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STUDY OF NGO RISK MANAGEMENT AND ACCOUNTABILITY PRACTICES IN UGANDA

Internal Risk Management Group

JULY 2020

Internal Risk
Management
Group



FOREWORD

In the Spring of 2018, a small group of INGO Country Directors in Uganda came to the shared realization that their organizations are not immune to fraud, corruption and safeguarding issues. However, due to the sensitivity of these cases and the reputational risk involved, there was little joint learning, reflection and sharing of experiences among the NGO community. A founding group of country directors decided to form the “Internal Risk Management Group (IRMG)”, a safe space for NGO leaders to share, learn and improve their management and mitigation of risk. As of June 2020, the IRMG consists of 56 NGO members, celebrating the diversity of Ugandan and International NGOs operating in the country.

The Department for International Development of the UK government (DFID) generously funded the IRMG in 2019 and 2020 to conduct a benchmark and baseline study of NGO Risk Management and Accountability Practices in the country. This study was developed using mixed methodologies, gathering the experience and insight of 29 NGOs, 5 Donors, and 3 UN agencies. The findings are both encouraging – a lot of what NGOs in Uganda are already doing meets good standards; and also a wake-up call - NGOs can be more effective in pooling resources and working together as well as with donors to prevent and mitigate the impact of fraud, corruption and safeguarding on our work and on the people we serve.

As our sector continues to evolve, the NGO community remains committed to strengthening our accountability and safeguarding practices. We welcome the dialogue, partnership and sense of shared responsibility with our host government counterparts and the donor community, and remain grateful to DFID for believing in the value of the IRMG effort. The findings from this study will be used to inform training and advocacy initiatives for NGOs operating in Uganda - with the generous support of the Swedish International Development Agency (Sida).

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EXECUTIVE SUMMARY

International non-governmental organizations (INGO) throughout the world face significant risks related to corruption and fraud in their operations. They also face challenges in terms of safeguarding the physical wellbeing of those working with, and otherwise affected by, their programs, including, but not limited to, program beneficiaries, third party partners, and INGO staff. To mitigate these risks, INGOs have invested significant human and financial resources to establish internal risk management systems and other mitigating measures in order to operate in these challenging environments. In Uganda, the INGO community recognized the importance of strengthening internal risk management, resulting in the Internal Risk Management Group (IRMG) initiative, which now brings together 51 Uganda-based NGOs, both International and Ugandan. The objective of the IRMG is to reduce or mitigate the risks of fraud, corruption, and the sexual harassment, exploitation, and abuse (SHEA) of others by creating a safe space for discussion among NGOs, as well as providing a platform for the sharing of related information and experiences.

This study, in contributing to the IRMG's stated objectives, aims to map and analyse current NGO accountability standards and approaches to risk management in Uganda, with a specific focus on risks relating to corruption, fraud, and SHEA. The study allows the IRMG to identify and agree on areas of joint intervention and capacity development to strengthen practices in these areas. The findings of this study draw on a desk review of IRMG members' risk management, anti-fraud/anti-corruption, safeguarding, and other related policies and frameworks; interviews with senior staff of IRMG members; and a detailed written questionnaire.

Overall, the NGOs that took part in this study strongly recognized the importance of internal risk management and safeguarding, and all stated that their organizations have a zero-tolerance approach to corruption, fraud, and SHEA. The participating NGOs agreed that risk management needs to be mainstreamed throughout NGO operations and should not be seen as a standalone issue. This understanding is in part a result of acknowledging that Uganda presents a challenging context, not in terms of the types of risks faced, but in terms of the severity and pervasiveness of these risks.

All IRMG members have some level of systems and mechanisms in place to manage risks, although the extent of these mechanisms varies from organization to organization. Larger NGOs have more comprehensive systems and mechanisms in place which is a consequence of having more resources available. A deeper resource base allows them to deal more proactively with risk and helps them avoid becoming overwhelmed when dealing with emerging issues. There was broad agreement that, while insufficient resources were an issue, a lack of systems and internal processes and policies to deal with risk was not a major concern. Rather, the challenges lay in the ability to effectively implement these measures, and in creating an organizational culture that encourages addressing norms and behaviors that have the potential to exacerbate existing risks. Challenges also include the relative weakness on the part of implementing partners contracted by grant holders and other third parties to manage risks, as well as a sense that donors do not fully recognize the importance of allocating additional resources to ensure effective risk management within NGO operations.

Thus, the way forward should focus less on putting in place systems, processes, and policies for internal risk management, as they are, for the most part, already in place, and should instead focus

more on ensuring the availability of necessary human and financial resources. The IRMG should utilize those resources by focusing on ensuring that existing systems, processes, and policies are implemented effectively; by learning from others regarding the application of innovative risk management approaches; by changing cultural norms and behaviors; and by working with implementing partners and other third parties to strengthen their capacity to manage risks.

Specific recommendations for the IRMG include:

- Continuing efforts within the IRMG to share experiences of what has and has not worked, as well as tools for managing risks
- Agreeing on a joint position on minimum standards for internal risk management and actions to take when corruption, fraud, or SHEA does occur
- Exploring options for pooling resources to carry out certain risk management functions
- Developing a joint initiative to strengthen capacities of implementing partners contracted or sub-granted by grant holders on internal risk management
- Pooling resources to establish a joint reporting or complaints mechanism for NGOs in Uganda
- Continuing to work on efforts to improve organizational culture and risk awareness within IRMG members, including joint learning materials and events
- Working towards broader changes in attitudes, norms, and behaviors relating to corruption, fraud, and SHEA
- Engaging with donors to work towards more shared ownership of, and response to, risk, including advocating for sufficient resources for internal risk management
- Advocating for the costs associated with internal risk management and capacity building of staff and partners engaged in risk management interventions to be considered as, and covered by, standard operational costs

1. INTRODUCTION

International and Ugandan non-governmental organizations (NGOs) present in Uganda, together with broader civil society, make a significant contribution to the long-term development of the country and play a key role in the humanitarian response. In doing so, they are engaged in the full range of development and humanitarian activities across the entire country and represent significant financial outlays from the donor community. While NGOs operating in Uganda are diverse in terms of size, focus, and mandate, they all face the challenge of operating in a context where risk is both significant and pervasive. Regardless of which source is consulted, Uganda consistently ranks amongst the most corrupt countries in the world, meaning that NGOs face significant risks related to corruption and fraud in their operations. They also face challenges in terms of safeguarding the wellbeing of those involved in their interventions, including program beneficiaries and their own staff.

To that end, most NGOs have invested heavily, both in terms of human and financial resources, to put in place internal risk management systems and other mitigating measures in order to operate in this challenging environment. Corruption, fraud, and/or SHEA-related scandals have the potential to undermine the trust of beneficiaries in NGOs as well as public support for development cooperation in donor countries. Given the potential to undermine development outcomes and cause financial and reputational damage to the NGOs, this investment is warranted.

The NGO community in Uganda, as well as donors, have recognized the importance of strengthening internal risk management and safeguarding measures across the board. As documented in this study, NGOs have been able to implement these mitigation measures to varying degrees, however, even where systems exist, they are not always fully implemented or adhered to.

In response to this, more than 50 NGOs in Uganda have taken the initiative to form the Internal Risk Management Group (IRMG). Initially, membership was open to INGOs and then opened to NGOs in 2019, with a key objective of subsequent phases of the project to integrate more NGOs into the group. The IRMG is intended to create a safe space to discuss misconduct and risk issues, raise awareness of risks within the entire NGO community, and share information and experiences, including best practices, in detecting and handling allegations of misconduct. The specific objective of the IRMG is to reduce or mitigate the risks of fraud and corruption, SHEA, and other breaches of organizational codes of conduct. This study is part of this objective.

1.1. OBJECTIVE OF THE STUDY

The objective of this study is to map and analyse current NGO accountability standards and approaches to risk management in Uganda, with a specific focus on managing risks related to corruption, fraud, and SHEA. The aim is to identify commonalities and differences in approaches among NGOs, assess effectiveness and potential gaps in these approaches, as well as make recommendations for how the IRMG can work towards further strengthening risk management and mitigation systems. Moving forward, this will allow the IRMG to identify and agree on areas of joint intervention and capacity development. Ultimately, the goal of the IRMG is to enhance protection of beneficiaries, improve programmatic outcomes, and safeguard against financial and reputational loss for NGOs, as well as donors.

1.2. METHODOLOGY AND SCOPE OF STUDY

Data for this study was collected utilizing three methods: 1) a desk review of risk management, anti-fraud/anti-corruption, safeguarding, and other related policies and frameworks; 2) interviews; and 3) a questionnaire.

The desk review was carried out on documentation submitted by 29 IRMG members (all INGOs). Interviews were conducted with Country Directors and/or Heads of Program, Finance, or Risk Management units of 25 IRMG members (all INGOs). The interviews focused on deepening the understanding of risk management and accountability frameworks put in place. These interviews were complemented by interviews with donors (five) and UN agencies (three) in order to gauge their understanding and expectations of NGO risk management and accountability frameworks. Twenty-two IRMG members (21 INGOs and 1 NGO) responded to the in-depth questionnaire which complemented the information gathered through the desk review and interviews.

While we understand that risk management is a much broader concept, for the purpose of this study, the focus is on how it relates to corruption, fraud, and SHEA only (see definition in the next section).

In order to allow for the most open and candid responses possible, interviews and questionnaires were conducted on the basis of confidentiality. To that end, analysis and findings in this study are not attributed to any individual or organization. While the majority of respondents were INGOs, throughout this document we use the term NGO with reference to the findings.

1.3. DEFINITIONS

For the purpose of this study, the following definitions were used:

Corruption: In line with Transparency International, corruption is defined as “the abuse of entrusted power for private gain.” This broadens the definition, which is often narrowed to abuse of “public office,” to acknowledge that NGO staff and other actors (who cannot be said to hold public office) may also engage in corruption. This definition includes, but is not limited to, bribery, conflict of interest, and extortion, as well as cronyism, nepotism, and tribalism.

Fraud: Based on Black’s Law Dictionary, fraud is defined as “a knowing misrepresentation of the truth or concealment of material fact to induce another to act to his or her detriment.” In the context of this study, it applies to any NGO staff member or third party (implementer, vendor, government counterpart, etc.) seeking to defraud the NGO.

Safeguarding: In a broad sense, safeguarding means the protection of people and the environment from unintended harm. For the purpose of this study, we understand safeguarding as minimizing the likelihood of harm from SHEA to those whom the NGOs are seeking to help, as well as those working in the sector. Safeguarding shapes an organization’s approach, practice, and culture by ensuring a safe environment for individuals.

SHEA: SHEA refers to all forms of inappropriate conduct of a sexual nature committed by NGO staff or third parties, as well as within NGOs and against their staff.

1.4. STRUCTURE

This report first looks at the corruption and fraud risk landscape, and the SHEA risk landscape, respectively. This is followed by a section compiling findings on NGOs' responses to these risk landscapes in terms of what worked, what did not work, and what could be done better. The report closes with a section drawing overall conclusions and a section providing recommendations on the way forward for the IRMG.

2. CORRUPTION AND FRAUD RISK LANDSCAPES

Across the interviews, as well as the questionnaires, corruption and fraud were identified as among the main risks facing NGOs in the Ugandan context. Corrupt and fraudulent practices were thought to exist, to a greater or lesser extent, in every sector. The extent of corruption and fraud was seen as surprising by some, given that the legal and institutional framework, in theory, is in place to tackle it. Uganda is also not as complex an environment as some of those faced by NGOs in other countries. Nevertheless, respondents felt that corruption and fraud were so prevalent in Uganda as to have become part of the cultural norm and an inevitable risk of operating in Uganda (the term "normalized" was mentioned frequently). This was also borne out by some NGOs reporting a higher number of corruption and fraud cases in Uganda as compared to their operations in other similar countries.

The main types of corruption/fraud encountered by IRMG members included (in no particular order):

- Assets/resource misappropriation
- Bribery and kickbacks (including in relation to procurement)
- Conflict of interest
- Diversion of funds
- Expense/reimbursement fraud
- Falsification of documents
- Ghost beneficiaries
- Human resource/recruitment fraud

Of these, bribery and kickbacks, conflict of interest, and falsification of documents were found to be the most common.

Perhaps reflecting a lack of common definitions or understanding among IRMG members of types of corruption and fraud, the above list contains overlapping risks (e.g. falsification of documents would typically be one of the methods through which expense/reimbursement fraud is perpetrated, and creating ghost beneficiaries is one way of diverting funds). Regardless of this, it was felt that there is a high likelihood that any of the named risks are likely to occur and that when they do, the impact will be potentially significant.

The functions within NGOs that were thought to be most vulnerable to fraud and corruption were those relating to procurement, program implementation, and finance. This is understandable given that these are the functions making financial decisions, allocating resources to end users, or

overseeing the finances of organizations. However, given concerns relating to human resource/recruitment, fraud risks affecting human resource functions should not be overlooked.

2.1. DRIVERS OF CORRUPTION

There are many underlying reasons for Uganda's challenging risk environment. As noted above, respondents to the study's interviews and questionnaires believe corruption to be so pervasive as to have become part of the country's cultural and political norms. In the eyes of the public, some forms of fraud and corruption have become so normalized as to have become accepted. Outrage is usually reserved for high-level corruption, and even then, there exists a certain level of admiration for the perceived "success" of the corrupt individual. Furthermore, law enforcement is not perceived as taking a sufficiently tough stance on corruption, and the expressed desire to address corruption and fraud within the highest levels of government is not always apparent with the lower, more local, levels.

Respondents suggested that a culture of silence exists around corruption and fraud. This may in part be driven by acceptance, but it is also driven by not wanting to be seen as a "snitch" and by a fear of retaliation. There is little confidence that whistle-blowers will be protected or, even if a whistle is blown, that any action will be taken to correct the situation. Additionally, individuals may think twice before accusing someone of corruption as they recognize that if the accused person were to lose their livelihood as a result, not only would they suffer, but their wider family and network would also bear the consequences. In a resource-poor environment where large groups are often dependent on single individuals for their survival, this is a very real consideration. The flipside of this is that individuals who are thought to have the opportunity to extract resources from their positions frequently come under external pressure from their families and social networks to do so and then to share these resources. Those who have the opportunity but choose not to engage in corruption may be seen as naïve or even "stupid."

With a lack of positive role models, a perceived low risk of being caught (or punished, if caught), and high societal pressure, the psychological barriers for individuals to engage in corruption are lowered. It was thought that individuals may rationalize their actions with arguments such as "Everyone else is doing it," "If I don't do it, someone else will," or that they are doing it to help others. These pressures and thought models appear to be more keenly understood by local Ugandan colleagues interviewed who, while not accepting of it, had more of an understanding of why individuals might end up engaging in corruption and fraud. International colleagues were more rigid in their condemnation of corrupt individuals, which may impact their ability to fully understand and tackle the root causes.

Beyond the broader societal factors impacting the risk environment, several drivers specific to the NGO context were also raised by IRMG members. These included opportunities for corruption and fraud arising from pressure to deliver large interventions quickly, in particular in an emergency response. As a result of this pressure, for example, speed of implementation might take precedence over putting the necessary controls in place, and proper procedures may not be followed in an attempt to save lives. This will be further compounded by difficulties carrying out adequate monitoring and oversight in emergency settings. Insufficient human and financial resources for effective risk management, in particular for small NGOs, were also cited, along with inadequate separation of duties. The common practice of short-term contracts was thought to lead certain individuals to take a chance while the opportunity was there. Finally, the lack of effective control

mechanisms on the part of downstream implementing partners (e.g. partners subcontracted or sub-granted by grant holders) also resulted in increased risk.

Overall, the study's findings present a context where there is significant risk of corruption and fraud occurring, as well as a setting in which multiple factors combine to create an environment that may push an individual towards engaging in acts of corruption. This means that NGOs need to have strong systems in place to prevent corruption and fraud, but systems alone are not sufficient. It is also necessary to take measures to ensure the right organizational culture, as well as change the prevailing attitudes, norms, and behaviors that contribute to increased risk.

3. SHEA RISK LANDSCAPE

Respondents considered risks relating to sexual harassment, exploitation, and abuse (SHEA) to be high, although not necessarily higher in Uganda than in other similar contexts. Poverty levels leave individuals vulnerable to SHEA, in particular in emergency and humanitarian contexts. It was also suggested that Uganda is a highly patriarchal society. Along with a certain degree of acceptance of SHEA, this puts, in particular, women and girls at risk. Similar to cases of corruption and fraud, respondents suggested that there is a culture of silence around SHEA, as well as a fear of retaliation if cases were to be reported.

With a strong emphasis placed on safeguarding, it is incumbent upon IRMG members to put in place mitigating measures, not only in relation to beneficiaries and NGO staff, but also third parties, such as vendors and subcontractors. However, as is the case for corruption and fraud risks, putting in place systems is not sufficient. Underlying attitudes, norms, and behaviors also need to be addressed.

4. NGO RESPONSES TO RISK

As should be expected, all IRMG members that took part in this study stated that they have a zero-tolerance policy towards corruption, fraud, and SHEA. While there is no common definition of "zero-tolerance," typically it is understood to mean that when breaches or misconduct are exposed, the NGOs will always take action.

Based on the desk review, it was found that of the IRMG members reviewed, just over 60% had comprehensive anti-fraud/anti-corruption policies in place and just over 70% had policies for dealing with SHEA. However, less than 40% of the NGOs interviewed felt that their organization had put in place a comprehensive risk assessment system covering the entire program cycle. A majority of those interviewed did not think that NGOs had sufficient human and financial resources to tackle SHEA, despite respondents indicating that policies were in place.

In subsequent sections of this report, we will look at the risk mitigation measures that have been put in place by IRMG members for corruption and fraud, and SHEA, respectively, and the extent to which they are perceived to be effective or not.

4.1. MITIGATING CORRUPTION AND FRAUD RISKS

All IRMG members reviewed/interviewed confirmed that they have measures in place to prevent, detect, and if detected, manage cases of corruption and fraud. This, as noted above, does not necessarily mean that all IRMG members have comprehensive anti-fraud/anti-corruption policies in place. These measures are frequently integrated into broader programmatic and operational policies and procedures, which is not, in and of itself, a negative, however, these measures do not always appear to form part of a broader approach to risk management. For example, while measures are in place to prevent corruption, there may not be mechanisms to assess the risk of corruption and fraud occurring—something that could help guide the allocation of resources to prevent and detect corruption and fraud.

As can be expected, larger NGOs with more resources typically have more comprehensive measures and systems in place to manage corruption and fraud risks than smaller ones. Some of these larger NGOs have comprehensive risk management frameworks and systems that also cover corruption and fraud risks. The available level of human resources is another area where larger NGOs are in a better position than their smaller counterparts. Whereas risk mitigation may be one of several responsibilities of a staff member in one of the smaller NGOs, larger ones typically have one or more dedicated staff members at the country level as well as additional support at the HQ level. While the staff at larger IRMGs are of course managing much larger portfolios, having dedicated staff does allow them to engage more proactively with risk and when cases of corruption and fraud do emerge, the burden on staff and management is not as significant.

The set of tools and measures put in place to manage corruption and fraud risks are fairly uniform across IRMG members, and include:

- Policies and procedures for program implementation, including MOUs and contractual requirements for implementing partners and other relevant third parties (to ensure that they also establish measures to mitigate corruption and fraud risks)
- Specific policies relating to corruption and fraud, such as codes of conduct, conflict of interest and whistle-blower policies, and reporting mechanisms, typically covering NGO staff, implementing partners, third parties, volunteers, and beneficiaries
- Financial and budgetary controls, including reporting tools and spot checks
- Due diligence/reference checks when recruiting staff or contracting implementing partners and other third parties
- Use of technology and software solutions to mitigate against corruption and fraud

Respondents felt that the systems and processes in place should help in reducing the risk of corruption and fraud, as well as allowing for programmatic objectives to be achieved. However, it was noted that for this to work, systems and processes actually have to be adhered to. The interviewed IRMG members expressed some doubt as to whether this was actually the case.

Lack of adherence to existing systems and processes is closely related to organizational culture, as well as the norms and behaviors prevalent among NGO staff, implementing partners, and third parties. Part of the mitigating measures employed by IRMG members also include efforts to change norms and behaviors within, as well as beyond, their organizations.

The question is to what extent these mitigation measures have or have not been effective.

4.1.1. What has worked?

By and large, respondents felt that there was clear messaging from the top within NGOs, at least at the country level, that energetically mitigating against corruption and fraud risks was a priority. The establishment of the IRMG itself is a sign and serves to demonstrate the determination of its members to strengthen internal risk management. Informal sharing of information and experiences of corruption and fraud risks between IRMG members was also thought to have enhanced the ability to manage these risks (although some respondents felt that this information sharing could be improved even further).

Where systems and processes have been put in place, they were thought to have had a positive effect, although it was recognized by all that systems and processes on their own were not sufficient to prevent corruption and fraud from occurring (as is discussed in the section below). Carrying out spot checks and financial controls, as well as regular audits (internal, in the field, and with partners) had been used effectively by NGOs both to identify risks and detect corruption and fraud when it had already occurred. Some NGOs reported that they were increasingly making use of technology and software solutions to effectively manage corruption and fraud risks. This has allowed for moving away from cash disbursement, the utilization of geotagging, and greater overview of the movements and actions of staff in the field.

It was felt that when related policies were adapted to the Ugandan context, they were more effective. Policies should also be clearly formulated and easily accessible to all staff. Several respondents noted that systems and processes were more effective when accompanied by broad and continuous engagement with staff and partners on risk management, codes of conduct, anti-corruption policies, etc. This also included training staff on risk management and “red flags.” Effectiveness was also thought to be higher where NGOs carried out regular reviews and stress tests on the systems and processes.

Maintaining and regularly updating a risk register was cited as effective in aiding NGOs to anticipate where risks were most likely to emerge. Unfortunately, not all NGOs felt that they had sufficient resources to make effective use of risk registers, again pointing to the resource issue which will be discussed in the next section. Where NGOs had sufficient resources to dedicate a staff member or establish a unit to take the lead on risk management within the organization, approaches were, understandably, more proactive and comprehensive.

It was also thought to be more effective when NGOs were able to work closely with (implementing) partners to ensure that risk mitigation policies and procedures are properly implemented, as well as provide additional support when the capacity of partners needed to be strengthened. Furthermore, policies and processes should be adapted to the context and capacity of the partners. Where they were overly complex, policies were thought to have been less effective in achieving the desired result.

It appears then that where there is a greater availability of resources, NGOs are, overall, better able to effectively manage risks in general, and corruption and fraud specifically, and that making further investments to ensure that the necessary resources are in place is likely to yield beneficial results.

4.1.2. What has not worked?

While citing as a positive that some systems and processes are, in most cases, in place, respondents noted that they are often not working as well as they could. Respondents were also unsure as to whether systems and processes were actually adhered to.

Dealing with corruption and fraud risks was, for many respondents, felt to be one among several competing priorities, both at the HQ and country level. NGOs that do not have staff dedicated to mitigating and managing risk often felt overwhelmed when issues did arise. Instead of being able to deal with risk proactively, they were stuck in a reactive mode. Insufficient resources, capacity, and knowledge to manage risks was seen as a major concern. There is a fear that this may mean that risks are overlooked or even ignored. There was also a widespread perception that donors were unwilling to allocate, or allow NGOs to allocate, additional resources to this, seeing it as an additional overhead.

Competing priorities have at times resulted in risk mitigation being seen as more of a compliance issue or box ticking exercise. When it has not been mainstreamed in the operations of the NGO, approaches to risks have tended to be more reactive and focused on how to deal with corruption and fraud when it emerges rather than carrying out a comprehensive assessment of risks and taking the appropriate preventive measures. Several respondents noted that risk was more often mainstreamed at the country level than in HQ, and not all felt that full support was provided by senior management. Furthermore, the understanding of risk was thought by some to be limited, with too much emphasis placed on mitigating financial risks to the detriment of other, potentially equally serious, risks.

It was suggested that risk management was not always embedded in the overall organizational culture of NGOs or understood to be the responsibility of each staff member. Staff may see risk management as something that is imposed on them by management or on the NGO by donors. When staff do not fully grasp the importance of risk management, or understand that it is a part of their responsibility, they are more likely to see it as onerous or, even worse, something that stands in the way of getting work done.

Working with local implementing partners was cited by several respondents as being potentially problematic in that they do not always have the same understanding of risks or sufficiently robust systems in place to mitigate them. NGOs consistently sought to communicate the importance of this to implementing partners and often placed related conditions in MOUs and agreements. However, where implementing partners could benefit from support to strengthen inadequate systems, resources were not always available or prioritized.

Zero-tolerance to corruption was not always seen as having been effectively communicated to implementing partners. It was felt that a lack of clarity (on the part of the implementing partner) of what would happen should corruption or fraud occur meant that they were reluctant to report it to the NGOs for fear of losing funding. Some respondents felt that an overreliance on a few implementing partners meant that their scope of action was limited when risks emerged, as cutting support might lead to NGOs not being able to deliver their programs. This may also mean that even where risks have been identified, the decision will still be made to go ahead with the implementing partner in question.

While most NGOs have at least some form of mechanism for reporting cases of corruption or fraud, it was not clear that these were well known to NGO staff, implementing partners, or beneficiaries. Nor were they always thought to be sufficiently accessible. In some cases, the reporting mechanism was only available at the HQ level and even where mechanisms were well known and easily accessible, it was unclear whether they would be an effective tool for mitigating risks, given the pervasive culture of silence discussed above. Furthermore, NGOs have not necessarily been effective in signaling that whistle-blowers will be protected.

Ensuring that NGOs do not recruit staff that have previously been engaged in wrongdoing was cited as a challenging area. It was considered difficult to get honest feedback on formal reference checks and especially difficult when only contacting the references provided by the applicant. As a result, individuals who have been engaged in corruption or fraud in one NGO may still find employment in another. Where staff were found to have been engaged in corruption or fraud, it was noted that it could be difficult to get rid of them due to Ugandan labor laws and practices, which effectively removes one of the main deterrent tools available to NGOs.

4.1.3. What could improve?

Respondents consistently stressed the need for risk management to be mainstreamed throughout NGO operations. Risk management should not be considered a separate function or compliance issue. Rather, it should be understood as a key management and implementation tool. It should not be seen as only the remit of management or designated staff. Risk management is something that all NGO staff need to share responsibility for. Every effort should therefore be made to make risk management a part of the day-to-day work at each NGO and of its staff.

Senior management should continue to set the tone from the top in order to create an environment where staff feel empowered to raise issues relating to corruption and fraud. Efforts should be made to ensure that the signaling is the same from HQ as it is at the country level, with HQ giving the country level both the support and space it requires to effectively manage risks.

NGOs should be more proactive in their approach to risk management. A reactive approach has meant that, at times, NGOs have been overwhelmed when dealing with corruption and fraud activity, rather than identifying and mitigating the risk before it becomes an issue. Proactivity also extends to continuing to evaluate, and if necessary, update, existing systems, processes, and policies to make sure they are fit for purpose.

Efforts to raise awareness among NGO staff and (implementing) partners on the importance of risk management, as well as existing systems, processes, and policies, should continue to be a priority as this was identified as a main shortcoming. Related to this is the need to deepen overall efforts to change the prevailing attitudes, norms, and behaviors relating to corruption and fraud. This was specifically identified as one of the main challenges facing NGOs in the Ugandan context, and is something that is likely to require NGOs to work jointly.

It is also vital that NGOs make every effort to fully understand the underlying drivers of corrupt and fraudulent activities and behaviors in Uganda. It is only when the motivations of the individual, as well as the collective, are well understood that risks can be fully anticipated.

Whereas the impact of strengthening reporting mechanisms will ultimately depend on the willingness of individuals to report cases of corruption and fraud, involving beneficiaries to a greater

extent should also be an objective. Where partners and beneficiaries are involved in the design of interventions, as well as identification of risks, they may also be more likely to report issues when they arise. The likelihood of individuals making reports will also depend on how well NGOs can communicate around whistle-blower protection.

Adequate resourcing, or lack thereof, was a central feature of almost all conversations around NGO efforts to manage corruption and fraud risks. Within existing resource frameworks, NGOs should make every effort to allocate the maximum amount possible towards risk management. This should include continuing to build the capacity of, in particular, frontline staff to better manage risks, as well as strengthening the capacity of partners, not only as part of targeted capacity building programs, but mainstreamed across all programs. As noted by the donors, many NGOs have high staff turnover, something which will also need to be taken into account to ensure that capacity-building is sustainable. Where possible, NGOs at the country-level should draw on existing capacity within their organization globally.

NGOs should explore opportunities for pooling and/or sharing resources with the aim of strengthening internal risk management of all members, whether this be the sharing of knowledge and tools, joint support to implementing partners, joint risk assessments or audits, and/or joint training of their own staff. NGOs should also redouble their efforts to support each other in providing accurate references for former staff, warn others when there may be potential issues, as well as commit to carrying out proper reference checks as the presence of a potentially corrupt staff member in an NGO can have an impact far beyond just their own organization.

IRMG should work with donors jointly on risk management to move away from the current situation where risk is, in a sense, “outsourced” to the NGOs. This also entails IRMG members working together to convince donors of the necessity of making additional resources available for this purpose, as it is also an investment in safeguarding their own resources. The donors that were interviewed as part of this study recognized the importance of this as they are ultimately answerable to their domestic audience and corruption scandals tend to undermine domestic support for development cooperation. NGOs should also seek the support of donors when engaging government counterparts on issues relating to corruption and fraud, as it may help to ensure greater responsiveness.

Donors signaled that one of the shortcomings they see is that NGOs in Uganda do not have a common framework for managing risk. While a common approach to internal risk management among IRMG members might be desirable, it is not realistic given that each individual NGO has to adhere to the global requirements of their organization. This does not mean however, that IRMG members cannot agree on joint definitions at the country level, as well as adopt joint positions on how to respond to cases of corruption and fraud. This will allow NGOs to act collectively and be less vulnerable to outside pressure, such as the pressure to continue support in a context where the risk is considered to be too high, or to not take action due to fear of losing funding.

Issues such as a challenging legislative environment and a judiciary that is not operating optimally and may lack commitment on the part of its government counterparts to tackle corruption, largely lie beyond the capacity of the NGOs to impact. Nevertheless, these issues form part of the broader risk context and as such, should continue to be taken into account.

4.2. MITIGATING SHEA RISKS

Respondents noted that over the past years there has been an increased focus among NGOs on preventing sexual harassment, exploitation, and abuse (SHEA). Several high-profile scandals have driven home the vulnerability of beneficiaries and the potential for tremendous reputational damage for NGOs. All respondents stated that their organizations have a zero-tolerance policy for cases of SHEA, whether by their own staff or third parties.

The main risk mitigation measures put in place by IRMG members to prevent SHEA include:

- Clear policies on safeguarding and the prevention of SHEA, along with mandatory awareness-raising and training for all staff
- Careful background checks during the recruitment process of new staff to prevent the hire (or rehire) of individuals who have previously violated rules on SHEA
- Reporting mechanisms for survivors of SHEA
- Sharing tools, policies, and guidelines with partners, and requiring as part of contracts and MOUs that partners put in place adequate measures to prevent SHEA from occurring
- Due diligence to ensure that partners have adequate measures in place to prevent SHEA and where potential partners are found wanting, not entering into a partnership with that entity

Despite all these measures, NGOs, as well as donor respondents, thought that cases of SHEA were, in all likelihood, underreported and, similar to the situation relating to managing corruption and fraud risks, that financing and capacity for prevention were likely inadequate.

The question then is, again, to what extent have mitigation measures been or not been effective in preventing the risks faced by NGOs in relation to SHEA?

4.2.1. What has worked?

Several NGOs have put in place measures to prevent SHEA of their own staff, including various measures to prevent situations where SHEA may occur. Preventing SHEA within NGOs was seen as a critical step towards creating a broader culture of SHEA prevention.

Surveys have been conducted and dialogue platforms have been established to collect feedback on SHEA in order to design appropriate preventive measures. Some IRMG members have carried out comprehensive SHEA-focused risk assessments. Management has also engaged staff in dialogues on SHEA. This is an approach that could also be applicable when seeking to anticipate corruption- and fraud-related risks.

To tackle the culture of silence which unfortunately also extends to SHEA, several NGOs have made reporting allegations of SHEA mandatory. Several NGOs have also gone to some length to raise awareness about reporting mechanisms and the process that the investigation of SHEA cases entails, and ensuring that confidentiality will be protected. Several of the NGOs have mechanisms in place to allow for anonymous reporting. All of these measures aim to lower the barrier to reporting (including fear of retaliation) and give victims the confidence to come forward.

4.2.2. What has not worked?

As noted above, respondents felt that many NGOs did not have adequate human and financial resources to mitigate the risk of SHEA. Furthermore, there was uncertainty as to whether managers or other responsible staff were sufficiently trained or equipped to deal effectively with cases, nor were there always resources available to carry out effective investigations into allegations of SHEA.

It was felt that further discussion, training, and awareness-raising on SHEA and how to prevent it was needed for NGO staff as well as partners. Similar to corruption and fraud, this speaks to the need to further change organizational culture and prevailing norms and behaviors in society at large.

While efforts have been made to strengthen reporting mechanisms, it was felt by several respondents that awareness was still low. Here, NGOs can learn from initiatives by the Government of Uganda and the UN that are effectively reaching out to communities and engaging them in safeguarding efforts. This includes the Feedback and Referral Resolution Mechanism (FRRM) which is operational in refugee settlements and other types of Community-Based Complaints Mechanisms (CBCM).

4.2.3 What could improve?

As noted above, there is a need to continue (and undertake continuous) efforts to educate and raise awareness among NGO staff and partners on SHEA and how to prevent it. Here again, the issue seems to be less about a lack of policies and guidelines and more about the availability of resources, or lack thereof, to implement them effectively.

IRMG should explore the opportunities to work through CBCMs to provide more effective reporting mechanisms for victims of SHEA, as well as strengthen their capacity to carry out timely and effective investigations. Taking swift and decisive action on cases of SHEA is part of building confidence among beneficiaries that these issues are being taken seriously.

5. CONCLUSIONS

Based on the interviews and questionnaires carried out for this study, there is no doubt that NGOs recognize the importance of internal risk management. While this study focused primarily on risks relating to corruption, fraud, and SHEA, this recognition extends beyond these issues to also include an understanding of the need to ensure that all aspects of risk management are mainstreamed throughout NGO operations in Uganda. This recognition is shared by the donors and UN agencies that were interviewed as part of this study.

This recognition is driven in part by the challenging environment that Uganda presents both for development and humanitarian interventions. While it does not appear that the types of risks that are present in Uganda differ greatly from other contexts, the severity of the risk was seen to be greater than in other comparable countries. For example, corruption was seen as being more pervasive, and existing norms and behaviors guiding attitudes towards corruption were thought to be more problematic.

This is of particular concern as corruption- and fraud-related risks, if they become issues, have the potential to significantly undermine efforts to support human development and the humanitarian

response. Together with SHEA-related risks, they can also cause tremendous reputational damage for NGOs and erode public support for development cooperation.

While there were some differences in the types of risks faced by NGOs in the development and humanitarian fields, respectively (e.g. working with local implementing partners for development-focused NGOs and coping with the emergency response for humanitarian ones), the sharpest difference appeared to be between larger and smaller NGOs and the resources they were able to dedicate to managing risks. Put simply, even if not in relative terms, larger NGOs are able to dedicate more resources in absolute terms. The ability, for example, to have a staff member or, in some cases, a unit, dedicated to internal risk management and related functions appears to make a significant difference. This raises the question of whether smaller NGOs should look at the possibility of pooling resources for certain risk management functions and activities.

Related to this, the challenges faced by NGOs in managing risks appear to have less to do with a lack of systems, processes, and policies internally. To a greater or lesser extent, these are usually in place. The challenge instead lies in the ability to effectively implement these systems, processes, and policies, as well as in creating an enabling organizational culture that will address norms and behaviors that have the potential to exacerbate existing risks. It also includes the relative weakness on the part of implementing partners and other third parties to manage risks.

The approaches to mitigating risks could be described as fairly conventional, and to some degree, appear more reactive than proactive—although some IRMG members are deploying innovative approaches to risk management (e.g. technology and software-based risk management tools) and are seeking to more proactively anticipate risks and take mitigating action before they turn into issues.

Thus, the way forward seems to lie less in putting systems, processes, and policies for internal risk management in place, and more in ensuring the availability of the necessary human and financial resources; ensuring that systems, processes, and policies are implemented effectively; learning from others regarding the application of innovative risk management approaches; changing norms and behaviors; and working with implementing partners and other third parties to strengthen their capacity to manage risks.

6. RECOMMENDATIONS FOR IRMG

Taking into account the findings of this study, we propose the following recommendations for the IRMG to strengthen internal risk management, with particular regard to corruption-, fraud-, and SHEA-related risks:

- Continue efforts within IRMG to share experiences of what has and has not worked, as well as tools for managing risks—there is a significant amount of knowledge and lessons learned within the group that members can benefit from
- While it does not seem either feasible or desirable to work towards common approaches to internal risk management, there is merit, at the country level, in considering agreeing on a joint position on minimum standards for internal risk management (including the need for due diligence checks on implementing partners thorough reference checks when recruiting staff), as well as what actions to take when corruption, fraud, or SHEA does occur—a version of joint

donor responses that have been developed in some countries to deal with corruption scandals could be considered

- Explore options for pooling resources to carry out certain risk management functions and activities—particularly relevant to IRMG members who are not large enough to have staff fully dedicated to internal risk management functions
- Develop joint initiatives to strengthen capacities of implementing partners and other relevant third parties on internal risk management
- Consider the possibility of pooling resources to establish a joint reporting or complaints mechanism for NGOs in Uganda—possibly along the lines of the FRRM
- Continue to work on efforts to improve organizational culture and risk awareness within IRMG members (consider joint development of materials and organization of learning/sensitization events), as well as working towards broader changes in attitudes, norms, and behaviors as they relate to corruption, fraud, and SHEA
- At the country level, engage closely with donors to work towards more joint ownership of, and response to, risks, including advocating for allocation of additional resources for internal risk management and encouraging HQ to do the same at their level
- Advocate for internal risk management and capacity building of staff and partners to not be seen as an operational cost or overhead, but rather as an investment in better development outcomes; a more effective humanitarian response; the safeguarding of development partners' financial resources and reputation; and ultimately, a greater return on investments