humedica Policy on
Prevention of Fraud and Corruption

Policy Overview

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Approval flow

	Name of person	Role	Signature	Date
Quality review	Alastair Scott	Advisor QM	ASC	15.01.2024
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Revision history

Version	Summary of changes	Name(s)	Date
1.0	Creation	PKH	15.1.14
1.1	Migration to new policy format Updating further reading Minor textual changes	ASC	15.1.24

1. Introduction / Purpose of this policy

humedica receives private donations, public funding, and contributions from third parties to finance its humanitarian help programmes. The base for the work of humedica 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, for the respective target groups and the purpose specified by the sponsors. Due to its humanitarian objectives humedica has an ethical obligation to both its sponsors and the beneficiaries of the funded relief work.

Together with its local partner organisations humedica 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 must make dispositions to 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. 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.

Against this background, humedica 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. This policy begins with a general description of definitions and manifestations of corruption as well as of specific corruption risks within the work of humedica, in order to sensitize its staff for these risks. Next, concrete measures and binding rules of conduct are outlined, which will help to avoid and fight fraud and corruption within the work of humedica.

2. Definitions

This policy defines **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 should 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 cannot always be answered with certainty.

2.1. Common forms of corruption

The most common forms of corruption in development cooperation and humanitarian aid are:

a. Misappropriation of project funds

This policy defines misappropriation as the use of funds for any other purpose than the purpose agreed upon. This includes:

- 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 investment goods, 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

b. Financial profits

This can be for example the delayed payment of project expenses 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.

c. *Nepotism, unfair patronage, preferential treatment*

This describes the preference of family members or friends when awarding positions and tenders.

d. Speed-up bribery

This describes payments to speed-up customs clearance, the application of governmental licences, the assignment of a telephone line etc.

e. Bribery of and/or threats against confidants

These are used to ensure that third parties who know about corrupt practises maintain silence and cover up the illegal behaviour.

2.2. Forms of corruption common in humanitarian aid and development cooperation

The general manifestations of corruption mentioned above can occur in the administration as well as in the field project work of humedica. 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 per-sons
- 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.

3. Scope and applicability

Role	Responsibilities resulting from this policy
All staff[1]	a) Apply the preventative measures described in Section 5. b) Adhere to the Code of Conduct described in Section 6. c) Report non-compliance with this policy.
Global Policy Advisor	d) Ensure that staff are informed about the policy. e) Monitor sector standards on measures to prevent fraud and corruption and update the policy as necessary
Global Quality Advisor	a) Monitor the implementation of the policy

4. Policy Statement

humedica places human dignity at the centre of its humanitarian aid and development work. humedica therefore seriously takes all concerns related to any element and level of corruption in the implementation and delivery of humanitarian its services. Where corruption is detected in the humanitarian value chain, humedica initiates rigorous investigation and takes appropriate disciplinary action, as well as warranted course correction steps to prevent repeat of such incidences.

5. Preventative measures

This section describes the reasonable measures that humedica undertakes to prevent fraud and corruption in humedica programmes and administration.

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.

5.1. Risk assessment of project cooperation

A prerequisite of every project approval is the standard assessment of existing and possible risks regarding 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.

[1] In this policy we define "staff" broadly to include all employees of humedica, humedica country offices and sister organisations, and board members, volunteers, interns, international and local consultants.

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

5.2. Monitoring of partner organisations

The short-term emergency relief and disaster interventions of humedica sometimes require special measures. As a general rule humedica 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 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 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 is indispensable.

5.3. 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 informed about the management of the granted funds.

5.4. Project agreements and administration guidelines

humedica defines in writing the project objectives, the intended use of the funds, the amount of the approved budget as well as the applicable administration guidelines for all projects, either self-implemented or implemented in cooperation with project partners. The humedica headquarters see a project through all phases and monitor continuously whether the project 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.

5.5. Accounting

A correct, transparent, and verifiable accounting is an important prerequisite to avoid corruption. Project funds may only be spent for the agreed purposes and according to the approved budget, either by the humedica 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 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. All necessary details are regulated by the respective project agreement.

5.6. Dual control principle

Decisions relevant to the project such as approvals, financing commitments, payment orders, project agreements or project closings must follow the dual control principle. The respective valid version of the humedica 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.

5.7. Internal auditions and quality control

humedica employees audit internally submitted evidence for use of funds. When 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.

5.8. External auditing

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

5.9. 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 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.

5.10. 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 in the discussion with the project partner. Tight means in times of humanitarian crises may not overstrain the local resources or beguile the partners into initiating double funding. humedica advocates for a fair payment of the responsible project officers working for the local cooperation partners, which reflects their real financial and professional responsibilities.

5.11. 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 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.

5.12. 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 must be respected.

6. Code of Conduct

All staff (see Section 3 for a definition) must adhere to the following guidelines:

- Personal relations or personal advantages must not influence the decisions of the employees and volunteers of humedica and their partners.
- Every form of corruption, either direct or indirect, is forbidden. That includes the backflow 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 employees cannot avoid paying 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 writing. 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 a value of 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.

7. Incident management and reporting

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, legal proceedings will be initiated.

Both humedica 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 directed against humedica members of staff, they can expect that their employer will verify, assess, and analyse them carefully and, if necessary, take appropriate measures to protect its personnel.

If corruption occurs in partner organisations, humedica 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, 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:

- Am I acting 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 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.

humedica 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 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 confidential information channels are installed. Nobody shall be disadvantaged if he reports violations of these guidelines. In order to protect whistleblowers, humedica has established reporting procedures that will guarantee their anonymity. The position and function of the ombudsperson as well as the reporting procedures are regulated in the humedica Complaints Policy.

8. Policy review rules

The policy is due for review every two years.

9. Related documents

The following table lists related humedica policies and standards:

Type of document	Document title
humedica behavioural standard policies	The humedica Code of Conduct
	The humedica Whistleblowing and Complaints Policy
	The humedica Conflict of Interest Policy

10. Further information on the subject

OCHA (2021): Partner Guidance Note on Fraud and Financial Misconduct

Transparency International (2014): Handbook of good practices: Preventing corruption in Humanitarian Operations

U4: U4 Anti-Corruption Resource Centre

USAID (2018): Compliance and Fraud Prevention: A pocket guide for program implementers