

The Growing Call for NGO Accountability

By Yara Abboud for Responsible Business - Beirut

The rise in NGO popularity and growth can be traced back to the 1980s when public satisfaction with conventional politics decreased, and the perceived inability of domestic and international insti-

tutions to respond to social, economic, political and transnational threats (global warming, proliferation of WMDs, proliferation of weapons of mass destruction) increased.

Since then, their numbers grew exponentially, and their influence in development aid, corporate governance, and international business escalate. As their voices grew louder in pointing out economic and political inequities of private corporations, governments, and multilateral financial institutions, so did the calls for scrutinizing their legitimacy and accountability.

Though they were heralded as the “public’s conscience”, the amount of trust placed in them started eroding in the early 1990s, and several efforts like the INGO Accountability charter (2008), the Humanitarian Accountability Partnership (2013, known today as CHS), the Global Accountability Project, and The NGO accountability and Self-Regulation Project were put forth.

Despite these initiatives, accountability still remains a complex issue. NGOs are expected to be accountable to multiple stakeholders: up-

wards towards funders, downward towards clients, and internally towards themselves. Moreover, research by the Global Public Policy Institute shows that in cases where accountability is enforced, it is mostly limited to upward accountability. Both the Global Accountability Project and Ethical Corporation Magazine, report that many international NGO directors regard their sector to be above the issue. The Guardian cites Haiti as an example, where locals accused NGOs and donors for not doing enough to transform their dire situation. People were still dying from cholera even after the disaster, and they still needed access to drinking water and sanitation services. Though the Sphere Project sets out the minimum standards to be expected by beneficiaries, there are few legal framework for holding NGOs accountable. Hence Michael Jennings of the Guardian states: “there is a significant accountability deficit at the heart of international NGOs.”

What more, when the issue of corruption is raised, the natural tendency is to point the finger elsewhere. In 2012, The UK’s National Fraud Authority estimated that fraud cost the charity sector \$1.1 billion annually in England, Wales, and Scotland. In 2013, the Washington Post exposed American Legacy Foundation for being one of more than 1,000 NGOs indicating “significant diversion” of assets, disclosing losses of an estimated \$3.4 million. The Economist also reported a widespread misuse of funds provided to around 600 Greek NGOs working overseas between 2000 and 2008.

International Scandals

- \$20,000 procurement fraud in Oxfam’s Aceh operations in Indonesia where disciplinary action was taken against 22 employees in 2006;



- The jailing of Oxfam’s former head of counter-fraud, Edward McKenzie-Green, for embezzling more than £64,000 in 2014;
- Theft of more than \$1 million of foodstuff by three World Vision International employees in Liberia during 2005-2007;
- Corruption and mismanagement in NRC’s (Norwegian Refugee’s Council) Bajaur Agency operation in Pakistan.

The lack of a common universal accountability standard, the weak external watchdog system, and the over-reliance on self-regulation along with the notion of “moral authority” has resulted in a high-corruption risk environment. If such is the case for some NGOs of developed countries, then how so for NGOs of developing ones?

The Lebanese NGO Scenario

A 2014 study by Chaden El-Daif has shown that the current laws of asso-

ciations in Lebanon exempts NGOs from providing financial statements to the Ministry of Finance. Reporting is limited to a general budget, and a small report is presented to the Ministry of Interior at the start of the year. It also shows that funding through ministries lacks clear transparent criteria, and is subject to clientelism. What more, back in September 2014, akhbar.com exposed the Lebanese Interior Ministry, the one in charge of supervising NGOs, for creating one of its own under the guise of a prison reform, in order to receive grants and spend money outside state control. The absence of monitoring and follow up opens the door for more corruption since NGOs can easily fabricate their numbers.

Opinions of various respectable NGOs coincide on that matter. **Abdo Saad**, Operations Manager at Donner Sang Compter admits that the Ministry of Interior does not follow through, and so does **Sandra Klat**, Founding President of BASSMA. Moreover, Ms. Klat also confirmed Daif’s study on cli-

entelism in the Ministry of Social Affairs, stating that the Ministry takes ages to approve any funding. To date, BASSMA has received no funds despite it submitting all required documents, and even approaching the Minister. Hence, being reliable and transparent is totally up to the NGOs themselves. In BASSMA’s case everything is documented, and no decision is taken by a sole person. Even the budget needs approval by two decision makers. Any dollar that is paid or even transferred to another currency needs the signature and approval of at least another person. Furthermore, its financial information is posted on its website to ensure full transparency showing 90% of its expenses goes to deprived families.

The same applies to Heartbeat, where an annual newsletter is distributed to donors showcasing their budget, as well as other relevant information. Other NGOs like Foodbank send an email to the donor informing them which NGO received their food donation. **Soha Zaiter**, Executive Man-

ager of Foodbank, stated; “it’s possible for any food or money donor to check on the amount or food given, since everything is well documented.” DSC’s Saad also mentioned sending the donor an annual report even if the latter did not ask, just to ensure reliability.

Concerning the annual budget, all agreed they had an internal accountant be it a volunteer or staff member who audits regularly, and an external auditor who is brought in for budget review before submitting to the Ministry. Funding sources on the other hand, mainly come from banks, CSR programs, and sponsorships. Relying on grants is minimal. DSC’s Saad explained that so far, they have applied for three because they fit what they are currently doing. “Grants are not a favored method since they enforce their own conditions which in turn can alter the helpful cause the NGO aims for”, stated Ms. Klat. Fundraising events, and membership fees are also possible sources. **Dr. Ramzi Ashoush**, President of Heartbeat and Pediatric cardiac surgeon admitted that Heartbeat’s main source of income is its annual Gala dinner. “Now, we have other sources”, he continued “like when Roadster [Diner] donated 1000LL from each hamburger sold, or the Heartbeat box which was distributed to schools; however, their revenue is minimal compared to the event.”

With reference to international NGOs operating in Lebanon, **Rania Haddad**, JCI’s committee chairperson, and **Karam Abi Yazbeck**, Program Manager at DOT (Digital Opportunity Trust), both agree

that budgets are approved during the General Assembly, the meeting of board members. Abi Yazbeck added that most of their donors are international like USAID, and The Canadian Fund; so nearly all projects require monitoring and evaluation reports to be sent along with the annual financial reports to the donor. Financial audit is done internally through their internal auditor and externally by KPMG. “It depends on the donor’s reporting criteria. Feedback usually is taken from the stakeholders involved, and that is done through proper monitoring and evaluation tools”, stated **Barbara Batlouni**, Director of Amideast. She further added that each project has its own performance metrics.

Injaz Program Coordinator, **Joelle Abi Khalil** also stated that accountability to donors is ensured by submitting midterm and final reports, including program narratives and financial reports. As for accountability towards receivers, it is ensured by providing testimonial forms, and pre and post evaluation questionnaires. An annual audit is usually performed by an external auditing firm. Injaz’s funding mostly comes from applying to grants; Amideast’s funding also mainly comes from applying to grants that get funding from restricted contributions (US embassy, foundations), and private individuals (advisory board members). Transparency is further shown by publishing financials online and offline, a requirement of US law.

Though it’s quite easy to accuse Lebanese NGOs of corruption and

lack of transparency, according to **Rami Shamma**, Program Manager at DPNA, (Development for People and Nature Association), international donors mostly fund organizations that have the necessary capacity, which most small local NGOs do not. This could plausibly be the reason why small local NGOs do not rely on grants. With respect to recommendations for the embetterment of the NGO sector, Shamma, as well as Batlouni recommended that financials be posted online and offline. To increase authenticity and transparency, it’s best for the local NGO to register with the Ministry of Finance even if that is not enforced by Lebanese law. DPNA has already done that.

Moreover, an NGO should seek to build its capacity which lies in formulating its policies, and procedures clearly, and abiding by them. Small NGOs can build their capacity by enrolling in a mentor unit like the one created between the USJ and Catholic Relief Services. This will ensure they get funded by international organizations.

Furthermore, having a bank account, signing MOUs (memorandum of understanding) with donors, and contractors, as well as bringing an external auditor should be a must. Government officials ought to set laws ensuring registration in the finance ministry, as well as proper supervision of NGO elections. In hopes that this happens however, local NGOs should remember that accountability solely lies on their shoulders, for reputation is only built by practicing what is preached.