

Anti-corruption Report 2009

1 Introduction

This report is an attempt to summarise the actions and steps taken by DanChurchAid in fighting and preventing corruption with financial means administered by DanChurchAid in 2009. We call it the "Anti-corruption report 2009". Complementary to this report, a "Corruption report" is published. It describes the cases of corruption and fraud, which DanChurchAid has handled within 2009.

The initiative to prepare this type of report was taken in late 2007, when the Board of DanChurchAid approved and launched an anti-corruption project, which strengthens DanChurchAid's efforts in this very important area.

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

2 Anti-corruption policy

"DanChurchAid holds a great responsibility to avoid corruption and secure that the funds are spent correctly towards donors, partners and beneficiaries". This is the wording in DanChurchAid's anti-corruption policy, which was approved by the DanChurchAid's Board in 2009.

Corruption threatens good governance, sustainable development, democratic processes, and fair business practices. Thus fighting corruption is building civil society and eliminating social injustice, which is in line with DanChurchAid's vision: *"To help and be advocates of oppressed, neglected and marginalised groups in poor countries and to strengthen their possibilities of a life in dignity".*

According to Transparency International's Corruption Perception Index the countries that DanChurchAid operates in are among the countries most at risk to corruption in the world. DanChurchAid must secure that the funds we manage do not end up in the wrong hands.

The following is a listing of the principles in DanChurchAid's anti-corruption policy:

1. Conflicts of interest
2. Abuse of power and extortion
3. Fraud and Embezzlement
4. Bribery
5. Nepotism and favouritism
6. Gifts

The full policy can be found at www.danchurchaid.org/anti-corruption

The Anti-corruption policy is not the only policy DanChurchAid has developed to avoid corruption. The already existing procedures, manuals and policies serve as the fundament for the policy. Following are examples hereof:

- All partners sign a cooperation agreement for each project, including an anti-corruption clause
- Our project accounts are audited annually by international recognised audit firms
- Purchases above a certain amount shall take place according our procurement manual. All purchases require a signed agreement with an anti-corruption clause

In addition, our recruitment policy, accounting manual, programme- and project 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.

3 Anti-corruption trainings

As a part of implementing the anti-corruption policy, anti-corruption trainings were conducted for around 100 persons in six countries (see below). Mainly DanChurchAid staff but also a number of representatives from sister-agencies and partner organisations participated. The purposes of the trainings were:

- To familiarise all staff and (some) partners with DanChurchAids anti-corruption set-up including our Anti-corruption policy, our complaint mechanism and investigation, transparency and communication in relation to corruption
- To learn how to handle and avoid corruption
- To make a plan on how to spread the anti-corruption policy to relevant stakeholders
- To link the anti-corruption set-up to other systems, procedures and policies

Following Regional Offices and Humanitarian Mine Action Offices have participated in anti-corruption trainings in 2009; Kyrgyzstan, Ethiopia, Zambia, Malawi, DR Congo and Sudan. In 2010 India, Honduras, Guatemala, Cambodia, Palestine, Uganda and Head Quarter will receive anti-corruption training.

4 Complaints mechanism

Typically, DanChurchAid reveals corruption either through our procedures, control mechanisms, evaluations and audits 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 audits

As DanChurchAid employees, we are obligated to follow the anti-corruption policy and report violations of the policy. All corruption incidents in DanChurchAid, partner organisations or other incidents related to DanChurchAid activities must be reported into a complaint mechanism.

The complaint mechanism was introduced in March 2009 as a part of the Humanitarian Accountability Partnership certification of DanChurchAid and can be accessed through www.danchurchaid.org/complaints.

When there is a well-founded suspicion of corruption, an investigation committee is formed to conduct an investigation. The responsibility of the committee is

- To immediately inform the relevant donor (Ministry of Foreign Affairs, the EU, Danish/foreign partners or others) about a substantial suspicion of corruption (normally within one or two days)
- Develop a written plan and timeframe for the investigation
- An investigation is initiated and in some cases a thorough audit
- Conduct interview with the complainant, victim (if different from complainant), witnesses and employee and to gathering evidence
- On the basis of the investigation make a investigation report, that should address evidence to support or refute the allegations and describe the methodology as well as the findings
- Inform the complainant about the investigation and follow up when outcome is decided upon
- Take steps in order to revise and adjust 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.

Cases in 2009

Within 2009 nine complaints about substantial suspicion of corruption or fraud were filed. Four complaints related to violations of the Anti-corruption policy within DanChurchAid and five complaints related to partner organisations. It turned out that one of the cases had nothing to do with corruption, but were due to wrong posting in the accounting system. One complaint was about a bribe of USD 300 made to secure personal security, the case was not further investigated. In one case USD 160 was paid back as a result of the investigation. In total USD 10.300 was lost due to corruption in 2009, the yearly turn over in DanChurchAid is approximately USD 90.000.000. In relation to this it should be noted that three of the cases are still being investigated and losses might occur.

Lessons learnt

What did we then learn so far from the investigations? When it is an internal case, it is often concrete and the cases can be followed closely and on a daily basis. Internal cases are often related to *an individual* and the investigation is finalised over a short period of time.

Investigations in partner organisations often take longer time. They are often related to *the management or the the organisation*. Investigations in such cases have a capacity building element, as cooperation between the partner organisation and maybe other donor organisations is set-up to eliminate the "loop holes" for possible fraud e.g. by supporting development of better rules for checks and balances. To prove fraud in such cases, external auditors often have to be involved, which leads to a longer process of defining Terms of References for the auditor, conducting a bidding round among potential auditor, report writing and recommendations.

For detailed descriptions of the specific cases please refer to "DanChurchAids Corruption Report 2009" found at our web-site www.danchurchaid.org/anti-corruption

5 Grey zones: Dilemmas in fighting corruption

We all agree that corruption should not be a part of DanChurchAid's or any other NGO's budget; this is our foundation/point of departure for fighting corruption. However, having this said fighting corruption is not always as simple as saying: "No to corruption". Working in countries with a high rate and risk of corruption is challenging, however that is often where NGO's operate.

Facilitation payments

Facilitation payments are one of the complicated issues in relation to fighting corruption. In DanChurchAid facilitation payments are defined as small payments made to public or other officials in order to expedite or secure activities and actions of a routine nature. Routine nature is defined as activities and actions that are a part of our staffs daily duties and functions.

DanChurchAid strongly opposes facilitation payments and this type of payment should not be paid. DanChurchAid, however, acknowledges that we work in parts of the world where it can be extremely difficult to avoid these transactions altogether.

Within 2009 DanChurchAid has had to pay facilitation payments at several occasions. Overall it can be said that the problem with facilitation payments varies from country to country. It is hard to estimate how big the problem is from place to place, but generally, the problem is biggest in counties with weak state structure and in countries where salaries of public servant are low or even not paid. Examples of facilitation payments that we have paid in 2009 are to get access to legal documents from local authorities in Cambodia, to get travel documents to travel in DR Congo and to move along the boarder area in Thailand/Burma. In 2010 the problem with addressing facilitation payments will be examined further. Typically we are dealing with quite small amounts, such as USD 2 – 5 – 10.

Avoiding such cases all together is very difficult. Even though all staff in DanChurchAid have been instructed to refuse to pay facilitation reality on the ground can be challenging. The recommendation from management is if it impossible to avoid to get a receipt, report the incidence to your superior and take it up afterwards with the local governmental institution (or any other legally responsible institution).

Avoiding facilitation payments is closely related to another area which DanChurchAid is trying to influence, namely fundamental development of institutions and societies. Strong, well functioning and fair institutions are central in fighting corruption and facilitation payments. You might argue that facilitation payments are symptoms of a weak state structure. Viewed through these lenses fighting corruption is not only saying "No to corruption and facilitation payments". In order to make a real change, development has to take place. Our anti-corruption efforts are therefore closely linked with our overall efforts in securing participation and political space through our programmatic work on the ground.

Gifts and recruitment

Other areas that can be challenging to many is recruitment and the receiving and giving of gifts. In the anti-corruption trainings there has been some lively discussions about when there is no conflict of interest in receiving a gift or when working with relatives is acceptable. It is hard to define the definite line for when your own integrity is at risk. In the Anti-corruption policy we have specified that the staff member is expected to show good judgment and when in doubt, contact their superior. It is important to use personal judgment and common sense to make the right decisions. Transparency is key.

The value of an acceptable gift varies in the countries in which DanChurchAid operates. Cash gifts should be never accepted. A rule of thumb is that a gift should never influence your independent judgment and that you should when possible share the minor gifts that you accept with you colleagues.

We accept minor gifts in order to respect local traditions and conventional hospitality. In some African countries it is normal that beneficiaries offer gifts to DanChurchAid employees. The gifts are small and symbolic and to show appreciation. It would be rude to reject the gifts, but to many employees it still feels wrong to receive gifts from beneficiaries.

6 Transparency as anti-corruption

As a part of working with anti-corruption DanChurchAid has chosen a rather progressive approach in communicating openly about cases of corruption as we publish all cases of corruption on our website (www.danchurchaid.org/anti-corruption). We tell openly about corruption cases, because transparency and accountability is some of DanChurchAid's core values and because we have to acknowledge that choosing to operate in countries ranked low on Transparency International's Corruption Perception Index involves a risk of facing corruption. Openness about corruption is acknowledging that corruption is a problem - a problem which we want to address, handle and change.

In our communication about corruption, we emphasise what lessons we have learnt from the incidents, what measure we have taken to avoid similar situations in the future and what consequences the incidents have had. In this way, we do not *only* communicate about corruption, but more importantly about *anti-corruption*. This obviously gives us an opportunity to tell about our success in relation to our failures. We introduce a constructive view on the otherwise very harming cases and we use the opportunity to tell our own and honest version of the story.

Stakeholder's reactions to openness about corruption

DanChurchAids aim is to be open to all stakeholders. The DanChurchAid stakeholders is however very diverse from ranging from the Danish population and government to

the Congolese farmer benefitting from DanChurchAid projects), from big institutional donors of aid to senior volunteers selling 2nd hand cloths in small shops around Denmark. How would these very different stakeholders react to a story like the one on Congo? Let us have a close look at our experiences and considerations in relation to different stakeholders.

Donors (institutions) All our back donors require that we tell them promptly and openly about substantial suspicion of corruption. Our main donor Danida specifies that an orientation has to take place within 48 hours. So to them openness about corruption is not a question, but simply a requirement.

Donors (private) We asked our selves if our private donors would loose faith in our ability to help those in need around the world and simply stop funding us if they were informed about the cases of corruption we face? This is of course a sensitive question and hard to measure. However, the indications we have got proves that openness about corruption is a strong and positive signal to send. A private donor noted: "Corruption is widespread in the countries you work, so why should you be the ONLY organisation avoiding corruption? Talking openly about corruption is an acknowledgement of the problem and also an indication that you take it seriously".

Media Proactive communication has so far shown to satisfy the media who is searching for scandals and breaking news. A critical media acknowledge our proactivity with the words: "Impressive work".

Sister agencies Many NGO's are working with anti-corruption and find DanChurchAid's initiative brave and a good example of communication. A colleague in a sister agency noted "Thank you again for your openness on this [corruption] subject and the way you share it on your website. I found it by far the best example of an anti-corruption policy for our type of organisations".

7 Other initiatives

Apart from the activities described above, DanChurchAid has also been involved in following initiatives related to anti-corruption in 2009:

- Contribution to development of Transparency International's handbook "Preventing Corruption in Humanitarian Operations" found at http://www.transparency.org/news_room/in_focus/2010/hum_handbook
- Membership of Transparency International Denmark
- Presentation to NGO roundtable meeting in Switzerland on DanChurchAid's open and transparent communication on corruption
- Dialogue and network with other NGO's – IBIS Denmark, The Project Advice and Training Center (PATC), Norwegian Church Aid, Church of Sweden, Lutheran World Federation Uganda, Action by Churches Together, Transparency International Germany.