation"*, as one staff of an INGO told me.

3. The power of language

For most Bosnians it was a social and economical quantum leap to attain employment with a foreign organization. ("I never knew I had such a big family...."). The agencies depended on local staff to have their projects realized, but also to enable the expats to

communicate locally. Their role as go-betweens and *language gatekeepers* made them into central powerbrokers in the early days of housing reconstruction.

In my case it was about negotiating with prospective house owners, issuing bills of quantities, handling stores and negotiating prices with the local suppliers. This gave the local staff of the international agencies an unprecedented power to act to their own personal benefit. My empty houses evidently filled the pockets of (some) local staff. DEM 500 for choosing a small house owner, DEM 4000 for a big one. And then the inflated requisitions for building materials. Enough to build two houses, reportedly, etc, etc. Yet generally, brown envelopes frequently seemed to find their way past the foreign officers into the hands of local staff. "*A prevalent practice*", according to CIA's Fact Sheet on Bosnia at the time.

4. Accountability, Accountancy and cost comparisons

Each agency had their own organization-wide accountancy system, but normally these were too 'wide' to allow cost comparisons on construction work even between field offices within the same organization. Cross-agency comparisons were therefore more of a strategic game than they were incentives toward cost conscious construction methods or preventative measures against corruption. Besides, the quality of work was not at all codified in spite of the fact that building standards fall, sometimes dramatically, in circumstances like these (As if laws of physics also had collapsed along with the social codexes).

10 years after their entered Bosnia and after having built more that 100 000 houses, not even the large international organizations were able to make anything but rudimentary cost comparisons. When one field office in one of the large organizations *quit tendering*, but started to ask for bids within a fixed price range, the construction cost were reduced by about 30%.

5. Embedded Reporting

Emergencies, reporting on them, and international humanitarian response constitute an reciprocal troika. In practical terms emergencies do not exist, and trigger no action, where there is no-one to report on it. In this sense Bosnia was a true emergency. The Norwegian media, for instance, was in Bosnia primarily to report on the Norwegian achievements. Their key sources were field staff of Norwegian NGOs.

”Norske journalister er orientert mot norske helter. Å skrive om en norsk helt i felt er alltid populært. Mange av bistandsorganisasjonene har klart å spille på dette. Organisasjonene selger godhet, og journalistene skriver om det gode som gjøres”.

Tidligere utenriksredaktør i Dagsavisen, Øyvind Johnsen, i Verdensmagasinet X, nr 2/2006

To avisoppslag

This allowed international agencies to embed incoming reporters, i.e. to accommodate, transport and strategically inform them on issues deemed important to, say, the Norwegian public. They were not, by the nature of their operations, their source of funding, and by their moral standing in the eyes of the public, interested in presenting fraud and failed projects. But, honest, who would? And furthermore, what media institution would release resources for investigating some irregularities by actually digging in the fields in a far-away country. Besides, as Øyvind Johnsen says:

”De store humanitære organisasjonene er hellige kuer i norsk presse, de går stort sett fri for kritisk søkelys. [...] [De] har så sterke brands at de er nesten urørlige”.

Tidligere utenriksredaktør i Dagsavisen, Øyvind Johnsen, i Verdensmagasinet X, nr 2/2006

6. Agency reporting

Many of the Final Reports submitted to the donor reads like the initial project proposal, but with actual time lines and audited accounts. Surprisingly little comes up on outcomes. Not even outputs might be fully correct. Given the financial relationship to donors it is imperative not to show failure. And given the donor's dependency on the NGOs both for strategy development and implementation - within the Scandinavian context at least, such reporting has been accepted – although Norad has now signalled change.

In my case nothing was formally reported back on the fact that the housing projects aimed at sheltering 246 IDPs remained empty. On the contrary, in the final report back to HQ the project was referred to as being successfully completed – information that most probably was conveyed to the donor. All this in spite of the fact was not the agency's fault the no one moved in. The agency had been advised by the local authorities on location, yet once realized they were left empty due to fear of “*tilting the ethnic balance*”. Holding back this sort of information for fear of what the donor or the domestic press might make of it – shows how the ‘patronage system’ for funding INGOs and their untouchable role in public opinion shields both the donor and the public for vital information required to understand – and accept - the complex realities the humanitarian

organizations face in the field. This shielding of realities also protects those out there who play the game for their personal gain.

In a Tsunami conference in Stockholm in Dec. 2005 the World Bank's Indonesia director, Mike Baird, concluded that the most central lesson learnt in post-tsunami Aceh, was the importance of "information management", referring to the deep uncertainty and confusion people experienced in the field. The Swedish minister for Development Cooperation, Carin Jämtin, brought on a similar conclusion when referring to the domestic scene. We've painted ourselves into a corner by not openly acknowledging the complexities, the difficulties and the dilemmas people face in the field.

COMMUNICATING AID