

## **Policy to combat fraud and corruption within the programme work and administration of humedica e.V.**

### **1. Starting position and objectives**

humedica e.V. receives private donations, public funding and contributions from third parties to finance its humanitarian help programmes. The base for the work of humedica e.V. is the trust of its sponsors and external givers in the fact that the entrusted resources will be used as best as possible according to the humanitarian aims of humedica e.V. for the respective target groups and the purpose specified by the sponsors. Due to its humanitarian objectives humedica e.V. has an ethical obligation to both its sponsors and the beneficiaries of the funded relief work.

Together with its local partner organisations humedica e.V. is responsible for the best possible use of the entrusted funds. Although the collaboration with the local partners is based on mutual trust, the project administration has to make dispositions, which ensure the adequate, efficient and transparent use of project funds. These arrangements include measures suitable to prevent and fight corruption.

Corruption occurs in various forms in all cultural groups and societies. In the field of humanitarian help and development cooperation corruption is a serious problem. Especially there, where physical and financial assets are implemented in mostly unstable environments and in times of complex disasters, particular attention must be paid to the problem of corruption.

Corruption is not only a moral, but also an economic problem: each Euro, which falls victim to corruption, is missing in the endeavour to achieve the humanitarian, social and development project objectives. Corruption infringes the rules of competition and favours decisions, which are not public-spirited or objective, but which reflect personal interests. Corruption is one of the biggest development refrains ever: wherever corruption rules, resources get wasted or misdirected. Development potentials go to waste and investors are discouraged. Thus economic and social development falls behind and poverty increases.

The prevention and fight against corruption are therefore central concerns of the German Federal Development Cooperation (see the recent publication of the German Federal Ministry for Economic Cooperation and Development: Anti-corruption and integrity in the German Development Policy – Concept, BMZ-Strategy Document 04/2012 as from June 2012).

Against this background also humedica e.V. has prepared a policy to avoid and fight fraud and corruption at all levels of its humanitarian work in Germany and abroad, in the programme work as well as in its own administration. The guidelines start with a general description of definitions and manifestations of corruption as well as of specific corruption risks within the work of humedica e.V. in order to sensitize its staff for weak points and gateways.

Later on concrete measures and binding rules of conduct are outlined, which will help to avoid and fight fraud and corruption within the work of humedica e.V.

### **2. Corruption: definition, manifestations**

#### **2.1 Definition of corruption**

These codes define corruption as the misuse of entrusted power for private purpose or advantage. Corruption can take many different forms: this definition does not only cover bribery, but also misappropriation, abuse of entrusted goods, unfair patronage and nepotism.

Concrete corruption can be the offering, giving, requiring or accepting of presents, loans, rewards, provisions or equivalent benefits in conjunction with the goal to cause the corrupted person to behave in a dishonest, illegal way or to constitute a breach of confidence.

A differentiation has to be made between petty corruption caused by poverty and grand corruption motivated by the acquirement or preservation of power, property or influence. A specific challenge in handling corruption is the so-called „grey area“, where the question, whether a specific action or practise in a certain socio-cultural context is corruption or not, is difficult and can not always be answered with certainty.

## 2.2 Manifestations of corruption

Corruption in development cooperation and humanitarian help can take various forms. The most common are:

**Misappropriation of project funds**, especially:

- Private use of project funds
- Payment of fictitious salaries
- Payment of travel expenses for business trips, which have never taken place
- Private use of company cars, communication devices and other institutions, which were acquired for the project
- Private sale of project goods or their exchange for less valuable goods
- Diversion of relief goods or delivery of less valuable relief goods than invoiced
- "Kickback" agreements, i.e. agreements with suppliers to invoice inflated bills in order to split the gained difference between client and supplier
- Falsification of records
- Also **misappropriation**, i.e. the use of funds for any other purpose than the purpose agreed upon is also a form of misappropriation of project funds

**Financial profits:** for example project expenses, which are paid with delay in order to earn money from investments for interest or profit without declaring them as additional project income. Profits can also be earned in case of substantial fluctuations of the exchange rate or on the black market for currencies without declaring them properly or using them for project objectives.

**Nepotism, unfair patronage, preferential treatment:** preference of family members or friends when awarding positions and tenders.

**Speed-up bribery:** money, which is paid to speed-up customs clearance, the application of governmental licences, the assignment of a telephone line etc.

**Bribery of and/or threats against confidants:** used to ensure that third parties, who know about corrupt practises, maintain silence and cover up the illegal behaviour.

## 3. Corruption risks for the work of humedica e.V.

The general manifestations of corruption mentioned above can occur in the own administration as well as in the field project work of humedica e.V.. Furthermore there are a whole string of specific risks, which originate in the characteristics of humanitarian relief work and development cooperation:

- Falsification of needs analyses, wrong information about the number of needy people, manipulation of recipient lists, inflation of the actual emergency situation
- Alteration of rations and allocations for the distribution of relief goods, distribution to phantom recipients, diversion of supply goods for not-needy persons
  - Offer manipulation in tender procedures
  - Selling of supply goods on the local market
  - Use of inferior building material for construction projects
  - Multiple charging of supply and services invoices

- Payment of fictitious or inflated salaries to project personnel
- Accounting of taxes, social contributions and other tax benefits, which in fact have not been paid to the respective tax authorities

#### **4. Corruption prevention measures in the project administration of humedica e.V.**

Greatest possible transparency in all fields of project work is the best form of corruption prevention. A further way to impede corruption is the monitoring of the own administration as well as the control of the project partners, as far as this is adequate and feasible. In principle, measures for corruption prevention, transparency and monitoring should be coordinated with partner organisations in order to develop a joined strategy for corruption prevention.

##### **Risk assessment of project cooperation**

A prerequisite of every project approval is the standard assessment of consisting and possible risks with regard to a specific project cooperation. The risk assessment includes common framework conditions such as the corruption index of the country or the need for action in acute emergency situations, but also in particular the risks regarding the administration of the project partner and its professional competence.

This involves to reveal, according to desk verification, known risks and to outline eventual measures of risk management. If the risks increase significantly in the course of the project, the risk assessment has to be adapted accordingly.

##### **Monitoring of partner organisations**

The short-term emergency relief and disaster interventions of humedica e.V. sometimes require special measures. As a general rule humedica e.V. runs its projects as far as possible on its own and with personnel, which is especially trained and used to work according to acquired standards. Frequently humedica e.V. also makes use of the resources of local partners for these projects, in these cases the responsible project coordinator ensures the project implementation within his decision-making-competence.

If it is planned to transfer the complete project implementation to a partner organisation, humedica e.V. checks right at the start of the collaboration the organisational government, the management capacities, the economic management, the accounting and the transparency of the partner organisation. In particular it must be clear that the partner is able and willing to adhere to proper bookkeeping and financial monitoring. If project partners can obviously not guarantee or accept the minimum standards mentioned above, a collaboration is only possible in exceptional circumstances with proper justifications. In these cases a close project monitoring by humedica e.V. is indispensable.

##### **Project approvals**

Projects are approved according to a fixed internal procedure. Suggestions of project approvals are discussed within the project department and released for approval. The responsible project officer prepares a project submission including a risk assessment, which is countersigned by the field manager. Once a month the general management is continuously informed about the management of the granted funds.

##### **Project agreements and administration guidelines**

humedica e.V. defines in written the project's objectives, the intended use of the funds, the amount of the approved budget as well as the applicable administration guidelines for all projects, which it runs on its own or in cooperation with project partners. The humedica headquarters see a project through all phases and monitor continuously whether the project's

guidelines and time limits are met. This auditing covers the timely controlling of the documents on revenues, expenditures and procurement (preliminary review) and includes also the assessment whether the documents correspond to reality and the called-up prices are realistic with regard to the specific local conditions.

### **Accounting**

A correct, transparent and verifiable accounting is an important prerequisite to avoid corruption. Project funds can only be spent for the agreed purposes and according to the approved budget, either by the humedica e.V. organisation itself or by the partner organisation and only for acquisitions or other expenses used in the project. To cover the expenditure of partner organisations humedica e.V. transfers the respective funds in tranches with regard to resource needs and project progress. Additional project income (interest gains) must be disclosed separately by the partner. Project funds, which are not spent, must be reimbursed to humedica e.V. All necessary details are regulated by the respective project agreement.

### **Dual control principle**

Decisions relevant to the project such as approvals, financing commitments, payment orders, project agreements or project closings have to follow the dual control principle. The respective valid version of the humedica e.V. signing authority regulation adjusts the details. humedica employees are not allowed to commission monetary payments and contributions in kind for projects (such as travelling and material expenses, fees for consultancy assignments), if they are at the same time the recipients of these services.

### **Internal audits and quality control**

humedica employees audit internally the submitted evidences of the use of funds. If a project is closed, the complete source and disposition statement is controlled once more. The quality control also checks the reports to external sponsors. The head of department will ensure by random checks documented in a report that work procedures are followed properly, laws and instructions are abided and corrupting and corrupt behaviour is prevented.

### **External auditing**

Independent external chartered accountants control the local lead partners of projects funded by several public sponsors (such as US AID). The cross-references are also randomly checked by the yearly audit of humedica e.V. and the Federal Administration. Furthermore the Federal Audit Office has the right to control projects with public co-financing.

### **Training and consulting of employees and partner organisations**

In order to guarantee a transparent administration of funds, basic administrative expertise and expert knowledge of the handling of management policies are needed. humedica e.V. trains its employees regularly in the field of internal work procedures and project administration. humedica project officers have an important supporting and consulting function for the project partners with regard to the implementation and the administration of projects.

### **To eliminate misuse incentives in the project planning on site**

Apart from the importance of knowing the local project partner well, certain risks of misuse and mismanagement in the project planning can be addressed preventively by humedica e.V. in the discussion with the project partner. Tight means in times of big disasters may not overstrain the local resources or beguile the partners into initiating double funding. humedica e.V. advocates for a fair payment of the responsible project officers working for the local co-operation partners, which reflects their real financial and professional responsibilities.

## **Social auditing and participation**

The inclusion of target groups and local players in the project planning and budgeting allows for a "Social Auditing" later on. In this process organised target groups take on a monitoring role. They make sure on site that the means have really fulfilled their intended purpose and were used economically. The local cooperation partner should provide the necessary organisational means for the active participation of the basic organisations.

The local project promoters are explicitly asked by humedica e.V. to encourage the target groups to address themselves to the humedica ombudsperson if they see or suspect the misuse of project funds or supply goods. The complaints procedure details are regulated in the respective guidelines.

## **Award of contracts and services; procurement auditing**

If material goods or services are acquired, the procedures and codes of conduct of the procurement directives of humedica e.V. must be respected.

## **5. Code of conduct for employees and partner organisations**

### **5.1 Area of application**

The following guidelines apply to:

- Employees of humedica e.V. as well as their family members
- Local employees in the offices and projects abroad
- Committee members
- Persons, who work for partner organisations abroad and who are supported by humedica e.V. financially or ideationally
- Freelance experts and consultants, who perform jobs for humedica e.V. on the basis of work or casual contracts
- humedica e.V. volunteers

### **5.2 Code of conduct**

The group of people named in 5.1 must respect the following guidelines:

- Personal relations or personal advantages must not influence the decisions of the employees and volunteers of humedica e.V. and their partners
- Every form of corruption, either direct or indirect, is forbidden. That includes the back-flow of parts of a contractual payment („kickback“), the use of other ways or canals for the illegal compensation of contractors, suppliers, partners, their employees or public officials as well as the acceptance of bribes or kickbacks from or for the benefit of family members, related parties or colleagues.
- The payment of bribes or other contributions in project countries with the objective to speed up official procedures is to be refrained from as long as there is a statutory claim to them. As far as humedica e.V. employees can not avoid to pay lesser speed-up settlements to pursue a legal right or are forced to do so (for example while passing a border), exceptions from this rule are possible in agreement with the general management, which must be documented in written. But also in these cases this is to avoid in future and the basis of both internal and external transparency must be respected: within the frame of possibility the superior departments of the guest country must be informed as far as this seems adequate. The general management will inform the executive board about incidents of this kind in the regular scope of coverage.
- The offering or the acceptance of presents, caterings or reimbursement of expenses is forbidden, as far as these are liable to influence the conclusion of business or project approvals and surpass the frame of reasonable and adequate expenditure. The

- supervisor must be informed about accepted gifts or invitations exceeding 30 Euro, with the exception of invitations to lunch or dinner invitations, whose acceptance complies with the general principles of politeness and which are within the normal scope of business.

If these guidelines and especially the above mentioned code of conduct are violated, disciplinary and contractual sanctions (cautions, dismissal, termination of project cooperation etc.) are intended. In case of a criminal offence adequate legal proceedings will be initiated.

Both humedica e.V. employees and freelancers are loyal to their employer respectively their customer. This includes constructive criticism, which has to be brought forward in suitable form. If there are hints or rumours, which are directed against humedica e.V. members of staff, they can expect that their employer will verify, assess and analyse them carefully and, if necessary, will take appropriate measures to protect its personnel.

If corruption occurs in partner organisations, humedica e.V. reserves the right to make these facts public within its business environment and to warn against collaboration with the respective organisation/person. The present anti-corruption-policy covers a wide field of ethical conduct, but can of course not address all relevant situations. In many cases employees of humedica e.V., a partner or a project sponsor will have to have to make their own decisions to preserve their integrity and to prevent or fight corruption.

The following questions can help to come to a decision:

- Do I act within the law?
- How would my colleagues assess my acting?
- How would the public assess my acting?
- What would the media report about my acting?
- How would sponsors and cooperation partners assess my action?
- Would my action defame my employer and the work of humedica e.V., if it became public?

Other important issues are the frequent by-passing of regulations, regular absences of financial documents of all sorts, renunciation of otherwise standard checks or monitoring, the tapping of responsibilities, lacking documentation of the justifications of decisions etc. Anonymous tips, rumours from outside as well as suggestions have to be taken as warning signs, to protect the accused persons they need to be evaluated and analysed carefully in order to exclude misuse. In case of doubt affected persons can contact the ombudsperson (see figure 6).

## **6. Reporting procedure I ombudsperson**

humedica e.V. staff members, who know about serious references or reasonable suspicions of corruption or other fraudulent actions, are obligated to report this to their superiors or the ombudsperson. humedica e.V. employees are encouraged to report violations of these anti-corruption guidelines or their concerns as early on as possible.

In order to facilitate this procedure secure, easily accessible and confident information channels have been installed. Nobody shall be disadvantaged if he reports violations of these guidelines. In order to protect the informants humedica e.V. will establish reporting procedures that will guarantee their anonymity. The position and function of the ombudsperson as well as the reporting procedures are regulated in the appendix of these guidelines. In principle the general management has to be informed about each case of corruption as well as suspicions thereof.

## **7. Policy implementation**

These guidelines have become effective by the 1st of February 2014 based on the management board decision of 18<sup>th</sup> of January 2014. In the field of project cooperation they will become a binding part of future cooperation agreements with local partner organisations. Detailed application rules, which outline concrete regulations for the implementation of particular aspects of these guidelines will be developed jointly. The humedica e.V. staff will be informed continually and in detail about these guidelines and codes of conduct in internal trainings.

The codes of conduct are a binding part of work contracts as well as of fee, service and partner contracts. Violations will lead to the termination of these contracts without notice respectively to a termination of collaboration. After a trial period of two years these guidelines will be revised and, if necessary, adapted.

### **Appendices:**

Foundations of the position and function of the humedica e.V. ombudsperson.