Aid Diversion and Reporting Policy

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	Print Name	Job Title/Role	Signature	Date
Department Quality Review	**Ahmed Moustafa**	**Associate Director of Programmes**	*Ahmed Moustafa*	Jul 29 2024
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Reviewed and Approved by Deputy CEO	**Owais Khan**	**Deputy CEO**	*Owais Khan*	Aug 08 2024
Reviewed and Approved by	**Ahmed Nasr**	**Director of Performance and Accountability**	*Ahmed Nasr*	Jul 27 2024
Reviewed and Approved by BOT	**Dr Kamil Omoteso**	**Trustee/Chair**	*Kamil Omoteso*	Jul 28 2024
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Policy Owner	Programmes
Key Responsibilities	**All staff**
Associated Documents	

Revision History

Revision History (Provide summary of changes and justification)	Changes reviewed & approved by	Date of review & approval	Date effective

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1. Introduction to Human Appeal

Human Appeal is an incorporated UK charity working across the globe to strengthen humanity's fight against poverty, social injustice and natural disaster through the provision of immediate relief and establishment of self-sustaining development programmes. Our vision is to contribute to a just, caring and sustainable world free of poverty. Human Appeal does this by raising money to fund immediate and long-term sustainable solutions and empower local communities.

Problem Statement

In areas affected by humanitarian disasters, there may exist an array of political and military actors (including terrorists) that can leverage humanitarian assistance to their own benefit, rather than for the intended beneficiary group. This is defined as Aid Diversion. Aid diversion can happen for non-malicious reasons also as highlighted below.

Aside from just wastage of resources, aid diversion also poses the following critical risks to Human Appeal operations:

- FUNDING: Aid Diversion poses a challenge for humanitarian organisations like Human Appeal as the governments and donors that fund its work have very low-appetite for non-compliance, corruption and fraud risks to the point that a single breach could compromise funding for an entire humanitarian response.

- RISKS TO STAFF AND COUNTRY OPERATIONS: Aid diversion also carries the risk of breaking our neutrality in humanitarian zones and allegations of partisan alignment may lead to possible arrest of staff, shutdown of operations by governments etc.

- UNMET NEEDS: Lastly, aid diversion deprives the intended recipients of much-needed humanitarian aid. Although not all aid diversion is done in a malicious way (for instance, in some cases, disaster affectees other than the intended disaster affectees may seize aid as a matter of survival) however, even non-malicious aid diversion poses a compliance issue with donors as its impact can't be tracked or accounted for. Furthermore, it may result in the deprivation of the most vulnerable groups (identified during Human Appeal's project design phase) from much-needed aid. Aid diversion may also be done in order to deprive a specific tribe, ethnicity, gender or group against which the aid diverting party may want to discriminate.

These risks are much higher in countries and regions where there is a breakdown in law and order, high criminality and/or where armed actors and proscribed groups are operating. Hence, aid delivery is at risk of diversion due to pilfering, armed robbery, looting, enforcing unauthorized taxes and fees under different pretexts and the actions of armed actors.

2. Policy Statement and Objectives

Human Appeal is determined that its funds and resources should only be used to further its mission and shall not be used for any illicit activities or abused by any third-party.

However, Human Appeal is determined to strictly observe the core principles of independence and impartiality and thus does not want its assistance to be misused to support the activities of any partisan party in a military conflict, any terrorist activities or any other illicit activities.

Human Appeal respects its compliance agreements with donors and respects local laws and aims to strictly operate within the contractual and legal boundaries permitted when it comes to the work undertaken by HA.

Human Appeal's assistance is only intended to address deprivation of human rights of people without discrimination on the basis of gender, age, ethnicity or any other distinction.

Human Appeal's policy is aimed at rigorously managing our projects from start to finish in such a way so as to ensure that our funds and resources are being used effectively and entirely for their intended purpose of alleviating poverty and supporting those in need.

Human Appeal understands that its work spans different geographical locations which may be in proximity to proscribed groups and the charity understands the risks associated with the delivery of high value aid in fragile contexts. Human Appeal aims to takes all steps to ensure that funds and resources do not fall into the hands of proscribed groups and is committed to take all steps and measures to ensure this core principle of its work is a priority.

As such, this policy document is aimed at mitigating the risks of its aid being diverted as much as possible. Where local policies and laws are not in agreement, local laws need to be followed and the difference notified to HA UK.

3.   Roles and Responsibilities

All Human Appeal senior management, project staff, volunteers, consultants and other stakeholders are responsible for knowing the contents of this policy and its procedures.

The responsibility for monitoring a robust aid diversion system is shared, but primarily rests with programme managers and finance teams making disbursements. Since there is both a reputational as well as financial risk associated with aid diversion, the ultimate accountability rests with the head of office in each location. Aid diversion and potential terrorist financing or money laundering can have existential implications for the organisation on the whole.

4.   Policy Provisions

The following steps will be taken by programme staff on the ground in order to prevent aid diversion:

Project Planning

- Assess the local context for corruption risks and complete risk assessment and analysis. This risk assessment is undertaken on a mandatory basis prior to (and during) any deployment to high-risk

countries and countries where it is known that proscribed groups operate. In addition, there is also a higher level of diligence on countries/areas where there is poor access or communication which could lead to the likelihood of aid diversion.

- Identify and engage local elites/influentials in fighting corruption using, for example, participatory and acceptance approaches. Local influential and community representatives can be involved to identify criminal or terrorist groups that might exploit loopholes in the recruitment and selection system (or partner selection process) to infiltrate existing organisations and tap and divert funding channels.

- In humanitarian settings, rapid hiring from within the local population carries definite advantages but also has inherent risks of making systems and internal controls susceptible to manipulation by a disproportionate local staff body. This can be addressed by segregation of duties and responsibilities across different staff. This works because diverse gender, seniority and ethnicity serves to prevent collusion and collective manipulation of control systems.

Implementation

- Ensure culturally appropriate beneficiary participation throughout the programme cycle.

- Ensure a safe complaint mechanism so beneficiaries can report aid blockages. Any breaches of this policy must be reported under the organisation's Serious Incident Reporting mechanism. All incidents related to breach of policy and/or aid diversions are to be reported to the director of programmes who is the appointed internal officer (or the head of programmes in his absence). See Annex 3 – reporting mechanisms

Capacity Building

- Train staff in how to respond to coercion and intimidation, blockage by local elites or authorities and to requests for payments for access to beneficiaries. Specialist (and online) training may be provided as necessary to staff in working high risk locations.

- HA will endeavour to put in place measures for good governance and also aim to build capacity of local partner organisations where applicable.

- HA will seek to prevent Aid Diversion by putting in place stringent mechanisms for internal controls and due diligence especially in the following stages:

  o Recruitment and selection of staff

  o Selection of implementing partners

  o Internal controls to ensure due diligence in tendering process and vendor selection.

Evaluation

Continually evaluate to make sure Human Appeal's work through its staff and partners remains compliant with both UK law and the local jurisdiction in which its programmes are being implemented.

Continually evaluate to make sure Human Appeal's work through its staff and partners remains compliant with our anti-fraud, corruption and anti-bribery policies.

Financial Management

HA will use available resources to put in place financial disbursement safeguards using both physical, electronic and human resources. These can be in the form of accounting and reporting software's to track fund flows in a timely manner against activities. It can be deployment of necessary human resources for implementing segregation of duties or can be investing in security systems for securely handling liquid assets e.g. during cash transfers.

Reporting and responding to aid diversion:

HA will have a robust reporting mechanism available to staff beneficiaries and partners for reporting incidences of aid diversion and resolving it swiftly as well as periodic tracking of reporting and resolution metrics.

HA will maintain periodic compliance checks to track spending and tally spend against MEAL data in-house and with partners

Prevention of money laundering:

- HA will implement regulatory measures to prevent money laundering or redirection of funds especially for malicious or terrorist financing.

- HA will collaborate with banks to provide data for the purposes of CRS and FATCA to prevent inadvertent money laundering or tax evasion

- HA will flag risky financial transactions or anonymous donations for additional scrutiny. Scrutinise invoices, receipts and ensure stamped and paid.

- HA will keep a track of known Specially Designated Persons or Groups and check at the time of all disbursements. Furthermore, HA will minimise handling of funds outside of banking channels wherever feasible. This includes cash programming, livelihood programmes, cash for work etc.

- HA will actively monitor threshold levels for authorising cash transactions, cumulative petty cash and will limit large sole-source procurements/policy waivers.

Active Risk Management:

- HA will seek to have an active risk management approach– which is defined as the professional and rigorous process of undertaking coordinated activities to reduce exposure to risk by identifying, monitoring and tackling key risk factors and use it as a central organising principle of programme design and implementation.

- HA will maintain an active risk register and will monitor risk appetite in light of humanitarian imperative and balance it against prudent risk tolerance using risk thresholds tied to each activity.

- For illustration see the Annex 1 on the kind of risks to be considered.

- For reference resources on Risk Management in the Humanitarian Sector see Annex 2

5. Sanctions

It is a mandatory requirement that all incidents of aid diversion or loss of assets and funds shall be reported via the Serious Incident Reporting mechanism. Failure to comply with this requirement may result in disciplinary action and summary dismissal. This falls under Zero- Tolerance Policy wherein penalties for every infraction must be carried out and management does not have discretion to allow exceptions to punishment.

6. Policy Review

The Aid Diversion and Reporting policy was prepared by the Programmes function at Human Appeal. It will be reviewed every two years to ensure continuing appropriateness.

RISKS

Operational
- Inability to achieve objectives

Security
- Violence or crime

Safety
- Accident or illness

Information
- Data loss, breaches or misuse

Legal/Compliance
- Damage to integrity or credibility

Ethical
- Insufficient application of the humanitarian principles and duty of care, lack of adherence to organisational values and mandate

Reputational
- Damage to integrity or credibility

Fiduciary
- Misue of resources, including fraud, bribery and theft

Adapted from NRC (2020).

InterAction / Humanitarian outcomes 2016,	
NGOs and Risk: How international humanitarian actors manage uncertainty."	*http://www.interaction.org/wp-content/uploads/2019/02/ ngos_and_risk_-_february_2016.pdf*
NGOs and Risk: Managing uncertainty in local-international partnerships.	*http://www.interaction.org/blog/managing- risk-ininternational-and-local-ngo-partnerships/*
Security Risk Management: A basic guide for smaller NGOs"	*http://www.eisf.eu/library/security-risk-management-a-basicguide-for-smaller-ngos/*
Enterprise Risk Management - Understanding and communicating risk appetite."	*http://www.coso.org/Documents/ERM-Understanding-andCommunicating-Risk-Appetite.pdf*
Risk in Humanitarian Action: Toward a common approach."	*http://www.odi.org/publications/5463-risk- common-actionhumanitarian-approach- management*
Risk Management	*http://www.iso.org/iso-31000-risk-management.html*
Enterprise Risk Management - Integrated Framework.	*http://www.coso.org/Pages/erm-integratedframework.aspx*
Definitions of Terms related to Risk Management."	*http://www.iso.org/standard/44651.html*

Annex 3 – reporting mechanisms

1. *Widely disseminated complaint reporting hotline and email IDs*
2. *Aid Diversion Form drop boxes*
3. *The Aid diversion form (the form can be of a different format, but should broadly cover the following information)*

Organisation Name
Reported by (optional): _____
Name and contact email/mobile #: _____

Project Name	
Location	
Project Title	
Date Reported	
Date/Period of Incident Observed	*(Singular lone incident/ recurring Incident/ continuing practice)*
DESCRIPTION OF LOSS	
Type of loss	*Cash Property Assets Others (please specify)*
Description of items diverted	
Narrative with numbers	
Value of aid diverted	
Other projects or partners involved	
Actions taken/any reports made	
Summary of Incidence (*narrative chronological record of events that took place. Please be specific as possible* **)**	
Please attach any supporting documents/evidence	
Person/ group of persons responsible for Aid Diversion	
Additional information (optional)	

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