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MASSIVE FRAUD HITS TSUNAMI AID, Builders take charity millions

By Michael Sheridan, Banda Aceh

THIS was supposed to be the scene of the world's greatest aid effort, but endemic corruption has drained it of millions of pounds while leaving tens of thousands of tsunami victims stranded in tents.

Banda Aceh was ground zero in the tsunami of Boxing Day 2004, which claimed more than 200,000 lives across the Indian Ocean. More people died here than anywhere else.

Now two charities that raised unprecedented sums in Britain have fallen victim to rip-offs that ruined their efforts to house the survivors and have forced them to suspend key projects.

Save the Children and Oxfam were both targeted by unscrupulous building contractors who took their money, only to build structures so flimsy that a new wave would wash them away.

Save the Children may have to write off more than £400,000 worth of building contracts. Oxfam, which counts its losses in "tens of thousands of pounds", has stopped its construction work around Banda Aceh until investigators establish the extent of the abuse.

Indonesian anti-corruption campaigners, who uncovered the Save the Children case, have also assembled a dossier of fraud and incompetence that reveals why the Jakarta government and international aid agencies have failed in their promises to the survivors of Aceh.

"We calculate that 30% to 40% of all the aid funds, Indonesian and international, have been tainted by graft," said Akhiruddin Mahjuddin, an accountant who investigates aid spending for the Aceh Anti-Corruption Movement.

The movement is partly funded by foreign donors and its findings are regarded as credible by embassies and aid agencies.

The betrayal is all the more cruel because it has been committed, in the main, by the Acehnese themselves. Indonesia, which lost more than 131,000 people, got the most pledges of aid, totalling \$6.5 billion (£3.7 billion). It has already collected \$4.5 billion in funds.

The aid effort won praise for saving thousands of lives by prompt action to stop disease and to restore clean water supplies.

Yet the bereaved, the orphans and the dispossessed are eking out their 16th month in tents and shacks flung down amid palm groves and rice paddies around this sweep of ravaged coast, ringed by sharp-toothed green mountains, in the north of Sumatra.

Funds have been frozen. Projects wait on hold while worried aid administrators fly in and out of Banda Aceh clutching audit reports. Bureaucratic and political paralysis means only 10.4% of the funds allocated by the government have actually been spent, said Akhiruddin.

Of the 170,000 homes promised to the people of Aceh, only about 15,000 have been built, one year and four months after the tsunami.

Save the Children intended to help bridge the gap by funding 741 buildings, including schools, in the Bireun, Pidie and Lhokseumawe districts of the province, issuing contracts worth £404,000.

Akhiruddin displayed the list of 15 contractors on his Microsoft Excel spreadsheet, showing a web of companies and subcontractors. Most appear to be controlled by a few individuals related to one another.

“They were supposed to sink foundations up to 60cm,” he said. “But we found they’d just propped wooden stilts on stones and dug no foundations at all. The timber was substandard and already warping.”

His team recommended that Save the Children demolish all 741 buildings and start again. The contractors have been dismissed but neither compensation nor criminal proceedings are likely, he said.

Save the Children issued a statement to the Indonesian media, acknowledging problems with the Aceh projects and promising to put them right.

Jasmine Whitbread, chief executive of Save the Children, said this weekend: “During routine evaluation and monitoring, we discovered the poor workmanship and immediately took steps to rectify the situation, including terminating the contract and instigating repairs. We will tolerate nothing less than the most efficient and effective use of money.”

Oxfam has sent in five investigators, including a former police officer, to unravel the skein of apparent corruption that has led to losses in its Banda Aceh office and forced it to suspend construction.

“We took the decision because of the need for accountability and also to make it clear that aid agencies are serious about these issues,” said Craig Owen, a spokesman. “We are committed to spending £42m here over three years and you have to remember that this is like rebuilding an area the size of Birmingham: it’s a challenge.”

Oxfam plans to resume work in phases while the investigation team prepares its report and recommendations.

According to Akhiruddin, however, these woes are a mere fraction of the frauds. Among the cases that his investigation uncovered were:

Indonesia’s government reconstruction agency spent £6.3m on temporary housing that was either overpriced or fictitious. “I went to one site in Aceh Besar and found no barracks had been built at all,” said Akhiruddin.

More than £40,000 was embezzled from a children’s food distribution centre.

One aid group paid for 70 new houses, only to find that its own local staff had occupied most of them.

Another bought 100 new fishing boats for £1,166 each when a fair price was £800 per vessel. The cost difference came to £86,600.

A German aid group sent £1.4m raised from provincial newspaper readers, promising to rebuild 400 homes. So far one has been built.

The government reconstruction agency is trying to fight internal corruption, said Akhiruddin. It cancelled 90% of tenders in one two-month period last year. But having issued a blacklist of 18 companies deemed unsuitable for contracts, it hastily withdrew the list. Kuntoro Mangkusubroto, the agency's head, is respected for his personal honesty and has pledged to clamp down.

Last week Susilo Bambang Yudhoyono, Indonesia's president, vowed there would "be no safe haven" for the corrupt. He was backed up by Paul Wolfowitz, president of the World Bank, who has spearheaded tough lending guidelines for borrowers such as Indonesia.

But the politics and scrutiny all take up time. "The consequences are that people's suffering is being prolonged unnecessarily," said Akhiruddin.

While the contractors and their accomplices enjoy the fruits of their misdeeds, one young survivor, a girl named Fajriyana, is still living in a blue plastic tent in the mud.

The Sunday Times found Fajriyana there last December and told her story of miraculous survival, of the loss of her mother and her reunion after many months with her father and sisters, who had believed that she was dead.

Fajriyana celebrated her fourth birthday in the tent on February 4. "I have scraped together all our savings to buy us a small piece of land," said her father, Nasruddin, a mechanic. "Now we are waiting for the government, God willing, to build us a new house."

It may be a long wait. And the soaking rains, with their cargo of dampness and disease, are coming over the teeth of the mountains soon.