

## 5<sup>th</sup> Webinar, Summary

The fifth Charter webinar on “**What does it take to successfully confine the risk of corruption and fraud?**” took place on 12 February 2014. Robert Barrington, Executive Director at *Transparency International UK*, and Bárbara Pascual, Head of Transparency, as well as Laura Cantle, Accountability Officer, both at *Educo* (formerly *Intervida*), gave very open and insightful presentations on the underestimated risks NGOs face and on how to set up effective systems to effectively minimise the risk of corruption and bribery. Please see their two presentations as well as additional readings uploaded on the [Charter website](#). Below is a summary of the key issues highlighted in the presentations and the following discussion:

### **What is corruption?**

Corruption is the abuse of entrusted power for private gain and is much more than paying straight forward bribes. These are often disguised as donations or are paid via associates and arrangements of joint ventures or kickbacks. Corruption also includes nepotism, fraud, double funding and other forms of discrimination.

### **Why is it so detrimental?**

- Corruption, when detected, can fundamentally undermine the greatest asset we have as NGOs: public trust. As such it undermines an organisation’s social, economic and political relations within and outside its key constituencies;
- Corruption leads to shortages and misallocation of resources, critically needed to fight poverty, environmental damage, and abuse of human rights in addition to undermining the rule of law;
- Corruption undermines the important value of integrity in an organisation’s culture.

### **What are the key organisational risks?**

- The greatest risk is inertia with regard to managing the corruption risk. The Charter’s Independent Review Panel has been particularly critical of Charter Members’ insufficient risk management in this regard since its inception in 2011.
- From its past experience, Educo/Intervida has identified further risk factors as follows:
  - Vertical organisational structure with dependency on one or few individuals
  - Management structure does not guard against conflicts of interest
  - Internal control procedures dependent on same few individuals
  - Staff not participating in decisions, information not available
  - Organisation working in isolation
  - Growth that exceeds expectations and capacity of organisation
- TI UK found that many NGOs have similar excuses as the corporate world e.g. Western perception of corruption does not apply in the other parts of the world etc. One should keep in mind, though, that corruption is most likely also illegal in the countries of our field offices and that NGOs should not break the law. Furthermore, corruption most often damages the very poorest of a community which are also our main target group. Efficient and sustainable NGO work does not leave any leeway for corruption.

### **How to minimise the risks of corruption?**

- There are well-established approaches to managing corruption risks e.g. “[Diagnosing Bribery Risk](#)”, “[Anti-Bribery Principles and Guidance for NGOs](#)” and “[TI-UK Anti-Bribery Policy](#)” by TI UK as well as “[Pocket guide of good practices: Preventing corruption in humanitarian operations](#)” by TI).

- Critically important is:
  - high level, visible management commitment
  - thorough identification of specific corruption risks to the organisation devising and implementing robust anti-bribery procedures
  - due-diligence assessment of partners, agents and contractors
  - dissemination and communication
  - training, monitoring and evaluation
  - collective action
- Although it is hard to adhere to a zero-tolerance policy across all operations, this is critical to establish a clear principle. If necessary, very clearly defined exceptions can be incorporated in the annex or implementation guideline, e.g. if it is a life and death question. However, the overall policy should be perfectly clear.
- Strong feedback and complaints handling mechanisms act as an early warning system to prevent, mitigate, or resolve tensions and problems before they escalate into more serious issues. They can therefore help to prevent and combat fraud and corruption.
- Additionally Intervida/Educo has learnt from its hardship and since then has aimed at **participation in networks, collaboration with peers** (both achieved within the Charter framework) and emphasis on **cultural change**.

#### ***How to embed a culture of transparency within the organisation?***

- There needs to be great clarity and acceptance from top leadership and throughout the organisation for the agreed anti-corruption measures.
- Training awareness, building capability and providing sufficient resources is critical.
- Charter Membership allows for exchange of expertise and benchmarking with peers. The reporting process puts anti-corruption issues on the internal agenda and requires cross-functional plausible solutions to risk management challenges.
- NGOs should not be afraid to publish incidents of corruption, thus making sure they stay in charge of interpreting data. Evidently, this only works if the organisation has carefully assessed the reason for this incident and has taken robust measures to prevent it from happening again in the future. [DanChurchAid](#) (DCA), a major Danish NGO, has been [publishing its annual corruption report](#) since 2008.

#### ***Why now?***

- Media has become much more critical with NGOs and has reported on a number of corruption incidents. It is better to have some good answers with regard to a robust anti-corruption management, if cases appear.
- The legal framework and enforcement against bribery is growing. Global Examples are the OECD Anti-Bribery Convention (1997) or the UN Convention Against Corruption (2003) which is signed by 140 states. National laws such as the Foreign Corrupt Practices Act (USA, 1977) or the recent Bribery Act (UK, 2010) have further strengthened the legal and political pressure for NGOs to openly tackle corruption in their own organisations.
- There were different views in the group on how well NGOs are actually doing and have progressed on this matter, and this discussion would now benefit from further research.

We invite all Members to join the **Charter's Peer Advise Group on Anti-Corruption**. Please contact the Secretariat if you are interested in this peer learning. Many thanks to the presenters and participants for this interesting and reassuring discussion. We look forward to seeing you at the next webinar in May 2014 on **"How can we live up to our promises of inclusion and non-discrimination?"**.