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## NGOs: Loosing the Moral High Ground-Corruption and Misrepresentation

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### 1. Introduction - occupying the moral high ground

Transparency International generally thinks of NGOs as its allies in the struggle to reduce corruption and initiate or support integrity systems in countries throughout the world. The Organising Committee of the 8th International Anti-Corruption Conference *emphasises the need for the state to join hands with non-governmental partners to create coalitions for combating corruptions*<sup>1</sup>. The NGOs that it has in mind are likely to be those "working at grass roots and policy level in the developing world, promoting democracy, human rights, development and other objectives" which have proliferated greatly over the past two decades.<sup>2</sup>

NGOs are often presented as an important sub-set of civil society, and are generally thought of as being on the side of morality and virtue: they are thought of as naturally occupying the moral high ground (in contrast to Governments and Businesses), and thus organisations like TI which are trying to combat corruption in the State and Business both form themselves as NGOs, and try to find other NGOs who will engage with them in a common struggle. As the TI Source Book says, *Civil Society encompasses the expertise and networks needed to address issues of common concern, including corruption. And it has a vested interest in doing so. Most of the corruption in a society involved two principal actors, the government and the private sector Civil society is, typically the major victim*<sup>3</sup>. It is clear from the literature of TI and this Conference that organisations of civil society (which include NGOs) are part of the forces ranged against corruption, and not themselves part of corruption, although there is a small allowance in the Source Book that corruption can appear anywhere, *A triangular relationship exists between government, capital, and civil society. Corruption can take root in all three parties to the relationship*<sup>4</sup>.

The purpose of this paper is to agree that corruption can take root even in civil society the least expected of the members of the triangular relationship. This paper intends to

1. identify the nature and role of civil society in general,
2. to look at NGOs as one of the major players within civil society,
3. to look at the parts civil society and the NGO sector may, in theory, play a part in
4. the reduction of corruption,
5. to look at the pressures on NGOs,
6. to look at NGOs as part of the same societies in which corruption flourishes,
7. to see what kind of corruption NGOs are party to
8. to see what can be done to reduce these kinds of corruption

This is all within the context of heartily agreeing with TI and the Conference organisers that civil society organisations and NGOs are natural allies in the work of combating corruption. The kinds of corruption and misrepresentation that can be detected in the sector are smaller and less significant that

the gross corruption of magnitude and extent that can be seen in the other two sectors. Because of the high moral principles of the NGO sector, however, any corruption is an important problem. What we need is a more sceptical, objective view of the sector without both romanticism on the one hand, or cynicism on the other - a clear appreciation of its strengths and weaknesses, and a pragmatic view of what can be done to help civil society organisations regain the moral high ground from which they have, in some cases, started to slip.

It is opportune and timely to look at this subject today and in this gathering. The amounts of funds that have been received by NGOs in the last ten years has increased exponentially, and they are both much more high profile as a sector and individually than they ever were before. This has increased various peoples envy of them, and has attracted charlatans and frauds. Increasingly formers of public opinion in the South are bad-mouthing NGOs assuming that they are self-serving and slippery, and requiring them to prove that they are not, while there are enough "expose" stories in the press in the North about questionable practices of NGOs for there to be a sizeable number of people prepared to believe the worst of NGOs.<sup>5</sup>

## 2. Definitions

TI defines corruption as *behaviour on the part of officials in the public sector, whether politicians or civil servants, in which they improperly and unlawfully enrich themselves, or those close to them, by the misuse of public power entrusted to them*<sup>6</sup> Obviously this needs radical revision if we are going to talk of corruption within NGOs NGOs have no public power entrusted to them - but they do have public (and private) resources entrusted to them, and these resources are entrusted because of what NGOs represent themselves to be - organisations that will try to change society for the better which are themselves independent and neither governmental nor profit seeking. Corruption within NGOs and civil society organisations is of two kinds - the simple pocketing of public or private money, on the one hand - but also the misrepresentation of themselves as independent when they are not, on the other. People and organisations support civil society organisations because of what they say they are going to do - if they do this fraudulently, or covertly do something different, this is a their particular kind of corruption<sup>7</sup>.

My suggested definition of corruption for NGOs and other forms of civil society organisations is thus:

***Behaviour for personal gain, or for the benefit of another person or organisation on the part of people who claim to represent an independent, not for profit, public benefit organisation."***

My analysis of the problems of NGOs follows, to some extent, what might be called their present day street credibility. It is common in the South for influential people to denigrate civil society organisations as:

1. being formed for the personal gain of the founders or directors
2. being political parties in disguise
3. being puppets of international donor organisations
4. being overly concerned with expansive infrastructure (the "PC and Pajero" NGO)
5. having no constituency

It is likely that participants of this conference will have heard such comments, or maybe have made such comments themselves.

It is also common in the North, based on some specific scandals, for influential people to denigrate NGOs as:

1. excessively concerned with their overheads
2. being misleading in their advertisements

No-one is particularly surprised when Government and the Private Sector is denigrated for being corrupt - to some extent this is, sadly, expected. NGOs and other forms of Civil Society Organisations are, however, expected to be better than that, and thus public censure is the stronger when they are shown to be less than they claim to be.

## 3. Clarifying important concepts

The following terms are often confused and treated as if they are synonymous: Civil Society, civil society organisations, the Third Sector, non-governmental organisations, NGOs, civic associations. When we are trying to identify the problems of corruption in NGOs and other civil society

organisations (which, as we have said, is both financial and misrepresentational), it is important that we are clear who we are talking about, what they are claiming to do, and contrast that with what they are actually doing.

### 3. 1. Civil society

Civil Society (also called the Third Sector) is that part of a triangular definition of society that sees a First Sector as the Government (also containing the Armed Forces), and the Second Sector as Business. The definition used by UNDP is gaining increasing popularity: *Civil society is, together with the State and the market, one of the three spheres that interface in the making of democratic societies. Civil society is the sphere in which social movements become organised. The organisations of civil society, which represent many diverse and sometimes contradictory social interests, are shaped to fit their social base, constituency, thematic orientations, and types of activity's.*<sup>8</sup>

Because part of the problems of corruption of NGOs come when they start behaving more like businesses or more like governments, it is important for us to be clear in what ways they are different from both. A symbolic way of looking at the triangle which helps us to personify the main actors is to call them "The Prince, the Merchant and the Citizens"<sup>9</sup> It is important to appreciate the differences in resources, motivation and resource mobilisation between the three.

The First Sector (the Government - or the Prince) is basically motivated by the desire to govern or rule. Its resources are state property, and the laws and the taxes which it can enforce by coercion and control (backed up if necessary by the use of violence). The second Sector (Business) is motivated by making a profit, and its resources are private property which it trades and exchanges.

The Third Sector (Citizens, or Civil Society) are motivated by the desire of people in association to work together to change things, and its resources are the time, energy and resources of its members; or the time, energy and resources that are gifted to it by others who share their values and their commitment to action based on those values.

These differences are boldly drawn and blunt, but are an attempt to get to the basic differences between the nature of the three sectors. Obviously some people in a government may be motivated by the desire to change things, but the distinguishing characteristic of government is to rule. Obviously some people in business operate for a part of their lives as citizens, but the distinguishing characteristic of business is to make profits. Civil Society Organisation's distinguishing characteristic is to associate with others to take action on the basis of shared values. As we will see later, sometimes Civil Society Organisations find themselves assuming some of the characteristics of the other two sectors, and this is when problems often arise.

The "action on the basis of shared values" that are described as the distinguishing characteristic of a CSO can range from community singing right through to the elimination of corruption. The term "civil society" says nothing about the objectives of the association - it only refers to the way that it comes into being. A civil society organisation is formed by people freely associating together to do something which they all value and are prepared to act on. It is interesting that many people use the term "civil society" and "civil society organisation" as if any organisation which is neither governmental nor not-for-profit is on the side of the angels, as if its objectives are bound to be democratic and developmental. Civil Society Organisations may be distinctly "uncivil" or may have very differing views of actions that are worth doing. The Neo-Nazi groups in Germany who attack immigrants are fully "civil society organisations" which represent associational life amongst a particular section of German society, as are the organised skinheads in the UK who disrupt football matches, and the tribal factions in Kenya and Burundi who kill those who they dislike.

Equally in Civil Society there are opposing civil society organisations - like those, for instance, who are for and against abortion, those who are for and against gun-control, and those who are for and against genetic manipulation. In some cases those who attack civil society organisations as being corrupt or fraudulent are doing so principally because they disagree with them, or disagree with what they are doing. CSOs which attack corruption in a particular government, for instance, may be seen not as people who are against corruption, but as people who are against that particular government.

### 3. 2. " Non-Governmental Organisations" and "NGOs"

The term "non-governmental organisations" is so loose as to be unhelpful in trying to understand the variety of civil society. A business, a poetry society, a football team, a co-operative, a charity, a peoples movement may all be called a non-governmental organisation, as they can also be called civil society organisations. What we need is the term which refers to an organisation which has clear values and purposes, i.e. to separate the welfare or development organisation from the singing club. The acronym "NGO" or "NGDO" is usually used for this purpose, distinguishing it from the longer term

"non-governmental organisation". The World Bank's usage is "the myriad of organisations, some of them formally constituted, and some of them informal that are largely independent of government and that are characterised primarily by humanitarian or co-operative, rather than commercial, objectives, and that generally seek to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development"<sup>10</sup> An NGO still depends, as does the more general civil society organisation, on the free association of citizens joined together for some joint action based upon shared values, but they are useful humanitarian welfare and developmental values. We trust NGOs to have and to practice certain values which we would not expect from a poetry society, and we feel that they have abused that trust when these values are not shown.

NGOs easily separate into two kinds, however, and this division again influences what we think they should do, and our attitude to them if they do not carry this out. This is the division between "mutual benefit organisations" and 'public benefit organisations".

### 3. 2. 1. Mutual Benefit Organisations

Mutual Benefit organisations are organisations comprised of members whose purpose is the improvement of the lives and conditions of its members. The members are also therefore the target and the beneficiaries of the organisation. Such organisations may be, for instance, co-operatives, community based self-improvement organisations, self-help organisations of particular minorities (e.g. the disabled), professional associations (e.g. teachers, dentists, accountants), trade unions, or Chambers of Commerce. Their purpose is usually improvement in the lives of their members, not society as a whole. Such a purpose may or may not conflict with the activities of another mutual benefit organisation which represents its own members objectives. A Chamber of Commerce, for instance, which lobbies for a greater liberalisation of trade may be diametrically opposed to an association of peasant farmers who see their produce likely to be undercut by cheap imports and want tariff barriers. A community organisation of farmers in one village may have plans for a water source to benefit them which may be in opposition to another community organisation further downstream. Such organisations are sometimes accused of playing politics, and misrepresenting themselves as NGOs by people who take a very limited view of what an NGO is. In fact they are representative and sometimes lobbying organisations for the benefit of their members. Some such organisations may find common cause with political parties (this is often the case with trade unions and student associations, for instance), but such organisations are not political parties per se, and may well eschew the formal political scene, limiting themselves to acting as a non-formal pressure group on behalf of their members. Some experts in this field do not allow that such organisations are "NGOs" although they are obviously non-government organisations, limiting the term "NGOs" to the next category - the public benefit organisations.<sup>11</sup>

### 3. 2. 2. Public Benefit Organisations

The focus of most of our attention as regards corruption and misrepresentation with NGOs is on the second kind - the public benefit NGO. This is the organisation which says publicly that it stands for improvements in the lives of the citizens as a whole, or for particular sections of the citizens - the poor, women, street kids, the disabled etc. The important point to clarify is that the organisers and staff of such organisations are not beneficiaries of the organisation, nor are they usually the source of the funding (or other resources) that allow them to help their target group. The organisation may be structured around a membership for governance purposes, but being a member does not entitle a person to any benefits. Public benefit organisations are usually intermediaries who collect resources from one group of people (in which they are not counted) in order to be of benefit to another group of people (in which they are also not counted). Such organisations (which I suggest is what most people actually have in mind when they use the term "NGO") are the ones where misrepresentation and corruption (when it occurs) are the most worrying. They are organisations which promise to do certain things on behalf of society (or some group in society), which collect funds from people both inside and outside that society who trust them to do such things, and which use those funds to help other people. The fiduciary responsibility that they have to carry out the purpose for which funds have been solicited is a serious one, and one which people take seriously if it has been betrayed. Their legitimacy is that problems exist in society which they have decided to face, and that they have found other people who agree with them and are prepared to help them do something about it.

A useful clarification of the differences between civil society organisations and NGOs as we have described them is given by Alan Fowler in his recent book "Striking a Balance"<sup>12</sup>

*Third sector (or civil society) organisations:*

1. *are not established for and cannot distribute any surplus they generate as a profit to owners or staff*
2. *are not required to exist, not prevented from existing by law, but result from people's*

- self-chosen voluntary initiatives to pursue a shared interest or concern.*
3. *formed by private initiative, they are independent, in that they are not part of government nor controlled by a public body*
  4. *within the terms of whatever legislation they choose to register themselves, they also govern themselves*
  5. *If they are registered, this means that the founders wish to have social recognition - this calls for some degree of formalisation and acceptance of the principle of social accountability*
- NGOs (or public benefit welfare and development organisations)

1. *Are legitimised by the existence of the world's poor and powerless and by the circumstances and injustices they experience*
2. *Act as intermediaries providing support to those who legitimise them (on behalf of those who fund them). This distinguishes them from mutual benefit organisations.*
3. *Are predominantly hybrid in nature, operating on the basis of multiple, partially conflicting, partially re-enforcing organisational principles (some of which come from the government and business sectors)*
4. *Recognise that retaining voluntary values and principles are a primary force in their way of working."*

There is a further criterion for a true NGO which is rarely explicitly mentioned in definitions of NGOs, but which is very important when we look at issues of corruption and misrepresentation. This is the issue of a constituency and the NGOs accountability to that constituency. The complaints about NGOs, often by politicians, is that they are not accountable to anyone, and this is contrasted with membership groups (or mutual benefit organisations) who are mandated by their membership to take certain actions. Legally NGOs are accountable to their governance structure and to the laws of the land under which they have been registered. There is no legal requirement for them to be accountable to the people they are trying to serve, but this is a very sensitive issue.

The Commonwealth Foundation's Guidelines put it like this:

*NGOs working with marginalised and disadvantaged people see themselves as representing the interests of such people. Those NGOs which are more involved in a particular aspect of disadvantage or with an issue affecting the well-being of society as a whole see themselves as representing a cause of some kind rather than a specified group of people. In both cases the representation will be stronger where the NGO has a participatory rather than a private structure. Where a more general issue is at stake, the representation of it will be stronger where the NGOs views and actions are well-rooted in knowledge rather than loosely based on opinion.*

*But issues of the accountability and representativeness of the NGOs are more complex (...)*

*The private NGO may be controlled by a Board which is in reality a rubber stamping device for the employed staff, who in reality, control the organisation. Private NGOs, lacking the feature of accountability to membership found in participatory NGOs, can thus in reality be accountable to no-one but themselves. Private NGOs can also be used by individuals to pursue their egotistical or political ambitions under the guise of representing people or causes.*

*Just as the existence of a small number of fraudulent NGOs can bring the financial integrity and honesty of the great majority of NGOs into needless doubt, so too do the small number of NGOs that are unaccountable and unrepresentative attract unwarranted doubt and criticism to the majority. Most NGOs are controlled by people acting out of a genuine personal concern and commitment, and operating with high standards of honesty and integrity."*

While in complete agreement with the words of the Guideline, the truth is that such accountability to the NGOs constituency does not feature in many NGO definitions and does not feature in any of the NGOs registration regulations that I have seen. It does feature in many "Codes of Conduct" that NGOs have made for themselves, and it features in some of the templates for good NGO practice that have been developed,<sup>13</sup> but it is not mandatory. I suggest, however, that many accusations of corruption and misrepresentation in the NGO sector arise from people who question who the NGO is, on whose behalf it is acting, and what mandate it has to do so. The World Bank has been faced with this problem when inviting NGOs to become involved in policy dialogue. It finds it difficult to ascertain that those who are acting on environmental concerns on behalf of, for instance, poor farmers, actually have their mandate to do so, or are simply arguing their own opinion<sup>14</sup>. An NGO is not simply a front for a particular groups opinion, it must represent a cause that is believed in and endorsed by many people.

The people who support them may well be those affected by the problem, and the NGOs must have in place some method of sounding out such peoples opinion, or it may be supporters who are

intellectually and emotionally convinced of the rightness of a cause and are prepared to support it, even if it does not affect them directly. A regular problem is that NGOs are often pioneers and ahead of public opinion. Those campaigning against, for instance, slavery, cigarette smoking, and clear cutting of rain forests have been "voices crying in the wilderness" when they started, but gained their mandate as they educated public opinion to support their cause. At the time of their starting they may only have the mandate of a small group. In such a case, their continued growth depends on their public support.

The problems occur when the support for an NGO can be disassociated from either the interests of those affected by the issue, or from those who are intellectually and emotionally involved. If an NGO's activities in one country are supported by a foreign founder, for instance, without the involvement of either those affected by the problem, or ratified by public opinion in that country, it is legitimate to ask where the accountability ties. A good NGO should have a constituency in its own country, and some way of involving the constituency in what the NGOs is doing, ostensibly to help them.

#### 4. Key Concepts

There are three concepts commonly used in describing NGOs which are frequently misunderstood and misused when accusations of corruption or misrepresentation are used, and need to be clarified. These are "Voluntary" and "Non-for-Profit", and "Not self-serving"<sup>15</sup>

##### 4. 1. Voluntary

In many cultures, particularly those with a religious tradition of asceticism (Christian, Hindu, Buddhist, Islam) there is the inherited feeling that those who are involved with welfare and charity should themselves be ascetic, living in a state of voluntary poverty and renouncing worldly goods. Such people should voluntarily give up ordinary lives to carry out their work. Saints, missionaries, monks, nuns, imams, have in many countries provided the model for such value based charitable behaviour which often dependent on the voluntary labour contributions of others. To some people in such traditions, there is a mismatch in the concept of people who are making a living from alleviating poverty or helping the poor and powerless. They see paid staff of NGOs on the one hand, and they hear the NGO sector or the NGO organisation being called "voluntary" on the other - and feel a breach of trust. The NGO sector has not publicly clarified this situation openly and frequently enough, and a distrust has resulted.

In fact an NGO can use justifiably use the word "voluntary" on two counts:

- a. Those who are in the governance position for the NGO (typically the Board, or Executive Committee, or Trustees) operate for no pay, in a voluntary capacity. This distinguishes them from Business where the Directors or Board members are paid for their services.
- b. The NGO succeeds by mobilising a great deal of voluntary (i.e. unpaid) activity - either in the target group who use a variety of self-help methods to achieve their objectives, or in supporters who give their time and energy "for the good of the cause". They are prepared to do this because they share a belief in and a commitment to the values of the organisation. NGOs do not have to be, and should not be entirely dependent on voluntary labour (although NGOs which are only created as a way of self-employment of the staff, of course, go too far in the opposite direction - see later)

##### 4. 2. Not-for-Profit

Spectators see NGOs raising money either locally or internationally - sometimes more than they need for immediate programs. They may also see NGOs engaging in trade and exchange like businesses (for instance selling T-shirts or Calendars) and making a profit on their outlay. Such people claim that NGOs are betraying their trust and are actually profit-making.

Again the NGOs have not addressed the need for educating the public about the ways they work, and have allowed this issue to breed suspicion. The important (and often ignored) principle is that NGOs are not best simply described as "non-profit organisations" so much as "not-profit-distributing organisations". An NGO obviously needs to gain income: one of the ways it may do this is by running a business: but the profits of this fund-raising or fund-generation must be ploughed back into the organisation to help it achieve its goals. None of the profits made are distributed into the pockets of the Board, staff or shareholders - and this distinguishes them clearly from Businesses.

Some of the accusations that are made about the probity or breach of trust committed by NGOs is thus based on an incomplete understanding of what NGOs are and what they do - and this can be relatively simply cleared up so long as NGOs realise that their values and principles are an important part of their existence, and need to be addressed, explained and communicated, just as much as their

achievements.

#### 4. 3. Not self-serving

This refers again to the contrast between "mutual benefit organisations" and "public benefit organisations". NGOs are not supporting people who are the same as the membership of the organisation - they are supporting people different from the Board, staff, and membership of the NGO. Of course as citizens they may be affected by the issue or the cause with which the NGO is concerned, but they are not doing so in order to serve themselves. To use the language of the Commonwealth Foundation's Guidelines again:

*The aims of NGOs are:*

*(a) to improve the circumstances and prospects of disadvantaged people who are unable to realise their potential or achieve their full rights in society, whether through direct or indirect forms of action: and/or*

*(b) to act on concerns and issues which are detrimental to the well-being, circumstances, or prospects of people as a whole."*

#### 5. The Position of Government

The State in many countries of the world has taken an unclear position about NGOs. As a result members of the public are unclear about what NGOs are, and what they can do, and this has given rise to accusations of corruption and misrepresentation, which may simply be based on miscomprehension. In some countries Governments have been very authoritarian and controlling, and in other places (notably newly emerging democracies in eastern Europe) have provided laws that through lack of usual checks and balances have allowed many spurious people and organisations to call themselves NGOs.

In most countries of the world the term "NGO" does not legally exist (South Africa is a notable and recent exception) and NGOs are lumped together with charitable welfare organisations, religious organisations, co-operatives and a host of other, often historically anachronistic organisations.

Where governments have regulated very tightly what NGOs can and cannot do, accusations of corruption are made about activities that in other countries are quite acceptable. For instance, in Bangladesh, NGO's proper and listed activities do not cover the subject of small scale credit, and yet this activity is not only very prevalent amongst NGOs there, but also very successful. Islamic extremists, who take a narrow view of interest payments, denounce NGOs as corrupt organisations not only practising usury, but also being against the law.

The usual activities of NGOs are generally classified as "developmental" and yet the laws which in most cases offer the legal background to NGOs were created before the term "development" existed in its present form. Where there is a variance between NGOs practice and what they are legally allowed to do, there will always be the opportunity for special interests to claim that they are abusing their trust, and breaking the law.

On the other hand, in countries where the Government has wanted to support and promote non-government organisations, often in response to their suppression for two generations under communism, the laws and the regulations have sometimes been too loose so that the aims and objectives of those claiming to be NGOs are not sufficiently examined. This has resulted, particularly in respect of tax concessions and tax relief, in large numbers of commercial companies, even criminal organisations taking advantage of these loop holes to call themselves NGOs. If the public realises that those who call themselves "NGOs" are more likely to be importing cars, or smuggling cigarettes, then there will be great suspicion levelled at those who are, in fact, carrying out activities of public benefit.

#### 6. The Pressures on NGOs

Before specifying in detail the particular sins of corruption and misrepresentation that NGOs are prone to, and without in any way trying to make excuses for them, it is salutary to look at the pressures that there are on NGOs which may steer them from the path of public trust on which they have embarked.

The biggest pressure is without doubt the pressure of raising funds. At the present the largest sources of funds for Southern NGOs is northern governments (bilaterally or through the UN system) and northern NGOs (who in turn receive a large proportion of their funds from their governments). We would expect that a value based INIGO in the north or south would start through identifying locally like minded people who share their values and have a shared commitment to action. We would expect them to raise resources locally from such people who would have to be convinced not only of the

worth of the objectives of the NGO, but of the worth of the individuals involved. We would expect them to start their operations in a small way, learning from experience, and in time, with a clearer understanding of what can be done with what resources, to identify the possibility of larger resources, and make representation to professional funding agencies either local or external. Such a scenario has a local NGO basing itself in some local constituency, learning from doing, and, after a period of learning, seeking larger resources.

A worrying scenario often played out, however, is the formation of an NGO swiftly being followed by an application for funds to a foreign donor, leaving out the involvement of a local constituency and the learning experience. Partly this is because sizeable funding is available from external sources, and is indeed aggressively looking for ways in which it can be spent: and partly this is because in many countries local philanthropic institutions are not well developed. Let us take these one by one:

#### **6. 1. The Pressure from Donors to fund NGOs**

Following the collapse of communism a powerful paradigm shift occurred in the donor countries of the world - the future of foreign aid moved from supporting Governments to supporting markets and democratic governance. Donors distaste for sending good money after bad (their experience with many governments) disposed them to finding another channel for their development aid. A combination of particular success stories (like Grameen Bank and BRAC in Bangladesh) together with a faith that NGOs would be able to implement development programs for the poor better than governments, persuaded aid donors to earmark funds for NGOs, and particularly for democracy and governance. "Civil Society" was the cry, and money was the tool. The new paradigm was, in many cases, simply based on faith, as there was no previous experience in many countries of working with NGOs, or even understanding what NGOs were.<sup>16</sup> The newly emerging countries of Eastern Europe had a two or three generations gap in experience of NGOs, and this was echoed (with a shorter time span) in the African countries which moved from one party to multiparty democracy.

What happened with NGOs was that the forces of the market prevailed. Money was being offered to existing NGOs and so money was accepted, even if they were not ready for it, and even if, by taking it, they eroded their relations with their own people. Furthermore people saw how easy it was to get such money and started to play the game of learning the right words to speak which would access the funds. Funds were accessed by an increasing number of people whose motivation was not a desire to improve the world by a value based association of committed people, but a desire to earn some income for themselves. The new paradigm was being acted out against the background of the rolling back of the State assisted by Structural Adjustment Programs which resulted in less funding for the Government and the wholesale retrenchment (read sacking) of large numbers of educated people.

#### **6. 2. Lack of Domestic Funding for NGOs**

A model common to the NGOs of many industrialised countries is a range of sources of domestic funding for welfare and development purposes. There is money collected from a mosaic of sources - the public, balanced by money from the State, and by money available from foundations that have been endowed by businesses or by individual businessmen or women. The important point about this domestic funding is that it comes from people of the same country, people who have to be convinced of the value of the work of the NGO, and people who are able to lobby and advocate on behalf of the cause that the NGO is fighting for in a variety of the different circles that they inhabit. This mosaic is rare in the South, and has (together with the easy availability of external funds) served to distance NGOs work from the people of the NGOs' own country, and served to engender distrust.

##### **6. 2. 1. The public:**

in many countries of the south, philanthropy is very much a family matter. It is traditionally people's responsibility to look after their own relatives, kin, and extended family, and this is done through personal giving and a web of reciprocal relations. People give, and give generously, but through their own networks, not through or to professional organisations that strangers have set up to help. The tradition of helping organisations as opposed to individuals has not yet been well developed.

##### **6. 2. 2. The Government**

In spite of the fact that the new paradigm of the supremacy of the market, and the rolling back of the States functions has convinced many within Governments in the North and South many governments have been generally unhelpful to their own NGOs. Instead of seeing them as means by which Governments' functions can be carried on more efficiently and effectively, they have seen them as competitors, as upstarts, as people who will potentially shame them and claim the peoples allegiance from them. Rather than taking the position that Governments have a most useful role in funding their own NGOs to do what Government cannot do, or cannot do well, many governments in the South

have not only refused to fund their own countries NGOs, but have created all sorts of bureaucratic and procedural barriers to their smooth operations. India is a notable exception, which has set up CAPART as its own funding arm for Indian NGOs with the explicit intention of taking the place of foreign funding.

### 6. 2. 3. The Business Endowed Foundations

Linked to the personal and kin basis of philanthropy mentioned above, it has been common in the south for rich business people (including politicians) to put their wealth into improvements in their own home area, and not to set up institutions which could benefit the nation as a whole. Africa, Asia, and Latin America are replete with examples of churches, mosques, temples; possibly schools, clinics, orphanages; and less likely, roads, electrification, and water supplies being built by rich business people in their own home village or town.

The lack, therefore, of a tradition of domestic philanthropic institutions, together with a plethora of foreign funding agencies, has pulled NGOs more and more into foreign funding which has deformed and in some cases destroyed the essence of civil society organisations as home grown organisations with a constituency, objectives born of an analysis of local problems, and local accountability to both constituents and the public.

The most notable exception to this observation is the Islamic tradition of "waqf which is an institution by which small scale endowed foundations can be set up for humanitarian purposes. Unfortunately the institution has been used in a limited way for welfare work, and has not been adapted to some of the longer term developmental needs of the people in sch countries (like self-employment, literacy, malnutrition).

7. **NGOs within a Culture of Corruption** Many NGOs are created by rebellious people who are fed up with the level of poverty or powerlessness that they see around them. Many NGOs are born from a reforming zeal which dislikes the status quo, and wants to improve things - not simply by taking over power from the present power holders, but by changing the ways that development is carried out, and by initiating a better way of doing things.

The reforming zeal or such an individual or individuals, however, exists within the culture of the country in which he or she lives. When such an individual is surrounded by a culture in which corruption is very persuasive, his or her resolution can be eroded, and he or she can start accepting practices which were previously unacceptable. It is not unreasonable to expect that if NGOs fail and become corrupt, they are likely to fail in line with the kinds of corruption that are common in those countries.

To sum up and to, in some cases, localise the practices of NGOs which bring them down from the moral high ground, and show them not to be practising what they preach, I will use the amusing, but sad collection of NGO acronyms that Alan Fowler has collected in his book "Striking a Balance" that he has called "NGO Pretenders<sup>17</sup>". Each of these will illustrate the points that I have been making in the previous text.

7. **1. BRINGO (Briefcase NGO): an NGO which is no more than a briefcase carrying a well written proposal**

The currency of NGOs is projects - designs for activities that are intended to improve the lives of other people. This can be direct through specific operational activities implemented amongst the target group, or much more indirect such as through advocacy activities that are designed to change public policies. Spurious proposals will not show overtly that the project is designed to improve the life of the sponsor, but what we are dealing with here is people who have either lost, or never had a commitment to the essential work of NGOs - to improve the lives of people, but have cynically used the availability of money for NGOs as a means by which spurious proposals can be made and by which money can be unlocked.

In defence of proposals that seem to benefit individuals more than a target group, some would say that a professional and competent develop worker who is receiving a salary and benefits pertinent to his/her experience and competence, is likely to do a better job than a person long on commitment, but perhaps short on professionalism. This may objectively be true, but contrasts with the basic principle of NGOs that they are value driven, not driven by the desire for personal income. It is in such areas that NGOs start to overlap with the motivations of the business world. The contrast is not whether the person should or should not be paid an appropriate wage, but whether the basis for the person's involvement is one of principle or one of selfishness.

A way to ascertain the real motivation of the person involved is to find out how the proposal, which

includes the persons salary, has been written. A common occurrence with self-motivated proposals is that they are written from start to finish by the person concerned, and have not involved the constituency which they are meant to serve. An NGO by definition should be seeking the involvement and the participation of its constituency, and it should be relatively easy to spot a proposal, program or project which does not have any mechanism to gain their participation.

**7. 2. *ComeNVO (Come and Go NGO) An NGO that appears spasmodically:only used by the owners when the NGO pasture looks greener***

Here again, the purpose of the NGO is not public benefit, but private benefits and self-serving. The "owners" of the NGO may well have another form of employment, but when times are hard, or when there is a donor driven push for some activity for which this individual can qualify, he or she will resurrect the NGO. Again the lack of a constituency can clearly identify such pretenders.

**7. 3. *CONGO (Commercial NGO): NGOs set up by businesses in order to participate in bids, help win contracts, and reduce taxation***

These are organisations which claim to be NGOs, but which are actually controlled by businesses - usually in order to avail themselves of tax concessions that are available to NGOs, but not to businesses, or not to businesses on such advantageous terms. This frequently focuses on import permits and import tax, but can also reflect advantages NGOs have in respect of VAT. The motivation is a cynical appreciation of the legal and fiscal advantages of the NGO status, and a desire to optimise profits by wearing NGO clothes. We should clarify the difference between this, however, and an NGO funded by a commercial organisation, but with its own governance. Sometimes an NGO can be set up to benefit the people in a certain area in which a business works. The problem is if the NGO is put forward spuriously as an independent body when, in fact, the decisions are completely in the hands of the business. A third kind of CONGO is a front organisation set up by a commercial business or federation of businesses to lobby for pro-business policies.

**7. 4. *CRINGO (Criminal NGO): Organisation established for illegal purposes - especially import-export (i.e. smuggling): common in transition economies***

Because of the confused and complicated nature of NGO laws in countries in eastern Europe, particularly, criminal smuggling gangs have taken on the public image of an NGO in order to bring goods into a country tax free. As mentioned before this very quickly brings into disrepute anyone who calls themselves an NGO. In some Eastern European countries it is difficult to find a "clean" word to describe the kind of organisation which elsewhere can be called an NGO for this reason.

**7. 5. *DONGO (Donor NGO): created and owned by donors to do their job while shifting overhead costs outside***

These are NGOs which are organised by donors - again they give the impression that they are local and national NGOs, but the source of decisions, and the controlling authority is a foreign donor organisation. The reason why a donor would try and put forward their own operation as a local NGO is interesting and reflects the donor pressure referred to earlier. The usual reason for this particular deception is that the donor in country is under pressure to spend their aid allocation via NGOs, but cannot find any or enough indigenous NGOs to fund. In desperation the donor "creates" NGOs that it can fund, but keeps control of them itself.

A different kind of reason for the creation of a DONGO might be for a donor to re-allocate some portion of his offices' funds from operational to overheads by creating a shadow organisation.

**7. 6. *FANGO (Fake NGO): NGO used as a front for something else: not uncommon in Eastern Europe.***

Because NGOs are the target for increasing amounts of donor funding, or have established concessions for themselves in the legal and tax environment, there are advantages for different groups to spuriously put themselves forward as independent NGOs in order to take advantage of either the funding or the concessions. There is also the possibility of an NGO which acts as a front for some group or another to crowd out the genuine independent NGO which may be troublesome to those in power.

**7. 7. *GONGO (Government owned NGO): Type of GRINGO used to capture or redirect non-profit funds allocated by the official aid system***

These are Government controlled NGOs which claim to be independent organisations founded by the people, but which are in fact, controlled by the Government. The reason why Government will try to do this is in order to avail itself of some funding which is not otherwise available to a government

department

7. **8. GRINGO (Government run and initiated NGO): variation of a QUANGO, but with the function of countering the actions of real NGOs; common in Africa**

Here the Government realises that an NGO is getting a large measure of public and popular support for a particular issue which may be troublesome to the government concerned. One tactic is then to set up a counter-veiling NGO which will try and attract the NGO's followers (and denigrate that particular NGO), but which is controlled by the Government.

7. **9. MANGO (Mafia NGO): a criminal NGO providing services of the money laundering and enforcement and protection variety: prevalent in Eastern Europe**

This comes from the same stable as those who tried to argue that the Mafia in the US was a cultural organisation for Italian identity. As mentioned previously, if the public starts to think of NGOs as MANGOs, it makes the work of genuine NGOs very difficult indeed.

7. **10. MONGO (My own NGO) and NGI (Non-Government Individual): These are NGOs which are the personal property of an individual, often dominated by his or tier ego, and a person who operates as if he or she is an NGO, but without an organisational affiliation.**

Again, the touchstone of a constituency is the feature that can expose such pretenders

7. **11. PANGO (Party NGO): an aspiring, defeated, or banned political party or politician dressed as an NGO: species of Central Asia and Indo-China**

This is for people who no longer have a legitimate platform for their political ideas, and so they hide behind the name of an NGO to keep their name current.

7. **12. PHANGO (Phantom NGO): NGO only existing in the mind of the speaker. used to bolster an argument**

7. **13. PONGO (Politician's NGO): Established to capture or direct NGO funding to the home constituency as a defence against incursion by opponents**

7. **14. QUANGO (Quasi NGO): Para-statal body set up by Government as an NGO, often to enable better conditions of service for those running it, or to create political distance**

You could probably add to this list. The fact that there are so many ways in which people pretend to be NGOs says something about the strength of the NGO sector. It is likely that people who are motivated by different ideas that public benefits to the poor and disadvantaged will find a pretence that fits in with practices and pressures common in their home country

7. **15. Other Pretenders**

Some more complicated NGOs that are not identified by Alan Fowler are those which do useful work, but which have elements of corruption or misrepresentation in them. I would add:

7. **15. 1. SENGO (Bent NGO):** Such an NGO behaves in many ways like a corrupt government body - it does the work that it is required to do, but so organises the rates of pay for then job that the benefits that come to the staff or Board are way beyond what good practice would dictate, by such means as over-invoicing, sweetheart deals with contractors, or other abuses of the procurement systems. In some cases the rates of pay are simply way higher than the market. In such cases, of course, the people who suffer are the target groups who have fewer resources available to them than would otherwise be the case.

7. **15. 2. MENGO (Mercenary NGO):** In such a case an NGO has no constituency, has no particular set of values, has no particular vision or mission, but makes itself available as a contractor which will take on any job in the development arena in which funding is available. Here the problem is not that the "NGO" is stealing money from the people that it is intending to help: the "NGO" may well efficiently implement the work that it was contracted to do. The problem is that the spurious organisation has no links to the people, not constituency, and no involvement of the people in working on a joint approach to solving their problems. If an NGO proclaims itself as an organisation which designs proposals in partnership with the target group, then it cannot jump from client to client in the way that a contractor does.

8. **How to Fight NGO Corruption and Misrepresentation**

After looking so extensively at the forms of corruption and misrepresentation that exist, we must think how this can be combated. There are, I think, two ways: firstly through encouraging more and more good practice amongst NGOs of two types - community organisations, and advocacy organisations: and secondly by means of some useful checks and balances that can limit the scope for corruption and misrepresentation.

## 8. 1. More NGOs

Although this paper is about corruption and misrepresentation in NGOs, I am in danger of overstating the issue simply by concentrating on it. The majority of NGOs are principled and committed to useful work. Thus a two pronged attack on bad NGOs should consist of the strategy of encouraging more quality NGOs, and reducing the number of corrupt NGOs.

### 8. 1. 1. More Good Community Based Organisations

Most NGOs use the strategy of helping to develop community level organisations as a way of achieving their objectives. They help to develop, for instance, irrigators associations, family planning acceptors associations, small savings and credit associations, neighbourhood development associations, parent/teacher associations. By so doing they are helping to set up action oriented associational life - sometimes grafted onto indigenous associations, sometimes started from scratch. Such associations exhibit all the problems and possibilities of basic democracy. People involved and concerned with the community association have to think about leadership, accountability, group responsibility, planning, monitoring, and all the problems which are part of a larger democracy. Robert Putnam has called this the essential "social capital" that is required for the democratic governance of a country<sup>18</sup>. What it means is that people become used to social norms that do not include corruption i.e. the behaviour of elected officials to improperly enrich themselves by the misuse of the public power entrusted to them. The NGO acts as both the initiator, the social change agent, and the monitor of this process of developing social capital.

A community experienced in the ways of running an action oriented community association and educated by the experience they have undergone, is a community that will be less easily accepting of others corruption, particularly the corruption of those who are in power over them. They know from personal experience what the norms should be, and they are prepared to make a fuss when these norms are violated. Once a community has become energised for some development purpose, they have scant respect for those who may be corruptly siphoning off some of the funds or resources that should be coming their way.

NGOs thus have an important task in their community level work to establish norms in the ways that elected officials should properly behave and to illustrate the differences between the ways in which the community associations own officers behave, and the ways in which government officials behave.

### 8. 1. 2. More Public Advocacy Organisations

Such organisations are the ones that publicly advocate for reforms and against corrupt behaviour and practices and are the immediate and likely partners of Transparency International. It is important for us to think about the reasons that such organisations are created, and carry out their work - because this may clarify some of the accusations of corruption and misrepresentation. Typically such organisations have arisen:

1. from their own analysis of the problems of the country
2. out of a particular political ideology
3. out of a particular ethical or religious set of beliefs
4. in response to particular injustices, or a build up of substantial injustices in response to outside encouragement
5. in response to a particular historical juncture (like revolution)

Such organisations are the more effective when they are broad based networks of sympathisers from many different backgrounds linked by their distaste for current practices, than when they are vocal, but limited groups of people who can be picked off or neutralised by the existing power structure without serious repercussions. Such organisations are successful when they are able to make the issue one which large portions of the population buy into, and not one which is associated in citizens eyes with a particular individual or small grouping.

The obvious backlash from an established and corrupt government is to try and show that the accusations are personally inspired, rather than arising from a moral stance, and failing that, to try and buy off the most vocal with a share of the spoils.

## 8. 2. Checks and Balances

The principle to be applied is that of pragmatism informed by experience. Because it is common knowledge that some NGOs have been involved in the kinds of corruption and misrepresentation mentioned in this paper, it should not be difficult to design structures and systems that diminish the opportunities for such corruption while at the same time allowing as much space as possible to those good NGOs that will help them to build democracy and development.

The following are my suggestions:

#### 8. 2. 1. Self-regulating Bodies.

We have reached the stage of sophistication amongst NGOs now that it should be possible for NGOs to set up their own self-regulating bodies such as are common with doctors, accountants and other professional bodies. Such bodies would set standards for entry into the-NGO sector, set standards for managing NGOs and equally important set sanctions that can be applied to those who contravene the standards. This would involve something like a licence to be an NGO with clear ideas of what being an NGO involves. It is best for such standards and sanctions to be set by NGOs because they know their brothers and sisters, and they know those who will abuse peoples trust and how.

While many NGO co-ordinating bodies have agreed voluntary standards and "Codes of Ethics", even the best have been seemingly unable to set up a system with teeth, which will actually sanction those who break the Code.<sup>19</sup> One interesting variation is the situation in Kenya where the Government asked NGOs to create a Code of Conduct and then, to the surprise of the NGOs, turned this into law. Every NGO has to be registered with the Government and this registration automatically makes them a member of the NGO Council of Kenya. If they then break the Code of Conduct they are committing a civil offence and can be taken to court. Unfortunately in the Kenyan context this hopeful process came out of a long struggle against a control minded government, rather than a government interested in improving the NGO sector, but it offers a model for further improvement elsewhere.

#### 8. 2. 2. Improve the legal and regulatory environment

It is indeed unfortunate that nearly all NGOs are suspicious that any government's attempts to modify the legal and regulatory environment arise from a desire to further control NGOs - but this suspicion is not so surprising since this has so often been the case.

If there was a better and more open relationship between Governments and NGOs then some consensus on a better and more enabling environment would be accomplished more easily. All those who are interested in so doing now have a substantial body of assistance in the document recently produced by the World Bank and the International Centre for non-profit Law, "Handbook on Good practices for Laws Relating to Non-Governmental Organisations". Mr Leon Irish will be speaking more about this book in his presentation. I do not want to go into the details - but the Handbook is comprehensive and valuable.

#### 8. 2. 3. Improve the professionalism of founders

As mentioned above, those who provide funds to Southern NGOs (mostly northern NGOs and Northern bilateral and multilateral organisations) seem to have more money than they have a professional understanding of the NGO sector. They are often understaffed, and over pressured by their head offices to spend money on and through NGOs. Negotiations are nearly always based on submission of proposals - usually to the head office of the organisation in the capital city, and decisions are often made on the basis of the written proposal. Field visits are rarely made, and after some time an evaluation is done following written reports.

This is not a useful way to behave. Firstly founders need to understand more about the dynamics of the NGO sector, more about the ways in which NGOs are considered by nationals of the country involved, and more about the NGO making the proposal. It does not seem a complicated matter for donors to establish and agree to work with a check list for the features of a responsible NGO, nor a complicated matter to agree a checklist for a project proposal. One fundamental element, which is so often ignored by donors, is to ascertain that the constituency has been involved in some way in a discussion about the project proposal, and preferably have fully participated in the design of a proposal.

Furthermore, if an NGO proves corrupt, and if the money disappears, or is spent on something other than what was agreed, donors frequently complain, but do little about it apart from make an internal note not to fund such an organisation again. Donors will do the NGO sector a great deal of service if they are more responsible in the way that they deal with corrupt NGOs - by taking them to court to retrieve the money, by informing other NGOs of their corruption, by informing the government of the particular NGO's corruption. When donors allow corruption to go unpunished, it encourages other

unscrupulous individuals to try and take advantage of the funds, and gradually brings the NGO sector into disrepute.

## 9. Summing Up

The NGO sector, which we expect to have high moral values, and to occupy the moral high ground, has started to have increasing numbers of crooks, charlatans and impostors within its ranks. Each person should make their own estimate of the degree that this has happened in their own country. In some cases the accusations are based upon a mistaken assumption of what NGOs are meant to be and do: in other cases the accusations are based upon a fear of the possible power of NGOs which competes with the power of those making the accusations.

What is certain is that a certain illness has crept in, and the illness seems to be infectious. NGOs should be mature enough to diagnose the illness, and consider what they can do to treat it, and restore the NGO sector to health, and to its proper position of the high moral ground. There are many fine and admirable NGOs, but they are in danger of being overshadowed by the increasing number of self-interested pretend NGOs, or NGOs who represent something other than the non-governmental, not-for-profit, not self-serving, public benefit organisations that they should be.

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## REFERENCES:

[1] Letter of Jeremy Pope to Pact Inc. 25. July 97

[2] [The TI Source Book, chapter 6](#) on "Civil Society"

[3] Idem, chapter 6

[4] Idem, chapter 6

[5] The most notorious stories in the North recently have involved the excessive salaries paid by to themselves by employees of the United Way and National Association for the Advancement of Colored people in the USA

[6] [The TI Source Book, chapter 1](#)

[7] The Commonwealth Foundation's 'Guidelines for Good Policy and Practice' (of NGOs) 1995, has the following to say about fraudulent NGOs: "Unscrupulous opportunism, Often occurring when funds are on offer from less than diligent donors has unfortunately led to the emergence of fraudulent NGOs. Whatever their outward appearance, these are in reality the NGO equivalent of phoney private companies set up to defraud.( ... ) They are pests that need to be stamped out. The greater the transparency of al. NGOs, the more they will be exposed

[8] Quoted in "Heavy hands, Hidden Hands, Holding Hands? Donors, Intermediary NGOs and Civil Society Organisations" by Bebbington and Riddell in 'NGOs, States, and Donors - too close for comfort?' Save the Children,. London. 1997

[9] These terms come from Marc Nerfin's article in IDA.'s Development Dossier, 1974 "The Prince, the Merchant and the Citizen" and have recently been picked up in ICA's book about civil society called "Beyond Prince nor Merchant: Citizen Participation and the rise of Civil Society" by Burbridge. Pact Publications 1997

[10] Quoted in "Handbook on Good practices for Laws relating to Non-Governmental Organisations" World Bank and ICNL. 1997

[11] See, for instance, the Commonwealth Foundation's "Guidelines for Good Policy and Practice" 1995 which only allows NGOs to be those which have "clear values and purposes which distinguish them from other organisations existing primarily to serve the interests of members or individuals"

[12] Chapter 2: "Understanding NGDOs" in "Striking a Balance - a guide to enhancing the effectiveness of non-governmental organisations in International Development" by Alan Fowler. Earthscan, London. 1997

[13] For instance, Pact's Organisational Capacity Assessment Tool (OCAT), 1996, which is increasingly being used as a template for NGO organisational capacity, has a category, under the heading of Governance, to the effect that: *(a) there is a well defined constituency base, (b) there is a recognition of the constituency as partners, c) there are regular surveys of constituency needs and findings are integrated into the planing process, (d) the constituency is regularly involved in the review of the NGO's mission and*

*strategies, (e) the Board executes its role of advocate for constituents"*

[14] This was clearly seen in the case of the Flood Action Plan in Bangladesh where a huge infrastructural flood control plan promoted by the Government was opposed by NGOs representing both poor farmers and concerned scientists. The Government questioned the bona fides of their position until public opinion endorsed the NGO's position (and convinced the donors of the rightness of their cause)

[15] These are three of the four "Key Defining Characteristics of NGOs" from the Commonwealth Foundation's "Guidelines". The other is "Independent".

[16] A case in point is Tanzania. During the period of one part rule, NGOs were banned or sub-sumed into the party. Generations of Tanzanians grew up with no experience of what it meant to be part of an NGO. Donors in about 1990 came to Tanzania with instructions from their head offices to spend their funds through civil society organisations, and searched in vain for such bodies. Not surprisingly their complaint now is that Tanzania's NGOs are self-interested income generation agencies for their directors.

[17] In his Acknowledgements, he says "My thanks go to people too numerous to mention who have contributed to this list"

[18] Robert Putnam: "Waking Democracy Work: civic traditions in modern Italy". 1993

[19] One of the best NGO coordinating bodies in the world is ADAB (the Assosiation of Developmet Agenciesin Bangladesh), butr they have yet to sanction a single corrupt NGO, although admits that there are such in Bangladesh, and knows who they are.

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