

## ANTI-CORRUPTION POLICY

December 17, 2014

*Adopted by General Meeting of International Charitable Foundation “AIDS Foundation East- West” (AFEW -Ukraine)*

### **Objective**

Corruption poses –apart from any financial loss – a serious risk to the reputation, credibility and ethical principles of *AFEW- Ukraine* staff and activities. The objective of this policy is to set out guidelines, measures and procedures designed by *AFEW- Ukraine* for the prevention and detection of corruption, for the actions to be taken in case of presumed corruption and for the sanctions which can be imposed in case of detected corruption.

### **Scope**

This policy applies to all *AFEW- Ukraine* staff members, volunteers and consultants commissioned by *AFEW- Ukraine*, in Ukraine and abroad. Furthermore, the policy also applies to all implementing partners who are contracted for the purpose of reaching *AFEW- Ukraine* objectives.

### **Definition**

*AFEW- Ukraine* provides the following definition of corruption: “the abuse of entrusted power for private gain based on financial and/or non-financial actions”.

Corruption includes: offering and/or accepting services, resources or any other advantage against carrying out, directly or indirectly, any unlawful acts. Corruption can take many forms such as: bribery, theft, embezzlement, extortion, exploitation of “conflict of interest”, fraud, granting or receiving unlawful compensation, money laundering etc.

### **Legal Framework**

*AFEW- Ukraine* staff members, volunteers and consultants commissioned by *AFEW- Ukraine* shall respect legislation of Ukraine

### **Principle on Corruption**

*AFEW- Ukraine* is committed to the principle of zero tolerance towards corruption. The Code of Conduct of *AFEW- Ukraine* rejects any form of corruption. Furthermore, under no circumstances it is permitted to accept any personal gifts if the monetary value exceeds 50 Euro, in order to avoid any suggestion of corruption or influence on staff members.

### **Prevention**

*AFEW- Ukraine* provides for several mechanisms to deter and prevent corrupt practices. The following paragraphs outline the measures to be taken.

#### *Procedures, work processes and protocols & guidelines*

For the prevention of corruption, national and international *AFEW- Ukraine* staff shall be familiar with the procedures and work processes provided by *AFEW- Ukraine*, including measures for the prevention and detection of corruption. *AFEW- Ukraine* operates a quality management system, whereby the following elements are important:

- Accountant certification
- External audits (conducted by independent audit firm and/or by donor organisations)

- Annual auditing committee reports
- Monthly reports to tax authorities
- Internal Procedures and Policies

Knowledge of current processes, protocols and guidelines may already have a preventive effect, since the organisation displays a focus on the prevention and detection of corruption.

#### Decision-making

Corruption can be prevented and deterred by segregating duties with regard to the authorisation of decisions, the implementation of decisions and the internal control of the decisions.

The basic rule is that the person authorised to take the (financial) decision is not the same person who carries out the decision nor has the control over these decisions. For an adequate segregation of duties *AFEW- Ukraine* has the following rules:

- Procedures, policies and internal orders covering attributed responsibilities;
- Dual authorisation of expenditures (by director or project manager/administrator and by chief accountant);
- The person who authorises the payment is not the same who prepares it;
- Purchase procedure including gradual responsibility with regard to decision-making and the independent assessment of suppliers and consultants;
- Periodical review of the management capacity of the implementing partners also for the purpose of decision-making on the (next) project funding;
- A workflow system which separates functions regarding application and approval;
- Risk analyses on several levels in order to indicate, among other things, risk of corruption;
- Internal and external audits to check compliance with approved procedures and work processes.

#### Resource Management

Procedures should be in place to enable the organisation to check whether resources and financial resources in particular, are effectively applied or used for the intended objective.

*AFEW- Ukraine* accountability system can be broken down in the following components which are also included in the contract agreements of the implementing partners:

- Budgets including spending targets
- Keeping records of transactions in financial systems
- Periodical submission of financial and narrative reports
- Free access for the auditors to supporting documents
- External and/or internal financial audits for sub-grants exceeding 50 EUR
- Monitoring and Evaluations

A preventive effect is ensured by including the above-mentioned measures into the contract agreements which gives *AFEW- Ukraine* the opportunity to take appropriate action in the event of corruption.

#### Result Management

In the broadest sense of the word, corruption may be defined as misuse of resources, in other words the use of resources falls outside the scope of the intended objective as agreed in the contract. As a consequence, it is important to lay down in advance what should be achieved and will be achieved with the help of the funds provided. *AFEW- Ukraine* is working with following principles of result management:

- Prior to receiving the funds, each implementing partner implicitly agrees by signing the contract to comply with the project regulations during the implementation of the activities (financial resources are spent in strict accordance with the work plan).
- Set up of indicators both programme and financial, allowing to follow up proper disbursement of funds

- Monitoring and evaluations of results

#### Code of Conduct

All staff members working at *AFEW- Ukraine* are expected to fully subscribe to the Code of Conduct before starting their employment. The Code of Conduct clearly addresses corruption as wrongful behaviour. As such, *AFEW- Ukraine* policy on corruption is explicitly pointed out to *AFEW- Ukraine* staff.

#### HRM Policy

Two elements are important with regard to the link between HRM and corruption: personnel selection and training. Transparency and fairness are essential throughout the process of personnel recruitment ensuring a defined set of competencies and objective selection procedures. During recruitment and training, personnel should be familiarised with *AFEW- Ukraine* mission and vision and all applicable procedures and guidelines (including anti-corruption measures). *AFEW- Ukraine* supports this process by providing for:

- procedure for the introduction of new staff (incl. training to strengthen necessary competencies);
- transparent and documented selection procedure;
- objectivity through shared decision-making on recruitment.

#### **Detection**

*AFEW- Ukraine* puts in place the preventive measures mentioned above, but also implements procedures for the detection of corruption:

- Pre-award assessment of the implementing partners;
- Regular reporting by implementing partners. After approval of the reports, payment will be made in instalments;
- Monitoring and Evaluations;
- Regular site visits to implementing partners and projects.

#### Reporting corruption/whistleblower

For the detection of corruption, it is important that people, personnel and volunteers of *AFEW- Ukraine* and persons outside *AFEW- Ukraine* who come across cases indicating corruption, are able to report it. A report of (presumed) corruption may never have a negative effect on the person that submits the report. For that purpose, *AFEW- Ukraine* has taken the following measures by describing the complaint procedure in the Code of Conduct;

#### **Correction: actions and sanctions**

Actions will follow in case of (presumed) corruption. If those actions reveal fraudulent acts, sanctions will be imposed. Sanctions are imposed for two purposes:

1. Disciplinary reasons: demonstrating that corruption is not tolerated and has consequences. Sanctions support prevention;
2. Mitigation: minimising the harm to the programmes and the organisation (with respect to financing, reputation and security).

In the following paragraphs the actions and measures are outlined which are applied by *AFEW- Ukraine*. The following actions and sanctions are not exhaustive.

#### Definitions

Implementing partner: Organisation involved in the *AFEW- Ukraine* programme or project based on a signed contract

Personnel: paid staff members, including expats, and volunteers working for *AFEW- Ukraine*

Supplier: Organisation supplying goods in conformity with the purchase agreement for the benefit of the programmes of *AFEW- Ukraine*

Consultant: Expert providing services to *AFEW- Ukraine* for the benefit of the programmes of *AFEW- Ukraine*

Sanction: Intervention or action due to the failure to perform to the obligations under the agreement.

### ***Actions in case of presumed corruption***

#### *Implementing partner/supplier*

*AFEW- Ukraine* staff members who are confronted with (presumed) corruption, shall report the case to the Director. Payments to the implementing partner/supplier will be withdrawn immediately. In case any payments have already been released in the meanwhile, the Chief Accountant will contact *AFEW- Ukraine* bank and reclaim the payments in process.

The implementing organisation will be contacted in writing by the Project Manager and informed that all further payments have been put on hold and that:

- either, the agreement will be terminated, the grounds for this decision are motivated; often the main reason is that in all fairness it cannot be expected from the implementing partner/supplier to perform the activities under the agreement and to achieve the intended results ;
- or, *AFEW- Ukraine* will request the implementing partner/supplier to clarify the situation before the resumption of payments can be considered.

Prior to implementation, both decisions need to be approved by the Executive Director of *AFEW- Ukraine*.

#### *Personnel and consultants*

In accordance with Code of Conduct

### ***Sanctions in case of corruption***

#### *Objective*

Sanctions are applied for two reasons in order to a) enforce compliance with signed agreements, and b) adverse the effects of non-compliance regarding the implementation of the programme in question and other programmes. *AFEW- Ukraine* shall always take into consideration the interests of the beneficiaries of the programme when sanctions are imposed.

*AFEW- Ukraine* objective is to focus more on preventive measures rather than being forced to apply corrective measures. Therefore it is important that the signing parties agree and understand the contents of a realistic contract agreement. Each action which is carried out by implementing partners, staff members, volunteers, suppliers or consultants and which are not in accordance with the terms of the contract, need to be addressed.

#### *Implementing partner/supplier*

After the investigation (by way of an audit or investigation by the project team), the project team and the Director present his/her recommendations. Subsequently, the Director decides either to end the relationship or – after taking corrective measures – to continue the relation with the partner/supplier.

The conditions laid down by *AFEW- Ukraine* for the continuance of the relationship, include:

- the extent of the damage has been established by *AFEW- Ukraine* or a third party, and accordingly action has been taken by the implementing partner/supplier;
- compensation for the damage sustained;
- the implementing partner/supplier has reported the matter to relevant authorities;
- the implementing partner/supplier noticeably improved the internal organisation/control;

If the contract is terminated for the reason that the implementing partner/supplier has not taken any measures, the so-called ‘naming & shaming method’ applies if possible, in order to prevent any

future acts of corruption. *AFEW- Ukraine* shall seek compensation for any loss or damage suffered from the partner/supplier by means of a legal procedure when relevant.

**Staff and consultants**

In the event of corruption committed by *AFEW- Ukraine* staff members, the Executive Director decides on the actions to be taken. Any failure to comply with prior agreements will be confirmed in writing. Any disciplinary action to be taken depends on the nature of the unwanted act and includes a written warning or dismissal and legal action.

In the event of corruption committed by a consultant, *AFEW- Ukraine* cancels all payments and seeks annulment of the contract. Furthermore, the consultant will be blacklisted in *AFEW- Ukraine* list of suppliers to prevent him or her from being assigned to any missions in the future.