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Corruption in Development Cooperation – a Problem that equally affects Church Organisations

Working Paper

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Summary

Section 1. Corruption is everywhere, including civil society organisations, including church-sponsored organisations as well. Speaking about it has been a taboo for a long time. But churches are expected to set an example in society, so they must also lead the way in the prevention of corruption. In addition, churches will dispose of less money in the future, and will therefore have to use their funds more efficiently. One way to do this is to combat abuse. This document deals with the prevention of corruption in the church organisations involved in development cooperation. It describes weak spots and possible points of vulnerability to corruption. All the descriptions are based on practical experience, but this does not mean that all of the weak spots are present everywhere. Each of the organisations addressed will find out on its own to what extent it is affected.

Section 2. The working group for the prevention of corruption in church development cooperation has set itself the task of supporting church organisations in both north and south in avoiding and fighting corruption. The group operates as part of the German Chapter of Transparency International. The members of the group have their own experience in the prevention of corruption, especially in church development cooperation.

Section 3. Corruption has always been around, it was even described and condemned in the Bible. Christian social teaching in both church denominations appeals to the principle of solidarity and legality and concludes that everybody must take responsibility for opposing corruption.

Section 4. Corruption is the misuse of entrusted power for private gain. It can take different forms. The definition covers not only bribery, but also misappropriation of funds, misuse of entrusted goods, unfair patronage and many other forms. The various forms of corruption which occur in church aid organisations as elsewhere are described here.

Section 5. An analysis of the specific forms of corruption shows that they can be caused by external or internal factors and that a distinction must be made between corruption resulting from poverty, corruption of power and corruption arising from relationships.

Section 6. It is important not to consider the forms of corruption as isolated individual phenomena, but to analyse their structural breeding ground. It must be noted that wrong structures in the north and south are interrelated, and in many cases the north bears a historical responsibility for wrong developments in the south. Possible causes in the north include unclear agreements about the objectives of projects, deficiencies and carelessness in management, the lack of competent and independent supervisory bodies, non-transparent financial structures and the suppression of knowledge as a result of worries about the reputation of the organisation, a wrong sense of solidarity or fear of donor competition.

Section 7. The possible causes in the south include the legacy of missions which did not adequately prepare the new churches for transition to independent management, a lack of distinction between funds for pastoral and development work which creates a temptation to misappropriate funds, a lack of efficient financial supervision and a lack of participation by the target groups leading to a lack of transparency in the implementation of projects.

Section 8. Measures to prevent corruption have been adopted in many organisations over the last few years, but they are often not sufficient. These measures apply to sponsoring and administrative guidelines, financial supervision, staff training and qualifications, supervisory bodies and to codes of conduct (which often only have a declaratory function). In some cases there have been conferences to discuss the problems, in other cases working groups have been set up to develop strategies to prevent corruption.

Section 9. Where the fight against corruption and the introduction of behavioural standards are present, they can enhance the prestige of the organisations and be presented as a quality mark for the responsible use of entrusted funds. In practice, however, the detection of corrupt behaviour does not always lead to consequences (in personnel and management structures of the organisation) because it is feared that this could damage the public image of the organisation. In such cases, unjust power structures are strengthened. But corruption is not only a moral question, it is an economic issue, too. Every Euro which is lost to corruption is not available for achieving project goals.

Section 10. Finally, suggestions are made for the prevention of corruption.

The working group considers it important to search for solutions especially where project work takes place, i.e. in the south. Only an inclusion of the target group and a high degree of transparency in project implementation offer the hope of any real remedy because the target group is best capable to determine whether the goals of a project are actually achieved. In addition, the administrative and supervisory competence of the local partners needs to be reviewed, and improved where necessary.

In the north churches, administrative competence must be improved where it is not adequate, and the function of the supervisory bodies must be strengthened. The project agreements between north and south must include corruption clauses which are not only declaratory, but prescribe specific actions. Setting up bodies with an ombudsman function is important, but particularly difficult because of the transnational character of the working relationships; it must be ensured that these bodies are independent and can be contacted from anywhere, and that they are entitled to take action on their own initiative.

All organisations are advised to set up internal working groups to develop anti-corruption strategies, and to share their experience with other organisations in round-table discussions. This can also be implemented in the framework of a corporate membership in Transparency International.

1. Corruption in development cooperation – a problem that equally affects church organisations

The public debate about corruption and the fight against corruption usually focuses on relationships between business and the state: a business enterprise pays bribes, a state or municipal officer grants benefits. Civil society is generally regarded as an ally in fighting corruption. It is rarely considered that corruption also occurs in Civil Society Organisations.

This applies to all kinds of organisations, church or church-related ones are not immune either. But the discussion in church circles was inhibited for a long time by the expectation that church partners were less susceptible to corruption, or that reason demanded to settle any arising cases without attracting public attention, in order not to damage the reputation of church or church-related institutions. As a result, action was taken in individual cases, but the structures which encouraged corruption were left unchanged. For this very reason, there is a continuing danger that the reputation of such institutions will be damaged.

According to a common definition, corruption is the misuse of entrusted power for private gain. Corruption is not only bribery, it is also misappropriation of funds, misuse of entrusted goods, unfair patronage and many other forms. If such behaviour occurs in organisations and projects of church development cooperation, this harms the reputation of the organisations and churches and impedes the achievement of their goals. Every Euro which ends up in the wrong hands due to corruption is stolen from the target group, the poor. Every job that is filled with an incompetent person as a personal favour weakens the project. Every case of misconduct strengthens unjust power structures.

In politics and business, and also in development cooperation, thinking about corruption has changed since the middle of the 1990s. Before that, the subject was largely taboo, and corruption was even considered acceptable for cultural reasons. Today, the harm caused by corruption and the fight against corruption are openly discussed. The most effective protection against corruption is considered to be the disclosure (transparency) of financial transactions, which facilitates social monitoring.

But this change has largely bypassed the churches. Only some individuals hesitantly advocate “breaking the taboo” in the discussion about corruption. Transparency in churches is made more difficult or even impossible by hierarchical structures which empower higher ranks to interfere in procedures without being obliged to give reasons.

Churches have an exemplary role in society. They have important contributions to make in the debate about ethical standards and the fight against social injustice. Germany's former Development Minister, Erhard Eppler, expected the churches to “act as leaven” in development cooperation. Therefore, high expectations are placed on the churches in the fight against corruption. Up to now, these expectations have not always been fulfilled.

Moreover, in the last few years it has become clear that the churches will have significantly less money at their disposal in future years. Therefore, the available funds must be used more efficiently. One way to do this is to combat abuse.

This working paper mainly refers to German church and church-related aid organisation. The development cooperation of these organisations involves considerable resources, with an annual expenditure of well over 700 million Euros. Donors and taxpayers who contribute this money have a right to expect it to be used appropriately and transparently.

There are also church partnership projects at regional and local levels (dioceses, parishes etc.). To some extent they have the same problems, but they have different structures and are not covered here, because this would lead to a far wider scope of this paper. Emergency Aid is also not part of the scope of this paper, it is merely mentioned incidentally.

This paper describes weak spots and possible points of assault for corruption. All descriptions are based on practical observations, which does not mean that all of the weak spots are present everywhere. The frequency of occurrence is something the authors of this paper have no knowledge of, and individual cases are not discussed here. Each of the organisations addressed will find out on its own to what extent it is affected, and what steps it wishes to take, either on its own or in cooperation with other organisations. The authors of this paper are convinced that every step taken to fight corruption will enhance the prestige of the organisations.

2. Working group “Prevention of corruption in church development cooperation”

This working group has been in existence since May 2004, bringing together experts with experience of corruption in various areas of business and society, especially in church development cooperation. They were involved in this group with the consent of the organisations they work for, but in their personal capacity and not in any official function.

The working group set itself the task of supporting church organisations in north and south in avoiding and fighting corruption. The aim is not to uncover individual cases and take action to remedy them, nor to start a public discussion of cases discovered and thus to expose the affected organisations. Instead, the goal is to prevent damage to the reputation of church institutions. It is important to adopt measures to prevent corruption before such damage occurs.

The working group offers assistance in the prevention of corruption. The introduction of codes of conduct to raise awareness of the problem is a first step, but it is not enough. Procedures and organisational structures must be reformed to make corrupt conduct more difficult or impossible, and also to discover and sanction such conduct.

But such reforms cannot be imposed unilaterally by the organisations of the north on those in the south, they must be developed jointly by both sides in a spirit of partnership.

The working group aims to get the management and supervisory bodies of the church development cooperation organisations,

1. to give more in-depth consideration to the subject of corruption in their cooperation with partners in the south;
2. to cooperate with staff in south churches (ministers and lay persons) in looking for ways to achieve greater transparency, more effective checks and greater efficiency in church development cooperation;
3. to raise the sensitivity of the German sending organisations to reports of corruption by their deployed specialists and experts, and to prepare the deployed specialists better in case they are confronted with corrupt conduct.

The working group is a part of the German chapter of “Transparency International” (TI-D), the international coalition to fight corruption. This it can benefit from the experience gained by TI in other areas of society, and cooperate with other national chapters, especially in developing countries.

3. Corruption from a theological perspective

In the Bible, corruption is a much wider concept than in our everyday language. In the story of the Flood we read “how great man's wickedness on the earth had become, and that every inclination of the thoughts of his heart was only evil continually” (Genesis 6:5). In many other places, human conduct is described in a similar way. In the Latin translation of the Bible, the word “*corruptio*” is used. This refers to a form of conduct which destroys social coherence and is closely linked with original sin.

A special variant of this all-embracing “*corruptio*”, that is also dealt with in the Bible, is the idea of corruption as we know it today: bribery, misappropriation and the abuse of power for selfish purposes. The history of the law system in Israel starts with Moses appointing judges who are “men who fear God, trustworthy men who hate dishonest gain” (Exodus 18:21), and Samuel in his farewell address to the people emphasises that as a judge he did not accept any bribes, by contrast with his corrupt sons (1 Samuel 12:3). The warning against bribery runs through the whole of the Old Testament. It has its roots in “*avaritia*” (avarice, greed), the second of the seven cardinal vices in classical theology, and its consequence is law-breaking. God, so says Moses, “accepts no bribes” (Deuteronomy 10:17), he is the epitome of incorruptibility. Jesus, too, is not corruptible, as we can see in the story of the temptation in the wilderness (Matthew 4:1-11).

The demand for incorruptibility applies equally for mankind. In the book of the covenant which provides explanations of the ten commandments (Exodus 23:8) we read: “And you shall take no bribe, for a bribe blinds the discerning and perverts the words of the righteous”. In the New Testament, Paul appeals especially to those in spiritual leadership in his First Epistle to Timothy (6:8-11): “And having food and clothing, with these we shall be content. But those who desire to be rich fall into temptation and a snare and into many foolish and harmful desires. For the love of money is a root of all kinds of evil. But you, man of God, flee these things.” And in Luke (12:15) we read: “Take heed and beware of covetousness, for one's life does not consist in the abundance of the things he possesses.” Jesus also gives people the responsibility of not allowing others to do evil: “If your brother sins, rebuke him” (Luke 17:3). Modern Christian social teaching in both denominations attempts to apply the Biblical commands to the situations in our society today and to arrange them systematically. Social teaching means “a compilation of all possible insights into the organisational structures of worldly human society which result from the Christian plan of salvation” (Gundlach). What the Bible says about corruption is an important part of this.

In Catholic social teaching, the principle of human dignity, the social principle and the principles of solidarity and justice are especially applicable to the fight against corruption. According to the principle of human dignity, which is definitively stated in the encyclica “*Mater et Magistra*” (1961, article 219), the human being should be at the centre of all social activities, and human dignity is inviolable and must be protected and promoted. Human beings must not be regarded as disposable, as means to an end. According to the social principle, a human being is a social entity and dependent on other people. This leads to the solidarity principle, which states that people should be willing to help each other, and appeals to the golden rule formulated in Matthew (7:12): “In everything, do to others what you would have them do to you, for this sums up the Law and the Prophets.” And the principle of justice means that the social order must be preserved which ensures that all human beings are granted what they are justly entitled to.

Protestant social ethics formerly focussed on the ethics of love, with the doctrine of duty as a regulatory force, but recently there has been an increasing trend towards the ethics of responsibility. In 1948 in Amsterdam (at the meeting to constitute the World Council of Churches) the ecumenical movement formulated the principle of a “responsible society”. It states that human action always takes place in an inter-personal, social context. Each person must be accountable for his/her actions to society, to future generations (Picht, Jonas), to God as the judge of the whole world (Körtner).

The two churches jointly formulated their positions on social ethics in 1997 in a church statement on social and economic matters entitled “A future in justice and solidarity”. It includes the following statement: “The priority of the option for the poor as a guiding principle of social action gives concrete form to the unity of God's love and human love” (point 107). It also formulates “the idea of justice as a fundamental organisational principle for society” (point 109).

Although the approaches and the reasons given in the two churches differ in some areas, they nevertheless come to the same conclusion: corruption takes away from people the resources they need for their life and development, and transforms solidarity into its opposite. It is therefore not just an individual sin, but a social sin, too. Where corruption becomes systematically established, this undermines the social order and the high values of lawfulness and the common good. Especially in liberation theology, social sin is also called “structural sin”: this means that anyone who benefits from inhuman social circumstances instead of correcting them or protesting against them actually bears part of the blame. Here, the values of Christian social teaching correspond to the value of “Good Governance” which has more recently been a central focus of development policies, and which is also based on the common good.

4. Forms of corruption

Corruption can take different forms. It can occur in the misappropriation of money or property or in an illicit influence on decisions by bribery, which always involves both active and passive participants. In the following paragraphs, some of the forms that have been observed will be described.

Misappropriation of project funds

Misappropriation may consist of private use of the project funds or resources, use for purposes other than designated, unjustified disbursement or stealing of these funds or resources. Examples:

- Funds are used for purposes other than agreed. For example buildings constructed with project funds are used for purposes not agreed in the project contract, or in extreme cases for private purposes, or luxury vehicles are bought.
- Funds are used for another project to make up for funds lacking there due to earlier mismanagement.
- Salaries are paid out to fictional persons (“phantoms”), travelling allowances are paid for trips that were not taken.
- Project vehicles are used for private purposes or as taxis.
- Project goods are misappropriated for private use or for sale, and stock lists or recipient lists are forged, or project goods are exchanged for less valuable goods, or medicines are diluted.
- Excessive prices are agreed in purchases of materials or orders placed with outside parties, and the difference is split between the client and the contractor (“kickback”). To be able to do this, excessively high budgets are presented at the project planning stage. (This form of misappropriation remains a major problem even with good financial monitoring.)
- Receipts are forged, which is especially easy under the conditions that apply in developing countries.
- Funds are used for pastoral purposes instead of the agreed development purposes.

Financial gain

- This can arise because donor funds are not immediately spent for the designated purpose of the project. The funds can then be used up front as money investments for interest or profit, or fluctuations in the exchange rate can be used for profit.
- The funds may also be exchanged for local currency at higher rates on the black market, whereas the lower official exchange rate is shown in the financial accounts. The resulting profit (which the donor knows nothing about) can be used outside the project.

Nepotism, patronage, preferential treatment

- In placing orders and recruiting personnel, persons are preferred who are close to the principal (by religious, ethnic, social or family relations) which leads to recruiting rules and quality standards being neglected. The beneficiaries of this treatment may even take up jobs which are not needed, or may be granted higher salaries or purchase prices. Jobs may also be obtained by bribery – ranging from teaching and nursing jobs in church institutions to bishop posts in Protestant churches.

In many Protestant churches the bishop is elected by the synod, sometimes for a limited period, sometimes for life. In certain churches these elections have been distorted by the payment of bribes to the electors. The candidates know that the invested sums can be recovered later, but not through their regular salary.

- Admission to schools, school grades, participation in courses or the award of grants are made dependent on the payment of bribes or on physical favours.
- In the health care system, treatments and drugs which should be free of charge are only granted to preferred persons or on payment of bribes.

Conduct towards people with knowledge of corruption

- Protection by bribery: an office-holder who needs to cover his abuse by forged receipts or other forms of corruption may bribe those who know of it to make them cooperate. In extreme cases, this method may even cripple the work of supervisory bodies which were created to prevent corruption.
- Threats against whistleblowers: members of staff (local or deployed) who uncover corruption are not supported, but threatened or punished by repressive treatment, e.g. by disciplinary transfer or dismissal.
- Local and deployed staff may be drawn into conflict situations if south churches demand loyalty to the local employer, while north churches demand a correct use of funds, when both of these together are not possible.

Bribery for accelerated treatment

- Project managers may pay bribes to speed up customs handling, the award of state permits, telephone connections or similar. In many cases this is done because the success of the project would otherwise be at risk.

5. Note: categories of corruption

Corruption caused externally or internally

In the analysis of corruption, some authors distinguish between corruption caused externally or internally (e.g. Cremer, p. 61-62) in order to identify the perpetrators of corruption and mark off externally induced corruption from corruption within the project. Cremer mentions bribery for accelerated treatment as an example of externally caused corruption; as this is beyond control of the project management, he excludes it from his discussion.

But a lack of resistance against demands for acceleration bribes could mean that these will become progressively higher and bolder. This has especially been observed for disaster aid, where fast handling is morally necessary. Therefore, it is advised that even demands for acceleration bribes should not be simply accepted, and that payment should be refused as far as possible.

Corruption of poverty – corruption of power – corruption through relationships

Other authors distinguish between the corruption of poverty (“petty corruption”, if state employees have too low wages), corruption of power (generally “grand corruption”, based on greed for wealth) and bribes for accelerated treatment (Stückelberger, p. 5-6).

On closer inspection, however, bribes for accelerated treatment are not a category of their own – as a rule (e.g. with lower civil servants) they are corruption of poverty, sometimes they are abuse of power (e.g. ministerial approvals). On the other hand, corruption of power is not necessarily “grand corruption” – power may also be exercised in small things.

The third category should actually be “corruption through relationships”, which is initiated by kinship (“nepotism”), friendship (“old boys’ networks”), ethnic identity (“tribalism”) or religious coherence. Here, it is often difficult to distinguish corruption from legitimate social networks. From corruption through relationships it is not a big step to “systemic corruption”, a network of corrupt elites in politics, administration, military, judiciary, economy and churches. - Ludermann describes nepotism as “grey corruption”; but this concept appears too unspecific.

6. Structural causes in the churches of the north

In centuries of mission and decades of development cooperation, structures have developed in the partner organisations in the south which favour corrupt behaviour. But responsibility for this is not theirs alone – missions and aid organisations of the north have contributed to the emergence of these structures by their conduct, and bear a historical responsibility.

In the last few years, an awareness of negative developments has arisen both in the north and the south. Counter-measures have been adopted. But the situation described below can still be observed in one and the other place – which does not mean that it can be generalised.

Possible misconduct of the aid organisations from the north

This can be observed if the aid organisations

- have not concluded sufficiently precise agreements about what purposes money is given for, who can spend this money and how it must be accounted for;
- have not checked whether the implementation of a project may be hindered by a lack of funds for the partner's other work (e.g. pastoral work);
- have not checked whether the partner can bear the follow-up costs of a project;
- have not checked whether the partner has sufficient management capacity for a proposed project, or whether the project can be implemented in the scheduled time with the existing management capacity;

- have not checked whether the partner is able and willing to carry out proper bookkeeping and financial monitoring;
- have not demanded proper accounts, or not checked the accounts which were submitted;
- have not provided advice to the partner when deficits became apparent in the bookkeeping and accounting;
- have not imposed sanctions for irregularities that have been detected;
- have not adequately involved the target groups in planning and implementing the project, and have not made transparent the financial planning.

Reasons for the misconduct

The reasons for such misconduct by the partners in the north may be found on various levels:

• Misorientation in goals

Projects have been financed with goals which were in the foreground in the current political debate in the north, which were fashionable, but which did not meet the needs of the partners in the south. This may lead to a situation in which partners use the funds for purposes other than planned.

Such misorientations can also arise because projects are promised on the basis of personal relationships while the organisation's decision-making bodies are bypassed.

• Shortcomings in management structures

In the checking and selection of a proposed projects, it was not realised that the partners in the south are not equipped to implement the project and that equipping them (e.g. by setting up management and control structures) should be part of the project. In some cases it has not been realised that in the churches there are too few partners for large-scale projects, and that small partner organisations should not be overstrained.

The aid organisations in the north, as well, do not always have sufficient capacity to check the use of funds and the accounts. Often, the person responsible for the project is also the person responsible for its finance. Auditing departments may be too small, staff are overworked and thus not able to fulfil their task. This may be rooted in a desire to keep administrative costs low, e.g. out of fear that sponsors (such as the German Development Ministry) or especially individual donators would only consider funds being efficiently used if administrative costs are low. It should, however, be observed that if administrative costs are so low that an adequate audit of the funds is no longer possible, this may have exactly the opposite effect of encouraging inefficiency in using funds. The German Central Institute for Social Issues (DZI) has explicitly pointed out that if the share of administrative costs is too low, this may impair the efficiency of the aid.

There have been cases in which aid organisations have had more money than they could handle with their administrative structure (e.g. when donations were high because of current disasters, or due to problems in the outflow of funds from the BMZ). In such cases, the obligation to pass on funds may have the consequence that money is spent without any adequate review of the projects and without sufficient monitoring capacity.

A similar problem arises if an aid organisation has no sufficient knowledge of its partners and therefore either selects unsuitable partner organisations or is unable to distinguish whether negative developments in a project are caused by deliberate corruption or inadvertently due to lack of management skills.

Audits sometimes only check the correctness in the numerical calculation, not the proper use (in comparison with the financial planning) and the market appropriateness of prices.

- **Failure of supervisory bodies**

An important monitoring function in church structures is provided by the supervisory bodies, which, however, did not exist in every organisation, for a long time, as was reproached in a document published by the German Bishops' Conference of 2004 (“Arbeitshilfe 182”) for the Catholic church. (This reproach related to social organisations, but probably applied to development agencies, in a similar way.) The supervisory bodies should consist of people who are democratically legitimated, independent and competent, which unfortunately is not always so. There are cases in which members of these bodies have relations of various kinds to decision-makers in the organisations because these are not always willing to admit independent experts to the supervisory bodies.

There have even been cases in which high-ranking church officials have exerted influence on the working, decision-making or supervisory bodies in order to protect fund recipients from sanctions after misconduct had been detected. Supervisory bodies should make use of their independence to voice their protest in cases like that.

- **Worries about the organisations' reputation**

In some cases, the concern about the reputation of the organisation or the fear that institutional sponsors might demand repayment of misappropriated funds has had the consequence that when corruption was detected it has been sanctioned, but then covered in silence.

The degree to which an organisation can be open about the problem of corruption is therefore strongly dependent on the extent to which it is supported in this openness by institutional sponsors (the German Development Ministry, the EU) and the extent to which the organisation itself manages to present the detection of corruption as a positive activity.

In other cases, motives rooted in church politics have led to sponsorship regulations being undermined, either in the selection of projects or in the use of funds within the projects.

Such constellations give rise to a tendency to hide information about negative developments from the supervisory bodies. The internal monitoring departments themselves are not always authorised to pass on information to the supervisory bodies, i.e. they are required to “go through official channels”. That leads to conflicts of loyalty among employees and an inability of the supervisory bodies to fulfil their duties. This secretive approach also means that loopholes are not closed which lead to corrupt conduct in the future.

The fear of a loss of reputation and the resulting omission of sanctions can also lead unscrupulous partners to recognise and exploit this dilemma and encourage them to continue their corrupt conduct.

- **A wrong sense of solidarity**

In some cases, secular or spiritual employees of the local partner organisations were protected from sanctions after their corrupt conduct was discovered: either by the intervention of high-ranking church officials in the country itself, or by contact with the corresponding ranks in Germany, and in Catholic organisations even by the intervention of the Vatican. There have been cases in which this happened without any exchange of information or consideration of the problems with the project staff in the aid organisations, and even without any protest voiced by the leading ranks in the aid organisations to interventions of this kind. Such conduct is an invitation to continue corruption, and it is a serious hindrance of development work.

- **Competition between donors**

Another reason why uncovering of corruption does not lead to sanctions, e.g. an exclusion from further funding, is the fear that another donor (of the same denomination) may fill the gap. Attempts

to improve coordination and the exchange of experience have led to a better flow of information and mutual agreements, but they are not enough. The desire of agencies (or churches) to be present with certain partners or in certain regions, plays an important role.

The fear of competition between donors is increased by the fact that in addition to the large aid organisations with professional structures, there are hundreds of small and tiny project groups which do not always have sufficient knowledge of problem fields and regional characteristics. Another factor is that free church groups or missionary societies often engage in clandestine missionary work under the cover of development projects and are therefore glad to act as successors in the financing of a project.

- **Lack of transparency**

An important, and possibly the most important instrument in preventing corruption is transparency. Target groups and society as a whole have an interest in knowing that funds are used for the designated purpose. But the aid organisations do not place enough stress on the principle that target groups should be involved in project planning and implementation and in monitoring the use of funds. Budgets are generally kept secret (partly at the request of the partners in the north), which encourages the misappropriation of funds.

The hierarchical constitution of church organisations (more pronounced on the Catholic than on the Protestant side) encourages intransparency. Hierarchical structures are transferred from the area of religious decisions to the area of development cooperation, where there is no justification for them because activities here are guided by different criteria.

7. Structural causes in the churches of the south

Corruption exists all over the world. The church is part of society, so it participates in the corruption of society. Some of the causes of corruption are the same everywhere, but there are also specific factors in different countries and social sectors. When we speak of corruption in church structures in the Third World, we must give special consideration to the colonial background of the former mission churches.

- **The legacy of the missions**

One of the causes of the lack of management capacity in indigenous churches and church partner organisations is that the structure of the mission churches was preserved for a long time. The churches were “receiving churches” which were almost exclusively financed by support from the north. In organisational and financial terms, the indigenous churches were kept dependent. The administration was carried out by white people, local administrative staff were insufficiently trained and monitoring structures appeared unnecessary, or were unwanted.

After the independence of the former colonies and the resulting gradual independence of their churches, for many decades the churches of the north continued donating large sums of money, without promoting sufficient abilities in administration and monitoring, let alone insisting that such abilities were a condition for money transfers. For a long time the churches of the north themselves did not carry out efficient checks of the finances or the goals of the projects, partly out of a bad conscience because of the colonial past, and partly in the name of partnership and a false idea of trust. This gave rise to inherited power centres in the churches of the south which are extremely difficult to change today.

And while indigenous bishops were appointed or elected, in many cases the administration remained in white hands even into the 1990s – partly because they had contacts in the “parent organisations” and were therefore the better fundraisers, partly because they had better management training. It is

also reported that indigenous bishops had less confidence in their own people than in white people, because the expatriotes did not have obligations to specific ethnic groups or clans in the local setting. As a result, the training of indigenous managers, bookkeepers etc was neglected. At the time of handover, no suitable management and controlling structures had been developed – a problem that is only recently being addressed.

• **Mixture of pastoral and development work**

Another problem is that most churches in the south have great difficulty in financing their pastoral work with contributions from their members. The additional funds for this purpose which are transferred from the north (church tax, donations) are not enough. On the other hand, funds are available from the north for the development work of the church (again from donations and church tax, but also including state subsidies), but these funds are earmarked with a clear mandate for development purposes. This causes a great temptation for the churches in the south to rededicate funds.

The distinction between pastoral and social work as made in the north is often difficult to understand for the churches of the south. They have a more holistic understanding – material and social problems always have a spiritual component in that they reflect a disrupted relationship with God. Like in non-church projects, it is often observed that the partners do not respect the designated purpose of the funds, either because they do not understand the concept of earmarked funds, or because they do not take it seriously. In spite of this, the German church aid organisations which administer public funds are bound by their mandate, and they must make this clear to their church partners in the south.

It would be interesting to find out what the ratio is between the volume of funds for development purposes and the overall budgets of the receiving churches in the south. In discussions on development cooperation (mainly in the realm of state cooperation), it is increasingly being asked what relation between the partner's own funds and development cooperation funds encourages an independent development, and what relation tends to have a harmful effect. This question must also be asked for the area of church development cooperation. The church donor organisations in the north often do not know the total budget of the partner churches, nor do they know the volume of funds provided by other donor organisations throughout the world to support the same partners.

• **The role of employees and decision-makers**

Managerial employees (directors, managers, heads of department etc.) in development organisations in the churches of the south are generally appointed by their church leaderships and are accountable to them. But at the same time, they are expected to comply with contracts and agreements with donor organisations, so they are also accountable to them. And finally (and before all), they have an obligation to the target groups. They must therefore find a balance between the interests of the various parties in this triangular structure. They may be placed under pressure by the church leadership to rededicate funds for purposes other than those designated. There is a danger of clientelism if demands are made on them by the church or certain target groups. They are also the people who make (or are involved in) decisions about staff appointments and programme expenses – another possible entrance gate for corrupt practices.

The staff responsible for project finance are important actors in monitoring the use of funds. Often, the salaries paid by the churches are lower than the national standards for such highly qualified and much sought-after personnel. So it is difficult for churches and their organisations to find responsible financial staff who have a status (salary level plus qualifications) which enables them to effectively monitor their leadership.

Many churches have to work with an inadequate number of inadequately qualified personnel in their development projects. Salaries cannot be as high as those of other employers because church budgets and salary scales do not allow this. And the selection of personnel is generally limited by the requirement that only members of the respective church may be employed. Positions of leadership are

often given to theologians and ordained persons without any management training. Here, the churches must face the question of whether a qualification in theology is always the best requirement for the management of development offices or development projects.

- **The role of supervisory bodies**

Supervisory bodies which exercise a controlling function for the management and financial activities of their organisation and are legitimated by the independence and competence of their members, are much rarer in the church structures of the south than in the north. Where they exist, they are often so involved in the structure of the church that they are not able to exercise an independent controlling function. Therefore, they hardly constitute a counterweight against an intervention by the leaders or the delegates in synods and diocesan meetings.

The hierarchical structures are even more pronounced in the Catholic Church, and thus any monitoring of development cooperation funds by supervisory bodies and lay organisations is more difficult: according to Catholic understanding, a bishop cannot be subject to any supervision by a lay person. Diocesan bodies have only an advisory, not a monitoring function. Consequently, the awareness of the necessity of transparency is only present to a very limited extent.

- **The role of target groups and lay organisations**

Institutional involvement of target group representatives in decision-making and monitoring is not often found in church development projects. Participation and transparency can be difficult for a church whose leadership style is hierarchical and authoritarian. In the long term, it will hardly be able to practise democratic and transparent procedures in individual projects (with outside funding) if it does not do it generally in its internal structures. However, such projects might provide an important stimulus for the whole institution.

In addition to the target groups for development projects, which are largely uneducated because they are poor, there is an urban middle class of church members who are not directly involved in projects, but pay their church membership contributions and often suffer from the generally known cases of corruption in their churches. So far, these church members have been largely unable to monitor the proper use of church finances because of a lack of transparency, even if they are organised in lay organisations. Also – as in secular politics – there is a danger that accusations of corruption, which are difficult to prove, might destroy the reputation of political or theological opponents. And the former accusers, when they come to power and have access to material resources, might themselves be in danger of succumbing to temptation.

- **Lack of transparency and public awareness**

The participants in the north and south know, to differing degrees, the many forms of corruption which may occur at all levels of the churches. The problem is, however, rarely discussed in public. In the south the main obstacle is that anyone who speaks publicly about injustice and corruption must expect painful sanctions. Those who are employees of the churches are liable to be disadvantaged at work (no promotion, transfer to unpopular locations or even dismissal).

Churches, in many developing countries, are important institutions to provide jobs and offer social security in need. Church schools offer the children of the employees an opportunity to climb socially. The church even plays an important role as a marriage market. Those who call existing structures into question or point a finger at individual cases of corruption might jeopardise all the advantages they (and their relatives) have through their membership in a church.

It is also because of their own high moral standards that churches find it difficult to engage in self-critical analysis. A pastoral cloak of silence is laid over the fact that pastors, or even bishops, may do wrong. Many poor people believe in a religious justification of everything that church representatives do.

Some of the clerics and lay employees of the churches use this underlying trust and their connections to religious authority to avoid checks even in secular affairs, such as the administration of money given by donors.

The attempt to make the budgets of development projects, and the degree to which targets are achieved, more transparent and to give target groups the opportunity to check them, is therefore often met with resistance by the responsible leadership in the churches of the south.

8. Measures to date to prevent corruption in north and south

In the last few years, the awareness of the problems associated with corruption has grown both in society and in the churches. Pope John Paul II., in his Apostolic Exhortation “Ecclesia in Africa” of 1995, pointed out “that many problems in the continent are the result of a government style that is often permeated by corruption”. The World Council of Churches, at its 8th general assembly in 1998 in Harare, stated: “Corrupt practices are a major evil in our societies. We uphold the right of every person to be protected under the law against corrupt practices.” In the north as in the south, steps have been taken to make corrupt conduct difficult or impossible. It is encouraging that initiatives in this direction have also been taken in the churches of the south. Some of these measures are:

• Funding regulations, administration, and financial control

In contractual agreements about projects or programmes, requirements are defined for the flow, call-forward and accounting of funds. These include the following conditions:

Project funds for a specific purpose may be applied for and drawn only once, i.e. parallel funding is not permitted. Unforeseen additional revenue (e.g. currency gains) must be declared, funds no longer needed for the project may not be drawn or must be transferred back. Partners in the south must ensure proper bookkeeping which on request must be disclosed for audit by the donor agency. Large projects should be audited by external auditors nominated by the donor, or by representatives of the donor agency itself.

Direct audits of financial reports by local representatives of German donor agencies have been carried out in individual cases where these organisations have offices in the location.

Some donor agencies have funded qualification programmes for indigenous employees in financial administration or organisational development (e.g. to establish internal monitoring systems, provide support in personnel planning etc.). This was done with workshops and the deployment of consultants for the partner structures in the south, and also by awarding grants for study courses in the relevant specialist disciplines in Germany and other countries, especially in Africa and Asia. With CORAT (*Christian Organisations Research and Advisory Trust of Africa*), a special advisory centre for English-speaking Africa has been available for church structures in both denominations since 1974/1975 which also works on management issues. Management courses have also been funded at various universities and adult education institutions.

It is important to note that regulations and guidelines for financial administration have been formulated, and that the administrative staff is placed under obligation to abide by them. One of the first organisations which decided to do so was the *United Evangelical Mission* (UEM), which held a seminar in Wuppertal in April/May 1999 for the treasurers of its member churches at which “guidelines for treasurers” were agreed upon. The *Evangelisches Missionswerk in southwest Germany* (EMS) has passed a “Code of Conduct against Corruption and for Transparency” in June 2007. Other organisations have similar guidelines. In some agencies (*Kindernothilfe, Bread for the World, Church Development Service*), internal working groups have recently been set up to work on strategies for the prevention of corruption.

In contacts between donor agencies at the working level (monitoring and finance), attempts are being made to harmonise funding regulations and accounting modalities. Ideally, the south partners should draw up overall accounts which show both their own funds and the funds of all sponsors. The contacts also aim to establish standardized auditing and monitoring processes, to create a network of the agencies and to avoid double funding by an exchange of information. On the Catholic side, this function is especially exercised by CIDSE (*Coopération Internationale pour le Développement et la Solidarité*), on the Protestant side by APRODEV (*Association of Protestant Development Organisations in Europe*).

Country-specific round tables to which some south church organisations invite their donors have a similar function of coordinating the project planning and creating transparency in project financing.

The *Association of Dioceses in Germany* (VDD) in its "Arbeitshilfe 182" of 2004, which was aimed at social institutions under Catholic leadership, suggested that each legal entity should establish a supervisory body whose members are independent of the management. The document includes detailed suggestions to strengthen internal supervision. Similar suggestions are contained in the "Diaconic Corporate Governance Code" (DGK) published in 2005 by the *Diakonisches Werk der EKD* for social organisations under Protestant leadership. Both documents refer to the national laws that came into force in July 2002 to regulate transparency and publicity in the German business community, and to the associated "German Corporate Governance Code". However, neither of the two church documents mentions the task of preventing corruption.

The German Central Institute for Social Issues (DZI) has also published recommendations for the "optimisation of internal supervisory and monitoring structures". This document also avoids using the word corruption. In December 2005 a group of eleven international non-government organisations (including TI) agreed on an "INGO Accountability Charter" which explicitly mentions transparency and the prevention of corruption among its goals.

• **Organisational structures**

The organisational separation of pastoral and development work has been implemented in some cases. Here, it has been found expedient to set up joint development departments for several dioceses, because this is economical and at the same time it facilitates mutual social monitoring.

Because the churches of the south often find it difficult to separate pastoral and social work organisationally, some churches in the north have decided to carry out their projects with non-church NGOs as partners, on the assumption that the risk of the rededication of funds is less imminent here. But NGOs are also susceptible to corruption and must be subject to the same standards of transparency as church partners. Their only advantage is that the cooperation can more easily be terminated in the event of misconduct.

• **Awareness raising, Campaigns, Codes of Conduct**

In some cases, local campaigns have been carried out to sensitise people to the dangers of corruption, e.g. in the local community, or with pupils and parents in educational guidance discussions. One example is the campaign "Corruption-free schools" of the *Federation of Evangelical Church Councils in West Africa*, which was evaluated in 2006 after a three-year programme.

Codes of conduct have been passed by several organisations. One of the first was agreed in March 1999 at a seminar in Mbalmayo near Yaounde by representative of churches and NGOs in Cameroon with support by *Bread for All* and the *Swiss Agency for Development and Cooperation* (SDC). This "Code against Corruption and for Transparency for NGOs and Church Projects in Cameroon" intends to provide support for accounting, democratic decision-making structures and the protection of persons who resist corruption. In November 2003 the *All Africa Conference of Churches* (AACC) in Yaounde passed a "Recommendation on Corruption".

Information about the code created in Cameroon in 1999 stimulated the *United Evangelical Mission* (UEM) in Wuppertal to start a process itself in November 1999 which in October 2002, at a meeting of the UEM council in Sri Lanka, led to the passing of a code (“Code of Conduct of the UEM against Corruption and for Transparency”). In February 2004 the *National Council of Churches in India* (NCCI) dealt with this subject and passed a paper “Truth and Peace through Corruption-free Churches”, which included a “Code of Leadership” and suggestions for anti-corruption campaigns.

The *Christian Council of Namibia* (NCC) passed a declaration in February 2003 which dealt, among other subjects, with corruption and tribalism. The *Inter-Church Service Association* (ICSA), an association of Protestant churches in India, decided on a “Code of Transparency for the Churches” in December 2001.

There is a risk that campaigns and codes of conduct could remain in non-committal rhetoric if they do not stipulate specific structural changes and the systematic implementation of these changes.

• Publications

Whereas publications about the problems of corruption were taboo for a long time in church circles, there have now been some initiatives over the past few years, still few and far between. In particular, the Swiss Prof. Christoph Stückelberger must be mentioned, head of the *Institute of Theology and Ethics* in the *Federation of Swiss Protestant Churches*, and until 2004 was the General Secretary of *Bread for All*. In two brochures (1999, 2003) and numerous articles he advocated an open discussion of corruption in church development cooperation because this is the only way to fight it. He also advised the Cameroon churches when they passed their code of conduct.

In Germany Prof. Georg Cremer (Secretary General of the *German Caritas Association* since 2000) in his book on corruption in development policy (Cremer 2000) also mentions the involvement of NGOs, but without explicitly mentioning church organisations. A more specific treatment of church development work and a theological reasoning about fighting corruption can be found in two books by Karl W. Rennstich (1990, 2005). A very open discussion of the subject takes place in two corruption dossiers in the Protestant periodical “Der Überblick” (2005, 2006). In April 2007 the 6 members of the editorial association of mission magazines (Germany: *Eine Welt / darum / mitteilen / Zeit für Mission*, Switzerland: *auftrag*, Austria: *Die Brücke*) highlighted the subject of corruption; the regional section of *Die Brücke* contained a surprisingly open account of a spectacular case that happened in Tanzania. The number of such publications is growing.

• Conferences

Several attempts have been made to deal with the problems in conferences, but the results have so far not been very convincing. The first attempt was in November 1990 with the conference “Corruption – a Challenge for Society and the Church” at the *Protestant Academy Bad Boll*, at which Joachim Lindau (BftW) gave an open survey of the corruption risks in church development cooperation. After the founding of *Transparency International* (1993), the *Joint Conference on Church and Development* (GKKE) in Bonn organised four conferences on the subject of “Corruption as a Hindrance to Development” (1995-1998), without however referring to the development work of the churches. In January 2001, the *Association of Churches and Missions* (EMS) in Bavaria held a one-day seminar in Neuendettelsau on the subject of “Corruption and Church Development Cooperation” with the aim of “bringing the subject out of the realm of taboos”. In December 2001 there was a three-day seminar in the same place, in cooperation with the Church Development Service (EED), on the subject “Bribery is Everywhere – Corruption as a Worldwide Phenomenon”. Suggestions arising from these events led to what was probably the most important conference to date, organised in Wuppertal on 20-21 February 2002 by the *Ecumenical Workshop of the United Evangelical Mission* (UEM) together with the *Association of Protestant Churches and Missions* (EMW) in Hamburg, with the participation of the *Church Development Service* (EED), *Bread for the World* (BftW), *Christian Blind Mission* (CBM) and *Kindernothilfe* (KNH). The speakers included Stückelberger and Cremer. The participants agreed to carry out “weak spot analysis” in their respective organisations, to develop scriptural-theological

guidelines, to enter into dialogue on the subject with their partners and to meet regularly as a group. There was, however, no follow-up. The *Westphalian Mission Conference* carried out a study conference ("Corruption as a Hindrance to Development") on 21-22 March 2003 in Soest, with speakers such as Hansjörg Elshorst (TI-D) and Friedrich Manske (UEM), which also included a discussion of the UEM code of conduct, which however did not pass any resolution. For several years after this there were no more public meetings on this subject in Germany (although there were in Switzerland). More than four years later, the *Academy of Missions at Hamburg University* held a conference on 19-20 September 2007 on "Corruption as a Problem in Ecumenical Relationships".

Similar events were held in the churches of the south, such as the seminar in Cameroon in March 1999²⁰ mentioned above. In November 2000 representatives of the *Fellowship of Christian Councils and Churches in West Africa* (FECCIWA) met in Accra for a "Conference On Corruption, Peace and Development", which passed a fairly vague plan of action.

9. The benefit of fighting corruption for the churches and their organisations

Churches and their aid organisations are part of human society, and as such not immune to corruption. The Christian faith in itself does not protect from immoral and illegal conduct. Therefore, churches and church organisations should, in an active and forward-looking manner, tackle the issue of corrupt conduct and corruption-encouraging structures. They have a very favourable starting position: they can refer to Christian teaching and ethics. Their members and employees identify with these standards and are often highly motivated to work for others in the interest of peace, justice and the integrity of creation. The German churches and their organisations are closely aligned with their foreign partners on this basis.

The scope of corruption ranges from nepotism (favouritism towards relatives) and the diversion of project funds for other than the agreed purposes to the misappropriation of entrusted goods for personal gain. In most cases, two sides are involved in such practices: those who actively give, and those who are willing to receive and let their professional behaviour be influenced by the prospect of personal advantages (material and immaterial). In addition, there are third parties who observe but remain silent, and thus allow for corrupt practices and cover them up.

Corrupt practices are based on a willingness to ignore social values, and often on criminal intent. Corruption destroys the social fabric of mutual trust. What is perhaps initially treated lightly as a lapse or an oversight can develop in the long term into a web of lies and deceit from which the individual can no longer escape. Corruption makes people vulnerable to blackmail and creates accomplices – and thus perpetuates itself. Over time, deceit creates a culture of mutual mistrust and disquiet, i.e. the very opposite of a transparent and trusting partnership.

Corruption is not only a moral, it is an economic issue, too. If it occurs in organisations and projects of church development work, this hinders and calls into question the achievement of the goals of this work. Funds disappear and are not used for the intended purpose. Higher (hidden) costs arise in projects. This money is then no longer available for other needs. In buildings, the fabric of the building suffers if cement is misappropriated. Services in the educational and health sectors become unnecessarily expensive and impossible to calculate. The economically weak cannot afford to pay bribes, so they are disadvantaged even more. Prevention of corruption is therefore a matter of social justice.

If there is corruption in connection with examinations, staff appointments and elections or nominations for leadership functions, preference is often given not to the best and most able, but to those who have the best relationships and financial resources. This reduces professional standards in the work carried out and leads to a loss of quality.

If it extends to the assignment of leadership tasks, it can endanger institutions as a whole. The fight against corruption ensures equality of opportunity and helps to create stable institutions.

Corruption in the context of the Christian churches undermines the principles of Christian teaching. Not only personal and individual integrity are called into question, but also institutional integrity and credibility. Word and deeds, Christian teachings and action are no longer integrated, they fall apart.

On the other hand, moral rigour and a unilateral assignation of blame cannot be the aim. Without playing down any corrupt practices, it must be noted that the line between bribery for a good purpose and criminal corruption is not always clear-cut. Here, the persons involved must use their powers of discernment. Moral dilemmas can arise, especially in extreme situations and emergencies, and they cannot be easily resolved. Rash condemnation must be avoided.

Partnership as a concept of the cooperation between church organisations can only thrive if it is possible to talk openly about all aspects of the cooperation. Transparency and monitoring in connection with transfers of money and resources must be possible in this context. Partnership must not be interpreted to mean that financial matters are hushed up out of a false sense of embarrassment or shame.

Fund-raising organisations and those using public funds can present the prevention of corruption and the introduction of codes of conduct for their staff and partners as a quality feature for a responsible treatment of the resources entrusted to them. This may even lead to a gain of prestige on the side of donors and sponsors.

Among the general public in Germany and abroad, a responsible treatment of money and power may appear as an example that will help to strengthen the moral fibre of individuals, communities and society. In contrast, a suspicion that corruption is tolerated may damage the reputation of the organisations.

The heart of the matter is to convey and practise values such as integrity, honesty, accountable stewardship and courage, both as individuals and as communities.

10. Suggestions for the prevention of corruption

To prevent or reduce corruption, partners in the north and south must work together on an equal footing. Neither side can do this alone.

In the discussion on good governance over the last few years, the concept of “accountability” has become increasingly important. Development cooperation organisations are accountable both to their sponsors and donors and to their target groups.

It is not enough to make or demand verbal commitments to refrain from corruption, which is often the case in codes of conduct. Wherever corruption occurs, structural (i.e. organisational) changes must be carried out to make corrupt actions more difficult or impossible.

The main emphasis must be on creating greater transparency – that is the most effective and important instrument in the fight against corruption. This means that supervisory bodies must have direct and unhindered access to information about negative developments. For target groups it means that they must have a right to inspect project agreements and implementation plans, to determine whether the promised services have been provided or whether this has been impaired by a misappropriation of project funds. Nobody can check this better than the target groups in the locality. Therefore, “audit from below” must be on an equal par with audit from above.

But the fight against corruption will only be successful if all levels involved take part, i.e.:

In the churches of the north:

- Directors and management of the donor organisations
- Supervisory and advisory bodies
- Employees at headquarters
- Deployed employees
- Donators
- The public

In the churches of the south:

- Directors and management of the partner organisations
- Supervisory and advisory bodies
- Employees
- Members of the target group
- The public

In this section, possible steps for the prevention of corruption are discussed which arise from practical experience in project work. Some of the suggestions will be familiar to readers of this document because they already use them in practice. They are nevertheless listed here because the measures to prevent corruption are implemented to a different extent in individual organisations.

This section is not meant to be a “tool box”, it does not offer specific instructions for action. The working group would be willing to work on a tool box together with the organisations. The following points are merely a collection of ideas.

• **Awareness of the problem**

It is important to promote an awareness at all levels that corruption inflicts damage on the public, and specifically on the target group of the poor, and must therefore be avoided.

Similarly, the insight must be promoted that the management competence of the project personnel and monitoring of the use of funds are indispensable for effective project work.

Such insights can be enhanced in different ways: in informal talks, in workshops, in public campaigns, and by pointing to good practices.

Creating a code of conduct can also serve this purpose. However, in many cases such codes have been limited to moral appeals. To be effective, they must stipulate specific structural measures in addition to such appeals. If a code of conduct is drawn up, the personnel to whom it is directed should be obliged to sign a commitment of compliance.

The fact that the churches of the south are autonomous partners with their own responsibility must not prevent monitoring the use of the funds provided by the north partners, and evaluating the project's success. Autonomy does not contradict an obligation to comply with contracts. Concepts and instruments to verify compliance with contracts must be developed in partnership.

It is important to realise that corruption cannot be prevented in development projects alone, but that the environment must also be taken into account. That is the approach taken by the *All Africa Conference of Churches* (AACC), which (with the support of *Bread for All*) has set up a programme for corruption-free churches in Africa.

When assessing negative developments, it must be taken into account that they generally result from a mixture of inability and a lack of willingness. Therefore, measures must be adopted for further training and qualification as well as for monitoring performance and sanctioning misconduct.

• Personnel

In the churches of the north the departments for financial and management audit should be staffed in such a way that they can fulfil their task. It must be made clear that staff shortages can endanger the achievement of project goals.

The employees of the departments responsible for programme implementation and programme finances in the aid organisations should work together more closely so that they are better informed of any problems that arise in the other department.

Deployed staff, before they travel, should be prepared for the fact that they may encounter cases of corruption, and given guidance on how to deal with them. Appropriate modules should be developed for preparation courses as well as guidelines for work in partner countries.

In the churches of the south, the personnel carrying out the project should be paid adequately to reduce the probability that funds may be misappropriated out of need. Instruments should be created to provide assistance in social emergencies (the creation of social funds has proved to be a suitable method).

The personnel must be qualified in project management and financial administration. If this is not the case, training opportunities should be offered.

Qualifications should be the only basis for the appointment of personnel, and no unneeded extra staff should be taken on as a favour, because this would place an excessive burden on the personnel budget and could mean that individual salaries fall below the subsistence line. It is better to employ fewer, but well qualified staff.

• Project planning

In the selection and planning of projects, care must be taken to ensure that goals are not defined which are favoured in the current political debate in the north but which do not address the needs of the partner in the south, because this would entice partners to misappropriate funds.

There must not be a “hidden agenda”. If there are additional goals, additional funds must be sought.

It must be ensured that project bookkeeping is kept separate from pastoral tasks and that the financing of pastoral tasks is assured independently of the project.

The question of whether the partners in the south have the necessary management and monitoring capacity must be part of the terms of reference of any project planning. If this ability is not present, training to provide it must be included in the project activities.

New countries, partners and projects should not be taken into the portfolio, if the capacity of the partner in the north is exhausted – including the capacity to carry out financial monitoring.

• Project agreements

Measures to prevent corruption should be stipulated in the project agreements. Project goals and the designated purpose of the funds should be described as exactly as possible, and the partners should agree not to deviate from this without consultation. This can avoid later misunderstandings and disputes.

The project agreements should include an anti-corruption clause. They should stipulate measures to monitor the use of the funds and define sanctions in the event of any deviation.

The project agreements should state that project fund accounts must be submitted regularly and formally to the German partner; an informal confirmation of the proper use of the funds must not be enough. New funds should only be disbursed if the previous funds have been accounted for according to schedule.

The text of project agreements should be worded so that the partner does not have any problems in understanding it.

The German side should insist that the text of the project agreements is not only notified to the partner organisation, but also to the target group (in their local language) so that they are able to check adherence to the project goals and the proper use of the funds. As far as possible, the agreements should also be made public.

• **Administration and monitoring of funds**

The financial administration department of aid organisations should be staffed sufficiently so that financial activities in the projects can be appropriately attended to. If more funds are available than can be handled with the existing administrative structure (e.g. if more donations are made after a disaster), proper accounting requires that the number of personnel should be increased. An insistence on unreasonably low administrative costs can open the floodgates for corruption.

The same applies to financial monitoring. A audit of the projects and an analysis of negative developments costs money, but in most cases it saves even more.

Money must only be approved on the basis of formal project applications, and only paid out after a project agreement has been signed.

If German partners maintain local branch offices which handle the payment of project funds, they should also be entitled to check the use of the funds.

It is important that strict rules are stipulated for use and administration of project funds. These rules should be laid down in writing and made known to all involved. They should include proper bookkeeping, regular financial reporting and the maintenance of inventory lists. Things should, however, be kept in proportion: the rules should be appropriate to the size of the project.

The funds for development projects must be budgeted and administered separately from the other resources of the partner organisation (especially for pastoral work). To ensure this, it has proved advisable in some cases for church partners to set up a separate organisation to implement their development projects (social service society, local development office or similar), for example at the diocesan level. It may also be expedient to cooperate with non-church NGOs instead of church organisations.

If a project is funded from several sources (own funds, different donors) or if several projects are funded at the same time, the bookkeeping and financial reporting should cover the overall budget. The donors should agree on an integrated and consolidated bookkeeping method which enables each donor to obtain the data relevant to himself. This can avoid, on the one hand, that one and the same item of expenditure is accounted for with different donors; on the other hand, it simplifies the work of the person responsible for finance in the receiving organisation because he/she need not adjust to different demands by different donors.

The increased number of donors and their varied demands of reporting often overstrain the receiving organisations, which in turn opens up new entrance gates for corruption. On the other hand, donor organisations often find themselves in a corner where only cosmetics can help to make an account acceptable. All of this might be avoided by a harmonisation of bookkeeping.

As far as the German Development Ministry (BMZ) demands separate accounts for each project, the church aid organisations should urge the ministry to allow the receiving organisations to use their own standardized bookkeeping methods, so that the administration of the project can be carried out in conformity with partner standards. To make this possible, the aid organisations should start by harmonising their respective demands. It should be found out whether German budget law permits such a treatment of the accounts.

The project accounting should be audited by a person who is independent of the project organisation and the church. To ensure the qualifications and reliability of such auditors, appropriate measures should be adopted (list of chartered accountants, rotation, cooperation with international auditing companies etc.).

In projects where large orders are given to commercial enterprises, the risk of misappropriation in the form of “kickbacks” is particularly great. Appropriate tender procedures must therefore be used, with supplementary monitoring procedures and cross-checks with market prices. Here, the instrument of the “integrity pact” as developed by Transparency International has proved useful.

Codes of conduct, guidelines and checklists for project administration and bookkeeping should be developed together with local partners.

• **Target group participation and transparency**

Transparency and accountability towards beneficiaries of a project can do a great deal to prevent corruption, and are part of the ethics of Christian social teaching. In the international fight against corruption, it has been shown that transparency may be more effective than controlling. It is the best remedy to the temptation to hide misconduct. In church development cooperation, as well, the dissatisfaction of lay persons and target groups with the absence of promised results (“audit from below”, “social audit”) may offer more hope in fighting corruption than controlling from above (although this is not unnecessary).

Therefore target groups (or persons whom they trust) should be involved in project planning and be informed about project budget, implementation plans and the use of the funds. They should have the opportunity to compare project accounts with budget plans. Institutionalised participation in decisions and monitoring by representatives of the target groups, which also requires translation into the local language, is not often found in church development projects. This approach is costly and requires a high degree of commitment and (democratic) conviction. But there are examples in which this has happened, especially in projects with a participative approach.

Another possibility is cooperation with secular non-government organisations (NGOs). Some of the church development cooperation funds are being channelled through such NGOs, e.g. for community development projects or the award of micro-credit. NGOs are, of course, just as susceptible to corruption as church organisations or government officials, but the donors can select their partners more easily and terminate the cooperation if necessary. The above considerations about the integration of target group representatives, independent members of the Supervisory Boards and of lay organisations apply to cooperation with NGOs in the same way as with church institutions.

If several projects are carried out in one diocese or any other local context, a round table may offer the opportunity to share experiences and inform each other about project results.

In large projects, project budget and accounts should be made public (local press, local radio, Internet, posters in public places) so that the general public can exercise a monitoring function. To involve the target group, this should be in the local language, as well. The demand “Publish what you pay”, which has been made for the relationships between oil companies and the states for several years, may have an equally wholesome effect in development cooperation projects. Where financial planning for projects is disclosed, members of target groups as well as the wider public can monitor fulfilling of project plans and the use of the funds.

Depending on local circumstances, other persons or groups may be asked to accompany or monitor a project. As far as possible, persons should be sought who are independent enough not to fear reprisals.

• **Monitoring by supervisory bodies**

In the aid organisations of the north churches the supervisory bodies (Supervisory or Advisory Boards, finance committees) must have the authority to supervise financial activities and to detect and remedy any irregularities. Their independence from the management must be ensured by statutory

provisions and electoral procedures, and nobody must hold a double post on both the Board of Directors and the supervisory body.

Members of the supervisory bodies must take their tasks seriously and be well informed about development politics.

Staff who work in the the internal financial monitoring departments of aid organisations, must be authorized to contact members of the supervisory bodies directly. This should be laid down in the statutes.

In projects in the south, advisory committees should be formed to accompany the projects during their implementation, and they should include representatives of the target groups. If there is a separate implementation organisation for development projects, this organisation should be assigned a supervisory body made up of members of the target group or civil society at large. Members of such a body should be offered training to enable them to monitor the projects.

• **Relationships with sponsors**

Since in cases where project funds are misappropriated there is a risk that the institutional sponsor may demand repayment and that the reputation of the organisation may be damaged, it is important that mutual agreement be found for the settlement of such cases.

• **Nepotism**

Special considerations are needed to find ways to avoid nepotism in filling posts or granting other benefits.

One tried and tested method in such cases is the use of aptitude tests. It is worth considering whether the involvement of representatives of the target groups, subject experts or members of other Christian churches might lead to greater objectivity in the decision.

• **Sanctions**

If any irregularities are detected, an examination should be carried out, the responsible persons should be made to account for themselves and sanctions should be imposed and enforced.

In addition to sanctions, it is equally important to draw structural and organisational consequences from each individual case so that the open doors for corruption that have been discovered can be closed for the future.

Decisions in these matters should not be made by individuals, but by official bodies.

In cases in which higher authorities in the church are involved, decisions should be made on strictly objective criteria. It must be understood that the best protection against damage to the reputation of the churches is not to gloss things over, but to deal with misconduct in an open and honest way. In cases in which there are in fact overriding reasons for a reallocation of funds, these must be openly stated.

• **Ombudspersons, whistleblowers**

It should be considered in what way ombudspersons can be sensibly used in the context discussed here.

Ombudspersons have the task of receiving complaints (also anonymous), passing them on and, if appropriate, pursuing them, and of providing advice in cases of doubt. Ombudspersons must also ensure that there are no reprisals against persons who uncover misconduct (protection of “whistleblowers”). Ombudspersons must therefore be independent of the respective organisations.

All parties involved (both on the Germans and the local side), including members of the target group, must therefore be aware of the ombudspersons and have free access to them.

In the the partner country, it will generally not be possible to appoint ombudspersons at the level of individual projects, and the level of partner organisations is also generally not suitable. The diocese level may be more appropriate. Possibly a suitable person might be found through a neutral organisation such as the national TI chapter.

If a German organisation nominates a person based in Germany as the ombudsperson, it will generally be difficult or impossible for people in the partner country to contact this person. It will need special efforts to make the address accessible to all who may be interested, and to ensure anonymity if required.

As an ombudsperson, who is obliged to observe neutrality and to protect the whistleblower, should not belong to the affected organisation, it might be possible for several organisations to jointly appoint a neutral ombudsperson – if necessary one for Protestant and one for Catholic organisations – who should be accessible world-wide through the Internet.

- **Membership of Transparency International**

Both the German aid organisations and their partners in the south should consider becoming corporate members of Transparency International (i.e. the respective national chapters) where they may find partners for discussing their specific problems. There are TI chapters in about 90 countries throughout the world.

A Project on Preventing Corruption in Humanitarian Assistance was announced by the international office of TI in January 2007.

- **Internal working groups**

It is advised that every organisation should set up an internal working group for the prevention of corruption whose task would be collecting materials (both problem areas and good practices), analysing the materials and planning strategies to prevent corruption. These working groups should share their informations and experiences with corresponding working groups in other organisations. The end result of this cooperation might be a checklist, a system of “benchmarking”, and joint guidelines for the prevention of corruption (“tool box”). The individual working groups should report their results annually to the supervisory bodies of their organisations.

11. Next steps

The working group, after completing its internal deliberations, presents this document to interested aid organisations, suggesting to initially discuss the proposals of the paper internally and to compare them with their own experience. In this process, members of the working group will be available as resource persons.

At a later date, representatives of the aid organisations might meet – either separately by denomination or together – to share their informations about ways and means of preventing corruption and to discuss further suitable steps.

The result of such a conference might be not only to pass a resolution, but also agree on a specific working programme. This might include assembling a catalogue of open questions (“analysis of weaknesses”) and giving assignments to find answers to these questions.

Further steps Might include dialogue events in the framework of European Development Networks (CIDSE, APRODEV) and with churches and partner organisations in the south.

Appendix 1

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Appendix 2

Transparency International

Transparency International (TI) is the only international non-government organisation which fights against corruption throughout the world. TI was founded in 1993 and has developed to become an effective organisation with world-wide acceptance. The International secretariat is based in Berlin and operates globally through about 90 “national chapters” in the north and south of the world which are affiliated with TI but otherwise legally and financially independent. Since 1997, TI has provided the Secretariat for the annual international anti-corruption conferences.

Each year, TI publishes the Corruption Perception Index (in 2006 it provided information about 163 countries), the Global Corruption Barometer and the Global Corruption Report, and at irregular intervals it publishes the Bribe Payers Index. Other Publications: TI Source Book; Corruption Fighter's Tool Kit; Stealing the Future – Corruption in the Classroom; Curbing Corruption in Tsunami Relief Operations 2005.

TI seeks to form coalitions with all social groups, especially in politics, public service, business and civil society. The keyword in the fight against corruption is "transparency". As corruption perpetrators do everything they can to conceal what they do, public disclosure and verifiability must be created wherever the existing structures facilitate corrupt conduct.

TI emphasises five areas in its work:

Corruption in Politics

Corruption in Public Contracting

Corruption in the Private Sector International Anti-Corruption Conventions Poverty and Development

The German chapter of Transparency International (TI-D) was also founded in 1993. It has individual as well as corporate members, the latter include business enterprises, local authorities and civil society organisations. At the end of 2006, TI-D had 703 individual and 33 corporate members. In addition to the Board of Directors and the management, its active work is carried out by 7 regional groups and 15 issue groups.

The main focus areas in the work of the German chapter are: Prevention of corruption in public administration

Access to Information in the public administration

Creation of a central register of companies noted for corruption

Limitation of political and administrative patronage

Provisions to counter bribery of members of parliament Prevention of corruption in the health care system Prevention of corruption in business enterprises

Implementation of international anti-corruption conventions

Prevention of corruption in export loans

Prevention of corruption in development cooperation.

Appendix 3

Authors

Dr. Christiane Aschoff-Ghyczy, sociologist. Ph.D. research into the rural education system in Iran. 20 years of experience as a freelance consultant for German donor agencies (including the German Development Ministry (BMZ), Reconstruction Credit Institute (KfW), German Technical Cooperation Agency (GTZ), the German Protestant Church Development Service (EED), the German Catholic Church Development Service (Misereror), German Agro Action (Welthungerhilfe) and Kindernothilfe (KNH). Regions: mainly in India and Africa. Sectors: informal vocational training, rural development, community development, organisation of self-help groups and networks. Member of Transparency Germany.

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