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**The Corruption Chameleon**  
*A case study of corruption within a Malawian NGO*

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## Abstract

Over the last decade, a growing consensus has emerged within the development world that corruption is the single greatest obstacle to reducing world poverty. The simplicity of this statement, however, masks the complexity of the issue, as corruption itself is a complicated multi-faceted phenomenon with multiple inter-related causes and effects. Both the term and the concepts underpinning it are highly problematic, as the shape and tone of any discussion on the topic is dependent on who is defining it.

The majority of recent literature on corruption has tended to focus on the role of a single actor: the state. Despite their growing influence, NGOs on the other hand, appear to have attracted only cursory inspection. This thesis attempts to rebalance this by examining corruption with specific reference to development NGOs, and is based around a central hypothesis that they are not impervious to its influences. It seeks to contribute to the understanding of the nature, form, and dynamics of corruption within NGOs operating in a development context.

Based on a detailed case study of an INGO operating in Malawi, the research findings highlighted the nature and extent of internal corruption; indicating that NGOs are subject to similar types and levels of corruption as faced by the broader societies in which they operate. The thesis concludes that whilst Western forms of combating corruption can be effective, they are insufficient to counter deeply entrenched neopatrimonial networks underpinning it. The most effective mechanism for countering such forms of corruption was found to be the same as those supporting and protecting it: access to, and support from, high-level political connections and insider networks. Whilst the key deterrent remains the implementation of a strong internal control system, its overall effectiveness is dependent on support at the highest levels. Instrumental to this is also the presence of a “principled” principal, with sufficient political-will to counter political-interests that may be vested in maintaining the status-quo.



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Last and not least, I need to recognise my mum and dad, as the topic covered here can (in essence) be reduced to one of morality, ethics, and integrity. This thesis is ultimately a testament not only to the values they instilled in me, but to the unconditional support they have shown throughout my life.



## **Explanation of Thesis Title**

In many parts of Africa the chameleon is both loved and hated (Wendland & Hachibamba, 2007), with the image itself having a strong resonance in story and myth (Anders, 2002a). In the context of Malawian mythology, it is a morally ambiguous creature (Schoffeleers & Roscoe, 1985:17-38). Its image been used as a metaphor to depict survival strategies under the authoritarian regime of Hastings Kamuzu Banda (Mapanje, 1981), who ruled Malawi from 1961 to 1994, and, more recently, to describe Malawian politics and politicians since the advent of multi-party elections in 1994 (Dzimbiri, 1998; Englund, 2002). Nazombe (in Collier, 1992:293) makes specific reference to the reptile's "cunning and elusiveness", which he sees as the reason it was selected as a totem by two of Malawi's most renowned poets.

A reptile, the Chameleon's eyes are able to move independently from each other, allowing it to observe two different objects simultaneously and giving it the ability to maintain a 360-degree arc of vision around its body, scanning the surrounding environment for any potential threats. In addition, the Chameleon is able to change colour and blend in with its surroundings, giving it an extremely effective form of camouflage.

For these reasons, I have elected to use the chameleon as the metaphorical representative of corruption, and the networks that operate and protect corruption, and include it in the title of this thesis.



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## **Abbreviations**

ACB	Malawi Anti-Corruption Bureau
ADMARC	Agricultural Development and Marketing Corporation
AVI	Australian Volunteers International
CONGOMA	Council for Non-governmental Agencies in Malawi
CPA	Malawi Corrupt Practice Act no 18 of 1995
CPI	Corruption Perception Index
DPP	Democratic Progressive Party
EUR	Euros
GBP	Great British Pounds
GNI	Gross National Income
IAASB	International Auditing & Assurance Standards Board
MCP	Malawi Congress Party
MYP	Malawi Young Pioneers
MWK	Malawi Kwacha
NSO	National Statistical Office
NORAD	Norwegian Agency for Development Cooperation
NGO	Non-Governmental Organisation
INGO	International Non-Governmental Organisation
OECD	Organisation for Economic Co-operation & Development
OVC	Orphan and Vulnerable Children
PAC	Public Affairs Committee
Press	Press Corporation
PWC	PricewaterhouseCoopers
SIDA	Swedish International Development Cooperation Agency
TI	Transparency International
UDF	United Democratic Front
UN	United Nation
USD	United States Dollar
WB	World Bank

## Case Study Specific Abbreviations

CBP	Community Based Programme
CBPC	Community Based Programme Coordinator
CD	Country Director
DCD	Deputy Country Director
ERP	Emergency Relief Project
FC	Financial Controller
GSC	General Secretariat of NGO-International
HRM	Human Resource Manager
KG	Kindergarten
MC	Medical Centre
NA	National Association / Member of NGO-X
NGO-Int	International Federation of NGO-X
NGO-X	International NGO Based in Malawi
NO	National Office
RD	NGO-International Regional Director
RO	NGO-International Regional Office
VDC	Village Development Committee

## Chapter 1: Introduction

### 1.1 Introduction

Over the last decade, a growing consensus has emerged within parts of the development world that *corruption* is the single greatest obstacle to reducing world poverty (Transparency International [TI], 2008a; World Bank, n.d). It now takes centre stage in much of the development policymaking discussions, and is a clear focus of many bilateral and multilateral donors (Berthin, 2010; Harrison, 2007; Laver, 2010; Rendon, 2006). Both the term itself, and the concepts underlying it, however, are far from simple, and are not as straight forward as rhetoric on the subject would like us to believe. A common universally acceptable definition continues to be elusive, as does a consensus on who has the right to define it. The wealth of information and opinion surrounding such debates is reflected by a cursory examination of the internet, which has “provided a medium in which the volume of anti-corruption information and analyses is so large as to be almost unmanageable” (Harrison, 2007:673)<sup>1</sup>. Regardless of the rhetoric surrounding corruption, what is not contested is the recognition by all involved of it being a complex multi-faceted phenomenon.

Typifying the dominant discourse on the subject, Hoogvelt (1980) refers to the existence of “the culture of corruption”, whilst Amundsen (1999:1) describes it in terms of “a disease, a cancer that eats into the cultural, political and economic fabric of society, and destroys the functioning of vital organs”. This viewpoint is also held by both: the United Nations Office on Drugs & Crime (2004), who describe it as a “silent but insidious plague” which has been slowly corroding societies; and Transparency International (seen by many as the leading authority on the subject), who state that:

*Corruption has no conscience. When allowed to spread, its corrosive effects destroy trust and fuel injustice, regardless of geography or sector (Transparency International, 2010a)*

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<sup>1</sup> At the time of writing, a search of the word ‘Corruption’ using the Google search engine returned “around” 147,000,000 million results.

Seen as particularly endemic in the developing world, it “is [regarded as] not just an aberration or nuisance; ... [but] a systematic feature of many economies” (Azfar, Lee, & Swamy, 2001:42). It is now considered by many as the most pressing global and ethical problem faced by development (Pacini, Swingen, & Rogers, 2002; Ryan, 2000; Sanyal & Samanta, 2000; Weber & Getz, 2004), with the World Bank formally labelling corruption as the “greatest obstacle [in the world] to reducing poverty” (World Bank, n.d.)<sup>2</sup>.

The paradigm presented above is contested however, with scholars such as Harrison (2007:676) highlighting the term’s distinctly western origins. Taussig (1999) talks about their being a “dualism” in the *corruption* debate which implies an “honest” North and a “dishonest” South, whilst Anders and Nuijten claim that “the fight against corruption has ‘Orientalist’ overtones” (2007:3). De Maria (2005) goes one step further, arguing that the current anti-corruption discourse is simply an extension of neo-liberal hegemony, whilst Anders and Nuijten state that its positioning within larger power structures “implies that [it] is not a ‘cancer’ that can simply be localised and surgically removed from an infected body politic” (2007:16).

There is little disagreement, however, on the actual effects of corruption, or that the greatest impact is on the poorest sectors of society – those who bear a disproportionate load of the distortions and deprivations corruption produces (Doig & Theobald, 2000:1). At one level it siphons off resources intended to alleviate poverty, thereby directly impacting on a country’s economic growth and level of investment, whilst at another, it saps the already limited resources of the underprivileged by forcing the offering of bribes in exchange for access to basic goods and services (TI, 2008a:3). Despite the argument by some that poverty is itself, a cause of corruption, in many cases it is a “crime of calculation, not passion” (Klitgaard, 1998:46), perpetrated in many cases by the elite (Acquaah-Gaisai, 2005:2). This fact alone adds to the difficulty of dealing with it in an effective manner

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<sup>2</sup> The World Bank Institute estimates that around US\$1 trillion of actual bribes are paid worldwide every year (NB this include both rich and developing countries and does not include embezzlement of public funds or theft of public assets) (World Bank, 2004).

(Klitgaard, 1988:3). The underlying issue however is not whether *corruption* is “good” or “bad”, but *who* defines it and *how* it is defined.

Up until recently, the topic had been viewed as a taboo subject (Carr, 2009; Cremer 2008), with many Western scholars showing a certain level of ‘diplomatic neglect’ towards it (Myrdal, 1970a). According to Myrdal (1970b:230), the reluctance to delve more deeply into the topic of corruption, was the result of a general bias and condescension on the part of Westerners, a view supported by Andreski, who argued that “the conspiracy of silence on the part of the great majority of European intellectuals, [was] due to inverted racialism” (1979:276). Klitgaard (1988:9) on the other hand felt that the avoidance of examining such a sensitive topic related to a fear by scholars of being labelled as “imperialists”. Whatever the reason, this is now changing, and by the end of the 1990s research on corruption has mushroomed into a “growing industry” (Quah, 2006:939). Within this, considerable interest and attention is now being shown in the social-scientific fields such as anthropology. Whilst the situation reflects (in part) a growing level of intolerance towards acceptance of corruption, it may also indicate an increasing level of the problem itself (Tanzi, 1998, in Lash 2003:2).

Despite the polarising positions taken by many scholars, the overall complexity of the issue is demonstrated by the “rich but unresolved theoretical debates [which] compose the vast majority of the literature” (Morgan, 1998:7). The bulk of this has remained at an abstract level, as the lack of access and opportunity for independent researchers to gather real data continues to be a challenge. What data is available is not only extremely limited, but is “often ‘soft’, unreliable and masked” (Andvig, Fjeldstad, Amundsen, Sissener, & Søreide, 2000:6). Not surprisingly, given the interest shown by bi-lateral and multi-lateral donors, much of the recent literature on corruption has tended to limit itself to the role of the state. This is reflected in the bulk of definitions now available (Amundsen, 1999), with the main emphasis being on the private wealth-seeking behaviour of public officials.

With neo-liberal reforms having reduced the role of government over the past quarter of a century, the resultant gap in the area of primary welfare service provider has been partially

filled by non-governmental organisations (NGOs). Whilst NGOs have managed to fill a power vacuum in society (Cohen, 2004), and play a unique role as the “operational arm” of civil society (Commonwealth Business Council, 2003), little if any solid data is available as to whether the level of *corruption* that affects the environment in which they operate, is mirrored within NGOs themselves. However, given their reliance on donor funds, it stands to reason that they should be held to a level of accountability similar to governments that receive development aid. Despite this, there appears to be little real scrutiny of this sector. One factor for this may well relate to an idealised view of NGOs “based on the assumption that people working for [them] are more ethical and ‘better’ than people in other fields” (Kitsing, 2003).

The aim of this study is to help overcome this gap, by providing a detailed case study of corruption within NGOs. Its aim is to see whether NGOs, despite their often-privileged positions within the development world, are subject to the same influences and drivers of corruption inherent in the environments in which they operate.

As a starting point, this chapter outlines the broader context for the selection of this topic. It defines the study objective and key research questions, and relates this to the available literature. It also outlines the structure and organisation of the thesis and provides a brief synopsis of the subsequent chapters.

## **1.2 Background of Study**

Corruption is an ancient problem dating back millennia, and has historically had different meanings in English and other languages (Mbaku, 2007). Written reference to it dates back as far as the fourth century B.C., with a treatise on administration which outlines in some detail the “forty ways of embezzlement” (Kautiliya in Arthasastra, cited in Bardhan, 1997:1320). It is also prevalent in the writings of a number of theorists from Aristotle, in 300 B.C. Greece (Dobel, 1978), to Machiavelli in sixteenth century Florence (Shumer, 1979). What today would be defined as a corrupt practice was institutionalised as the *modus-operandi* of the former East India Company (Monteiro, 1966:20, in Scott, 1969:315)

in the seventeenth century, where meagre salaries were expected to be “topped-up” by a variety of methods such as kickbacks. Such an approach was also the cornerstone of colonial office appointments (up until the twentieth century), where an office was “regarded more often than not as an investment in an exclusive franchise that was expected to yield a good return to the political entrepreneur who acquired it” (Scott, 1969:315)<sup>3</sup>. Whilst traditional norms set some limits on the amount that could be “diverted”, the opportunities provided by such a “franchise” was common in Western Europe up until the mid-nineteenth century (Scott, 1969:315). Termed “Old Corruption”, the system was best characterised by the late Georgian period which reflected “a parasitical system – ostensibly built up to enormous proportions during the Napoleonic Wars – through which the elite fed its insatiable appetite for power and money at the people’s expense” (Rubinstein, 1983, in Harling, 1995:127). In such cases, access to wealth and power was based on an individual’s position, with any resources associated with this being seen as their personal property.

The distinction between public office and private affairs, which today forms the basis of the modern administrative system (and is the source of a number of the more popular definitions of corruption), only gained hold in Europe towards the end of the nineteenth century, with the development of Max Weber’s ideal-type rational-legal bureaucracy model (Scott 1969; Weber 1978). Whilst many would argue that the alignment – or modernisation – of administration along Weberian principles is sufficient to relegate “corrupt” systems to being an aberration of the past, this argument has not proven valid for some parts of the world, including Sub-Saharan Africa. Since obtaining political independence from the late-1950s onwards, “levels of corruption have markedly increased regardless of official ideology or economic approach, and in many countries corruption is both pervasive and endemic” (Coldham, 1995:115). The problem however is not limited to one continent alone, with the World Bank viewing corruption as being the most serious obstacle to worldwide development; so much so, that combating it is now a central institutional priority (WB, 2000:xiv). The tendency for corrupt transactions to be carried out

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<sup>3</sup> A similar approach had also been adopted in: Spain, where colonial posts were sold at public auction (Scott, 1969:315); and Dutch Batavia, where the colonial administrator was required to pay his superior an amount analogous to a ‘licence to hold office’ (Wertheim, 1965:116-119, in Scott, 1969:315).

clandestinely makes it extremely difficult to measure, observe, or track with any real accuracy. Although the most commonly employed mechanisms continue to be surveys and econometric analysis<sup>4</sup>, the field of anthropology – though covering only 2% of the scientific literature on corruption (WB, 2006) – is starting to provide first-hand information and valuable insights, particularly around ethnographic studies<sup>5</sup>. The challenge of obtaining sufficient legal evidence further complicates the situation, and provides fertile ground for gossip, rumour, and conspiracy theory (Anders and Nuijten, 2007:19).

Whilst the current literature on the subject concentrates on the debilitating effects of corruption, it is in stark contrast to an earlier “revisionist” view that emerged in the 1960s. Proponents of this saw corruption as being helpful in cases where the overall benefits outweighed the costs (Huntington, 1968; Nye, 1967; Leff, 1964); where a “greasing” of the wheels resulted in reduced red-tape and improved economic efficiency (Huntington, 1968)<sup>6</sup>. More recently, Houston (2007) has argued that depending on the degree to which laws protecting property rights are enforced, corruption can play both a restrictive and an expansionary role for a country, with Carden and Verdon (2010) implying that corruption can be efficiency enhancing in countries with relatively little economic freedom.

Over the past ten to fifteen years however, there has been an increase in the number of studies highlighting the adverse impact of corruption on development. From an economic perspective, it has been shown to: impede economic growth and reduce overall investments (Brunetti, Kisunko, & Weder, 1997; Heidenheimer & Johnston, 2002; Keefer & Knack, 1995; Mauro, 1995; Tanzi & Davoodi, 1997); exacerbate and deepen income inequality (Gupta, Davoodi, & Alonso-Terme, 1998; Krueger, 1974; Rose-Ackerman, 1978); and, reduce economic growth rates and increase poverty (Dollar & Kray, 2002; Gupta, Davoodi, & Alonso-Terme, 1998; Quibria, 2002). It impacts negatively on the quality of government services and reduces the level of government social spending, in particular in the key areas

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<sup>4</sup> Carried out at household or business level, the most well known examples of such surveys are the World Bank Governance Indicators and Transparency International's Corruption Perception Index.

<sup>5</sup> For a good overview of ethnographies of corruption and research themes in political anthropology, see Torsello (2011).

<sup>6</sup> Care needs to be taken with this argument as corruption can result in the decay of institutional structures, making it relatively easy for petty corruption to reach systemic levels (Schleifer & Vishny, 1993).

of social welfare, education, and health (Gupta, Davoodi & Tiongson, 2000; Mauro, 2002). In the case of systemic corruption, it impedes overall social and economic development (Andreski, 1968; Bose, Capasso, & Murshid, 2008; Lambsdorff, 2003; Mo, 2001; Rajkumar & Swaroop, 2008; Wei, 2001). While corruption by itself does not produce poverty, it exacerbates and promotes the problem, with the most detrimental impact being on the lives of the very poor (TI, 2007)<sup>7</sup>. In addition to the economic effects, corruption also “distorts social ethics and erases the line between public and private moral commitment” (Hellsten, 2001, in Hoseah, 2001:4), with the ultimate price being when donors decide to withdraw much needed financial support, as has happened a number of times to Malawi. Notwithstanding this, Pradhan (2000:35) argues that foreign aid can also induce corruption, with Hanlon (2004:747) showing that the donor community is prepared to tolerate blatant corruption if the elite implements ‘market-friendly’ policy changes.

In a growing number of countries, the effects of corruption are now so pervasive, that it has become interwoven into the fabric of society itself. The seriousness of this was highlighted in a 2002 report commissioned by the African Union, which estimated that corruption was costing the continent a staggering USD148 billion per annum. This represents around 25% of the continent’s gross domestic product (GDP), and is estimated to increase the cost of goods by as much as 20% (Blunt, 2002).

Since gaining independence from colonial rule in the 1950s and 60s, a number of sub-Saharan African leaders have managed to corruptly amass fortunes significantly above what was possible from their salary as the Head of State. The more extreme examples include: Mobutu Sese Seko of Zaire, who, by the end of the 1980s, had an estimated personal fortune of between USD 4 billion (Burns & Huband, 1997) and USD 5 billion (Hetzer, 1987:189; Meredith, 2006:299); and, General Sani Abacha, President of Nigeria from 1993 to 1998, who was claimed to have diverted USD 5 billion into personal bank

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<sup>7</sup> For a more detailed discussion on corruption and poverty, refer to Chetwynd, Chetwynd & Spector (2003), who examine the relationship between corruption and poverty from both an economic model and a governance model.

accounts (Samura, 2007)<sup>8</sup>. This type of political corruption is not unique to Africa alone though. While Seko and Abacha are ranked third and fourth (respectively) in Transparency International's list of the ten most "notorious" leaders of the past twenty years – re the size of alleged funds embezzled (TI, 2004) – the top two places are held by former Presidents Mohamed Suharto of Indonesia and Ferdinand Marcos of the Philippines<sup>9</sup>.

It can be argued that corruption has in most cases been limited to kleptocratic regimes such as those outlined above, however closer examination shows that in a number of these – and other – countries it is has been publically condoned<sup>10</sup>, thereby supporting its entrenchment at all levels. A recent investigation into the Kenyan National Aids Control Council (NACC), found that over USD 50 million under its care, had been misappropriated, or was unaccounted for, with much of it having been provided to non-existent organisations. Despite this and the fact that the head of the NACC fraudulently gave herself a 700% pay-rise, she still claimed that she had done nothing wrong (Samura, 2007). Whilst not peculiar to Africa, or being particularly African, "corruption is popularly viewed [by many] as the outstanding characteristic of African public life" (Williams, 1987:1).

In the case of Malawi – one of the poorest countries in the world – the Ministry of Finance has estimated that up to 40% of the annual budget is lost through waste, corruption, and mismanagement (Maeresa, 2003)<sup>11</sup>; being the same percentage of government receipts provided by donors (Namadzunda, 2011). Since the advent of multi-party democracy in 1994, corruption has increased markedly, with the country sliding from a position in 2001 of 61<sup>st</sup> on Transparency International's Corruption Perception Index (CPI) (TI, 2001), to 115 in 2008 (TI, 2008b) (the year in which fieldwork for this thesis was started). This worsening situation is supported by a recent Governance and Corruption Baseline Survey,

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<sup>8</sup> According to the Basel Institute of Governance, some USD 3 billion in foreign assets have since been traced to Abacha, his family and their representatives (2007:1).

<sup>9</sup> A geographical breakdown of the ten leaders listed, shows that three are from Asia, three are from the Americas (including the Caribbean), two are from Africa, and two are Eastern European (TI, 2004:13).

<sup>10</sup> Mobutu of Zaire is attributed to have publically advised party delegates that "if you steal, do not steal too much at a time. You may be arrested ... *Yibana mayele* - Steal cleverly, little by little" (in Meredith, 2006:303).

<sup>11</sup> Whilst analytically distinct, Cooksey (2002:47) argues that corruption, patronage and bureaucratic waste are usually found together, and tend to feed off and reinforce each other in a systematic fashion.

which stated that “9 out of 10 citizens believe corruption is a serious problem in Malawi, and approximately 70% of the ordinary citizens believe the situation has gotten much worse over the past ten years” (Millennium Consulting Group [MCG], 2006:6). In a survey undertaken by the audit advisory firm KPMG (2005), Malawi was ranked as the second most fraudulent country in Africa. The reasons cited for this were poor internal controls, collusion between employees, and management overriding internal controls. Employees themselves were seen as posing the largest fraud risk to organisations in Malawi (KPMG, 2005:43). Whilst in recent years Malawi’s overall CPI ranking has improved slightly, earlier this year the United States announced the withholding of grants due to governance concerns<sup>12</sup>, and Norway requested the repayment of official development funds due to issues of mismanagement<sup>13</sup>.

In this context, fieldwork for this thesis was carried out in Malawi between 2008 and 2009, with qualitative data collection taking place between August and December 2009. Its principal aim was to ascertain whether the general malaise of corruption endemic in the country was mirrored within an NGO operating there. The case study is based on an organisation where I was the country director, with the research taking place a year after the completion of a major fraud investigation initiated by myself. Despite providing crucial insights into corruption, and access to material not usually available to a researcher, it raised a number of challenging ethical issues, in particular around the sensitivity of the subject matter and the duality of my role as both country director and researcher. In the case of the latter, the key concerns revolved around my relationship with internal survey participants (who were also staff members), ethical issue associated with which documentation could be used (based on organisational confidentiality), and ensuring that I remained as objective as possible (despite being a key protagonist in some of the events narrated in this thesis). A more in-depth discussion on this is contained in Section 4.1.2. The balance of this chapter outlines the research objective and questions, and provides an outline of the structure of this paper.

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<sup>12</sup> The United States government withheld a US\$350 million grant previously agreed under an MCC compact (see Nyasa Times, 2011b).

<sup>13</sup> The total amount involved amounted to US\$3.5 million, the highest amount ever demanded back by the Norwegian government. See Chikoko (2011) for further details.

### **1.3 Objective of Study and Research Questions**

As already highlighted, the dominant discourse sees corruption as the key impediment to achieving genuine development. Despite the growing body of literature on the subject, development NGOs appear to have been overlooked. Whilst the central hypothesis is that NGOs are not immune to the phenomenon, its main aim is:

**To contribute to the understanding of the nature, form, and dynamics of corruption within NGOs operating in a development setting, through a detailed case study of corruption within one such INGO.**

In support of this, it seeks to address the following key research questions:

- 1) To what extent does corruption exist within development NGOs?**
- 2) If corruption does exist within development NGOs, what are its drivers, forms, influences, and dynamics?**
- 3) To what extent and in what ways is corruption within NGOs similar to that found elsewhere in society? And**
- 4) What responses to corruption can be adopted to reduce its impact on development organisations?**

It should be noted that the findings from this research cannot be taken as being indicative of all development NGOs or of the situation in all of Africa, but rather as an initial insight into what the prevailing situation may be (refer to Section 4.3.5 regarding the applicability these research findings).

## **1.4 Significance of the Study**

As already stated, the aim of the study is to try to fill some of the gaps around the current understanding and knowledge of corruption in development NGOs. It will also provide valuable information on the dynamics, extent, and complexity of corruption that may be present, as, despite holding a privileged position in the development world, there is very little actual data available on NGO-based corruption. Few scholars appear to have questioned such a link, with some – such as Holloway (2006:13) – arguing that NGOs have the social capital and standing to champion the much needed fight against it.

In order to provide a higher level of applied focus, I have adopted an organisational case study approach. This is in line with the argument made by Goudie and Stasavage (1997) who state that “the next logical step for empirical research on corruption is to conduct case studies ... either by considering corruption in a country as a whole, or more plausibly, by investigating corruption within a given institution in a given country” (1997:51). By focusing on a specific organisation, the results of the study will provide valuable input into assessing the extent of corruption within development NGOs, thereby partially filling the current gap in the literature. It is hoped that the results will act as a catalyst for further study in this area, and lead to NGOs becoming more aware of the impact of internal corruption, in order that it can be appropriately countered.

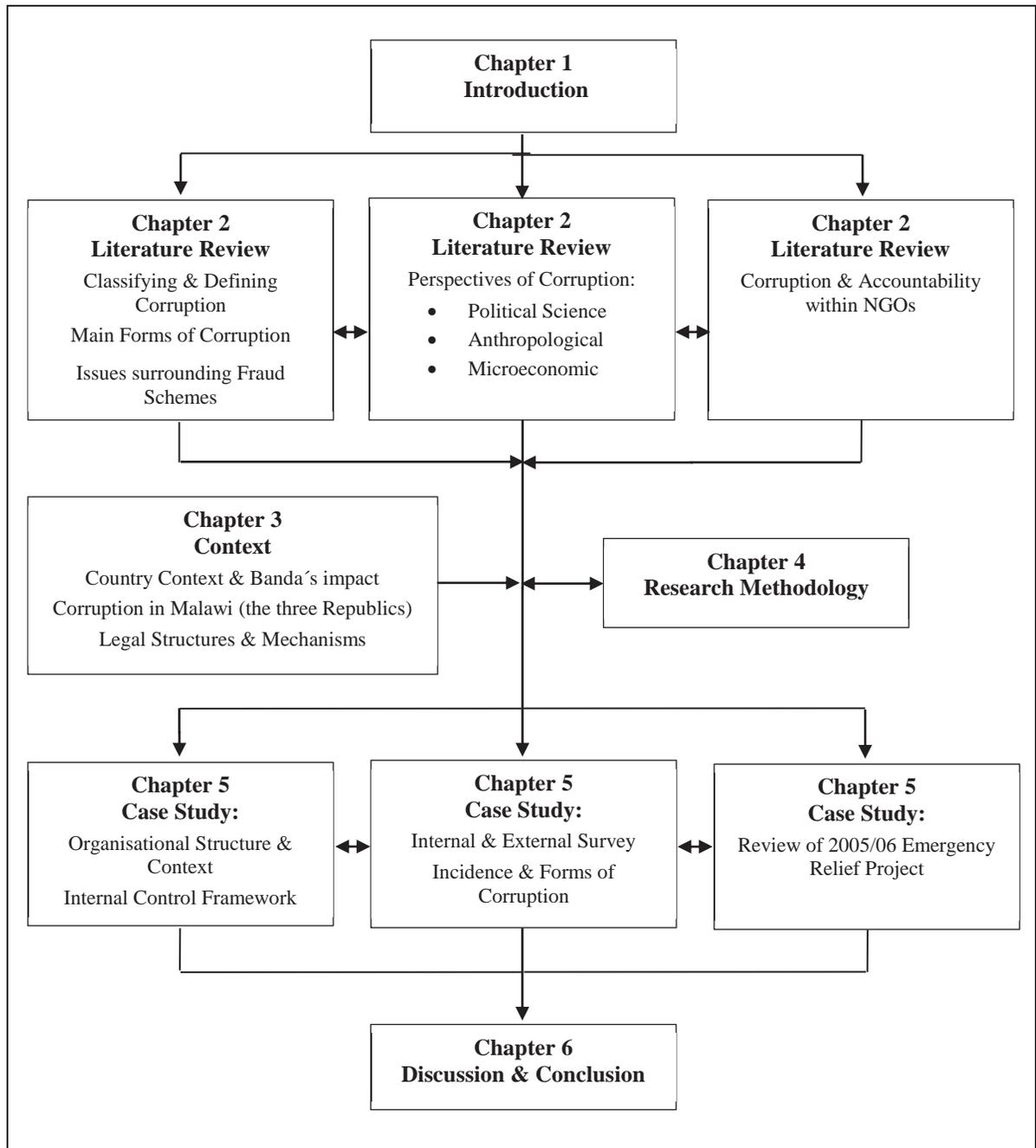
## **1.5 Organisation of the Thesis**

This Chapter has introduced the topic of corruption, including background information on the study, its objectives, and its significance. Chapter 2 provides an overview of the various concepts of corruption, and introduces a number of theories and approaches associated with it. It starts with classifying a typology, followed by an examination of the various definitions and main forms that corruption takes, with special emphasis on issues surrounding fraud-schemes. In the second part of the chapter, a discussion around three different perspectives and approaches to corruption is presented, ending with a brief examination of corruption and accountability within NGOs.

Having outlined the framework within which to situate the research, Chapter 3 focuses on contextualising corruption vis-à-vis Malawi and its environment. It is presented chronologically, and divided into two distinct time periods: the first, from 1964 (the year it gained full independence) to 1994, a period characterised by a one-party state system under the control of the Life-President Dr Hastings Kamuzu Banda (the First Republic); and the second from 1995 (being the onset of multi-party democracy) to the present day, covering the Second and Third Republics respectively.

Chapter 4 provides an overview of the research methodology used, along with a summary of the ethical issues and limitations associated with it. In Chapter 5, the case study is introduced, based on an INGO operating in Malawi. The research is then presented and discussed, and linked back to the framework outlined in earlier chapters. The final chapter (Chapter 6) provides a synopsis of the findings in relation to the research questions posed at the beginning of the thesis, and draws conclusions. A conceptual framework of the thesis is shown in Figure 1 (over-page).

**Figure 1: Conceptual Framework of Thesis**



Source: Author

## Chapter 2: Understanding Corruption: Theories and Approaches

### 2.1 Introduction

Corruption is a complex multi-faceted phenomenon with multiple inter-related causes and effects. Like a chameleon changing its colour, it can take on various forms and functions dependent on the context and environment. It can range from a single transaction that contradicts a law, to the malfunction of a political or economic system; and has been viewed either as being a structural problem of politics or economics, or as a cultural and individual moral dilemma.

A review of the growing body of literature also shows corruption to be a multi-disciplinary issue, with the definition used and approach taken varying depending on the individual's academic background and personal value system. Research based on direct first-hand observation of corrupt transactions is limited as such activities tend to take place behind a veil of secrecy and in an environment that independent researchers (as outsiders) cannot access. It is further hampered by organisations who may suppress details of corruption becoming public for fear of donor reaction and possible loss of financial support. Combined, this creates a major impediment to corruption research. The limited data that is produced tends to come from commercial organisations using survey information based on a mixture of business and public *perceptions* (many of which have a broader focus than simply corruption)<sup>14</sup>. Whilst presented in terms of aggregate corruption at country level, many of the indices are relatively subjective (Amundsen, 1999:27), thereby bringing into question their overall reliability. This lack of “real” information to work with has contributed to a rich unresolved theoretical debate on the subject, with much of the literature remaining at a relatively abstract level.

This chapter reviews the key literature and highlights the principle debates on corruption as they refer to this research. Whilst the bulk of more recent contributions has focused principally on the role of the state (Amundsen, 1999:2), driven predominantly by bi-lateral

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<sup>14</sup> The main leader in this is *Business International* index (used extensively by Mauro (1995) in his seminal study quantifying the impact of corruption on economic growth), the *Global Competitive Report Index*, *International Country Guide* index and *Transparency International's Corruption Perception Index* and *Bribe Payers Index*.

and multi-lateral development agencies (Harrison, 2007), given that NGOs share the same “space” as governments, clear parallels can still be drawn from this literature. After first classifying, and then defining the various forms of corruption, this chapter will then examine it from the following different, but at times over-lapping, viewpoints; the political science perspective; the anthropological perspective; and the micro-economic perspective.

## 2.2 Typologies: Classifying Corruption

As argued by Anders and Nuijten (2007:6), classifications and typologies can provide a much-needed orientation on the issue of corruption, and can offer preliminary guidance for any inquiry into it. A review of the literature shows scholars attempting to draw distinctions between different types of corruption in terms of scale, cause, context, and method. The main classifications found in the literature take the form of binary opposites and are outlined in Table 1.

**Table 1: Classifications of Corruption**

Terminology		Characteristics	Sources
Systemic	Individual (or Opportunistic)	Refers to the <i>extent</i> of corruption. <i>Systemic</i> corruption is highly organised, compromising a state’s formal institutions, while <i>Individual</i> corruption tends to be opportunistic in nature and reflected in individual “deviant” acts.	Thomas & Meagher (2004).
Grand	Petty /Greasy	Refers to the <i>scale</i> of corruption. Whereas <i>grand</i> corruption involves large sums of monies, and takes place at the highest levels (such as political elites), <i>petty</i> corruption (such as bribe taking) involves smaller sums of money and, and tends to be perpetrated by lower-level service providers.	Amundsen (1999); Jain (2001); Thomas & Meagher (2004); Warioba (1996);
Political	Bureaucratic	Refers to the <i>context</i> of the corruption, <i>political</i> corruption takes place at the highest levels, where political decision makers use their power/influence to maintain their power, status, and wealth, while <i>bureaucratic</i> corruption	Amundsen (1999); Heidenheimer, Johnston, & LeVine (1989); Jain (2001).

Terminology		Characteristics	Sources
		takes place in the public administration, usually at the implementation end of the political scale.	
State Capture	Administrative	As above. In this context, <i>state capture</i> is the influence, by groups, of policies, rules, and regulations set by the state in order to extract economic or political benefits. <i>Administrative</i> corruption refers to illicit favours that distort the implementation of existing rules and regulations.	Knack (2006); Thomas & Meagher (2004); WB (2000).
Private (“individual”)	Collective (“aggregated”)	Refers to the <i>level of privatisation</i> of corruption. <i>Private</i> corruption tends to benefit an individual, whereas <i>collective</i> corruption refers to resource extraction for the benefit of a larger group.	Amundsen (1999).
Redistributive (“from below”)	Extractive (“from above”)	Refers to the <i>direction of the net-flow of the benefits</i> of corruption. While corrupt acts are based on a relationship of mutual exchange, the benefits are rarely balanced. In aggregate terms, <i>extractive</i> corruption is when the net-flow of resources is in favour of the state-related actor and political elites, while <i>redistributive</i> corruption is when it is in favour of society actors such as criminal gangs who have the ability to influence the state.	Amundsen (1999).
Demand Side	Supply Side	Refers to who <i>initiates</i> the corruption. <i>Demand side</i> corruption refers to the “corruption” and focuses on the state and politics, whilst <i>supply side</i> corruption is the “corruptors”, who are usually non-state actors such as the public.	Heimann & Boswell (1998); TI (2008a).
Good	Bad	Refers to the <i>economic impact</i> of corruption. <i>Good</i> corruption is seen to take place where the activity has a “positive” impact on the economy such as when it circumvents obstacles that impair market efficiency, whilst <i>bad</i> corruption is when it has a negative impact on markets or the economy.	Thomas & Meagher (2004).
Functional	Dysfunctional	As above – Good/Bad.	

Terminology		Characteristics	Sources
Transactional	Non-Transactional	<i>Transactional</i> corruption involves a two-way exchange between the corruptor and the corruptee (such as a bribe or extortion), whereas <i>non-transactional</i> corruption is one sided (e.g. acts of embezzlement or misappropriation).	Sun (2004), in Li & Wu (2010)
Honest	Dishonest	Refers to the <i>outcome</i> of the corruption. <i>Honest</i> corruption takes place when the transaction is completed as agreed, whilst in the case of dishonest corruption, the agreed benefit is not transferred despite, for example, the 'bribe' being paid.	Tully (2004).
Need	Greed	Refers to the <i>motivation</i> of the bribe-taker	Warioba (1996).

Source: Author

While the classifications outlined above sharpen the focus and provide a better understanding of the varieties and styles of corruption, they provide insufficient clarity for this research. In order to obtain this, we must now turn to the first of a number of dilemmas surrounding corruption: the definition. Whatever definition is used however will need to consider the above classifications.

### 2.3 Defining and Redefining Corruption

What then is *corruption*? To date, a universally acceptable "one-line definition" has yet to be devised (Philp, 1987:1). As the definition selected is dependent on the focus of the debate and the underlying questions being answered, *corruption* has become somewhat of an ambiguous term.

In line with this, the current literature on the subject provides a wide variety of definitions to choose from. The bulk of these are classified according to the various social science disciplines, thematic debates, or along the lines of the discussions within a selected number of actors working with it (Andvig, et al., 2000). Regardless of this, the problem with definitions in general, is that they "offer little by way of analytical rigour, they ignore the

realities of public attitudes or motivations, and they do not offer much guidance to *practitioners*” (Doig & McIvor, 1999:658). Whilst “choosing” an appropriate definition remains the starting point of any discussion on corruption, it also marks the first of a number of dilemmas, as “corruption like obscenity, is more readily condemned than defined or explained” (Williams 1987:11)<sup>15</sup>. It is further complicated by the fact that what is deemed acceptable in one country or society, may well be unacceptable in another. As all societies exhibit a “certain degree of permissiveness toward corruption” (Moreno, 2002:496), a lot depends on the individual country and culture in question (Klitgaard, 1988:3).

Given this complexity, a single definition of corruption accepted by practitioners and theorists alike continues to be elusive. Classically "corruption" held a far broader meaning than it does today, with Thucydides (in Dobel, 1978) and Machiavelli (in Shumer, 1979) using the term to refer to the moral health of societies as a whole. The “modern” concept is narrower, viewing it in terms of specific actions by individuals in contravention of the Weberian model of bureaucracy. As such, it has become a process of spelling out classifications of behaviour (Moodie, 1980:209) with the frame of reference influenced by an individual’s moral values, and cultural and academic background.

Despite there being no universally accepted definition available, economists and political scientists have taken the lead in this area (Price, 1999), with the most prominent working definitions revolving around the “the abuse of public office for private gain” (Amundsen 1999; Gray & Kaufmann 1998; Rose-Ackerman 1996; Zakiuddin 1998). This reflects the decisive role the state plays as the main instrument for economic development, redistribution, and welfare, and supports the argument that any assessment of corruption must consider a country’s political dimensions (Hope 2000). In this context, corruption – viewed in transactional terms – is seen to exist at the interface between the public and private sector (Rose-Ackerman, 1978) where public or collective goods are converted into private payoffs (Heidenheimer, et al., 1989:6). This position is heavily underpinned by the Weberian

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<sup>15</sup> Based on an analogy from Justice Potter who, unable to appropriately define obscenity asserted, “I know it when I see it” (Potter, J. 1964).

legal/rational model of democratic and bureaucratic rule, which emphasises a clear separation between the *public* and *private* spheres as the cornerstone for ensuring the non-corruption of politics and administration (Médard 1986).

Taking this as a starting point, the following three types of definitions can be distinguished: public *office-centred*, public *interest-centred*, and *market-centred*<sup>16</sup>. The first of these is represented by Nye's classic definition of corruption as:

*Behaviour that deviates from the formal duties of a public role (elective or appointive) because of private regarding (personal, close family, private clique) wealth or status gains (1967:416).*

Whilst public *office-centred* definitions see corruption as extending beyond formal-legal boundaries (viewing it as an issue of morality), they avoid mention of the "public interest" which is seen to be affected by it. Public *interest-centred* definitions on the other hand, tend to focus on behaviours that negatively affect the welfare of the public, with Friedrich (in a seminal work on the topic) viewing corruption to be:

*Deviant behaviour associated with a particular motivation, namely that of private gain at public expense (Friedrich, 1972, in Anders & Nuijten, 2007:7).*

Despite this distinction, neither form of the definition establishes "how" or "who" sets the minimum standards that office-holders must adhere to, implying that the way forward is to consider the societal context (i.e. cultural relativity)<sup>17</sup>.

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<sup>16</sup> All three types of definitions are used in Heidenheimer, Johnston, & LeVine (1989) as the starting point for analysing political corruption. For a good overview of the public-office and public-interest centred approaches (including the objections associated with their use), see Theobald (1990).

<sup>17</sup> Notwithstanding the "grey" area this creates, as the bulk of development funds originate from developed countries, it can be argued that the cultural concepts of these countries should strongly influence the determination of what is acceptable or unacceptable behaviour in such circumstances.

In contrast to this, *market-centred* definitions base their analyses of corruption on social or public choice theory, and tend to utilise an economic methodology. An example of this is the oft-cited Leff definition, where corruption is seen as:

*An extra-legal institution used by individuals or groups to gain influence over the actions of the bureaucracy. As such the existence of corruption per se indicates only that the groups participate in the decision making process to a greater extent than would otherwise be the case (1964:10).*

Philp (1997:441) argues that while these types of definitions may outline the conditions under which an individual may be likely to engage in certain practices, they do not have the ability to distinguish *corrupt* from *non-corrupt* behaviour. They are further hampered by the notion of corruption being a deviation from an ideal or a norm, which in each case will change from culture to culture.

More recently, a growing number of international organisations have moved towards a more minimalist form of definition, ensuring that they are broad enough to encompass most cases of corruption. Whilst some of these organisations, such as the World Bank, still focus on the ‘public office’ concept<sup>18</sup>, others such as Transparency International view it more broadly:

*Corruption is the abuse of entrusted power for private gain (TI, n.d.).<sup>19</sup>*

This definition is enlarged in its ‘Pocket Guide of Good Practices – Preventing corruption in Humanitarian Operations’ to include:

*financial corruption such as fraud, bribery and extortion – but also encompasses non-financial forms, such as the diversion of humanitarian assistance [or any other*

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<sup>18</sup> Being “the abuse of public office for private gain” (World Bank, 1997:8).

<sup>19</sup> The Asian Development Bank (ADB) takes a similar position (ADB, 2000:5; 2006), as does a recent NORAD (2009) study which suggests a modified version of the TI definition, being “*The abuse of entrusted authority for illicit gain*”.

*form of resources] to benefit non-target groups; the allocation of relief resources [or other resources] in exchange for sexual favours; preferential treatment for family members or friends in assistance or hiring processes; and the coercion and intimidation of staff or beneficiaries to ignore or participate in corruption.*

*Here 'private' means in contrast to the concept of the public good. Private gain refers not just to individuals but to families and communities; ethnic, regional or religious groupings; political or social organizations; corporations or militia. 'Gain' is not always financial: the abuse of power may enhance personal or organizational reputation or be for social and political purposes (2010b:6).*

It is this definition that has been adopted as the functional definition of corruption for the purpose of this thesis, as it clearly recognises the potential for corruption within both the public and private sectors, as opposed to simply concentrating on the interface between the two. It also encompasses both financial and non-financial forms of corruption, and is therefore far broader and more holistic than the public-centred forms. Although still constructed on Western norms, as the bulk of INGO funds are raised in developed countries, it would, from a donor perspective – and in the context of this thesis – be deemed inappropriate if the definition was not somehow linked to such values. While this could be viewed as a form of conditionality, ethically, it would be iniquitous for donor funds to be subject to actions the donors view as being corrupt. Seen in this light, “corruption” tends to lose its ambiguity. In support of this, these Western normative standards are also reflected in the United Nations Convention against Corruption and the African Union Convention on Preventing and Combating Corruption (2003), and have thereby been formally adopted as the agreed standards by all signatory countries, one of which is Malawi.

## **2.4 Main Forms of Corruption**

Having now reviewed the principal classifications and definitions of corruption, the next step is outlining the main forms. This will not only help clarify the array of interlinked concepts, but will provide a framework for analysing the research findings presented in

Chapter 5. In terms of this, the classifications of corruption detailed in Table 1, provides a broader scheme within which these can be located. Whilst Caiden, Dwivedi, and Jabbara (2001) list up to 60 acts that might qualify as being corrupt, the most prevalent forms identified within the literature reviewed are detailed in Table 2.

**Table 2: Main forms of Corruption**

Form	Description
Bribery	One of the most pervasive forms of corruption, bribery is seen as the act of offering money, services, or other valuables in order to persuade another individual to do something in return. Whilst not only the most widespread form of corruption, it is one of the main tools used (WB, 1997:9). Transactionally based, it is made up of a <i>demand side</i> (being the recipient of the bribe; the “corruptee”) and a <i>supply side</i> (the one who pays the bribe; the “corruptor”); though either side can initiate the transaction. Bribery has been widely criminalised in national and international law. The most serious impact of bribes tends to be the distortions they create within political and economic systems.
Embezzlement/Graft	The theft of resources (such as property or funds) legally entrusted to someone in their formal position as agent or guardian. From a legal point of view, embezzlement is considered “theft”, rather than “corruption” (as in legal terms corruption needs to be between two people) (Andvig, et al., 2000:9). As with bribery, the underlying causes of embezzlement tends to be weak management systems, and inappropriate or ineffective oversight and control. In many cases, embezzlement tends to act as a form of <i>extractive</i> corruption
Fraud	An economic crime involving some form of deceit, trickery, or false pretence. Fraud involves manipulation or distortion of information in order to illegally gain something. A subset of this is a constructive fraud whereby a profit is made from a relation of trust. Involving a manipulation of the flow of information for private gain, it forms the basis for the principal-agent theory extolled by economists such as Eskeland & Thiele (1999) and Fjeldstad (1999). From a legal perspective, the term covers more than simply bribery and embezzlement, and includes various types of organised economic crimes. Fraud tends to be seen as a form of <i>redistributive</i> extraction.
Extortion	A situation where money or other resources are unlawfully demanded from another using force or the threat of force. The act of blackmail falls into this category. It can be argued in the African context, that many forms of payments extracted from people in return for services on the one hand can be considered bribes, whilst on the other can be considered a form of extortion.
Favouritism (including cronyism, nepotism, and clientelism)	Favouritism relates to the use – or abuse – of one’s position to favour friends or family over strangers. Whilst it is a natural human proclivity to favour family and friends, it becomes corrupt when it violates the principles of merit and competition (such as offering a position of

Form	Description
	<p>employment to a friend or family member who does not have the appropriate qualifications over a stranger who does). Favouritism shown towards friends or associates is known as <i>cronyism</i>, whilst in the case of direct family members it is known as <i>nepotism</i>. Under such a system (in particular cronyism), personal relationships replace formal institutions or procedures as the basis for economic and social relations.</p> <p>A further form of favouritism is <i>clientelism</i>, where economic advantages are given to the client in exchange for political or financial support being given to the patron (who tends to be the one who holds overall power). In most cases the aggregate flow of resources tends to be in the direction of the patron, it takes the form of extractive corruption, whilst in the case where the net flow is to the client it takes a redistributive form of corruption.</p>

Source: Derived mainly from: Amundsen (1999); Andvig, et al. (2000); U4 (n.d.).

It is important to note that the acts of corruption identified above are not mutually exclusive or independent from each other. Just because one form may have been identified, does not exclude others from also being present. As pointed out by Morgan “coexistence frequently occurs, and it is not uncommon for the practice of two or more types [of corruption] to be interrelated. In fact some forms act as mediums of action for the other forms” (1998:25).

Given that an in-depth analysis of a specific corruption case involving a fraud scheme (one of the main forms in Table 2 above) is presented later in this thesis, it is appropriate that we now briefly review a number of issues surrounding this particular category of corruption.

## 2.5 Issues Surrounding Fraud Schemes

The key measure in reducing the risk of any financial malfeasance is the establishment of a robust internal control framework, as a weak control system creates the opportunity for corruption (KPMG, 2007:2). Despite the most effective controls being those that exist inside institutions (Tanzi, 1998:575), fraud in particular can take place in any organisation. That being said:

*It is much more prevalent in entities with poor governance, poor culture (dubious ethical values), a poor attitude toward internal control, and less than competent people holding key positions (International Federation of Accountants, 2007:372).*

Fraud schemes are extremely difficult to detect (Audit Quality Forum 2006:13) as many of them involve concealment (Albrecht, Wernz, & Williams, 1995), take place outside formal accounting systems, and rarely leave a paper trail. Discovery is further hindered by the overall ineffectiveness of independent financial audits, donors' most widely used accountability tool (Ebrahim, 2003:816)<sup>20</sup>, which detect only 7% of frauds which occur (KPMG, 2006). In support of this, the International Standard on Auditing ISA-240 (IAASB, 2009:158) highlights fraud-detection as being a significant inherent limitation of the audit process itself, with the associated risk being significantly magnified in cases of collusive fraud and fraud involving senior management (due to their ability to manipulate information and override control procedures).

Accordingly, Coenen (2009) argues that detection depends on tips or other vague clues that may point to the presence of such schemes. As fraud and corruption arise out of relationships between people, the key to detecting fraud schemes is to be “on the lookout for small clues that might point to a problem” (Coenen, 2009:para 2)<sup>21</sup>. This approach is corroborated by Jarskog Konsult (2009), who argues that corruption and fraud is normally detected when someone reacts to warning signals. It is very seldom clear from the start what has actually happened however, and the warning signals are often not connected to the specific impropriety. In support of this, they provide 11 warning signals, as listed in Box 1 (over-page).

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<sup>20</sup> Audits have tended to create “an unfounded assurance of comfort” (Kelsall, 2003:195), as many stakeholders do not realise that its primary function is simply to “obtain *reasonable* assurance about whether the financial statements as a whole are free from material misstatement” (IAASB, 2008:3).

<sup>21</sup> The signs associated with this can be small, such as an employee being uncharacteristically nervous or agitated, or one who has started working unusual working hours or has changed their work habit etc.

### **Box 1: Warning Signals of Corruption & Fraud**

1. Inadequate governance mechanism. No clear accountability structure.
2. All power rests with one or a small number of persons.
3. Lack of transparency. No clear answers to questions. Unwillingness to inform about the organisation, or parts of it, and how it is structured and organised.
4. All tasks related to money are centralised to one or a small number of staff members.
5. The head of finance has inadequate formal qualifications and lacks experience.
6. Reports are late and unclear.
7. The organisation does not produce consolidated annual accounts.
8. The project budget is unclear and is difficult to relate to planned activities.
9. The organisation is not audited by a qualified auditor.
10. Frequent anonymous tips or rumours of improprieties.
11. Charismatic leader who talks a lot about what they are doing, but little else.

**Source: Jarskog Konsult (2009).**

Having outlined a typology and a definition, and reviewed the various forms that corruption can take (including a number of issues regarding fraud schemes), we will now examine corruption from three differing perspectives.

## **2.6 Corruption from a Political Science Perspective: Neopatrimonialism and the Predatory State in Africa**

Studies of corruption in the field of political science have tended to focus on the formal and informal aspects of power. Rooted in the modernisation theories of the mid-20<sup>th</sup> century, traditional proponents of this school of thought have viewed corruption as being the result of an incomplete process of modernisation (Myrdal, 1968). Whilst not as prevalent as it once was, those who support this *modernisation* connection, such as Mbaku (2007:4), argue that “corruption in Africa is a direct consequence of poorly developed and inappropriate institutional arrangements”<sup>22</sup>.

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<sup>22</sup> Whilst there is large body of literature around the related topic of good governance - and the institutions related to it - both the topic and the complexity of issues associated with it, are outside of the scope of this thesis.

A more prominent school of thought, which emerged over the last two decades however, is based on the concept of *neopatrimonialism*, and focuses on the informal aspects of African politics, with particular emphasis on how the elite have used it as a tool for asset accumulation (see Bayart, 1993; Bratton & Van de Walle, 1994; Chabal & Daloz, 1999; Médard, 1986, 1991a, 1998). Mazrui has linked this practice to the “general phenomenon of monarchical tendencies in African politics” (1968:231), seen as a combination of: the quest for aristocratic effect; the personalisation of authority; the sacralisation of authority, and the quest for a royal historical identity. He argues that the basis for this is the growing level of possessive individualism whereby:

*Egalitarian aspects of African traditional life, and the extensive social obligations of the extended family, [co-exist] side-by-side with an ethic which measures the individual's success by the yardstick of his material acquisitions (1968:234).*

A hallmark of pre-industrialised states, *patrimonialism* is a form of social organisation where “the public/private boundary, central to the concept of modern administration, is to say the least unstable, and in many cases barely exists at all” (Theobald, 1999:492). In such an environment, appointments and promotion tend to be based on an individual's support, loyalty, and ability to protect the ruler, instead of being based on principles of merit (Rudolph & Rudolph, 1979). Under this type of system, the bureaucracy is characterised by personal clientele-type relations (Heeger, 1974; Roth, 1968) whereby the ruler's power depends on his ability to maintain the support of key sections of the country's elite (Crouch, 1979, in Theobald, 1982:552). As a result, his trappings of office are used as an extension of his private possessions. Although now disproved, earlier proponents of anthropology argued that the emergence of the modern state with its institutions based on a separation of the public and private sphere would result in the phasing out of *patrimonialism*.

Notwithstanding this, the separation of public and private spheres is a relatively recent historical development, with the basic features of modern administrative systems starting to

emerge from the Napoleonic reforms of the early 1800s (Wertheim, 1978). These features were subsequently incorporated into Weber's ideal-type of rational-legal bureaucracy model, where appointment to public office is based on clear tenants of neutrality, with a clear distinction being drawn between the public and private domain. In return, the office holder received a fair level of remuneration, the right to a pension, and a stable career structure with promotion being based on merit.

Whilst the process of industrialisation and modernisation may have undermined the traditional legitimisation which underpins a *patrimonial* system, the system itself has continued to survive well into the modern era. The most common type has been termed "personal rulership" (Roth, 1968), whereby power is maintained not through any personal belief in the leader's ability or personal qualities, but due to the distribution of incentives and rewards made by him (Roth 1968). It is this form of government that dominates many parts of Africa, with many states being "the private instruments of those powerful enough to rule" (Theobald, 1982:549). The term "*neopatrimonialism*", first used by Eisenstadt (1973), is a modern form of the traditional *patrimonial* form of rule. Unlike traditional patrimonial rule, *neopatrimonialism* is a mixed system where elements of patrimonial and rational-bureaucratic rule co-exist or are interwoven (Erdmann & Engel, 2006). In such a system, the distinction between public and private sphere is recognised but rarely observed in practice (Médard, 1991).

An essential feature of *neopatrimonial* practices is the patron-client relationship, whose core characteristics are personal relationships as the foundation of a political system, clientelism, presidentialism, and a weak distinction between public and private spheres. Its main function is the redirection of state resources to a patron in exchange for economic or political support<sup>23</sup>. The systems inherent in such structures tend to be manipulative and repressive in nature (Theobald, 1992), with a portion of these resources being re-distributed (by the patron) to hegemonic groups, in what Van de Walle (2003, in Randal, 2007:91) sees as the primary mechanism for accommodating and integrating the country's elite. This

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<sup>23</sup> This includes use of non-financial "benefits" such as the award of contracts, jobs, titles, promotions, and immunity from laws for example.

redistribution not only plays a significant role in maintaining political stability (Theobald, 1999:493), but also prevents the crystallisation of a serious opposition (Heeger, 1974). In the case of Africa, the patrons have traditionally been the autocratic “big men” who had lead their country to independence. Despite a changing of the guard over the last few decades, big-man politics has remained entrenched, with Gyimah-Boadi (2004:22) observing that many of Africa’s “New Leaders” are surrounded by assorted “big men” themselves (usually family members), thereby further entrenching *neopatrimonial* structures.

Whilst not unique to Africa, the pervasiveness of these systems permeates every aspect of political life (Bratton & Van de Walle, 1997:61-97; Chabal & Daloz, 1999:17-45), with Burnell arguing that they provide “the ‘glue’ or ‘cement’, that holds a number of African societies together” (2007:74). Emphasis is placed on the informal aspects of politics, with the state simply being a façade which masks the realities of deeply personalised political relations, clientelism, and political corruption (Bayart, 1993; Bratton & Van de Walle, 1994; Chabal & Daloz, 1999; Médard, 1986, 1998). Whilst such practices are found in all politics, the neopatrimonial aspects are a “distinctive hallmark of African regimes ... [and are] ... the core feature of politics in Africa” (Bratton & Van de Walle, 1994:458). As argued by Kees van Donge (2002:651) whilst traditionally, a politician's "business interests were ... often hidden under the cloak of a leadership code ... now days they are often concealed under the nominal ownership of a business partner”. It is the interaction between these “big men” and their extended system of followers that defines African politics, stretching from the highest echelons of state down to the humblest village development committee (Bratton & Van de Walle, 1994). Studies undertaken by Bayart (1993) and Reno (1995) both show that clientelist networks – operating in neopatrimonial environments – have undermined what were already extremely weak and inefficient African bureaucracies. In the recent literature surrounding the issues of fragile states, Boege, Brown, Clements, and Nolan (2008) argue that networks which revolved around the replacement of imported formal governance structures with indigenous informal societal ones are a deviation from the ideal type of “proper” state, and result in different groups

(e.g. ethnic or tribal) competing with each other to ensure their needs (as opposed to those of the nation or citizenry) are met.

According to Bayart (1993), the African state acts as an “incubator” for the dominant classes, with corruption not simply a departure from Weberian legal-rational norms, but actually woven into the very fabric of both the state and society. As tenure of office is not guaranteed<sup>24</sup>, this insecurity is hedged through a form of “straddling”, whereby individuals and families are involved through an accumulation of formal and informal positions, as well as the accumulation of political and economic relationships (usually through clientelism and nepotism). As is the case in Sierra Leone (Reno 1995), these types of networks now regulate and control large parts of both the formal and informal economy, and are referred to by Reno (1995) as the “shadow state”.

Neopatrimonialism can therefore be viewed as a class system of domination (Fatton, 1992), characterised by rent-seeking behaviour (Coolidge & Rose-Ackerman, 2000), where the elite – supported by civil society who perpetuate the status quo (Fatton, 1992:75) – use the state as a means of domination, enrichment, and accumulation. This view is strongly supported by Médard (1986, 1998) who argues that corruption in Africa is closely linked to *neopatrimonialism*, with entrenched corruption being due to the lack of a Weberian separation of public from private. The state is used as an instrument through which political power is acquired and maintained, and is based on a client-patron relationship, where economic advantages are given to the client in exchange for political support being given to the patron. According to Max Weber, “in the pure type, patrimonial domination regards all governing powers and the corresponding economic rights as privately-appropriated economic advantages” (1978:236). Patronage politics therefore tends to result in an economic system that primarily acts as a distribution channel with little incentive offered for production (Morgan, 1998:33).

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<sup>24</sup> This insecurity is brought about by a lack of meritocracy, with a person’s position often being dependent on the support of a patron higher-up in the system. Should this support be lost, or the balance of power change, then this may result in personnel changes as the new elite replaces the ‘old guard’ with their own supporters.

Given the above, research within the political science arena (being the dominant paradigm in the corruption debate) has focused narrowly on formal structures and the role of the central government (and its related institutions), and has tended to ignore where the real power lies. According to Khan and Jomo:

*In many poor countries the real power and authority are wielded through informal political and market networks. Moreover, the state may be used by the elites not only to maintain their political domination, but also for purposes of enrichment. Consequently corruption may be used by the elites not only to maintain their political dominance, but also for the purposes of enrichment (2000:46).*

Although a number of scholars, such as Mulinge and Lesetedi (1998), argue that colonialism has been the genesis for corruption<sup>25</sup>, since independence, the main “exploiters” and “oppressors” of Africans have been the African elites (Ayttey, 1992). In other words, the very people tasked with promoting and defending the average citizen’s interests have been the ones responsible for the systematic looting of resources and the institutionalisation of corruption at the highest levels (Acquaah-Gaisie, 2005:2).

The issue of elites and the power they wield is not limited to the national arena, but extends all the way down to grass-roots level. A number of examples of this can be found in the area of community-driven development, a key approach now advocated by many development actors<sup>26</sup>. Here the mix of traditional power structures and the influence of local elites are critical to the outcome. Platteau (2004) has highlighted a number of INGO funded community-based projects in West Africa that were the subject of financial malpractices committed by local leaders. In one of these examples, the local head of the African partner association had committed fraud ranging from falsifying accounts and

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<sup>25</sup> The basis of this argument was that the systematic use of material inducements by colonial authorities to compel African chiefs and administrators to collaborate with them, enabled chiefs to introduce processes of extortion and corruption on their own subjects (Berman, 1998:314). Irrespective of the validity of this claim, the colonial period truncated the independent development of African states and caused indigenous ideas (around the concept of patriarchal big man, or chiefs) to be institutionalised in damaging ways (Kelsall, 2011).

<sup>26</sup> According to Mansuri & Rao (2004:2), World Bank funded community-driven development projects alone have grown from US\$ 325 million in 1996 to over US\$ 2 billion in 2003.

invoice over-reporting, to payments being made to contractors despite their work being substandard. When tasked with dealing with the issue the local committee took no action, with the general assembly even re-electing the leader in “open defiance” of the INGO. Local beneficiaries accused those who had uncovered the wrongdoing of “jealousy” and “envy”, and the accountant – who also happened to be one of the whistle-blowers – was dismissed. Known as *elite capture*, this example is “a clear illustration of the support that poor people are inclined to give to an elite member on the grounds that they have benefited from his leadership efforts” (Platteau, 2004:226). As highlighted by Platteau, despite the leader having appropriated the bulk of the goods originally intended for members, the members themselves considered this behaviour to be legitimate<sup>27</sup>.

The perception amongst the members though would have been extremely different if there had not been a redistributive element to his action, in this case ensuring that a portion of the items *was* actually distributed. Had this not happened, it would have been viewed by the community as theft (as will be shown later). The attitude shown by members in this example is characteristic of clientelistic politics in Africa as:

*For those at the very bottom of the social order, the material prosperity of their betters is not itself reprehensible so long as they too can benefit materially from their association with a patron linking them to the elites”* (Chabal & Daloz, 1999:42).

In other words, a patron’s abuse of power is tolerated as long as the demands made by clients are met. In the case of the poor however, these demands tend to be minimal with token pressure (if any) put on the patron, as most of their time is spent trying to maintain their daily existence. Regardless of whether this relationship takes an *extractive* or more of a *redistributive* form (as highlighted in the typology outlined in Table 1) it is clear that neopatrimonial systems play a large role in perpetuating corruption in developing countries (Khan, 2009, in Balboa & Takenaka, 2010:9).

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<sup>27</sup> The leader later admitted to having used the bulk of the monies entrusted to him for personal use, and expressed no regret as it was “his perceived right to appropriate a large share of the funds” (Platteau, 2004:227).

Notwithstanding the role of played by elites, Bayart (1993) takes a more expansive view, arguing that “contrary to the popular image of the innocent masses, corruption and predatorial behaviour are not found exclusively amongst the powerful (Bayart, 1993:238). This is supported by Anders (2002a), who contends that a common characteristic of corruption in sub-Saharan Africa is that it is not limited to a certain class or group of people. The legitimacy of this argument aside, local power structures favour the elite, who continue to be the primary beneficiaries of such practices. This may also be the reason as to why in many of these countries the incumbent government has appeared to show a lack of “political will”<sup>28</sup> in dealing with corruption, as there tends to be associated political or vested interests in maintaining the status quo.

In the case of Malawi, Anders (2002a) shows that client-patron relationship that spill over into the workplace, revolve around two intertwined features: asymmetric power relations, and the maintenance of indebtedness. In such cases there is a symbiotic relationship between the supervisor (as the patron and *creditor*) and the employee (as the client and *debtor*), where day-to-day interactions serve to reproduce and reinforce the clients overall indebtedness. The status of *creditor* and *debtor* is desirable for both parties, as the former gains influence and power over the latter, whilst for the latter, a social relationship is formed that will provide a certain degree of protection (as the creditor may well maintain the debt in order to retain his influence) and even obligation toward the weaker party. In other words, "if *it is* not possible to become a creditor, then the next best thing is the status of a debtor” (Anders, 2002a:14). Whilst the relationship is unequal from a power perspective, there is a social element to the equation, with an informal set of rules operating side-by-side with the official ones (though the two are not always complementary). The key to this is a better understanding of *socio-cultural logics* (explained below). Whilst interrelated, the above example highlights how the political science perspective of corruption becomes intertwined with the anthropological perspective of corruption.

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<sup>28</sup> The concept of “political will” refers to the “demonstrated credible intent of political actors ... to attack perceived causes or effects of corruption at a systemic level [making it] a key starting point for sustainable and effective anti-corruption strategies and programmes” (Kpundeh, 1998:92).

## 2.7 Corruption from an Anthropological Perspective: The Role of Culture

In contrast to the political science perspective presented above, which revolves around an analyses of the power structures inherent in corruption itself, the field of anthropology approaches the topic from the perspective of social exchange<sup>29</sup> (which in Africa tends to be based on social relationships stemming from familial or tribal connections). Corruption is viewed from a “humanistic” level, with emphasis being placed on historical, cultural, and social factors. Whilst anthropology itself has a long history, its focus on “corruption” is relatively recent<sup>30</sup>. One reason for this is that anthropologists refer to acts of “corruption” (described as such by political scientists) in terms of gift exchanges, social networks, moral economies, reciprocity, and patronage (Smith, 2007:10). More broadly, however, there has been a certain level of reluctance or discomfort by anthropologists to discuss corruption, due to the relatively Eurocentric nature of the concept itself (Torsello, 2011).

As already shown, from a typological perspective, the most widely accepted conventional definition of corruption has focused on the notion of the “abuse of public office for private gain” (Amundsen, 1999; Gray & Kaufmann, 1998; Rose-Ackerman, 1996). From an anthropological perspective, this can be problematic, as the private-public dichotomy inherent in the definition is seen as being a Western construct, and therefore context specific. How such a model can be applied to a non-Western environment is therefore unclear.

Whilst bribery is stigmatised by virtually all societies (Noonan 1984), attitudes towards corruption vary across cultures. As argued by Moreno (2002), “most societies have a certain degree of permissiveness towards it, with some of them being more likely to justify corrupt practices than others” (Moreno, 2002:496)<sup>31</sup>. This makes the creation of a universal “norm” culturally inappropriate, with social anthropologists arguing that corruption should

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<sup>29</sup> See Haller & Shore (2005) for a more in-depth discussion of this.

<sup>30</sup> A World Bank (2006) literature survey on corruption found that that anthropological studies dealing with corruption covered only 2% of the total literature available. In support of this, Torsello (2011:2), states that with the exception of James Scott’s book ‘Comparative Political Corruption’ (published in 1972), the word “corruption” did not appear again in the title of a book on anthropology until 2005.

<sup>31</sup> Whilst Moreno’s assessment covers data sources from 62 countries, given that only four are African, the findings should be treated with some “care” when drawing parallels to Africa as a whole.

be viewed in terms of social relationships, with the legality or illegality of an act being based on the social context in which it takes place. Weberian inspired definitions can therefore be seen as being too narrow, and “excessively concerned with the illegality of such practices, [as] defined from a modern, Western point of view” (Olivier de Sardan, 1999a:47). Whilst many countries have adopted or copied Western administrative systems (Olivier de Sardan, 1999a:47; Scott, 1969:319), the norms implicit in them tend to make them irrelevant to the local cultural environment. In other words, definitions based on the private-public boundary are “descriptively inadequate to the lived realities that they purport to represent” (Gupta, 1995:384). This is highlighted by Anders (2002a:10), who points to the co-existence and interaction of multiple sets of contradictory rules through which a Malawian civil servant needs to navigate on a daily basis; the official rules, kinship rules, and the unofficial code of conduct. In this context, what is deemed as a corrupt practice in terms of official norms, may be viewed differently when seen in terms of practical norms or even actual practice (Olivier de Sardan, 1999b:263).

Traditionally, a clear distinction has been made between corruption in economic (or finance) terms and corruption in social terms. The former, which usually takes place in a market-like situation, and entails the exchange of cash or material goods, tends to be defined in terms of the specific regulations that limit the amount that can be “given”, before deeming it to be illegal. In the latter, corruption takes on broader cultural and moral meanings, and can be seen in social terms as being different forms of exchange. Resources transferred are not limited to physical assets, but includes acts of clientelism, nepotism, ethnic and other forms of favouritism. All are variants of social corruption (Médard, 1998:308).

In the case of sub-Saharan Africa, the issue is well covered in Olivier de Sardan’s (1999a) seminal article “A Moral Economy of Corruption in Africa”, in which he refers to the “corruption complex”, a term that encompasses a number of illicit practices technically distinct from the Western legal perspective of corruption. Supported by Médard (1998), “corruption” is seen as not being limited to the strict legal or economic perspectives, but is expanded to include various cultural and social aspects such as favouritism (including both

cronyism and nepotism) and patronage. Whilst many of these “practices” have been labelled as forms of social corruption, when viewed from a local actor’s perspective, they may have normative connotations that make them culturally acceptable. Separate research carried out in West Asia by Gupta (1995), Kondos (1987), and Ruud (1998) supports this. In all three cases, various forms of social corruption were seen by all of the actors involved, including unsuccessful beneficiaries, as being a “legitimate way of going about doing things” (Kondos, 1987).

In this context, an understanding of various socio-cultural logics such as gift giving and solidarity (or social) networks will also help to contextualise discussions, and ensure that cultural values of the local actors are better understood. In the case of gift giving, common in many parts of the developing world, the key question is “when is it traditional or common for a public servant to be given a gift or tip in return for a service provided, and at what point does this become a bribe?” The answer to this question of course depends on the local context, with the dilemma highlighted by Kapuściński’s reference to Uganda: “Presents, presents. This is a culture of constant gift-giving” (2008:162). For this reason, it can be argued that international comparisons become meaningless, as the definition of corruption should be based on the local culture of the country or region being examined (Azfar, et al., 2001:44). These differing shades of grey, once again highlights the narrowness of conventional definitions of corruption.

Given the anthropologist’s focus on the role “culture” plays, it is worth highlighting a number of cultural concepts specific to sub-Saharan Africa. The first of these is the concept of *ubuntu*<sup>32</sup>. *Ubuntu* plays a large role in traditional communal life and is viewed as being the “underlying foundation of African communities’ culture” (Tambulasi & Kayuni, 2005:148). It is based on the notion of supportiveness, cooperation, and communism (Koster, 1996:111), with the central doctrine being the:

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<sup>32</sup> *Ubuntu* is a common concept in African Bantu speaking nations. In the case of Malawi it is referred to as *umunthu* (in Chichewa) and *umundu* (in Yawo). In Zimbabwe it is *unhu* (in Shona); in South Africa it is *umunthu* (in Zulu), and *ubuntu* (in Xhosa and Ndebele); and in Tanzania it is *obuntu* (in Kitará).

*principle of caring for each other's well-being ... and a spirit of mutual support ... (where) ... each individual's humanity is ideally expressed through his or her relationship with others and there in turn through recognition of the individual's humanity* (Republic of South Africa, 1997, in Tambulasi & Kayuni, 2005:148).

*Ubuntu* underlies the communal nature of a community and is connected to other important cultural aspects such as the importance of ensuring that one does not do better than one's neighbour does. It underlines a strong social conditioning with a clear focus on redistributive aspects when dealing with wealth. In the Chewa culture (the dominant culture within Malawi), if a person is seen to prosper without sharing, it is assumed that it has been at the expense of another, and therefore achieved by questionable means (such as a use of the supernatural<sup>33</sup>). Tambulasi & Kayuni (2005) argue that the concept – if practiced the right way<sup>34</sup> – is not only compatible, but also complementary to “Western principles” of good governance. Notwithstanding, it can be argued that the redistributive principle inherent in *ubuntu* can also result in the sanctioning of certain types of questionable activities. Whilst such behaviour may not necessarily be endorsed by society as morally acceptable, it may, at the same time, be seen to fall into a grey area, and therefore indirectly legitimised.

With particular reference to Malawi, the concept of *ubuntu* has manifested itself into a social system that exerts a high level of social control over the individual<sup>35</sup>. The result of this is a strong sense of familial and tribal obligation, making it extremely difficult for an individual to refuse a relative's request for help. Breaching certain kinship obligations may well result in sanctions, including ostracism and/or charges of witchcraft (*ufiti*) (Anders, 2002a:11). The fear of being accused of *ufiti* should not be underestimated by an outsider as its underlying social purpose “is to apportion blame or misfortune and to ensure that

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<sup>33</sup> Such cases may lead to accusations of witchcraft, with the accused being ostracised by the community, leaving the person with no future support structure.

<sup>34</sup> They argue that a lack of accountability, transparency, and equality meant that neither the Banda regime (who ruled by oppression and forced payments) nor the Muluzi regime (based on a culture of free hand-outs from the President, resulting in the start of a dependency syndrome), embodied the concept of *ubuntu*.

<sup>35</sup> And was in turn reinforced by Banda's 32-year rule (Refer to Chapters 3.2 & 3.3 for details).

each member of a community has an equal share in its prosperity” (Holland, 2001:10). In this context, the person who gets rich has done so at the expense of another and the link to *ufiti* is usually the only way to explain the success (Wendland & Hachibamba, 2007:211). It is for this reason, that traditional African cultures consider it very important never to boast or discuss success, express undue anger, or seem unsympathetic to the misfortune of others. The result of such beliefs reflects the egalitarian nature of these societies, as nobody is supposed to want more than his neighbour does. As explained by Van Breugel “If a person displays more drive and ambition than the other members of the group, he is suspected of wanting to be successful at other people’s expense” (2001:261). As such, in African society it is up to the prosperous to share their goods, with the personal ideal of generosity often motivated by a pressing fear of witchcraft or sorcery accusations (Lienhardt, 1951; Wilson, 1951) than by any form of underlying altruism.

So strong is this pressure that in many cases individuals are prepared to breach organisational rules and regulations that directly contravene certain social obligations. In many countries, such action is further exacerbated as the risk of being charged with corruption (as opposed to being accused of it) is relatively low. In Malawi, those Malawians that do have formal employment, and in particular those working for the civil service or NGOs (where there is a higher level of available resources), are the ones most vulnerable to such pressures.

Whilst a review of newspaper articles, official documents, and speeches by Malawian politicians shows “corruption” to be universally condemned as an “evil”<sup>36</sup>, it is commonly referred to by the English word, thereby limiting its meaning to a legal sense. Anders, asserts that if the vernacular is investigated, “this general rejection of ‘corruption’ does not imply a clear and unequivocal rejection of practices considered to be corrupt among average Malawians” (2005:191). Citing the practice of *katangale* (referred in this thesis as

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<sup>36</sup> Since the advent of multi-party democracy, it has become common practice for politicians to accuse each other of corruption, with accusations the ‘modus operandi’ of ongoing power struggles within Malawian politics (Englund, 2002).

*neo-katangale*)<sup>37</sup> – a term used to describe any form of illegal, questionable, or shady workplace practice designed to inappropriately enrich an employee – he points out that, despite its semi-legitimate status, it is viewed by Malawians as being an intrinsic aspect of formal employment. *Neo-Katangale* is viewed as a “system” rather than as an individual act, and therefore seen as being outside a person’s control (i.e. it is not an act of free will, but something that a person is drawn into). This rationale, along with the redistributive aspects inherent in the act, allows a person to abdicate a certain level of personal responsibility for their actions<sup>38</sup>. As highlighted by Lwanda (2006b:529), in Malawi *Achikulire* (the “big-men”<sup>39</sup> or “patrons”) are the ones with the power to extract government or company resources, and shift them via a system of *neo-katangale*.

Drawing a parallel with *ubuntu*, and the principle of “caring for each other’s well-being”, *neo-katangale* tends to be linked with the notion of *kugawa* (or “sharing”), thereby reinforcing its strong redistributive connotations. In this context, “if others benefit from [neo-]katangale the corrupt behaviour is considered to be acceptable and morally right” (Anders, 2002a:5). In the case of Malawi, this is clearly demonstrated by the findings of 2010 Governance & Corruption Survey (Chinsinga, Kayuni, & Konyani, 2010:10) that show that on average 71% of a total “gratification” received is shared with others (56% of it being distributed to others within the organisation)<sup>40</sup>. Failure to “share” the benefits leaves an individual open to allegations of “theft” (*kuba*)<sup>41</sup> or witchcraft, as those around them attempt to find ways of taking “revenge” against the person for neglecting or violating their social duties. Regardless of the different meanings, both *neo-katangale* and *kuba* are characterised by secrecy and not carried out in the open.

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<sup>37</sup> Lwanda (2006b:528) argues that *katangale* was a traditional type of rural copying mechanism related to informal trade. The terms association with “corruption” (as defined in the 2003 English-Chewa dictionary) is a negative shift from this original meaning. To distinguish between the two meanings, he uses the term *neo-katangale*, when referring to the corruption-related variety.

<sup>38</sup> I would argue that as white-collar crime is not viewed as socially unacceptable in Malawi, it becomes easier for people to justify their involvement in *neo-katangale type practices*.

<sup>39</sup> Gyimah-Boadi (2004:22) highlights that many of Africa’s ‘New Leaders’ themselves tend to be surrounded by assorted ‘big-men’, usually relatives of the President.

<sup>40</sup> Of the 71% cited, 27% is shared with superiors, 30% with colleagues, and a further 15% with politicians or political party agents (Chinsinga, et al., 2010:10).

<sup>41</sup> Theft (*kuba*), is seen as an individual act with no redistributive elements, and therefore morally and legally wrong.

The result of “redistributive” type systems, such as *neo-katangale*, is that corruption tends to involve networks of people all of whom benefit (usually from the actions of a patron). This form of corruption has a strong level of “collectivisation” and a high degree of social pressure. Both aspects are neatly captured by Amundsen in the following quote:

*To keep quiet and gradually take part in the practice is usually much less costly than to blow the whistle, inform and confront. A conspiracy between individuals is easily extended into a larger practice involving colleagues, partners, assistants, patrons and superiors. Instances of petty corruption may therefore develop into larger networks, cliques ... and finally into large-scale institutionalised corruption if unchecked (1999:5).*

The problem with this is that, as corruption spreads, so does its social acceptance. In such cases, the act becomes embedded within a much broader conspiracy, which, due to the number of people involved, becomes difficult to uncover by those outside the network<sup>42</sup>. A by-product of this is a highly developed and entrenched system of agents within an organisation that protect each other and make it extremely difficult to eradicate. If left long enough it may well become so deep-rooted that it forms part of the organisational culture itself.

What we are seeing here is more broadly associated with another important socio-cultural logic, that of traditional solidarity networks. These informal networks (made up of kin, work colleagues, neighbours, etc.) play a key role in perpetuating corruption in sub-Saharan Africa, and have been emphasised by a number of scholars including Anders (2002a), Olivier de Sardan (1999b), and Scott (1979). Given the lack of formal social welfare systems in many countries, solidarity networks act as an important substitute by providing a source of social security (Anders, 2002b:51). At the heart of this is, once again, the concept of reciprocity and obligation<sup>43</sup>. Again, taking Malawi as an example, the logic of

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<sup>42</sup> KPMG (2005:43) found collusion between employees to be one of the most prevalent causes of corruption, in Malawi, with employees themselves posing the greatest fraud risk to organisations.

<sup>43</sup> It is important to note that the various obligations specific to these groups “apply only in respect of members of the same group and not to people outside the group (Van Breugel, 2001:262).

obligation dictates that allegiance is owed first to family, then to village, then to tribe, and then to region. Solidarity networks are created at each of these levels, all of which tend to “include an almost general obligation of mutual assistance” (Olivier de Sardan, 1999a:40). They do not however extend to the national level, with Malawian’s having “a weak sense of national identity, national unity, common good, loyalty to the state, and sense of duty as responsible citizens” (Brown, 2008:205). It may also be why “they are bound to treat government as an external institution they do not own [and as a result, have] no sense of guilt when they misuse public office or facilities” (Poeschke & Chirwa 1998:94, in Brown, 2008:205). This is also reflected in the African Proverb quoted by Chabal & Daloz (1999) “whoever does not rob the state robs his kith and kin” in Smith (2007:11).

Solidarity networks act as a system of “generalised exchange” of services, with multiple forms of belonging, and bring with them the pressures to ensure that the obligation of “mutual support” to other members are met. Obligation and reciprocity, measured in terms of social capital, are important factors. The pressure, therefore, to comply with “personal favours” for other members are, in many cases, stronger than the pressure to comply with legal administrative requirements (Olivier de Sardan, 1999a:41). If we look at the Malawian workplace (as an example of a solidarity network), the responsibility of the employer is not limited to the employee alone, with the supervisor expected to support both the employee and their extended family in times of distress (Anders, 2002a). This set of “informal” rules is heavily controlled through social relations including a symbiotic system of *debtor* and *creditor* (as highlighted earlier in this chapter), that reinforces the principles of *katangale* (where everybody benefits, either financially or in kind). Supervisors who violate these principles open themselves up to resistance or revenge (Anders, 2002a). The result of this is that the supervisor is kept in a constant state of tension between the “informal rules” (based on cultural aspects of kinship and social obligations) and “formal rules” (based on the Weberian inspired administrative systems). In most cases the threat of sanctions from breaching the former are far stronger than the risks associated with breaching the latter, thereby reinforcing, or even providing an incentive to undertake activities considered by outsiders to be corrupt.

## 2.8 Microeconomic Bureaucracy-Models: The Principal-Agent Theory

Whilst we have examined corruption from a political science and anthropological perspective, an assessment would not be complete without examining it from an economic perspective. Whilst references have been made earlier in this thesis to a number of macroeconomic viewpoints<sup>44</sup>, the approach that will be covered here is from a microeconomic perspective. What little work has been done in this area has been modelled on the state sector only.

In a microeconomic approach, corruption is viewed from an organisational basis. Bac describes it in terms of being a hierarchical phenomenon, recognising that it can manifest itself at both the individual and the group level (1996). The key to this is examining how individuals in a hierarchy interact (a focus of economic theories of organisation), with much of the work using the principle-agent model as the basis of analyses (Andvig, et al., 2000:79; Thomas & Meagher, 2004:14). At the heart of this is the relationship between the supervisor (as the principal) and the employee (as the agent), whereby the former would like to ensure that the latter is being as productive as possible. It also provides a conceptual model to determine under what circumstances an individual will act corruptly, thereby allowing the principle to implement appropriate incentives (carrots) and penalties (sticks) to control corruption via influencing the organisational environment (Bardhan 1997; Campbell 1995, in Andvig, et al., 2000; Klitgaard, 1988, 1997). A formula has also been proposed by Klitgaard (cf., 1988), for solving the problem. This is based on the idea that corruption is the “sum of monopoly and discretion less accountability” ( $C=M+D-A$ ). This formula has some appeal, as does the suggestion that prevention—the ex-ante solution—is better than cure—the ex-post solution.

Underpinning this is the assumption that effective coordination of different activities becomes a challenge when the focus of an employee is self-enrichment. Campbell (1995), Hirschleifer and Riley (1992), and Kreps (1990) (all in Andvig, et al., 2000:79) have identified the two key issues at the heart of the problem as: divergent motivations (or

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<sup>44</sup> Refer to the quantitative aspect with its focus on the overall impact of corruption (raised in Chapter 1.2), and the econometric approach focusing on indexes and cross-country data (discussed in Chapter 2.1).

conflict of interest) between the employee and management, and the asymmetrical level of information (where in many cases the agent has access to relevant information that the principle does not<sup>45</sup>).

Using the principal-agent model outlined by Klitgaard (1988) and Carrillo (2000) corrupt transactions can be analysed based on examining the interactions between the principal (“P”), the agent (“A”), which at times includes a client (“C”), usually an outsider. *Internal* corruption takes place between A and P when A abuses or violates his duty (such as in cases of fraud or embezzlement), whilst *external* corruption (such as bribery and extortion) takes place between A and C. Whilst corruption may not be limited to a single level (i.e. there may be multiple levels of corrupt agents) (Cadot, 1987), the model rests on the assumption of there being a highly “principled” principal (Klitgaard, 1988), committed to improving the organisation’s levels of integrity and efficiency. With regards to this, Bac (1996:278) identifies a hybrid form of the above type of corruption, where *internal* corruption – involving collusive behaviour – results in a portion of the proceeds from *external* corruption (such as a bribe) being transferred to upper levels of the organisation by subordinates (in return for protection or other benefits for example). In such cases, the “supervisory” function inherent in a well-functioning hierarchy (and imperative to the principle-agent model) is undermined. Bac found that (dependent on the size of the hierarchy) the upper part, being the top and middle agents, display a higher risk of internal corruption than the lower parts (Bac, 1996:279). This however can be partially offset by using “private monitoring technology” which favour steep monitoring structures with reduced supervision spans, as they tend to be immune to *internal* corruption (unlike public monitoring technologies that tend to favour flat hierarchies).

As highlighted above, the core of the principal-agent problem are divergent objectives and asymmetrical information between A and P. According to Andvig, et al. (2000:105), P’s problem is poor knowledge of either A’s *type* (i.e. whether he is honest or dishonest) referred to as *adverse selection*, and poor information about A’s activities (whether they are

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<sup>45</sup> This not only includes information specific to the agent’s day-to-day actions and activities, but the underlying motivations that drive him.

productive or corrupt) or *moral hazard* (Klitgaard, 1988; Okeahalam & Bah, 1999). The latter is exacerbated by what Goleman, Boyatzis, and McKee (2002:93) term the *CEO disease*, which refers to a natural information vacuum that is created around a leader due to the tendency for people to withhold important (and usually unpleasant) information, resulting in P only being able to access partial information on what is going on around him.

Being aware of the above factors allows P reduce the chance of corrupt activities by implementing systems to screen and detect the wrong type of agents before they are employed (i.e. the use of appropriate recruitment systems), and designing an incentive scheme (focusing on how corrupt individuals make their decisions) that forces agents already employed to ‘choose’ to be honest. In the case of the latter, the consequences of acting corruptly must heavily outweigh the potential benefits. The most effective way to deal with this is for P to identify the control variables that influence the way A makes his decisions, and to attempt to influence them accordingly. Research carried out on the public sector, has led some scholars to argue that the key to reducing corruption is increasing wages (such as Gould & Amaro-Reyes, 1983; Tanzi, 1998)<sup>46</sup>. This is somewhat simplistic however, and a more complete list of control variables is outlined in Table 3 (over-page).

Whilst not covered in any detail here (due to its complexity and relevance), work on multiple-equilibrium models of corruption have also been developed. Based on the notion that “corruption breed’s corruption”, it argues that an individual’s decision to engage in a corrupt act (such as fraud) is dependent on the number of other people doing it. At the heart of this is the idea of collective action, whereby one person’s decision is based on the actions of others. The result of this is the creation of what Nielson (2003) refers to as a *sub-system of corruption*. Once established within an organisation, these sub-systems can be extremely difficult to counter. As highlighted by Andvig et al.:

*Organisations characterised by entrenched corruption are likely to have developed a system where agents are protecting each other. They may have a history of partly*

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<sup>46</sup> In the context of this thesis, a salary survey undertaken by NGO-X in 2008, showed that salaries paid to its staff were general higher than its competitors, and significantly above the level paid by government.

dyadic “infection” of corrupt behaviour. The mass of agents that need to be turned around often has to be convinced dyadically, too, or more complex corruption networks have to be torn apart. In general serious inertia is involved (2000:132).

**Table 3: Factors Influencing Organisational (Bureaucratic) Corruption**

Payment	<ul style="list-style-type: none"> <li>• Salary.</li> <li>• Financial Fringe benefits.</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>• Supervision and control systems.</li> <li>• Standards of performance for employees.</li> <li>• Recruitment and selection procedures for personnel.</li> <li>• Rules and procedures for reporting.</li> <li>• General auditors’ independence and capacity.</li> <li>• Law and order tradition, checks and balances.</li> <li>• Information made available to the public (e.g. via newspaper or media).</li> <li>• The judiciary system (proving cases in court).</li> </ul>
Statutory Penalty	<ul style="list-style-type: none"> <li>• The size of penalty (e.g. amount of fine, prison sentence etc.).</li> <li>• Administrative sanctions.</li> </ul>
Other Factors	<ul style="list-style-type: none"> <li>• The bureaucratic structure.</li> <li>• Education of employees.</li> <li>• Political and administrative leadership.</li> <li>• Cultural determinants.</li> </ul>

Source: Author (Adapted from Rijckeghem & Weder, 1997:21, in Andvig, et al., 2000:108)

Reducing it to an *individual* level, the problem of controlling corruption can be represented using the classical “fraud” triangle model (Cressey, 1973:30), which prefaces that fraud takes place if three causal factors are present; *Motive* (or pressure), *Rationalisation* (or how the person justifies the action to themselves), and *Opportunity* (being the situation that enables fraud to occur). Removing one or more these elements breaks the triangle and reduces the likelihood of the act taking place. The same logic can be applied to corruption in general, with P concentrating on removing opportunity, as this element is the one “most directly affected by the system of internal controls and generally provides the most actionable route to deterrence” (Cendrowski, Martin, & Petro, 2007:34. As A’s decision to act, will be based on the value of the corrupt act weighted by the probability of not being caught (Carrillo, 2000), their chance of acting can be reduced by increasing the likelihood

and consequences of being detected. Unfortunately, in many parts of the developing world, even if the act is detected, it is unclear how much a deterrent this is, as in many countries there is a wide gap between the legal penalties (for financial based corruption) and regulations, and the penalties that are effectively imposed (Tanzi, 1998:574).

From a practical perspective, the relevance of the issue is brought into focus when looking at a recent international survey undertaken by KPMG (2007), which showed that 89% of the frauds investigated were carried out by employees, of which 86% were perpetrated by members of management. Although insiders (or “whistle-blowers”) were the primary sources for detecting fraud (at 25%)<sup>47</sup>, followed by management review (21%), internal controls accounted for just 10% of the frauds uncovered (the same number detected by external controls). Despite this low detection rate, internal controls are effective at removing opportunities, thereby reducing the likelihood of fraud and corruption occurring in the first place (though they cannot eliminate it).

Notwithstanding the issues outlined above, in the context of Africa, a major weakness in the Principal-Agent model is its implicit assumption that the Principal is highly principled<sup>48</sup>. Given the extensive neopatrimonial systems that exist in many parts of Africa, combined with the extractive and rent seeking practices of the elite (as discussed in Chapter 2.6), the legitimacy of this assumption becomes somewhat problematic, as in the case of corruption, in many cases, “the fish rots from the head”.

## **2.9 Corruption and Accountability within NGOs**

Given the topic of this thesis, it is now appropriate to look briefly at the issue of corruption and NGOs. Termed the “fifth estate” (Eizenstat 2004), the emergence and impact of NGOs over the past fifty years has been equated to the rise of the Nation State (Salamon, Sokolowski, & List, 2003:6-7). Described by the Commonwealth Business Council (2003)

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<sup>47</sup> This is supported by: a PWC (2007b) report involving over 5,400 companies in 40 countries, which found that 43% of corporate frauds were uncovered by whistle-blower activities; and an ACFE (2008) examination of 959 cases of fraud, where 46% of them were uncovered by whistle-blowers.

<sup>48</sup> Referring to Klitgaard’s term (1988) originally quoted Chapter 2.8.

as the *operational arm* of civil society, their growing prominence as “powerbrokers” (by virtue of taking over the welfare role traditionally played by the state), has filled a power vacuum in developing societies (Cohen, 2004).

When it comes to accountability, the basic principle for responsible practice of any institution (Edwards, 2000), NGOs have tended to be less transparent and accountable than the businesses they often criticise (Sustainability, 2003). In this context, accountability to beneficiaries has tended to be too informal, with current practices over-emphasising “upward” and “external” accountability to donors (Jordan, 2005)<sup>49</sup>. The current challenge is to find a means of better enhancing their overall accountability without undermining the crucial role they play (Zadek, 2003).

According to the strategic consulting firm Oxford Analytica:

*The distinguishing feature of NGOs is that donors do not benefit directly from their contributions, with the benefit accruing instead to third parties targeted by the organisations or to society as a whole. As a result, NGOs have traditionally been accorded the presumptions of moral authority, altruism and absence of conflicts of interest. However, the NGO sector is now being viewed as a candidate for the same type of governance standards as the private, for-profit, sector (2005:para. 4).*

Whilst coming under increasing scrutiny, many NGOs are unwilling to apply the standards of accountability they expect from others to themselves (Entine, 2003). This is supported by a University of Warwick survey of 600 NGO directors, where most respondents gave no consideration to their own accountability (Scholte, 2003); and the Global Accountability Project (GAP) which found that many NGO directors considered NGOs in general to be above accountability (Kovach, Neligan, & Burrall, 2003). Given that NGO funding is sourced from both private and public donors, they should be held accountable for their actions, and subject to the same scrutiny as other recipients of overseas development

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<sup>49</sup> Notwithstanding this, results of research undertaken in Indonesia by Olken (2005) suggest that traditional top-down accountability plays an extremely important role in reducing corruption, with increasing grass-roots participation having little overall impact.

assistance. The concern here is that organisations such as NGOs, who tend to be “closed to external pressures, may well become inward-looking and this may [in turn] lead to corruption” (Kitsing, 2003). Unlike other development assistance implementers, NGOs are not subject to rigorous integrity regimes (such as internal and external oversight bodies), meaning that effective internal standards are key to ensuring their overall integrity (Trivunovic, 2011:5). Appropriate accountability and oversight is therefore essential in reducing the potential for corruption, an issue made more urgent given that many NGOs – in particular smaller ones – not even having the most rudimentary control systems in place (Cremer, 2008:81). Put more succinctly, viewing corruption as an outcome, it can be seen as a “consequence of the failure of accountability relationships in the governance system” (DAC, 2007:20).

What then do we know regarding corruption within NGOs, and in particular INGOs? Whilst existing research of corruption in the NGO sector has been limited to frauds identified from newspaper reports (such as Fremont-Smith, 2004; Fremont-Smith & Kosaras, 2003; Gibelman & Gelman, 2000, 2004), this, unfortunately, does not provide the true extent of the problem within the NGO sector, as most of it goes unreported (Ayers 2006, in Greenlee, Fischer, Gordon & Keating, in press).

According to Gibelman and Gelman’s (2000) exploratory study of corruption within NGOs, all of the irregularities examined were: shown to involve money; opportunistic in nature; and “motivated by self-interest (greed), perceived entitlement, or sexual fulfilment” (p. 7). The majority of cases involved the elite of the organisation (mainly the CEO or CFO), thereby pointing to a lack of overall governance and oversight at board level<sup>50</sup>. A follow-up study drawing on research carried out by Fremont-Smith and Kosaras (2003) between 1995 and 2002, indicates that the accumulating number of cases of alleged and substantiated NGO abuses suggests that they are not isolated or sporadic events in particular countries (Gibelman & Gelman, 2004). One example of this is Palestine, where a

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<sup>50</sup> Unfortunately, a number of limitations inherent in the research make it difficult to draw parallels to development NGOs, as the data collection was limited to national NGOs in the North, with the focus being prominent cases in the United States that took place between 1998 and 2000.

2006 survey showed that 57% of participants felt that there was some form of corruption within NGOs (with 17% of total respondents feeling it to be at a high or very high rate)<sup>51</sup>.

Drawing from Trivunovic (2011:4), the most common forms of NGO corruption are outlined in Box 2. Whilst it covers various types of *financial corruption* (which will be referred to later in the case study), it specifically excludes any form of *social corruption*. While Trivunovic does not provide an explanation for this, I would argue that it is due to the difficulty of outsiders being able to get close enough to record such instances, and as such, his list should by no means be taken as being complete.

**Box 2: Most Common Forms/Practices of Corruption within NGOs**

1. Inflated, duplicate, or fictional invoices for goods and services procured for a project.
2. “Ghost” employees, participants or beneficiaries that inflate the costs of project activities.
3. Kickback arrangements in procurement of goods or services or in hiring of project staff.
4. “Double-dipping”, or seeking or accepting funds from more than one donor for (parts of) the same project.
5. Fictitious NGOs, or politically connected organisations set up to win public contracts.

**Source: Trivunovic (2011:4)**

In the case of INGOs, even less information is available. One of the few cases that have made the news is the recent conviction of two Liberian World Vision employees in 2010 for conspiracy to steal more than USD1.4 million of USAID funds channelled through World Vision administered programmes (BBC, 2009; Pickler, 2010)<sup>52</sup>. Given that INGOs operate in highly corrupt environments, and draw from the same local resource pool as other local employers, it stands to reason that they are also subject to the same levels of corruption faced by the government sector (as the only other actor with access to significant levels of resources).

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<sup>51</sup> Carried out between June 15 to 18 2006) by the Coalition for Accountability and Integrity (2006).the main forms of corruption were perceived as being nepotism and *wasta*.

<sup>52</sup> The case involved the theft and sale of foodstuffs purchased for programme beneficiaries. The only other case found was a USD 20,000 procurement fraud involving 22 people that took place in Oxfam’s Aceh operations in 2006 (Gelling, 2006).

## 2.10 Summary

As demonstrated above, the issue of corruption is far from simple. The chapter started with the presentation of a typology distinguishing between the different types of corruption. Having narrowed the focus, it then addressed the first of a number of issues surrounding the subject: agreeing on a definition. Whilst the most prevalent of these revolved around the concept of the abuse of public office for private gain, Transparency International's definition of "*the abuse of entrusted power for private gain*" was selected as an appropriate functional definition, as it recognised the potential for corruption outside of the public sphere, whilst at the same time encompassing both financial and social (non-financial) forms of corruption. The main forms of corruption were then identified, thereby providing an overall framework.

Having provided a framework in which to assess the research findings presented later, the chapter then focused on reviewing three different strands of corruption literature. A triangulation of the differing perspectives and approaches offered by political science, anthropology, and microeconomics, highlighted a number of key challenges while at the same time reflected a growing convergence on the subject between the three disciplines (in particular in their understanding of corruption's main drivers).

The political science and microeconomic perspectives on corruption both stress the importance of institutions (or organisational hierarchies) and the use of incentives through which an agent's actions can be manipulated to ensure honest behaviour. They suggest that corruption thrives in conditions where there is minimal accountability and where actors have too much opportunity (or monopoly) and discretion. Political science and anthropology on the other hand both emphasise the importance of informal institutions and practices in shaping corruption outcomes, with the latter emphasising how neopatrimonial aspects – which ignore the Weberian separation of public and private spheres (a central concept to the modern administrative practices) – are used by African elites to build up their wealth and maintain their hold on power. Anthropologists in general dispute Weberian inspired constructs, arguing that corruption is a normative term driven by various socio-cultural logics, making it a cultural and context specific concept. This is in direct

opposition to political scientists, who see corruption in terms of being “black-or-white”, with no “shades of grey”.

Refocusing the debate back onto NGOs, the final part of the chapter briefly examined the issue of accountability and oversight. Despite many NGOs seeing themselves as being above such matters, the research referred to (although limited), suggests that internal corruption – at least within NGOs in the North - may not be as isolated or as sporadic as we would like to think. Given that the research for this thesis is based on the case study of a development NGO in the South, it is important that it be placed into its appropriate context. In support of this, the next chapter provides an overview of Malawi (where the research was undertaken) and its environment.

## **Chapter 3: Malawi**

*Moral Shortfalls in the standards of leadership and the lack of integrity among many leaders in both the private and the public sector, lack of ethical codes, low salaries, misunderstanding social and political change, tribalism, regionalism, weak legal regimes, weak financial controls, weak institutions of governance, weak state, monopoly of power, patronage, and poverty have been the main causes of corruption in Malawi (Khembo, 2004:8).*

### **3.1 Introduction**

This chapter provides a background on Malawi from a geographical, social, economic, and historical context. It also covers the political dimension, with a specific focus on how corruption has dominated the current political system, including how it has affected the fabric of Malawian society. The chapter then finishes with an overview of the legal mechanisms established to counter corruption, thereby providing the necessary context in which to place the case study presented later in the thesis.

### **3.2 Country Context**

#### ***3.2.1 Geography and Social Composition***

Situated in Central Africa, Malawi is a small landlocked country, bordered by Tanzania to the north, Zambia to the west, and Mozambique to the south (see Figure 2 over-page). The Great Rift Valley traverses the country from north to south, with Lake Malawi, the third largest lake in Africa (making up around 20% of the country's total area), providing most of the eastern border. The climate is predominantly subtropical, with a single rainy season running from November through to April. Little, if any, rain falls outside of this period.

With a population of just over 13 million (National Statistical Office [NSO], 2008:3), it is one of sub-Saharan Africa's most densely populated countries. Only 15.3% of the population live in urban areas, with the largest city, Lilongwe (also the nation's capital), having a population of 680,012 (or 5.2% of the total population) (NSO, 2008:9).

**Figure 2: Map of Malawi**



Source: connect.in.com

Administratively, the country is divided into three regions, with the country's largest ethnic group, the Chewa, dominating the Central region, while the two smaller ethnic groups; the Yao and Tumbuka, are the predominant groups in the Southern and Northern regions respectively. Smaller tribal groupings of the Sena and Lomwe are also based in the Southern region, whilst the smallest – the Tonga – are mainly situated along the lakeshore.

While the official language, English, is used by Government and business; the most widely spoken language (also the national language) is Chichewa.

### ***3.2.2 Economy and Health***

Malawi remains one of the poorest countries in the world, with 52% of the country's population living below the poverty line, and a further 22% living in ultra-poverty (WB, 2007:xiv). Unemployment is more than 75% of the total employable labour force (Khembo, 2004:25), and the GNI per capita is only USD280, ranking it 208 out of 211 countries (WB, 2010:3)<sup>53</sup>. Whilst currently ranked 153<sup>rd</sup> out of 169 countries in terms of human development (UNDP, 2010), it is classified 28<sup>th</sup> on the Failed States Index (The Fund for Peace, 2010). Despite its vulnerability to extreme weather conditions, its economy is agriculturally based, with the bulk of the population relying on subsistence farming as their primary food source (Sahley, Groelsema, Marchione & Nelson, 2005:58). The agricultural sector accounts for around 37% of GDP and more than 90% of the country's export revenue (Cappelen et al., 2007:6). In turn, donors provide 80% of the development budget, and give some \$500 million per annum (Cammack, 2004:15).

The county's social indicators are the worst in Sub-Sahara Africa (Ministry of Gender and Community Services, 2003:7) and whilst progress has been made in some areas, Malawi suffers from an extremely high inequality index (with a Gini-coefficient of just 0.38), reflecting profound disparities in the access to assets, services and opportunities across the population (WB, 2007: xiv). If the above challenges were not enough, a recent survey has showed that “nearly 9 out of 10 citizens believe corruption is a serious problem in Malawi and approximately 70% of the ordinary citizens believe the corruption problem has gotten much worse over the last ten years ...” (MCG, 2006:6).

### ***3.2.3 Kinship and Clan Names***

Malawian surnames loosely reflect their clan connections, being the individual's basic metric for kinship. Given their size however, it should not be assumed that people with the

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<sup>53</sup> This can be compared to an average of USD512 for the Low Income group, and USD1,126 for sub-Saharan Africa (WB, 2010).

same surname are directly related<sup>54</sup>. It is made more complicated by the fact that a person's kinship affiliation is also dependent on whether their tribe is *matrilineal* (as in the case of the Chewa) or *patrilineal* (in the case of the Tumbuka). As such, a person's overall kinship connection cannot be *assumed* by surname alone.

### **3.2.4 History and Political Development**

Malawi's history as a formally defined entity dates back to 1893, when it became the British Central Africa Protectorate. It was renamed the Nyasaland Protectorate in 1907, and in 1953 was incorporated into the Federation of Rhodesia and Nyasaland. In 1962 Britain gave Nyasaland self-governing status, with the Malawi Congress Party (MCP) – led by Dr Hastings Kamuzu Banda (a Chewa from the Central Region) – winning the majority of seats in the Parliament. On 31 December 1963, Malawi became a fully independent member of the British Commonwealth, and declared itself a Republic on 6 July 1964.

Whilst depicted as a conservative 'autocrat'<sup>55</sup> (Jackson & Rosberg, 1982, in Forster, 1994:483), Banda maintained control of Malawi until 1994. During this period, he created "what was probably the most repressive, corrupt, predatory and violent political system in Africa" (Ihonbere, 1997:225). While this period of the country's history has been relatively well covered<sup>56</sup>, given Banda's impact on the country, it is beneficial to cover this period in a some detail in order to better understand the Malawian psyche.

Banda's legitimacy was based on the building of a personality cult (Lwanda, 1993:48; Williams, 1978:176). Hailing him as a "Messiah", the process stopped just short of "deification" (Short, 1974:92), with most Malawians seeing him "not only as a political superman but as a kind of religious hero" (Schoffeleers, 1999:24). As stated by Short, he "possessed supreme power, and used it to secure an ever-increasing degree of control over every aspect of Malawian Life" (Short, 1974:278). By the end of his term in office,

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<sup>54</sup> Within Malawi's two largest tribes, the main clans' names are Phiri and Banda (in the case of the *Chewa*), and Nyirenda and Mkandawire (in the case of the *Tumbuka*).

<sup>55</sup> Being an individual "anxious to dominate and not inclined to share power with others".

<sup>56</sup> See Lwanda (1993, 1996), Mhone (1992), Mpasu (1995), Mkamanga (2000), O'Maille (2000), Pryor (1991), Schoffeleers (1999), Short (1974), Vail & White (1989), and Williams (1978).

the greatest threat to the security of Malawians was the state itself (Kanyongolo, 1998:360). The more sinister aspects of his rule first became apparent in the early 1960s, when he delivered his infamous “chiswe” speech, where he allegedly instructed followers to liquidate persons unwanted by him, silently, unobtrusively, and like termites from within (Schoffeleers, 1999:23).

One of his first acts on being elected was the introduction of a one party state, in which the MCP was the only legally recognised party<sup>57</sup>. The division between the state and the individual however remained “blurred”, with Venter describing Malawi as “a one-man state, a political despotism in which the state apparatus was answerable to only one man, the result [being] a climate of fear almost un-paralleled anywhere in Africa, even in countries wracked by violence” (1995:155). So insidious was the system he introduced that the ruling elite secured its dominance by using the instruments of government to eliminate any perceived threats to the perpetuation of its dominance (Kanyongolo, 1998:360), while a high level of censorship, and the “brutal suppression of opposition kept the population in fear and silence” (Kalipeni, 1996:52).

Whilst cultivating a seemingly inclusive attitude in the first few years of his rule, a cabinet crisis in mid-1964 resulted in the dismissal of six cabinet Ministers who had raised concerns over Banda’s use of government resources “as if it were my own property” (Malawi Hansard, 1964:18). In turn, the Ministers were accused of wanting more responsibility in order to allow them a larger opportunity for corruption (Malawi Hansard, 1964:17)<sup>58</sup>. Marking the start of a process where extra-judicial techniques became the norm for removing all forms of opposition, legislation was passed the same year permitting detention without trial, followed in 1966 by the introduction of the Forfeiture Act<sup>59</sup> (a vehicle subsequently used by Banda and his associates to build up their initial wealth).

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<sup>57</sup> Refer to Section 4 of the Constitution of Malawi (1966).

<sup>58</sup> For a comprehensive overview of the events surrounding this, refer to Baker (2001).

<sup>59</sup> The Act allowed the President to declare forfeit the property of any person who, in his opinion, “had acted in a manner prejudicial to the safety or the economy of the State or subversive to the authority of the lawfully established Government” (see Roberts, 1966 for further explanation).

Control of judiciary took place in 1969, with the passing of The Local Courts (Amendment Act), allowing Banda to by-pass the country's formal legal structures<sup>60</sup>.

In 1971, Banda was made Life President<sup>61</sup>, “a step unprecedented except in Dr Duvalier's Haiti” (Short, 1974:281). At the same time he was given the power to nominate all members of Parliament (including the speaker of the House), and the right to dissolve it any time he saw fit. By this stage, he had succeeded in building up “one of the most elaborate systems of formal censorship in Africa buttressed by the widespread use of informers” (Carver, 2000:16). It was supported by an extremely comprehensive security system: with the Army and Police services used to control any physical threats, and the secret service and the paramilitary wing of the MCP the Malawi Young Pioneers (MYP)<sup>62</sup> – used to repress, and at times eliminate, perceived dissidents both within Malawi and abroad. This was done both overtly and covertly, with the MYP being seen as the most brutal of all of the espionage and intelligence services (Cammack & Chirwa, 1997; Chirwa, 1994; Phiri, 2000). With the support of the Malawi Youth Leaguers they were used as “the main instrument in controlling the population at district and village level” (Schoffeleers, 1999:318). Political assassination was used as a key stratagem to consolidate and hold onto power, with Banda “routinely murder[ing] potential rivals” (Finnegan 1992:8).

Towards the end of his regime, Banda increasingly relied on two of his protégés to maintain his rule. One was his constant companion of thirty years, Cecilia Kadzamira, whose formal position was Official Hostess (and given the title of “Mama” (short for “mother of the nation”), and the other was Kadzamira's maternal uncle, John Tembo, Banda's chief enforcer<sup>63</sup>. By 1983, the two controlled access to the President (Meredith, 2006:380)<sup>64</sup>, and

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<sup>60</sup> The legislation allowed traditional courts (which were subject to traditional African legal concepts), to try all types of criminal cases and to pass the death sentence. It removed an accused's constitutional right appeal to the High Court, and allowed Banda to determine the class of court in which a particular case should be tried (thereby ensuring outcomes “acceptable” to him).

<sup>61</sup> Refer to Section 9 of the Constitution of the Republic of Malawi (1966).

<sup>62</sup> The MYP were legalised in 1964 as “an equal and integral part of the security forces” (Short, 1974:299). Militarily trained and heavily armed, they thoroughly indoctrinated in *Kamuzuism* (Phiri, 2000; Mandiza, 2002).

<sup>63</sup> In 1995 Banda, Kadzamira and Tembo, termed by Mhone (1992: 4) as the ‘iron triangle’ were charged with ‘conspiracy to commit murder’ over the 1983 deaths of four MP, who were executed by Police Special Branch unit a few days after challenging Tembo (Cammack & Kelsall, 2010:18). The official

oversaw most of the day-to-day decision-making on his behalf (Carver, 1990). Tembo is currently a Member of Parliament, and has been the leader of the MCP since Banda's death in 1995.

Whilst the Churches (who have always played an important role in Malawian society) had offered "unquestioning legitimisation to the one-party system" (Ross, 1998a:133), the Catholic Bishops' Episcopal Pastoral Letter of 8 March 1992 marked a turning point for the Banda regime. Labelled as "seditious" by the Inspector General of Police and banned<sup>65</sup>, delegates at an extraordinary meeting of the MCP held a few days later, unanimously agreed that the bishops "should be removed from the face of the earth by poisoning, 'accidents' or even mob violence" (Lwanda, 1993:196)<sup>66</sup>.

Although international pressure over the incident appeared to lead to an increased level of openness, the structures of repression and terror remained intact, with a delegation of British lawyers (who visited Malawi three months later) reporting that "the emotion ... encountered, among citizens at every level, from villagers to government officials, was fear" (Ross, 1998a:146). In October 1992, Banda conceded to demands that a referendum be held on the political future of the country, and on 14 June 1993, Malawians voted to end the one-party system. The MCP's formal power was not neutralised, however, until December that year, when the lower ranks of the Malawi Army rebelled, violently disarming the MYP<sup>67</sup>. In May the following year, the MCP was defeated at the ballot boxes and Banda stood down, marking a relatively peaceful end to his rule.

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enquiry carried out in 1994 (11 years after the event)) found that the murders had been committed on the orders of Banda and those close to him (Ross, 1998b:337).

<sup>64</sup> The personal secretary of the Secretary to the Office of the President and Cabinet confirmed that from the mid-1980's, it was not possible to speak with Banda unless either Kadzamira or Tembo were physically present (personal communication with L-7, Lilongwe, October 2007).

<sup>65</sup> Refer to *Living our Faith*, Pastoral Letter of the Catholic Bishops of Malawi in Ross (1996:204-215).

<sup>66</sup> Allegedly arranged and paid for by John Tembo (who was the Minister of State in the Office of the President and Cabinet at the time), the meeting was recorded by the Malawi Broadcasting Corporation. As stated by Schoffefeeler's: "there need be little doubt that public appeals to kill people, as repeatedly made on that occasion amidst frequent and frenetic applause, could be taken literally and had been taken so on many earlier occasions by followers of the regime" (1999:136).

<sup>67</sup> According to Chirambo whilst the uprising was an important catalyst in the transition to democracy, it "was the result of the civilian political transition and not necessarily the cause" (2004:146).

### 3.3 Banda's Impact on Malawi

Banda's 32-year rule was "characterised by a remarkably high degree of stability" (Forster 1994:477), attributable to the repressive structure he established. Both the government and the nation as a whole were run on the four cornerstones of unity, loyalty, obedience, and discipline<sup>68</sup>. As stated by Ott, "Malawians have been known to prefer silence to confrontation" (Ott, Immink, Mhango, & Peters-Berries, 2006:vi), with a perceived passiveness and politeness that at times make them the butt of regional jokes<sup>69</sup>. As this "national trait" is not shared by Zambians from the same ethnic background, it is a strong indicator that it is due in part to the Banda/MCP legacy. Other practices from this era that have also been imbedded into the national psyche include the importance of "pomp, ceremony and ritual" (Theroux, 1989), and "putting proper protocol before urgent substance" (Lwanda, 1993:22). When combined with a system where Banda gave informal unsubstantiated sources (including rumours) credence over formal and substantiated ones (Baxter, 2001:320), it provided a fertile breeding ground for distrust and secrecy (still evident today).

One of the most insidious of Banda's legacies (extensively built on by his successors) has been the widespread network of neopatrimonial systems and structures, which has prevented resources from being used equitably and efficiently. In this context, Malawi conforms to the classic definition and description of a neopatrimonial state, with the giving and granting of favours extending from village level up to the central state (Van de Walle, 2001). Cammack argues that the policies and practices of the government have been – and still are – based on self-interest, and driven by the desire to retain control of state resources (being the only assets in Malawi worth fighting over). In other words, "real power lies [not in democratic institutions, but] elsewhere and is manifested in neopatrimonial systems and structures, which are largely unobserved, wholly unaccountable, and undermine the functioning of state institutions" (Cammack, 2004:6).

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<sup>68</sup> Refer to Section 2(1)(i) of the Constitution of Malawi (1966).

<sup>69</sup> An example of this is the following quip that appeared in Zimbabwe's *Moto Magazine*: "Malawi is the only country where you can knock someone down with a car and your victim will get up from the road and apologise to you" (Theroux, 1989).

As is the case with other patrimonial systems, clientelism forms the core of many relationships, allowing the bureaucracy to be continually subverted by the elite, who use their “extractive capacity” to divert state resources through a system of rent-seeking, cronyism, and direct intervention in the economy. In the case of Malawi, Banda left a “residential” type system with power centralised around a single individual (the President), who wielded ultimate control over most of the clientelist networks. In turn, these networks gave him the ability to exert discretionary power over a large share of the state’s resources (Cammack, 2004:15). Unfortunately this system still exists, with donors (up until recently) playing a proactive role by supporting the status quo vis-à-vis easily attainable development assistance<sup>70</sup>.

There is no doubt that the impact of Banda’s 32-year rule has been significant, with many of the current politicians across all political parties having been part of the former MCP political apparatus. Ross argues that “the dark side of the Banda regime was deliberately shrouded in a veil of secrecy and silence” (1998b:335). This continues to be the case, and according to Mapanje (2002), has been made easier by the use of an oral culture that ensures no incriminating evidence is documented by those involved. It would be naive to think that the system Banda represented was dismantled when he left office, with the political culture in the “new” Malawi continuing to be based on personality rather than ideology (Dzimhiri, 1998). In support of this, each successive leader has continued to build on the patronage-based system established by the “Ngwazi”<sup>71</sup> (Cammack, 2011).

### **3.4 Corruption in Malawi**

Since independence from Britain in 1962, Malawi has experienced three leaders only. Given the apparent increase in corruption over this time, it is worth briefly examining the extent and type of “corruption” within each of its Three Republics.

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<sup>70</sup> Hanlon (2004:747) argues that the donor community is prepared to tolerate blatant corruption if the elite implements “market-friendly policy changes” (as has been the case in Malawi).

<sup>71</sup> Part of his official title, “Ngwazi” is a Chichewa term meaning "great lion" or "conqueror".

### ***3.4.1 The First Republic (1962 to 1994): The “Ngwazi” Dr Hastings Kamuzu Banda***

Despite the repressiveness of his regime, under Banda Malawi had a reputation as an extremely efficient country where “crime and corruption were rare exceptions” (Anders, 2002a:3). Using an *extractive* form<sup>72</sup> of corruption, Banda used his personal company, Press Corporation (“Press”), to accumulate its initial wealth through the expropriation of land from Europeans after independence (Kees van Donge, 2002:656). In return, Press:

*Provided resources for Banda to reward followers and indulge in personal prestige projects [making it] an integral part of the cultural universe shaped by [him] in which he was the all-knowing patron dispensing largesse to society (Kees van Donge, 2002:671).*

This empire was supported and protected by the MCP-led government who subsequently used the Forfeiture Act to expropriate assets from anyone deemed “too successful”, which in turn were fed into the MCP patronage system (Tsoka, 2002; Lwanda, 2006b). By 1983, Press had become a huge business empire, employing 10% of Malawi’s wage-earning work force, and accounting for over 30% of the country’s GDP (Meredith, 2006:380). Described by Cammack and Kelsall (2010:38) as “developmental patrimonialism”, Banda implemented a capitalist-style patronage system where access to business opportunities was provided to those in favour, cloaking corruption in such a way as to convince outsiders of the “normalcy” of the system he was leading (Pryor, 1991:171).

One of the key recipients of this system was the Tembo/Kadzamira family. Pivotal to this was the Official Hostess, Cecilia Kadzamira (Mapanje, 2002:182), and her maternal uncle, John Tembo. In 1980, Tembo was appointed to the post of Chairman of Press<sup>73</sup>, which Kadzamira and Tembo used, along with other key appointments, as a means to consolidate

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<sup>72</sup> Refer to Amundsen (1999) for a more detailed discussion of the *theory of extractive corruption*.

<sup>73</sup> According to Kees van Donge (2002), Tembo was indirectly involved in the removal of Press’s previous Chairman, Aleke Banda (a former Secretary General of the MCP), who was then jailed. Ironically, in 1994, Aleke Banda became the Finance Minister in the newly elected UDF government which subsequently passed legislation to obtain control of Press (see Chapter 3.4.3 for further details).

wealth and power that resulted in them becoming the real powerbrokers in the last decade or so of Banda's reign (Cammack & Kelsall, 2010:18).

According to Lwanda (1993:132), by 1991, John Tembo was not only the Minister of State in the President's Office, and the Governor of the Reserve Bank, but was also the Chairman of ten of the most highly influential companies in Malawi (including Press), an inherent conflict of interest given the combination of appointments. Included in the Tembo/Kadzamira network were a number of other direct family members, including Tembo's sister, five nieces, and three nephews. All of them held influential positions within the MCP regime, including Personal Secretary to Banda, Chancellor of the University of Malawi, Principal Secretary at a number of government Ministries, and Chief Editor at the Malawi Broadcasting Corporation. In addition, a number of them had been placed in key appointments at the Ministry of External Affairs and to Malawian diplomatic missions in Washington, London, Pretoria, and Tokyo (Lwanda, 1993).

Overall, patronage (including nepotism, as demonstrated in the example above) and the appropriation of state resources were tightly controlled, and were limited to a relatively small circle of MCP officials and senior civil servants<sup>74</sup>. In this context, competing networks found little if any political space to expand (Anders, 2002b:45), and may explain, despite Banda's estate on his death being estimated at around USD319.5 million (BBC, 2000), Malawi was seen as being relatively corruption free.

### ***3.4.2 The Second Republic (1994 to 2004): "Atcheya" Bakili Muluzi***

In May 1994, Bakili Muluzi was elected State President in Malawi's first multi-party democratic elections. A former Secretary General of the MCP and ex-Minister of Education under Banda, he left the MCP in 1982. Whilst claiming his departure was for personal reasons, the MCP claimed he had been dismissed over fraud and the

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<sup>74</sup> Whilst originally restricted to the political elite, In the 1970s Banda introduced a development scheme aimed at integrating top officials (those seen as posing a potential threat to his position) into the MCP patronage network (Lwanda, 2006b:530; Anders 2005:36) .

embezzlement of party funds (Lwanda, 2006b:533; Schoffeleers, 1999:277)<sup>75</sup>. He then went into business, where he became “one of the biggest independent business men outside the Banda/Tembo business hegemony” (Lwanda, 2006b:533), which enabled him to set up the United Democratic Front (UDF) party on whose ticket he ran<sup>76</sup>. Despite breaking the MCP stranglehold on power, the UDF government was dubbed by many as the “MCP B-team” (Cammack, 2011; Lwanda, 1996, 2006b; Wiseman, 1998), with many of the key members of the UDF leadership team having been influential figures in the MCP hierarchy.

Muluzi’s ten year rule was marked by an “increase in elite corruption, the use of the economy as a tool of repression, and the lack of sustainable development” (Lwanda, 2006a:81). Despite Banda’s accumulation of personal wealth, “popular discourse draws a clear line between the period under Banda's rule with no corruption, on the one hand, and the time since 1994 under the democratically elected Bakili Muluzi with widespread corruption, on the other hand” (Anders, 2002a:4). In this context, the rise of corruption is linked to the country’s transition to multi-party democracy<sup>77</sup>.

On being elected, Muluzi adopted, then improved on the Banda patronage system (Lwanda, 2006b:539), the cornerstone of which was to gain control of Press (thereby obtaining control of Banda’s assets) (Kees van Donge, n.d.:6). After a number of legal attempts failed to achieve this, the government managed to enact legislation that passed control of Press to them in February 1997<sup>78</sup> (Kees van Donge, 2002:662). Not only did this deprive the MCP of their main source of income, but enabled Muluzi to expand his business

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<sup>75</sup> Whilst never publically acknowledged by him, Muluzi was dismissed as a court clerk in Machinga in 1968, after being convicted of the theft of GBP 6- (Lwanda, 1996:83, 2006b:533).

<sup>76</sup> At one stage, Muluzi owned 60% of Malawi’s national sugar distribution quota (Kaunda, 1998:440), having obtained a significant portion of it when he became the MCP Secretary-General in 1979 (Lwanda, 2006b:531). In addition, it has been claimed that at one stage he owned 90% of all UDFs assets (Cammack, 2004:101).

<sup>77</sup> According to Andvig, et al. (2000) the relationship between corruption democratisation is bell-shaped, with corruption in authoritarian regimes tending to be kept at economically viable levels. The level rises once the regime is removed, and then starts to reduce as the level of democratic governance increases. As such, countries in a state of political or economic transition are the most corrupt.

<sup>78</sup> Mathews Chikaonda, the Group CEO of Press since 2002 and an ex-Minister of Finance and Governor of the Reserve Bank, is linked to the case study presented later in this thesis. He was allegedly removed from his position at the Reserve Bank over allegations of misuse of funds (personal communication, Lilongwe March 2007).

empire. It also set him “well on his way to becoming Africa’s ‘third richest president’” (Lwanda, 2006b:539).

Unlike the *extractive* forms used by Banda, under Muluzi’s rule corruption took more of a *redistributive* element<sup>79</sup>, and was characterised by a culture of distributing personal handouts at every opportunity. This “bred a ‘dependency’ syndrome among many in the country ... [who waited] passively for Muluzi to improve their conditions through food or monetary handouts” (Tambulasi & Kayuni, 2005:155). Similar “personal” handouts were also presented to government departments and private institutions<sup>80</sup>.

By the end of mid-1990s, high-levels of inflation had eroded salaries within the Civil Service providing a fertile breeding ground for corruption. When combined with an influx of donors, space was soon created to earn “allowances” for attending workshops, and it became common practice to organise “ghost workshops” that never actually took place, with profits shared amongst senior staff and accountants of a department (Anders, n.d.:15 )

During his second term of office (from 1999 to 2004), Malawi slipped from a ranking of 61<sup>st</sup> on Transparency International’s Corruption Perceptions Index (where 1<sup>st</sup> is the least corrupt) to 97<sup>th</sup> out of 158 countries. During the same period, it was estimated that the country was losing around MWK22 million per annum through corrupt acts, which included payments to ghost teachers, rentals for ghost houses, and funding of ghost projects (Khembo, 2005:4, in Hussein, 2005). Since the advent of multi-party democracy, the country is said to have lost MWK10 billion, with one third of its annual revenue being lost to waste, fraud, bribery, and corruption (Hussein, 2005:93). In 2002, Denmark, then one of Malawi’s main donors, cancelled all development aid to the country, citing corruption and political intolerance (Tenthani, 2002). A year later, the United States advised that Malawi would not qualify for a share of a USD15 billion package to fight AIDS, with the US

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<sup>79</sup> Refer to Amundsen (1999) for a discussion on the theories of *redistributive* and *extractive* corruption.

<sup>80</sup> An example of this was MWK50,000 cash “gift” given to each coalition UDF and AFORD MP in 1995. (No such “gifts” were provided to opposition MPs). While the payments were initially denied as having been made (by the Minister for Information), it was subsequently revealed that the source of the funds was the Poverty Alleviation Fund established to help the rural poor (Lwanda, 1996:237).

Ambassador stating that “putting money where corruption is not controlled is a waste” (AFP, 2003).

The Muluzi years mark Malawi as a state continually subverted by neopatrimonialism, supporting Cammack’s (2004:9) claim that in return for loyalty and support, the UDF party leadership used patronage in all of its forms (Cammack & Kelsall, 2010:25-29). Despite unsuccessful efforts to amend the constitution to allow a third Presidential term, which involved large financial inducements being given to members on both sides of the house (Khembo, 2004:17), Muluzi stood down in 2004. In February 2009, he was arrested and charged with 86 counts of corruption and abuse of office<sup>81</sup>, including the diverting of MWK1.7 billion of donor funds into personal accounts.

### ***3.4.3 The Third Republic (2004 to present): “The Economic Engineer” Bingu wa Mutharika***

Bingu wa Mutharika, Muluzi’s hand-picked successor (BBC, 2005), became President in May 2004 after winning a disputed Presidential election. In February 2005, however he left the UDF (the party he had been elected under) to form his own Democratic Progressive Party (DPP). The reason for his departure was widely seen as Muluzi’s continued involvement in the running of government from his new position as UDF Party Chairman, and Mutharika’s zero-tolerance anti-corruption campaign that had started to impact on Muluzi loyalists (IRIN, 2006). His decision to leave was made possible by Taiwan agreeing to fund his new party, on the condition that he supported their national objectives in international forums such as the UN<sup>82</sup>. In his first address to the UN General Assembly in 2006, Mutharika strongly argued for Taiwan's readmission as a fully-fledged member (United Nations, 2006:3), for which he is alleged to have received a personal gift of four

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<sup>81</sup> The arrest came after a protracted, and extremely acrimonious, political battle between Muluzi and his successor, with many analysts arguing it to have been politically motivated. Whilst still before the courts, the number of charges has since been reduced to 42 (AFP, 2009).

<sup>82</sup> In January 2008 (less than two years later), Mutharika abruptly cancelled Malawi's 42-year diplomatic relationship with Taiwan, having received a significantly larger pledge of monetary support from mainland China. Refer to Likambale (2009) for further details of this.

tractors<sup>83</sup>. In addition to this, he used financial inducements to attract independent and opposition MPs to cross the floor in support of him, in direct contravention of Section 65 of the country's constitution (Khembo, 2004:64).

Since being re-elected in 2009, he has taken extensive steps to entrench his power base, and despite advising that he will not seek a third term (a move that would require a change in the constitution), his brother has been endorsed as the party's 2014 presidential candidate (Nyasa Times, 2010d). As pointed out by Cammack (2007:2-4), his leadership style is now showing some "big-man characteristics" and is increasingly being compared to Banda's<sup>84</sup>. Allegations about corrupt practices are becoming increasingly common (Cammack, 2011:6), as is his intolerance towards any form of criticism<sup>85</sup>.

Mutharika has also continued the "handout" system, implemented Muluzi (Tambulasi & Kayuni, 2005:152), with little transparency as to the source of the funds used. The use of state resources has also become an issue, with Malawian taxpayers providing approximately MWK200 million for the President's wedding in 2010 (Nyasa Times, 2010b; Sunday Times, 2010). In early 2011, the First Lady was appointed to the position of National Coordinator for Safe Motherhood and Early Childhood Development, a "goodwill ambassador" position previously held by the Vice President (who received no remuneration for it). Reporting directly to the President, she was awarded a three-year contract with an annual salary of MWK 13.2 million per year and two fully maintained chauffeur-driven vehicles. The position is only part-time (Nyasa Times, 2011c; The Times, 2011).

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<sup>83</sup> Although the order was personally placed by the President, on following up payment, the supplier was advised that the invoice should be submitted direct to the Taiwanese embassy for payment (Personal Communication with T-6 whose company supplied the tractors. Lilongwe, November 2007).

<sup>84</sup> Examples of this include the adoption of Banda's "Praise title" *Ngwazi*, the reintroduction of media censorship laws (Nyasa Times, 2011a), and the creation of a DPP Youth Cadet (similar to Banda's Young Pioneers) (Nyasa Times, 2011d).

<sup>85</sup> As evidenced by the expulsion of Britain's ambassador over comments contained in a leaked diplomatic cable regarding Mutharika's increasing intolerance to criticism (BBC, 2011).

Just prior to his return to Malawi to contest the first multi-party elections, Mutharika held the position of Secretary-General for COMESA<sup>86</sup>. A report on his conduct, written during this period, shows a pattern of questionable (if not corrupt) behaviour, which included: the misuse of asset, the breaching of financial regulations, a failure to account for funds, the refunding of unauthorised personal expenses, and the appointment of close associates without going through the appropriate procedures (Special Committee of Eminent Persons, 1997: Section 6). It unanimously recommended his dismissal,

In the context of Malawian politics, the frequency of financial irregularities under his Presidential leadership is also growing, with a recent Auditor General report (covering the 2005/06 fiscal year) revealing a MWK154 million theft and fraud within the Office of President and Cabinet. This included MWK77 million lost due to fraudulent payments for relief programmes, and a further MWK75 million unaccounted for. In the case of the latter, the Auditor General advised that “It was suspected that most of the accounting recording including the paid cheques might have been destroyed by the suspects in order to conceal the fraud.” To date, no action has been taken against those named (Nyasa Times, 2009a).

Allegations of corruption have not just been limited to the President, but have extended to his inner circle. Included in this are: the current Vice President (and DPP Secretary General), investigated by the ACB over the MWK2.9 billion mismanagement and “illegal” sale by ADMARC (during her period as the Chairperson) of Malawi’s strategic grain reserves, that lead to a 2005 national food crises (Nyasa Times, 2010a); the DPPs Second Deputy Vice-President, who, as a board member of the National Roads Authority, was found to have fraudulently conspired with other board members over the purchase of a vehicle, and to have inappropriately awarded each contracts; the then Minister for Agriculture, implicated in a MWK 127.2 million “scam” involving fertilizer transactions (Phiri, 2005); and, the current Minister for Information and Civic Affairs, who is currently

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<sup>86</sup> The Common Market for Eastern and Southern Africa (a regional body made up of 20 countries, which together form one of the largest trading blocs in Africa).

being investigated by the ACB over various allegations (Nyasa Times, 2009b, 2010e;). The former Vice President from Mutharika's first term has also faced corruption charges<sup>87</sup>.

Despite the number and extent of allegations and investigations, there have only been two successful prosecutions of top-ranking officials since the start of the President's zero-tolerance campaign on corruption in 2004: Yusuf Mwawa (a former Education Minister in the Mutharika government)<sup>88</sup>, and Sam Mpasu (a former Minister for Education in the Muluzi government and key UDF official)<sup>89</sup>. This lack of "success" clearly reflected in a 2010 survey which showed a general loss of confidence by Malawians in the current government's anti-corruption strategy (Chinsinga et al., 2010:57).

Whilst scholars such as Anders (2002a:4) argue that corrupt behaviour in Malawi, as highlighted above, is a matter of "survival", in many cases it is simply a matter of greed, made possible by well-established and integrated patrimonial systems and networks. In the case of the Mutharika regime, there are clear indications that his "zero-tolerance" stance on corruption has simply been rhetoric.

### **3.5 Legal Structures and Mechanisms Established to Counter Corruption**

A number of legal structures and mechanisms have been established within Malawi to counter corruption and promote good governance and accountability. This section aims to cover the main ones with a view to showing that without the appropriate level of political will and independence, they are ineffective in reducing corruption levels.

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<sup>87</sup> Being a MWK187 million fraud in the Ministry of Education, and the inappropriate awarding of a Ministry of Finance contract worth MWK500 million (during his tenure as the Minister for Education and then Finance under the Muluzi government). In the case of the latter, no action was taken as the Director of Public prosecutions refused to give the ACB consent to prosecute) (Jamieson, 2001).

<sup>88</sup> Mwawa was found guilty in 2006 of using USD 1,360 of government funds to pay for his wedding party. See IOL (2006). He was later pardoned by the President (Kakande, 2011).

<sup>89</sup> Mpasu was convicted in 2008 for his role in a Ministry of Education scandal that took place in 1995. No action was taken at the time. Whilst others were also implicated, the Mutharika government only prosecuted Mpasu, who was at the time the interim leader of the UDF, and a close confidant of Muluzi (who is now also facing corruption charges). Refer to Nyasa Times (2010c) for further details.

As a starting point, the commitment to good governance is enshrined in Section 13 of the Malawi Constitution, which refers to “introducing measures which will guarantee accountability, transparency, personal integrity and financial probity”. In support of this was the introduction, in 1995, of the Corrupt Practices Act no 18 (CPA), which included the establishment of the Anti-Corruption Bureau (ACB). The Director and his Deputy took up their positions in March 1997, with the ACB becoming operational in February 1998.

Since its establishment, the ACB has suffered from under-staffing, inadequate compensation, and a lack of legal expertise (Madise, 2007:2); resulting in a low level of institutional capacity. It has also been hampered by a lack of political independence, with all prosecutions requiring the written consent of the Director of Public Prosecutions before any case can be brought<sup>90</sup>. In addition, as both the Director and Deputy Director of the ACB are appointed (and removed) by the President, their offices are technically not free from political interference.

In 2004 the ACB admitted to the government “losing over MK7 billion ([then around] USD67 million) in seven years through cases involving cabinet ministers and senior officials, which, it claims, the Director of Public Prosecutions (DPP) has refused to prosecute” (Phiri, 2004)<sup>91</sup>. This is not uncommon though, as failures to successfully prosecute such cases tend to be due to a mismatch between the technocratic approach and the “political nature of the issue” (Hussmann, 2007; Shah & Shacter, 2004; both in NORAD, 2009:51), and reflects a lack of “political will” resulting from vested political interest in maintaining the status-quo<sup>92</sup>.

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<sup>90</sup> Refer to Section (42) of the Corrupt Practice Act (Part IV).

<sup>91</sup> Most notable of these were a USD32 million national identity card scandal, a USD10 million fraud involving the awarding of a contract to a “briefcase” car dealer, and a USD 27.1 million sale of maize from the strategic reserve. In the maize fraud, implicated (amongst others) are the country’s current Vice President, and the Leader of the UDF (a former Minister of Finance in the Muluzi government) (SAPA, 2002). Whilst only the latter was indicted and charged with embezzling GBP 2.1 million, the matter was not pursued (Johnson & Walker, 2005).

<sup>92</sup> A number of scholars (Doig, Watt, & Williams, 2005; Heilbrunn, 2004; Mungiu-Pippidi, 2006) have argued that the prosecution of large cases by national anti-corruption bodies have only been successful when they have been part of a government’s attacks on its opponents (as has been the case in Malawi).

Interference by the political elite is also evident. In 2006, the ACB arrested the former President Bakili Muluzi on corruption charges. The President ordered the Director of the ACB to stop the arrest, subsequently suspending and removing him from office when he did not comply (BBC, 2006) and leaving the ACB without a Director or Deputy Director. The matter was then handed over to the Director of Public Prosecutions who, after discontinuing the case, was ordered to resign within 24 hours (International Bar Association, 2007; Pantesco, 2006). A political tug of war then ensued with the Public Appointments Committee of Parliament rejecting a number of presidentially nominated candidates. When a candidate was finally appointed, he was promptly subject to allegations of corruption, suspended, and then finally replaced<sup>93</sup> (More recently, the mainstream Malawian media has accused his replacement of corruption whilst in office<sup>94</sup>). Interference however has not been limited to the President, with Parliament also “frustrating” the process (Kamanga, 2008:155).

Another important institution involved in countering corruption is the National Audit Office of Malawi (“NAO”). Established under the 1994 Constitution, the NAO is an independent institution legally obliged to audit the accounts of all public authorities and statutory agencies. Its aim “is to contribute to the principles of good governance, transparency, accountability and sound financial management in the Malawi public sector” (NAO, n.d.). Despite this crucial role, it has been hampered by resource constraints inhibiting its ability to audit all institutions in a timely manner<sup>95</sup>. Underlying this has also been a lack of political will to act, as whilst the “misuse of public funds has been raised over the years in audit reports...no action has been taken against the perpetrators” (Hussein, 1995:98).

Separate to the formal institutions mentioned above, the judiciary also plays a key role. However when cases do manage to come before the courts, they tend to be hampered by constraints ranging from inadequate funding, delays in the delivery of judgement, and

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<sup>93</sup> The nominee, who held the position of Head of Prosecutions at the Malawi Police Service, was subsequently dismissed as head of the ACB over allegations of misuse of public funds (Banda, 2007).

<sup>94</sup> Refer to the recent story appearing in the Nyasa Time (Chibwe, 2011).

<sup>95</sup> Refer to Nyasa Times (2010f) as an example of this.

interference by both the executive and the legislature (Meinhardt & Patel, 2003:31). Exacerbating this is “a lack of expertise [which] has infected all sections of the criminal justice system” (Kamanga, 2008:155), thereby reducing the likelihood of successful prosecutions. Corruption also plays a part, with both the police service and the judiciary being perceived as amongst the most corrupt institutions in the country (Transparency International, 2011:12).

### **3.6 Summary**

A small, heavily populated, landlocked country, Malawi has made little economic or social progress since achieving independence in the early 1960's. With only three Presidents in the last fifty years, its overall political and social landscape has been shaped by the 32-year repressive rule of Dr Hastings Kamuzu Banda (who created an extensive patronage based network through which he maintained his power). Building on cornerstones laid by Banda, corruption has increased markedly since multi-party elections in 1994, with the country's elite being the most heavily involved. Despite various legal bodies created to counter the problem, all suffer from low levels of capacity and continued political interference. Whilst the current Presidential incumbent announced (on his election in 2004) a zero-tolerance anti-corruption campaign, to date, only two high-profile cases have been brought against politicians. Over the past few years, the President has shown less interest in the people and more interest in maintaining his power and position. To do this, continued access to resources is crucial and – with the continued support of donors – Mutharika is well positioned to build on the patronage machine inherited from his predecessors.

The actions of the political elite, who tend to be at the heart of this, are mirrored by what is taking place more broadly within Malawian society. Politics, as such, is not relegated to the national arena but is inherent at all levels. Patronage networks make up Malawi, with corruption so endemic that it is imbedded into the very fabric of society. It is against this backdrop that the case study presented later aims to determine whether an INGO sharing the same space as the actors described above is impervious to corruption. What we will now examine are the methods used to investigate this.

## **Chapter 4: Research Methodology**

### **4.1 Introduction**

The complexity and sensitivity surrounding the study of corruption necessitates the need to adopt an appropriate research methodology. After careful consideration, a case-study methodology was selected as being the most appropriate approach to use.

This chapter outlines the reasons as to why this methodology was selected, its advantages and disadvantages, research design and methods, research questions and data collection, and, finally, the approach to data analyses. The difficulties associated with applying various ethical requirements of research to this subject are also discussed.

#### ***4.1.1 Motivation for conducting the research***

My awareness of (and interest in) corruption first arose in early 2003 when I accepted a two-year Australian Volunteers International assignment as a Financial Advisor for a hospital in Mzuzu in northern Malawi. During this period I not only witnessed, but also was personally involved in investigating a number of cases of internal and external corruption. In addition, I observed numerous acts of mismanagement and “negligence”, which on closer inspection appeared to be a crude method for masking corrupt activities.

In October 2004, I accepted a position as country director for an international NGO (NGO-X), based in Lilongwe, the country’s capital. Direct encounters with various types of corruption continued, including exposure to, and investigation of, an extremely sophisticated fraud-scheme. I held the position for four and a half years, before taking up a position with the General Secretariat of NGO-X’s umbrella organisation, NGO-Int.

The six years I spent in Malawi provided me with a unique insight, experience in, and exposure to corruption, not only in a number of organisations, but in broader society in general. It should be noted however, that as a Chartered Accountant my training and experience is based on a financial rather than an anthropological approach to corruption.

#### ***4.1.2 Ethical Considerations***

Ethical issues play an important role in the collection of information, and are “inseparable from the interaction with study participants in the field” (Schram, 2003:137). They are a useful tool to enlighten the overall research process (Scheyvens, Nowak, & Scheyvens, 2003), and provide protection to participants taking part.

In the context of this thesis, the Massey University Human Ethics Committee Code of Ethical Conduct for Research, Teaching and Evaluations Involving Human Participants (Massey, 2006) (“MUHEC Ethical Code”) was used as a framework. A review of the relevant sections was undertaken and potential ethical issues identified and addressed in the research proposal presented to the School of People, Environment, and Planning at Massey University. Although the formal Massey ethics process was not entered into (as logistical and time issues meant that the Low Risk Notification was not lodged with the Massey University Human Ethics Committee prior to the survey being carried out), the research proposal, planned surveys, completed screening questionnaire (indicating minimal potential harm to participants), and an assessment of the ethical implications of the research were all discussed with my thesis supervisor beforehand.

The first of a number of key ethical issues identified related to the highly sensitive nature of the subject being researched. As linking the organisation’s name with matters related to internal corruption may negatively affect its reputation in terms of continued support from donors and perspective donors, and its standing in the broader development community, the pseudonym “NGO-X” has been used instead<sup>96</sup>.

A second ethical consideration was my dual role of researcher and country director. Access to the field was facilitated through my position as the country director for NGO-X, with the bulk of the formal fieldwork being carried out between August 2008 and January 2009. This raised two concerns, the first being my relationship with internal survey participants who were also staff members of NGO-X. Whilst all aspects of the MUHEC Ethical Code

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<sup>96</sup> Similarly, a pseudonym - ‘NGO-Int’ – has been used when referring to the international federation of which NGO-X is a member.

relating to disclosure of information were adhered to, my personal involvement with carrying out the interviews could have been seen as a conflict of interest. To try to minimise any conflict, and to create some distance between researcher and participants, the survey was conducted by an independent research assistant<sup>97</sup>. The survey itself was made anonymous in the hope that participants would be assured, if assurance was needed, that the information they shared would not result in personal harm. The second issue related to the use of documents accessible to me in my capacity as the country director (some of which were confidential to the organisation). Wherever possible, reliance was placed on using documents that were accessible by the public, or already in the public domain. The different forms of documentation will be discussed in more detail below. A full list of the ethical issues identified (from a review of the MUHEC Code of Ethical Conduct for Research, Teaching and Evaluations Involving Human Participants) – and the subsequent steps taken to address them – is contained in Appendix A.

Although appropriate steps were taken to address them, the ethical issues surrounding this research proved far more challenging than originally anticipated. As a researcher, I was continually faced with the quandary around the duality of my role, and what information and related personal experiences as country director, I was able to use – and more importantly – not use. The situation was further complicated by the deliberate decision made soon after my appointment as country director, to take on the role of an internal *reformer*. This positioned me as a key protagonist in some of the material subsequently included in this thesis, including the events surrounding the ERP fraud scheme outlined in Chapter 5 (much of which has had to be excluded for ethical reasons). The overall impact of this on the research as a whole, has been both positive and negative. While addressing the above issues resulted in a higher level of appropriate *objectivity* and *balance*, it exposed an ongoing natural tension around disclosure. In particular, it highlighted the dilemma between the need for *research ethics* (in particular the protection of the identities of the research subjects and gaining a balance of perspectives other than my own) versus the need

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<sup>97</sup> It also provided the services of a *cultural insider*, experienced with collecting information in the Malawian environment. Complimenting this was my own organisational “insider” status which allowed “easy access, the ability to ask more meaningful questions and read non-verbal cues, and ... [the ability] to project a more truthful, authentic understanding of the [organisational] culture under study” (Merriam et al., 2001:41).

for a broader discussion of the case in the *interest of the greater public good*. The latter is particularly relevant given the dearth of publically available first-hand information available around actual cases of corruption (as highlighted in Section 1.1)

## **4.2 Research Process and Methodology:**

### ***4.2.1 Case-study Research as a Methodology***

The case-study method is an approach to studying a social phenomenon through the analysis of an individual case (Kumar, 1999:99). It is “not a methodological choice [as such,] but a choice of what is to be studied” (Stake, 2005:443), and is designed to “illuminate the general by looking at the particular” (Denscombe, 2007:36). In this context, it is an ideal methodology when a holistic, in-depth investigation of a subject is needed (Feagin, Orum, & Sjoberg, 1991).

While a case study can be restricted to an examination of a system or, as is the case here, an organisation (Gasper, 2000), it “overlaps with but is distinguishable from qualitative research traditions like biographical study, phenomenology, and ethnology” (Gasper, 2000:1056). Although associated questions are most likely to be "how" and "why" questions, not all studies need to have propositions (Tellis, 1997). An exploratory study for example, would have a stated purpose or criteria on which its success will be judged, with the unit of analysis (such as a group or an organisation) defining what the case is (Yin, 1994).

The comprehensiveness of this type of research strategy is dependent on the selection of a multiplicity of data sources which corroborate one another in a triangular manner (Yin, 2003), and arises from the ethical need to confirm the validity of the processes (Stake, 1995). This triangulation can occur with data, investigators, theories, and even methodologies (Snow & Anderson, 1991) and uses a combination of sources and types of data designed to describe, analyse, and evaluate interactions within a particular context (Yin, 2003:13).

A general criticism of case-study research is that its dependence on a single case may render the results inapplicable when it comes to drawing broader and more general conclusions. This criticism however is refuted by Yin (2003) who argues that “general applicability” can result from methodological qualities of the case, and the rigor with which the case is constructed.

In the context of this study, the research centres on a single primary case evaluation. Such an approach is best used to represent a unique case or to confirm or challenge a theory (Yin, 1994), and is ideal for cases where the researcher may have access to a phenomenon that was previously inaccessible (Tellis, 1997); as is the example here. Careful investigation, however, is needed to avoid misrepresentation and to maximise access to the evidence.

The overall approach used is a cross between an *intrinsic case study*, built around the intrinsic (or internal) interest in the particular case examined, and an *instrumental case study*, being to provide insight into an issue or helping to re-draw a generalisation (being an external interest)<sup>98</sup>. The appropriateness of using such an approach is supported by Goudie and Stasavage (1997) who argue that “the next logical step for empirical research on corruption is to conduct case studies ... either by considering corruption in a country as a whole, or more plausibly, by investigating corruption within a given institution in a given country’ (Goudie & Stasavage, 1997:51). An advantage of this is “the applied validity it gives” (Gray & Kaufmann, 1998:10), with the approach itself helping to provide a higher level of applied focus.

Notwithstanding the methodology selected, social science issues (such as corruption) must be engaged at the worldview level. As such, “questions of method are secondary to questions of paradigm, which we define as the basic belief system or worldview that guides the investigator, not only in choices of method but in ontologically and epistemologically fundamental ways” (Guba & Lincoln, 1994:105). Awareness of such issues also needs to be taken into consideration<sup>99</sup>.

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<sup>98</sup> For more information on this refer to discussions in Stake (2005).

<sup>99</sup> As noted earlier, my approach has been shaped by my background as a Chartered Accountant.

#### ***4.2.2 Selection of NGO-X***

The selection of NGO-X as the primary case study was based on three factors. The first, of these was my position as country director, which provided access to, and inside knowledge of, the organisation. This provided me with a unique insight into the inner workings of NGO-X, including the investigation of a major case of corruption within the organisation.

The second factor was NGO-Int's overall size, profile, and standing within the international NGO community. Operating in over 100 countries and territories worldwide, NGO-Int (the federation to which NGO-X is a member) raises in excess of EUR 800 million per annum, of which 90% is raised in Western Europe and North America. In 2004 it was ranked as being in the top 50 international NGOs for "global accountability" (Financial Times, 2004).

The final factor was the organisations' non-political and non-denominational stance, thereby limiting the chances of ideology becoming an intervening variable in the study. Endorsement to undertake the research within the organisation was given by NGO-X's Board of Trustees at a board meeting held on 27 November 2008.

#### ***4.2.3 Research Process Outline***

The research process selected plays a key role in contributing to efficient and effective data collection (Bouma, 1996). In line with this, a four-phase approach was adopted, the aim being to provide an appropriate balance of triangulated qualitative and quantitative information. It also ensured that sufficient data was collected to be able to analyse the key issues, and draw clear conclusions from the findings.

As a starting point, a desktop study of available academic literature was undertaken to provide a comprehensive understanding of the topic (Bailey, 2007; Creswell, 1994; Gray, 2004). Secondary sources were then used to contextualise the subject from a Malawian perspective. The second phase was to identify potential participants and to ensure appropriate methods were adopted in collecting information as objectively as possible. In the third phase, various documentation and archival records of NGO-X were reviewed. In the final phase the findings were analysed and conclusions drawn.

#### 4.2.4 Data Collection

In line with suggestions made by Stake (1995), and Yin (1994), information for this case study relied on data collected from multiple evidential sources. These are outlined in Table 4.

**Table 4: Evidential Sources Used**

Source of Evidence	Types of Evidence Collected
Documentation	Letters, memos, administrative documents, personal records (such as diaries and file notes), audit reports, newspaper articles.
Archival Records	Maps, organisational records, survey data.
Interviews	Structured interview/surveys, informal interviews.
Direct Observation	Casual data collection, site visits.
Participant Observation	Site visits, participation in various organisational meetings.

**Source: Yin (1994)**

From a documentary and archival perspective, information used for Chapter 5.4 and 5.5, are predominantly drawn from my own records and the PricewaterhouseCoopers (PWC) external forensic audit carried out in March 2007 (including an attached supplementary report), and, to a lesser extent, on the findings of an internal investigation (headed up by myself but carried out under the auspices of NGO-Int's Regional Office, in October 2006). The PWC audit is now part of the public domain<sup>100</sup>, whilst in the case of the internal audit, the Regional Office of NGO-Int gave permission to use the information on the proviso that the organisation's name was not mentioned.

Data collection was further supplemented by information such as letters and memos written in my capacity as country director, along with personal file notes and diary entries made during the period under review. Whilst a number of other administrative documents and organisational records were referred to, the bulk of these provided background information and context only (such as that used in Chapter 5.2).

Further key sources of information were an internal and an external survey carried out between October 2008 and January 2009. Involving 71 participants, the main aim of the

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<sup>100</sup> Refer to Chapter 5.5.3 and footnote number 126 for further details on this.

surveys was to explore participants’ general attitudes to corruption, and their perceptions and knowledge of its prevalence within their respective organisations. Both surveys were carried out in English and pre-tested on one internal and two external sources (including the external research assistant contracted to undertake the internal survey). The time required to complete the survey varied from between 60 and 90 minutes<sup>101</sup>). Details of both surveys are outlined below, with copies of the actual questions included in Appendices B and C respectively:

**A. Internal Survey:** A total of 60 surveys (representing 29% of employed staff members) were carried out within NGO-X between November and December 2009. Information collected was “anonymous”, with the survey itself being conducted by an external research assistant.

Participants were randomly selected from a staff-list (containing employees’ names and job titles only) provided by the Human Resource Manager (HRM), with the only criteria being to ensure that the participant list reflected a good cross-section of employees at all levels and from all facilities<sup>102</sup>. Involvement was voluntary, with employees given the opportunity to decline should they not wish to be involved. A breakdown of participants by location is detailed in Table 5.

**Table 5: Survey Participants by Location**

<b>Location</b>	<b>Number of Facilities at location</b>	<b>Number of Participants</b>	<b>% of Total Participants Interviewed</b>
Lilongwe	7	34	57%
Mzuzu	4	21	21%
National Office	1	5	8%
Total	12	60	100%

**Source: Author**

<sup>101</sup> In order to reduce the time required for the interview, a Support Sheet was prepared for participants to enable them to see the various “choices” in cases where the answers were in multiple-choice form.

<sup>102</sup> Employees located in the facilities based in Blantyre were not included in the survey as the bulk of the staff had been employed for less than 12 months.

The survey was aimed at obtaining staff perceptions of various cultural and corruption related issues including not only the prevalence of corruption within NGO-X, but also its various drivers and forms. Made up of 17 questions, it was divided into the following eight parts:

- i. Demographic characteristics of participants.
- ii. Value Systems within Malawian society (1 question): Respondents were asked how strongly they agreed or disagreed with ten statements covering different aspects of Malawian culture.
- iii. Definition and Attitudes to corruption (3 questions).
- iv. Perceptions of corruption (4 questions). The first three questions asked respondents their perception of the “seriousness” of corruption within Malawi and more specifically within NGO-X. They were also asked how many of the employees within NGO-X they perceived to be corrupt and whether this had changed over the past four years.

The fourth question was divided into three parts. A brief description of thirteen scenarios depicting different types of conduct that could potentially occur in the organisation was given. Respondents were asked to rate, on a scale of one to four, how ‘acceptable’ followed by how ‘justified’ they considered the behaviour to be. They were then asked their opinion on which of the scenarios they felt was corrupt.

- v. Perception of prevalence of corrupt activities within their organisation (3 questions). The first two questions asked whether the respondent had directly or indirectly experienced somebody in their organisation undertaking activities they considered to be corrupt, whilst the third listed 15 different types of corrupt activity (from nepotism and dishonesty/withholding information to bribery and

theft), and asked how frequently, if at all, these activities happened. They were then asked to rank the top five.

- vi. Systems of internal controls (1 question). Respondents were asked how strongly they agreed or disagreed to five statements on a number of different aspects from their awareness of corruption, the need for internal controls, to the impact of leadership/ management style on the level of corruption.
- vii. Attitudes to reporting corruption (4 questions). Explored the respondent's attitudes to and likelihood of reporting a corrupt act, who they would report it to, and whether a number of factors would influence this. The fourth question referred to the thirteen scenarios covered above and asked what specific action the respondent would take if they were faced with them.
- viii. Perceptions on the causes of corruption (1 question). Made up of three parts, respondents were given eight possible causes of corruption and were asked which of these they felt were contributing factors. They were then asked to rank them, on a scale of one to four, how strongly they would influence someone to undertake corrupt behaviour. The final part of the question asked respondents to rank the top four of the influencers marked.

In order to mitigate a number of the ethical dilemmas outlined in Chapter 4.1.2, an external research assistant was recruited to carry out the survey. This sought to create sufficient "distance" between the researcher and the participants, thereby reducing any potential power imbalance and enhancing the credibility of the overall process. In addition, it reinforced participant confidentiality, and improved the chances of obtaining less biased responses to the questions asked. Given his background<sup>103</sup>, valuable additional information on the observations made and trends seen were provided via a separate report for each of the two main locations. The survey questions were

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<sup>103</sup> The researcher is a lecturer at Bunda Collage of Agriculture, a constituent college of the University of Malawi.

discussed with the research assistant beforehand in order that he fully understood them, and was able to provide additional explanations to participants should it be required. Regular meetings were also held to discuss progress and address any issues arising.

In line with the requirements contained in Massey University's Code of Ethical Conduct (Massey, 2006), information regarding the research being undertaken and the participant's involvement, were shared with prospective participants prior to any interview taking place. This included their right to withdraw participation at any time, to refuse to answer questions, and to receive a copy of the findings if desired. A copy of the Information Sheet that was given to participants has been included as Appendix D.

**B. External Survey:** The second survey targeted external non-indigenous senior managers who had been working in Malawi for more than five years. Whilst constrained by the limited size of the target group, 11 surveys were undertaken between December 2008 and January 2009. The main purpose of this survey was to:

1. provide additional insights into corruption;
2. counter any potential bias or differences in cultural perception arising from answers given in (a) above; and,
3. provide a certain level of comparative data on the extent of corruption within other organisation (albeit from the non-NGO sector).

Adapted from the internal survey, it contained 14 questions, mainly related to the level of perceived corruption both in Malawi and within their organisation. In addition, it included a number of questions regarding participant's assessment of their staff's perceptions on different issues. Unlike the internal survey, it was not confidential, with all participants signing a Participant Consent Form.

In addition to the data sources referred to above, a number of informal interviews and discussions were held with various people both within NGO-X and outside. Whilst in some

cases the interviews were on specific subjects, they also included casual conversations, with the type and amount of information shared being heavily dependent on the style and surroundings in which the discussions took place. Information was also collected via various forms of observation including visits to the NGO-X's facilities and locations, as well as formal involvement in various meetings with board members, management, staff, and at times beneficiaries.

Complementing data sources outlined above, supplementary information was collected from a number of secondary sources, including books, newspaper articles, published reports, and promotional material.

#### ***4.2.5 Data Analyses***

Data analysis for this research was seen as a three stage non-linear process of *noticing, collecting, and thinking* (Seidel, 1998:2). As each of these components is interrelated, the overall process was viewed as an iterative and progressive cycle. Using a process outlined by Jorgensen (1989:107), as data was collected it was separated and broken down into manageable pieces, and then “sorted” in an effort to find various patterns. The aim of this was to try to assemble or reconstruct it in a meaningful or comprehensible fashion that provided key information into the subject matter at hand.

In the case of highly qualitative data, analysis was an on-going process that took place throughout the collection phase. As themes emerged, they were reviewed and reflected upon, with the method adapted and changed as and when required. Data of a quantitative nature (such as that collected from the two surveys) was analysed by a process of counting and coding.

Given the differing nature and type of information involved, the following four techniques were used at various times during the process:

- i. Observer impression – qualitative data that had been collected was examined and interpreted in order to form an overall impression.

- ii. Thematic analyses – themes were allowed to “emerge” naturally from the data rather than being “imposed” by the researcher. At times data collection and analysis took place simultaneously, and included additional background reading in cases where this helped to explain a new or emerging theme.
- iii. Comparative analysis – data from different sources continued to be compared and contrasted with each other until no further new issues arose.
- iv. Content analyses – data was divided into associated segments that were then summarised and analysed. This was done using a process of coding that allowed information to be mapped and trends identified and compared. When breaking down the data into its constituent parts, care was taken to ensure that information did not become distorted or misleading.

From a simplicity perspective, analysing the data collected during the research phase was analogous to working on a jigsaw puzzle, though the researcher did not always have a final picture of the puzzle’s solution in mind. Whilst an inherent weakness in such an approach was the danger of getting too “deeply into the pieces and [ending] up finding the codes but losing the phenomena” (Seidel, 1998:7), this was offset by using “a little bit of data, and a lot of right brain” (Agar, 1991:194). Such an approach allowed small pieces or segments of data to be intensively examined rather than intensively coded, in order to provide a greater level of insight and knowledge (as was the case in the analyses of the 2005/06 ERP fraud scheme detailed in Chapter 5.5).

### **4.3 Limitations of Research and Methodology**

#### ***4.3.1 Potential Limitations due to Ethical Issues***

A number of ethical dilemmas associated with this research were highlighted in Chapter 4.1.2. Given the subject matter involved, strict adherence to the principles of the MUHEC Ethical Code, and broader issues related to research ethics, were at times challenging with a number of “grey” areas identified.

In particular, the ability to ensure that non-biased responses were given in the internal survey was made problematic by the need to inform participants of my identity. Despite the survey being confidential – and facilitated via a neutral outsider – this may not have been sufficient to address staff member’s possible concerns over my dual roles, with participants potentially fearing that the data collected may not be limited to purposes of research only. This in turn reflects a number of broader issues within Malawian society such as “mistrust” and “secrecy” (as will be highlighted in Chapter 5.3.2), which may well have been exacerbated by the investigation into internal corruption initiated by me in 2006.

This suspicion was confirmed by the research assistant who reported that in one of the locations, staff appeared to be extremely wary as soon as they were advised of the research topic and the name of researcher, and may well have answered questions based on what they felt was the *expected* answer (as opposed to how they genuinely felt). Whilst trust needs to be created with participants in order for them to feel secure and comfortable, resulting in a preparedness to answer questions openly (Maiava, 2002:100), in this case the underlying conflict from the dual roles that I held, and the ethical need for transparency when dealing with participants, proved problematic. The duality of my role also proved problematic around which documents and experiences I was ethically able to use, as a number of them were confidential to the organisation, and only accessible to me in my role as country director (see Section 4.1.2 for more details of this).

#### ***4.3.2 Issue of Openness and Honesty of Participant Responses in Internal Survey***

The existence of a strong, deeply rooted network of agents within NGO-X, who actively protected and shielded one another, may have affected the answers given to the internal survey questions. It may also have heightened the reluctance amongst other staff members to “get involved” despite being aware of instances of corruption having taken place (such as the fraud scheme uncovered in the Lilongwe ERP)<sup>104</sup>.

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<sup>104</sup> See Da Maria’s 2005 article on ‘whistleblowing’ and the difficulties of implementing such a mechanism in the African context.

### ***4.3.3 Sequence of Questions Asked in Internal Survey***

The internal survey was designed to be given in a specific sequence, beginning with a number of questions on values, followed by perceptions as to what was considered “acceptable” or “not-acceptable” behaviour, and ending with a number of questions specifically related to corruption. For example, space was left between question 8 (asking for respondents’ perceptions on hypothetical situations) and question 16 (asking respondents what they would do if faced with those situations in the workplace). The intention was to leave specific issues of corruption to the end of the survey in order that participants were not prematurely “influenced” when answering earlier questions. Despite specific instructions on the importance of following this sequence, the research assistant – due to time limitations – unilaterally decided to combine a number of related questions thereby prematurely lifting the veil between the first section (on values) and the second section (on corruption). It is unclear the impact this may have had on participants’ answers.

### ***4.3.4 Bias of Researcher***

Berg (2007) and Patton (1990) state that access to the field using a person who can act as an entrance guide will build a researcher’s credibility. My position as the country director for NGO-X however made me both an insider *and* a major participant. Whilst enabling a better understanding of the events that took place, it also meant that any interpretations made were done so from a specific frame of reference.

As such, the case study draws heavily on first-hand experiences during my time with both NGO-X and with AVI, and is coloured by my training and experience as a chartered accountant (the latter bringing a specific cultural lens and value system to the research). Whilst providing unique insights and direct experiences of corruption not normally available to the standard researcher, it also opened the possibility for a certain level of bias creep being included in the conclusions drawn. In recognition of this, particular care was taken to reduce any potential personal bias during the interpretation and analyses phases of the research.

#### **4.3.5 Generalisation of Case-Study Findings**

Despite the tendency by many scholars to treat sub-Sahara Africa as a single homogenous block, care needs to be taken before doing this, as it may result in generalisations being made that are not contextually relevant outside of the research location. Whilst there is a complex web of interrelationships binding the continent together, there remain distinct differences between countries and regions. As described by Nicholas Monsarrat (1956):

*The pattern [in Africa] is the most varied one in the world. The whole of Africa is a pattern – a pattern of change, variety, frequent anomaly. What is appropriate in one part is unthinkable in another. What is appropriate for one man would be laughable for his brother across the street (p. 35).*

Although many of the findings from this research may be valid when viewed in a broader context (with additional research needed before drawing such conclusions), the uniqueness of both the internal environment of NGO-X and the external environment of Malawi also need to be taken into consideration.

#### **4.4 Summary**

Despite the growing role of NGOs as quasi-welfare providers (having taken over a number of state obligations in this area), and the special status within civil society which this brings, they do not feature prominently in the literature on corruption. Part of this is due to a lack of direct first-hand observation of corrupt practices and transactions in general, and an overreliance on perceptions-based surveys undertaken in developing countries. This thesis is aimed at helping to fill both gaps by undertaking a case study of corruption within an International NGO in Malawi: NGO-X.

The selection of a case-study methodology within a single organisation meets the above objectives, with my position as the country director for NGO-X providing access to information not normally available to the standard researcher. Regardless of the ethical

dilemmas created by this, and the various limitations identified, the overall process provided a richness of insight and information not normally available.

The overall significance and impact of this study rests on its ability to contribute to the understanding of the nature and form of corruption existing within NGOs, and the dynamics that surround it. Having contextualised corruption within Malawi in the preceding chapter, and outlined the methodology used in this one, the balance of the thesis will now concentrate on presenting both the case study and the associated research findings, including the conclusions that can be drawn.

## **Chapter 5: Case Study of a Malawian NGO: NGO-X**

### **5.1 Introduction**

To date only limited information is accessible regarding the issue of corruption within NGOs, and in particular INGOs. The bulk of what is available is through mainstream media sources, with access to empirical data being extremely limited. In an effort to reduce this gap, this case study attempts to critically analyse the nature and extent of corruption within a single Malawian INGO. The overall aim is a contribution to the understanding of the dynamics surrounding corruption in an NGO context. It is hoped that this will raise awareness of the issue, and serve to focus further debate and discussion in what is currently a neglected area.

This Chapter introduces the case study, and starts with examining the structure and approach of NGO-X (and the federation in which it operates), and includes an assessment of its risk profile and a review of the internal control system. This analysis is followed by a presentation of the main findings from the internal and external surveys, supplemented by an analysis of the incidents and forms of corruption identified from a review of documentation available. In an effort to illustrate the overall dynamics and various forms that corruption takes, the final section of the Chapter is dedicated to an in-depth examination of a fraud-scheme which took place within an emergency relief project (ERP) undertaken by NGO-X.

As highlighted earlier, at the time of the research I held the position of country director (CD) of NGO-X. Notwithstanding this, primary reliance has been placed on documents that are accessible in the public domain, supplemented by my own personal experiences and observations (where appropriate and ethical to do so<sup>105</sup>).

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<sup>105</sup> Refer to Chapter 4.1.2 and 4.2.4 for an overview of the ethics associated with both this and the material used in the case study.

## **5.2 Organisational Structure and Approach**

### ***5.2.1 History and Approach of NGO-International<sup>106</sup>***

NGO-International (NGO-Int) was founded in Europe soon after the end of the Second World War, and is now one of the largest private child welfare organisations in the world. Classified as an NGO, and holding category II consultative status with the Economic and Social Council of the United Nations, NGO-Int is both non-political and non-denominational. According to the classifications developed by Korten (1990) and De Senillosa's (1998), it is a combination of a first- and second-generation NGO.

Operating as a federation, the majority of funding for its international work is raised by member associations in the North, and channelled to member associations in the South who (in turn) establish and operate programmes aimed at supporting OVCs and their families. A General Secretariat (GSC), mandated with ensuring that appropriate global monitoring and oversight systems are in place, provides overall coordination.

A 2004 review by Poulson and Hertzberg (2004) highlighted the hierarchal nature of the organisation, with the GSC exerting significant influence over Southern members (or National Associations – NAs) via a “top-down” line-of-report and command structure. Over the last few years however, there has been an attempt to realign this imbalance through a process of “strong local rooting” at member level. While NGO-Int Regional Offices (ROs) continue to be charged with monitoring the overall performance and direction of NAs, NGO-X (as a member NA) maintains direct control over all aspects of its operations.

### ***5.2.2 Overview of NGO-X and its Operations***

A full member of NGO-Int, NGO-X was established in the early 1990s. It is registered with the NGO Board of Malawi and is a founding member of CONGOMA (the umbrella body for NGOs in the country). Overseen by a voluntary Board of Trustees, it is managed by an executive Country Director (CD) who is also an ex-Officio member of the Board.

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<sup>106</sup> NGO-International is pseudonym for the federation of which NGO-X is a member.

Trustees are appointed by NGO-Int, which is also represented on the board by their Regional Director for Southern Africa (RD).

From a management perspective, the organisation has an extremely flat structure, a prime example being the position of the CD, which had 22 direct reports (including 17 facility heads). In an effort to streamline decision-making and improve the monitoring and evaluation of programmes at national level, responsibility for the various facilities was divided between the CD and the Deputy Country Director (DCD) in mid-2005.

With its National Office (NO) situated in Lilongwe, NGO-X currently operates 17 facilities across the following locations: Lilongwe, in the Central Region; Mzuzu, in the Northern Region; and Blantyre, in the Southern Region. It employs approximately 300 staff (including teachers provided by the Ministry of Education), and supports in excess of 40,000 beneficiaries across a variety of different programmes. Between 2004 and 2008, the organisation underwent a period of rapid expansion – growing by more than 70% – and currently has an annual operating budget of around USD3.5 million (90% of which comes via NGO-Int’s Northern members coordinated via the GSC). An overview of the various facilities and associated beneficiary numbers is outlined in Table 6.

**Table 6: Overview of NGO-X's Operations**

Facilities Operated	Number of Facilities	Direct Beneficiaries		Number of Staff
		Number	%	
Children’s Homes and Youth Facilities	4	470	1.2%	
Community Strengthening Programmes	3	7,500	18.6%	
Medical Centres	2	30,000	74.3%	
Kindergartens	3	330	5.9%	
Primary Schools	3	1,340		
Secondary School	1	550		
Vocational Training Centres	1	150		
National Office	-	-		
<b>Total Number</b>	<b>17</b>	<b>40,340</b>	<b>100%</b>	<b>350</b>

Source: Author

All NGO-X's operations are in line with the Malawi National Policy on OVCs, with a government representative holding a place on the board of trustees.

In addition to the programmes above, three emergency relief projects (ERPs)<sup>107</sup> were carried out between 2002 and 2006. All three of them were initiated in response to severe food crises that faced the country due to climactic conditions and poor growing seasons.

While the "services" offered (in particular in the areas of education and health) overlap the voluntary and government sectors, as defined by Fowler (1997:379), NGO-Int's basic principles have remained firmly in the NGO sector. In this context, concerns raised by Whaites (1998:345), that NGOs substituting for a weak state result in the creation of power vacuums and the emergence of local elites, appear invalid, as there was no evidence of this when analysing NGO-X's various interventions.

Unlike other INGOs operating in the country, NGO-X is unique in terms of both its approach and range of services it provides. Rather than working exclusively through local partners, NGO-X maintains direct control over the bulk of its programmes<sup>108</sup>, thereby allowing for a higher degree of oversight, control, and accountability in comparison to other NGOs who worked through local partners. A further differentiating factor is its ability to leverage off the Children's Homes "bricks-and-mortar" approach, which has positioned NGO-X as a long-term member of the local community and given it a solid and permanent base on which to launch its interventions. As such, its interventions, and the geographical area its works within, tend not to be "time-bound".

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<sup>107</sup> Each ERP lasted 6 to 8 months and were undertaken in existing CBP catchment areas. They were usually operated during the "lean period" from November to around April (ending just prior to the harvest season), and designed to supplement existing CBP programme interventions already in place.

<sup>108</sup> The exception to this is its Community Based Programmes (CBPs) which work through existing Village Development Committees (VDCs) and other local structures.

### 5.2.3 Financial Risk Profile of NGO-X

As CD of NGO-X, I developed a financial risk profile in order to better gauge potential financial risk faced by NGO-X. This is included in Table 7<sup>109</sup>. As can be seen, the two main areas of risk are CBPs and ERPs.

**Table 7: NGO-X's Financial Risk Profile**

Risk by Facility Type	Low	Low / Medium	Medium	Medium / High	High	Comments / Risks
Children's Home	X					Regular cycle and pattern of spending
Youth Facilities	X					Regular cycle and pattern of spending
CBPs					X	High level of external expenditure, difficulty of 'vetting' beneficiaries and tracking of funds (i.e. linking funds with beneficiaries), and strong chance of 'ghost' beneficiaries and/or diversion of funds
Educational Facilities		X				Regular cycle and pattern of spending, potential for 'ghost students', and potential for diversion of income via duplicate receipt books
Medical Centres			X			Potential for 'ghost patients' and abuse of drug purchases,, and potential diversion of income via duplicate receipt books
Emergency Relief Projects					X	High level of external expenditure, difficulty of 'vetting' beneficiaries, and strong chance of 'ghost' beneficiaries and/or diversion of relief items
General Areas of Risk	<ul style="list-style-type: none"> <li>○ Inadequate oversight due to flat management structure</li> <li>○ Abuse of motor vehicles</li> <li>○ Use of association assets for private use</li> <li>○ Conflict of interest, including the manipulation of financial systems for the awarding of contracts to family and friends</li> <li>○ Nepotism and favouritism during recruitment process</li> </ul>					

**Source: Author**

I also undertook a similar exercise of NGO-Int, and assessed the overall financial risk level for the federation as being "Medium/High". The reasons for this were an over-reliance on annual external audits, the lack of an internal audit function, inadequate uniform guidelines on internal controls for NAs, and a lack of anti-corruption guidelines or policies being in

<sup>109</sup> This assessment was prepared based on a combination of the pattern (i.e. the magnitude and recurrence) and type of expenditures incurred by each facility, combined with the associated financial risks inherent in the different programme activities operated by them.

place. In addition to this is the federation's ambitious strategy in regards to the expansion of CBPs<sup>110</sup>, programmes with a "High" financial risk profile.

#### ***5.2.4 Review of Internal Control System***

At the international level, the only guiding, finance-related document available to field-based members was the NGO-Int Finance Manual. The focus of the manual is on managing the NGO-Int Global Accounting System and various external audit requirements. An overall internal control framework, and more particularly anti-corruption policies and guidelines, had not been developed<sup>111</sup>, with responsibility for these being left to the discretion of each member.

Based on an internal review, which showed an extremely flat management structure, supported by a weak management information and internal control system, a new accountability and internal control framework was set-up in October 2004 (and implemented over the next 12 months). In retrospect, the review highlighted six of the eleven "Warning Signals of Corruption and Fraud" identified by Jarsskog Konsult (2009) (Box 1 in Chapter 2.5). These are listed in Table 8 (over-page).

It also highlighted a number of key areas of concern. Budgets were directly controlled by the Financial Controller (FC) (who did not hold a formal accounting qualification), and prepared using an *incremental* budgeting system (based on annual financial parameters set by the RO). Facility heads were not involved in the process, nor did they receive any financial information or key reports (such as expenditure incurred to-date or variance reports showing the actual facility spend against budget). Purchases were initiated by a facility head simply forwarding a memo to the FC at the National Office (NO) requesting the item in question. If no recommendation was made as to where it should be purchased from, the FC arranged for it to be sourced through an existing (un-vetted) network. As

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<sup>110</sup> NGO-Int's Strategic Plan 2009-2016 shows targeted beneficiary numbers in CBPs to move from 100,000 in 2008 to 900,000 by 2016.

<sup>111</sup> In 2005, NGO-X introduced a revised Conditions of Service specifically covering 'appropriate' levels of behaviour related to theft, dishonesty, and conflict of interest.

there was no competitive bidding process or formal quotation system in place, the process was open to manipulation and various other acts of corruption. Once the commitment was made, an internal cheque requisition slip was prepared, and a cheque raised by the NO finance department (signed by the FC and CD). Although a receipt was obtained from the supplier on payment being made, there was no procedure in place to verify that the goods purchased had physically been received.

**Table 8: Warning Signals of Corruption and Fraud from Review of NGO-X's Management Information and Internal Control Systems carried out in October 2004**

No.	Warning Sign	Example
1	Inadequate governance mechanisms and no clear accountability structure.	Facility heads were not involved in the budgeting process, or provided with financial information relating to the performance of their facilities.
2	All power rests with one or a small number of persons.	Disproportionate power was retained by key NO staff, in particular the FC (and a lesser extent the CD).
3	All tasks related to money are centralised to one or a small number of staff members.	Centralised accounting system predominantly controlled by the FC at NO level, with little segregation of duties.
4	The head of finance has inadequate formal qualifications and lacks experience.	FC held a certificate only, and appeared to lack the skill set required to properly fulfil his duties.
5	Reports are late and unclear.	Monthly facility head reports were extremely superficial, and were only provided when specifically asked for. Deadlines tended to be missed needing constant reminders from the CD.
6	The project budget is unclear and is difficult to relate to planned activities.	Whilst an annual budget was prepared, it was based on incremental increases, and was not linked to any facility or overall national action plans.

Source: Author

The system not only lacked appropriate *segregations of duty*, but was also heavily influenced and controlled by the FC, who made the bulk of purchasing decisions (thereby giving him the ability to manipulate the overall process). As facility heads were not involved in the budgeting process, there was a low level of ownership and accountability at operational level, with no oversight function carried out. As the few formal controls in

place were built into the *back-end* of the process (i.e. after the goods or services had been delivered), and after the legal commitment had already been made, there was insufficient checks or balances in place, opening the whole system up to various forms of potential corruption.

As a first step to addressing this, the *incremental budgeting system* was replaced by a *zero-based budgeting system*, with ownership being decentralised from the NO to the individual facility heads. In turn, the NO took on a monitoring and oversight role, and remained responsible for consolidating and adjusted the annual budget to ensure that it complied with the overall goals of the organisation, and the various parameters laid-down by the RO.

Financial processes and procedures were formally documented, and the existing “memo request” procurement system replaced with a competitive and more sophisticated invoice/query approval approach using a three-quote system (as outlined in Appendix E). This was in turn supported by the introduction of a delegations policy that specified the different levels and types of expenditure that officers at different levels within the organisation could commit NGO-X too. Variance reports showing *actual* against *budgeted* expenditure were distributed to all facility heads once a quarter, who were held responsible for their results.

In addition to this, a number of management control mechanisms – all of which were designed to support facility heads being provided with end-to-end accountability and responsibility – were also put in place. These included an annual facility based log-frame planning system (directly linked to the budgeting process), quarterly operational reviews (held between facility management and the NO management team), and standardised monthly facility reporting (built around a balanced scorecard / Key Performance Indicator approach). A list of the various key internal controls implemented in NGO-X (between October 2004 and December 2005) is contained in Table 9 (over-page).

**Table 9: Key Internal Controls Implemented between October 2004 and December 2005**

Type of Control	Before (Prior to Oct-2004)	After (Control Implemented)	Details
<b>Finance Based Controls</b>			
Ability to commit expenditure	Non-existent	Financial Delegations Policy Capital and Operating Expenditure	A key finance policy specifying which officers within NGO-X had the authority to commit the organisation to various types and levels of expenditure. A cornerstone control designed to clarify purchasing responsibilities and reduce the chance of unauthorised expenditure being incurred. It allowed for the dismissal of those involved in the fraud scheme.
Purchasing system	Ad-hoc memo request from facility head to FC or CD	Purchase/Requisition slip supported by three quotes, and the use of Local Purchase Orders	Introduction of competitive purchasing system built around a purchase/requisition slip which required details/justification of the purchase, financial information (e.g. accounting codes/budget application) to be included and supported by three quotes (to be completed by the facility accounts clerk and confirmed/submitted by the facility head). The requisition slip was then checked by the FC for completeness, and signed by an office with the appropriate delegation level prior to a cheque being raised (Refer to <i>(ii) Purchases / Delivery</i> section in Appendix E, for more details of this process).  The system was designed to ensure that purchases were adequately justified, appropriately reviewed, and approved prior to a purchase being made. Duties were associated with this were appropriately segregated). The three-quote requirement increased competitiveness and reduced the opportunity for collusion with suppliers.
Budgeting system	‘Top-down’ incremental budgeting system prepared by the NO	‘Bottom-up’ zero-based budgeting system prepared by individual facility heads and consolidated/adjusted by the NO	Increased transparency, whilst at the same time anchored accountability at facility (programme) level by transferring ownership of the content from the NO to individual facilities. The move to a zero-based budgeting system also improved the accuracy of the budget by ensuring that only items specifically needed were actually budgeted, with the budgeting process directly linked to the new planning system.
Forecasting system	Non-existent	Quarterly financial forecasting system by each facility	Improved the overall level of fiscal responsibility and accountability, in particular at facility level, with quarterly forecasting allowing for potential financial shortfalls to be identified and appropriate action to be taken by management (such as a potential reallocation of budget from one facility to another).

Type of Control	Before (Prior to Oct-2004)	After (Control Implemented)	Details
<b>Management Based Controls</b>			
Planning System	None (“Business as usual approach”)	Annual facility based log-frame planning system linked to budgeting process	Designed to ensure that appropriate programming activities were identified and planned. The system provided key input into the budgeting process outlined above.
Review & Oversight	Ad-hoc	Quarterly Operational Reviews between NO and Facility.	Carried out between the NO and facility management, the reviews were intended to ensure that planned/budgeted activities were being appropriately carried out. Progress was reviewed and any associated issues identified and discussed.
Reporting System	non-standardised monthly facility reports containing report containing 1 to 2 pages of narrative	Standardised monthly facility report built around a balanced scorecard / Key Performance Indicator (KPI) approach	Provided the NO with standardised monthly information that allowed facility progress to be benchmarked and objectively assessed based on a pre-set/agreed criteria. It also provided basic information to the NO on the overall <i>health</i> of the facility (from a monitoring and oversight perspective), and where support may be needed.
Management Reporting Lines	CD held full operational monitoring and oversight of all facilities, with all facility heads and NO staff (totalling around 20 people) reported directly to me.	Monitoring and oversight shared with DCD, with overall responsibility for facilities divided between the two based on their programming type.	Indirectly Increased the level of direct monitoring and oversight, and improved responsiveness/level of direct support offered to facilities by senior management.
Employee Code of Conduct	Employee Conditions of Service	Revised Employee Conditions of Service	Revised and updated in particular around the area of staff conduct including the incorporation of procedures associated with conflict of interest, fraud, and corruption (including associated disciplinary proceedings).
NB: For a more detailed outline of the specific procurement processes and beneficiary verification processes put in place for the ERP, refer to details contained in Appendix E			

**Source: Author**

Despite the NO maintaining its overall monitoring and oversight role, the introduction of the various controls outlined resulted in a fundamental shift of day-to-day operational responsibility and accountability from NO to facility level. To support this change, a Budget and Financial Control Steering Committee was formed. The function of the committee was to increase the understanding and awareness of financial issues and to promote appropriate fiscal accountability and responsibility throughout the organisation. As part of this, its role was also to make recommendations to the CD on various financial or budgetary issues that may arise. Ironically, the Chair of the committee was a central figure in the fraud described below.

Although based around NGO-X's normal day-to-day activities, the controls provided a solid internal-control framework for the bulk of activities undertaken by the organisation. That being said, additional controls around beneficiary identification and distribution (as outlined in detail in Appendix E) were introduced for the start of the ERP (note that towards the end of 2005, the Regional Finance Advisor re-assessed NGO-X's internal control system, rating it as amongst the most comprehensive in the region).

In addition to the controls outlined above, quarterly finance reports were forwarded to the Regional Office (as required by NGO-Int), as was a copy of the annual external audit and associated management letter (as prepared by a local firm of professional accountants with international connections).

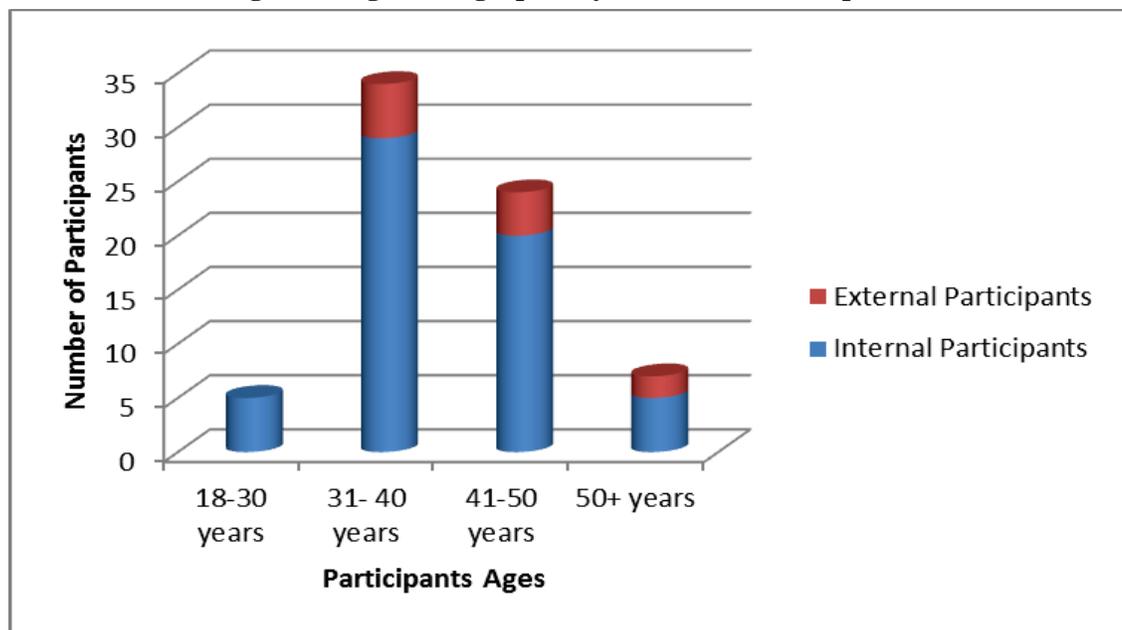
### **5.3 Internal and External Survey Findings**

As outlined in Chapter 4, two surveys were undertaken specifically for this research project. The first sought to collect perceptions on corruption within NGO-X from NGO-X staff (the internal survey), and the other delved into how corruption in other local organisations was perceived by the non-indigenous managers responsible for operating them (the external survey). The findings of these are outlined below.

### 5.3.1 Demographic Characteristic of Participants

In the case of the internal survey, 49.2% of the 60 participants were between the ages of 31 and 40, with a further 33.9% falling between 41 and 50 years old. This was mirrored in the external survey of 11 non-indigenous managers where the percentages were 45% and 36% respectively (refer to Figure 3). From a gender perspective, 51.6% of internal participants were male against 90.9% of external participants<sup>112</sup>. Of the external participants surveyed, 90% of them had lived in Malawi for longer than 5 years, with 45% of them having been residents for 15+ years.

Figure 3: Age Demographic by Number of Participants



Source: Author

In terms of ethnicity, the internal survey reflected broader country demographics, with the two largest ethnic groups, the Chewa and the Tumbuka, making up 71.5% of participants (being 42.9% and 28.6% respectively). A further 10.7% were Yao, 5.3% Tonga, and the balance made up of other smaller ethnic groupings. Most of the participants were from facility management (40%) and support staff (53.3%). Only 9 (15%) of the 60 participants had a university degree or professional qualification, with the largest block, of 24

<sup>112</sup> In Malawi, women have a low participation rate in the formal labour market, and constitute less than 5% of managerial and administrative staff (Bureau of Democracy, Human Rights, & Labour, 2011:15). This is reflected in the external survey where there are more non-indigenous male managers than female managers, making gender balance not possible.

participants (or 40%), holding either a junior or a secondary school leaving certificate. In the case of the external survey participants, all of them held management positions and came from Western cultural backgrounds<sup>113</sup>.

### 5.3.2 Value System

As a starting point, the survey asked participants a number of questions regarding their perception of Malawian society. The responses given by internal survey participants highlighted issues of mistrust and jealousy as being commonplace. The need to support family and friends over allegiance to the employer was also emphasised. Whilst respondents were equally divided as to whether Malawians were open in how they dealt with each other, 91.5% agreed (with 28.8% *strongly* agreeing) that Malawian society was quite secretive and people needed to be careful who to trust. When asked whether jealousy and mistrust was a problem in society, a staggering 91.9% agreed (41.0% of who *strongly* agreed). This issue extended to a person's individual success, where 85.4% of respondents felt that the community was pleased when someone did well, yet 79.3% of them stated that this in turn tended to create jealousy and conflict within the community<sup>114</sup>. Despite the above responses, 63.3% of respondents felt it was important to maintain peace and be polite and respectful at all times. A further 91.5% felt that Malawian society was quite "secretive", and people "need to be careful who we trust". A breakdown of the internal survey results are contained in Table 10 (over-page).

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<sup>113</sup> External participants were a mixture of English, Australian, South African, Zimbabwean, and Portuguese nationals.

<sup>114</sup> These differing answers are most probably a reflection of the community tendency of "investing" in a member in the hopes that their success would be shared with them on the one hand, and the extremely egalitarian nature of many African societies (as explained in Chapter's 2.6 & 2.7 above).

**Table 10: Internal Survey Responses to Questions on Culture**

How much do you agree or disagree with the following statements?	Select which of these option that best fits			
	Strongly Agree	Agree	Disagree	Strongly Disagree
a) When someone does well, other people in the community are pleased for them	24.1%	61.3%	12.9%	1.6%
b) In our society, people tend to be open about issues and tell others how they really feel	5.0%	46.7%	43.3%	5.0%
c) People are like children, their employer should take care of them as a parent	36.1%	36.1%	22.9%	4.9%
d) Jealousy and mistrust amongst others is a problem in our society	41.0%	50.9%	6.6%	1.6%
e) It is unfair if somebody does better than others, as we should all share things equally	1.8%	8.8%	68.4%	21.0%
f) It is important to support and help family members, as they are more important than our allegiance to our organisation	9.8%	60.7%	29.5%	-
g) In our society, we are quite secretive, and need to be careful who we trust	28.8%	62.7%	6.8%	1.7%
h) When someone has done well, it tends to create jealousy and conflict within the community	15.5%	63.8%	20.7%	-
i) It is important to maintain peace and be polite and respectful at all times. Therefore it is best not to be open on how you feel, as you never know who you can trust	10.0%	53.3%	18.3%	18.3%
j) It is alright for some people to do better than others, as not everyone can share in good fortune and wealth	24.0%	52.5%	20.3%	3.2%

**Source: Author**

Concerning an individual’s duty, 70.5% of participants felt that helping family members was more important than their allegiance to the organisation. That being said, 72.2% of all respondents felt that people were “like children” and their employer should look after them as “a parent” (with 36.1% *strongly* agreeing with the statement). This finding supports Schatzberg’s (2002, in Kelsall, 2011:230) argument that African leaders are expected to act as “Father-Chiefs”, with a good leader expected to make personal donations such as food or other resources to his followers. In a work setting, this is represented by the manager allowing employees to personally access organisational resources.

An analysis of the external survey responses mirrored the bulk of the above findings. Of particular note were the non-indigenous managers answers in relation to their perceptions of issues of secrecy, jealousy, and a lack of trust in Malawian society, with all these respondents *strongly* agreeing these to be key societal characteristics (against 91.9% of internal participants). Also of note were the responses to the political nature of Malawian society with 100% of respondents agreeing (of which 36% *strongly* agreed) that issues

tended to be personalised rather than being dealt with in an objective way. At the centre of this are the different cultural approaches used to manage conflict, with Augsberger (1992:91) contending that members of *low-context* cultures (as in the West) prefer to separate the conflict issue from the person, whilst *high-context* cultures (as found in Malawi) view the problem issue and the problem person as interrelated. He goes on to state that “*Members of low-context cultures view the indirect way of handling conflict as a weak, cowardly, or evasive act whilst members of high context-cultures view the direct way of handling conflict as lacking in politeness, or good taste*” (p.91), neatly supporting the survey findings.

This and the responses above support assessments of Malawian society made by a number of scholars already referred to in Chapter 3.3, in particular Lwanda (1993), Ott et al.(2006), and Ross (1998b), who mentions aspects such as silence and secrecy, as well as the desire to avoid confrontation. The more prevalent characteristics of *mistrust* and *jealousy* however were not mentioned by them. Also of interest was the importance duty to family had over allegiance to the employee, as it reflected the importance of kinship obligations, highlighted by Anders (2002a). Whilst not specifically asked, it is probable that the responses given can be extended to cover traditional solidarity networks discussed by Anders (2002a) and Olivier de Sardan (1999a) in Chapter 2.7. Given the apparent difficulty of refusing a request for help from a family member, the pressures placed on Malawians holding managerial positions to indirectly support corrupt practices such as nepotism would be extreme<sup>115</sup>.

A final observation was the internal participants’ dominant viewpoint (with 72.2% agreeing) that the employer should act as a “parent” to them, suggesting a strong potential for client-patron relationships to develop. This in turn provides support to the political science interpretation of corruption outlined in Chapter 2.6 (vis-à-vis the role of neopatrimonialism), with the head of the organisation taking on the role of a *patron* (similar to that of a *Chief* in traditional African society, whose key function is to look after the overall wellbeing of his subjects). The finding becomes even more pertinent given Anders

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<sup>115</sup> Participants did not rate this factor as one of the key drivers of corruption (refer to Chapter 5.3.4).

(2001a) observation that in Malawi there is a tendency for such systems to spill over into the workplace.

### ***5.3.3 Definitions, Attitudes, and Perceptions of Corruption***

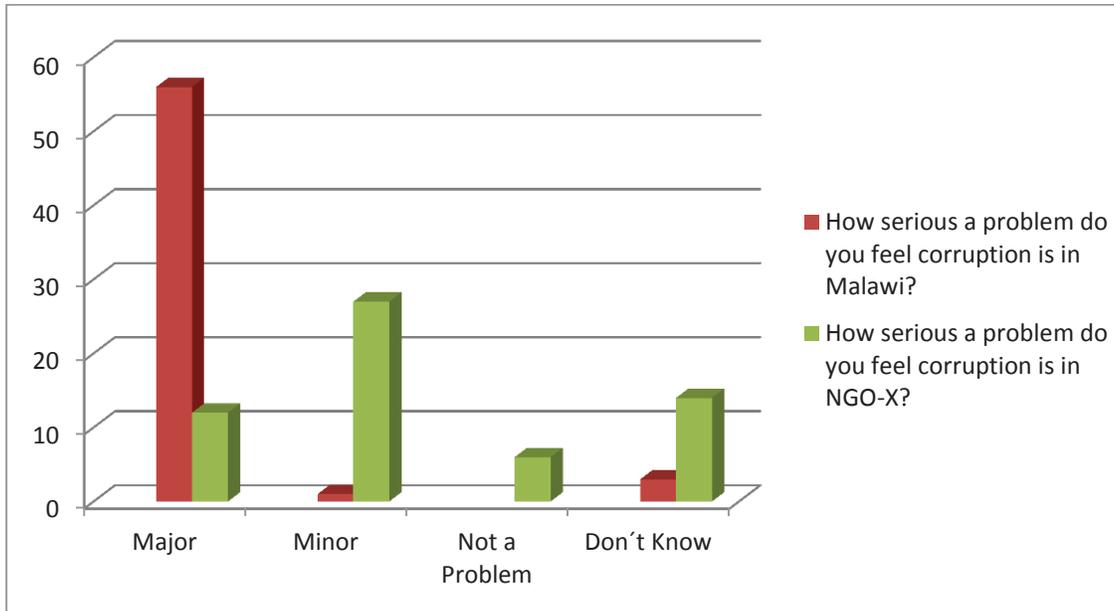
When asked to define corruption, most internal survey participants gave examples of corrupt practices within NGO-X. In general, definitions given tended to be short statements focused on deceit or "trickery", bribery, taking something belonging to the organisation, the use of organisational assets for personal gain, or an action that was not in the best interests of the organisation. A relatively high number of respondents included various aspects of non-financial corruption, in particular favouritism, and the asking for or trading of "favours", thereby supporting the view-point of two-thirds of participants that an action does not have to be illegal to be classed as "corrupt". In addition, respondents firmly rejected the idea that an act was not corrupt if the proceeds were shared with others (84.7%) or that it was acceptable simply because everybody was doing it (95.0%). These findings reflect the functional definition used for this thesis (outlined in Chapter 2.3), whereby corruption is seen as the "*the abuse of entrusted power for private gain*", and includes both financial (economic) and non-financial (social) aspects.

Whilst these responses appeared to correlate with Western viewpoints of corruption, it is unclear how participants viewed the practice of *neo-katangale* (as referred to by Anders (2002a, Anders 2005) and Lwanda (2006b) in Chapter 2.7). Given the presence of a strong neopatrimonial network operating within NGO-X (as will be shown in Chapter 5.5), and using such "redistributive" methods, the responses to a number of the internal survey questions may have been distorted based on whether participants interpreted these acts as being corrupt. An alternative explanation may simply be the "chasm" between Western and indigenous concepts of corruption as highlighted by anthropologists.

With regards to NGO-X, only 12.7% of internal respondents felt corruption was a major problem; versus 45% of external participants, who felt it to be a major problem within their own organisations. Almost half (or 46.6%) of internal respondents felt it to be a minor problem, and a further 24.1%, the bulk of these appearing to be middle and senior

managers, answering that they did “Not Know” (a breakdown of responses from internal respondents is outlined in Figure 4). In comparison, 93.3% of all internal respondents felt that corruption was a major problem in Malawi as a whole, reflecting the findings by Chinsinga et al. (2010) and the Millennium Consulting Group (2006). As is the case above, some of these results may have been affected by the biases outlined in Chapter 4.3.

**Figure 4: Internal Respondent’s Perception of Corruption**



Source: Author

Of the 60 staff who participated, 43.5% stated they directly experienced somebody in NGO-X acting in a manner that they considered corrupt, whilst 71.7% advised that they had heard from *another* employee about somebody in the organisation acting in a manner they considered corrupt. The most common types of “corrupt” activities listed as taking place within the organisation were - withholding information, dishonesty, favouring relatives or friends, and not reporting information to management. Of interest was the relatively high proportion of respondents who advised that they were “unsure” whether the acceptance of bribes (43.3%), failure to disclose conflicts of interest (43.3%), falsifying information (including forgery and fraud) (51.7%), and being influenced/coerced by others to do favours (65.0%), took place within the organisation, probably indicating a reluctance to respond to the question.

Perhaps reflecting both the organisation-wide efforts made by management to raise awareness of the issue of corruption, and the formalised zero-tolerance stance taken on it, 61.3% of total respondents felt that corruption within NGO-X had decreased at all levels over the preceding four years. This ranged from 55% at facility and support staff level to 65.0% at facility/middle management level and 63.3% at senior management level. A further 33.3% stated they did not know if it had changed or not. When comparing the responses of the two main geographical locations however, the figures highlighted a marked difference, with 74.6% of Mzuzu respondents feeling that corruption had decreased against 49.0% of Lilongwe respondent (with a further 45.1% of the latter respondents stating they did not know if it had changed). This distortion appears to be due to Lilongwe staff not wanting to respond openly to the question, the most likely influence being the recently uncovered 2005/06 ERP fraud that took place at the Lilongwe CBP (and referred to in Chapter 5.5), and concerns that the survey may somehow be connected to finding out if they had been involved. When asked what, if any, were the drivers for this change (an open ended question), the predominant reason cited by participants was the strengthening of internal controls and the strict measures taken by the current management in dealing with staff members who had acted corruptly (i.e. the political will at the top to address corruption).

In the context of NGO-X, 93.5% agreed that the strengthening of internal controls and financial processes and procedures over the past three years had also led to a higher level of accountability. Of interest in this case is that 80.6% of respondents felt that the current leadership style (when compared to the previous management) had directly impacted and reduced the level of corruption within the organisation, showing the importance of “political will” and the need for those at the top to be committed and strong enough to take a stand<sup>116</sup>. (This aspect is further highlighted in section 5.3.4 below, which shows that respondents ranked poor management as the second largest cause influencing corruption). When asked what had changed over the preceding four years (again an open-ended question), over 90% of the comments referred to the implementation of internal controls

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<sup>116</sup> Refer to Chapter’s 2.8, regarding the need for an honest (or highly principled) Principal prepared to change the system; and Chapter 5.5.4 highlighting the difference in approach between my predecessor, also an expatriate (who had held the position of country director for 8 years) and myself.

(and other related processes and procedures), and the change in management as having reduced corruption. A further 15% felt that the dismissal of those involved in the ERP fraud had created fear amongst staff. If these responses were unaffected by the biases outlined in Chapter 4.3, it shows that if managed appropriately, Western concepts of preventing and dealing with corruption can be effective.

A total of 83.8% of internal respondents agreed that staff within NGO-X had become more aware of issues of corruption over the preceding four years. This compares with a slightly lower figure reported by the non-indigenous managers for staff within their own organisations. Whilst 78.3% of internal participants confirmed that they would report corrupt activities, this contrasted sharply with the responses from external participants, 82% of who felt it was *unlikely* that their staff would report it; indeed 55% advised that it was *very unlikely* that serious cases of corruption would be reported. In addition, 91% of external participants believed that their staff felt it was “Not ok” to report corruption. This disparity between the two survey results may be due, in part, to potential differences in the way indigenous and non-indigenous participants define corruption, as in a recent survey undertaken in Malawi, almost 90% of participants advised that they would report corruption (TI, 2011:19), mirroring the internal findings outlined above<sup>117</sup>.

In the external survey, when asked “If a staff member was caught committing an offence that may result in a criminal conviction, what do you feel would be the reaction of the majority of staff?”, over half (55%) of respondents felt that staff would expect the organisation to allow them the opportunity to repay the money with no further action being taken. A further 18% felt staff would also expect the person to be given a warning. Only one respondent felt that their staff would expect the person should be dismissed and be made to repay the money. Not a single respondent perceived their staff would expect the organisation to dismiss them and report the matter to the authorities (NB this question was not asked in the internal survey). These results are illuminating, as it shows that non-

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<sup>117</sup> Whilst asking participants for their perceptions on corruption (and including a number of specific questions around bribery), the survey itself did not define ‘corruption’ - nor asked respondents to define it - thereby leaving room for differing opinions and definitions (as may be the case in the internal and external survey highlighted above).

indigenous managers perceive there to be a high level of acceptance amongst their staff that involvement in corrupt activities is not a serious matter, indicating a high level of acceptance of corruption in general. An alternative but closely related explanation is (again) rooted in the way the different cultures deal with conflict management, as dismissing a person – or reporting the matter to the police – would be counter to the conflict avoidance strategies (built into the harmony model of conflict) inherent in Malawian society. As taking this action may negatively affect the overall harmony of the group (by bringing the confrontation to the surface), it would tend to be avoided at all costs<sup>118</sup>.

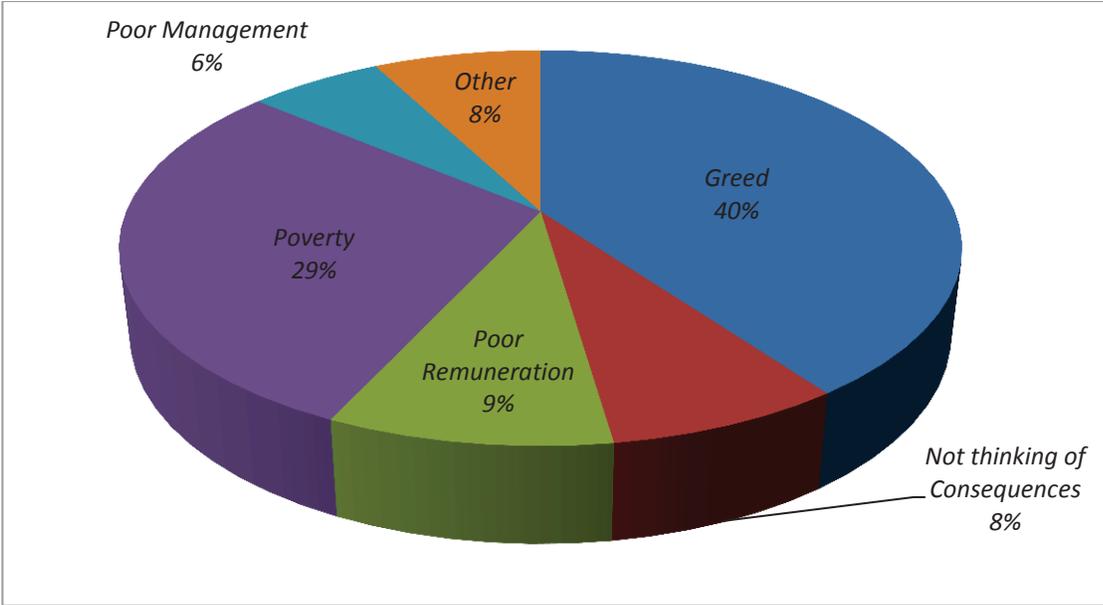
#### ***5.3.4 Drivers of Corruption***

Whilst not a focus of the thesis, a number of questions asked internal and respondents what they felt the drivers of corruption might be. Out of seven potential drivers listed, respondents were requested to rank their top four. In terms of having the largest influence on corruption, the highest first-ranked driver – with 40% of internal (and 36% of external) respondents – was “greed”, supporting Hollinger and Clark’s study (in Lipman & McGraw, 1988:56) which found this to be the most prevalent cause of employee theft. A further 29% of respondents felt the main driver was “poverty”. An analysis of the responses is contained in Figure 5 (over-page).

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<sup>118</sup> For a more in-depth discussion on the harmony model of conflict (which sees uniformity, unity and concord as the natural, normal state of affairs in community), see ‘Chapter 8 -*Conflict: Cycles, Pathways, and Patterns*’ of Augsburger (1992).

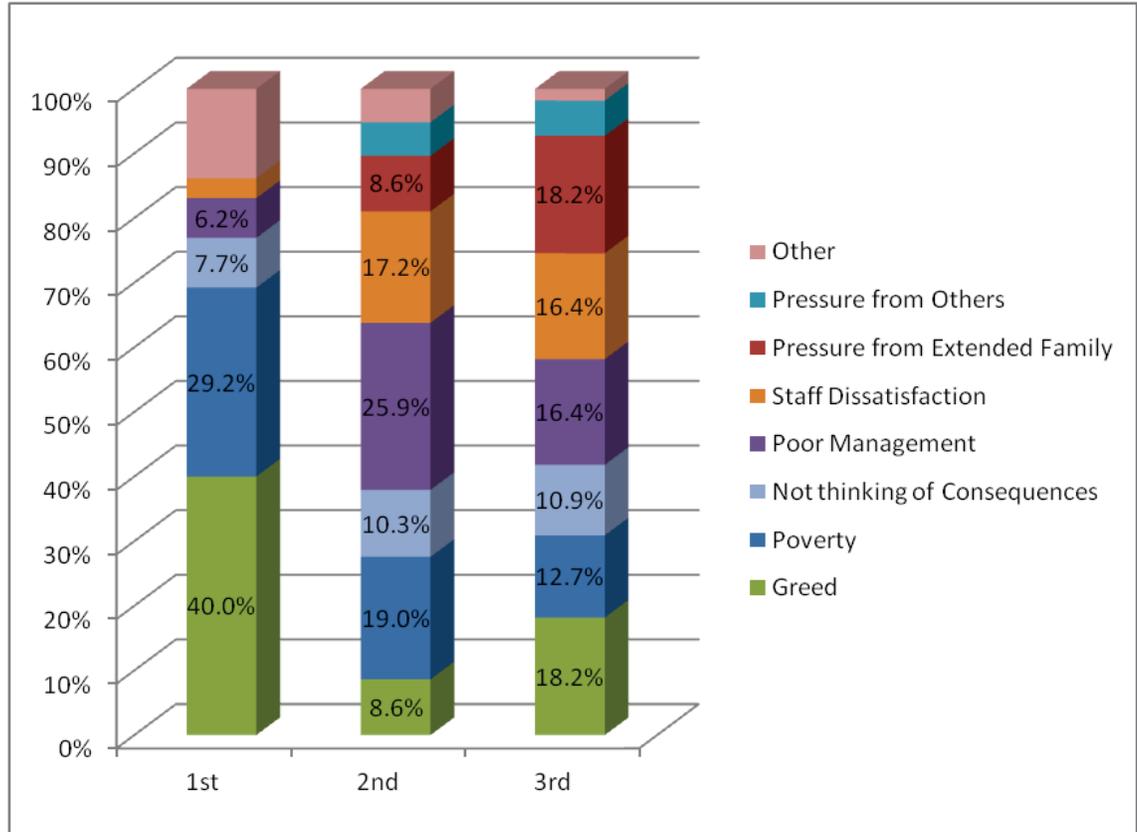
**Figure 5: Perceived First-Ranked Driver of Corruption (in terms of having the greatest influence)**



**Source: Author's survey**

The finding that greed was perceived to be the main cause of corruption is further supported by the results outlined later in this chapter, with a disproportionate number of the incidences of corruption within NGO-X taking place at management level. Given NGO-X's wage structure (which was in line with other INGOs in Malawi, but significantly higher than government and other local organisations), this perception conflicts with the argument made by some scholars in Chapter 2.8, that increasing salary levels decrease corruption. It also implies that poverty is not a key cause of internal corruption within INGOs operating in Malawi. The results of the respondents' top three perceived drivers of corruption (in general) are outlined in Figure 6 (over-page).

**Figure 6: Perceived First Three Ranked Drivers of Corruption (in terms of having the greatest influence)**



Source: Author's survey

### 5.3.5 Other

In addition to the issues covered above, a number of questions were included in the internal survey aimed at obtaining respondents' reactions to whether various scenarios of potential corruption were "Acceptable" or "Justifiable"<sup>119</sup>. In all cases, the responses given were heavily skewed towards *unacceptable* and *unjustifiable*, indicating that they may have been impacted by a number of limitations outlined in Chapter 4.3. The same appeared to be the case for questions related to attitudes on reporting corruption, as despite an overwhelming proportion of respondents advising a "high" or "very-high" likelihood of reporting corruption, this is not supported by the findings presented in Table 11 in Chapter 5.4, where the bulk of incidences of corruption identified were *not* reported by staff.

<sup>119</sup> Refer to questions 8 & 17 on 'Scenarios', and questions 13 to 15 on 'Reporting' in Internal Questionnaire included as Appendix B.

In relation to the research questions posed at the start of this thesis, the results of the surveys show that corruption – defined by internal respondents as encompassing both economic and social elements – does exist within NGO-X, with the main driver being perceived as “greed”. The answers to a number of survey questions (in particular, those related to the importance of helping family and friends over allegiance to the organisation, and the viewing of the employer-employee relationship in familial terms) show that the main influences and dynamics of corruption may revolve around the creation of neopatrimonial networks, mirroring the forces at work within broader society.

Having reviewed the main findings from the survey work, we will now examine the specific incidences and forms of corruption identified as having taken place within NGO-X between September 2004 and January 2009.

#### **5.4 Incidence and Forms of Corruption**

A review carried out by me (as country director) in which I tracked cases of inappropriate behaviour within NGO-X for the period September 2004 to January 2009, showed numerous instances of corruption (both financial and non-financial)<sup>120</sup> of the types listed in Table 11 (over-page). In each case, the incident had been formalised, and referenced to documentation and correspondence generated by myself. Unsubstantiated cases and/or “gossip” were not included.

These cases have been analysed and categorised using the definition outlined in Chapter 2.3, and the main forms of corruption detailed in Chapter 2.4. It has in turn been supplemented by the two additional categories of corruption highlighted by internal survey participants (in Chapter 5.3.3), being dishonesty, and the misuse and/or abuse of organisational assets. An overall summary of these results are contained in Table 11.

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<sup>120</sup> In accordance with SOS-X’s standard operating procedures, all cases of financial corruption such as theft or embezzlement were reported to the police, and supported by the issue of a formal police report.

**Table 11: Documented Incidents of Corruption within NGO-X (Sept 2004-Jan 2009)**

Form/Type	2004 (Sept to Dec)	2005	2006	2007	2008	2009 (Jan)	Total
Embezzlement/Theft	2	1	6	7	5	1	22
Fraud	-	-	10	4	2	1	17
Dishonesty	-	-	10	4	2	-	16
Favouritism/Patronage	-	-	2	4	3	-	9
Misuse/Abuse of Assets	-	-	5	-	3	-	8
Bribery	-	-	-	-	-	-	-
Extortion	-	-	-	-	-	-	-
<b>Total Counts of Corruption</b>	<b>2</b>	<b>1</b>	<b>33</b>	<b>19</b>	<b>15</b>	<b>2</b>	<b>72</b>
<b>Total No. of Incidents</b>	<b>2</b>	<b>1</b>	<b>17</b>	<b>13</b>	<b>9</b>	<b>1</b>	<b>43</b>

Source: Author, own analysis

As already stated, the information used here only includes actual cases of documented corruption known and dealt with by me, as in general, most managers within NGO-X showed reluctance to formalise disciplinary matters, reflecting broader cultural issues (such as the cultural norm of wanting to avoid confrontational situations). This, combined with the difficulty of obtaining corroborating evidence (as raised by Anders and Nuijten, 2007:19), I believe, resulted in the data analysed only reflecting a fraction of the potential cases of corruption that took place within NGO-X over the time-period examined (despite the new controls being put in place).

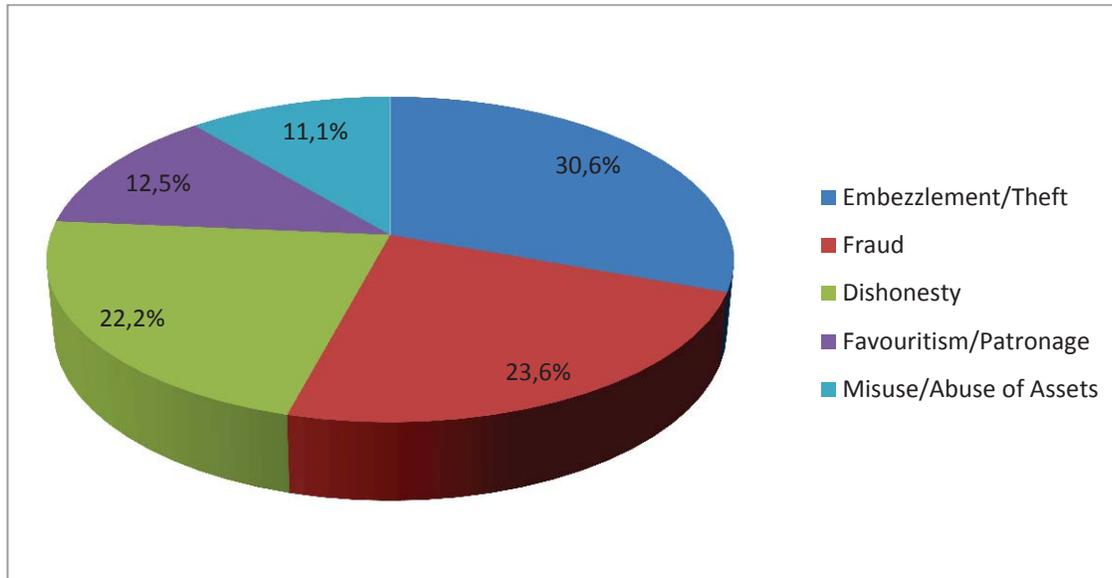
Within the 43 incidents identified above, were 72 counts of corruption, with 48.8% of cases involving more than one form. These findings clearly support Morgan's (1998) contention of a co-existence between different forms of corruption, with some acting as a vehicle for others.

The main forms identified were embezzlement (making up almost a third of the cases<sup>121</sup>), followed by fraud and dishonesty. Patronage and favouritism made up only 12.7% of the total cases identified, though, given the difficulty of proving this type of corruption, the real

<sup>121</sup> While this figure includes six cases of theft, in five of them, the individual police reports indicate staff members as having been involved (thereby making it embezzlement).

percentage is likely much higher. The same can be said for bribery and extortion (where no cases were reported), as these forms also tend to be transacted outside the formal accounting system and are difficult to prove. A summary of this analysis is contained in Figure 7.

**Figure 7: Instances of Corruption within NGO-X by Form (Sept 2004-Jan 2009)**



Source: Author's survey

The findings show a positive correlation between the number of incidents identified, and the implementation of the internal control framework that came into full-effect towards the end of 2005. In 2004 and 2005, being the two years *preceding* this, only three incidents of corruption were identified, against 39 (or 91%) instances documented in the three years *following* the introduction of the controls. On reviewing the individual cases, based on my professional background and experience, it appears that this increase was due (in most part) to a combination of the new internal control system and management's zero-tolerance approach to corruption, rather than being an increase in the overall prevalence of corruption itself.

The same data applied to the categories that staff members fall into, brings to light a number of further findings, as presented in Table 12 (over-page). Excluding the Temporary ERP staff (all of whom were shown to be involved in the 2005/06 ERP fraud), corruption within NGO-X appears to be most prevalent at the senior levels, with 40% of senior

managers at the NO being responsible for 21.0% of the total incidents identified. This is followed by Middle Management (i.e. facility level) and Finance and Administration staff, where 33.3% of both staff categories, accounted for a further 21.0% and 27.4% of recorded incidents respectively. In each of these three categories, the bulk of staff identified had been involved in multiple incidents of corruption, with collusion identified as a key issue. In the case of support staff, being the largest category, 9.3% of staff members accounted for 21.0% of corrupt incidents identified.

**Table 12: Documented Incidents of Corruption within NGO-X by Staff Category / Level (Sept 2004-Jan 2009)**

Staff Category/Level	Number of Staff Involved	Total Staff in Category	Staff Involved (%)	Number of Incidents	Total Incidents (%)
Temporary ERP Staff	4	4	100.0%	1	1.6%
Senior Management (National Office)	2	5	40.0%	13	21.0%
Middle Management (facility Level)	6	18	33.3%	17	27.4%
Finance and Admin Staff	6	18	33.3%	11	17.7%
Board Level	1	5	20.0%	1	1.6%
Support Staff	28	301	9.3%	13	21.0%
Unknown	-	-	-	6	9.7%
<b>Total</b>	<b>25</b>	<b>351</b>	<b>-</b>	<b>62</b>	<b>100.0%</b>
Note: based on the 2008 budgeted staff numbers that includes 82 government-employed teachers, adjusted for the number of temporary 2005/06 ERP staff employed.					

**Source: Author, own analysis**

While the initial analyses did not consider the level of *seriousness* of each case identified, my subsequent review indicated that staff at facility (or middle) management level, were more likely to be involved in the more major occurrences. Many of these cases warranted immediate dismissal in accordance with NGO-X's Conditions of Service. However, based on the joint recommendation of the Deputy Country Director (DCD) and the Human Resource Manager (HRM) most were reduced to a final written warning (by me). Any desire to take matters further was impeded by a lack of general support at board level<sup>122</sup>,

<sup>122</sup> In accordance with the Conditions of Service, the recruitment and termination of middle/senior positions within the organisation required board endorsement. Regarding this, the Board Chair advised that she did

coupled with my concern (at the time) of the impact on the organisation of dismissing such a high percentage of middle and senior managers within a short space of time.

The review clearly shows corruption to have been an issue within NGO-X, fostered initially by a weak internal control system. Consisting of a mixture of different types and forms (per the typology outlined in Chapter 2.2), my subsequent review for this research, indicated both a high number of *individualistic* (or *opportunistic*) cases of *petty* corruption, and a number of more serious *systemic* forms, predominantly of a *collective* nature, exhibiting both extractive and redistributive elements (as shown in Chapter 5.5). Not surprisingly, the main types of corruption identified were economic (financial) in nature, reflecting the difficulty of proving the more nebulous social forms. As already presented, a disproportionate number of cases took place at the more senior levels of the organisation, supporting the findings made by Gibelman & Gelman (2000) and KPMG (2007, 2011) referred to earlier in the thesis.

## **5.5 Review of 2005/06 Lilongwe Emergency Relief Programme**

*The making of rules and social and symbolic order is a human industry matched only by the manipulation, circumvention, remaking, replacing, and unmaking of rules in which people seem almost equally engaged* (Moore, 2000:1).

### **5.5.1 Introduction**

What I regard as the most significant case of corruption of those documented above, was a fraud-scheme that took place during the 2005/2006 Emergency Relief Programme (ERP) operated by the Lilongwe CBP. This finding is in line with NGO-X's financial risk profile presented in Table 7 (in Chapter 5.2.3) showing both ERPs and CBPs as having the highest risk profile of all of the programme types undertaken by NGO-X. Also of significance – re the overall argument made in this thesis – is the fact that this fraud took place *after* the new internal control system had been implemented.

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not want anyone leaving the organisation, indirectly supporting the recommendations made by the DCD/HRM to reduce dismissible offences to final written warnings.

In order to obtain a greater level of insight and understanding of both the nature and dynamics of corruption, I selected this case for a more detailed analysis below. Not only does it clearly demonstrate the complexities surrounding corruption, but also it provides a number of insights into the practical difficulties of preventing, detecting and investigating it. To help understand the overall sequence of events involved, a number of key incidents and dates have been outlined in Table 13 (along with the associated “trigger”; if known).

**Table 13: Key Dates Related to the 2005/06 ERP Fraud Scheme**

<b>Date</b>	<b>Incident</b>	<b>Trigger</b>
Nov2004 to July 2005	Introduction of internal financial control framework	Assessment undertaken by me, showing a weak control system.
March 2005	Non-specific allegation of potential fraud within NGO-X raised by the Regional Director for NGO-Int (RD). Review undertaken shows no irregularities.	
Oct 2005 to Apr 2006	Operation of 2005/06 ERP.	Nation-wide food shortage.
Apr/Mar 2006	Confidential information received by CD regarding potential irregularities taking place within NGO-X (naming the same people named by the RD in March 2005). Allegations include the ERP, and are specific enough to provide a general area of focus.	Cultivation of network of “informants” by CD.
Sept 2006	Key information obtained showing that the main supplier to the Lilongwe ERP and the main supplier to the Mzuzu ERP are owned by the respective staff members responsible for implementing the programmes.	Information provided by internal informants and whistle-blowers.
Oct 2006	Suspension of four staff members. RO carries out investigation showing that MWK 12.9 million worth of relief supplies had not been distributed to Lilongwe ERP beneficiaries.  Chairman of NGO-X initially blocks matter being reported to the police. Secretary General of NGO-Int intervenes, and the matter is reported to the police a week later	Breaches of various Conditions of Service.
Mar 2007	PricewaterhouseCoopers (PWC) carry out external forensic audit verifying MWK 21 million (or USD 172,073) of Lilongwe ERP funds had been subject to fraud and theft. Potential links to RO personnel identified.	Request for external report by Malawi Police Service.
Mar 2007	Suspended staff members are dismissed and charged by Malawi police service.	Information provided by forensic audit.
Jun 2007	Board refuses to formally accept external PWC forensic audit report tabled at a board meeting by the CD.	Photo on cover of PWC forensic audit is not “from Malawi”.

Date	Incident	Trigger
Dec 2008	NGO-X agrees to take on a private criminal prosecution of the case, funded by NGO-Int. CD accepts transfer to NGO-Int.	Advice from Malawi Police Service regarding delays if left to the DPP.
July 2009	Board discontinue criminal proceedings, but instructed to re-investigate them by the Secretary General (SG) of NGO-Int.	Former CD brings situation to the notice of the SG.
July 2010	Commencement of court case against the staff members dismissed and one former temporary employee. Case still ongoing.	

**Source: Author**

The balance of this chapter will be used to examine this fraud scheme in more detail, scrutinising it from the following three differing but interconnected viewpoints – the high-level *external donor perspective*, the findings from the two *formal investigations*, and the *internal insider’s perspective* (using information normally not available to the standard researcher). It will not only show how much “perception” and “reality” can differ, but underline the difficulty of dealing with the dynamics surrounding it.

### ***5.5.2 Overview of Emergency Relief Project (ERP): The External Perspective***

An overview of the 2005/06 ERP is outlined in Box 3 (over-page). For additional information on the various internal controls used, including the associated beneficiary selection, distribution, and verification systems, refer to Appendix E.

### **Box 3: Summary of 2005/2006 Emergency Relief Project**

#### **Project Details / Background:**

In 2005, climactic conditions resulted in widespread crop failure, leading to a nationwide food crisis. In response, the Lilongwe CBP Coordinator (CBPC), formulated and submitted a project proposal to carry out an Emergency Relief Project (ERP) in his CBP catchment area.

The specific aim was to purchase and distribute food to an estimated 12,100 existing CBP beneficiaries spread across 2,200 families. Budgeted at approximately USD 250,000, it was planned to implement it during the “lean” season (from November 2005 to June 2006). The project was approved by the CD, the Board of Trustees, and the RD for NGO-Int, with the funds being provided from two overseas Government development agencies through NGO-Int members in the North.

As the funding available exceeded the original project needs identified, the Lilongwe CBPC recommended that it be extended to include the Mzuzu CBP (approximately four hours away by road). As this was the first ERP undertaken by the Mzuzu CBPC, the CD requested the DCD (who was responsible for all CBPs within NGO-X) and the Lilongwe CBPC to specifically travel to Mzuzu and ensure that appropriate processes and procedures were established beforehand.

#### **Field and Project Environment:**

The 2005/2006 ERP was the third such project undertaken in four years by the Lilongwe CBP facility, with staff being very experienced in these programmes. The Lilongwe CBPC was highly respected by other facility heads and had a reputation within the region as the “expert” in the operation of community development programmes – ERPs in particular. In support of this, he had been asked by NGO-Int to present at various regional and continental meetings.

Although the CBPC was accountable for end-to-end delivery of the project, CBPs themselves fell under the responsibility of the DCD who also had experience with community-based projects in his former position with another INGO. The intended beneficiaries were already known and had been vetted by field workers through the existing out-reach programmes operated by each of the CBPs.

Local VDCs were also well established in the catchment area, and extensively used by NGO-X to support the identification and verification of intended beneficiaries.

In addition to a number of visits carried out by RO staff who were responsible for undertaking spot internal audits, the project was subject to the following audits:

- (i) **External Annual Audit:** As all costs were accounted for through the NGO-Int global accounting system, the ERP was formally audited as part of NGO-X’s annual external audit. Given that the project was spread across two financial years, the associated costs fell into two separate audits.
- (ii) **External Project Audit:** In addition to, and independently of, the annual audit, a separate project audit was carried out. Covering the total period of the project, the audit was intended to verify that the ERP was implemented in line with the original project proposal. This included a re-auditing of project expenditure (previously audited in (i) above), and confirmation that the relief items had been distributed to beneficiaries.

The ERP had also been subject to an external *capacity audit* initiated by one of the public donors, and carried out by an international firm of accountants. Included in the audit were the following comments:

“NGO-X’s structures for beneficiary involvement in programme design are in place and we find them to be sophisticated and excellent”; and “the system of cash management is highly controlled and well known by the staff involved”.

### **Outcome / Review of Project**

The reports of both external audits gave unqualified opinions, with a review of the associated management letter from the auditors containing no comments or areas of concern related to either the ERP or NGO-X's internal control systems.

In addition to this, the external Project Audit concluded that the ERP had been a success and that the desired impact and outcome had been achieved. In particular, it confirmed that:

- Beneficiaries had been verified and screened on an on-going basis to ensure that distribution was based on "real need".
- Expenditure was in line with the budget proposal, with all material deviations explained.
- All financial/internal control processes and procedures laid down by NGO-X (at both national and international level), as well as those specified by the external donor, had been complied with.
- Beneficiaries had physically confirmed receipt of items distributed.
- Verification of each distribution had been confirmed by internal sources (the ERP Monitor and an NGO-X staff member), and associated external sources (the Chair of the VDC and the Government Representative).

**As shown above, excluding the capacity audit, both the Lilongwe and Mzuzu ERPs were subjected to three separate external audits (making 6 in total), with no anomalies reported.**

**Source: Author's notes, ERP Project Application, ERP project & NGO-X Annual audits**

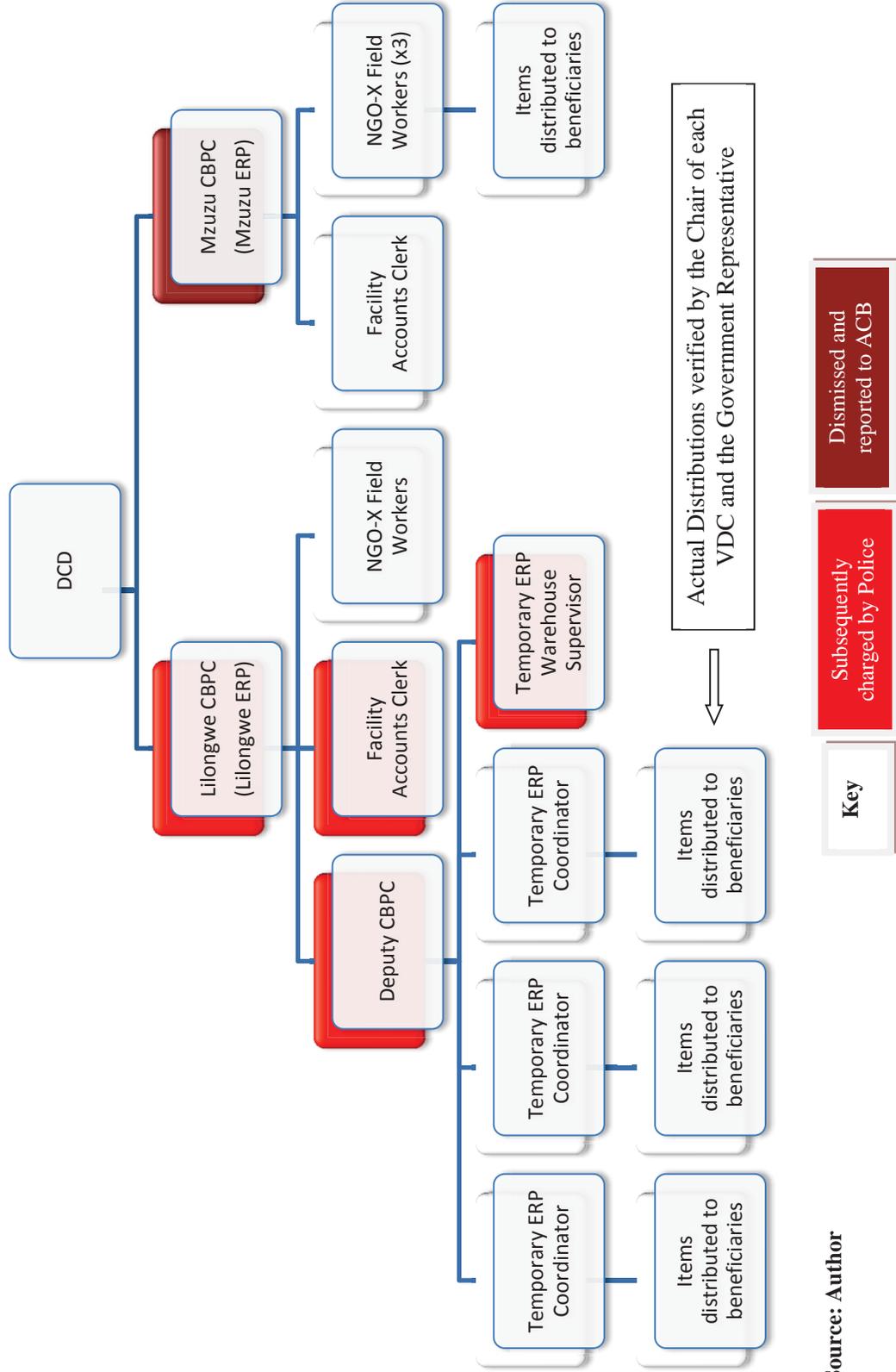
In order to obtain an external donor perspective, I presented an overview of the ERP project to a SIDA Anti-Corruption workshop held in November 2009<sup>123</sup>. The workshop was attended by representatives from 18 Swedish and Danish NGOs, all of whom were responsible for distributing funds to NGOs in developing countries. Based on the information referred to above, participants assessed the 2005/06 ERP as a "model project" with a high level of accountability and transparency. A key to this was the fact that the ERP had been subject to three separate external audits, with no anomalies reported<sup>124</sup>. In turn, NGO-X was viewed as being a solid, reliable, and accountable partner through which future donor funds could be channelled with confidence. An organisational chart for the ERP is outlined in Figure 8 (over-page).

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<sup>123</sup> Titled 'Corruption as an obstacle to development and fight against poverty (SIDA ref Anti-Corruption KOR 092), held in Harnosand (Sweden) from 2 to 6 November 2009.

<sup>124</sup> This underlines the 'expectation' gap referred to by Kelsall (2003) earlier in this thesis.

Figure 8: Organisational Chart for 2005/06 ERP



Source: Author

### ***5.5.3 Key Findings from Internal and External Investigations of 2005/06 ERP***

Despite the overview presented above, indicating the ERP to have been a well-managed, transparent and successfully implemented project, my subsequent investigations showed the reality to be extremely different. In my role as CD, after approximately six months of gathering information – which involved the nurturing of a network of trusted co-workers and the examination of numerous documents – sufficient evidence of irregularities was uncovered to warrant a formal investigation be carried out. As already highlighted, none of these irregularities had been detected in any of the external audits, thereby confirming KPMG’s (2006) findings regarding the low level of fraud detection by external auditors.

After discussion with the NGO-Int RD, I was asked by him to put together and head-up an investigation team that included the Chief Accountant from a neighbouring NA, the Regional CBPC, and the Regional Management Advisor. Carried out in October 2006, the investigation found that ERP beneficiaries had been coerced into confirming receipt of items that had not been delivered. Based on extensive discussions in a number of communities, the team estimated that relief items valued at approximately K12.9 million had not been delivered (NGO-X Regional Office SA Region I, 2007). In addition, the report highlighted irregularities in other programme interventions undertaken by the Lilongwe CBP. It was later shown that the key suppliers to both the Lilongwe and Mzuzu ERPs were front companies owned and operated by the Lilongwe and Mzuzu CBPC’s respectively (PWC, 2007a).

In March 2007, a forensic audit of the Lilongwe ERP was undertaken by a team from PricewaterhouseCoopers (PWC)<sup>125</sup> verifying the initial findings of the RO investigation. An extract of these are outlined in Box 4 (over-page). A copy of the forensic audit was formally provided to the Norwegian Ministry of Foreign Affairs (one of the ERPs main donors), and is therefore made part of the public domain<sup>126</sup>.

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<sup>125</sup> It was agreed with PWC that they would provide a team from outside of Malawi, as this was felt to be the only way to ensure that members would have no connection to NGO-X staff members or their extended network.

<sup>126</sup> All correspondence received by Norwegian government ministries and departments are available for inspection by members of the general-public. A copy of the PWC audit can be sourced from the Norwegian Ministry of Foreign Affairs via their Public Access Policy.

#### Box 4: Extract from PricewaterhouseCoopers Forensic Auditor Report

##### Conclusion:

Evidence gathered during the investigation suggest that the facility management mismanaged the ERP with the aim of causing prejudice (due to theft and fraud) to the organisation in general and programme beneficiaries in particular.

##### Summary of Findings:

- **No evidence was found that 199,415kgs of maize, 111,560 kegs of beans, and 6,128 litres of cooking oil valued at USD 172,073 ever reached the beneficiaries.** This represents the total food packs that were either stolen probably by NGO-X workers during distribution or never physically delivered to NGO-X.
- **Only 1,572 intended beneficiary families benefited from the ERP,** contrary to the 2,200 reported by the **Lilongwe CBPC**.
- On the instruction of the **Lilongwe Deputy CBPC**, beneficiaries were made to sign for all of the distributions at the end of the programme including those that received less than the stated amount.
- The **Lilongwe CBPC** was a director of the company (Company A) that sold USD 203,922 of relief items (maize) to the organisation for the ERP.
- The **Lilongwe CBP Accounts Clerk** and her in-laws were signatories for the transport company (Company B) that was contracted by the organisation to transport food packs to distribution centres to the value of USD 6,040.80.
- Items purchased without approval were delivered to the warehouse prior to the generation of the requisition forms. This was done by the **Lilongwe CBPC** and the **Deputy Lilongwe CBPC**.
- Staff had contravened a number of financial and procedural controls put in place.

##### Other Findings:

- **The Lilongwe CBPC's** company (Company A) was the exclusive supplier to the organisation for all items purchased in the previous two ERP's carried out (being from his first year of employment)
- **The Mzuzu CBPC** and his wife were the signatories for the company (Company C) that supplied maize and beans to a parallel ERP being carried out in a different location within the organisation.
- As this was the first ERP programme to be carried out in the parallel location, the **Lilongwe CBPC** and the **DCD** were tasked to liaise with the **Mzuzu CBPC** to ensure that appropriate controls were put in place. With regards to this, the initial supplier to the parallel ERP was also the company owned by the **Lilongwe CBPC** himself.
- It was noted that there is a group of employees who share confidential information. During interviews, the **Lilongwe CBPC** stated that he knew about his suspension well before he was suspended, as a member of the Regional Office drove and met him at the Zambian border and told him about the impending investigation, his suspension, and the terms of his suspension.

Source: PWC, 2007a

The findings from the internal investigation and the external forensic audit show the presence of three of the five most common forms of NGO corruption outlined by Trivunovic (2011) (Box 2 in Chapter 2.9) – inflated or fictional invoices for goods procured, the presence of “ghost” beneficiaries, and kickback arrangements in the procurement of goods and services (in this case through the use of front companies). The

remaining two, being “double dipping” of donor funds and use of fictitious NGOs, were not relevant due to the institutional set-up of NGO-Int.

Despite confirming that fraud and theft had taken place, the forensic audit provided only a narrow window into the fraud-scheme itself, as it was limited to information collected *directly* by the auditors themselves and/or information supported by external documentary evidence. What was not included, but is instrumental to understanding the extent of the corruption, was the tactics used by those involved, and the efforts they went to in protecting their interests.

In order to obtain a “fuller picture” of this, there is need go beyond the formal investigations outlined above, and take a close look at a number of factors including staff inter-relationships, use of high-level political connections, and the reliance on threats and coercion (all being pieces of the “puzzle” highlighted by Coonan (2009) earlier). Doing this will provide a greater understanding of just how entrenched and deeply-rooted Olivier de Sardan’s (1999a) “corruption complex” is, as it spans both organisational and country level, where a weak and under resourced police and judicial system mitigate against those involved being brought to account. A number of these aspects are covered in the “insider’s” perspective, outlined below, and draw on various documentation and material from my time as country director.

#### ***5.5.4 An Insider’s Perspective: A detailed analysis of the Fraud***

*Those who do not prevent crimes when they could, encourage them.*

*Cato the elder (234-149 BC)*

On taking up the position of CD in October 2004, I asked my predecessor (a long-term expatriate resident of Africa) whether he felt corruption was an issue within NGO-X. His off-the-cuff response was “If you really wanted to you could probably find something on everyone here, but what’s the point; corruption is just part of living and working in Africa”. He then narrated an incident that took place on his first day of employment when a spot check undertaken by him showed that the Financial Controller (FC) at the time was unable

to account for school fees he had collected that day. He was given 24 hours to return the money, and no further action was taken.

Given this and my previous experiences in Malawi, coupled with my background as a Chartered Accountant, one of my first actions was to undertake an assessment of the various control processes in place. As highlighted earlier, the results showed an extremely flat management structure, supported by a weak management information and internal control system. Based on this, steps were taken over the next twelve months to put a revised financial and management control system in place (as detailed in Chapter 5.2.4).

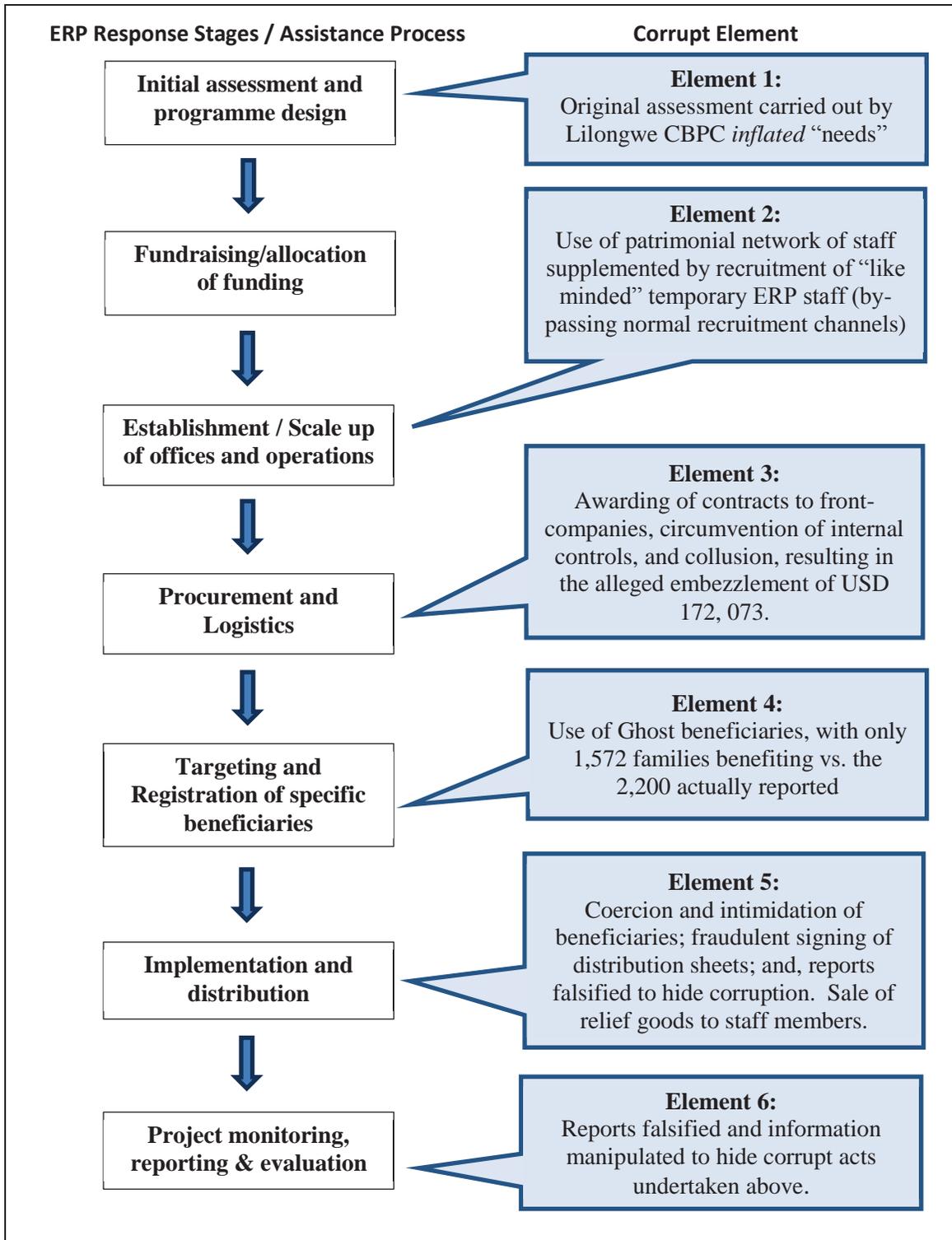
With this as background, I will now explore in-depth, the fraud-scheme outlined in Section 5.5.3, as it will provide a more complete understanding of the dynamics that corruption can take. Based on the PWC forensic audit and supplemented by some of my own-recorded observations, the following three aspects will be examined – the scheme’s *architecture*, the *protective strategies* adopted to ensure its survival, and *how* the fraud scheme was countered. Whilst drawing primarily on publically documented or verifiable material, there was significantly more information available, which – for ethical reasons – I was unable to use. As such, the following section reflects my perspective and research into the fraud, and does not necessarily include the views or perspectives of key protagonists on the “other side” (a potential criticism being that it may not be as balanced as would otherwise be desirable). In some places, I have had to infer various motives or connections, some of which may be contested (for the reasons cited above) by those involved. In this context, simply *knowing* something did not necessarily translate into *proof*.

#### **(A) Architecture of the Fraud Scheme:**

In order to understand the architecture and design of the fraud scheme (“the scheme”), it is first necessary to place it onto an overall framework. Adapting an approach used by Ewins, Harvey, Savage and Jacobs (2006), the ERP has been broken down into its key phases (the framework), against which I have “mapped” the various elements of corruption (being the scheme’s architecture). A summary of this is represented in Figure 9 (over-page), with the

structure of the following section being in line with the Corrupt Elements shown on the right hand side of the diagram.

**Figure 9: Architecture Framework and “Mapping” of 2005/06 ERP Fraud Scheme**



Source: Author (adapted from Ewins, Harvey, Savage & Jacobs, 2006)

As can be seen from this, the key to the scheme's success lay in ensuring that its members directly or indirectly controlled the key phases of the project. By doing this, the chances of the scheme's discovery were vastly reduced. In this particular case, implementing the scheme was made easier by the fact that the central figure, the Lilongwe CBPC, not only had direct end-to-end responsibility for the project, but was also a highly trusted manager with extensive respect throughout the organisation. Having conducted two earlier ERPs, he had developed a reputation with colleagues at both regional and continental level as being extremely competent, and was seen as an "expert" not only in ERPs, but also more broadly in community development in general.

The fact that the fraud was not detected – despite it having been subject to two external financial audits and an external project audit – supports the IAASB's (2009:158) position (presented in Chapter 2.5) regarding the difficulty of countering fraud involving management (given their ability to manipulate the system and override control procedures, as was the case here). We will now briefly explore each of the key elements involved.

***Element 1: Original assessment***

The driver behind the 2005/06 ERP was the Lilongwe CBPC, who initiated the original project proposal based on an assessment carried out in the Community Based Programme (CBP) catchment area, which showed a "risk of serious famine" (because of the broader food-shortage facing the country). The project plan and all supporting documents were prepared by the Lilongwe CBPC and his staff, and overseen by the DCD who was responsible for oversight of all CBPs operated by NGO-X. The final proposal submitted was then approved by me and endorsed by the Board. The forensic audit (PWC:2007a) clearly indicates that the project needs had been inflated, as evidenced by the inclusion of ghost beneficiaries referred to Element 4 below.

***Element 2: Establishment and use of internal neopatrimonial network***

Using the "big-man" approach highlighted in the literature review, it appeared that the Lilongwe CBPC created an elite inner circle that were instrumental in endeavouring to prevent the ERP from being uncovered, and then – when this failed – attempted to stymie

subsequent investigations into it. One of the main strategies used by this group to perpetrate - and then protect - the Scheme, was the establishment of an extensive client-patron network by using practices such as *neo-katangale* (see Chapter 2.7), where “benefits” were shared or re-distributed amongst members of the neopatrimonial network. By definition, the acceptance of such “benefits” would mean that the clients themselves (in this case staff members) become complicit in what was taking place, creating the need to ensure – for reasons of self-preservation – that the network remained undetected. This supports Amundsen’s (1999) position (in Chapter 2.7) that to take part in such a network is far less costly than to inform on it; resulting in a growing conspiracy that develops into an ever larger network. If left unchecked it can result in large-scale institutionalised corruption.

In the case of the temporary ERP, monitors responsible for the distribution of goods to the beneficiaries had all been selected and employed personally by the Lilongwe CBPC (PWC, 2007a:Annexure 6). This in turn had been endorsed by the HRM, despite the process not being in line with NGO-X’s standard employment process, which required perspective employees to be interviewed by an employment panel. The core network included other key CBP facility staff such as the Deputy CBPC and the Facility Accounts Clerk (both of whom were later charged by the police, along with the Lilongwe CBPC and the temporary ERP warehouse supervisor<sup>127</sup>), both of whom contravened various internal procurement and distribution controls put in place (PWC, 2007a). This allowed contracts to be awarded to a number of front companies owned by themselves and others staff members, in direct contravention of NGO-X policy (PWC, 2007a:15 & 20), and resulted in a large portion of the items being paid for despite not having been delivered or distributed (PWC, 2007a:15 & 16). Such links also extended beyond the organisation, with the government representative – despite not physically being present at any of the distributions – signed each of the individual beneficiary distribution forms verifying that he had witnessed the actual relief items being handed to each beneficiary (PWC, 2007a:21)<sup>128</sup>.

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<sup>127</sup> All four people were charged with a variety of offences which including fraudulent false accounting, theft by servant, procuring execution of documents by false pretense, and conspiracy to defraud.

<sup>128</sup> In return for this, he had advised the forensic auditors that he done it in the expectations that he would be “rewarded” by those CBP staff involved (PWC, 2007:21).

The network's "influence" was further widened by the apparent distribution of batches of sub-standard maize (supplied for the ERP by the Lilongwe CBPCs front company) and the sale of subsidised cooking oil (also purchased for the ERP) to NGO-X staff members and others (NGO-X Regional Office SA Region I, 2006:2).

Part of the reason for the network's cohesiveness was that a number of the relationships within the inner circle (and beyond) had been established prior to these members joining NGO-X. The supplementary information sent to NGO-Int along with the PWC forensic audit report highlighted a number of these links, showing how the key NGO-X staff members involved had worked together at a number of other organisations (PWC Supplementary Information, 2007a:9).

***Element 3: Use of front companies, and bypassing internal controls***

Having briefly looked at the network that supported and protected the scheme, we will now turn to examine how it was implemented. The weak internal control framework that had been in place within NGO-X prior to 2004, had allowed the CBPC and his wife to set-up a front company, Company A, which was used as the main vehicle to perpetrate the associated theft (PWC, 2007a). Company A had been appointed the main supplier in the two previous ERPs carried out by NGO-X (PWC, 2007a:36), the first being in 2002/03 – the year the Lilongwe CBPC was employed – and then again in 2004/05. Given this long association, the company's integrity and credibility were not questioned, with the first purchase request for the 2005/2006 ERP including a letter of introduction from Company A (highlighting their successful involvement in previous ERPs), accompanied by a written endorsement from the Lilongwe CBPC confirming their "reliability"<sup>129</sup>. At no stage was the link between Company A and the Lilongwe CBPC evident to me, nor was it formally disclosed (in contravention of NGO-X's Conditions of Service).

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<sup>129</sup> The letter was attached to the cheque requisition slip (along with a memo from the facility confirming their reliability), brought to me by the Lilongwe CBPC.

Whilst a three-quote purchasing system had been implemented in early 2005, this was circumvented using a combination of deceit and coercion. The initial method used was the provision of a single quote from Company A, with the Lilongwe CBPC's explanation being that they were the only organisation able to supply the items in the quantity needed (a "fact" that was endorsed the Facility Accounts Clerk responsible for obtaining the quotes) (PWC, 2007a: Annexure 6). He further advised that given the nationwide shortage of food staples, it was highly unlikely that replacement items could be sourced from other suppliers, thereby placing the overall ERP in jeopardy (PWC, 2007a: Annexure 6).

A further tactic was raising multiple purchase requests whilst managerial oversight was absent. These requests were in turn approved by the DCD (a member of the inner circle) using delegation – assigned to him in my absence – with the subsequent cheques being signed by the Chairman. Almost half of all ERP items provided were approved in this way, all of them awarded to Company A (PWC, 2007a: 36).

Other controls bypassed included the segregation of duties between the Facility Accounts Clerk (responsible for obtaining quotes and completing the paperwork) and the facility head, in this case the CBPC (responsible for overseeing the process and recommending a supplier from the quotes sourced). In each case, all the steps in this part of the process (including the actual physical collection of Company A's cheque), were carried out directly by the Lilongwe CBPC. In most cases, the pretext used continued to be the overall shortage of relief items available in the market, necessitating the need to act with "extreme urgency" in each case. It also meant that the CBPC remained the sole link between NGO-X and Company A, thereby helping to mask any connection with them (PWC, 2007a: Annexure 6)

While the initial consignment of goods delivered to the ERP warehouse was verified in accordance with NGO-X's standing procedures, the process was subsequently bypassed or ignored by NO finance staff (PWC, 2007a:17)<sup>130</sup>. Only a small portion of the initial

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<sup>130</sup> Standard NGO-X procedures was that all ERP deliveries be independently verified by two finance assistants, one from the NO, and one from another facility. This procedure whilst followed for the first delivery of ERP supplies was "later ignored and by-passed" (PWC, 2007a:17). The NO finance assistant

delivery was ever distributed to beneficiaries, with the balance being re-delivered back to Company A. This pattern was repeated each time, thereby ensuring any random spot-checks would show that delivery of goods and subsequent distributions to beneficiaries were taking place. In my professional opinion, only a full reconciliation – or a physical stock-take – would have highlighted these anomalies. In turn, the incompleteness and inaccuracies of the warehouse records (wether deliberate or not) made it difficult to determine what had happened.

In addition to awarding the supply of maize contracts to Company A, all of the associated Lilongwe ERP transportation contracts were awarded to Company B, a front company owned by the Facility Accounts Clerk and her in-laws (PWC, 2007a:5).

On extending the original ERP to include a second location, Mzuzu (as outlined in Box 3 in Chapter 5.5.2), Company A was also selected to supply the first batch of emergency supplies. Once again, it was claimed that they were the only supplier able to provide the needed quantities at such short notice. The balance of supply contracts to the Mzuzu ERP (including transportation) was awarded to Company C, with subsequent enquiries showing Company C to be a front company owned by the Mzuzu CBPC and his wife, thereby using the same methods as the Lilongwe CBPC (PWC, 2007a:36)<sup>131</sup>.

***Elements 4, 5 6: Falsification of documents, coercion and intimidation of beneficiaries, and use of ghost beneficiaries***

From a beneficiary perspective, individuals were required to confirm the physical receipt of the goods (by signature or thumb print) at each delivery. A review of the beneficiary

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tasked with actioning this could not provide an explanation as to why the procedure was carried out only the once (PWC, 2007a: Appendix 12).

<sup>131</sup> The setting up of the Mzuzu ERP was done under the guidance of the Lilongwe CBPC, who was responsible for ensuring appropriate controls were put in place (PWC, 2007a:36). Whilst the awarding of contracts to front-companies) was identical to the process used in the Lilongwe CBPC (PWC, 2007a:35), in the case of Mzuzu it appears that the items purchased were in fact delivered and distributed to beneficiaries as planned. The Mzuzu CBPC and his wife bypassed internal controls and profited from the awarding of contracts to their own company (PWC, 2007a:35).

confirmation sheets however, showed them to have been prepared and signed-off in one batch sometime after the event and not at the time of distribution (PWC, 2007a:21)<sup>132</sup>.

Beneficiaries subsequently confirmed that despite not having received all of the items to which they were entitled, they had been made to sign the receipt forms by the Lilongwe Deputy CBPC (PWC, 2007a:5). Each individual distribution had also been counter-signed by the Chairman of the VDC and the temporary ERP monitors (employed by the Lilongwe CBPC), and “verified” by the Deputy CBPC and the government representative from the Ministry of Agriculture (who later advised that he had not been present at the distributions, with the Deputy CBPC bringing all the forms to his house for signature)<sup>133</sup>. As highlighted earlier, the bulk of the goods purchased by NGO-X did not appear to have been delivered. In the case of cooking oil, the PWC audit showed that despite being purchased, the oil was not delivered to beneficiaries, with the same items – according to sources within the organisation – suspected to have been sold to staff members.

In the case of the project’s monitoring, reporting and evaluation, key documents including beneficiary distribution lists, progress reports and follow up field visits had also been falsified, with the forensic audit identifying 628 non-existent “ghost” beneficiaries appearing in the ERP distribution lists (PWC, 2007a:19). Progress reports were also produced late and lacked detail.

Having outlined the Scheme’s *architecture*, and shown how the network’s initial success was based on controlling each individual project phase, we will now review the various *protective strategies* used, and the *obstacles* faced by them in avoiding the scheme being discovered and dismantled.

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<sup>132</sup> This had been picked up during my initial investigation, with an inspection of the forms indicating that all 2,000+ of them had been signed using the same pen, and the same ink-pads, with beneficiary thumb print becoming slightly lighter each month; indicating that they had “signed” for all eight distributions off at the same time (Refer to Appendix E for further details of the ERP distribution procedure).

<sup>133</sup> As earlier advised, the Government representative admitted to fraudulently signing the forms in return for the expectation of being rewarded by those involved (PWC, 2007a:21).

## **(B) Protective Strategies and Obstacles to the Status Quo:**

The main threat to the scheme was the implementation of the new internal control and management system already outlined. Taking on the role of Klitgaard's (1988) highly "principled" Principal<sup>134</sup> (with the support of the GSC), and being an "outsider" (i.e. an expatriate), meant that the *protective* strategy of incorporating key staff members into the current network – via the use of acts of *neo-katangle* – could not be used. Based on this, various attempts were made over the ensuing two years to "remove" me, with each subsequent attempt escalating in line with the growing threat to the Scheme itself. The tactics employed, and their associated outcomes, though not covered in this thesis, reflects Nielson's (2003:132) observation that – ironically – ethics and entrapment violations (one of a number of elements of a corrupt sub-system) tend to be used as an effective weapon against those trying to reform corruption, with the main tool used being misinformation campaigns. It also supports the argument made in social movement literature that it "can be both very difficult and even dangerous to challenge the status quo of an established, dominating group [and] as such, corruption reform can require a great deal of cooperative risk taking among reformers" (Nielson, 2003:144). The issue here is that reformers are typically less powerful and more vulnerable than the dominant maintainers of the status-quo.

Whilst the initial focus of the actions outlined above was to protect the scheme from discovery, once uncovered, the focus shifted to impeding subsequent investigations of it. Once again, the use of extended networks and political connections played a key role.

### **Use of extended network and political connections**

Further attempts to protect the Scheme involved the use of an extended network of external contacts. In this regard, a number of those involved had access to various high level political connections, and attempted to use them to varying effect. A number of them were members of the Malawian *elite*, including the Lilongwe CBPC, who had close personal and

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<sup>134</sup> Rather than attempting to 'big-note' myself here, I am simply using Klitgaard's term to indicate that I was not prepared to jeopardise the organisations reputation with donors, or compromise my own personal standards of integrity, by condoning what I saw to be a pattern of unethical behaviour (as demonstrated in the findings outlined in Chapters 5.4 & 5.5).

family connections with a number of the most influential business and political personalities in the country.

The network not only extended to other senior staff members within NGO X (as stated earlier), but beyond the boundaries of Malawi. An example of this (highlighted earlier) is the Lilongwe CBPC's advice to forensic auditors that he "had known about his suspension well before he was suspended, as a member of the Regional Office [who was also a member of the impending investigation team] drove and met him at the Zambian border and told him about the [impending RO investigation], his suspension, and the terms of his suspension" (PWC, 2007a:36). This information was only known to me, the RD, and members of RO investigation team, as secrecy of the investigation was crucial to maintaining an element of surprise, thereby avoiding the possibility of crucial evidence being destroyed by those involved<sup>135</sup>. The forensic auditors further found that breaches of confidentiality by senior members of NGO-X's management and regional team allowed staff to "connive to destroy/alter evidence" (PWC, 2007a:39).

The situation had also been complicated by the fact that the board of NGO-X showed little apparent appetite for dealing with the issue when, in early 2006, it instructed that the strengthening of internal controls within the organisation be slowed down. When sufficient evidence of fraud was found (in October 2006), the Board Chair refused to allow the matter be reported to the police (prompting the intervention of NGO-Int). Despite a new Board Chair taking office in December 2006, the lack of apparent "political will", to pursue the issue continued, with the board refusing to accept the PWC forensic audit as the photo on the front cover had not been taken in Malawi. Whilst these actions could be interpreted as supporting the status-quo, an alternative explanation could be grounded in cultural differences related to how conflict is dealt with<sup>136</sup>. At one stage (as noted above), the board

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<sup>135</sup> It has been planned for the RO investigation team to arrive in Lilongwe on the day the investigation was to start, with the first step being the immediate suspension of the Lilongwe CBPC and other related staff (pending the outcome of the investigation).

<sup>136</sup> For more on this see Augsburger (1992), who provides an in-depth discussion on the sharply different - almost diametrically opposed - approach to dealing with conflict by low-context (Western) cultures, who take a very direct and individual approach to the issues, versus high-context (African) cultures, who take an indirect approach via a third party/intermediary.

also attempted to discontinue criminal proceedings against those subsequently charged by police (again eliciting the intervention of NGO-Int).

Having examined the schemes *architecture* and the basic *strategies* used to protect it; the balance of this chapter will focus on how it was countered and what additional controls were put in place in order to avoid a potential recurrence.

### **(C) Countering the Fraud Scheme**

The following section covers the key *means* by which the Scheme was countered.

#### **Importance of a strong internal control framework**

The primary instrument for reducing the risks of financial malfeasance in an organisation are strong robust internal controls, as a weak internal control system creates the opportunity for corruption (Cendrowski et al., 2007; KPMG, 2007:2). It was for this reason (as well as my professional background) that this became one of the key focus areas for me on joining the organisation (again see Chapter 5.2.4 for more details). Despite the stronger internal control framework put in place, it was insufficient to prevent the type of fraud-scheme outlined above as the network behind it was well established and had been operating for a number of years. The controls introduced however, were successful in reducing the opportunity of expanding it, and placed it under increasing risk of exposure (as ultimately happened).

#### **Importance of “whistle-blowers”**

In addition to the importance of strong internal controls, a number of surveys show that one of the most successful mechanisms for uncovering internal fraud is whistleblowing (ACFE, 2008; KPMG, 2007; PWC, 2007b). The concept itself, however, is not culture-free, and has a distinctly Western approach, centred as it is on the anonymous reporting of non-systemic wrongdoing by an individual with no ties to the perpetrator. In the context of Africa though, as individuals tend to associate themselves with broader groups, “few people will be morally outraged [enough to report corruption] and fewer still will risk social ostracism and other heavy reprisals by reporting [it]” (De Maria, 2005:223). One of the

main cultural impediments to implementing the concept in such situations is that its success is based on viewing corruption in individualist terms. In a Continent where corruption is socially constructed, the overall concept is “difficult to graft into the complex lacework of work-family connections” (De Maria, 2005:224)<sup>137</sup> that exist. While whistleblowing played an important part in helping to uncover this scheme, the *tip-offs* were not from anonymous individuals (as is normally the case in the West), but where instead the result of the cultivation of a strong network of trusted colleagues. Based predominantly on personal trust, they provided information that was central to helping unravel the complicated structure of the fraud that led to those involved being prosecuted.

The source of this was the concerted efforts I made towards the end of 2005, to develop stronger individual relationships with a number of facility heads. In April of 2006, the first piece of information was volunteered by a member of this group. Whilst not specific enough to adequately investigate, it mirrored to a high degree, initial allegations made by the RD the previous year. When taken together, it provided sufficient foundation to support the original allegations being re-examined. More information was received (from the same sources) the following month, in which the ERP was mentioned for the first time.

Whilst circumstantial only, this was the first of a number of such pieces of evidence collected. Another key breakthrough came almost five months later, when in September 2006 other staff members provided information linking the Lilongwe CBPC with the ERP’s main supplier (Company A)<sup>138</sup>.

A subsequent enquiry with NGO-X’s bankers resulted in written confirmation that the signatories of Company A were indeed the Lilongwe CBPC and his wife, the signatories for Company C (the main supplier for the Mzuzu ERP) were the Mzuzu CBPC and his wife, and the signatories for Company B (who were awarded the Lilongwe ERP

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<sup>137</sup> This is supported by a study undertaken by the UN Office on Drugs and Crime (UNODC, 2003) which showed that in South Africa, whistle blowing contributed to only 13% of corruption disclosures., a low level when compared to Western studies where it accounts for between 34% (PWC, 2009) and 43% of disclosures(KPMG, 2006).

<sup>138</sup> The connection was that the contact number on Company A’s letterhead, which was identical to the Lilongwe CBPCs personal cell phone number.

transportation contracts) were the in-laws of the Facility Accounts Clerk (all later confirmed by PWC, 2007a:5 & 36). It was this information that provided the sufficient grounds to convince the RO that an external investigation was needed.

### **Use of political connections: A game of chess?**

Whilst an internal network of trusted staff (or “whistle-blowers”) had provided the necessary details to help uncover the scheme, they were insufficient to shift the balance of power required to ensure that a number of the key strategies used to block the investigation were removed. While Western concepts of transparency and accountability had brought the fraud to light, it was ultimately a question of political connections that determined the “end game”.

The turning point for this came when clandestine access was obtained to the Lilongwe CBPC’s inner circle, and a (separate) direct connection was made to a staff member who proved to be the gatekeeper to an extensive and powerful political network of elites. With access to inside information, and connections to a network (containing a number of Cabinet Ministers and high-ranking government civil servants) that provided the appropriate level of political support, the fraud network could finally be neutralised.

Over the next few months, a game of political chess ensued where each side attempted to use their political contacts in an effort to gain the upper hand, including a number of indirect confrontations, including arranging a personal meeting for me with the State President, the sole purpose being to send a clear and very public message regarding the strength and importance of my “network of influence”<sup>139</sup>. This particular step was countered a few weeks later by anonymous allegations of corruptions being reported to the ACB against two members of my new network, the Cabinet Minister who had arranged the

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<sup>139</sup> On being advised of the visit (arranged by a Cabinet Minister), I was asked to take along the key staff members within the NO who were involved in the network, to demonstrate to them the power of my “connections”.

visit to the President and a Senior Civil Servant, claiming that they had inappropriately arranged for my immigration status to be renewed<sup>140</sup>.

On leaving Malawi (in part due to the ongoing pressures resulting from the investigation), and taking up my new role within NGO-Int in Europe in January 2009, I maintained close contact with key staff members within NGO-X. It was through this that I learned that NGO-X's board had made a decision to discontinue criminal proceedings (in August 2009). The decision was subsequently reversed, and proceedings re-instigated on the intervention of the SG of NGO-Int.

### **The end game**

Despite the various tactics used by the network and its members, sufficient evidence was gained to enable the police to charge four staff members for their role in the fraud-scheme (being the Lilongwe CBPC, his deputy, the CBPC accounts clerk, and the ERP Warehouse Manager). The offences include fraudulent false accounting, theft by servant, procuring execution of documents by false pretence, and conspiracy to defraud. While the PWC forensic audit report was an important document for the ongoing prosecution, the subsequent court case is still in progress.

Whilst the strengthening of internal controls played a part, it is clear however, that the scheme could not have been unravelled without key pieces of information being provided by trusted staff members. In addition, had a member of one of the Lilongwe CBPC's inner circle not shifted allegiances, it would not have been possible to gain access to another staff-member's extensive high-level political connections. Without this, I would have been forced to leave Malawi and the case would have been quietly discontinued. Support provided by NGO-Int, in particular at international level, was also crucial, in that it provided the necessary resources and pressure to remove a number of "obstacles" at board level, thereby enabling the prosecution to continue. The clear conclusion from this is that

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<sup>140</sup> Refer to personal interviews with ACB officials on 21/01/08, and case-files re the preliminary investigations (held at ACB Headquarters in Lilongwe and accessible to the public).

sole reliance on Western forms of countering corruption in a developing environment such as Malawi, are insufficient.

While sufficient *legal* evidence was obtained to prosecute at least four staff members involved, it is clear that there was a broader patronage network operating within the organisation stretching from project level up to the NO and beyond. Notwithstanding the deep rootedness of this network, it is highly unlikely that the majority of the members were involved in the specific fraud and theft that took place within the ERP, although the PWC report indicates that a number benefited indirectly from it.

In terms of the key players involved, the four staff members named in the PWC forensic audit were prosecuted by the police for corruption, whilst a number of others subsequently left the organisation. In the case of my supporting network: the staff member instrumental in providing access to the necessary political support was subsequently dismissed for embezzlement whilst both a key Cabinet Minister and a high ranking government civil service – who provided the most direct support – are currently under investigation by the ACB (with the former facing ten separate allegations of corruption). While it is unclear what impact (if any) it will have on the court case, the wife of Lilongwe CBPC has since been elected as a Member of Parliament<sup>141</sup>. To date, the board of NGO-X have still not formally accepted the PWC forensic audit.

### **Preventing future fraud**

With regards to NGO-X's internal control framework, as a direct result of the Action Research stemming from the fraud-scheme and subsequent investigations, a number of additional controls were introduced. These are covered in Table 14 (over-page).

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<sup>141</sup> Using her maiden name: Hyacinta Palingana Chikaonda, MP for Dedza East member of the DPP (African Elections Project, 2011).

**Table 14: Key Internal Controls Implemented as a Result of the Fraud-Scheme**

Internal Control	Explanation
Procurement Guidelines	Development and documentation of clear procurement guidelines including the introduction of an internal procurement committee, an external tender system, and the use of prequalified suppliers.
Internal Procurement Committee	Establishment of an IPC tasked with the following responsibilities (see note 1): <ul style="list-style-type: none"> <li>• Conduct and supervise all external Tenders.</li> <li>• Purchases of all bulk items with a combined value of over MWK400,000 (see note 2)</li> <li>• Purchase of investment items/fixed assets greater than MWK 400,000 (see note 2)</li> <li>• Disposal of all assets</li> <li>• Selection and pre-qualification of suppliers (see note 3)</li> </ul>
External Tender System	Introduction of a tender system for the purchase of bulk items (over MWK 400,000) and the disposal of all assets (see note 2)
Procedures for Bulk Items within CBPs	Implementation of specific processes and procedures (controls) of bulk items used by CBPs (and ERPs) covering the area of : purchasing, delivery, warehousing/stock movement, distribution point procedures, use of registers, reconciliation between stock sheets and distribution records, and stock audits
Formal CBP Beneficiary verification and registration system	A revised CBP beneficiary verification and registration procedures was introduced, and all existing beneficiaries re-vetted. Revised beneficiary lists were then reviewed by a national committee before being approved by the NO.
Notes: <ol style="list-style-type: none"> <li>(1) In order to ensure complete transparency, the minutes of IPC meetings were posted on staff notice boards.</li> <li>(2) MWK 400,000 equated at the time to approximately USD 2,500.</li> <li>(3) The use of a pre-qualified supplier meant that three quote no longer needed to be sourced (in order that delays in the purchasing process could be minimised).</li> </ol>	

**Source: Author**

As can be seen, the bulk of the new controls were mainly around the area of procurement and beneficiary verification, with the aim being to improve overall transparency and oversight. Its focus was around the management of *bulk-items* (such as seeds, beans, maize, fertiliser etc.), which made up the majority of a CBPs expenditure via both their ERPs and their ongoing food security initiatives. Notwithstanding this, while the stronger

internal control framework is hopefully effective in reducing the overall level of corruption, its efficacy still cannot be assured in cases where a person (or in this case a group) are intent on committing fraud.

## **5.6 Summary**

This chapter introduced the case study of NGO-X. It showed that, despite having a relatively robust internal control system, between 2004 and 2008 there were 43 incidents within which 72 counts of corruption were identified, the most prevalent forms being fraud and embezzlement. Corruption was most widespread at middle and senior management level, with the bulk of perpetrators having been involved in multiple acts, supporting the findings of KPMG (2007) and Gibelman & Gelman (2000). In addition, it mirrored Klitgaard's (1998) contention that the act of corruption itself is a crime of calculation, with the internal survey finding "Greed" to be perceived by many as the single largest driver of corruption.

Whilst many of the cases identified were petty and opportunistic in nature, a number of more serious instances – such as the 2005/06 ERP fraud scheme – highlighted the existence of systemic, collective forms of corruption. Those who controlled it were connected to members of Malawi's elite with access to a number of high-level political connections, which were used to try to protect and cover it up. This supports scholars such as Bayart (1993) and Fatton (1992), who contend that corruption is a class-based system that acts as an "incubator" for the dominant classes.

Headed by the Lilongwe CBPC and supported by a number of senior managers, the fraud scheme was built around an extensive and well-established neopatrimonial client-patron network, which extended to all levels of the organisation and beyond. It reflects Amundsen's (1999) contention that such situations, if left unchecked, lead to larger networks and results in the establishment of large-scale institutionalised corruption. In this case, the size and breath of the network resulted in a system of agents who protected both the network and each other, making it extremely difficult to counter. The end result was

what Andvig, et al. (2000) described as “serious inertia”, with the only option being for the network to be “torn apart”. Although this was achieved, it is unclear how permanent this proved to be.

Whilst the success of traditional Western measures to ensure accountability and transparency were mixed, independent external audits – a key donor requirement – was shown to be ineffectual. The implementation of a strong internal control framework, which KPMG (2007) argues is fundamental to reducing the opportunity for corruption, though effective in countering the overall level of corruption, proved insufficient to root out the entrenched network responsible for the fraud scheme outlined<sup>142</sup>. For this, reliance needed to be placed on the cultivation of a trusted counter-group of staff, supplemented with access to a network of high-level political support; the same method used to by those seeking to protect the network.

This counter-group, along with their political connections, could in one sense be classified as a *quasi-neopatrimonial network* or, if Boege et al. (2008) is correct, a competing network attempting to have its own personal needs met, as opposed to those of the organisation<sup>143</sup>. This clearly indicates the pervasiveness and influence of such networks, as already argued by scholars such as Bratton & Van de Walle (1997), Chabal & Daloz (1999), and Kees van Donge (2002), and supports the contention that state structure – or in this case the organisational structure – can be used as a façade, masking deeply personalised political relations, clientelism, and corruption (Bayart, 1993; Bratton & Van de Walle, 1994; Chabal & Daloz, 1999; Médard, 1986, 1998). It also shows that connectedness is made up of overlapping networks that are dynamic with no real purity in terms of good or bad. These networks appear to be highly transportable, with the research findings highlighting how easily they were able to re-form, with its members following each other from one organisation to the next.

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<sup>142</sup> These findings clearly demonstrate the added difficulty of countering corruption of a collusive nature, as its very character allows internal controls to be by-passed and undermined.

<sup>143</sup> I have used the term *quasi-neopatrimonial* in this case, as although it was clear that a number of members of this counter-group expected to receive some form of “benefit” from me (as the group’s “patron”), return for their support, I left Malawi before this needed to be tested.

Although based on a single case-study, the research findings supports the hypothesis that corruption may indeed be an issue within NGOs working in the development environment, as they are not impervious to the socio-cultural influences and other factors that impact on the broader society in which they operate. In the case of Malawi, the findings confirm KPMG's (2005) contention that an organisation's largest fraud risk is from its own employees. Further to this, they also underline the role hierarchies play (as outlined by Bac, 1996), and the importance of removing the *opportunity* factor needed for corruption to become possible. One of the critical factors for this is the implementation of a comprehensive internal control system. As part of this, the sensitisation and vigilance of both managers and staff alike are also critical, as is a zero-tolerance approach from the top (though the survey results appeared to indicate that there were cultural reasons as to why this may not always work).

A final critical factor highlighted by the research, was the role of leadership, as demonstrating sufficient political will and courage to take the necessary action when corruption has taken place, is paramount to creating a deterrent to others. The presence of Klitgaard's (1988) highly "principled" principal is a fundamental ingredient in this as in this case the actions, or lack of actions, taken by the Board and others (before and after my departure) could be interpreted as a sign that the systematic controls introduced had gained insufficient traction within the organisation. Of greater significance however, was the possibility that the networks, which were thought to have been neutralised, had been able to partially reassemble themselves (albeit in different configurations), and reinsert themselves into the organisation's hierarchy. Only additional time and research will tell whether this was in fact the case.

## **Chapter 6: Conclusion: The Corruption Chameleon**

### ***6.1 Introduction***

Despite the rapidly growing interest shown within the development world over the past ten to fifteen years, direct first-hand research into corruption continues to remain relatively elusive. Whilst sweeping hypotheses continue to prevail, a shortage of empirical evidence has resulted in many open questions remaining unanswered. In addition, while there has been a growing emphasis on the role of the state, the current discourse on corruption continues to avoid extending the same scrutiny to development NGOs.

In an effort to fill some of this gap, this thesis has examined the issue of corruption within a specific setting, the central purpose being:

**To contribute to the understanding of the nature, form, and dynamics of corruption within NGOs operating in a development setting, through a detailed case study of corruption within one INGO.**

It has been based on the hypothesis that NGOs are not impervious to corruption, and despite their privileged position, are subject to the same pressures and influences that have contributed to corruption becoming endemic within many of the societies in which NGOs operate.

The purpose of this chapter is to summarise the research findings presented and discussed in Chapter 5, and to place them into the context of the aim and key questions of the study. It also outlines further areas for potential research on the topic.

### ***6.2 Summary of Research Findings***

The research undertaken for this thesis supports the hypothesis outlined above, and points to corruption being a possibility within NGOs. My position within the case-study organisation allowed me access to people and places not normally available to most

researchers, thereby allowing me a higher level of insight and information (although ethical considerations limited some of its use). The main findings, as presented below, have been situated within each of the four key research questions posed at the beginning of the thesis. The conclusions drawn however should not be taken as being indicative of all development NGOs, but rather as initial insights into what the prevailing situation may be. Additional research is needed on the subject in order to test its broader applicability:

**1) To what extent does corruption exist within development NGOs?**

Using the functional definition outlined in Chapter 2.3, which at a broad level defines corruption as *the abuse of entrusted power for private gain*, the case-study findings highlighted a number of incidents of corruption (being embezzlement/theft, fraud, dishonesty, favouritism and patronage, and misuse/ abuse of assets) as having taken place within NGO-X. When taking into consideration a number of organisational and cultural issues, indicating that the data analysed reflected only a percentage of the potential cases of corruption that took place, it supports the contention that – given certain circumstances and environments – corruption may be prevalent within development NGOs.

**2) If corruption does exist within development NGOs, what are its drivers, forms, influences, and dynamics?**

The main forms highlighted by the research were of an economic (or financial) nature, with the most prevalent being embezzlement, followed by fraud and dishonesty. Social forms of corruption such as favouritism and misuse of assets were also present, though – by definition – these forms are far harder to identify. Almost half of all of the incidents identified were characterised by multiple forms of corruption having taken place simultaneously, showing that some acted as a medium for others.

Greed was seen by almost half the participants of an internal survey within NGO-X as the main driver of corruption, with poverty and poor management seen as secondary influences. This perception was supported by analysis that showed that

despite remuneration levels being in excess of the market, and significantly above government levels, corruption within NGO-X was most common at middle and senior management level. Combined, this constituted almost half of all instances identified, with many of the managers being “repeat offenders”. Support and lower-level staff members were found to be the least corrupt of all of the staff categories examined. Surprisingly, “pressures from external family” though ranked highly by external (non-indigenous) survey participants as having a strong influence on corruption, was not seen as a major factor by internal (indigenous) survey respondents.

Although there were a high number of individualistic (or opportunistic) cases of petty corruption identified (as classified using the typology outlined in Chapter 2.2), there was also a number of more serious systemic forms present, many of a collective nature. The most serious of these was an entrenched client-patron network that had been responsible for a number of large fraud schemes (one of which was examined in detail by this research). Its core members were drawn from the ranks of senior and middle management, thereby helping it to counter, by-pass, and remove various internal controls put in place. Members of the network used front companies to award themselves contracts, and protected themselves by absorbing staff from different levels into the system (as clients), thereby making them accomplices. The network’s influence extended beyond the confines of NGO-X, and used high-level political connections to provide it with protection and support. The research also highlighted the fact that network members had worked with each other at various times prior to joining NGO-X, with some appearing to have followed each other from organisation to organisation.

**3) To what extent and in what ways is corruption within NGOs similar to that found elsewhere in society?**

As shown earlier in this thesis, personal connections and links to political elites play an important role in fostering corrupt activity within Malawian society. Characterised by neopatrimonial networks based on strong client-patron

relationships, and usually with strong high-level political ties, this case study showed that at least on one occasion such a network had spilled over into the NGO-X workplace.

Despite the survey findings highlighting that the success of an individual is welcomed by the community, it also showed that it results in jealousy and conflict. This duality stems from the expectation by the broader group (to which the individual belongs) that the material benefits stemming from the individual's success will be shared or redistributed between them. The internal survey participants' perception that kinship obligations take precedence over organisational allegiance, coupled with their view of employees being "children" to be looked after by their employer (as the "parent"), shows that the Malawian workplace provides a conducive environment for fostering neopatrimonial relationships between managers and staff. In such cases, the success of a manager is judged on how well they "look after" their employees, with direct parallels (in the Malawian context) being drawn to the relationship between a Chief and his subjects, thereby reflecting the cultural context for the responses received. On closer examination, this neopatrimonial approach was duplicated within NGO-X, where both the core members of the network, and a number of senior managers, used their position in the organisation (along with its assets) with a certain level of largesse when it came to redistributing "benefits" to staff.

**4) What responses to corruption can be adopted to reduce its impact on development organisations?**

As highlighted by the case study, reliance on independent external auditors is insufficient to counter corruption. Both the quantitative and qualitative aspects of the research shows that the critical drivers for achieving this is the implementation of a comprehensive internal control system, supported by a zero-tolerance attitude to corruption coming from the "top". The fact that the number of incidents of corruption peaked in the year that such a system was implemented, then steadily decreased over the following four years, emphasises its effectiveness as a deterrent

to corrupt activity. The internal survey findings support this, with staff perceiving corruption to have reduced over the same period. Again, respondents felt that the main drivers for this were the new internal controls, and the zero-tolerance approach taken by senior management. The crucial factor for the latter is the presence of Klitgaard's "Principled Principle".

Whilst the above – in combination with "whistle-blowers" (made up of trusted staff members) – was sufficient to uncover a sophisticated fraud scheme, it was insufficient on its own, to effectively counter the entrenched, collusive, neopatrimonial network behind it. Extending from the field to the most senior levels of the organisation (and beyond), the network was only able to be neutralised through access to a more powerful network of high-level political connections. Comparable to the method used by the neopatrimonial network as a key defensive strategy, it shows that whilst Western forms of countering corruption can be effective, they need to be combined with more indigenous methods, or what Keslall (2011) refers to as "Going with the grain in African development". As such, while internal controls may act as a deterrent to corruption in general, they may have little overall impact when dealing with entrenched networks of corruption intent on defrauding an organisation.

Despite being based on a single case study, the findings indicate that corruption (at least in certain circumstances) may be an issue within development NGOs, with the research pointing to some of its main forms, influences, and dynamics. In the case at hand, it mirrored the corruption phenomena within the broader society in which NGO-X operates, being most prevalent amongst the "elite" (at both organisational and national level).

As emphasised in Chapter 5, the findings appear to support a number of hypotheses and arguments contained in the literature presented in Chapter 2, though more detailed research is needed to test their broader applicability. A point of departure however is the finding that Western mechanisms of accountability were only partially effective in countering corruption by removing the *opportunity* for such activity to take place. They were however insufficient – on their own – to root-out well-established and entrenched corruption-

networks. Of particular note was failure of independent external auditors to pick up any irregularities in the ERP programme despite it being audited on three separate occasions.

The corruption-network uncovered extended from the field up to the most senior levels of the organisation (and beyond), and was only finally neutralised through a combination of *internal personal networks* (or whistle-blowers) supported by *external political networks*. The latter proved essential in providing the high-level political connections necessary to counter the *blocking tactics* being used (as their primary *protective strategy*) by a *parallel* external political network controlled by those behind the fraud scheme itself. In an environment such as Malawi, the use of political networks and connections do not come without a cost, as there tends to be an expectation of reciprocity, reflecting the debtor-creditor aspect of Malawian neopatrimonial workplace relations shown earlier.

In addition to the above, the research presented in Chapter 5.5, clearly highlights the importance of role of the “principled” Principal (as discussed in Chapter 2.8). Whilst sufficient political-will is needed to reform a system, a lack of accountability – and the associated power to take the appropriate sanction when necessary – makes it difficult to effectively counter corrupt activity. Whilst open to debate, the question that remains is *‘would the issue of internal corruption within NGO-X have been dealt with, and the corruption-network behind the ERP fraud-scheme brought to account had a different Principal been appointed?’*

Whilst additional research is needed before any firm conclusions can be drawn, if the above findings are characteristic of activities within the broader NGO sector, it not only brings into question their overall accountability, but their effectiveness and efficiency as a channel for development. A common perception held by many people in developed societies, is that those working for NGOs do so based on a set of inherent values associated with “doing good”. This tends to result in the belief that NGOs, and those who work for them, hold *themselves* to higher ethical and moral standard than other sectors. As shown by studies undertaken by Gibelman and Gelman (2000), the idea of virtuous NGO employees – at least in the north – may not always mirror reality. In the case of the developing world (such as in Malawi), where opportunities in the formal labour market are extremely limited, individuals have less possibility to “select” a position based on their ideological or

philosophical viewpoint, and instead tend to accept employment based on economic necessity only. From my limited time living and working in Malawi, I saw firsthand that kinship and tribal bonds – as highlighted by many scholars – outweigh allegiance to an employer. In terms of corruption, this can create a dangerous mix, especially if the “opportunity” inherent in the fraud triangle is not removed.

### ***6.3 Suggestions for Future Research***

Given the magnitude and complexity of the subject, it was only possible to touch on a limited number of areas in this research, some in an extremely superficial way. Whilst it is hoped that this thesis prompts others to undertake further study into corruption within NGOs, specific areas that would be of benefit would include:

- Broader more detailed research into internal corruption within INGOs, in order to properly test the applicability of these findings in a wider context.
- An examination and assessment of the just how prevalent Klitgaard’s (1988) “principled” principal actually is, as the limited literature available (predominantly based on Northern NGOs) indicates that most large internal NGO frauds involve senior members of management.

Included as part of this should be an analysis of the characteristics of such individuals, as the “*profile of a fraudster*” identified by KPMG (2007, 2011), and the profile of the “principled” principal appear to be relatively similar.

- Further study into neopatrimonial networks with particular focus on the tactics used to establish and protect them. In this context information obtained during the research indicated that it would have been extremely difficult for an indigenous country director to have challenged such a corruption-network, with the probable scenario being their incorporation into the existing network as either a client or as a “quasi-patron” (as supported by Chinsinga et al. (2010) who found that 27% of gratuities in Malawi are shared with an individual’s superiors).

An understanding of the different tactics and pressures that could be utilised by such networks against an *indigenous* “principled” principal, versus those that could be utilised against a *non-indigenous* “principled” principal, would also be extremely useful, as it would provide greater insight into how to counter them.

- Research on the impact of corruption on donor confidence, and whether the benefits of handling it openly and transparently outweigh the potential risks.
- Further research into the causes of corruption, in particular why it is so common amongst elites.

#### **6.4 Conclusion**

In light of the recent global financial crisis and its ramifications, including the decision by a number of OECD governments to reduce the level of overseas development assistance, it is essential that the risk of corruption within development NGOs is appropriately managed and countered. Failure to do this will not only result in NGOs losing their privileged position in the development world but, more importantly, losing the confidence of their donors. Given their role in providing many of the social services in developing countries, a loss of confidence and the associated financial support that goes with it will ultimately affect those who can afford it the least: the poor.

As this case study has focused on a single organisation in a specific geographical area, further research is required to test the broader applicability of the findings. Regardless of this, the first step in effectively countering corruption is by putting in place appropriate mechanisms such as strong internal control systems. For this to be successful however, it needs to be supported by a clear zero-tolerance approach, and backed-up by the necessary “political-will” at the highest levels of the organisation (the cornerstone of which is the presence of a “Principled” Principal). To be effective in a development environment however, any such system will need to be grafted onto indigenous structures such as local networks, which in this case played a key role in countering the more entrenched forms of network-based corruption.

As a minimum, it is hoped that the case study used here helps to raise awareness of the potential for internal corruption within development NGOs, and encourages others to take up the topic in an effort to fill what is currently a gap in the literature (though this may not be easy unless the researcher has inside access). Whilst only scratching the surface, as a practitioner in the field, I see this as a first step, and hope that it interests others enough to take up the challenge of ensuring that NGOs proactively take steps to ensure that that the funds entrusted into their care are used for the purpose for which they are given.

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## **Appendix A: List of Potential Ethical Issues**

Below is a list of potential ethical issues identified prior to the research being carried out, along with the actions taken to remove the risk, or reduce it to an acceptable level. They are based on a review of the requirements as laid down in the MUHEC Code of Ethical Conduct for Research, Teaching and Evaluations Involving Human Participants.

<b>Potential Ethical Issue</b>	<b>Comments / Action Taken</b>
<p>Risk of Harm to Groups/ /Institutions (<i>Section 10.1 and 10.3</i>)</p>	<p>Given the sensitivity of the subject matter at hand, and the potential negative impact and/or publicity on those involved, the following actions were taken:</p> <ol style="list-style-type: none"> <li>1) Internal survey to be anonymous and carried out by an external research assistant;</li> <li>2) Use pseudonyms for the name of organisation involved in the case study, ‘NGO-X’ (including change in organisational nomenclature used), and of the international federation it is a member of (‘NGO-Int’); and,</li> <li>3) Use of pseudonym position title, as opposed to individual’s names.</li> <li>4) Application for the thesis to be embargoed.</li> </ol>
<p>Informed &amp; Voluntary Consent / Respect for Privacy &amp; Confidentiality (<i>Sections 11 &amp; and 12</i>).</p>	<p>The nature and sensitivity of the research subject may result in participants (in particular internal ones, as staff members of NGO-X) being reluctant to discuss the issue openly and honestly. The factors for this may include:</p> <ul style="list-style-type: none"> <li>• The researcher also holding the position of country director;</li> <li>• Lack of trust that the results will be used for research purposes only, and that they may be efforts by management to solicit information that will lead to disciplinary purposes (especially if involving instances of corruption previously not reported);</li> <li>• A general “fear of the unknown”, a phenomenon expressed by many Malawians; and,</li> <li>• Fear of potential retribution from others</li> </ul> <p>Whilst some participants may provide their oral consent, it is anticipated that most will insist on anonymity. As such, written informed and voluntary consent will not be possible in many cases.</p> <p>To address the above issues the following steps were taken:</p> <ol style="list-style-type: none"> <li>1) Adherence to all requirements regarding disclosure of information outlined in the MUHEC Code of Ethical Conduct;</li> </ol>

	<ol style="list-style-type: none"> <li>2) Use of an external ‘neutral’ research assistant to carry out the internal survey;</li> <li>3) See also steps outlined in ‘Risk of Harm to Groups/ /Institutions (<i>Section 10.1 and 10.3</i>)’ above.</li> </ol>
<p>Avoidance of Unnecessary Deception (<i>Section 13</i>)</p>	<p>Whilst wilful deception will not be used as a means for data collection, given the subject matter, linked with the researcher’s position as country director of NGO-X, an element of covertness and investigation may be needed at times.</p> <p>Balancing up the need to avoid any unnecessary deception, yet at the same time ensure that participants responses were not biased by the sensitivity of the subject, they were informed that the aim of the project was to look at:</p> <p>“How external agencies in Malawi seek to impose and enforce western values on staff within their organizations. It seeks to show how such an attitude from the Western agencies can be counter-productive if they do not understand the cultural context in which they are operating”.</p> <p>It was felt that this would be more beneficial to couch it in these terms rather than specifically referring to the research being on corruption.</p>
<p>Avoidance of Conflict of Roles/Interest (<i>Section 14</i>)</p>	<p>During the collection phase of the research the researcher held the position of country director for NGO-X, leading to a number of potential of Conflict of Interests:</p> <ol style="list-style-type: none"> <li>1) Between the researcher and internal participants: Due to this, extreme care was taken when dealing with employees in order that they did not perceive themselves to be in a “dependent relationship”. In support, the survey of internal participants was “anonymous” (with little if any identifying information being collected from those involved) and facilitated by a neutral outsider; and,</li> <li>2) Between the researcher and his access to documents – as Country Director - that may ordinarily be considered confidential to the organisation: It was recognised that this was somewhat of a grey area, with extreme care taken on what information could be used. Wherever possible, the researcher avoided the use of documents accessible to him, as the Country Director, and that may have been perceived as being confidential. Before any document was used, the benefits of its contribution to further the overall research aim was weighted against the various ethical issues involved.</li> </ol>

## **Appendix B: Internal Survey Questions**

### **(a) Demographic Characteristics of Respondent** (Where there is a choice, please circle the relevant item)

Age: 18-30 years / 31-40 years / 41-50 years / 50+ years  
 Gender: M / F  
 Birth Language: \_\_\_\_\_  
 Qualification: JCE / Some secondary schooling / MSCE / Certificate / Diploma / Advanced Diploma / Professional Qualification / Undergraduate Degree / Post Graduate Degree  
 Position: Senior Management / Facility Management / Support Staff  
 Time with Organisation: 2 year or less / 3 to 5 years / 5 to 10 years / 10+ years

### **(b) Values System:**

<b><u>Question 1 - How much do you agree or disagree with the following statements?</u></b>	<b>Select which of these option that best fits</b>			
	<b>Strongly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
k) When someone does well, other people in the community are pleased for them				
l) In our society, people tend to be open about issues and tell others how they really feel				
m) People are like children, their employer should take care of them as a parent				
n) Jealousy and mistrust amongst others is a problem in our society				
o) It is unfair if somebody does better than others, as we should all share things equally				
p) It is important to support and help family members, as they are more important than our allegiance to our organisation				
q) In our society, we are quite secretive, and need to be careful who we trust				
r) When someone has done well, it tends to create jealousy and conflict within the community				
s) It is important to maintain peace and be polite and respectful at all times. Therefore it is best not to be open on how you feel, as you never know who you can trust				
t) It is alright for some people to do better than others, as not everyone can share in good fortune and wealth				

### **(c) Definition / Attitudes to Corruption:**

<b><u>Question 2 - Do you agree or disagree with the following questions?</u></b>	<b>Agree</b>	<b>Disagree</b>
Something can only be called corrupt if it is illegal		
It isn't corrupt if what is taken is shared with others		

If an organisation does not have good controls in place, that gives someone an opportunity to be corrupt, then it is the organisations fault and not the persons fault		
If something is done for the right reasons, it cannot be called corrupt		
You can't call something corrupt if everybody is doing it		

**Question 3 – How do you define corruption?:**

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<b><u>Question 4 - Do you agree or disagree with the following questions?</u></b>	<b>Agree</b>	<b>Disagree</b>
Avoiding procedure is sometimes justifiable to get past bureaucratic red tape.		
Our organisation can afford to sustain minor theft without worrying about it.		
There is nothing wrong with outside suppliers offering gifts to employees to attract business.		

**(d) Perceptions of Corruption (Mmene akuganzira):**

<b><u>Question 5</u></b>	<b>Major Problem</b>	<b>Minor Problem</b>	<b>Not a Problem</b>	<b>Don't Know</b>
How serious a problem do you feel corruption is in Malawi?				
How serious a problem do you feel corruption is within your organisation?				

<b><u>Question 6 - As at today's date, how many people in your organisation do you <i>feel</i> were involved in practices you <i>feel</i> may be corrupt?</u></b>	<b>None</b>	<b>Some of them</b>	<b>Most of them</b>	<b>All of them</b>	<b>Don't Know</b>
At Senior Management level					
At Facility Management / Middle Management /Facility Managements Team level					
At Staff at Facility Level/Support Staff level					

<b><u>Question 7 – Over the past <i>four years</i> how do you <i>feel</i> corruption within your organisation has changed?</u></b>	<b>Corruption has decreased</b>	<b>Corruption has increased</b>	<b>Corruption has stayed the same</b>	<b>Don't Know</b>
At Senior Management level				
At Facility Management / Middle Management /Facility Managements Team level				
At Staff at Facility Level/Support Staff level				

**Why do you think is has changed?**

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<b>Question 8 - Scenarios used (including abbreviations) for question 8(a) to (c) below</b>
a) An employee occasionally takes a box of note pads and pens from the office stores cupboard to donate to the local community centre. ( <b>TAKE NOTE PADS</b> )
b) An employee uses her position or influence to get a friend (who has the right qualifications) a job in the organisation. ( <b>HELPING FRIEND</b> )
c) An employee is offered K5,000 from a company to accept a tender which is before him. He only takes the money to cover his child's hospital bills. ( <b>HOSPITAL BILLS</b> )
d) An employee regularly adds extra days onto her business trips to visit friends. She claims the extra days as part of her travel expenses. ( <b>BUSINESS TRIP CLAIM</b> )
e) An employee shares information from another employee's personal file with a friend or colleague ( <b>SHARE INFORMATION</b> )
f) An employee uses work time and resources for photocopying weekly notices to be distributed at a church function? ( <b>CHURCH FUNCTION</b> )
g) A cashier decides to borrow some of the money they have collected to pay for their child's school fees, but intends to pay the amount back when they get paid their wages ( <b>SCHOOL FEES</b> )
h) An employee decides to take home some milk powder from work as they did not have time during the day to go to the shop to buy it ( <b>MILK POWDER</b> )
i) An employee is provided with an allowance to attend a workshop. When he gets there, the organisers provide him out of pocket expenses. He keeps both ( <b>ALLOWANCES</b> )
j) An employee on duty travel to another location finishes his business in the morning, and decides to spend the rest of the day using the organisations vehicle to visit relatives living 100km's away? ( <b>VISITNG RELATIVES</b> )
k) An employee sets up a personal business with other family members, and then supplies goods to the organisation. The employee makes does not mention that he is involved in the business. ( <b>PERSONAL BUSINESS</b> )
l) An employee undertakes personal business (eg a hair-cut, banking, shopping) during work hours ( <b>PERSONAL ERRANDS</b> )
m) After distributing second hand clothes donated to the organisation for beneficiaries, there is a bag of them left over. Those staff involved in the exercise then share the remaining items equally between themselves ( <b>SECOND HAND CLOTHES</b> )

**Question 8(a) to (c) relate to the scenarios outlined above. Respondents are asked to rate acceptable & justifiable they believed the behaviour to be. They were also asked to judge whether the conduct was corrupt or not.**

<b>Question 8(a): On a scale of 1 to 4, how <i>acceptable</i> do you feel the above scenarios/behaviours to be?</b>		<b>Question 8(b): On a scale of 1 to 4, how <i>justified</i> do you feel the above scenarios/behaviours to be?</b>		<b>Question 8(c): In your <i>opinion</i>, which of the above scenarios do you feel was corrupt?</b>	
1 = Totally acceptable 2 = Slightly acceptable 3 = Slightly unacceptable 4 = Totally unacceptable	Scale 1-4	1 = Totally justified 2 = Slightly justified 3 = Slightly unjustified 4 = totally unjustified	Scale 1-4	Y = Corrupt N = Not Corrupt	Y / N
a) NOTE PADS FOR COMMUNITY		a) NOTE PADS FOR COMMUNITY		a) NOTE PADS FOR COMMUNITY	
b) HELPING FRIEND		b) HELPING FRIEND		b) HELPING FRIEND	
c) HOSPITAL BILLS		c) HOSPITAL BILLS		c) HOSPITAL BILLS	
d) BUSINESS TRIP CLAIM		d) BUSINESS TRIP CLAIM		d) BUSINESS TRIP CLAIM	
e) SHARE INFORMATION		e) SHARE INFORMATION		e) SHARE INFORMATION	
f) CHURCH FUNCTION		f) CHURCH FUNCTION		f) CHURCH FUNCTION	
g) SCHOOL FEES		g) SCHOOL FEES		g) SCHOOL FEES	

h) MILK POWDER		h) MILK POWDER		h) MILK POWDER	
i) ALLOWANCES		i) ALLOWANCES		i) ALLOWANCES	
j) VISITNG RELATIVES		j) VISITNG RELATIVES		j) VISITNG RELATIVES	
k) PERSONAL BUSINESS		k) PERSONAL BUSINESS		k) PERSONAL BUSINESS	
l) PERSONAL ERRANDS		l) PERSONAL ERRANDS		l) PERSONAL ERRANDS	
m) SECOND HAND CLOTHES		m) SECOND HAND CLOTHES		m) SECOND HAND CLOTHES	

**(e) Perceived prevalence of various activities:**

Personal Experience:

**Question 9 - Have you ever directly experienced somebody in your organisation doing something you considered was corrupt?**

Yes / No (circle appropriate answer)

**If ‘Yes’, what was it?** (No identifying information need be given, just a simple description of the activities)

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**Question 10 - Have you ever heard from *another* employee about somebody in your organisation doing something that was considered corrupt?**

Yes / No (circle appropriate answer)

**If ‘Yes’, what was it?**

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<b>Question 11 - How regularly do you feel the following activities occur within your organisation?</b>	<b>Question 11(a)</b>				<b>Question 11(b)</b>
	<b>Never</b>	<b>Occasionally/ Sometimes</b>	<b>Regularly</b>	<b>Unsure</b>	<b>Rank the top 5 from most frequent (1) to least frequent (5)</b>
Accepting money or Bribes					
Taking organisational resources home (eg office supplies etc)					
Withholding information					
Breach of the organisation’s Policy or Procedures					
Favouritism towards friends or relatives					
Improper sharing of confidential Information					
Not telling the truth about something					
Failure to disclose conflicts of interest (eg second jobs, or holding ownership or interest in a potential supplier to the organisation)					

Use of organisational resources for private or personal use					
Dishonesty					
Falsifying information, forgery, or fraud					
Theft/Stealing organisational resources					
A staff member using their position for personal gain					
Not reporting matters to management					
Being influenced/coerced by others to do favours					

**(f) Systems of internal controls**

<b>Question 12 - How much do you agree or disagree with the following statements?</b>	<b>Select which of these option that best fits</b>			
	<b>Strongly Agree</b>	<b>Agree</b>	<b>Dis-agree</b>	<b>Strongly Disagree</b>
a) Over the past 3 years, staff within the organisation are more aware of issues of corruption				
b) Over the past 3 years, internal controls and finance processes and procedures within the organisation have improved and has led to a higher level of accountability				
c) It doesn't matter what leadership/management style is used (eg compare the current leadership style with the leadership style of previous management), as this does not affect the level of corruption within an organisation				
d) Over the past 3 years, the level of reporting of corruption by staff has increased.				
e) The introduction of strong internal controls and financial processes and procedures are unnecessary as it is only slows things down and is a sign that management does not trust its staff				

**(g) Attitudes to reporting corruption:**

<b>Question 13 - Attitudes to Reporting of Corruption</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
It is okay to report corruption in the organisation				
There is no point in reporting corruption as nothing useful will be done about it.				
It's my responsibility to report corruption I see in my organisation				
Most corruption is too trivial to be worth reporting				
People who report corruption are likely to suffer for it.				
I personally can do something about corruption in my organisation				
People who report corruption are just troublemakers.				

<b>Question 14(a) - Likelihood of reporting corruption</b>	<b>Very Likely</b>	<b>Likely</b>	<b>Unlikely</b>	<b>Very Unlikely</b>	<b>Depends</b>
How likely is it that <u>you</u> as an individual would report <u>serious corruption</u> ( <i>being something that might result in criminal conviction</i> )?					
How likely is it that <u>you</u> as an individual would report <u>less serious corruption</u> ?					

<b>Question 14(b) - Who would you report to?</b>	<b>Police</b>	<b>Supervisor</b>	<b>Fellow Employee</b>	<b>Friend</b>	<b>Head of the organisation</b>	<b>Financial Controller</b>	<b>Other</b>
Who would you most likely report to if you knew of <u>serious corruption</u> ( <i>being something that might result in criminal conviction</i> )?							
Who would you most likely report to if you knew of <u>less serious corruption</u> ?							

<b>Question 15 - Which of the following factors would stop you or influence your decision on whether you reported what you felt was corrupt?</b>	<b>Yes</b>	<b>No</b>
How serious the matter was		
Fear of retribution from other staff members or the person accused.		
The affect it would have on the accused person's family		
Concerns about what other staff members might think of me if I report the matter		
Concerns about the backlash or other effect on my family		

<b>Question 16 - What action would you take if you came across the following scenarios (see question 8)</b>	<b>Do nothing (keep it to myself)</b>	<b>Talk to the person about the matter</b>	<b>Talk to a friend</b>	<b>Report it to the persons <u>direct supervisor</u></b>	<b>Report it to another senior manager</b>	<b>Report it to an <u>outside authority</u> (eg police)</b>
n) NOTE PADS FOR COMMUNITY						
o) HELPING FRIEND						
p) HOSPITAL BILLS						
q) BUSINESS TRIP CLAIM						
r) SHARE INFORAMATION						
s) CHURCH FUNCTION						
t) SCHOOL FEES						
u) MILK POWDER						
v) ALLOWANCES						
w) VISITNG RELATIVES						
x) PERSONAL BUSINESS						
y) PERSONAL ERRANDS						
z) SECOND HAND CLOTHES						

**(h) Perceptions on the Causes of Corruption:**

<b>Question 17(a): Which of the following do you feel is a contributing cause to corruption happening?</b>		<b>Question 17(b): On a scale of 1-4, how strong do <i>you feel</i> the influence of the following factors are in someone undertaking corrupt behaviour?</b>		<b>Question 17(c): Rank what <i>you feel</i> are the top 4 causes in order of the biggest influence on corruption (1), to least influence on corruption (4)?</b>	
Y = Corrupt N = Not Corrupt	Y / N	1 = Extremely large influence 2 = Large influence 3 = Some/Small influence 4 = No influence at all	Scale 1-4	Ranking (1 = biggest influence)	Ranking
Poverty		Poverty		Poverty	
Pressure from Extended Family		Pressure from Extended Family		Pressure from Extended Family	
Greed		Greed		Greed	
Poor Management		Poor Management		Poor Management	
Pressure from others doing it (peer-group pressure)		Pressure from others doing it (peer-group pressure)		Pressure from others doing it (peer-group pressure)	
Staff dissatisfied with organisation		Staff dissatisfied with organisation		Staff dissatisfied with organisation	
People not thinking of the consequences of their actions		People not thinking of the consequences of their actions		People not thinking of the consequences of their actions	
Other _____		Other _____		Other _____	

## Appendix C: External Survey Questions

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Organisation: \_\_\_\_\_

Number of Employees: \_\_\_\_\_

Time in Malawi: 2 years or less / 3 to 5 years / 5 to 10 years / 10 to 15 years / 15+ years

Birth Language/Nationality: \_\_\_\_\_

Age: 18-30 years / 31-40 years / 41-50 years / 50+ years

Gender: M / F

<b>Question 1 - Based on your experience/knowledge of Malawian society, how much do you agree or disagree with the following statements?</b>	<b>Select which of these option that best fits</b>			
	<b>Strongly Agree</b>	<b>Agree</b>	<b>Dis-agree</b>	<b>Strongly Disagree</b>
u) When someone does well, others in the community are pleased for them				
v) People tend to be open about issues and tell others how they really feel				
w) People are like children, they expect their employer to take care of them as a parent				
x) Jealousy and mistrust is a problem in Malawian society				
y) It is seen as unfair if somebody does better than others, as people feel things should be shared equally				
z) It is seen as important to support and help family members, as it is felt that they are more important than peoples allegiance to the organisation				
aa) People are quite secretive, and are careful who they trust				
bb) When someone has done well, it tends to create jealousy and conflict within the community				
cc) It is seen as important to maintain peace and be polite and respectful at all times. Therefore people feel it is best not to be open about how they feel, and people are careful who they should trust				
dd) People feel it is alright for others do well, as not everyone can share in good fortune and wealth				
ee) "Fear of the unknown" is a common phrase used by people in Malawi				
ff) Issues tend to be personalised rather than matter being dealt with in an objective way				

### **Question 2 – How do you define corruption?**

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<b>Question 3</b>	<b>Major Problem</b>	<b>Minor Problem</b>	<b>Not a Problem</b>	<b>Don't Know / Not Applicable</b>
How serious a problem do you feel corruption is in Malawi?				
How serious a problem do you feel corruption is within your organisation?				

<b>Question 4 - As at <i>today's date</i>, how many people in your organisation do you <i>feel</i> were involved in practices you consider may be corrupt?</b>	<b>None</b>	<b>Some of them</b>	<b>Most of them</b>	<b>All of them</b>	<b>Don't Know / NA</b>
At Senior Management level					
Middle Management level					
Staff / Support Staff level					

<b>Question 5 – Over the past <i>four years</i> how do you <i>feel</i> corruption within your organisation has changed?</b>	<b>Corruption has decreased</b>	<b>Corruption has increased</b>	<b>Corruption has stayed the same</b>	<b>Don't Know / NA</b>
At Senior Management level				
At Middle Management level				
At Staff / Support Staff level				

**Why do you think is has changed?**

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**Question 6 - Have you ever directly experienced somebody in your organisation doing something you considered was corrupt?**

Yes / No (circle appropriate answer)

**If 'Yes', what was it?** (No identifying information need be given, just a simple description of the activities):

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<b>Question 7 - How regularly do you feel the following activities occur within your organisation?</b>  <b>Please complete part (a) and (b) of the question</b>	<b>Question 7(a)</b>				<b>Question 7(b)</b>
	<b>Never</b>	<b>Occasionally/ Sometimes</b>	<b>Regularly</b>	<b>Unsure</b>	<b>Select the op 5 and rank them from most frequent (being 1) to least frequent (being 5)</b>
Accepting money or Bribes					
Withholding information					
Breach of the organisation's Policy or Procedures					

Favouritism towards friends or relatives					
Improper sharing of confidential Information					
Not telling the truth about something					
Failure to disclose conflicts of interest (eg second jobs, or holding ownership or interest in a potential supplier to the organisation)					
Use of organisational resources for private or personal use					
Dishonesty					
Falsifying information, forgery, or fraud					
Theft/Stealing organisational resources (eg taking resources home)					
A staff member using their position for personal gain					
Not reporting matters to management					
Being influenced/coerced by others to do favours					

<b>Question 8 - How much do you agree or disagree with the following statements?</b>	<b>Select which of these option that best fits</b>			
	<b>Strongly Agree</b>	<b>Agree</b>	<b>Dis-agree</b>	<b>Strongly Disagree</b>
f) Over the past 3 years, staff within my organisation are more aware of issues of corruption				
g) Over the past 3 years, internal controls and finance processes and procedures within my organisation have improved and has led to a higher level of accountability				
h) It doesn't matter what leadership/management style is used, as this does not affect the level of corruption within an organisation				
i) Over the past 3 years, the level of reporting of corruption by staff has increased.				
j) The introduction of strong internal controls and financial processes and procedures are unnecessary as it is only slows things down and is a sign that management does not trust its staff				

<b>Question 9 - What do you consider to be the general attitude of staff in your organisation in relation to each of the following statements</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Dis-agree</b>	<b>Strongly Disagree</b>
a) That it is okay to report corruption in the organisation				
b) People feel that there is no point in reporting corruption as nothing useful can be done about it.				
c) Staff consider most corruption is too trivial to be worth reporting				
d) Staff who report corruption are likely to be made to suffer by other staff members				
e) Staff who report corruption are seen as being troublemakers by other staff members.				

<b>Question 10 - Likelihood of a staff member within your organisation to report corruption</b>	Very Likely	Likely	Unlikely	Very Unlikely	Depends
(a) How likely is it that a staff member within your organisation would report <u>serious corruption</u> ( <i>being something that might result in criminal conviction</i> )?					
(b) How likely is it that a staff member within your organisation would report <u>less serious corruption</u> ?					

<b>Question 11 - If a staff member were caught committing an offence that may result in a criminal conviction, what do you feel would be the reaction of the majority of staff?</b> (NB this is a multiple choice question, therefore only select one option)	Please select only one
a) Staff would feel that the organisation should forgive the person, and not to take any further action?	
b) Staff would feel that the organisation should allow the person the opportunity to repay the money, but not take any further action?	
c) Staff would feel that the organisation should allow the person to repay the money, and then give them a warning?	
d) Staff would feel that the organisation should dismiss the person, but take no further action.	
e) Staff would feel that the organisation should dismiss the person, but make them repay the money	
f) Staff would feel that the organisation should dismiss the person, and report the matter to the authorities	

<b>Question 12(a): Which of the following do you feel is a contributing cause to corruption happening in Malawi?</b>		<b>Question 12(b): On a scale of 1-4 how strong do <u>you feel</u> the influence of the following factors is in someone undertaking corrupt behaviour in Malawi?</b>		<b>Question 12(c): Rank what <u>you feel</u> are the top 4 causes in order of the biggest influence on corruption (1), to least influence on corruption in Malawi (4)?</b>	
Y = Corrupt N = Not Corrupt	Y / N	1 = Extremely large influence 2 = Large influence 3 = Some/Small influence 4 = No influence at all	Scale 1-4	Ranking (1 = biggest influence)	Ranking
Poverty		Poverty		Poverty	
Pressure from Extended Family		Pressure from Extended Family		Pressure from Extended Family	
Greed		Greed		Greed	
Poor Management		Poor Management		Poor Management	
Pressure from others doing it (peer-group pressure)		Pressure from others doing it (peer-group pressure)		Pressure from others doing it (peer-group pressure)	
Staff dissatisfied with organisation		Staff dissatisfied with organisation		Staff dissatisfied with organisation	
People not thinking of the consequences of their actions		People not thinking of the consequences of their actions		People not thinking of the consequences of their actions	

**Question 13** - Is corruption viewed different in other countries that you have worked? If so how?

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**Question 14** - Is there any other information you would like to share regarding your view-points of how Malawian society view the issue of corruption (if so, please note this down here):

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## **Appendix D: Participant Information Sheet**

### **INFORMATION SHEET**

#### **(i) Researcher(s) Introduction:**

This project is being carried out under the auspices of Massey University. The information collected will be used for research purposes only, and is being undertaken as a requirement for the awarding of a Masters of Philosophy in Development Studies.

In order to ensure participants confidentiality, all information will be collected via an anonymous questionnaire facilitated by an independent representative of Bunda College of Agriculture. No identifying information will be shared with any person or institution not involved in the research.

#### **(ii) Project Description and Invitation to participate in the research:**

The project is aimed at looking at how external agencies in Malawi seek to impose and enforce western values on staff within their organizations. It seeks to show how such an attitude from the Western agencies can be counter-productive if they do not understand the cultural context in which they are operating. As such, this research tries to understand staff's perceptions and beliefs involving this.

In light of this, you are invited to participate in this research by undertaking a questionnaire administered by an external facilitator contracted through Bunda College of Agriculture. All information collected will be anonymous, and will not be shared with your employer.

All parties involved with the collection and analyses of this data have signed confidentiality agreements confirming that any information collected will be forwarded to the researchers, and will not be shared with any other party.

#### **(iii) Participant Identification and Recruitment**

Researchers have randomly selected a cross-section of staff-members using a list provided by your organisation. The names of participants selected have not been shared with your employer.

In order to ensure appropriate coverage, it is anticipated that at a minimum of 30 to 60 completed questionnaires will be collected from participants.

There is no risk to participants, as the questionnaire involved will be administered anonymously, with no personal details recorded.

#### **(iv) Project/Research Procedures**

Should you agree to participate in this research, you will be asked a series of questions by the facilitator.

The questionnaire is anonymous, and will take approximately 45 minutes to complete.

No financial payments or inducements will be provided to participants.

**(v) Data Management**

All data collected will be done so in order to ensure the anonymity. Once collected, it will be forwarded to the researcher, who will use it for the intended purpose only.

As the information contained in the questionnaires will be aggregated, answers from individual questionnaires will not be used in isolation, therefore helping to once again confirm anonymity.

All parties involved with the collection and analyses of this data has signed confidentiality agreements confirming that any information collected will be forwarded to the researchers, and will not be shared with any other party.

**(vi) Participant's Rights**

You are under no obligation to accept this invitation. Whilst you have the right to decline to answer any particular question, completion of the questionnaire implies consent.

**(vii) Project Contacts**

Researcher: Mr Jeremy Sandbrook

Supervisor: Associate Professor Glenn Banks  
School of People, Environment and Planning  
College of Humanities and Social Sciences  
Massey University

Should you have any questions about this project, please feel free to contact the researcher and/or supervisor.

**(viii) Compulsory Statements**

This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher named above is responsible for the ethical conduct of this research.

If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher(s), please contact Professor Sylvia Rumball, Assistant to the Vice-Chancellor (Research Ethics), telephone 06 350 5249, email [humanethics@massey.ac.nz](mailto:humanethics@massey.ac.nz).

## **Appendix E: Overview of ERP Internal Controls**

### ***(i) General***

NGO-X operated a highly centralised finance system with all cheques issued by the NO. A Financial Delegation policy had been established which clearly outlined which officers had the authority to legally commit the National Association to various types of expenditure. This operated within the annual financial budget frame approved by the Board of Trustees.

Financial processes and procedures covering financial requisitions and the issuance of cheques and LPOs were in place, and internal controls had been assessed by the NGO-INT Regional Office as being amongst the most comprehensive in the region

There was also appropriate segregation of duties within the system in order to reduce the opportunity for fraud.

### ***(ii) Purchases / Delivery***

**Requisition process:** All purchases were made using a standard requisition form and needed to be accompanied by three independent quotes. Unless a clear written reason was provided, the lowest quote was automatically accepted. If three quotes were not able to be obtained, a clear and valid written explanation for this needed to be included with the form.

<b>Requisition/Purchase Process</b>	
<b>Function</b>	<b>Step</b>
Facility Administrator	Responsible for collecting quotes and completing the requisitions form. This included providing a justification for the items requested, and confirmation that the purchase fell within the facility budget. Form submitted to the Facility Head
Facility Head	Reviews and signs off requisition form, confirming the items are indeed justified, and the purchase is in order. Form forwarded to the NO
Financial Controller (FC)	Requisition form checked for “completeness”, and if in order signed and forwarded to a senior manager with the appropriate financial delegation to legally commit NGO-X to the purchase
CD / DCD	Final review and approval
FC / Finance Department	Facility Head is notified of approval, and authorised to commit the expenditure; Local Purchase Order raised (if required) and signed by the Financial Controller and the CD Cheque raised on receipt of invoice and released to supplier.

## Delivery Process

Delivery Process	
Function	Step
Facility Head / Administrator	Liaises with the supplier for the items to be delivered (NB store-rooms at the NGO-X Vocational Training Centre were used as storage facilities)
Finance Representatives	Goods receipted into the warehouse by two finance staff (being an NO representative and the Administrator from the CBP facility, who are both required to sign-off on the Delivery Note, which is then forwarded to the Facility Administrator as proof of delivery.
ERP Warehouse Monitor	Items into the appropriate warehouse registers and signs-off in conjunction with step above
Facility Head / Coordinator	Cheque released on receipt of signed proof of delivery from Finance Representatives
Facility Administrator	Delivery note and receipt forwarded to the NO for record keeping.

### *(iii) Staff*

Control of distribution was managed at facility level. Whilst the Lilongwe ERP required the employment of an additional 4 temporary Emergency Relief Food Monitors (including a Warehouse supervisor) for the duration of the project, the Mzuzu ERP relied on existing NGO-X field workers.

Both CBP Coordinators had end-to-end responsibility and accountability for the management and delivery of the project, whilst the DCD was responsible for providing the appropriate monitoring and oversight.

### *(iv) Initial Beneficiary Selection / Verification Process*

Beneficiary selection was done on a case-by-case basis using a CBP master list (central register) which contained existing CBP programme beneficiaries in the catchment area.

Beneficiaries on the CBP master list had undergone a verification processes which included community input and vetting from the local VDCs.

For admission into the ERP, each beneficiary on the list was individually assessed by both a fieldworker (in-situ) and a VDC representative. Those in *need* were then entered onto the ERP distribution list that was then cross-checked against the CBP master list (referred to above). It was then signed off by the Field worker and VDC representative and counter signed by the CBP Coordinator. A copy was then forwarded to the National Office.

***(v) Distribution / Verification Process***

Distribution for the Lilongwe ERP was carried out monthly at four pre-assigned distribution points within the catchment area. Each intended beneficiary received 25kgs of maize, 5kgs of beans, and 1 litre of cooking oil.

Each physical distribution was directly supervised by a temporary ERP monitor and an NGO-X field worker, in conjunction with members of the VDC. Also present was the local Government Representative from the Ministry of Agriculture, who worked with both the beneficiaries and NGO-X on other community-based programmes. Overall oversight was provided by the Facility Head.

On identifying themselves to the ERP monitor, the beneficiary's identification was verified by members of the VDC, before being marked off the master list. ERP items were then distributed to the individual by the field worker.

The beneficiary signed (or provided a thumbprint) confirming receipt of the items, which in turn was counter-signed by the ERP Monitor, the Chairman of the VDC, the government representative, as well as the NGO-X fieldworker. These were then reviewed by the CBP Coordinator after each monthly exercise, who then reported to the DCD.

Prior to each distribution, ERP relief monitors conducted home visits to confirm if the beneficiary was still in need of relief items, and updated the master distribution list in consultation with the VDCs.

The ND physically visited 2 of the 6 distributions. In the case of the second visit, he was accompanied by members from their Northern partner who was visiting at the time.

**Monitoring & Reporting / Audit Process**

Updated reports were provided by the Lilongwe CBP Coordinator, though not as regularly as outlined in the original project proposal. The reports were reviewed by the DCD before being sent on to the NGO-INT and the donor.

In addition to this, the project was subject to both annual external audits and an overall project audit. A separate capacity audit was also carried out by representatives of one of the donors