

NGO Accountability: What the US Can Teach the UN

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With the collapse of the Soviet Union and the liberation of Iraq, most Americans have concluded that the US model of individual freedom, representative democracy and a free market economy has triumphed. Only literature professors now believe in socialist revolution and centrally planned economies. Tyrannies and terrorists remain in parts of the globe, but they will be swept away by the promise of freedom and prosperity. Or so we think.

Nevertheless, around the world there are prosperous and educated people who do not admire the United States. They see the US as the supplier of what they call 'globalism' - free markets, free trade and economic development - and they do not hesitate to denounce the US and other democratic governments that fail to embrace the ideals they prefer - environmentalism, multiculturalism, and wealth redistribution. At one time, such people would have assembled in their nation's capitals to organize or join political parties to compete for power. But these days many activists would rather organize 'non-governmental organizations,' or NGOs. They head for New York, Paris, Geneva, and other places where NGOs gather.

NGOs in Charge

NGOs make a startling claim: they say they represent 'civil society' worldwide, and they see themselves as in the vanguard of a 'civil society movement.' Almost without notice, NGOs have become a force in world politics. They operate in the international arena, particularly in forums and conferences organized by the United Nations. During the 1990s, they played an increasing role in UN conferences like the 1992 'Earth Summit' in Rio de Janeiro, the 1994 Cairo conference on population, and the 1997 Kyoto conference on global warming. In August 2001 they showed up in force in Durban, South Africa for what was called the UN 'World Conference Against Racism, Racial Discrimination, Xenophobia and Related Intolerance.' Twenty-three hundred delegates representing 163 UN member states attended the Durban conference. However, the UN also registered 17,000 participants who were the accredited representatives of some 3400 NGOs.

For years the UN has given NGOs 'consultative status,' but a new set of formal procedures was established in 1996. NGOs receiving this 'consultative' recognition are allowed to attend UN conferences and meetings. They also can participate in meetings of specialized UN agencies like the World Health Organization (WHO) in Geneva and UNESCO in Paris, which addresses education, science, and cultural matters. NGO representatives are permitted to speak at meetings and circulate written statements. Moreover, they are allowed to participate in planning sessions and propose agenda items

for consideration. However, NGOs cannot negotiate over the content of documents and they cannot vote, which is a privilege of UN member states.

The UN has always worked with non-governmental organizations. Groups like Catholic Relief Services, the Salvation Army, and Amnesty International have worked with UN agencies and member states for over five decades on disaster relief, refugee, and human rights cases, and other social and economic problems. In 1968 there were about 260 NGOs with some type of UN recognition. Today close to 3000 NGOs have consultative status with the UN Economic and Social Council and many more are accredited to other UN agencies. They are deeply involved in social, economic and environmental policy issues and even seek roles in formulating defense and security policies that are typically the prerogatives of states. UN Secretary-General Kofi Annan welcomes more UN 'partnerships' and 'collaborative arrangements' with NGOs.

NGOs should come in all shapes and sizes, but the UN seems to attract certain kinds more than others. These are the political activists with a social message. Many are based overseas, but others are American nonprofits with international aspirations. The National Organization for Women and the Feminist Majority Foundation are official UN NGOs. So are AARP (American Association of Retired Persons) and George Soros' Open Society Institute, Greenpeace International and the Natural Resources Defense Council, the Institute for Policy Studies and the ACLU. A few US conservative groups also have fought to receive UN consultative status. They include the Heritage Foundation, Family Research Council, National Rifle Association, and Eagle Forum.

By opening-up UN policymaking processes to more and more NGOs Kofi Annan and other UN officials are dramatically reshaping the world organization. The UN is fast becoming an international organization composed of many different constituent bodies, or 'stakeholders,' not just member states. NGOs are a driving force behind UN efforts to develop the institutions and policies of what is called 'global governance.' They are behind the International Criminal Court, the land-mines treaty, the global warming treaty, and a host of other binding agreements and international covenants.

It makes sense: George Soros and Greenpeace have more money to spend on global policymaking than Bolivia, Bangladesh, and Tanzania. Philanthropic foundations and US nonprofits are playing key roles in sustaining NGOs on the international stage. For instance, in 1997 Ted Turner pledged to give \$1 billion to the UN through his UN Foundation. So far, Turner has given the foundation \$575 million, which it uses to fund NGOs that work with UN agencies mainly on environment, health, and population control issues. Similarly, the Ford Foundation provides hundreds of grants to help overseas NGOs develop their own national infrastructure and political networks. (This is called 'capacity-building.')

Private donors have even stepped in to replace government funding. Last year two activists were quick to organize a fundraising campaign to replace funds lost by the UN Population Fund (UNFPA) after the Bush Administration decided to withhold \$34 million from UNFPA over evidence that it supported China's forced sterilization and abortion policies. To date they have raised \$1.3 million.

NGOs can argue and protest, but they can only exercise power if sovereign governments allow the UN to delegate authority to them. Here is the danger. If NGOs get their way, they will be able to implement and enforce under UN auspices the very policies they have proposed. When the US and other democracies agree to be bound by UN treaties and agreements, they will comply with policies promoted by unelected NGOs, which, contrary to their assertions, are unrepresentative of the world's peoples.

What Is An NGO?

By definition, NGOs are supposed to be non-governmental. Some NGOs are 501(c)(3) and 501(c)(4) nonprofits based in the US. Some receive US taxpayer funding. Many are overseas groups that receive grants from US and European nonprofits and foundations, US and foreign governments, the European Union, the World Bank and other international organizations. These NGOs also disburse grants to still other NGOs. There are no effective mechanisms for tracking this funding.

The UN's new rules for facilitating more NGO participation in world affairs are typically bureaucratic: dense and unrevealing. Since 1996 any NGO that applies for UN consultative status is required to submit its charter and by-laws, financial statements, annual reports and sample publications to the UN's NGO Section. It also must explain how its activities contribute to the goals of the UN. To keep its status the NGO is required to submit a report (in English or French) on its accomplishments. The report 'must not exceed four pages double-spaced' and it must be submitted *once every four years*. So much for quality control.

This is a new process, but already it has produced interesting results. For instance, the General Federation of Iraqi Women received NGO consultative status in 1999. The NGO Committee of the UN Economic and Social Council made the decision, voting 15-1 to admit the federation. The US was the lone opponent of offering consultative status to a Baath party organization. The US also was defeated when it tried to deny consultative status to the Centro de Estudios Sobre La Juventud (Center for Youth Studies). The Center is headquartered in Havana, Cuba.

By contrast, in 2001 Christian Solidarity International, a relief group trying to aid oppressed African Christians in Sudan was denied consultative status. The vote was one in favor (US), eleven opposed (including Algeria, Cuba and Sudan), and six abstentions (including France, Germany, Russia and India).

Similarly, a number of UN delegations attempted to withdraw the consultative status of Freedom House, an esteemed New York-based organization that monitors the progress of democracy and human rights around the world. China complained that Freedom House invited 'anti-China elements' to a panel discussion. Cuba objected to its support for discussions of freedom and democracy inside Cuba. Moreover, Sudan objected to Freedom House's objections to slavery in Sudan. The organization's independence was challenged because it receives US government 'pass-through' grants, which it distributes

to overseas NGOs. Freedom House forcefully denied that it was politically-motivated or under US government control, causing the UN's NGO committee to postpone a decision.

Clearly, the US and the UN have differing ideas about what is a legitimate non-governmental organization. If NGOs simply provided direct services to people in need (disaster relief, refugee assistance), then occasional political differences might be unimportant. NGOs are becoming more numerous and vocal. They are growing more assertive in claiming to represent the aspirations of all people in 'civil society.' They are receiving more, and more consistent, funding from foreign governments, foundation grant makers, and from the US government.

What is to be done? The collapse of Communism and other oppressive tyrannies has liberated millions of people around the world who are creating real civil societies. They are organizing private, voluntary, and charitable organizations that are doing valuable work. The independence of these groups must be recognized and their freedom to make decisions and raise funds deserves legal protection.

Many NGOs are using their new power to undermine individual freedom. They are promoting new international arrangements that are indifferent to the US Constitution, which safeguards our liberties and guarantees our national sovereignty. They are advocating labor and environmental policies that will harm the citizens of less-developed countries that desperately need capital investment and economic development.

If NGOs really want more 'global governance,' they will need to accept more rules for themselves. International NGOs need to make their operations more transparent and their actions more accountable. What is the right formula that can protect an NGO's independence but leave it open to public scrutiny?

Here are a few suggestions, which use the US as a model. The United States has a profound tradition of non-governmental charitable and voluntary activity and it enjoys the world's most extensive, well-financed, and best-governed nonprofit sector. That sector has many problems, which we have analyzed and criticized. It has much strength too. The greatest strength is that it our tradition of charity recognizes a distinction between civil society and the state, between what is uncoerced and what is mandated.

Separate Charity from Politics

Our first recommendation is to make a clear distinction between charitable and political activity. NGOs that serve individuals by providing programs of disaster relief and refugee assistance are different from NGOs that lobby and pressure member-states to change their social and economic policies. Unfortunately, this distinction is frequently and increasingly blurred.

The US clumsily attempts to recognize this difference in purpose by authorizing the Internal Revenue Service to separate nonprofits into 501(c)(3) and 501(c)(4) categories.

- 501(c)(3) organizations are tax-exempt. They are charities that provide direct services to the needy, schools and hospitals, and scientific and cultural institutions. Their mission is to serve, educate, or conduct research in the ‘public interest.’ Limited lobbying is permitted, but 501(c)(3) organizations cannot focus on the passage of legislation or the election of candidates to political office. To encourage charitable giving to this type of organization, the law provides that contributions are tax-deductible.
- The IRS provides a separate 501(c)(4) classification for nonprofit groups that lobby and support ballot initiatives. These organizations are tax-exempt, but contributions are not tax-deductible.

Both types of organization must submit an annual Form 990 to the IRS. The form details the nonprofit’s expenses and provides limited but useful amounts of information on its mission and programs, revenues and net assets, and staff and board of directors. Anyone can make an independent judgment about a nonprofit’s character and fitness by obtaining its Form 990. By law, the form must be available upon request to the nonprofit or the IRS. In addition, the IRS has arranged to put the Form 990 for most 501(c)(3) nonprofits and for grant making foundations on the website www.guidestar.org.

Unfortunately, many 501(c)(3) nonprofits increasingly engage in educational ‘advocacy’ that borders on lobbying and political activity. The difference between charitable nonprofits and lobbying nonprofits could be made more clear if the IRS were to more carefully define what constitutes charity, research and education and if the Form 990 required more detailed information about a nonprofit’s activities and finances. Still, any attempt to differentiate charitable nonprofits from political activist organizations is worthwhile. Moreover, the public availability of the annual Form 990 provides a consistent way to monitor nonprofits and hold them accountable. It requires a nonprofit to disclose its top donors to the IRS. However, the privacy of individual donors is safeguarded because this information is not made available to the public. It also should be noted that the law requires the public disclosure of the names of contributors to political action committees - Political Action Committees - and other political groups that work for or against political candidates.

Disclose All Government Funding

A second recommendation is for full disclosure of all *government* funding of NGOs. Public assistance is different from private generosity; it should be transparent and accountable. Here again, the US example, while far from perfect, offers a useful model.

US government funding disclosure policies take into account both sides of the ledger: nonprofit recipients of government funds are required to disclose the grants they receive, and government funding agencies are required to document the grants they disburse. However, the administrative process of disclosure is awkward and inconsistent.

The Office of Management and Budget (OMB) requires tax-exempt organizations that receive a total of \$300,000 or more from the federal government to fill out a four-page audit form disclosing the amount, agency source and purpose of grants they receive. The audits are gathered by the Census Bureau's Federal Audit Clearinghouse / Single Audit Database (FAC/SAD) and are available online (<http://harvester.census.gov/sac>). Of course, thousands of organizations receive federal awards that total less than the threshold \$300,000 amount, so they are not included on the database. Moreover, OMB is reviewing a new rule that will raise the threshold to \$500,000. Finally, FAC/SAD is not set up to allow website users to sort by grant maker (e.g., the US Environmental Protection Agency). Users of FAC/SAD first need to identify a grant recipient in order to discover who made the award.

Despite its search deficiencies and the arbitrary assignment of a threshold dollar amount, the FAC/SAD system provides an added level of public accountability. The FAC/SAD system makes federal grants to nonprofits more transparent. For example, citizens can learn through FAC/SAD that the World Wildlife Fund (WWF) received \$19 million in federal grants in 2001, \$16 million in 2000, \$14 million in 1999, and \$19 million in 1998. For each year, the FAC/SAD audit discloses the grant making agency and a cursory description of the purpose of the grant.

The other side of the ledger - making government grant making agencies report their annual grant awards - is compiled in the Census Bureau's Federal Assistance Awards Data System (FAADS). FAADS is a repository for data on many different types of government payments - from Social Security payments to veterans' benefits to US EPA grants. Although the Census Bureau states that FAADS should not be used for accounting purposes, it does provide the basis for a system that could be refined to provide online quality information about taxpayer-funded grants to nonprofits.

Both government agencies *and* nonprofit organizations should be held accountable to a uniform and truthful disclosure of the awards they make and receive. Transparency in government funding will make charities more open and effective, and give taxpayers the information they deserve.

Shareholders Should Demand Disclosure of Corporate Contributions to NGOs

Corporations and corporate foundations gave over \$9 billion to nonprofits in 2001. Since 1986 Capital Research Center (CRC) has pressed for more disclosure of corporate gifts to nonprofit advocacy groups. CRC's annual *Patterns of Corporate Philanthropy* itemizes corporate grant making to nonprofit advocacy groups and it has disclosed a continuing imbalance in giving. Corporations tend to give more to advocacy favoring government tax and regulatory policies harmful to wealth-creation. We surmise that this pattern of corporate giving reflects social and political pressures that cause corporations to act against their own best interests. However, our access to grant making information is limited to corporate foundations (which by law must disclose their giving) and to a handful of corporations that make voluntary disclosures.

If corporate philanthropy is to become more transparent and accountable, shareholders must become more vigilant. They should demand that boards of directors and top managers make full disclosure of company gifts to nonprofits and explain the necessity of their giving. In a global economy, the demand for international giving will only escalate, and corporations are sure to be exposed to shakedowns by unaccountable NGOs. Already, overseas NGOs work with US labor unions, student groups, and nonprofits to coordinate pressure campaigns against corporations alleged to violate labor and environmental standards (e.g. the ‘anti-sweatshop’ campaign against Nike). NGOs also pit company against company (e.g. the Rainforest Action Network’s attacks Georgia-Pacific, which refuses to comply with forestry demands that other companies accept.) Some corporations are complicit in these campaigns because they hope to buy-off the NGO or divert its attacks to a competitor.

Members of Congress have proposed legislation mandating more public disclosure and requiring shareholder designation or approval of corporate gifts. A better solution is for shareholders to make their own demands of corporate boards and managers.

Use the Internet to Increase Disclosure

A fourth recommendation is to encourage NGOs to publish annual reports and make them available over the internet. We live in an information economy where the cost of transmitting information grows cheaper each day. When NGOs put their mission statements, annual reports and publications online, the market lets individuals rather than governments evaluate NGO promises and accomplishments according to measures the individual deems pertinent.

Implementing these recommendations will not achieve a faultless system of NGO management and oversight. The temptation will be for governments to impose restrictions on private charitable giving. This is the wrong course. Instead, governments and international agencies need to adopt more comprehensive disclosure policies and provide better-organized information databases that are internet-accessible. This will allow private watch-dog organizations to do a better job independently monitoring NGO activities.