

Complex emergency – complex finance?

by Guy Hovey and Diana Landsman

Complex emergencies and NGO response mechanisms entail rapid deployment of staff and resources, immediate recruitment and accelerated distribution of relief supplies.

Interventions require speed and flexibility. It is in this context that finance and accountability often become early casualties.

Emphasis is quite rightly put on immediate assistance to displaced persons and other disadvantaged people. However, financial and accountability procedures are often overlooked. This can lead to funds and aid going missing with a corresponding loss of confidence in the NGO on the part of beneficiaries and eventually on the part of the donor community. In the long run it can cause donors and governments to re-evaluate their funding strategy towards NGOs. A good example of this would be the hundreds of millions of US\$ which have gone missing in Bosnia/Herzegovina since 1993.¹ However, it is both possible and practical to incorporate simple yet effective financial accountability measures. A complex emergency does not need to entail a complex financial procedure.

We recommend a three-stage financial entry strategy in complex emergencies and the phases following the initial crisis. Each stage is designed to provide the minimum accountability and transparency requirements, whilst taking into consideration the overarching need to render immediate assistance to those who need it.

1. Emergency phase

a. Cash handling and disbursement

Inevitably, large amounts of procurement will be undertaken. While some will be done in a neighbouring country where banking systems may operate reliably, provision must be made to procure in country via cash transactions. The safe transportation of cash will be found in any NGO security manual so will not be dealt with here. However, the payment of cash is often where NGOs run into

difficulties, in particular proving what was purchased how, when, where and for how much. To pay cash for goods requires receipts and each team member should be issued with a receipt book. All receipts should be countersigned by the team leader or a team witness.

b. Basic accounting ledger

A basic ledger showing cash in hand, cash out and in, with vendor details, will, when combined with the receipts, provide enough information for HQ finance staff to process. This will provide an accountability and audit trail during the following months when set-up staff have left and it may be difficult to explain the need to make emergency purchases to an auditor unfamiliar with the vagaries of humanitarian emergencies.

c. Insert emergency finance staff

It is often not feasible to send a dedicated finance person into an emergency situation. However, at least one of the emergency team should have enough basic accountancy training to be the point of financial contact. They should also be able to undertake a financial assessment of the banking and financial systems of the country where the NGO is operational as well as operating a simple ledger system.

d. Support from NGO HQ

It is important for HQ staff to understand that emergency staff working in a complex emergency will, in all probability, not be able to generate the complex financial reports required by donors. HQ should therefore be willing and able to generate these reports for the field during the emergency and part of the transitional phase. It is at this point that many NGOs develop poor reputations with donors as the needs of the emergency, the financial ability of the staff dealing with it and the needs of donors collide.

2. Transitional phase

As the emergency phase gives way to a more secure environment and regular programme implementation, it is recommended that at the earliest opportunity a dedicated head of finance and appropriate staff arrive to provide administrative and financial back up. With the arrival of these staff, the emergency staff will be able to hand over the simple ledger and it can be upgraded to an appropriate accounting system such as an accounting and sales support package (ACPAC) run by trained and qualified staff.

3. Operational phase

As the operation becomes entrenched, all financial responsibility at field level currently being undertaken by HQ staff can be transferred to the field finance department. However, it is important to try and maintain some continuity of staff from the emergency phase as financial reporting questions will arise and lack of institutional knowledge has led in the past to confusion in financial reporting.

This is a very brief overview of our recommendations from our complex emergency experiences. Each organisation will have its own ideas as to how best to cope with the problems posed in an emergency intervention and how to balance the programme needs and the financial accountability needs. Without adhering to some basic principles, however, problems will continue to occur with the resultant drop in donor and client confidence which has at times become an all too familiar NGO problem.

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1. There is an often-quoted figure that of approximately \$6 billion spent on aid in Bosnia, \$1 million has gone missing.