

# Codes of Conduct, good CSO Governance and how to cope with corruption

## Some remarks to kick-off discussion

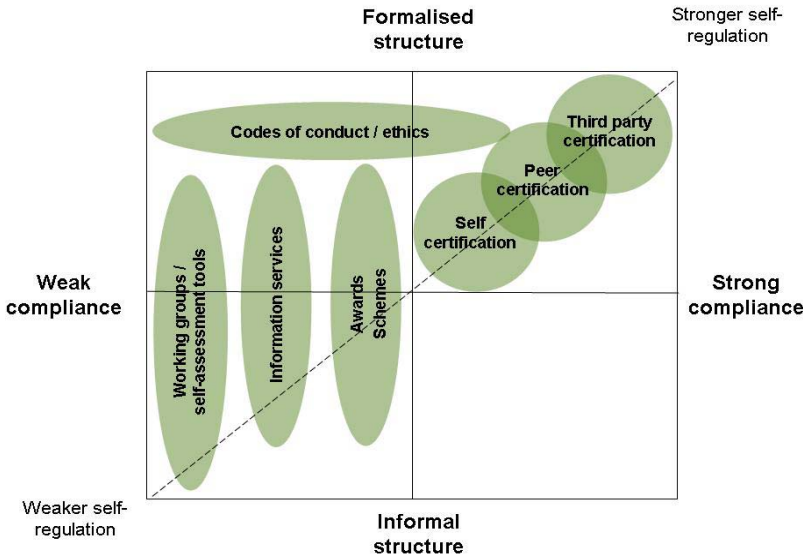
by Joachim Lindau  
(Vienna, November 10, 2009)

I. When reflecting on “the Future of Civil Society Development Organisations” broadly two sets of questions need to be dealt with :

1. In what way has the world around us changed and which challenges do CSOs have to cope with? This set of factors may be called external. These will lead thought into the direction of necessary if not imperative change of policies, approaches, strategies, priorities etc.
2. Are our internal procedures good enough to appropriately deal with the external challenges? Are we in a position to respond appropriately, without losing our original objectives? What qualitative changes may be required to safeguard that we remain “genuine”.

The second set of questions can be summed up under the headline of “Civil Society Self-Regulation”. Organisations which cease to be self-regulated cease to be part of Civil Society understood as non-party political, benevolent and non profit sector which subscribes at poverty reduction and justice. We are well advised to continuously deal with “self-regulation” of our internal structures before others are tempted to do so. Some people find that this is unnecessary “naval gazing”. However, without such effort all kinds of practices may creep in which may hamper the characteristics of an organisation in such a way that in the end its integrity is endangered. The changes in the political “surrounding” particularly competition for scarce funds force genuine CSOs to constantly reconsider the moral and ethical appropriateness of solutions in sight whatever promising they may look at a first glance. The standard question is whether options offered do eventually compromise the declared objectives of the organisation (for example “sponsoring” offers). What is needed is a broad coalition of CSOs – North-South-East-West - subscribing to a relatively small number of principles and a transparent reporting or monitoring system which makes them mutually responsible and not only to national and multinational “backdonors”.

Fig. 1:



Source: Warren, Shana and Lloyd, Robert: Civil Society Self Regulation; in: One World Trust, Briefing Paper Number 119, June 2009, page 6

II. Codes of Conduct are an important tool for enhancing accountability of NGOs /CSOs. NGO /CSO accountability can include issues such as organisational management, project implementation, financial management, participation and information disclosure.

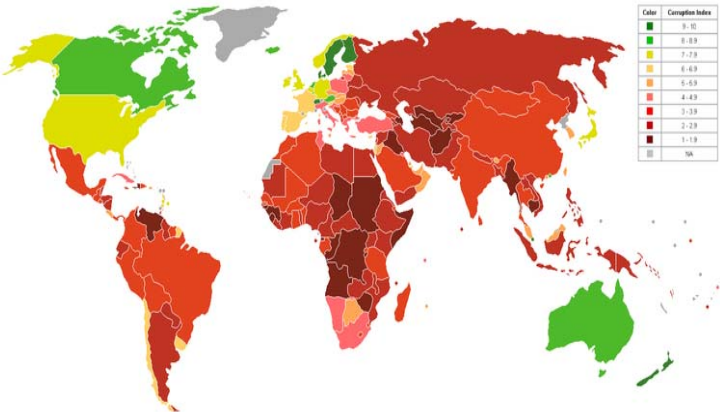
On the European level NGDOs have occasionally made attempts to sharpen their profile in contrast to other groupings active in the field of development cooperation. Presently there are multitudes of NGDOs whose genuineness can be doubted. The EU-Commission pleases to summarize all organisations which are not right away to be recognised as governmental or para-statal bodies under the title "Non State Actors". Not to differentiate for instance between private consultancies, foundations of political parties and genuine NGDOs /CSOs is more and more detrimental for the whole benevolent and non-profit sector (in literature sometimes called "Third Sector") in Europe and even more so in the global South. There are many instances of strong mistrust against NGDOs on the donor as well as on the recipient end because their identity is blurred or even camouflaged. In recent years there was a lot of talk about the effectiveness and efficiency of NGDOs/CSOs whereas the internal structures of organisations, for instance the degree to which they follow democratic principles in their internal procedures, whether they are independent in decision making and faithful to their respective constituencies, was somewhat systematically sidestepped. This may have happened because more close analysis might have uncovered some painful insights. Particularly in academic circles but also in the European Parliament the democratic legitimization of NGDOs/CSOs is occasionally quite seriously questioned. Because of the general "NGO-Hype" which lasted for some years, criticism does come to the open not very massively, yet an increasing number of CSOs themselves see the necessity to deal with self-monitoring and take self regulatory measures. (See for instance: Dochas: "A Wave of Change: How Irish NGOs Will Sink or Swim", March 2008)

Even if it might be painful in some cases, sharpening CSO identity seems indispensable to enhance public trust and strengthen our negotiating power vis a vis the European Commission, Governments and safeguard trust of private donors. In short: It needs to be crystal clear where we qualitatively differ from other actors.

III. I was asked to illustrate what "Self-Regulation" could mean by applying the system on the phenomenon of corruption which plagues CSOs in all parts of the world to a larger or lesser degree.

Corruption is "omnipresent". No one CSO can honestly claim that it can rule out completely corrupt practices neither within their own rank and file nor in partner organisations they support with their own funds or funds entrusted to them by backdonors. Unfortunately we all operate in more or less corrupt environments as can easily be demonstrated with a brief look at the map of the Transparency International "Corruption Perceptions Index".

Fig.2



The green areas were found relatively corruption free. The darker the colour the higher the prevalence of actual and/or perceived corruption.

This is not the place to scrutinize the reliability or “representativity” of the Index which was created on behalf of Transparency International. For the moment it may serve as an illustration of the magnitude the phenomenon most probably has.

The difference between CSOs lies in the ways they organise precaution measures and how they deal with actual incidences of corruption.

It is a common belief that in CSO cooperation incidences of corruption are negligible. Yet, so far we have very little empirical evidence that this holds true. Estimates rank in between 3-5 % of the funding volume which would be far below the figures estimated in public sector co-operation.

Cases are normally not brought to a wider public. Lack of adequate instruments and the inability to enact a “zero tolerance” policy are feared to backfire on the reputation of the organisations.

Among the easily accessible materials the Dan Church Aid “Anti-corruption report 2008” covering the years 2004 to 2008 is most outstanding. Though the incidences of corruption can be called “negligible” (less than 1 pro mille of USD 75 million in 5 years) the organisation introduced a zero-tolerance policy in 2007.

Fig. 3

Definitions

Corruption is defined by Transparency International DK as "misappropriation of entrusted authority for own gain". This definition is in accordance with the World Bank and OECD. Corruption includes **bribe, greasing, embezzlement, fraud, blackmail, nepotism.**

**Fraud is economic crime including various forms of swindle, fraud or forgery.** It is fraud when a civil servant cheats people or companies for his/her own profit, or if civil servants are operating in the black market or in criminal circles.

**Embezzlement or peculation is theft of public money by civil servants.** I.e. those entrusted the administration of public funds embezzle the money. It may be directly by digging into the till or indirectly by using public funds for own consumption.

In the report the term 'corruption' is thus including both bribe, greasing and other forms of misappropriation (fraud and embezzlement) of funds administered by Dan Church Aid.

Source: Dan Church Aid: Anti-corruption Report 2008

For the sake of discussion the approaches of Dan Church Aid which bring them very close to maximum “Self – regulation” - parts of the 2008 report - are quoted at some length in the following (Find the full report online at:

<http://www.danchurchaid.org/content/download/18954/162371/file/2008-Anti-corruption%20report.pdf>)

*“- All partners sign a cooperation agreement for each project, including an anticorruption clause;*

*- Purchases above a certain amount shall take place according our procurement manual. All purchases require a signed agreement with an anti-corruption clause;*

*- The staff manual for expatriates and ”Staff Manual” for local staff describe clearly the tough disciplinary measures taken against an employee involved in corruption.*

*In addition, our appointment policy, accounting manual, programme management manual, evaluation- and monitoring tools as well as our policy against sexual abuse are bricks in the foundation for creating a reliable and anti-corrupt organisation.*

*When there is a well-founded suspicion of corruption, we have a clear practice:*

*- The relevant donor (Ministry of Foreign Affairs, the EU, Danish/foreign partners or others) is immediately informed about the suspicion (normally within one or two days);*

*- An investigation is initiated and in most cases a thorough audit;*

*- Steps are taken to make guidelines and procedures to stop and prevent further corruption.*

*If the investigation confirms the suspicion, we take further steps:*

*- If it is a Dan Church Aid employee, disciplinary steps are taken and the employee is requested to return the amount in question;*

*- If it is a partner organisation, the partner is requested to take the necessary steps to stop, reveal and improve the conditions that led to corruption. The partner is requested to return the amount in question;*

*- Corruption is reported to the police unless special conditions speak against it (security, health/life, weighing of the effectiveness of the judicial system court costs);*

*- The relevant donor (Ministry of Foreign Affairs, the EU or others) will receive a complete account of the extend, course and steps taken – in addition we inform relevant sister organisations;*

*- The case is published. Exemption can be made if publication is in conflict with our non-disclosure policy describing the special situations when Dan Church Aid does not want to publish concrete information, e.g. due to the security of our staff or partners.*

#### *Other Initiatives*

*During the past year, in addition to the above guidelines and procedures, Dan Church Aid has strengthened the efforts against corruption. In December 2007, we formulated and approved our own anti-corruption policy that includes:*

*- Founding of a cross-project group (including six man/months 2008-2009) for formulating and implementing an anti-corruption policy.*

*- Founding of ACT Nordic Initiative against Corruption and Serious Negligence (...), a cross-Scandinavian group with representatives from Norwegian Church Aid, Finn Church Aid, Church of Sweden Aid, Diakonia and Dan Church Aid. The group members exchange experi-*

*ence and have, among others, an obligation to share information or suspicion about corruption taking place at common partners, former staff etc.*

*- Establishing an internal Dan Church Aid complaints mechanism and procedure for follow-up on complaints. The aim is to systematise and ease the access to reporting of corruption cases (or possible other 'complaints').*

*- Membership of Transparency International, which, among others, implies production of a manual for staff working in emergency operations.*

*These initiatives should make Dan Church Aid even better equipped to prevent and fight corruption and ensure that funds administered by Dan Church Aid are used in the best possible way for the benefit of the poorest people in the world.”*

In what way we will present the various matters mentioned in this paper and in the other presentations and how they can and will be incorporated in the agenda of next year's "Managua Conference" will largely depend on the reactions we will receive on a first version of the so called "Managua Declaration" we intend to prepare.