Guidelines for the fight against and prevention of corruption, conflicts of interest, and fraud in the context of the DAHW work

1. Present Situation and Objectives

DAHW Deutsche Lepra- und Tuberkulosehilfe e.V. as a non-government organization is receiving private donations, funds of public offices and contributions of third parties and partners, to fulfill its mandate and statutory obligations.

Included in the statutes and mandate of DAHW are medical and social relief projects, either self-implemented or implemented via partner organizations; emergency aid programs and projects of reconstruction as well as development of social services. The work of DAHW is based on the confidence of its private donors and external financial sponsors that all trusted donations, public and earmarked funds will only be used for the intended aims (earmarked) within the statutory goals of DAHW and only to be used to help the individual target group in the best way ever possible. Therefore DAHW has the ethical commitment resulting from the social objective and goals. This ethical commitment is not only binding towards the external financial sources but also a commitment towards the receivers of the help, the target group.

Corruption exists in different forms in all cultural contexts and societies. Corruption is a very serious problem in the context of humanitarian aid and development aid. Especially in the mandate area of DAHW where considerable funds and tangible assets are used the problem area of corruption has to be in the focus of special attention.

DAHW together with the local partner organizations is responsible for the best and optimum usage of the trusted project funds. Although the co-operation with the local partner is based on mutual confidence and trust, provisions and mechanism must be installed to ensure the prevention of corruption and to promote the fight against corruption.

Corruption is not only an ethical problem but an economic problem: Each Euro lost to corruption cannot be used for the purpose of the humanitarian, social and development aid it was meant for. Corruption corrupts the rules of competition; and is promoting decisions based on personal interests and not based on facts or on common welfare.

Therefore DAHW has developed these guidelines with the objective to avoid fraud, corruption and conflict of interests on all levels of work, in Germany and abroad, and to fight corruption. The guidelines are first describing the definition and the form of appearance of corruption as well later precise tools and binding rules of behavior that all should contribute to the prevention of and fight against fraud and corruption within the scope of work of DAHW.
2. Corruption and Fraud: Definition, Form of Appearance

2.1 Definition of Corruption / Fraud
Meaning of corruption and fraud in these guidelines is understood as the abuse of entrusted power to gain private advantages.
It may appear in different forms. The definition of corruption also includes the abuse of tangible assets, spoils system and nepotism (favoritism) as well as other legal definitions of the elements of a crime like fraud and breach of trust.
Cases (corpus delicti) of corruption can be manifold:
Offering, giving, asking for gifts or accepting gifts, loans, rewards, commissions or any other comparable private advantages with the goal to influence the corrupt person to behave in an unethical or illegal way or commit a breach of trust.

It must be differentiated between small and major incidents:
“Petty Corruption” is caused by poverty and the “Grand Corruption” is the case where the incitement is gain or receipt of power, wealth and influence. A special challenge in the context of dealing with corruption is the so-called “twilight or grey zone”. Here the question arises, if the act itself - in a certain socio-cultural context - or the way of handling a certain matter is corruption or not, especially when this question cannot definitely be answered.

2.2 Forms of Appearances of Corruption and Fraud
Corruption in the scope of work of international relief organizations and in the context of development aid has manifold forms of appearances.

Most common are:

- Mis-Appropriation of project funds, ie. private use of project funds or use of the funds for a purpose not agreed upon
- Payment of fictitious salaries
- Payment of travel expenses for travels
- that either have not taken place or were shorter than stated
- Private use of duty vehicles, means of communication (Internet/Email) and other technical or tangible assets purchased for project purpose
- Tapping off of relief goods or the delivery of bad quality relief goods
- Payment or receipt of so-called “Kickbacks” which means agreeing upon exaggerated invoices with suppliers, and the difference of this amount between the actual price and the faked invoice will be divided between the customer and the supplier.
- Falsifying / faking any receipts or vouchers (ie. cheques, invoices etc.)
- Gaining of financial profits, ie. by delayed use of project funds and use these project funds for investments (in bank investments or using project funds for interest earnings or other profit-making investment without showing and using these financial gains as project income)
- Currency gains by exchanging currencies at black market rates, currency exchanges without presenting receipts or proof for exchange activities and without using these gains for project purpose.
- Nepotismus, favoritism, preferential treatment means: Preferring a relative or a friend by appointing an official function or place an order.
• Speeding up a process by paying money: Payments are done, to speed up ie. customs procedures, granting official approvals (by state officials) or to speed up an allocation of a telephone connection.
• Bribery and/or harassment of accessories: Tool to force (third) persons that know about the corrupt practices to keep silent and cover up these types of crimes.

3. Special Corruption Risks within the scope of DAHW's work

The above mentioned types of corruption could also occur during the project work of DAHW. Beyond there are certain risks resulting from the type of support to the projects:

• Falsifying project applications, providing falsified information about the number of beneficiaries, blowing up the real emergency situation
• Change in flow of funds for projects
• Tapping off/stealing relief goods granted for needy people
• Manipulation of offers in the bidding process
• Sale of relief goods or any DAHW property/assets on the local market
• Housing/building projects: usage of minor value/substandard material
• Presenting/claiming invoices several times in order to receive payment for these
• Payment of fictitious salaries of employees (to non-existing employees)
• Book entries of taxes, social security payments and other benefits as project expenditures that in reality have not been paid to the respective public offices
• Booking/payment of activities (trainings) that have not taken place
• Preferring family members or friends when hiring personnel for job vacancies

4. Measures for prevention of corruption in project administration of DAHW (national and international)

High level transparency in all regards to project work is the best prevention of corruption. Besides this, control of own project administration and control of the administration of the project partners is another element to impede corruption. Generally any measures of prevention of corruption, like transparency and control mechanism together with the partner organizations are the best means for protection against corruption and should be striven for as well as to develop a corporate strategy for prevention of corruption.

Risk Assessment of Project Co-operation

Prerequisite of any internal approval of a project is a standard assessment of existing and possible risks of a project co-operation. The risk assessment includes a framework of different things like index of corruption of the country, pressure in acute emergency situations, but also risks in connection with the administration of the project partner or his professional competence. All known risk factors should openly be presented and identify possible means for risk management. If risks during the project are increasing, the risk assessment needs to be adjusted.

Check of Partner Organizations

Local partner organizations co-operating with DAHW will be checked and assessed at the beginning of the co-operation in regards to their leading management, capacity of management, company economical management, accounting system and transparency. It must be particularly verified, if the partner is willing and capable of
controlled accounting, financial monitoring. This assessment is done with the help of a common standard process.

A co-operation with project partners that are not fulfilling the minimum standards of the mentioned principles can only be started in exceptional cases with justification and is asking for a close supervision by DAHW.

Approval of Project:
Projects will be approved by the DAHW project approval commission in accordance with the scope of a defined internal procedure. This is based on the project approval guidelines granted by the board of DAHW. The MSP (medico-social project department) is preparing a project proposal including a risk assessment.

Agreement of Allocation with the project partner and administration guidelines:
The Agreement of Allocation with the project partner is defining the goals of the project, the definition of usage for the funds and the amount of the approved budget as well as the administration guidelines to be used. Standards of project administration must be implemented irrespectively of the financial project volume or if it is a pre-requisite from the co-financing partner. The continuous DAHW supervision includes controlling the partner, ie. fulfilling all requirements and specifications; and if reporting is on time and according to given deadlines. Checking the documentation includes assessment, if the documentation is true and if the prices quoted are realistic taking the local price range into consideration. Non-used project funds must be paid back to DAHW.

Accounting
A correct, transparent and comprehensible accounting is a decisive pre-requisite to avoid corruption. Project expenditures may only be used for the intended project purpose and within the approved budget lines, either by DAHW for expenditures of investments or other expenditures for the project or expenditures done by the partner organization. For the expenditures executed by the partner organization the DAHW will transfer instalments according to resource needs (call for funds). Additional income for the project (for example: interest profit) have to be separately proven. Details are part of the individual project agreement.

Four eyes principle
DAHW is applying a system of clear division between duties and functions (responsibilities) in important areas. The four-eyes-principle must be applied for any project relevant decisions like project approval and approval of funds, payments, agreement of allocation or final settlements of the project. More details can be found in the list of authorized signatures – official signatories of DAHW. Funds and benefits in kind for a project (i.e. travel cost and reimbursement, payment for consultancies) may not be ordered by DAHW employees when at the same time they are the recipient of these funds and/or benefits in kind.

Six-eyes-principle for contracts with family members
Contracts of any kind with family members of employees in and outside of Germany need the approval of the next two higher superiors in charge. Outside of Germany any contracts with family members need the additional approval of DAHW Chief Executive Officer or Deputy Chief Executive Officer.
Training of and Guidance for Employees and Partner Organizations
Basic administrative expertise and special knowledge concerning administrative policies are needed for a transparent management of funds.

DAHW will be training their employees about the internal procedures and project administration/management. DAHW country offices have an important supporting and guiding role for the project partners concerning implementation and administration of the project.

Eliminate local inducement during project planning phase
Besides the importance to know the local project partner, certain risks of abuse and mismanagement can pro-actively be eliminated during project planning phase by discussions between DAHW and the partner. DAHW will advocate for adequate payment of the responsible project employees in terms of their financial and practical responsibilities.

Social Auditing
Involvement of target groups and local stakeholders during the planning phase and the budgeting can lead to a "social auditing" later. At a later stage the organized target groups (ie. SHG) will take over a controlling role in reporting about the usage and proof of project expenditures. They can trace and assert, if the funds have economically been used for the intended purpose. The local co-operation partner should provide the organizational set up for the participation of the grassroots organizations (target groups).

The beneficiaries of the relief projects will be encouraged by the responsible project manager to report to a higher institution when there is any doubt or suspected abuse of project funds or tangible assets. Usually this is the superior institution, ie. responsible DAHW person for the respective project. Appropriate measures must be installed for such an internal complaint process (Beneficiary Complaint Mechanism).

Allocation of orders and services, Control system for procurement
When purchasing or placing orders for items and services the DAHW Procurement Policy for Orders and services in and outside of Germany must strictly be observed. "Ausführungsbestimmungen für Beschaffungen und Dienstleistungen im In- und Ausland der Deutschen Lepra- und Tuberkulosehilfe e.V. der DAHW."
All rules and regulations have to be applied when purchasing tangible assets. Additionally for all purchases or procurement of more than Euro 10.000 an approval of the Chief Executive Officer must be obtained.

Internal Check/Audit and Quality Assurance
The check of the local project accounting and the voucher list (cross reference list) is internally done by DAHW employees in the accounting department. They are aware of the special and (country) specific requirements of the project accounting. DAHW internal process and adherence to guidelines will be checked by the DAHW internal revision

External Check/Audit
Based on the project agreement (agreement of allocation) and the DAHW supervision and pre-assessment, projects financed by public funds will additionally be audited by an external certified chartered accountant. This chartered accountant company must
be exchanged on a regular basis. A standardized system of procurement for chartered accountants must be applied.

DAHW is subject to an annual check by "Deutsche Zentrainstitut für Soziale Fragen (DZI)" "Central Institute for Social Questions" in order to obtain an official confirmation of economic use of the entrusted donations and funds in accordance with the statutes of the NGO. In its annual report DAHW is giving a complete and detailed overview of the income and expenditures, reporting about the kind and usage of project funds and the salaries of the DAHW employees.

The DAHW annual report is regularly participating in the annual competition for exemplary and transparent information of NGOs initiated by PwC (Price Waterhouse Coopers).

Besides DAHW is installing an internal complaint mechanism (Ombudsman), where anonymous complaints and reports of cases of corruption and fraud can be reported to.

5. Code of Conduct for Employees and Partner Organizations

5.1 Area of application
The following rules are valid for:
- DAHW employees in Germany, in country offices and in projects abroad under the area of responsibility of DAHW as well as trainees and temporary employees
- Employees with local working contract in the country offices and projects
- Members of any DAHW board or committee
- Employees of partner organizations abroad that are supported by DAHW either financially or ideally
- Freelance evaluators, consultants and service providers that are working for DAHW based on a service or honorarium contract.
- DAHW volunteers

5.2 Code of Conduct
The persons listed in para 5.1 are obliged to follow the below rules and terms of references:
Corruption of any kind is forbidden – direct or indirect. This includes all kind of corruption and fraud as mentioned in para 2.2 and 3
- All measures mentioned in para 4 to avoid and fight corruption, conflicts of interest and fraud are binding and have to be adhered to.
- Personal relations or personal advantages may not influence the decisions of DAHW employees and their partners.
- Payment of bribe money or other benefits paid with the goal to influence or to speed up an official process have to be refrained from. If such payments cannot be avoided or DAHW employees are forced to pay (ie. when crossing a border to another country), DAHW HQ needs to be informed and, if anyhow possible, also the local higher authorities in the respective country.
• Offering or accepting of gifts, allowances and travel and entertainment expenses is forbidden, if those expenses paid could influence the project approval or the conclusion of a contract and if those are of a higher value and not reasonable and adequate.

Violation of these rules and especially a violation of the code of conduct 5.2 will result in disciplinary or contractual sanctions (letter of reprimand, notice of termination, end of project co-operation etc.) If there is a criminal act, the legal steps will be taken.
In case of corruption within a partner organization DAHW reserves the right to publish this incident within the ILEP network and to alert others to start a co-operation with this particular organization.

6. Reporting procedures / Ombudsman

DAHW employees who are in possession of serious hints or who suspect corruption or actions of fraud are obliged to report this to their superior or to a neutral institution (Ombudsman). Employees will be encouraged to report any violations of the anti-corruption guidelines and report their concerns as soon as possible.
For this purpose safe, easily accessible and confidential channels of information will be installed. Nobody may be discriminated because of forwarding information concerning violations of these guidelines. In order to protect the person(s) reporting or giving the hints DAHW will be installing a reporting system assuring the anonymity of the person(s). Enclosed is the DAHW Internal Complaints Management Mechanism and Ombudsman. Principally the head of department must be informed about any cases of corruption, even just a suspicion.

Implementation and practical realization of the guidelines
The effective date of the guidelines is 1 October 2015. The guidelines will be a binding document and part of the project agreement (agreement of allocation) with the local partner organizations.

Further implementing rules, practical instructions for implementation of individual aspects of the guidelines will be developed along with the project teams.
In-house training and detailed information sessions will be executed.

Code of Conduct rules are a binding part of the working contract, honorary contracts or partner contracts. Violations of the guidelines and code of conduct will lead to disciplinary or contractual sanctions (letter of reprimand, notice of termination, end of project co-operation etc.)

Provision is made for a trial period of two years, at that time these guidelines will be reviewed and adjusted, if necessary.

Version 1-09/2015