

MERITS OF CHARITABLE & DEVELOPMENT PROJECTS IN ARMENIA/ARTSAKH

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 **Davit Zargarian**, Canada, 31 December 2015

The Armenian Diaspora funds a number of minor and major charitable organizations that operate in Armenia and/or Artsakh, all conducting many different projects and pursuing a range of missions  loosely aimed at helping their host societies fight poverty and improve lives. As can be reasonably expected from the diversity of conditions, attitudes, and opinions existing in various Diasporan communities, and in light of the many divisions they encompass, there have been simmering debates about which, if any, of these projects are more beneficial and worthy of support. Opinions are often divided and change over time as priorities evolve in Armenia and Artsakh, or in reaction to major outside forces such as economic crises, military conflicts, etc. But one line of questioning has persisted over the years: Do charitable projects help Armenia/Artsakh, or do they harm them by distorting markets, not encouraging self-reliance, and even hindering the fight against corruption? Which charitable organization is more/less susceptible to mismanaging donated funds? Which type of project is more/less prone to corrupt practices?

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The above issues were the subject of a long debate in the on-line forum "24april" in December 2015. ("24april" is a Yahoo group moderated by Artin Boghosian of Toronto and is aimed at the exchange of ideas about issues of interest to Armenians everywhere. Its membership of about 250 individuals is not limited to Canada.) The on-line forum exchange brought to fore multiple opinions and perspectives contributed by a range of people, including those who have donated to one or more specific organizations and continue to believe in their charitable works, as well as those who have donated in the past and been involved in the activities of a given organization but no longer believe in the overall cause and, indeed, question the value of such projects for the recipient people. Everyone offered both praise and criticism, and the operations of one specific organization came under particular scrutiny and were vigorously defended by two of its officers.

Just when the debate seemed to be coming to its natural conclusion, some of us decided to formulate a series of questions aimed at capturing the most important points raised in the debate. These questions were meant to help identify the pros and cons of charitable projects carried out in Armenia and Artsakh, but also raise red flags for the potential pitfalls inherent in such undertakings. Once people started offering their own answers to these questions, another idea came up: why not use the momentum generated in our debate to inspire a broader discussion of this important issue in another forum? And this is how the questions originating in 24April came to be posted in Keghart.com .

The following paragraphs outline the questions discussed in the 24April debate and provide some answers. Two points must be emphasized at the outset:

- As important as answers are ultimately, for now they are less crucial than the questions. Indeed, the main objective of this essay is to help formulate the right questions about the merits of charitable projects being pursued in Armenia and Artsakh. The success of this effort should thus be measured in terms of how wide a participation it might attract to this debate.
- The answers provided below are primarily my own and do not pretend to represent the positions of other debaters. This said, the 24April debate inspired us all to reflect on the merits of charitable work carried out in Armenia and Artsakh, and certainly helped me better define my answers to those questions. I have also picked up interesting points from others' answers and opinions. I refrain from naming specific organizations that were discussed in the debate, and have elected not to attribute specific points/opinions to specific debaters; this is done in respect of privacy issues and in the interest of avoiding any inadvertent mischaracterization that my answers might entail.

Now, on to the questions:

1. *All things considered, is it a good thing or a bad thing that major charities operate in Armenia and Artsakh?*

I think that charitable work is, on balance, worth it, because it makes a small but positive difference in the lives of many. Most importantly, I believe such projects give the poor in Armenia some hope that they are not forgotten completely, that we in the Diaspora haven't turned our backs on them. And let's remember that even in wealthy societies, such as ours in Canada, there are many problems that get addressed not by the state but by various charities. Why should this not be the case in Armenia?

1. *What level of overhead and "built-in inefficiencies" exists in large-scale charity projects implemented in Armenia/Artsakh? "Built-in inefficiencies" refers here to unaccounted costs incurred by outside organizations not completely in-tune with local conditions and realities; they range from the type of over-charging common in most construction contracts to systemic*

irregularities, cheating, kickbacks, etc.

Human nature being what it is, combined with the less than stellar reputation of Armenia's institutions to operate in a transparent manner, it is likely that large-scale charitable operations will be prone to irregularities, cheating, and kickbacks. Indeed, it would be very surprising if at least some of this didn't take place. As many debaters pointed out, construction projects in particular are notoriously prone to price-fixing, and all manners of cheating happen everywhere, including right here in Canada. Armenia is presumably not an exception.

This said, we can and must distinguish between normal overhead and the type of "built-in inefficiencies" alluded to above. Some people favor strictly volunteer-driven, small-scale projects precisely because they are easier to implement without significant overhead of any kind. I have no issues with large-scale operations that might entail normal overhead such as employing locals for a whole host of jobs and tasks such as secretarial, administrative, professional, etc. Indeed, I would think that the more these projects create honest jobs the better they'll benefit the local scene as a whole. So, overhead of this nature is not only unavoidable, it can be considered a positive side-effect of charitable projects.

In contrast, kickbacks, unearned commissions, "networking costs", and other items of this nature are in a different category and must be treated differently. I would guess that these must exist to some extent in many medium- to large-scale projects, but it is hard to know with certainty; only those very intimately involved with a given project would know how extensive the problem is.

1. *Would charities know if/when they are being cheated? Do they have metrics in place for detecting cheating, for instance?*

Like any well-run organization, a charity operating in Armenia/Artsakh must have well-developed processes and specific checks and balances for ensuring that waste and irregularities are identified and minimized, if not eliminated altogether. Certainly in the case of sufficiently large organizations, it can be said that if there is no specific person or branch dedicated 100% to this aspect, then my suspicion is that this organization doesn't even know what level of corruption it is dealing with. As romantic and pleasing as it might sound to some that a single individual can oversee a large-scale project, such set-ups would be highly prone to serious levels of irregularities.

1. *How should organizations react to whistle-blowers trying to expose undeclared overhead or outright cheating? What is their reaction to widespread rumours about overt or covert misdeeds in the way their projects are implemented?*

I think it is very important to emphasize that charitable organizations must do everything they possibly can to make it harder for embezzlement to continue. This is what will distinguish those charities that are strongly committed to ensuring good management of their projects from those that act as if the main thing is to collect funds and do "something", regardless of how much waste

and corruption exist in their operations.

Whistle-blowers, by definition, come from within the organization and their claims/revelations are usually based on hard facts and personal knowledge of processes, relationships, outcomes, etc. In the context of charitable work in a foreign country, whistle-blowing should be at least tolerated; ideally, it should be welcomed and even encouraged actively. I would judge a charitable organization by how sincerely it invites criticism and complaints, and by how openly investigates them.

Rumours might also arise from within the organization, but they are often based on outsiders' impressions as opposed to hard facts. Importantly, rumours reach the public in different ways, usually through "coffee-shop conversations", "hearsay", etc. Often and inevitably, these channels lead to amplification and embellishment of the original impressions; even so, vigilant organizations should not ignore rumours and innuendo completely, because most have a basis in reality and their longevity often reflects valid concerns and persistent irregularities.



It should be acknowledged here that persistent rumours and repeated accusations don't amount to established truths regarding corrupt practices. On the other hand, hard evidence of wrongdoing can only come out of proper investigations of the type the average citizen can't do on his/her own. So, how to judge the worth of rumours in the absence of hard evidence? The events of the past few years in Montreal can guide us in the search for the right answer. For years, people in Québec (and outside it) were talking openly-- but without concrete proof-- about rampant corruption in Montreal construction projects such as bridge-building, road-paving, water-meter installations, etc. There were also accusations that organized crime was heavily involved in these projects, and that politicians at all levels (from municipal to provincial) were either colluding with the perpetrators or receiving bribes to look the other way. The Charbonneau Commission was set up against this backdrop to study the matter; its findings resulted in arrests, multiple confessions, and some sentences, thereby confirming that most of the rumours and innuendo were not too far off the mark.

Does all this mean that the same must be the case in Armenia/Artsakh, that all allegations of fraud and cheating leveled at charitable organizations must necessarily be true? No. But this case illustrates that it is not unusual for these types of revelations to go through a rumour stage before being confirmed. We don't need to condemn charitable organizations, shut them down, or stop supporting them on the basis of rumours, but dismissing persistent rumours in these circumstances amounts to pushing one's head in the sand and refusing to at least make an attempt to see reality.

The worst of the rumours and doubts are not those we hear in the Diaspora, but rather those circulating in Armenia and Artsakh about the level of corruption in many charitable projects. The local critics of these projects deplore the attitudes of Diasporans (both donors and the general public) who focus solely on the small positive aspects of these operations while ignoring the long-

term damage caused by indirectly-- and inadvertently-- helping to maintain the corrupt system.

We can conclude, therefore, that wise charitable organizations will heed rumours and criticisms and act upon them. Their leaders will have the humility to accept that even the most stringently developed anti-corruption processes can be sabotaged by clever but unethical employees, associates, or advisors. They need a very high level of commitment to good governance and must strive to improve processes already in place. This is because, ultimately, any charity is responsible for all corrupt practices committed in the implementation of its projects, even if these happen despite the purest of intentions.

- 1. Assuming it has been established that some level of irregularity does exist in certain projects: what is the reaction of the charitable organization in charge? Does it view such "built-in inefficiencies" as inevitable and acceptable cost of doing business? Or does it adopt a zero-tolerance attitude and do everything possible to make it harder for embezzlement to continue?*

Here, the size and resources will determine the proper reaction. If we are dealing with an organization that truly has no way of eliminating corrupt and irregular practices, then it might be appropriate to decide that it is better to accept, say, 10% to 20% loss due to graft rather than spend 40% to 50% of the funds (and precious time) to rout it out. But in this case, the charity must be 100% open with its donors about this policy. In other words, as a donor, I would rather hear the head of a charitable organization tell me that only X% of my donation went to good use, and that some losses could not be avoided because of insufficient local expertise, personnel, etc. In the end, it is the donor who must have the final word about whether this level of "overhead" is acceptable or not.

But here is the next question: How many of our mainstream charities tell their donors, frankly and without obfuscation, that some percentage of their donations ends up in the wrong pockets?

- 1. Whereas we know that most reputable charitable organizations take their fiduciary responsibilities toward their donors seriously, how would they define the limits of their responsibility? Does it extend to making sure that 100% of collected funds reach the site of the project (Armenia/Artsakh)? Or does it go beyond this and include proper management of the project and ensuring that all charges and costings are at the level of market-price?*

Some donors might feel that the best a charitable organization can do is ensure that collected funds reach Armenia/Artsakh intact, anything beyond this being unrealistic. This, however, is exactly the kind of attitude that enables mismanagement of projects and makes locals question the ultimate value of charitable work.

Personally, I would not take seriously any organization that can't vouch for how well their funds are spent inside Armenia/Artsakh, or at least know how much is lost to corruption. No organization is justified in allowing graft and kickbacks to take root where they operate; otherwise, they contribute to destroying the fabric of the society they wish to help, and will end up disillusioning the very

people they want to help stand on its own feet.



At an absolute minimum level, not paying attention to getting your money's worth locally distorts the local market in favor of the corrupt few. A less than vigilant approach to project management will result in artificial increases in the price of local construction materials, agricultural produce, clothing, etc. without helping to raise wages of the skilled and unskilled people their projects employ.

1. *Finally, what sort of dynamics gets established between the charitable organization and their donors, on the one hand, and the local authorities on the other? Are the charitable projects valued by the authorities to the point that the charitable organization and its donors are viewed as legitimate stakeholders in Armenia's and Artsakh's affairs and their future? Can these organizations and their constituencies (the donors and the Diasporan communities they operate in) speak up freely when they have concerns on issues of governance and democratic development? Or must they watch what they say publicly if they wish to maintain good working relation with authorities? In other words, do organizations need to curtail their social conscience if they wish to maintain the "privilege" to help Armenia/Artsakh?*

This is, arguably, the worst potential ill that can come out of charitable work gone awry. If the host society is expected to not only tolerate corruption and graft in the name of fighting poverty but also accept to be deprived of outside voices of protest and solidarity in moments of social crisis, then we know that we face the slippery slope to not just lawlessness but also hopelessness. This is how locals can come to feel abandoned and betrayed by their Diasporan kin.

So, we must challenge those who say that charitable organizations operating in Armenia must remain "neutral" in politics, because this "neutrality" is often nothing more than a code-word for silence in view of serious violations of rights and freedoms. The reality is that no charity is interested in taking sides about whether Hagop should become Armenia's president or Tigran; they couldn't care less which political entity gets to govern as long as it was elected properly and intends to respect the rule of law. On the other hand, all charities should be concerned and vocal if people are being roughed up or shot at during peaceful rallies, or if elections and referenda are being stolen in broad daylight.

At an absolute minimum, the main figureheads representing major charitable organizations must be free to voice any personal criticism they might have of wrongdoing committed by authorities against locals. Ideally, charities should also encourage the general advancement of democratic principles and traditions in the society they are trying to help. If this is considered a violation of the requirement for neutrality, then "neutrality" comes to mean taking the side of the authorities; in other words, "neutrality" becomes synonymous with collusion.

The bottom line is this: charities go to Armenia and Artsakh to help their people. And helping is not

limited to building a school or planting some trees or offering language lessons. Helping is also instilling in people a sense of pride and a spirit of independence and audacity, thereby ensuring that they will dare to challenge injustice and stand up for their rights. Tolerating the “neutrality” condition imposed on charities by authorities might lead to an Armenia/Artsakh that boasts a few modern schools or lush forests but one whose people's spirits have been broken and their hopes dashed.

