

Anti-corruption report 2008

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1 Introduction

This report is an attempt to summarise what DanChurchAid does to fight and prevent corruption with financial means administered by DanChurchAid. We call it "Anti-corruption report 2008". In connection to this report a "Corruption report" is published. It describes in depth the cases of corruption and fraud that DanChurchAid has handled over the past five years.

The initiative to write this report was made in late 2007 when the Board of DanChurchAid approved and launched a strengthened anticorruption project.

The objective is to inform openly about the problems envisaged with corruption in the countries we work in – and to describe how we try to solve the problems and prevent them in future.

The corruption incidents are shortly summarised in the end of this report. A detailed description of the corruption cases can be found in the Corruption Report.

2 Challenges

In general, we find the corruption cases from DR Congo to Cambodia; in food aid and in Humanitarian Mine Action; with partner organisations and DanChurchAid staff. The cases should be assessed on the background of 500 projects administered by DanChurchAid annually and a gross turnover of approx. DKK 400 million (approx. USD 75 million). **Thus, the amount in question makes less than one per thousand of the gross turnover.**

A general observation in connection with the corruption cases is that DanChurchAid is most vulnerable in weak and broken down countries such as Sudan, DR Congo and Burma/Myanmar. Countries marked by and suffering from wars and conflicts; countries with a very weak public administration, with dysfunctional banks and judicial system, with a very low level of education and the infrastructure more or less destroyed. Finally, we talk about countries in which former or present governments and dictators are notoriously known for extensive corruption and thereby have contributed to a culture in which the press, civil society and the general public have had limited possibilities to focus on and fight corruption. The country has promoted a culture of corruption that is difficult to combat until the political and administrative leaders take the lead.

At the same time, we are dealing with countries in which the difference between corruption and general practice often is vague. An example is DR Congo where, for a number of years, the civil servants received no salary, but had to make an income from demanding payment for the services they provided. Companies as well as popular organisations had to pay if they wanted to get their import licences or visas

Definitions

Corruption is defined by Transparency International DK as "misappropriation of entrusted authority for own gain". This definition is in accordance with the World Bank and OECD.

Corruption includes bribe, greasing, embezzlement, fraud, blackmail, nepotism.

Fraud is economic crime including various forms of swindle, fraud or forgery. It is fraud when a civil servant cheats people or companies for his/her own profit, or if civil servants are operating in the black market or in criminal circles.

Embezzlement or peculation is theft of public money by civil servants. I.e. those entrusted the administration of public funds embezzle the money. It may be directly by digging into the till or indirectly by using public funds for own consumption.

In the report the term 'corruption' is thus including both bribe, greasing and other forms of misappropriation (fraud and embezzlement) of funds administered by DanChurchAid.

for their expatriates. It was not considered corruption if the offices had fixed prices and issued a receipt. However, the opposite may be called corruption.

Thus, it is extremely difficult to work in those countries. We know the risk involved for things going wrong. However, at the same time, the countries have a huge need for help; and the people suffer twice: First, because their own government authorities oppress and abuse them. Second, because many donor organisations are afraid or do not want to work in the respective country from fear of things going wrong. DanChurchAid feels a special responsibility to help and engage ourselves in those countries – even if we know it is difficult.

Slender but good news is that in a large number of countries in which DanChurchAid works we see some progress in the fight against corruption. The press, the media, civil society, the judicial system as well as government and administration have more focus on corruption. We often see cases in which responsible politicians and civil servants or staff in popular organisations are forced to resign and are taken to court. It is also encouraging that more and more often, the control takes place locally and is carried out by national organisations and institutions. In addition, during the last few years international donors – from the World Bank to Danida – have intensified their anti-corruption procedures and guidelines.

DanChurchAid is developing methods to strengthen the local self-control. It can be in the form of transparent accounting procedures, openness in the administration in the organisations we support, publication of who we support and the amounts involved, including partners in dialogue fora and establishing of complaints procedures. In connection with our political space programmes, we are in a number of countries working closely together with partner organisations that are making a big effort to fight corruption in their respective countries, both through direct initiatives and through activities for increasing people's awareness of and influence on the economic dispositions at all levels of the public administration.

Humanitarian Accountability Project (HAP) International has just certified DanChurchAid. HAP International certifies international humanitarian organisations according to the quality of their administrative systems and how effective they are in securing the poor people a voice in the organisation. That is imperative for fighting corruption – and for developing good projects and programmes.

It should be stressed that these mechanisms are not only precautions against corruption, but in general against all forms of lack of timely care and commitment, which may cause that the recipients do not get the intended positive benefit from projects administered by DanChurchAid.

3 Guidelines

Typically, we reveal corruption either through our procedures, control mechanisms, evaluations and revision or through a tip from staff, partners or sister organisations. The methods often used to reveal corruption include:

- Programme- and project evaluations
- Monitoring visits and reports
- Financial reporting and project audit

DanChurchAid has developed central guidelines for partners and staff with a clearly expressed attitude to corruption:

- All partners sign a cooperation agreement for each project, including an anti-corruption clause;
- Purchases above a certain amount shall take place according our procurement manual. All purchases require a signed agreement with an anti-corruption clause;
- The staff manual for expatriates and "Staff Manual" for local staff describe clearly the tough disciplinary measures taken against an employee involved in corruption.

In addition, our appointment policy, accounting manual, programme management manual, evaluation- and monitoring tools as well as our policy against sexual abuse are bricks in the foundation for creating a reliable and anti-corrupt organisation.

When there is a well-founded suspicion of corruption, we have a clear practice:

- The relevant donor (Ministry of Foreign Affairs, the EU, Danish/foreign partners or others) is immediately informed about the suspicion (normally within one or two days);
- An investigation is initiated and in most cases a thorough audit;
- Steps are taken to make guidelines and procedures to stop and prevent further corruption.

If the investigation confirms the suspicion, we take further steps:

- If it is a DanChurchAid employee, disciplinary steps are taken and the employee is requested to return the amount in question;
- If it is a partner organisation, the partner is requested to take the necessary steps to stop, reveal and improve the conditions that led to corruption. The partner is requested to return the amount in question;
- Corruption is reported to the police unless special conditions speak against it (security, health/life, weighing of the effectiveness of the judicial system, court costs);
- The relevant donor (Ministry of Foreign Affairs, the EU or others) will receive a complete account of the extend, course and steps taken – in addition we inform relevant sister organisations;
- The case is published. Exemption can be made if publication is in conflict with our non-disclosure policy describing the special situations when DanChurchAid does not want to publish concrete information, e.g. due to the security of our staff or partners.

4 Other Initiatives

During the past year, in addition to the above guidelines and procedures, DanChurchAid has strengthened the efforts against corruption. In December 2007, we formulated and approved our own anti-corruption policy that includes:

- Founding of a cross-project group (including six man/months 2008-2009) for formulating and implementing an anti-corruption policy.
- Founding of ACT Nordic Initiative against Corruption and Serious Negligence (ACT NICS), a cross-Scandinavian group with representatives from Norwegian Church Aid, FinnChurchAid, Church of Sweden Aid, Diakonia and

DanChurchAid. The group members exchange experience and have, among others, an obligation to share information or suspicion about corruption taking place at common partners, former staff etc.

- Establishing an internal DanChurchAid complaints mechanism and procedure for follow-up on complaints. The aim is to systematise and ease the access to reporting of corruption cases (or possible other 'complaints').
- Membership of Transparency International, which, among others, implies production of a manual for staff working in emergency operations.

These initiatives should make DanChurchAid even better equipped to prevent and fight corruption and ensure that funds administered by DanChurchAid are used in the best possible way for the benefit of the poorest people in the world.

5 Corruption Cases 2004 - 2008

In relation to the report a "Corruption report" is published which in dept describes the corruption incidents and the handling of these incidents.

In summing up, DanChurchAid has managed 18 cases about corruption and fraud during the five-year period 2004-2008.

8 out of the 18 cases relate to DanChurchAid's own organisation, i.e. employees have been involved in fraud and misappropriation of their position for own gain. The employees have been dismissed, also in one case when the money was returned. Such cases are quite problematic, as employment is always based on mutual trust - a trust that is beyond the existing, internal control systems and administrative framework. In some instances, the cases have led to a strengthening of administrative procedures. In other instances, this would not have prevented the incident.

In seven cases, the corruption took place in our partner organisations to whom we entrust the funds. In those cases, we do not have the same possibilities for sanctions such as dismissing the employees, as our partners and their management are responsible. In some instances, the cooperation had to stop due to corruption, which usually reflects a weak organisation. In other instances, it was the work of a single person, and the cooperation with the partner organisation could continue after the management dismissed the "black sheep".

The efforts to retrieve funds lost in corruption can be very time consuming and in many cases impossible, even with the assistance of police and judiciary. In cases without lawsuit (due to security and estimation of court costs far exceeding the loss), it can be impossible to retrieve the loss; the employee may have run away; the organisation may have folded.

For the future the reported cases will be the once that has been handled in the DCA complaint mechanism.