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Corruption in Development Cooperation

Collection of Concrete Corruption Cases: What Practice Can Teach Us

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1. Introduction

1.1 The Problems

Corruption is a worldwide phenomenon shaping the activities of public administration officials, politicians as well as actors from the private sector and civil society. Non-governmental organisations working in development cooperation (DC) often operate in countries with widespread corruption and are therefore exposed to high risk.

Corruption exists in a variety of ways in this area and can occur both between the individual actors of an organisations and their external environment as well as within the organisation itself. The term *external corruption* hereby denotes corrupt practices perpetuated by actors outside of the organisation (civil servants, other NGOs, private actors etc.). Where such processes occur between employees within the same organisation, we speak of *internal corruption* (Cremer 2000:95). Another way to categorise corruption is in terms of its causes. Here, *corruption through poverty* (where civil servants receive insufficient salaries), *corruption of power* (seeking riches) and *relationship-based corruption* (corruption triggered by friendship, relationship, ethnical or religious relations) are mentioned predominantly (TI Germany 2007:11).

Corruption in DC has a variety of negative consequences: on the one hand, corrupt practices lead to the inefficient allocation of resources (of material and intangible goods) or result in conse-

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quences under criminal law and loss of image for the organisation itself. On the other hand, such practices hinder the efficient fight against poverty as well as the sustainable economic and social development of the countries in which the DC organisations are active.

It is important, therefore, to address these problems while at the same time developing new measures to recognise, prevent and combat corruption within development cooperation.

By describing concrete cases of corruption in the context of development cooperation, Transparency International Switzerland would like to offer practical guidance and recommendations to organisations active in this area; this is meant to support them in acting appropriately in difficult situations and in working out efficient measures against corruption. To complement and complete this topic, the brochures *Checklist for Self-Evaluation* and *Practical Guide for Non-Governmental Organisations*[1] issued by Transparency International Switzerland and *Bread for All* may also be consulted.

1.2 Structure

The present brochure is structured as follows:

In a first step, following the introduction, the most important terms used in the context of corruptions are briefly defined. This ensures that readers of the brochure have a clear understanding of what is meant by corruption-specific terms.

The second part starts out by explaining a graphic illustration that shows the theoretical considerations underlying this publication. Subsequently, the most important measures in the prevention of corruption for organisations active in DC will be listed.

The main part begins by illustrating concrete situations of corruption in the area of development cooperation and, where this is known, shows how organisations reacted to them. Subsequently, these concrete cases serve to issue recommendations for dealing with corruption and, at the same time, suggest possible measures for improving corruption prevention to the organisations concerned.

The last part sets out the brochure's conclusions.

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2. Defining Corruption

Transparency International defines corruption as the abuse of entrusted power for personal gains, whereby a person is considered to be in a position of power if they are in charge of resources and can make decisions for others. Whoever abuses a position of trust to obtain an unjustified advantage is therefore corrupt. The Swiss Agency for Development and Cooperation (SDC) defines as corruption "[...] practices violating a generally accepted ethos" (SDC 1998:5). Since this ethos is culture specific, however, evaluation criteria for corrupt behaviour may vary according to country (SDC 1998:5). Despite all cultural relativity, there exists an agreement according to the SDC (1998:5) concerning the term corruption within the framework of development policy. The SDC (1998:5) therefore subscribes to the following phrasing as a general definition of corruption: "the behaviour or persons with public or private duties is corrupt if they violate their duties in order to obtain undue advantages of any kind."

The advantages gained can be both of a material and of an intangible nature. Material advantage leads to the economic or legal improvement of the addressee. This mainly consists of money donations, material goods or cancellation of debts; intangible advantages, on the other hand, usually include professional, social or personal gains that improve the recipient's position, such as promotions, desisting from criminal prosecution, sexual favours or positive media coverage.

3. Preventing Corruption and Reacting to Cases of Corruption

The decisive factors for NGOs are: (1) how to efficiently prevent corruption and (2) how to appropriately react to it and draw the right consequences where a case of corruption occurs within their organisation. The illustration below describes schematically how NGOs should proceed in order to minimise corruption.

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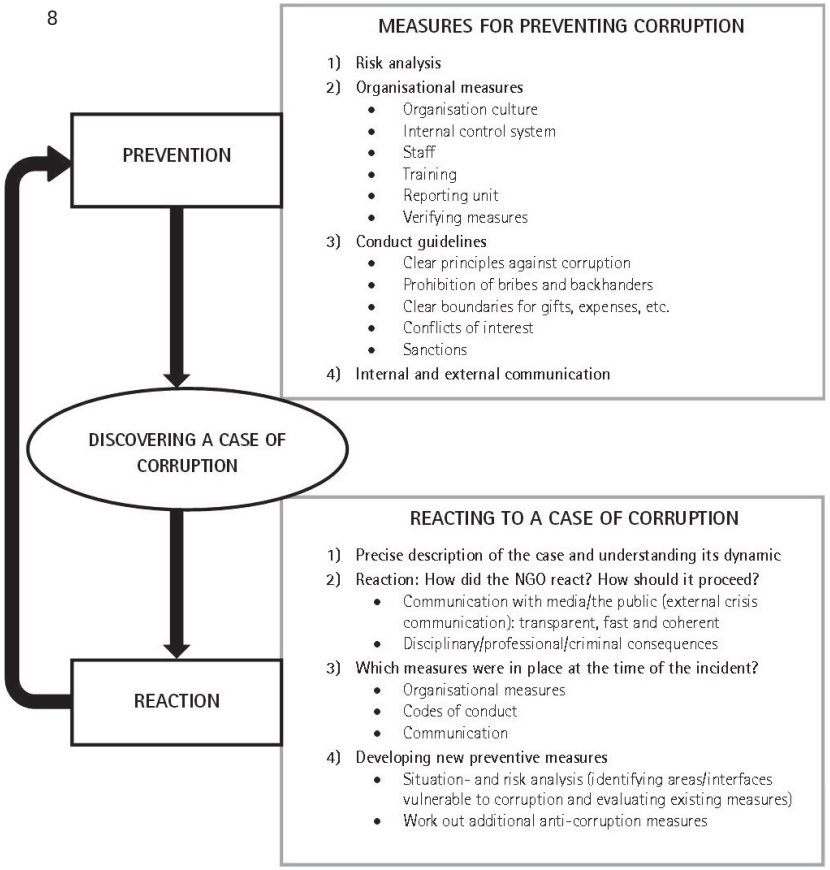

3.1 Preventing Corruption

3.1.1 Risk Analysis

In order to establish the likelihood of corruption and the potential scope of the damages, a regular analysis of risks and dangers for NGOs (risk analysis) is recommended. This enables an NGO to identify the areas that are particularly vulnerable to corruption und target new measures for preventing corruption accordingly. In carrying out the risk analysis we recommend using the *Checklist for Self-Evaluation*[1] issued by Transparency International Switzerland and *Bread for All.*

3.1.2 Organisational Measures

NGOs must, in the first place, promote an *organisational culture* that rests on values such as integrity and transparency. These values should be enshrined in the organisation's mission statement and openly stated. It is decisive that the NGO's employees and those of its partner organisations be aware of these values and support and propagate them.

Secondly, every NGO should dispose of an efficient *internal control system*[3] to prevent non-transparent and corrupt practices from arising. Such a system defines clearly assigned responsibilities within the organisation, which are achieved by means of a clear functional separation of the work areas. It is of central importance, for instance, that the responsibility for allocating projects funds does not lie with the person in charge of financial control. Where important decisions are concerned, such as concluding contracts or money transactions, organisations should always employ a dual control principle, thereby reducing the risk

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of power abuse. Of equal importance is *careful accounting,* ideally in accordance with international standards. This will facilitate bringing irregularities to light and, if necessary, allow you to compare against other projects. And finally, the control instruments ought to include project evaluation through so-called "public audits" or *audits from below*[3] which involve the target groups in the evaluation of the project.

Thirdly, through its *staff policy,* an NGO can limit corruption risks in a targeted way. When hiring employees, every organisation ought to make use of clear and demonstrable employment criteria. Selection procedures should therefore not only evaluate the prospective employees' administrative abilities but also look at values such as integrity and loyalty. All employees should have access to clear and coherent codes of conduct in dealing with corruption. New guidelines for preventing corruption can be drawn up based on regular feedback and the employees' reports on their experiences with corruption. Furthermore, the adequate remuneration of employees should be ensured to prevent any incentive for corrupt activities. Salaries are deemed adequate if they are in line with the employees' performance and responsibilities and correspond to the usual wage in the local labour market.

Fourthly, every NGO ought to provide channels, through trainings, seminars and workshops, that provide employees with recommendations for dealing with corruption and give them the opportunity to exchange their experiences. Such training ensures that employees are able to act quickly and with integrity to difficult situations and find solutions that do not call for corrupt behaviour on their part.

Fifthly, in order to expose cases of corruption in good time, each NGO ought to set up a reporting unit for whistleblowers encouraging employees or external persons to report suspected or actual cases of corruption anonymously or in a confidential manner. Where establishing such a reporting system is impossible for financial or logistic reasons, the NGO should provide a contact person who acts as an independent ombudsman.

Finally, the effectiveness of anti-corruption measures ought to be evaluated at regular intervals. The NGO should not only address setting up an anti-corruption programme but also ensure its implication and adapt it accordingly.

3.1.3 Codes of Conduct

The codes of conduct should define *clear and coherent principles against corruption* and in doing so refer directly to the values of integrity and transparency enshrined in the organisation's mission statement. Every NGO must explicitly prohibit any payment or acceptance of *bribes and kickbacks* or other undue advantages as incompatible with the values of the organisations and running the risk of criminal proceedings.

In order to provide employees with a clearer picture of the grey area between legality and illegality, every NGO ought to set down clear rules for dealing with gifts, hospitality, invitations and expenses. As a rule, every organisation ought to prohibit the acceptance of any such benefits beyond marginal or socially common presents or invitations or where these may give the impression of potentially influencing the implementation or result of a project.

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Questions regarding conflicts of interest that may arise where employees represent private interests that risk compromising them in fulfilling their obligations with integrity and independence should also be addressed. Wherever such conflicts arise they should be brought to light and the persons concerned withdraw from making important decisions.

Finally, it is important for employees to be aware of the sanctions involved as a consequence of corrupt actions. These must be set down in writing and violations of the codes of conduct sanctioned consistently and with regard to equal treatment. Effective sanctions are imperative in preventing corruption; but they also provide a positive incentive for employees to adhere to the guidelines.

3.1.4 Communication

Open *internal communication* within the NGO drastically facilitates the assessment and reduction of corruption risks. The problem of corruption should be talked about openly within the organisation and addressed in the context of trainings and workshops in order to raise awareness for the topic among all the employees and enable them to react quickly when confronted with it. Likewise, the organisation ought to discuss the problem of corruption in its external communications and report any cases of corruption. A transparent and open *external communication strategy* provides an NGO with the opportunity to preserve its reputation and positively influence its public perception. External communication comprises regular reports and crisis communication. Through regular reports the NGO informs the public of its projects, its financial situation and of any problems arising in the implementation of its projects. Crisis communication on the other hand only applies where a case of corruption has been publicly brought to light.

3.2 Reacting to Cases of Corruption

Even the best prevention measures cannot fully curtail corruption. Where corrupt practices occur within the organisation or in its dealings with the external environment, they must be appropriately dealt with.

An appropriate reaction to a case of corruption ideally consists of four steps (Cremer 2000:95):

i) First, the incident and subsequent activities of the employees concerned should be carefully analysed in order to gain as much information as possible about the case. An appropriate reaction is only possible if the corruption offence can be identified, if the person involved is known and if the dimension of the case can be gauged. Precipitated reactions without knowledge of these essential pieces of information are of no use to anyone.

ii) Secondly, the NGO must consider whether an immediate reaction is required. This includes, for instance, the question whether the incident should be communicated and if so, to whom. It may be better, for instance, to inform the public (via the media) quickly, transparently and comprehensively in order to avoid a potential media

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scandal. In a first step, it is also possible to only communicate the case to the donors and relay matters to the public only after initiating and concluding an investigation. Among the immediate reactions, the question whether the case should be reported to the authorities (in Switzerland or the project country) must also be addressed.

iii) Thirdly, the existing corruption prevention measures must be described.

iv) In a fourth step, a comparison between the current situation and the desired target situation should be made. Based on the results of this analysis, new prevention measures should be elaborated.

The case studies below are meant to assist NGOs in DC in determining which important immediate measures should be taken if a case of corruption occurs and which further measures are appropriate in preventing corruption risks. In this way, actors operating in DC can learn important lessons from these corruption cases to help them reinforce their corruption prevention measures and reduce their vulnerability to corruption.

4. Case Studies

4.1 Misappropriation and Double Funding

A Swiss NGO runs a project in an Asian country to improve the protection of women and children against assaults. The project is being realised in collaboration with a partner organisation, which, in turn, receives financial support from other international NGOs and donors. Regular monitoring and visits to the project ensure that the targeted results are achieved. In addition, the partner organisation submits an external audit, which it commissions annually. After a few years, however, a different donor sues the partner organisation's director for misappropriation of funds. The resulting investigations show that double funding is likely to have occurred and that incorrect project audits have been carried out by persons close to the director.

What is the correct reaction in such a situation?

- Temporarily suspend the project by cancelling payments.
- Establish the exact dynamics behind the incident by analysing the reports of the investigations that have already been carried out. If necessary, commission an investigative audit through an auditor of your choice. The audit should comprise the entire organisation, i.e. the revenue through all of the organisation's donors. Discuss with a lawyer which legal steps should be taken.

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- Be transparent towards your own donors and report the incident immediately, even if investigations are still under way.

- Promote an open communication strategy and therefore inform the public of the incident once the investigation has been concluded.

- Inform other donors operating in the same country of the case.

Which anti-corruption measures could you adopt preventively?

Organisational measures

- Promote an organisational culture that promotes transparency and integrity and explicitly speaks out against corruption in its mission statement. Emphasise your organisation's active stance against corruption from the beginning of your collaboration with partner organisations.

- Ensure that the auditor has no personal relationship with the person in charge of the project and is able to evaluate the project objectively. Ideally, choose your own auditor based on their references.

- Carefully and regularly check the project's books even if you trust your employees and partner organisation.

- Request audit reports for the entire organisation covering all of the organisation's projects (not merely the audit report for the project you are financing).

- Set up a reporting system with your partner organisation that encourages employees to report inconsistencies within the organisation's operations and make it clear that whistleblowers have no reason to fear any professional consequences.

Codes of conduct

- Insist that your partner organisation asks employees to sign codes of conduct that lay down a zero tolerance policy in cases of corruption.

- Make sure that the partner organisation includes anti-corruption rules in their employees' work contracts and requests regular written confirmation of these rules from their employees.

Communication

- Make sure that the employees responsible for implementing the project understand which types of corruption can occur and how to handle such situations.

- Together with your partner organisation, organise further education such as trainings and workshop jointly where employees exchange experiences and recommendations in dealing with corruption and cases of corruption.

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- Call attention to your own and your partner organisation's anti-corruption guidelines by publishing them on your NGO's website or including them in your reports.

4.2 Fictitious Projects

In a Western African country, an NGO runs a project in the area of food security, which is coordinated by a local partner organisation. The activities carried out are described in a bi-annual activity report and their financial situation verified by an external auditor. In addition, the project receives an annual visit from the Swiss coordination team as well as an external audit. After a few years, however, the organisation realises that the local project manager failed to carry out all of the activities mentioned in the activity reports and has instead embezzled part of the project funds. The NGO's employees suspect that he may have bribed the external auditor and other accomplices to create the impression that everything had been duly carried out.

What is the correct reaction in such a situation?

- Establish the exact dynamics of the incident.
- Insist that your partner organisation terminate the project manager's employment.
- Discuss the incident with your partner organisation. If you come to the conclusion that the director has also been involved and has covered up the incident, terminate your collaboration with the partner organisation.
- Discuss with a lawyer which legal steps should be taken.

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- Promote an open communication strategy and inform the public of the incident once investigations have been concluded.

- Inform other donors operating in the same country of the incident.

Which anti-corruption measures could you adopt preventively?

Organisational measures

- Promote an organisational culture that promotes transparency and integrity and explicitly champions the fight against corruption in its mission statement. Emphasise your organisation's active stance against corruption from the beginning of your collaboration with your partner organisations.

- Check your partner organisation's accounting carefully and regularly in the course of normal business trips. Ideally, choose your own auditor based on their references.

- Set up a reporting system with your partner organisation that encourages employees to report inconsistencies within the organisation's operations and make it clear that whistleblowers have no reason to fear any professional consequences.

- Request that your partner organisation carry out a "public audit" (project evaluation that includes the target groups).

Codes of conduct

- Assess your project partner's vulnerability to corruption and their reputation with other donors already before starting your collaboration by using a unified and comprehensive checklist (e.g. the 'Check list for self-evaluation' issued by TI and BFA).

- Insist that your partner organisation ask employees to sign codes of conduct that lay down a zero tolerance policy in cases of corruption.

- Make sure that the partner organisation includes anti-corruption rules in their employees' work contracts.

Communication

- Together with your partner organisation, organise further education such as trainings and workshop where employees exchange experiences and recommendations in dealing with corruption and cases of corruption.

- Call attention to your own and your partner organisation's anti-corruption guidelines by publishing them on your NGO's website or including them in your reports.

- Transparently report cases of corruption to the public: an open communication strategy promotes the NGOs image and credibility.

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4.3 Double Employment of the Project Manager

A project manager has been employed full time by the partner organisation of a Swiss NGO in Asia. After a few months, the organisation finds out from the project beneficiaries that the project manager has simultaneously been working for another NGO and that he is therefore rarely active for the Swiss NGO. The organisation launches an investigation and learns that the project manager has indeed been doubly employed for two jobs at the same time.

What is the correct reaction in such a situation?

- Try to discuss the situation with the project manager and ask to see both work contracts.
- Establish the details of the incident by talking to the beneficiaries and try to understand the reason for this behaviour.
- If the project manager has indeed been employed for two projects at the same time, discuss with a lawyer which legal steps should be taken in the country in question.

Which anti-corruption measures could you adopt preventively?

Organisational measures

- Promote an organisational culture that supports transparency and integrity. Make sure that the employees working for the partner organisation are adequately paid to prevent any incentive for corrupt behaviour.

- Insist that your partner organisation apply clear and demonstrable employment criteria. Administrative abilities must be included in the selection procedure and special attention paid to criteria such as loyalty and integrity.
- Make it clear to your partner organisation that working hours and remuneration must be clearly defined for part-time employments.
- Set up a reporting system together with your partner organisation, which encourages employees to report operational irregularities.
- Make sure that employees working for the partner organisation do not have to fear any negative professional consequences for reporting.
- Plan for regular reports about the projects and their financial situation.
- Include an "audit from below" (involving the target group in the control of the project).

Communication

- Together with your partner organisation, organise further education through trainings or workshops, in which employees exchange experiences and recommendations in dealing with corruption and related incidents.

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- Raise awareness for your own and your partner organisation's anti-corruption guidelines by publishing them on your NGO's website or in your reports.

- Report corruption cases openly and transparently to the public: an open communication strategy promotes your NGO's image and credibility.

4.4 Support Only in Return for Payment

In Bosnia-Herzegovina, an NGO finances a programme to rebuild houses destroyed by the war. Since the organisation is unable to repair all of the houses, a selection has to be made. An architect employed to work on the programme through a partner organisation informs the potential beneficiaries that they may only receive help by paying him. This happens despite the fact that he is not in a position to decide on the selection of the beneficiaries on his own. As a result, he receives between 500 and 1,000 Euro per household. Only after a visit by the aid organisation's project manager does the scam come to light.

What is the correct reaction in such a situation?

- Establish the exact dynamics of the incident and investigate whether other employees were involved in the incident and what role they played in it.

- Immediately relate the incident to the person in charge with your partner organisation to work out an appropriate action plan with them.

- Explain to the architect that the actual target group is not going to benefit from this kind of selection process and that such proceedings violate the legal regulations and values of your organisation.

- If possible, try not to terminate the collaboration with your partner organisation but only sanction the activities of the architect.

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- Insist that the organisation relieve the architect of any responsibility for the project.

- Report the incident to your donors, even if investigations are still under way.

- Promote an open communication strategy and therefore inform the public of the incident once the investigation has been concluded.

Which anti-corruption measures could you adopt preventively?

Organisational measures

- Emphasise your organisation's active stance against corruption from the beginning of your collaboration with the partner organisation and ensure that they support this and are equally involved.

- Insist that your partner organisation place greater value on employees' administrative qualities and values such as honesty and transparency when hiring.

- Exert strict control over the selection of beneficiaries of the project. In doing so, ensure that process is carried out according to transparent and objective criteria.

- Make sure that one person alone never decides selection processes. Insist, therefore, that your partner organisation apply the dual control principle in all important decisions. This internal control tool should result in selection processes according to objective criteria.

- Set up a reporting system that encourages employees involved in implementing the project as well as project beneficiaries to report any suspicion of corruption cases; ensure that employees or beneficiaries making a report have no reason to fear any professional consequences.

- Introduce an "Audit from below" (involving the target group in the control of the project), which allows assessing the project's success.

Codes of conduct

- Introduce codes of conduct that prohibit corrupt activities. Make sure that these are equally accepted and promoted by your partner organisation.

- Include anti-corruption rules in the work contracts and insist on regular written confirmation from the employees involved in the projects.

Communication

- Address the problem of corruption with the partner organisation's employees and within your own team from the beginning and ensure that everyone shares the same understanding of corruption.

- Write your anti-corruption measures in a language familiar to all from their daily work.

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4.5 Fraud and Misappropriation at the Start of a New Project

The local project coordinator for a Swiss NGO, employed by a partner organisation, suggests launching a new project in the area of microfinance. The country's project manager finds the idea very interesting, given that his NGO had intended to start a new project in just that field. Having analysed the submitted documents, the NGO authorises the proposed project.

Shortly after granting permission, the Swiss project manager visits the project, where they are shown the activities that have been realised through the loans and get to meet the local employees. After some time, however, the NGO learns that the project coordinator had shown the project manager fictitious activities to during their visit. In addition, the organisation finds out that the project manager was given false papers and information concerning the project. The NGO therefore decides to discuss the case with a lawyer and take legal action against the project coordinator. Once he has been reported, however, he manages to bribe the judge who drops the entire case. The project coordinator ends up fleeing the country with the money.

What is the correct reaction in such a situation?

- Temporarily suspend the project and any loans pertaining to it.
- Establish the exact dynamics of the incident and examine the precise reason behind the fraud or misappropriation.
- Examine whether other employees were involved in the case and what role they played in it.
- Discuss with a lawyer which legal steps should be taken.
- Report the incident to your donors, even if investigations are still being carried out.
- Promote an open communication strategy and inform the public of the incident once the investigations have been concluded. Inform other donors operating in the same country of the incident.

Which anti-corruption measures could you adopt preventively?

Organisational measures

- Emphasise that your organisation actively fights corruption from the beginning of your collaboration with the project coordinator and ensure that they accept this endeavour and actively engage in it.
- Arrange to award the project by public tender even if a trusted and already employed project coordinator suggests a good idea.
- Make plans for regular and precise reports about the project and your financial situation. Do not accept any delays in this matter in order to maintain control over the project.

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- Ensure a clear separation between financial control and project evaluation to guarantee efficient control over the project and avoid conflicts of interest.

- Set up a reporting unit that encourages employees to communicate irregularities. This will contribute to the early exposure of corrupt practices. Ensure, furthermore, that employees and project beneficiaries reporting such practices do not have to fear any negative consequences.

- Introduce a "public audit" (including the project's target group in its evaluation), which allows examining the project's success.

Codes of conduct

- Introduce clear and coherent anti-corruption guidelines and demand that these be supported by the partner organisation.

- Include anti-corruption rules in your work contracts and ensure their regular written confirmation by the employees.

Communication

- Address the problem of corruption in trainings and meetings with the NGO's employees and promote the exchange between co-workers.

- Openly address the topic within your NGO's team and try learning important lessons from the incident in order to avoid such situations in the future.

- Draw up your anti-corruption measures in a language that that is familiar to all the employees of the partner organisation through their daily work.

- Regularly inform the public of your activities and those of your partner organisation. In the context of your annual report, also explain any difficulties encountered in realising your projects as well as any cases of corruption.

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4.6 A Case of Misappropriation in Awarding Microfinance Loans

A small Swiss NGO is working in the area of microfinance in a Western African country. The aim of the project lies in activities guaranteeing a source of income to the beneficiaries. These loans are awarded to small groups of people and have to be paid back within six months. Through its partner organisation, the NGO employs a local coordinator to manage the project on site. Apart from the local coordinator, the microfinance agents, the village chief and the directors of the partner organisation are equally involved in each loan request. This ensures better control in awarding loans while simultaneously preventing potential abuses of power. As soon as a group obtains a loan, this is entered in an IT system. This IT system shows all the groups who have received a loan from the NGO as well as the exact amount of money awarded. In addition, the partner organisation's director controls the IT system once a month to make sure that all the creditor groups are correctly registered and carries out visits to the groups of beneficiaries. The Swiss NGO controls the project from Switzerland through regular reports, by checking the accounts of the partner organisations and by visits on site (4 times a year). Finally, all of the employees' work contracts contain clear rules regarding their work activities and responsibilities. Despite all of these measures intended to reduce corruption risks, the NGO learns after two years of collaboration with the local coordinator that he has embezzled a certain amount of money destined for the project. Over time, he included an inexistent group in the IT system and kept the money destined for this group himself. Besides, he also failed to return some of the money paid back to the NGO. The partner organisation's director, who is in charge of controlling the project, admits to not having regularly done so. The Swiss NGO equally realises that it failed to check the director's activities or the control measures on a regular basis.

What is the correct reaction in such a situation?

- Suspend the project temporarily and request that your partner organisation stop awarding any further loans.
- Have the local coordinator suspended for the duration of the investigation.
- Establish the exact dynamic of the incident and examine the precise reason behind the misappropriation. Ideally, do this by carrying out an investigative external audit.
- Speak with the beneficiaries about the incident and try to gain further information relating to it.
- Clarify the role of the director. If they have been involved, stop your collaboration with the partner organisation.
- Clarify with your lawyer which legal steps should be taken.
- Report the incident to your donors, even if investigations are still going on.

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- Promote an open communication strategy and therefore inform the public of the incident once the investigation has been concluded.

- If it turns out that the director has not been involved, insist that they will carry out their visits to the beneficiaries and write their reports about them.

Which anti-corruption measures could you adopt preventively?

Organisational measures

- Emphasise from the beginning of your collaboration with the project manager that your organisation actively fights corruption and ensure that they accept this endeavour and actively engage in it.

- Insist that the director of your partner organisation carries out a more diligent control of the project and the allocation of credit.

- Make sure a more effective internal control system is implemented which guarantees a clear functional separation within the organisation.

- For each loan application, insist that your partner organisation verify the actual involvement of the credit agents, the village chief and the partner organisation's directors.

- Insist that your partner organisation apply the four eye principle in handing out loans.

- Ensure that persons bringing to light irregularities in realising a project have the opportunity to convey this to an ombudsman or an internal or external reporting unit without having to fear negative professional consequences.

Codes of conduct

- Insist that your partner organisation introduce clear codes of conduct explicitly prohibiting corruption.

- Insist that your partner organisation include anti-corruption measures in their work contracts and that employees confirm these in writing on a regular basis.

Communication

- In the course of your visits, conduct surveys with the beneficiaries on site which might bring to light irregularities in the implementation of the projects.

- Regularly address the problem of corruption in your trainings and meetings with the partner organisation's local employees and with your NGO's team, and facilitate the exchange of experiences between employees.

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4.7 A Case of Misappropriation While Realising an Initial Project

A newly founded Swiss NGO starts its project in a Western African country in 2007. In order to manage and coordinate its activities on site, it employs a local colleague whom the organisation's president already knows and respects from earlier work experiences in the same country. Due to limited funds this local coordinator does not, however, receive a fixed salary.

Apart from its headquarters in Switzerland, the NGO consists of a local work group, which carries out the projects. The regular visits of a Swiss technician in support of this work group allow the Swiss NGO to know more about the state of the project and detect potential irregularities early on. In the context of one of these visits, the technician learns about some problems in implementing the project. Some of the workers employed in the area of agriculture and in the constructing of new infrastructure related to the project have not been paid. The technician enquires further about the events and requests an audit by an external auditor. The Swiss NGO subsequently finds out that the local coordinator has embezzled money and failed to pay some of the local employees. While, from the CHF 30,000 invested, the projects have indeed been realised, the local coordinator has spent a part of the money for personal uses. As a result, the coordinator is dismissed without notice and a complaint filed against him. Through radio broadcast and press releases, the NGO later informs the public in the West African country as well as the Swiss financers of the incident.

What is the correct reaction in such a situation?

- Establish the exact dynamics of the incident and examine the precise reason for the misappropriation. In the case at hand, the local coordinator was not paid a fixed wage for his work, which increases the likelihood of corrupt behaviour. Appropriate remuneration might prevent this risk, whereby a salary is considered appropriate if it is in line with the employee's performance and responsibility and corresponds to the usual salaries and regulatory measures on the local labour market.

- If necessary, clarify with a lawyer whether the employee has rendered himself culpable and if so, file a complaint.

- Communicate openly: immediately inform the public of any cases of misappropriation.

- Be transparent towards your donors in Switzerland and inform them of the incident.

Which anti-corruption measures could you adopt preventively?

Organisational measures

- Promote an organisational culture within your own organisation and that of your partners, which supports integrity and transparency. Make sure the local employees are aware of these values and support them.

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- In hiring local employees, value factual qualification criteria rather than personal networks or other aspects.

- Arrange for regular reports (at least once a year) about your projects and their financial situation. Do not tolerate any delays in submitting these reports.

- Request that your partner organisation separate the implementation of the project's objective from its financial control to ensure efficient control and avoid conflicts of interest between these two spheres of activities.

- Set up a reporting system, which encourages employees to communicate any suspicion of corruption cases. In doing so, ensure that any employees making such reports do not have to fear negative professional consequences.

Codes of conduct

- Include clear codes of conduct that prohibit corrupt activities. Insist that your partner organisation do the same.

- Include clear anti-corruption measures in your work contracts. Insist that your partner organisation do the same.

Communication

- Address the problem of corruption with your NGO's employees in the framework of trainings and meetings and ensure that all employees understand which forms corruption can take.

- Facilitate the exchange of experiences between employees of different NGOs working in the same region so that they can prepare for potential cases of corruption and react quickly to them.

- Make regular reports to your donors about your NGO's work and the organisation's financial situation. In the course of your regular reports, also address any problems and cases occurring in the execution of the projects.

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4.8 Issuing a Permit in Exchange for Employment of a Relative

The coordination office (CO) of a Swiss NGO wishes to start new projects in a West African country. To be able to do so, it requires an official permit issued by the ministry for rural development. At the same time, the CO publishes a job ad to find a local project coordinator for this project. A high-ranking official of the ministry for agricultural development informs the CO director that issuing the permit might take several months. He points out to him, however, that hiring his son as local project coordinator might accelerate the process.

What is the correct reaction in such a situation?

- Firmly reject the official's offer!
- Explain to the official what your NGO's ethical principles are and your intention to fight corruption.
- Make clear to the official that his son is welcome to apply for the position through the official procedure. Explain to him that your organisation is based on the principles of meritocracy.
- Emphasise that you are under no time pressure and are therefore able to wait until the permit is issued through official channels.

- However, immediately report the incident to your NGO's anti-corruption body to work out an appropriate action plan with them.
- Relate the incident to the official's superior or to the official supervisory authority.
- Inform other NGOs working in the same region and seek advice and support. Enquire whether they have received similar bribery requests from the official in question.
- Try to cooperate with the local authorities to ensure that such procedures do not occur again in the future.

Which anti-corruption measures could you adopt preventively?

Organisational measures

- Promote an organisational culture which supports integrity and transparency and make sure that the local employees are aware of these values and supportive of them.
- Set up a reporting system for your employees and introduce measure to protect whistleblowers.

Codes of conduct

- Make sure that your NGO's principles are clear and coherent regarding the problem of corruption.

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- As person in charge of the corruption office (CO), make sure that your NGO has clear anti-corruption principles and that employees are aware of them.

- Lay down clear anti-corruption regulations in all your work contracts.

Communication

- Create awareness of your anti-corruption guidelines by publishing them on your NGO's website or in your reports.

- Organise seminars, conferences and workshops where employees can exchange their experiences and recommendations for dealing with corruption and corruption cases.

Other

- Familiarise yourself with local legislation and practices already before applying for the permit.

- Find out in advance about all the necessary requirements in order to obtain an official permit.

- If incidents of this kind are common when obtaining permits in the country, work together with other organisations and representatives of civil society to put pressure on the government in order to change corrupt practices.

- To avoid coming under time pressure, allow as much time as possible to obtain permits when realising projects.

4.9 Payment in Return for Faster Crossing of Internal Borders

You are the director of an NGO with several projects in the area of wastewater treatment in an East-African country. In order to coordinate these projects, your employees are obliged to travel from the capital city, where your NGO is headquartered, to the provinces, where regional projects are carried out. To be able to travel from one province to the next, they are forced to go through checkpoints that require long waiting times. Crossing these internal borders could be accelerated, however, by paying a symbolic amount of money to the police officials. One of your NGO's employees informs you that employees are in the habit of paying these amounts in order to reduce waiting times and be more efficient.

What is the correct reaction in such a situation?

- Carefully analyse the extent of these facilitation payments before adopting measures or making a decision.

- Explain to your team that these minor payments violate your NGO's legal rules and ethical values.

- Examine whether such payments are indeed common when crossing internal borders. Ask other NGOs working in the same country how they are dealing with the problem.

- If all the organisations working in the country are affected by this problem, work together to put a stop to facilitation payments in a coordinated manner.

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- Insist that your employees desist from paying such amounts in the future.

- Address the problem within your team. In doing so, ensure that the employees understand why such procedures are prohibited and in violation of the organisation's ethical rules.

Which anti-corruption measures could you adopt preventively?

Organisational measures

- Include the values of integrity and transparency in the mission statement of the organisation and make sure that employees are aware and supportive of them.

- Insist that all your employees keep a record of their expenses (even small amounts) in the NGO's books.

- Set up a reporting unit where employees can confidentially talk about their misgivings and report irregularities. Make sure that employees making reports do not have to fear any negative professional consequences.

Codes of conduct

- Introduces clear codes of conduct explicitly prohibiting corruption.

- Insist that your NGO's employees sign your anti-corruption regulations. They should confirm these at the beginning of the work contracts and in regular intervals thereafter.

Communication

- Promote the exchange of experiences between employees through seminars, workshops and other events and together develop possible action plans in handling corruption.

- Make sure that your NGO's employees are aware that even small payments to facilitate faster crossing of interior borders count as corrupt activities (bribes).

Other

- Familiarise yourself with local legislation and customs and offer training in this respect to your employees.

- Try to find out whether you can file a complaint against the official for their behaviour or whether you should report him to the police or a government ombudsman.

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4.10 Police Check on the Way to the Airport

On a Friday night, the local coordinator of central African country accompanies the Swiss programme officer to the airport, who is flying back to Switzerland after a three-week visit. The two of them are stopped on the way to the airport by three policemen, who demand to see a car document whose existence is unknown to the local coordinator. The policemen tell them that the document is mandatory under new legislation and that they therefore intend to confiscate the car until Monday. After lengthy discussions they suggest, however, letting them carry on without the document - against payment of $40.

What is the correct reaction in such a situation?

- Ask the policemen if they can show you the new legislation requiring possession of the document in question.
- If you are indeed legally required to be in possession of this document, make sure that the requested amount corresponds exactly to the respective fine.
- Insist on an official receipt against payment of the fine. Make it clear, besides, that your organisation requires all payment details, including the recipient's name, to be included on the receipt.

- If the law does not stipulate the document in question, make it clear to the policemen that such payments go against the ethical values and the legal regulations of your organisation.
- Explain to the policemen that making such payments risks having negative consequences on your employment.
- Explain to the policemen that you must ring your superior to discuss their demand with them in more detail.
- If the policemen keep up their demand, negotiate as low an amount as possible and pay it.
- Have them show you their police ID and write down the officers' names.
- Report the payment immediately to your superior and explain the reason for it.
- Report the incident to the country's responsible authorities.
- Analyse the incident with your team and develop future plans of action.

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Which anti-corruption measures could you adopt preventively?

Organisational measures

- Include the values of integrity and transparency in your organisation's mission statement.
- Set up a reporting unit, which encourages employees to report any suspicion of corruption cases and make sure that any employees making such reports will not have to fear negative professional consequences.
- Within the framework of your annual feedback and reports, talk about your corruption experiences so that the measures against corruption can be updated.

Codes of conduct

- As head of the NGO, introduce clear codes of conduct that prohibit all corrupt activities.
- Introduce coherent anti-corruption rules in the work contracts and make sure these are confirmed in writing at regular intervals.

Communication

- Organise trainings and meetings where employees can exchange their experiences and recommendations in handling corruption and corruption cases.
- Make sure that all the employees involved in realising the project understand what forms corruption can take.

4.11 Declaration at Customs

Employee Peter arrives at the airport of a central African city with his personal luggage and a cardboard box full of computer accessories for his NGO. All travellers have to pass by the same customs official whether they have things do declare or not. If the customs official asks no questions, travellers may continue without declaring. The customs official stops Peter, suspecting declarable goods in his cardboard box. However, he is interrupted by the second customs official who tells him to let Peter pass, claiming to know the organisation for which he works. Peter therefore passes customs and proceeds to the car, where his colleague Markus awaits him. At the car, the second official, responsible for letting Peter pass, comes up to them and says: "I've helped you and now need a reward for it."

What is the correct reaction in such a situation?

- Explain to the official that paying money as a *reward* violates the NGO's fundamental values and legal regulations.
- Make it clear that payment on behalf of the NGO can only be made against an official receipt and that each money transfer is documented in the NGO's books. This must also state the amount and the reason for the payment as well as the official's name, their position and if possible their signature.

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- Explain to the official that such a payment might cost you your job as your NGO operates a zero-tolerance policy concerning corruption.

- Immediately report the incident to your superior in order to work out an appropriate action plan for the future.

- Write down the name of the official. Report the incident to the official's superior or to the official supervisory authority.

- Inform other NGOs working in the same region of the incident. Ask them if such procedures are common.

- If procedures like this are indeed common in this country, work together with other organisations and representatives of civil society in order to put pressure on the government to stop corrupt practices.

- Another option would be to suggest leaving the material at customs against receipt. Be aware that your material might get stolen. There is an equal possibility that the official will end up withdrawing his demand, as he is less likely to receive the amount requested on the following day.

Which anti-corruption measures could you adopt preventively?

Organisational measures

- Promote an organisational culture which supports integrity and transparency and make sure that the local employees are aware and supportive of these values.

- Insist that all employees record their expenses in writing (even small amounts) in the NGO's books.

- Set up a reporting unit where employees can confidentially talk about their misgivings and report irregularities without fearing negative professional consequences.

Codes of conduct

- Introduce clear codes of conduct explicitly forbidding corruption.

- Insist that your NGO's employees sign anti-corruption regulations. The employees should confirm these in writing at the beginning of their contract and at regular intervals thereafter. In case of minor violations of the anti-corruption clause an entry should be made in the personnel file.

Communication

- Organise trainings and meetings where employees can exchange their experiences and recommendations for handling corruption and corruption cases.

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- Make sure that all the employees involved in realising the project understand what forms corruption can take and are aware that even minor payments to facilitate crossing internal borders count as corrupt activities (bribes).

Other

- Try to find out whether the official can be prosecuted or whether you should report the incident to the police or to a government ombudsman.

4.12 Police Check on the Road

As project manager for a Swiss NGO you are working for a project in the area of education in a central African country. On a Monday morning you are driving to the north of the country in your personal car. You wish to visit a project there in order to clarify a few things with the local coordinator. On the way to the village where the project is located you are flagged down for a police check. The police officer enquires about your warning triangle and a portable fire extinguisher, which every car is required to have by law. You look for both objects in your car but after 10 minutes have to conclude that you don't have a portable fire extinguisher with you. The police officer now presents you with two alternatives: you either pay the fine of $40 as stipulated by the law or you hand $10 to him without, however, receiving an official receipt.

What is the correct reaction in such a situation?

- Reject the police officer's offer.

- Explain to the police officer that your NGO prohibits the payment of bribes and that this goes against the NGO's fundamental values.

- Pay the fine to the amount of $40 as stipulated by the law and ask that the police officer for an official receipt. This should include the amount and reason for the payment as well as the police officer's name and if possible his signature.

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- Explain to the police officer that each money transfer is entered in the NGO's books.

- Take the police officer's statement and report the incident to his superior or the supervisory authority. Ask them to investigate the incident.

Which anti-corruption measures could you adopt preventively?

Organisational measures

- Include the values of integrity and transparency in your organisation's mission and be sure that employees are aware of these values and accept them.

- Insist that all employees record their expenses in writing (even small amounts) in the NGO's books.

- Set up a reporting unit where employees can confidential talk about their misgivings and report irregularities without fearing negative professional consequences.

Codes of conduct

- Ensure that your NGO disposes of clear codes of conduct regarding corruption.

- Insist that your NGO's employee sign anti-corruption regulations. The employees should confirm these in writing at the beginning of their contract and at regular intervals thereafter.

Communication

- Address the problem of corruption within your team and organise workshops, seminars and conferences on the topic.

- Find out about all the rules and regulations for car drivers in the country in question and make sure that all cars dispose of a warning triangle and a portable fire extinguisher.

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4.13 A Motorbike in Exchange for an Official Permit

You are working for an NGO that realises education projects in a West African country. Like all development organisations in this country, your NGO is under the supervision of an official department, which issues permits for new projects and regularly assesses the NGOs' activities. The official department's representatives invite the NGOs several times a year to speak about their projects or obtain new permits. In the course of such a meeting, the department's director asks you for a motorbike for his secretary who comes to work on foot every day.

What is the correct reaction in such a situation?

- Explain to the director your policy regarding gifts and demonstrate that you are not allowed to accede to such demands.
- Explain that such procedures violate internal rules and might be in breach of applicable law.
- Report the director's demands to your superior in order to work out an appropriate action plan.
- If you consider it appropriate and necessary, offer your support in finding a potential sponsor for this organisation, without, however, carrying any costs for purchasing the motorbike.
- Discuss the incident within your NGO in order to work out future action plans and develop a coherent strategy in relation to such demands.
- Discuss the incident with other NGOs working in the region and seek advice. Ask the director whether they have made similar experiences.

Which anti-corruption measures could you adopt preventively?

Organisational measures

- Include the values of integrity and transparency in your organisation's mission statement.
- Make sure that two persons are present when obtaining permits or evaluating a project. To avoid misunderstandings, ensure that there are no language barriers between the actors.
- Ensure that persons bringing to light irregularities in the realisation of a project have the opportunity to communicate this to an internal or external reporting unit. Make sure that employees making such reports do not have to fear any negative professional consequences.

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Codes of conduct

- Lay down a clear policy for gifts, hospitality and personal expenses.
- Introduce clear anti-corruption guidelines regarding gifts.
- Include anti-corruption clauses in your work contracts and make sure they are confirmed at regular intervals.

Communication

- Create awareness for your organisation's anti-corruption guidelines by putting them on your webpage or publishing them in your reports.
- Make sure that all employees understand which forms corruption can take and how to act in such situations. In addition, point out the problem of gifts and develop a coherent behaviour strategy in this context.
- Write all codes of conduct or anti-corruption regulations in a language that is familiar to the employees.
- Together with your partner organisation organise further training in the form of seminars, conferences or workshops, in which employees can exchange experiences and recommendations for handling cases of corruption.

5. Conclusions

Corruption is a problem affecting many NGOs working in DC. It is therefore very important for organisations active in this area to recognise high-risk work areas and work out new measures for more efficient corruption prevention or to update existing tools. Even if an NGO has put in place organisational measures, clear codes of conduct and a well-established communication strategy, corrupt practices can occur. The present compilation of practice-based cases is testimony to that. It is important, however, that the actors affected can learn from the cases of corruption. This brochure is meant to offer practical instructions and conduct recommendations in this context.

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6. Notes

1 Both instruments are available on the TI website: http://www.transparency.ch/de/publikationen/Ratgeber/index.php#Entwicklungszusammenarbeit

2 Both tools are available on the TI website: http://www.transparency.ch/de/publikationen/Ratgeber/index.php#Entwicklungszusammenarbeit

3 By Internal Control System (ICS) we mean all the principles, procedures and (control) measures defined by the board of directors, management and other managerial staff, which are meant to vouchsafe the proper functioning of business activities and their efficiency and effectiveness (Lucerne University of Applied Sciences and Art, 2014). Accessed under: http://www.interne-kontrolle.ch/internekontrolle/h-interne-kontrolle/h-iks-definition-ch.htm

4 For a more detailed description refer to (2013): Public Audit Practice – Shifting the focus of accountability towards the people. Accessed under: https://assets.helvetas.ch/downloads/15_publicaudit practice_shiftingthefocus_blau_final_engl_a4_portrait.pdf

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8. Further Brochures by TI Switzerland

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