



STUDY ON RISK MANAGEMENT AND ACCOUNTABILITY PRACTICES AMONGST UGANDAN NGOS

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1.0 INTRODUCTION

International and Ugandan Non-Governmental Organizations (NGOs) present in Uganda, together with broader civil society, make a significant contribution to the development of the country and play a key role in the humanitarian response. 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 as highly corrupt, 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.

In response, NGOs have invested, both in terms of human and financial resources, to put in place internal risk management systems and other mitigating measures to operate in this challenging environment. Corruption, fraud, and/or Sexual, Exploitation, Abuse and Harassment (SEAH) 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 took the initiative to form the Internal Risk Management Group (IRMG). Initially, membership was open to international non-governmental organizations (INGOs) and then opened to national NGOs in 2019. 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, SEAH, and other breaches of organizational codes of conduct. This study is part of this objective.

1.1 OBJECTIVE OF THE STUDY

In 2020, IRMG undertook the ‘Study of NGO Risk Management and Accountability Practices in Uganda’. The study set out to map and analyse NGO accountability standards and

approaches to risk management in Uganda, with a specific focus on managing risks related to corruption, fraud, and SEAH. The aim was 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. However, when the first study was conducted, IRMG membership still consisted primarily of INGOs and only one of the respondents was a Ugandan NGO. As a result, it reflects primarily on the practices and experiences of INGOs.

The objective of this study is to better understand the risk management and accountability practices of Ugandan NGOs, to broaden the understanding of the context IRMG members are operating within and allow for identifying and agreeing on areas of possible joint intervention and capacity development for the IRMG as a whole. As this study serves as a companion piece to the previous study, focus is on analysis and information that differs from or adds to it.

1.2 METHODOLOGY AND SCOPE OF STUDY

Data for this study was collected utilizing two primary methods: 1) interviews; and 2) a questionnaire. In addition, the study draws on a desk review of risk management, anti-fraud/anti-corruption, safeguarding, and other related policies and frameworks and the results of surveys completed by participants of the internal risk management trainings delivered for IRMG members in the first half of 2021. Questionnaires were returned by 14 NGOs (4 of the questionnaires provided only organizational background and did not answer the actual questions); documentation was submitted by 6 NGOs; and interviews were carried out with 5 NGOs. The interviews focused on deepening the understanding of risk management and accountability frameworks put in place and the experiences of NGOs in implementing them.

For this study, we understand risk management as a broader concept, including corruption, fraud and SEAH, i.e., the coordinated activities to direct and control an organization regarding risk. However, as SEAH has been covered in greater detail in other studies, we will focus primarily on the other aspects of risk management.

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. Throughout this document we use the term NGO with reference to the findings.

1.3 STRUCTURE

This study first looks at the overall perceptions of the risk environment, to the extent that it differs from the 2020 study, and proceeds to highlight the main findings with recommendations on how to address issues and challenges identified.

2.0 RISK LANDSCAPE

Overall NGOs identified a similar risk landscape as INGOs did in the 2020 study. However, greater emphasis was placed on the threat posed by prevailing culture, norms, and attitudes towards risk, fraud, and corruption, along with the perceived weakness of national accountability institutions due to corruption. This was seen to be further compounded by a lack awareness of risks on the part of communities (rights holders) and the role they have in holding government, donors, and NGOs (duty bearers) to account. As a result, external oversight was thought to be weak.

NGOs also felt that there was a lack of cohesion within the wider NGO community and called for coordination and agreement around how to address risk and corruption. NGOs that had taken a principled stand against entertaining any requests for facilitation payments from government officials faced delays in implementation as a result. It was thought not all organizations would be willing to take this stance for fear of losing future funding due to slow delivery. This could be remedied by clear messaging on the part of funders. Concerns were also raised that funders tended to paint all NGOs with the same brush when issues arose with one organization. More nuanced and proportional approaches were requested of funders, including INGOs.

3.0 MAIN FINDINGS AND RECOMMENDATIONS

Risk management frameworks have grown incrementally

The risk management frameworks of the NGOs have, generally, grown incrementally with time in response either to organizational growth or to meet the requirements of funders. Of the NGOs responding to the questionnaire, 70% had, at least, a fraud policy. However, only 30% had explicit risk management policies or plans. In several cases, aspects of risk management were found across multiple different policies dealing with different aspects of risk. While this demonstrates that there is at least some codification of risk management approaches, it does not necessarily reflect good practice and could explain why, as noted below, the concept of risk is not always well understood by all staff in NGOs and risk management was considered to, at times, be ad hoc.

Seen individually, the policies and documents provided by NGOs for review were generally adequate. The range of policies and documents varied greatly from NGO to NGO, likely due in part to what NGOs thought of as relevant to their overall risk management framework. This was reflected by the response from several of the NGOs that they were uncertain of what should be the minimum components of a risk management framework and desired more guidance whether their policies and documents met international standards. To that end, some NGOs reported having consulted publicly available sources such as MANGO (Management Accounting for NGOs). It was also suggested that in some cases policies were adopted from templates simply to meet donor requirements, without paying sufficient attention to ensuring their relevance to the organizational or operational context.

Recommendation: In line with suggestions made by several NGOs, IRMG could work towards establishing a minimum standard for what policies should be in place to effectively manage risks. The IRMG Risk Management Manual also provides guidance on what risk management framework should, ideally, consist of along with templates for some key tools.

Risk management frameworks and policies need to be implemented

Having policies in place is of course only the first step in effectively managing risk. Ensuring actual implementation is critical, as adopting policies at times has been more of a compliance exercise. It also means that policies need to be complemented by adequate resources and capacity development. Several NGOs noted that this was often not the case when policies were externally imposed. However, where donors have provided support to build internal capacity, NGOs reported positive outcomes.

Absent this support, there was a risk that frameworks put in place do not live up to their potential. It appears that not enough emphasis is placed on sensitizing and training all staff on frameworks and policies, or it is felt that there are insufficient resources to do so. As a result, implementation has tended to become the domain of the few staff in compliance

functions. This also means that risk management is not sufficiently integrated in overall organizational management and planning processes.

Recommendation: While additional donor support for building internal capacities of NGOs for internal risk management would be desirable, this can and should not be relied on in the current context. Instead IRMG members should seek to pool resources to deliver training and capacity development (something which is currently taking place). NGOs with greater capacity should also provide support to other IRMG members that are in greater need of support. At the same time, there needs to be a shift in the perception that implementing a risk management framework must be resource intensive. It will be if it is seen as a standalone activity. However, if risk management is instead seen as integral part of organizational management and planning and the responsibility of all staff, then it can, to some extent, be absorbed within existing operating budgets. Some NGOs have recognized this and engage staff in continuous dialogue and awareness-raising on risk management. They also ensure that staff that have taken part in external trainings share their newly acquired knowledge with their colleagues. The cost of not implementing policies may be significantly higher due loss of funding or reputational damage.

Continuous review of risk management framework is needed

The risk environment within which NGOs in Uganda operate is not static, yet few organizations report that they regularly review the framework or policies put in place to manage risk. In part this may be a result of policies and processes at times having been adopted simply to satisfy donor requirements rather than in response to a perceived real need. It is likely also a consequence of insufficient resources, a preoccupation with ensuring that projects and activities are implemented or lack of clarity of who within the organization should conduct said review.

At the same time, some NGOs reported that they had put in place measures to conduct regular reviews and, in one case, had tasked their internal audit function to continuously test their risk management framework. It was also suggested that that donor reviews of the NGOs' systems prompted updates to their framework when weaknesses were identified, again pointing to the important role that external oversight can play.

Recommendation: NGOs should put in place processes for the regular review of their risk management frameworks and associated policies and documents, including assigning clear roles and responsibilities for this. While donors can be expected to continue to carry out reviews, IRMG members should consider putting in place mechanisms for peer reviews of each other's risk management frameworks. Peer reviews would allow for recommendations coming from experience grounded in a common context and, potentially, a better understanding of the operating environment. It would also provide opportunities for mutual learning.

Insufficient capacity to analyze and mitigate risk

Respondents suggested that NGOs often deal with risks on an ad hoc basis and that there is a need for a better understanding of how to understand the impact of conflict and political dynamics on the delivery of interventions. Risks are also often thought of at the macro level (e.g., natural disasters and armed conflict) rather than at the organizational level, resulting in insufficient mitigation measures for the risks most likely to turn into issues. Poor understanding of what constitutes a risk along with a perceived normalization and desensitization to commonly encountered risks further compound this issue.

Recommendation: Further training should be provided to NGOs on how to analyze risks and develop risk management processes. The IRMG Risk Management Manual provides guidance and tools. However, hands on training will be necessary along with developing additional capacities of select staff within the respective NGOs to provide sustainable longer-term capacity building and guidance to colleagues within their respective organizations.

A strong board is considered critical

A common factor identified as critical to effective oversight and ensuring that adequate attention is paid to risk management is having an active board in place, with committed board members who bring a broad set of relevant skills to the table. A strong board ensures that organizations are not owned by one individual (i.e., founder's syndrome) and can push for the adoption, implementation and continuous review of risk management or related policies. Boards were also seen as playing an important role on setting the tone and influencing broader organizational culture and management practices.

Recommendation: When NGOs identify the need, IRMG should explore the possibility of providing support to raise awareness of the board on the role that they should play, particularly as it relates to risk management, and developing the capacity of board members to play a more effective oversight role.

A focus on organizational culture is needed

Effective internal risk management is as, if not more, dependent on organizational culture and the attitudes and behaviors of the individual staff members as it is on policies, processes, and systems. A major risk identified by NGOs was staff ignoring existing risk management mechanisms or, as noted in relation to capacity to analyze and mitigate risk, having come to accept a high level of risk as the norm. It was suggested that shifting behaviors was a challenge when staff had become entrenched in their way of doing things even when it should be clear to them that there are major risks associated with it. This extends to staff tending to resist new policies and procedures if they see them as obstacles to getting their job done. NGOs saw organizational growth and staff turnover as a challenge to maintaining a culture of compliance and risk management as new staff may bring with them experiences from less conducive organizational cultures.

Recommendation: NGOs, from the board down, should place emphasis on building and maintaining an organizational culture focused on risk management and active compliance with related policies. Management needs to have the skills to deliver internal messaging and sensitization to this end, which may require additional capacity development support. This includes ensuring that there is an understanding that risk management is the responsibility of all staff. The introduction of new policies, processes and systems should also be accompanied by messaging on their purpose and why it is critical for all staff to adhere to them.

Accessibility of information, policies and training should be considered

NGOs suggested that consideration should be given to how information is consumed in the Ugandan context and that there is an aversion to reading long documents. This applies to NGO staff as well as rights holders. This will require innovative thinking around how best to communicate on risk management frameworks and associated policies and documents as these often tend to be lengthy and are at times written in an inaccessible way. The same also applies to training and internal communications.

Recommendation: As part of developing its advocacy strategy, IRMG should consider innovative approaches to communicating around risk management that does not rely on lengthy written documents. Approaches taken by NGOs have included having discussions around actual cases of fraud and corruption that have occurred within their organizations, using it as a learning opportunity, and regularly reinforcing the core values of the organization.