Ensuring NGO Accountability for Reconstruction and Humanitarian Relief in Ukraine

By Brock Bierman and Daniel F. Runde

Nongovernmental organizations (NGOs) will play a significant role in the generational funding needed for Ukraine’s reconstruction, which the World Bank Group currently estimates will cost at least $411 billion. NGOs will need to help implement projects to rebuild factories, farms, hospitals, houses, places of worship, schools, and other important community institutions destroyed during the war. If this task is not sufficiently prioritized and coordinated, it could ultimately take decades longer than necessary while costing billions more—and even one story of an ineffectual or dishonest NGO could be amplified to damage everyone trying to help.

Current NGO operators on the ground include larger, established organizations funded by the U.S. government, other donors, and international development companies delivering important services via U.S. government support. There is also a universe of smaller, local Ukrainian NGOs, some of which existed before the war and others that were founded after the conflict began; these Ukrainian organizations received just 0.003 percent of humanitarian aid in 2022, primarily through private contributions from individuals or companies rather than large donor funding. Additionally, there are U.S.-based organizations that were founded after the war’s outbreak to address Ukraine’s humanitarian needs. All these organizations have the potential to help or hurt Ukrainian reconstruction efforts. Creating a set of standards for NGOs in this context can set an example for future disaster responses around the world.

This paper largely focuses on newly established, small to medium-sized U.S. and Ukrainian NGOs—many of which have been in operation for less than two years. There is no standard classification of NGOs by size, but the U.S. Internal Revenue Service (IRS) does split nonprofits into eight revenue
categories with thresholds of up to $100,000, $250,000, $500,000, $1 million, $5 million, $10 million, $100 million, and over $100 million. For the sake of this paper, “small” NGOs are categorized as those with under $1 million in annual revenue and “medium-sized” NGOs as those with annual revenues between $1 million and $10 million—but this should not close the discussion, as this paper serves only as the beginning of more detailed conversations about NGO accountability in Ukraine. Moreover, the recommendations outlined are worthwhile for all NGOs that value transparency.

While the vast majority of NGOs in Ukraine are already providing critical services, there are reports of profiteering. Public and private donors are likely to be careful with their resources, particularly given the difficult budgetary and economic environment in the United States and elsewhere, such that even mere perceptions of NGO corruption could undermine support for U.S. aid to Ukraine. Moreover, a lack of leadership in coordination, cooperation, and communication to optimize NGO aid delivery often leads to duplicative or unnecessary assistance.

To guard against corruption, NGOs in Ukraine should agree to a common code of conduct with third-party monitoring (TPM). While this is more difficult for new NGOs, which have obviously limited track records and function on shoestring budgets, these steps are nonetheless essential. Those organizations that opt into such a system can market their integrity efforts to solicit funding from governmental, corporate, and independent donors, while those that do not will find it considerably more difficult to fundraise without demonstrated accountability. Such actions will ultimately help facilitate the reconstruction of Ukraine, an already monumental task that need not be further bogged down by corruption concerns.

The Current Situation on the Ground

An enormous amount of money will need to be spent on rebuilding Ukraine. In response to the conflict, Ukraine has received an unprecedented amount of aid, including over €165.4 billion in government-to-government commitments as of May 31, 2023.

While some reconstruction funds will be delivered through the national and subnational governments of Ukraine, the scale of financing requires that civil society organizations, nonprofits, and contracting firms play a significant role in delivering aid. Over $50 million of direct U.S. government assistance, for example, has gone straight to implementing partners. In some regions in Ukraine, such as Odesa, roughly half of humanitarian aid is administered by NGOs. Many of these organizations receive no government funding and rely on local citizens, businesspeople, and the Ukrainian diaspora for support.

Some NGOs are anti-corruption watchdogs, others engage in political organizing, and many provide humanitarian assistance. The newest small to medium-sized organizations are largely handling emergency needs related to the war, while humanitarian economic assistance is generally being routed through larger, well-established U.S. NGOs. Massive funding is also distributed to the Ukrainian government through “budget support,” which ensures that the military, teachers, police, and municipal workers are paid to maintain basic social systems, including electricity delivery.

Given the level of destruction, Ukraine’s needs will exceed its resources, and given the various and multilevel avenues of aid pouring into the country, oversight efforts will be crucial to ensure that the limited resources are not squandered by corruption. With Transparency International ranking Ukraine
116 out of 180 countries in its 2022 Corruption Perceptions Index, there are significant concerns that funds will be misappropriated. There have been some initial efforts at oversight, with the U.S. Agency for International Development (USAID) investing $20 million to strengthen oversight capabilities for the Ukrainian government. Nonetheless, political pressure to prevent corruption persists, and most attention so far has focused on official aid to the government rather than nonprofit conduct.

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To coordinate the global response, the UN Office for the Coordination of Humanitarian Affairs (UNOCHA) has identified 461 humanitarian partners in Ukraine, including 236 international NGOs, 112 national NGOs, and a host of government agencies and private donors. These organizations include global players such as Doctors Without Borders, Rotary International, and the International Committee of the Red Cross, as well as small and medium-sized NGOs. It is unclear how many of the organizations recognized by UNOCHA were founded after Russia’s invasion, but the research initiative Humanitarian Outcomes identified at least 1,700 local NGOs that have formed since the war began.

All these groups are performing critical functions, providing housing, food, clothing, and psychological support. They include faith-based groups, U.S. NGOs registered as 501(c)(3) organizations, and those supported by Ukrainian business leaders. Some NGOs are large institutional organizations partially funded by government agencies such as USAID. Other organizations operate locally and raise money from individual and corporate donors.

**Concerns Surrounding Corruption**

There is significant public concern around corruption risks in Ukraine. The *New York Times* has publicized corruption allegations, such as Ukraine’s military paying inflated food prices and officials using state resources for personal gain. There have also been reports of conflicts, misrepresented backgrounds, and fraud among fundraisers. While there is no evidence that direct budget support has been misused, it too has come under special scrutiny given the unprecedented levels of aid. Monitoring these funds is already difficult, and the war has only compounded corruption risks as oversight is neglected in favor of immediate national security concerns. President Volodymyr Zelensky has made good-faith efforts to root out corruption, but Ukraine continues to be perceived poorly, and mere impressions of corruption within the NGO sector or Ukrainian government could endanger U.S. or European support for Ukraine.

Within the NGO sector, concerns exist around the funding and implementation of projects. A BBC investigation found hundreds of fake charities soliciting donations to Ukraine. These scammers manipulated goodwill for the Ukrainian cause for their own personal gain by stealing the official branding of charities such as Save the Children and the Facebook profiles of authentic Ukrainian fundraisers.

Some aid organizations have also failed to identify legitimate needs in Ukraine. For example, Kyiv has received products that are not needed, including bottled water. Because of logistical failures,
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some NGOs have received goods that were expired. Additionally, the complexity of the distribution process has created windows for corruption for those attempting to exploit international support. Even well-meaning NGOs outside of Ukraine are creating roadblocks and backlogs with unnecessary, if not dangerous, supplies. Goodwill can sometimes create a logjam for needed assistance and a delay in delivery that costs dollars and lives.

**Options to Address Corruption Concerns**

Official efforts are attempting to **track** direct budget support. USAID has given money to Ukrainian anti-corruption watchdogs and has an audit contract with Deloitte. The respective Offices of **Inspector General** for USAID, the Department of State, and the Department of Defense are being used to track direct budget aid as well, and such efforts should be encouraged and expanded.

Although NGOs and the Ukrainian government are in separate funding buckets, corruption among NGOs could spur far-reaching suspicions, even for Ukrainian budget support. Therefore, the success of anti-corruption efforts among NGOs is crucial to preserve funding flows for both. Fortunately, Ukraine's civil society remains **vibrant**, and many organizations are eager to root out corruption.

Going forward, NGOs should play two key roles in reconstruction: delivering services and acting as corruption watchdogs.

Since the war began, NGOs have been invaluable in detecting corruption in Ukraine. A **recent example** is Yuriy Nikolov’s NGO Nashi Groshi, or “Our Money,” which unearthed a $355 million defense contract by the Ukrainian military to purchase food at two to three times the market rate. The report led one official to resign and may have been connected to President Zelensky’s anti-corruption purge in early 2023. For national security reasons, government procurement has become **less transparent** during the war to prevent publicizing Ukrainian resources to Russia—and some NGOs have also eschewed publishing anti-corruption stories to avoid undermining Western aid. However, both now and when Ukraine begins reconstruction, anti-corruption NGOs should be vigilant and vocal in exposing corruption so they do not put future aid packages at risk.

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One prominent anti-corruption organization is **Rise Ukraine**, a coalition of 40 international and Ukrainian organizations seeking integrity and accountability in the reconstruction process. Rise Ukraine lists 10 principles for reconstruction: relying on Ukrainian-owned, internationally verified procurement; building back better; ensuring transparency and accountability; promoting competition and efficiency; meeting sustainability requirements; coordinating with international, domestic, and local partners; ensuring equity and inclusion; publishing and using accessible data; continuing reforms required for EU membership; and having zero tolerance for corruption. While membership in Rise Ukraine is optional, it provides a model for transparency in the reconstruction process. Embedded in its principles are ideas such as digital procurement, open data, and governance reforms that will support Ukraine’s long-term integration into the European Union. These principles are important for both the Ukrainian government and NGOs to address corruption concerns and bring the country into closer value alignment with the transatlantic community.
Third-party monitoring (TPM), whether through Rise Ukraine or organizations such as Charity Navigator or Candid, should be strengthened before reconstruction begins. A report on TPM in Afghanistan and Somalia found that monitoring organizations are indeed willing to operate in areas deemed unsafe and their visits offer low-visibility options that raise less attention. TPM also tends to be more cost-effective because it requires less complex security arrangements.

The World Food Program (WFP) offers one case study of how switching to TPM worked in Afghanistan. The WFP’s internal monitoring had been suffering from high turnover in high-risk areas, capacity problems, and salary and recruiting issues, so the organization shifted to TPM with two private consulting companies: an Afghan NGO and an international one. Since most WFP staff were based in Kabul, TPM allowed the WFP to gain information on remote regions and track food in training and school programs. While turnover challenges remained, WFP officials expressed overall satisfaction with TPM in interviews.

Another success story in TPM is Hope for Haiti. The 2010 earthquake that struck the Caribbean country led to an immediate aid infusion. Because aid money was funneled to NGOs, many of which were corrupt and unaccountable, Haiti has since been derisively called a “republic of NGOs.” Haitian organizations have been accused of overpaying staff, mismanaging funds, and focusing on short-term projects at the expense of long-run rebuilding. Hope for Haiti, however, employs local staff and focuses on long-term impact in areas including education, health, infrastructure, water, and economic opportunity. Every year, the organization is audited, files a Form 990 with the IRS, releases a report, and is evaluated by both Charity Navigator and Candid, from whom it has received the highest ratings. Amid widespread corruption, Hope for Haiti has demonstrated that TPM and accountability can translate donor funding into positive charitable impact.

TPM should not be government-controlled. Government oversight could be used to prosecute NGOs that authorities dislike politically, and enforcement is likely to be watered down by lobbying from individuals and firms with a vested interest in corruption. Instead of relying on government funding, TPM could be self-funded through an accrediting body that charges a fee to applying entities, and agencies such as USAID could provide additional monies. Since smaller NGOs often have stretched budgets and limited overhead relative to larger NGOs, TPM payment obligations could be proportional with organization size. If further monies are still required for resources and staffing, then official donors should be prepared to provide modest funding for TPM in Ukraine.

Another possibility is an opt-in system, which may be enough to enforce compliance for NGOs in Ukraine. If major NGOs sign onto a TPM system, other organizations will face increasing pressure to adhere to it. Those that use TPM can market their efforts to governmental, corporate, and individual donors as proof of accountability.

While TPM will help root out fraudulent charities, it will not necessarily address the aforementioned coordination issue that has resulted in sending unnecessary or expired goods. To ensure that goods provided are needed and worthwhile, the Ukrainian government could establish a clearinghouse system updated in real time for humanitarian assistance. The system should specify which humanitarian materials are needed, where they are requested, and what quality is required. There is existing precedent for this, as similar systems have been deployed by the Pan American Health
Organization in response to natural disasters, by universities to support refugees displaced by conflict, and by the North Atlantic Treaty Organization (NATO) in cases of disaster or crisis. The clearinghouse might also include a tool to connect accredited suppliers with requesters to facilitate NGO coordination, perhaps using a rating system in which the recipient evaluates the supplying NGO and vice versa, to further ward off corruption threats and ineffectual aid.

What Should Be Expected of NGOs in Ukraine

NGOs in Ukraine should have transparency akin to corporate governance. The board of directors, advisers, and staff should be clearly visible on their websites and absolutely independent from any private sector benefactors who donate money or resources to that NGO. Some NGOs operating in Ukraine were established by for-profit companies, and the officers of that for-profit are on the NGO’s board. Clear separation is necessary to show that that NGOs are guided by honest philanthropy, not profiting from the war, and board members should sign a pledge stating as much. Donors and partnerships should also be publicized on websites, as should the history of the NGO, including its age. Ideally, NGOs should even use open bank accounts and publish their online transactions. This service is available free of charge from organizations such as PrivatBank, which also verifies transactions and makes them visible to the public. There should also be transparent channels of communication and feedback loops with stakeholders—including the public, donors, partners, and people in the communities the NGO serves. NGOs should be periodically audited, and the reports should be publicly available. The overall goal of NGO transparency is to ensure that operations, procurement, and donations are monitored and free of corruption, which makes the NGOs free to implement positive change in a war-torn land.

As an example, the Humanitarian NGO Platform in Ukraine, an independent coordination body consisting of international and Ukrainian organizations, has an established code of conduct that may serve as a basis for NGO behavior. To apply for membership, NGOs must be registered, operate in at least two oblasts, have at least one senior staffer in Ukraine, disclose their organization’s age and website, and sign a code of conduct. Applications can be made online, and membership entails adherence to a common set of standards, which is ultimately in the interest of a corruption-free Ukraine.

Conclusion

While Ukraine’s reconstruction needs are great, NGOs in the country continue to perform admirable work providing housing, food, clothing, and psychological support. Unfortunately, a very small minority of NGOs have taken questionable actions or even been corrupt—risking support for the entire reconstruction project, as well as support for the Ukraine cause.

To root out corrupt organizations, NGOs in Ukraine should agree to a common code of conduct enforced by TPM. Organizations that opt into this system will demonstrate commitment to oversight. Donors can and should respond accordingly, creating a financial incentive for all NGOs to engage in best practices, reduce the risk of corruption, and better facilitate the reconstruction of Ukraine. There cannot be enough transparency. NGOs also need help to improve the system and provide better services, and they should issue more guidance on best practices, including through trainings and workshops. Because Ukraine’s reconstruction hinges so much on Western perceptions, NGO
accountability will not be a short-term fix but a long-term solution with generational impacts, so it needs to be done right.

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