

# ANTI-CORRUPTION POLICY

Danish Forestry Extension (DFE)

2019-2021

## The need for an anti-corruption policy

Danish Forestry Extension (DFE) works in international contexts and with development activities in which corruption can happen. Irrespective whether it is publicly or private funded projects / programs, there is a risk of corruption taking place in the administration as well as the implementation level. DFE believes that corruption is a great hindrance to ensure transparent, fair and ethical implementation of development activities. Corruption is a threat to our overall development objective of reducing poverty as well as it undermines the legitimacy of democratic institutions, creates gross inefficiencies in the public and private sector and results in mistrust between donor and project implementer.

It is therefore a high priority for the DFE to ensure that measures and actions are taken to avoid corruption as well as to provide guideline and procedure to deal with corruption cases. This Anti-Corruption Policy sends a clear message to both our internal and external DFE staff, who might experience corruption during program and project implementation. The policy targets employed personnel in DFE, the DFE committee and board members as well as employed staff and board members of partner organizations and implementing units, including seconded personnel and describes how DFE defines corruption, how it is prevented and what happens in case of suspicion and confirmation of corruption.



Flemming Sehested, Managing Director

## 1. Definition of corruption

Based on the Danish Criminal Code, the Foreign Ministry (Danida), international conventions, Transparency International and the World Bank, DFE defines corruption as "the abuse of entrusted power for private gain". This definition includes both the corruption occurring both at a higher political level with larger amounts as well as at lower levels with smaller amounts. It also covers both *reception* as well as *submission* of bribery and other forms of active or passive corrupt behavior. DFE adheres to this definition and will not accept misuse of any kind in its activities in Denmark and abroad. Corruption thereby covers bribery, extortion, fraud, embezzlement, gifts and hospitality, nepotism, kick back of entrusted power for private gain:

Bribery is understood as the offer or receipt (active or passive bribery) of any gift, loan, fee, reward or other advantage to or from any person as an inducement to do something which is dishonest, illegal or a breach of trust, in the conduct of DFE activities.

Extortion: occurs when someone illegally demand or receive money, property or services through the use of intimidation. Extortion can include threats of physical or material damage, threats to accuse someone of a crime / unlawful or threatening to reveal embarrassing information.

Fraud is defined as economic crime involving deceit, forgery, trickery or false pretenses, by which someone gains unlawfully. This involves being deliberately dishonest, misleading, deceitful, rigging or acting under false pretense.

Embezzlement is defined as the misappropriation of property or funds legally entrusted to someone in their formal position as an agent or guardian.

Gifts and hospitality in the context of corruption are financial or other benefits, offered, given, solicited or received with an obligation to provide any benefit in return. Gifts and acts of hospitality are acceptable if they are reasonable and not excessive.

Nepotism is favoritism toward relatives and friends, based upon that relationship, rather than on an objective evaluation of ability or suitability.

Kickback is the return of a part of a contractual payment.

Corruption is often, but not always, an illegal action and thereby subject to punishment.

## 2. Suspicion of corruption

Suspicion of fraud or corruption etc. may be based on, for example:

1. Persistent disregard of laid down procedures e.g. in procurement, payments without the necessary documents, approval and receipt of funds without issuing official receipts etc.
2. Lack of correct and timely financial accounts and reports.

3. Complaints from beneficiaries claiming not having received promised and reported services.
4. Purchases of supplies at a much higher price than normal.
5. Observations such as staff spending beyond their financial capabilities and living extravagant lifestyle; and
6. Missing or weak reconciliation of cash, bank statements and accounts.

Well-founded suspicion may be based on suggestive and circumstantial evidence of fraud, for example:

1. Lack of proper documentation on refunded expenditures.
2. Missing signatures or incomplete lists of persons that have been paid an allowance to attend training seminars.
3. A strong indication that signatures and documents have been falsified; and
4. Disruption of or tampering with records. Proven fraud is based on clear documentation on the type of fraud in question and/or confession of those involved, ready to be presented to police investigators and court cases.

#### Evidence of corruption

Clear evidence of embezzlement or fraud, consistent testimony, confession from the suspected person, which is ready to be presented to the police and the judiciary.

### **3. Preventions**

It is a high priority for DFE to prevent corruption and therefore continually monitor and improve our systems and procedures to avoid fraud and corruption both internally and in corporation with partners. We take specific measures to prevent corruption by the following actions:

#### *DFE Employees:*

DFE or DFE employees must not pay a bribe of any kind (from either private or project funds) to the public authorities or other stakeholders in performance of DFE's work, during project visits, contract negotiations etc. All persons, members or employees of partner organizations or other persons related to DFE's development which report to DFE with suspicion, reasonable suspicion or evidence of corruption will be taken seriously and guaranteed privacy, unless otherwise agreed. If the suspicions do not prove to be proved or is incorrect, no actions against the informant will be taken.

If a person employed in DFE is aware that another employee of DFE have committed corruption, it is his / her duty to inform the supervisor of the person who has committed corruption. The informant will also in this case be guaranteed privacy, unless otherwise agreed.



*Partners corporation:*

If a partner in the early corporation start, does not have a transparent accounting system, it is a first priority to achieve it. The partner should have an accounting system that covers the entire organization's operations and audited by a certified public accountant. DFE's employees or its representatives must regularly review the partner's accounting system and receipts at the project visits and on a regular basis conduct random checks of documents and receipts, including an examination of the amount relative to the local costs.

#### **4. Guideline to action if corruption is suspected**

In case of *suspicion* of corruption, it is the duty of the DFE employee to take the suspicion seriously and investigate whether or not the rumors can be confirmed. It is however, important to carefully distinguish between embezzlement and disorder/incorrect financial statements, which might occur due to weak accounting capacity among the partner organizations. In case of disorder in the accounts, the DFE employee must pay special attention to whether corruption has occurred, but generally advise and support the organization to bring order into the accounts without suspicious attitude.

After the initial investigation, the DFE or DFE related staff member must report *suspected* cases of corruption to a superior manager. In case of *well-founded* suspicion or proven fraud, corruption, misuse of funds or serious irregularities, the staff member who has observed this should immediately report this.

When corruption is reported to the DFE management, the following steps are followed:

1. A further investigation is conducted, to guarantee evidence of the corruption suspicion. Often but not always, this involves help from an accountant and / or financial controller.
2. In case of serious corruption, the relevant donor / client is briefed about the suspicion as soon as possible.
3. DFE will quickly evaluate whether or not project activities and funding should be temporarily suspended while the investigation is ongoing.
4. The partner is to a great extent involved in the investigation, depending on who in the organization the suspicion concerns.
5. Once the suspicion has been fully investigated it is defined whether or not corruption has occurred.
6. The partner expresses which actions it will take in relation to the case. Hereafter, the DFE management will make a final decision with implications for the future project and partnership engagement.

In cases where the initial investigation confirms the suspicion, a number of further steps are taken:

1. If the case involves DFE related staff proper disciplinary actions are taken and funds must be returned (if theft of funds are part of the incident)

2. If the case involves a partner organization, the partner is requested to take the necessary precautions to stop, reveal and improve the conditions that led to corruption. If funds are involved the partner organization is requested to return the funds in question
3. Charges are pressed unless special circumstances speak against it (security, health/lives, weighing of the effectiveness of the judicial system, court costs)
4. The relevant donor / client receives a complete account of the extent, course and actions taken to.

It is the immediate superior of DFE's structure who holds the main responsibility to ensure that there are necessary measures to prevent corruption and to monitor the potential presence of corruption.

#### **5. Supporting procedures:**

As a supportive instrument to the policy, DFE maintains a Whistle-blower policy.

