

# Rainforest Foundation Norway Anti-Corruption Policy

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## Zero tolerance Policy

RFN has a Zero tolerance policy towards corruption. This implies adequate risk management processes, both in the prevention, detection, investigation and follow-up of corruption.

RFN works actively to prevent and detect corruption, and to ensure that all RFN employees strictly adhere to the policy and established procedures. RFN investigates and follows up to the full extent, within established procedures, cases where corruption has been detected, while always taking into consideration the severity of the case, as well as local laws.

Corruption is now widely recognized to be one of the most important obstacles to development in many countries around the world.

The UN Convention against corruption states:

*"Corruption undermines democratic institutions, retards economic development and contributes to government instability. Corruption attacks the foundation of democratic institutions by distorting electoral processes, perverting the rule of law, and creating bureaucratic quagmires whose only reason for existence is the soliciting of bribes. Economic development is stunted because outside direct investment is discouraged and small businesses within the country often find it impossible to overcome the "start-up costs" required because of corruption."*

RFN operates in areas of the world where corruption is widespread according to internationally recognized agencies and organizations such as Transparency International.

RFN believes that a strong emphasis on anti-corruption and transparency will strengthen the reputation and trust towards both our organization and local partner organizations, both from our donors, the general public, our cooperating partners and our employees.

## Definition of Corruption

RFN has chosen to adopt Transparency International's definition of corruption, namely that corruption is "the abuse of entrusted power for private gain".

This characterisation contrasts with other well-known definitions, as it represents a shift away from a focus on public officials as a necessary party in a corrupt act. It thereby recognises that corruption can take place within private entities as well.

RFN acknowledges the fact that the definition of corruption may differ widely in the different areas where RFN actually operates. What might be considered corruption in one country, might be considered as acceptable practise in another.

Everybody would probably agree that bribes, extortion and the practise of demanding sexual favours in exchange of services, are highly unethical acts that must be termed as corruption. Other cases, such as favouritism and nepotism, may however be acceptable - or almost acceptable - in some cultures.

Corruption occurs in many forms. The list below gives just a few examples:

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- Bribery: When someone improperly provides goods or services against some form of improper compensation.
- Embezzlement: Theft of resources for own use.
- Evidence destruction: Irregular destruction, removal or abuse of records.
- Favouritism: The unfair favouring of one person or a group at the expense of others (includes nepotism which is favouritism shown to relatives).
- Knowingly omitting to report corrupt acts: Deliberately omitting or refusing to report or act upon reports of any such irregular or dishonest conduct.
- Maladministration: Maladministration or financial misconduct in handling or reporting of money, financial transactions or other assets
- “Fictitious” NGOs, established solely to generate income for executives or Board members.
- “Double-dipping”, or seeking or accepting funds from more than one donor for (parts of) the same project.
- Financial irregularities such as inflated, duplicate, or fictional invoices for goods and services procured for a project.
- Kickback arrangements in procurement of goods or services, in hiring of project staff, or in distribution of goods and services.
- Extortion of bribes or other benefits (including sexual favours) from beneficiaries in order to include them on goods/services distribution lists.
- “Ghost” employees, participants or beneficiaries that inflate the costs of project activities.

Other abuses of entrusted authority stem from the influencing or creation of NGOs to represent the agendas of public or private sector interests to gain a perceived societal legitimacy.

Key factors shaping NGO corruption risks:

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**NGO specificities:** Unlike partner governments, NGOs are not subject to legislative norms that apply to state agencies or the same oversight mechanisms. They are private entities not subject to the same checks and balances. Accountability is enforced primarily through their internal rules and procedures, which therefore need to be evaluated for potential and demonstrated effectiveness in curbing potential corruption.

**Differences in capacities:** Not all NGOs have equally strong institutional capacities, yet corruption risk management systems depend to a large extent on such capacities. Lower capacities typically present a greater vulnerability to corruption in NGO operations.

**Partners of partners:** Whilst the majority of donors’ key partner NGOs will have excellent mechanisms in place to prevent corruption in projects that they implement, it must be remembered that they, in turn, often work with in-country partners who do not possess equal capacities or equally robust systems. Operating through national partners can change the risk calculation considerably, inter alia, by introducing distance and additional layers of decision-making and administration that makes the enforcement of standards and oversight more difficult.

**Type of operation:** Organisations acting as donors will have different risks than organisations that implement projects. Similarly, different risks are present with advocacy organisations as opposed to those providing humanitarian assistance or educational services. Risk management measures need to be tailored according to the types of operations and projects an organisation undertakes.

**Specific activities:** At the lowest level, different corruption risks are inherent in different operational activities, for instance personnel recruitment vs. procurement. Prevention and mitigation measures will differ accordingly.

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**Operational context:** Programmes in countries with systemic corruption are likely to encounter higher corruption risks than those in countries where corruption is not a major problem. Higher risks have been found to apply with other environmental conditions such as post-conflict or humanitarian emergency contexts.

The above factors are the key sources of corruption risks in development assistance delivered to and through NGOs. Particular combinations of above factors may construct especially high-risk situations.

## Fighting corruption

Generally speaking, the fight against corruption consists of two broad categories of interventions: preventive mechanisms and sanctions. Prevention is essential, but no system can always prevent corruption, no matter how many safeguards are put in place. Whilst opportunities for corruption (corruption risks) can be greatly reduced, human beings always seem to find a creative way to perpetrate corrupt acts.

The risk management process consists of the following steps:

- Identifying the risks/threats to realising programme/project objectives;
- Assessing the level of seriousness of each risk (*probability* and potential *impact* if realised);
- Identifying and prioritising measures to reduce those risks; and
- Application of measures to minimise the probability or impact of harmful effects.

When the notion of a prevention–sanctioning system is expanded and adapted to the development context, the necessary measures – elements of a corruption risk management system – might be grouped as follows:

- Measures that identify corruption risks;
- Measures that reduce the corruption risks (opportunities for corruption);
- Measures to detect corruption;
- Responses: investigative measures and sanctions to address corruption once it is suspected or identified with certainty; and
- Implementation mechanisms for the totality of the measures noted above.

**Prevention: measures to identify and mitigate corruption risks**

### Environmental corruption risk analysis

RFN will conduct a corruption risk assessment as part of the overall situation analysis when considering a new country, sector or focus area for programme implementation. Whether at the level of multi-year strategy or specific programme formulation, analyses should be undertaken to assess corruption risks associated with:

- The country, region, or locality where engagement is to take place, and
- The sector or activity that is being contemplated.

The necessary background information may already exist in the public domain in the form of analytical reports by national or international organisations. Where such assessments are not publicly available, it is a worthwhile investment to conduct such analyses either in-house, in cooperation with other donors or NGO partners, or even to outsource them altogether.

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## **Partner selection**

The selection of reliable and reputable partners is one of the most important processes in limiting opportunities for corruption and achieving program impact. While the basic criteria in RFN's selection of partners is the organisation's potential for influencing on rainforest protection and the advancement of forest peoples' rights, the following criteria will have to be assessed before contracts are established and funds transferred:

- Compliance with national NGO laws and regulations (e.g. concerning registration and financial reporting);
- Legal representatives of the NGO, how they are appointed, and their responsibilities;
- NGO's management of human resources and recruitment proceedings;
- NGO's managing and accounting system, including routines for audit;
- NGO's past performance;
- NGO's institutional capacity for financial management and corruption prevention;
- NGO's contractual relationships with in-country partners (member organizations, allied NGOs, consultants).

Where the assessment indicates flaws in the systems, inadequate capacity etc., systematic capacity building and measures for monitoring will have to be built into the agreement. These corrective measures should apply both to the partner organization and, if relevant, to in-country partners (which are not direct contractual partners to RFN but are recipients of funds from RFN). The existence and nature of the detected flaws will be taken into account to assess what should be an appropriate amount to be transferred.

## **Programme operations and activities**

Once the corruption risk level has been established for the overall programming context, along with that of the potential local partners, risks inherent in a particular programme or project should also be evaluated to the extent possible.

This is a difficult aspect of corruption risk assessments, as the risks will closely relate to the type of operations and activities being undertaken. RFN's experience with a wide range of activities with several types of partners in many countries over the past 20 years will contribute to the risk assessment, and in finding measures that can be adapted to local context and type of activity.

## **Acquisitions**

Acquisitions made during programme implementation shall, as far as possible, be based on competition and should be done in a manner that ensures transparency, verifiability, equal treatment and predictability.

## **Measures to detect corruption**

### **Implementation monitoring**

RFN has a management plan for each project to monitor and regulate the written activity and financial reporting procedures and relate them to the transfers of money from us to the partner organisation. (See RFN management calendar)

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Regular programme monitoring is widely considered the most effective corruption risk mitigation measure during the implementation phase. On-site monitoring visits are pivotal to discovering corrupt activities. The expectation of being observed and examined serves as a compelling deterrent for individuals who may otherwise consider engaging in corruption. There are a myriad of ways to conduct monitoring visits and inspections. Whilst the most important challenge is actually finding the resources and the time to conduct them altogether, experience suggests that visits are most effective if they are done with mixed teams of finance specialists and programme staff, and if they are not always announced in advance.

Elements of visits or inspections include the following:

- Review of relevant documentation held by the NGO;
- Examination of the NGO's financial accounting management systems and relevant documentation associated with the preparation and management of the project funds;
- Review of relevant project files and claims paid by the donor;
- Discussions with appropriate NGO personnel;
- Written documentation of the findings;
- Control, when possible, of the planned deliveries and their specified standards;
- Discussion with stakeholders/intended beneficiaries.

(See RFN Project Manual - *Relevant questions when reviewing a project's administrative and financial procedures during a project trip*)

## Evaluations and audits

Evaluations and audits are the most common forms of *ex post* risk management tools. Whilst audits are compulsory in RFN (except for small grants), external independent evaluations are planned mainly for projects over a certain monetary value, due to their high costs, and are of course less frequent.

To increase the quality and the usefulness of the auditing process RFN will be:

- Screening and identifying duly registered quality auditors to be engaged by NGOs; and
- Requiring a comprehensive audit of an organisation's finances, in addition to the project audit, to increase the likelihood of identifying double-billing or other irregularities. This includes requiring a management letter.

If applicable, RFN will also reserve the right to require:

- Internal audits of an organisation to be submitted to external auditors;
- Multiple-level audits looking at additional layers of decision-making and administration, i.e. in the case funds are channelled through in-country partners (not direct contractual partners to RFN but recipients of funds from RFN);
- On-spot audits, field visits and reality checks, to confirm the effectiveness and cost-effectiveness of funded activities.

Sometimes a comprehensive audit of an organisation's finances is too costly for RFN to cover, due to the complexity of the organization, the amount of total funding and differences in management calendars and donor demands. For example a large number of donors do not require audits to be undertaken. RFN does however try to arrange comprehensive joint audits with other donors when possible, such that the costs can be shared and transparency is ensured for all stakeholders. All RFN partners are also contractually obliged to share information on additional funding and donors with RFN in their annual budgets.

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As concerns evaluations, it seems advisable to consider enhancing their potential as learning instruments, rather than tools to detect corruption. The key is to ensure that the findings are used for institutional learning purposes and improving work processes and procedures (including corruption-risk mitigation measures), rather than as a basis for sanctions for errors and omissions. This is also valid regarding shortcomings and potential improvement identified by internal and external audits.

## Reporting and whistle-blowing mechanism

RFN receives reports of well-grounded suspicions of corruption and other misconduct, whether from within the organisation or outside it. These reports should primarily be directed to the RFN Programme Coordinator in charge of the partnership with the partner organization concerned. Should the whistle-blower not be in a position to report to the Program Coordinator, or choose to remain anonymous, for explicit and reasonable grounds, he/she may alternatively direct his/her report to: [RFNanticorruption@rainforest.no](mailto:RFNanticorruption@rainforest.no), which is hosted by RFN Deputy Director.

The report should include:

- The full name and position of the whistle-blower (unless he/she wants to remain anonymous – if so, reasonable grounds must be given);
- The organization where the circumstances occurred;
- The period, and date and time if applicable, of the circumstances concerned;
- The precise description of the circumstances (i.e. what has been witnessed, and where);
- The identity and contact details of other witnesses, if applicable;
- Any known previous circumstances involving the same person(s).

The staff of a partner organization has the obligation to report suspected corruption, and has the option to bypass immediate superiors, even go outside their local unit, directly to top management or RFN.

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RFN staff has the obligation to report suspected corruption to their immediate superiors (i.e. Program Coordinators report to their respective Head of Departments, Head of Departments report to Deputy Director). As part of the debriefing procedure, RFN will include a systematic incident reporting system. An incident reporting system aims to track a wider range of incidents that a staff member may experience, such as assault, theft, or being asked to pay a bribe, which do not necessarily require employee protection or confidentiality. Recording of all incidents is important as it serves not only to account for potential financial losses, but also to learn and improve existing prevention and risk mitigation measures – and not only in regard to corruption.

The identity of whistle-blowers will not be revealed, if explicitly requested so or when anonymity applies. Reports will be dealt confidentially. In the event the identity of a whistle-blower is uncovered, and implies serious risks of retaliation, RFN commits to take appropriate measures, and to the extent possible, to ensure the safety of the whistle-blower.

Should RFN staff face threats as a result of a corruption case, will RFN ensure his/her protection and safety, including by making necessary adjustments to his/her responsibilities and tasks.

All reports of well-grounded suspicions of corruption will be treated immediately. The whistle-blower should get confirmation of reception of his/her report within reasonable time. RFN management (i.e. Head of Department, or Deputy Director in consultation with Head of Department) decides who is to be involved in dealing with the case and what measures should be taken, according to the type of case and who it involves. All documents relating to the case are to be registered and filed in RFN's e-archives, with restricted access to staff members involved in dealing with the case.

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RFN Anti-Corruption Policy will be translated in French, Indonesian, Portuguese and Spanish, attached to contracts with partner organizations, circulated within partner organizations, and directly explained by RFN staff to members of the organizations' technical and decision-making bodies, to ensure the latter are informed about RFN's whistle-blowing mechanism.

## Responses to corruption: investigative measures and sanctions

### **Corruption investigations**

Distinct from initial investigations that can be considered part of a whistle-blowing mechanism, specialized corruption investigations – typically in-depth financial investigations – require extensive expertise and resources. In most cases of financial misconduct, external assistance is needed, as well as the funds to support it. Such investigations also require substantial time and follow-up capacity from RFN staff.

However, not all corrupt acts will involve project financial irregularities as such – for instance cases of kickback arrangements or extortions of payments from beneficiaries for goods or services they are supposed to receive free of charge, not to mention nepotism in hiring practices or mismanaged conflicts of interest. Unless the matter is serious enough to turn over to the national police, some protocols would need to be in place and guidance available on investigating the matter internally.

The most important consideration of all is that founded suspicions of corruption are adequately investigated and, if sufficient evidence exists, sanctioned. The quality of the investigative process – both competence/rigour and the perceived fairness – determines the applicability of appropriate sanctions, which in turn impacts the credibility and the deterrent effect of the entire sanctioning system.

### **Sanctions**

If corruption is indeed uncovered, sanctions proportional to the scope and seriousness of the offence need to be applied. While the monetary value of the breach is one of the variables to be considered, there are other equally important ones. For instance, RFN will apply stricter sanctions in cases where it has been determined that a deliberate effort to defraud had been made (as opposed to, for example, a single opportunistic act made possible by some flaw in the control systems).

In cases where there is a delay in the financial reporting or when corruption is suspected RFN has a set of sanctions which includes holding back on further transfers, adjournment or termination of the partnership.

### **Contextualization**

Beyond investigations and sanctions, and without prejudice to the above, responses to corruption shall be contextualized to define and implement the most appropriate follow-up of the causes and consequences of a given corruption case. The primary view of such contextualization is to strengthen the partner organization and ensure its sustainability, if the nature and gravity of the corruption case allows such constructive approach. As corruption may occur in different forms, no standardized follow-up will be developed, as the latter should address the specific shortcomings and challenges brought out in each corruption case. RFN staff will get support and advice accordingly, both internally and from external resource persons, if need be, in any corruption case.

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## Transparency: information and publication of corruption cases

When a case has been duly investigated, that corruption is documented, and RFN's donor has handled the case, RFN will inform about the corruption case on its website on a page clearly dedicated to the fight against corruption. The information will include the name of the partner organization where corruption occurred, the form of corruption, the amount, if applicable, and the measures taken by RFN and possibly the partner organization. No names of individuals will be published.

## Code of Conduct

In addition to training and other means of awareness-raising, RFN's employees will be made aware of this Anti-Corruption Policy and the responsibilities it puts on all RFN employees on signing the Code of Conduct. All employees must state their acknowledgement and compliance with the Code of Conduct in writing.

Managers should lead by example in preventing and avoiding corruption. All employees have a duty to report cases of suspected corruption, following the reporting procedures for such cases.

## Additional resources

- U4 Anti-corruption Resource Centre: Developing an NGO corruption risk management system: Considerations for donors
- Transparency International Global Corruption Barometer (GCB) data
- Global Integrity Report (score card and narrative data, where available)
- Other donors national/sectorial assessments
- National NGOs assessments (e.g. Transparency International chapters' National Integrity System surveys)
- State institutions' assessment (e.g. national Anti-Corruption Agency reports, service delivery reports, sectorial assessments)