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Accountability in Non-Governmental Organizations: Theory and Practice

By

Olugbenga Aladejobi Coker

Thesis submitted for the Degree of Doctor of Philosophy,
Department of Management, Kings College,
University of London

1 June 2012

Abstract

The study of Non-Governmental Organisations' (NGOs') accountability has lagged behind that in the private sector in the areas of empirical details and theoretical foundation. This thesis analyses the research question: How do NGOs practice accountability and what is the theoretical basis for this practice? To answer this question, the study develops a descriptive framework that classifies accountability practices along two broad dimensions: one based on the form of giving accounts (which could be process or performance) and the other based on the form of holding to account (which could be contractual or communal). The resulting four possibilities were built into a framework around which a theory was developed and used to guide the empirical investigation in 6 NGOs, 3 in the UK and 3 in Africa. The study rejects the rigidly structured research approach of the rationalist school and the completely unstructured approach of the phenomenological school. In regard to the exploratory nature of the research question, it adopts a 'middle range thinking' approach proceeding with a partly structured process and a prior theory in 'skeletal' form 'fleshed out' with the findings as the study progressed. The research finds that the bulk of the resources utilised by NGOs are derived from the global north while the bulk of the needs for NGOs' services are in the global south, and that this influences accountability practices across both sides of the hemisphere. Because of the nature of NGO's objectives and activities, it is argued traditional accounting's capability to provide a full account of NGOs' performance is severely limited. This, coupled with the involvement of multiple stakeholders with varied needs, has resulted in the use of multiple systems of accountability. In total eight practices were identified, spread across the four possible approaches in the theoretical framework with practices aimed at the needs of the statutory authorities and the Institutional donors dominating in the UK NGOs. Where southern NGOs have a large part of their income supplied by northern hemisphere Institutional donors only the accountability needs of these donors dominates as the local regulatory frameworks are weak. The insights from the thesis raise a range of policy issues about the form and regulation of accountability by NGOs and the role of the Institutional donors in it.

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Glossary of Abbreviations

CERD	Committee on the Elimination of Racial Discrimination
CBO	Community Based Organizations
DAC	Development Assistance Committee
DFID	Department for International development
EC	European Commission
ECOSOC	Economic and Social Council
FAO	Food and Agricultural Organization
EIDHR	European Initiative for Democracy and Human Rights
ECHR	European Court of Human Rights
IDP	Internally Displaced Persons
INGO	International Non-Governmental Organizations
NAO	National Audit office
NGO	Non-Governmental Organizations
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
ONS	Office of National Statistics
PAC	Public Accounts Committee
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children Fund

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Finally, I want to thank my family that has supported me all through the years- my wife, Seyi for her support and my son Tobi, born in the year I started this research, who thinks- 'Daddy doesn't do any work- he just sits at the computer!'

Dedication

To God for life and the gifts; and to my wife, Seyi and our son, Tobi

Chapter 1

Introduction

1.1 Background

The global growth of Non-Governmental Organizations (NGOs) over the last six decades has been phenomenal. The term NGO was first used in 1945 by the newly established United Nations, in Article 71 of its charter, to refer to a range of organizations with no governmental affiliations with which it aimed to consult in carrying out its economic and social work. Since then NGOs have grown in number and in importance, delivering services to a larger number of the world's population, addressing plenary meetings of UN member states, contributing alternative reports and strategic information to treaty bodies and attracting substantial amount of funding (Korten, 1990; UN, 2003). The significant growth of NGOs could be attributed to two major events. The first is the end of the cold war in 1989 and the decision of the developed countries to channel Official Development Assistance (ODA) to the less developed countries through NGOs who are believed to be more cost-effective than the governments of the less developed countries (Robinson, 1993; Edwards & Hulme, 1996). The second was the millennium declaration in 2000 whereby the developed countries committed to increasing their spending on ODA to 0.7% of their GNP. Both events witnessed a rise in funding to NGOs as the global funding for humanitarian assistance rose from $10bn in 2000 to $18bn in 2005 (Development Initiatives, 2006).

The growth of NGOs and the increased funding available to them has led to a focus on their role and the call for them to demonstrate more accountability (Najam, 1996). But

assessing NGOs' accountability is faced with three main challenges. The first is the difficulty in defining the boundary of what constitutes NGOs. The second is in defining the scope of what constitutes accountability. The third is the particular nature of NGOs' activities that makes the measurement of their outcome a very complex exercise. Each of these are explained in more detail below.

The difficulty in defining NGOs is traceable to the proliferation of the types of organizations that have come to be described variously as NGOs such as Not-for Profit Organizations (NPOs), Private Voluntary Organizations (PVOs) and Charities. These terms have been used interchangeably (Salamon & Anheier, 1992a; Vakil, 1997). A common feature of these organizations is that their activities are not aimed at profit-making. While the bulk of these activities are mainly in providing welfare services for poorer people and in development and advocacy work, it often extends beyond this core area depending on which term is used and how it is defined. In the UK, a range of organizations engaged in various forms of activities have sought to operate as NGOs or charities. This has prompted UK law to respond by statutorily clarifying what constitute charities. The Charities Act 2006 lists 13 qualifying charitable purposes. These were a considerable expansion of the initial 4 charitable purposes, recognised in the statute of 1601, which centre on the relief of poverty, the promotion of education, the promotion of religion and other purposes beneficial to the community (Hind 1995). The 2006 Act's definition pushed the boundary of charities well beyond these original four charitable purposes. The term now includes a larger number of organizations that were not part of what was originally described as NGOs. This study focuses mainly on

NGOs which, whilst similar to charities as legally defined in the UK, excludes those organizations not involved in the provision of welfare services, development or advocacy work. These latter activities were originally identified to be conducted through NGOs (Vakil, 1997) and for the purpose of this study, this will continue to be the main focus.

Concerning the second challenge, accountability is a very subjective concept that has been described in different ways in different organizational settings (Sinclair, 1995). Researchers on accountability have used different theories or frameworks with some of them overlapping but very few gaining widespread use. While in some sectors, particularly in the private sector, accountability has been viewed mostly in terms of the rendering of financial accounts, in others, it has been expanded to include qualitative assessment of the achievement of objectives and responsiveness to stakeholders' needs. Many of the theories or frameworks are not embracing enough to explain the concept across all sectors. Accountability can, therefore, not be discussed independent of the context.

The third challenge relates to the difficulty in measuring the outcome of advocacy and development activities in which many NGOs are engaged. The efficient delivery of an NGO's activities does not guarantee that its objectives or expected outcome will be achieved. A lot of the challenges in NGOs' accountability are therefore in the area of the attempt to measure the outcome and impact of their work and the achievement of their objectives. But the nature of advocacy and developmental activities is such that

their achievements and impact are difficult to measure objectively and the appropriate timeframe for any such measurement extends well beyond the annual reporting cycle that most accountability frameworks adopt.

The literature on NGOs' accountability reflects these challenges. Accountability has been described more generally as a relationship between one party that gives account and another party that holds to account (Robert & Scapens, 1985). Various streams of research have studied accountability either from the way the accounts are being rendered (Avina, 1993) or from the exercise of the power to hold to account (Najam, 1996; Edwards & Hulme, 2002). Other streams of research have taken the giving of account and the holding to account as two distinctive strands that together constitute accountability (Roberts, 1991; Laughlin, 1990; Stewart, 1984).

The most widespread framework, the Principal–Agent model, used mostly in private sector accountability, views accountability in terms of the rendering of accounts to a dominant stakeholder, the shareholder, who has the power to hold the agent to account. Accountability is rendered by the Agent to the Principal-whose main objective is assumed to be the maximization of the Principal's wealth- by reporting on financial performance. This framework ignores the existence of other stakeholders whose interests may be different from those of the shareholders but may not have the power to hold the agent to account (Laughlin, 1990). Other researchers have highlighted further shortcomings in this framework. For example, the framework is unsuitable in the public sector where there is no single dominant 'shareholder' and where the organizational

objectives are much broader and more qualitative than maximising the wealth of a single stakeholder (Mayston, 1993). Elements of the stakeholder theory and other frameworks have been used for researching accountability in these other settings but no single coherent framework of analysis has gained widespread applicability.

None of these frameworks or theories has been widely used in research on NGOs' accountability. As in the public sector, the Principal-Agent model is of limited use in NGOs' accountability research. NGO's objectives are not related to maximising financial returns. The ideal of humanitarian principles that NGOs subscribe to suggests that no services for the benefit of a suffering human being may be dismissed out of hand. This ideal has limited the importance of economic rationality in the delivery and accountability for NGOs' services. Also, NGOs have several stakeholders rather than a single dominant stakeholder. While the stakeholder theory may have some relevance, the nature of the stakeholder relationships involved is far too complex to make it a sufficient framework of analysis. One of the complexities is in relation to the position of the beneficiaries of NGOs' work. These are an important stakeholder group on the basis of whose needs NGOs are founded and derive their legitimacy. But they have no power to hold NGOs to account. NGOs have devised various means of accountability to the beneficiaries and the community (Khan, 2003; Dixon et al., 2006; O'Dwyer and Unerman, 2007). While some of these methods have been researched, further research in this area is yet required.

Due to these challenges, research on NGO accountability has adopted various frameworks for analysis. Some of the frameworks focus on the dimension of the form of rendering accounts. Amongst the most widely used here is Avina's (1993) Functional-Strategic accountability framework. It uses functional accountability to represent accountability for the use of resources and strategic accountability to represent accountability for the impact of NGOs' activities on others.

Other frameworks focus on the form of holding to account. Najam's (1996) framework focuses on the various stakeholders to whom NGOs are accountable, mainly their patrons (the donors), their clients (the beneficiaries and the community) and themselves (their mission and values). Edward and Hulme (1996) built a framework based on the inequality in the power of these stakeholders to hold NGOs to account. They described as 'upward' NGOs' accountability to those stakeholders that have the power to hold them to account and 'downward' their accountability to those who do not have such power. Insights into how NGOs render accountability, both 'upward' and 'downward' and the contradictions involved, have been further developed in Godard and Assad, 2006; Unerman and O'Dwyer, 2006; 2006a; Gray et al., 2006; Dixon et al., 2006; Agyemang et al, 2011

This thesis develops a framework of analysis that combines the perspective of holding to account and the perspective of rendering accounts to define the range of possible approaches to accountability that it calls the 'accountability space'. It identifies how the various frameworks in the literature fit into this broader framework highlighting the

concentration of existing research around a limited area of the 'accountability space' and the gaps in research and empirical details in other areas. It also highlights the lack of an embracing theory that underpins the existing frameworks or that explains accountability practices across NGOs. This thesis addresses these concerns and tries to fill these gaps in knowledge.

1.2 The aim of the research

This thesis sets out to investigate what accountability in NGOs entails and how it is practiced. Researchers and practitioners have debated the issue of NGO accountability for almost two decades but there is yet insufficient clarity in its meaning and scope while empirically grounded research on actual practices in NGOs remain sparse. The thesis begins by critically examining the literature on accountability in general and as it relates to NGOs in particular. The thesis aims to establish a theoretical basis for understanding what NGO accountability entails and empirical details of how it is practised in particular NGOs. Through this, it aims to establish a basis for assessing the extent to which NGOs are accountable and how practices can be improved. The thesis, therefore, addresses the following research questions:

1. What theoretical model should inform the description and analysis of accountability practices in NGOs?
2. What is the nature of accountability practices in actual NGOs?
3. What theoretical, policy and practical implications and recommendations can be derived from the analysis of NGO accountability practices?

By seeking answers to these questions this study aims to provide a theoretical understanding of NGOs' accountability as well as empirical details on how it is implemented in particular NGOs. This is crucial in assessing the state of NGOs' accountability and identifying the areas needing further improvements.

1.3 The research approach

Because the body of knowledge involved in NGOs' accountability is not fully developed, the study is partly exploratory requiring an appropriate research approach to reflect this. It rejects the rationalist approach, with its use of prior defined theory and rigidly structured investigative process, as unsuitable in an exploratory study of this nature. It also rejects the fully inductive approach of the phenomenological school that rejects the need to start with a prior defined theory to explore the nature of actual empirical situations. It settles for 'middle range thinking' approach (Laughlin 2004) that allows the study to commence with a loosely defined or 'skeletal' theory developed from what is known but leaving room for it to be fleshed out or modified based on particular details of insights gained as the study progressed. It justifies this approach because part of the issues involved is known from the literature and previous research though considerable empirical details are yet missing.

Consistent with the research approach, the study adopted a case study approach using three NGOs from the UK and three from Africa with areas of activities spread between welfare/emergency, development and advocacy. More extensive data collection was carried out in the first of the three UK NGOs which effectively served as the lead case

study. Data collection primarily involved the use of documentary analysis in all the case studies but extended to include participant observation in the lead case study. Interviews were conducted as an additional form of data collection in all the six cases. The data from the lead case study was analysed and the theoretical model used was modified with the findings and used to guide the data collection and analysis in the remaining five cases.

1.4 The structure of the thesis

This introductory Chapter presents the background to the thesis, the justification for the research and the approach adopted. It also gives an overview of the structure of the thesis.

Chapter Two presents a critical review of the literature on accountability in organizations in general and in NGOs in particular. It notes the dominance of the private sector and the public sector practices in the literature and the paucity of research on accountability practices in NGOs. It critically examines the strengths and limitations of the existing theories and approaches to accountability found in the literature and their relevance to NGOs. It proceeds to develop a framework of possible approaches to accountability and uses it to categorise the existing literature on NGO accountability. It observes a concentration of the literature around a limited area of practices and major gaps in other areas. It fits the existing research on NGO accountability within this framework drawing linkages between them. This framework forms the core of the theoretical model developed in Chapter 4 for investigating and explaining the gaps.

Chapter Three presents the research approach used in the study. It begins by examining the existing approaches to research and the role of theory in relation to the ontological and epistemological assumptions. It examines the benefits and limitations of the rationalist and the phenomenological approaches and settles for a 'middle range thinking' approach that commences with a loosely defined or 'skeletal' theory leaving room for particular details of insights gained to be used in modifying it. It justifies why this approach is suitable for this research where the strategy was to start the investigation from the basis of the existing knowledge and add new insights. A major area of gap in the existing literature is the lack of an embracing theory for analysing NGO accountability. Part of the aims of this research is, therefore, to develop a theory for analysing accountability across NGOs in order to fill this gap in the literature. The flexibility of this research approach makes it suitable for theory building.

Chapter Four develops the skeletal theoretical model used to commence the investigation. Towards this, it examines the relevance and limitations of existing theories of accountability and goes on to develop a 'middle range' theory of alternative forms of accountability. It begins with the framework of possible approaches to accountability developed in Chapter 2 to conceptualise accountability practices as involving one or more of four possible approaches in the 'accountability space'. It then develops two models to link certain organizational variables to certain types of accountability practices and incorporates structuration theory to explain how the dynamic interaction between the variables shape the form of accountability practices that evolve in organizations. This theory was used to commence the analysis and is

developed iteratively using the empirical cases. This chapter effectively moves towards providing a theoretical basis for analysing NGOs' accountability and attempts to fill a major gap in the literature.

Chapter Five presents the data on the lead case study- a UK based human rights NGO. The data collection was structured in line with the variables in the theoretical model. Data on the systems of accountability in use were also collected. The chapter goes further to present an initial analysis of the data. The analysis reveals the concentration of the practices in the lead case study around particular areas of the 'accountability space' with minimal practices in other areas. The observed pattern is consistent with the results obtained when the data on the organizational variables collected were analysed using the theoretical model. Some key findings relating to the influence of the regulatory authorities and the Institutional donors in shaping the observed pattern emerged. The initial findings were used to modify the skeletal theory before proceeding to the data collection and analysis in the remaining five case studies.

Chapter six presents the data collected in the remaining 5 case studies beginning with 2 UK based NGOs and then 3 NGOs in Africa. It uses the variables in the theoretical model to structure the data collection. Each case study begins with a background on the NGO, then data collection on the organizational variables in the theoretical model. Data was then collected on the forms of accountability practices in each case study.

Chapter Seven presents the analysis of the 5 secondary case studies building on the theoretical and empirical insights from the lead case study. It examines how far the findings in the lead case study repeat across the other 5 NGOs. It finds that the 2 UK NGOs have similar organizational variables to those in the lead case study and their accountability practices are similar to those in the lead case study. But it found in one of the 2 NGOs, additional forms of accountability practices not previously observed in the lead case study. The theoretical model was used to both explain and at the same time, developed through this slight variation caused by a difference in one of the organizational variables. The findings in these 2 cases validate those from the lead case study and add more insight into other practices not found in the lead case study.

The organizational variables in the African NGOs studied are similar to those in the UK NGOs in certain areas but different in others. Some similarities and differences in accountability practices were therefore observed. Some of the NGOs cooperate with their UK counterparts, who operate as International NGOs (INGOs), in the areas of funding and programme delivery. The analysis finds that this relationship influences the pattern of accountability particularly in the African NGOs. Analysis of the data from the three African NGOs adds new insights into practices not found in any of the UK NGOs. The additional insights were used to further refine the theoretical model to give a fuller descriptive analysis of NGOs' accountability practice. This descriptive analysis, together with the policy implications, is discussed in the concluding chapter.

Chapter Eight concludes the thesis beginning with a review of the initial research objectives and how these have been met. It uses the empirical insights gained from all the cases to provide a theoretical and empirical analysis of NGOs' accountability practices. It then goes on to highlight three important areas of contribution of the thesis to the knowledge of NGOs' accountability leading to future research possibilities and policy implications.

Chapter 2

NGO accountability in Context

2.1 Introduction

As indicated in Chapter 1, the study of accountability in NGOs poses some major challenges. Two of these relate to the issue of definition and scope. First, the term NGOs has been used to describe a whole range of organizations but there is no consensus on its precise definition. Second, the term 'accountability' is used in a broad sense and its meaning changes with the context in which it is used. As a result, the literature on accountability is extensive, covering several disciplines.

Section 2.2 examines the evolution of NGOs within a historical context identifying three important eras in their development. It attempts to define NGOs and to classify them according to the type of activities they engage in and their level of operation. Section 2.3 examines the current thinking and regulatory requirements around NGO accountability. It identifies the significant influences on NGO accountability and the framework used in previous research and suggests that a fundamental rethink of NGO accountability is needed. Section 2.4 examines the existing theories of accountability, their relevance and limitations, and identifies the two essential elements at the core of the concept of accountability. Section 2.5 explores the nature of these core elements of accountability in developing an analytical framework for categorising the existing approaches to accountability. It attempts to link the diverse literature on NGO accountability and situate them within this framework. It highlights the concentration of the literature in particular areas and the gaps in the other areas. Section 2.6 identifies

knowledge gaps in the literature. It raises the research questions and clarifies the intended contribution of the thesis.

2.2 Understanding the Nature of NGOs

The term Non-Governmental Organizations (NGOs) has been used to refer to a broad range of organizations but there is no general consensus on what NGOs are. The term came into use with the establishment of the United Nations in 1945. Article 71 of Chapter 10 of the United Nations Charter makes provision for the Economic and Social Council, one of the body's main organs of decision-making, to consult with NGOs:

> 'The Economic and Social Council may make suitable arrangements for consultation with non-governmental organizations which are concerned with matters within its competence. Such arrangements may be made with international organizations and, where appropriate, with national organizations' (UN Charter Chapter X, Article 71)

The United Nations was established at the end of the Second World War as an international forum for addressing a wide range of global concerns. The UN has six Charter bodies. These are the Trusteeship Council, the International Court of Justice, the Secretariat, the Security Council, the General Assembly and the Economic and Social Council (ECOSOC). Of these, the last three are the principal decision making bodies of the UN. NGOs have no formal role in the Security Council decision making. They have no official consultative status with the General Assembly, although they are sometimes invited to participate in its activities. Their main participation is at the ECOSOC, the principal organ established to coordinate the economic and social work of the UN (UN, 2003: 4-13). In fulfilment of its mandate, in Article 71 of the UN Charter, to 'make suitable arrangement for consultation with NGOs', the ECOSOC

passed Resolution 288B (1950), revised by Resolution 1296 (1968) by which consultative status was granted to mainly international NGOs. These resolutions were subsequently replaced by Resolution 1996/31 (1996) that opened the door for the accreditation of national NGOs including those in the developing countries based on specified conditions. Initially, 41 NGOs were granted consultative status in 1948 but this increased to 2,350 by October 2003 (UN, 2003: 8). These NGOs address plenary meetings of UN member states and contribute alternative reports and strategic information to treaty bodies. NGOs have come to be seen as sources of expertise that can inform the UN's decisions and as partners that help carry them out (UN, 2003: 3)

Over the last six decades, the role of NGOs has evolved. Three main eras in this evolution can be identified. The first era predates 1945 when the term NGO was created and extends to the late 1980s. In this period, many NGOs were initially involved in 'care and welfare' activities inherited from the charitable activities that had been part of many developed countries for centuries (Korten, 1990: 115) until their role became formally recognised by the UN. In this era their impact on decision making in the UN was still very limited. Hill (2004: 1) attributes this to the effect of the cold war on deliberations at the UN that made the environment non-conducive to NGOs' participation. But this may also have been due to the limited funding available to NGOs, their traditional focus on care and welfare activities and their yet limited skills in campaign and advocacy related activities for which the UN is an effective platform. In this era, the accountability of NGOs was mainly to their members who provided most of their funding.

The second era is the period from the end of the cold war in1989 up to 2000. During this era, bilateral and multilateral donors pursued a 'new policy agenda' that gave renewed prominence to the roles of NGOs (Robinson, 1993). This was based on the belief that NGOs are more efficient and cost-effective than states in providing welfare services (Edwards & Hulme, 1996). Official development assistance began to be channelled through NGOs rather than through the governments of the less developed countries. Also in this era, ECOSOC Resolution 1996/31 was passed in 1996. This paved the way for the accreditation of national NGOs and the expansion of operational relations between NGOs and the UN agencies such as UNICEF, UNHCR, and UNDP. These agencies started financing programmes in developing countries through direct collaboration with both national and international NGOs. The era witnessed significant growth in the activities and numbers of NGOs. The calls for greater accountability started in this period as practitioners and scholars in the field challenged the notion of NGOs' cost-effectiveness (Najam, 1996: 340).

The third era began in 2000 when member states of the UN adopted the 'millennium declaration' aiming to half world poverty by 2015. Towards this, the developed nations committed to spending 0.7% of their Gross National Product (GNP) on Official Development Assistance (ODA) to the less developed nations. This era witnessed a significant increase in the funding of NGOs as the global humanitarian assistance funding rose. As an illustration, global funding for humanitarian assistance rose from $10bn in 2000 to $18bn in 2005 (Development Initiatives, 2006: 10). Concerns about the preparedness of NGOs to manage this increased level of funding became topical.

2.2.1 Defining NGOs

Since the term Non-Governmental Organization was created by the United Nations many have used it interchangeably with Private Voluntary Organisations (PVO), Not for profit organizations (NPOs), Charities and Civil Society Organizations (CSO). To delineate the scope of the study, it is important to distinguish NGOs from these other organizations.

Gorman (1984: 2) defined PVOs as 'non-governmental (private), tax-exempt, non-profit agencies engaged in overseas provision of services for relief and development purposes'. Other authors have identified shortcomings in this definition such as the inclusion of tax status arguing that tax regimes vary by countries (Salamon and Anheier, 1992). In addition, reference to overseas activities in the definition excludes those PVOs based in third world countries that may not work overseas (Vakil, 1997: 2058).

In defining Not for profit organizations (NPOs) Salamon and Anheier (1992: 11-12) identified five distinguishing features of NPOs. They are:

- Formal
- Private (unaffiliated with government)
- non-profit distributing
- self governing (autonomously managed)
- voluntary organizations

This definition of NPOs is broad and the authors consider NGOs as a subset of NPOs describing them as those NPOs 'engaged in economic and social development' (Salamon and Anheier, 1992: 5).

Vakil (1997: 2059) sees the core distinguishing features of NGOs as mainly two of Salamon and Anheier's five distinguishing features of NPOs: the private (unaffiliated with government) and self-governing (or autonomously managed) nature of the organisations. She thinks that the inclusion of 'formal', in Salomon and Anheier's definition, excludes the informal and community based organizations in the third world. To distinguish NGOs from NPOs, Vakil (1997: 2058-2059) used the historical association of NGOs with development thereby excluding NPOs such as unions, professional, cultural and religious organizations whose aims are not development oriented. She defined NGOs as:

> self-governing, private, not-for-profit organizations that are geared to improving the quality of life of disadvantaged people (Vakil, 1997: 2059)

The difficulty with this definition is in defining development. Development is a broad concept encompassing a range of activities. Elliot (1987: 57-59) identified three positions that NGOs can occupy along a continuum that constitute the nature of development. These are:

1. Welfare: delivering services to specific groups
2. Developmental: improvement in the capacity of a community to provide for its own basic needs and
3. Empowerment: enabling or training a community to enter the political process

But delivering services to communities may encompass other activities such as emergency and distress relief which some see as falling outside the scope of what could be defined as development. The OECD Development Assistance Committee's (DAC) Statistical Directive, in an attempt to distinguish 'emergency and distress relief' from 'development' defines the former as 'an urgent situation created by an abnormal event which a government cannot meet out of its own resources and which results in human suffering and/or loss of crops or livestock' (DAC, 2010).

Gray et al., (2006: 322-323) describe NGO as an element of the civil society. They define civil society as occupying the space that exists between the state, the market and the family. They admit that this definition based on 'what it is not' is as a result of the difficulty in defining the other elements of society from which civil society emerges.

NGOs can also be identified by how an organization is registered under the law of a particular nation but this approach is severely limited as exemplified in the UK where an organization's status as a charity is not accepted as sufficient justification for classifying it as a NGO (Unerman and O'Dwyer, 2006:309).

In the UK, NGOs are registered as charities and their activities are regulated by the law and, in England and Wales, the Charity Commission. But the definition of charities under UK law embraces not only NGOs but other organisations established for charitable purposes. What constitute charitable purpose is subjective and its definition has evolved over time. The earliest attempt to define charity was from an Elizabethan

statute of 1601 which contained a list of purposes which were then considered to be charitable. This was formalised by the judgement of Lord Macnaghten in Pemsel's case of 1891(Hind, 1995: 385), where charitable activities were classified under four headings:

1. The relief of poverty,
2. The advancement of education,
3. The advancement of religion and
4. Trust for other purposes beneficial to the community.

Over the years, the term has been broadened to include several other organizations serving different purposes. Because of the tax and fundraising advantages, the tendency is for some organizations to attempt to register or operate as charities. The Charities Act 2006, in an attempt to streamline this, provides a statutory definition of 'charity' as 'a body or trust that is established solely to promote for the public benefit, one or more of thirteen charitable purposes' (Charities Act 2006, c.50:2). These are listed in the Act as:

1. the prevention or relief of poverty
2. the advancement of education
3. The advancement of health or the saving of lives
4. The advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity
5. The advancement of animal welfare
6. The advancement of environmental protection and improvement

7. The advancement of citizenship and community development
8. The advancement of arts, culture, heritage or science
9. The relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage
10. The advancement of religion
11. The advancement of amateur sport
12. The promotion of the efficiency of the armed forces of the crown; or the efficiency of the police, fire and rescue services or ambulance services
13. Any other charitable purpose in law

The key qualifying criteria is that an organization needs to show an identifiable public benefit before it can be registered as a charity under the Charities Act 2006.

But not all organizations that qualify as charities under the law can be described as NGOs. For example, religious organizations and amateur sports organizations, though qualifying as charities under the law, cannot be described as NGOs based on Vakil's (1997: 2059) association of NGOs with development activities. For the purpose of this study, this association with development (including welfare) activities will be used in identifying NGOs. Organizations that fit this definition will also qualify as charities under UK law.

2.2.2 Classifying NGOs

As the above demonstrates, the term NGO covers a diverse range of organizational types. In defining the unit of analysis it is important to classify NGOs. Several researchers have proposed different classification frameworks but they have been tainted by the purpose and the disciplinary perspective of the researches. NGOs have been studied from different social sciences disciplines making it difficult to obtain an overall view:

> '…multiple parallel discussions about NGOs have tended to take place within the confines of individual disciplines and areas of study making it difficult to construct an overall framework' (Vakil, 1997: 2060)

Vakil (1997) grouped the various bases on which earlier writers have classified NGOs into two categories:

1. Essential or primary descriptors based on the orientation of NGOs' activities and their level of operations
2. Contingent descriptors based on sectoral focus or evaluative factors such as the level of accountability or participation.

She suggested that a classification framework for NGOs based on essential descriptors is more useful in sorting out broad theoretical and empirical issues related to improving understanding of NGOs. This approach will be adopted in this study. NGOs will be classified first according to their orientation and then according to their level of operation.

Orientation refers to the type of activities in which NGOs engage. The three principal orientation within Elliot's (1987: 57-59) development continuum will be adopted but

modified by the OECD's (DAC, 2010) distinction between 'emergency and distress relief' and 'development'. NGOs with 'welfare orientation' are those involved in the delivery of services, mainly the basic needs of poor populations (Elliot, 1987: 58). This category includes both development and emergency oriented NGOs. 'Emergency or distress relief' oriented NGOs deliver welfare services but in 'emergency' situations that involve widespread suffering or risk of loss of lives usually following a natural or man-made disaster such as earthquakes and violent conflicts. 'Development' oriented NGOs include mainly those that deliver services that have as their ultimate goal improvement in the capacity of a community to provide for its own basic needs (Elliot, 1987: 58). In the third category, Empowerment, are 'Advocacy' oriented NGOs who aim to influence policy or decision-making related to particular issues. Vakil (1997: 2063) identifies 'Development education' as another orientation where NGOs focus on educating the people on major development issues such as global inequality, debt, climate change etc. But this could be seen as a first step towards an 'advocacy' orientation as many organizations involved in development education eventually end up campaigning for change. This may therefore be left within the broad category of 'Empowerment' or 'Advocacy' orientation.

The distinction between emergency, development and empowerment (or advocacy) activities is not very clear-cut and many NGOs are involved in more than one of these activities. Categorising NGOs on the basis of the type of activities they are engaged in does not produce clear-cut categories. Such categorizations tend to place NGOs

according to the most dominant areas of their activities. This is considered sufficient for the purpose of this study.

Concerning classification based on the Level of operation, there is a reasonable level of agreement among researchers as most identify 'international', 'national' and 'community based' organizations as the main 'levels of operation'. Many of them link this description to geography: 'International' NGOs are mostly in the wealthier northern hemisphere, 'National' NGOs are based in the countries of the third world while 'Community-based' NGOs are based in the local communities of the third world countries. This link to geography may no longer be valid as some International NGOs have relocated to the southern hemisphere to save cost and for other strategic reasons. For example, Action Aid (an international NGO) has relocated its headquarters from the UK to South Africa. It says of the move:

> 'it helps to further strengthen our accountability to the people, communities and countries we work with and make us more effective in fighting and eradicating poverty' (Action Aid, 2008)

On the other hand, more 'national' and 'community-based' NGOs are springing up in the industrialized countries of the northern hemisphere. The classification framework adopted in this study will be based on:

1. **Orientation** (classified as Emergency/welfare, Development and Advocacy) and
2. **Level of operation** (classified as International, National and Community based but without any link to geography).

The aim is to study NGOs selected from across the various categories.

2.3 NGO Accountability: Current Thinking and Regulatory Requirements

Accountability has been defined in various ways by different researchers. Because it covers a broad range of human activities, its meaning and scope tend to vary with the context in which it is studied. Sinclair (1995: 219-231) highlights this complexity by describing it as a 'chameleon' existing in different forms and given different meanings by its context. Because of this, accountability has been studied using different approaches. To study the practice of accountability in the context of NGOs it is important to understand certain common set of principles and values by which NGOs' activities are guided. At the centre of this is the Principle of Humanity which implies that no service whatsoever for the benefit of a suffering human being is to be dismissed out of hand (ICRC, 2002:4). Many NGOs have translated this principle to specific statements of action that guide their work. For example, based on it, the International Red Cross and Red Crescent movement made a declaration of seven principles that form the framework and the means for attaining its objectives (ICRC, 2002: 9-30)

Adherence to humanitarian principles is taken by NGOs to be of central importance. Slim (1998: 28-48) argues that these fundamental values should be at the centre of accountability in humanitarian assistance and should be reported. But the method of demonstrating accountability to these values is not very well defined. It may involve various means of engaging with stakeholders and measuring the impact of NGOs' activities on the achievement of objectives. But there are no standards to guide this form of accountability and NGOs have been free to implement it in ways that suit them. This was the main form of accountability in the first era of NGOs' development when

their source of revenue was mainly from individual supporters and members who give mainly towards NGOs' work and do not demand any formal accountability.

From the second era of NGOs' development, with the increased inflow of official aid, NGOs became more dependent on funding from the larger Institutional donors and governments. In 1994 up to 52 per cent of the income of the UK's five largest NGOs came from bilateral donors (Edward and Hulme 1996: 962). This funding is usually accompanied with accountability demands from the recipient NGOs by the donors whose concerns have been mostly around the use of resources. The implication is that NGOs' accountability has shifted towards focusing on the short-term objective of accounting for the use of resources (Edwards and Hulme, 1996: 962-968). This form of accountability is formal and relies to a great extent on accounting methodologies. But formal accountability of this nature does not take into consideration the very important issue of accountability for the outcomes and impact of NGOs' work. This is particularly crucial for those NGOs involved in development and advocacy work whose activities have wider social impact (Unerman and O'Dwyer 2006:369-370). More recent researches have attempted to include this important dimension of NGOs' accountability. Various alternative frameworks of analysis have therefore developed in an attempt to deal with the complexity. Some of the widely used frameworks will now be examined.

2.3.1 NGO Accountability: Some Alternative Views

Approaches to NGOs' accountability have been described by different researchers using various frameworks. Avina (1993) sees accountability as consisting of two main components: 'functional accountability' involving accounting for resources, resource use and immediate impacts and 'strategic accountability' involving measuring the impact of NGOs' activities on other organization and the environment. Beginning from the second era of their development, much of NGOs' accountability practices have been around functional accountability focusing on the use of resources. This is because of the increased dependence on funding from Institutional donors whose concerns have been mostly around the use of resources (Edwards and Hulme, 1996: 962-968; Ebrahim, 2003).

Najam (1996) built a framework from the perspective of identifying those stakeholders to whom NGOs are accountable. He identified three categories of accountability which he declares 'virtually cover the full universe of possibilities so far as NGO accountability is concerned' (Najam, 1996: 341). These are: accountability to patrons, accountability to clients and accountability to themselves. Accountability to patrons includes accountability to donors, both the small individual givers and the large Institutional donors. This, particularly for the large Institutional donors, usually covers both accountability for the use of resources (described by Avina as functional accountability) and accountability for the implementation of policy (described by Avina as strategic accountability). Najam (1996: 342) argues that the distinction between the two is only a matter of elegance and reasoned that since policy

accountability is difficult to put into operation, fiscal accountability can be a de facto means of achieving policy accountability. Najam (1996: 345) defines the clients as the direct and indirect beneficiaries of NGO's activities and includes the community and the state in this group. He identified 'participation' as a way by which NGOs render this accountability and argues that the concept is largely undefined, often misused and has not worked in practice. He suggests that this is because the 'impoverished communities lack mechanisms for holding NGOs accountable' and that in establishing the communities' aspirations, NGOs 'tend to hear only what they want to hear....(so) community aspirations tend to mirror prior NGO priorities' (Najam, 1996: 345). Conceptually, accountability to beneficiaries and the community overlaps with Najam's third category- NGOs' accountability to themselves which he defines as NGOs' accountability to their goals and vision (Najam, 1996:348). This overlap is not unexpected if Najam's suggestion of 'aspiration manipulation' (Najam, 1996:345) is true.

Later research has provided some insights into how NGOs demonstrate accountability to beneficiaries and the community, and the mechanisms used in actual NGOs (Khan, 2003; Dixon et al., 2006; Gray et al., 2006; Goddard and Assad, 2006; Unerman and O'Dwyer,2006a; O'Dwyer and Unerman, 2007; Wellens and Jegers, 2011; Agyemang et al., 2011). The various mechanisms used revolve around involving beneficiaries and the community in policy-making, project implementation, and including their perception in measuring NGOs' effectiveness (Wellens and Jegers, 2011: 175). Gray et al. (2006: 334-335) identified transparency and engagement with the communities in

which NGOs are embedded as ways by which NGOs render accountability to this group, and argued that NGO's accountability 'will naturally occur through some combination of personal contact and the visibility of the activities undertaken by the NGO'. Dixon et al. (2006) shows how this form of accountability is implemented in a micro-finance NGO by way of informal, trust-based accountability relationships but noted that the vertical, hierarchical form of accountability practised alongside it stifled this practice.

In a case study research of seven Bangladeshi NGOs using Najam's framework, Khan (2003) identified some of the ways by which NGOs render accountability to beneficiaries as participation in programme planning and transparency:

> 'Beneficiaries are encouraged to involve themselves in BRAC's programmes...In ASA accountability mechanisms combine principles of participation and transparency. The general body which approves all policy decisions is composed of sixty members half of whom are chosen from among the beneficiaries. BNPS develops its programmes after organizing group meetings of stakeholders at the grassroots level....In NUK beneficiaries are involved with management in the participatory planning process' (Khan, 2003: 274)

Agyemang et al. (2011:13-17) identified three forms of 'Participation and Beneficiary involvement' and found significant variations in NGOs' approach to the practice:

> 'Participatory reviews are held with beneficiaries...but they tend to vary in form. Some NGOs have developed a very sophisticated approach to participatory reviews but others use approaches that are not so well developed and tend to be more informal. Between these two extremes...we observed varying degree of participation' (Agyemang et al, 2011:17)

Bringing all these together, one may conclude that accountability to the beneficiaries and the community involves participation of this group in decision making relating to the identification of the needs of the group; the design, implementation and directing of programmes aimed at meeting those needs; and the evaluation of the effectiveness of those programmes. The mechanism by which this accountability is rendered includes personal contact; transparency and visibility of NGOs' activities; development of relationship of trust; beneficiaries' representation on governing or policy making bodies; needs assessment and participatory reviews.

Other scholars have further developed the idea of identifying the stakeholders to whom NGOs render accounts and the nature of the obligation to render such accounts. Edwards and Hulme (1996:967) used 'Upward accountability' to refer to NGO's accountability to donors and stakeholders who have the power to hold them to account and 'downward accountability' for accountability to those stakeholders who do not have such power. The various means of accountability to the beneficiaries and the community discussed above could therefore be categorised as downward accountability. There are very few empirical studies of the effectiveness of these mechanisms:

> 'Despite the fact that numerous researchers indicate that beneficiaries' involvement can be implemented in different ways.....the effectiveness of these mechanisms is rarely investigated' (Wellens and Jegers, 2011: 176).

Khan (2003: 275) in his conclusion cast some doubts on the effectiveness of the practices he observed:

> ‘Beneficiaries’ participation is usually restricted to putting questions to management. Policy making and agenda-setting remain the exclusive domains of top-management’

In the last few years, there has been growing talk amongst development actors and agencies about a ‘rights-based approach’ to development. One of the key elements of the approach is to enable those whose lives are affected the most to articulate their priorities and claim genuine accountability from development agencies (Cornwal and Nyamu-Musembi, 2004; O’Dwer and Unerman, 2010). O’Dwer and Unerman (2010) suggest that this accountability mechanism should involve establishing participatory partnership arrangements with beneficiaries that will enable beneficiaries to design, develop and implement programmes in conjunction with development NGOs and concluded that this ideal was not yet realized in practice.

Most of the literature categorise NGO’s accountability to their main funders as ‘upward accountability’. The system of accountability to the regulatory authorities may also be considered to belong in this category since they have the statutory rights to demand or enforce it. The literature on stakeholder theory and resource dependence theory gives some insight into what gives one party the power to hold another to account- mainly the supply of economic resources and its influence on the stakeholders’ relationship with the organization. Ebrahim (2003: 814) traces the challenges of NGO accountability to their excessive dependence on donors and the ‘asymmetries in resources that have resulted in excessive conditionalities or onerous reporting requirements being attached to funding’. This may have resulted in the increased attention paid to upward accountability at the expense of downward accountability.

While upward accountability encompasses elements of both functional and strategic accountability, the literature has focused more on functional accountability and the role of the funders in creating this dominance. But the role of the government and the regulatory authorities in NGOs' accountability is an increasingly important factor in the dominance of the functional approach. In the UK, until the 1990s, the government was rather passive with respect to charity accounting and the literature on functional accountability focused more on the role of the Institutional donors. But certain changes in the relationship between the government and the charity sector have made the government become 'a much more vigorous stakeholder .. exert(ing) significant direct and indirect influence on the evolution of charity accounting' (Hyndman and McMahon, 2011: 169). This influence is most visible in the current framework of regulation of charities in England and Wales.

2.3.2 Current Regulation Requirement for NGO Accountability

The regulation requirements for NGO accountability varies from one country to another. This section examines the regulation requirements in the countries from which the case studies were drawn mainly England and Wales, Uganda and Nigeria.

In England and Wales, the regulation of NGOs is vested in the Charity Commission. The Commission was established under the Charitable Trust Act of 1853 but given wide ranging powers by the enactment of the Charities Act 1960. The 1960 Act required the Charity Commission to maintain a register of charities, receive accounts to be made available for public inspection, investigate abuse and take action to protect the properties of charities where necessary (Hind, 1995:385). The law remained unchanged

for the next three decades while the environment in which charities operate changed significantly. In 1985 there were 150,000 registered charities in the UK (Hind, 1995:386). By 2008, the number had risen to an estimated 171,000 with total income of £35.5b (National Council for Voluntary Organisations, 2010)

As a result of the rapid growth of charities, the Commission lost the capacity to adequately regulate the sector. The National Audit Office Report (1987) entitled 'Monitoring and Control of Charities in England and Wales' found that the register of charities maintained by the Commission was unreliable and outdated and that a large number of charities ignored the requirement to submit their annual accounts and that the Commission made no effort to enforce that this submission occurred. It also found that the Commission was under-resourced and understaffed.

In 1987, the Government commissioned an efficiency scrutiny of the supervision of charities culminating in the Sir Philip Woodfield et al's Report (Woodfield, 1987). The Report found the Charity Commission failing to supervise charities and recommended that the Commission be given more powers to monitor and investigate charities through a new legislation. Three months after the publication of the House of Commons' Public Accounts Commission (PAC) Report, the Accounting Standards Committee issued the Statement of Recommended Practice No 2- Accounting by Charities (SORP (1988) hereafter).

The PAC hearing of October 1987 endorsed the NAO findings and the Woodfield report. The Charities Act 1992 was passed in March 1992 incorporating the major recommendations of the NAO and the PAC. Part I of the Act deals with charity

accounts. It increases the power of the Commission to intervene to protect charity assets. It also increased the regulatory functions of the Charity Commission and increased the obligation of charities to be accountable to the public.

The Act also deals with the control of fundraising in part II and public charitable collections in part III. The Charities Act 1993 was passed consolidating the Charities Act 1992 with the relevant provisions in the Charities Act 1960 and the Charitable Trustees Incorporation Act 1872 (Hind 1995: 399). Further amendments have been made to the act with the Charities Act 2006 introducing major changes particularly in the definition of what constitutes a charitable purpose. Of all the changes in the regulation of charities since 1988, the area where the most profound changes have occurred is in financial accounting and statutory reporting.

Prior to 1988, financial accountability in charities was based on the use of simple Income and Expenditure accounts. There was no specific standard governing its preparation. This resulted in inconsistency in accounting treatment amongst charities. The lack of consistency in financial statements makes it difficult for users to understand the information provided (Connolly and Hyndman, 2000: 79). Bird and Morgan-Jones (1981) highlighted this in their research. In a survey of 135 fundraising charities they reveal immense diversity in charity accounting in the areas of formats of accounts, fund accounting, legacies and accounting for fixed assets for example. They conclude that such variations in treatment were used to affect the revenue result in such a way as to make charities appear attractive to potential donors. This research was

instrumental to the development of the first reporting standard for charities, SORP (1988)[1]. The preamble to SORP (1988) states that it:

> 'sets out recommendations on the way in which a charity should report annually on the resources entrusted to it and the activities it undertakes. Although the recommendations are not mandatory, charities are encouraged to follow them'.

The recommendations include preparing annual income and expenditure accounts showing a net surplus or deficit at the year end. But charities felt that the commercial income and expenditure accounts with emphasis on capital maintenance did not fully reflect their financial activities that centre on raising funds and using the resources for charitable purposes. Charities, except those that are effectively trading, do not need to match income and expenditure for particular periods. They are not working towards a particular year-end date and to place undue emphasis on the surplus or deficit at a particular point in time can be misleading. For example, grant received in a year may be for projects to be carried out in the following year or indeed over a number of years (National Council for Voluntary Organisations, 2007). As a result, many charities did not comply with the SORP. Ashford (1989) reviewed the accounts of 56 charities and concluded that while 14 complied with the SORP (1988) others did not. Gambling et al., (1990) carried out a survey of 6 charities to determine their level of compliance and found that the SORP was generally ignored by charities. Among the reasons, they wrote:

> ..charities felt that the SORP reflected the opinion of the accounting profession about charity accounting rather than those of charities (Gambling et al., 1990: 9)

[1] But see above for the role of the NAO's Report in 1987 and Sir Philip Woodfield's scrutiny as contributing factors.

To address the problem of compliance, the Charity Commission in 1992 sponsored the setting up of a review committee by the Accounting Standards Board comprising of the accounting profession, academics and leading charity finance directors to review SORP (1988). Following the review, a revised SORP was published in October 1995. The major changes introduced in the new SORP (1995) include eliminating many of the alternative accounting treatments permitted in SORP (1988) in order to improve consistency. It also introduced the Statement of Financial Affairs (SOFA) to replace or supplement the income and expenditure accounts (Connolly and Hyndman 2000: 83). SORP (1995) also requires that charity accounts be prepared using the fund accounting principle. It defines a fund as:

> 'A pool of resources, held and maintained separately from other pools, because of the circumstances in which the resources were originally received or the way in which they have subsequently been treated'

A fund will be either a restricted fund that is subject to specific conditions imposed by the donor or an unrestricted (general) fund that is not subject to externally imposed restrictions provided that they are used in pursuance of the charity's objectives. Part of the unrestricted funds may be set aside for a specific purpose and put in a designated fund. The use of designated funds remains at the discretion of the trustees and are classified as part of the unrestricted funds.

Because the environment in which charities operate is continually changing, the Charity Commission undertake periodic review of the charities SORP. In October 2000, SORP (2000) was published and five years later, SORP (2005) was published. Though, the underlying principles of fund accounting is unchanged, there have been

changes in the scope and content of charities' financial reports. For example, SORP (2005) introduced more specific guidance on the contents of Trustees' annual reports emphasising on the reporting on activities and achievement against organizational objectives (Charity Commission, 2005). The introduction of the narrative reporting on activities and achievements is a significant step towards addressing a major gap in NGO (or charities) accountability. Hyndman and McMahon (2011: 172) consider the increased reporting on performance and governance to be the 'government's most significant contribution to the content of the SORP'. Further less substantial amendments to SORP (2005) were made in 2009 but it retains its current form and name.

In Uganda, the regulation of NGOs is vested in the NGO Board. The Board issued the Uganda NGO Regulation 2009 that gives guidance on various areas of NGO's operations. In the area of statutory reporting, the requirements set out in section 16 of the regulations are not very demanding:

> 'An Organisation shall-
> a. Submit to the Board an annual return in Form E as specified in the Schedule to these Regulations;
> b. Submit to the Board a report approved by the Organisation's annual general meeting or Board of Directors;
> c. Furnish to the District Development Committee of each area in which it operates, estimates of its income and expenditure for information;
> d. Submit to the board such other information that the board may consider to be in the public interest.
> (UGX/NGO Reg/09:162)

Only a simple Income and Expenditure accounts and Balance sheet are required and no specific reporting standard or guidelines have been issued by the Board for their preparation. The statutory accounts are not based on the fund accounting principle and

no attempt is made to separate expenditure by individual funds. There are no statutory requirements to produce detailed narrative reports. The NGO Board has not given any guidelines on the minimum information content of the narrative element of the statutory report.

In Nigeria, there is yet no attempt at statutory regulation of NGOs. Nigeria is a sub-Saharan African country with a population of about 150m. It is a former British colony that gained independence in 1960. A range of NGOs operate in Nigeria in form of Community Based Organizations (CBOs), Religious Organizations, and Charities etc. The legal basis for these organizations is derived mainly from the Constitution and the Companies and Allied Matters Act (CAMA, 1990). Section 40 of the 1999 constitution grants every person 'the right to peaceful assembly and association'. The constitution however places certain limitations on this right but these relate mostly to political parties and trade unions. These organizations are subject to further regulation under the laws such as the Trade Union Act. But NGOs face no further regulations. NGOs can be registered in one of two ways:

1. As a company limited by guarantee. The Companies and Allied Matters Act 1990, Section 26(1) provides that:

   'Where a company is to be formed for promoting commerce, art, science, religion, sports, culture, education, research, charity or other similar objects, and the income and property of the company are to be applied solely towards the promotion of its object...the company..may be registered as a company limited by guarantee'

2. As Incorporation of trustees by which the trustees of the association, rather than the association, obtain the status of a body corporate. This is provided for in CAMA, 1990 Part C, section 673:

   ‘ Where one or more trustees are appointed by ...any body or association of persons established for any religious, educational, literary, scientific, social, development, cultural, sporting or charitable purpose, he or they may...apply to the commission...for registration..as a corporate body’

In addition to incorporation, some government departments require NGOs to register with them. But this is only for the purpose of collaborative work and not with a view towards regulation. There is no separate body that registers or regulates the activities of NGOs. The Corporate Affairs Commission is the only body charged with the responsibility of regulating all incorporated bodies in Nigeria. It maintains a register of all incorporated trustees and companies it has registered but there is no specific NGO register. The Commission attempts to regulate NGOs in the same way as other companies in line with the provision of the Act (CAMA, 1990). This regulation is light-touch. Those that are companies limited by guarantee are required to submit annual returns just like other companies. This requirement is flexible. Section 373 of CAMA requires that the returns ‘shall be in the form prescribed in the Tenth Schedule...or as near to it as circumstances permit’. Likewise for NGOs registered as incorporated trustees, Section 690 provides that the trustees must ‘submit to the Commission a return showing, among other things, the name of the corporation, the name, addresses and occupations of the trustees’

This light-touch regulation is not effective as the Commission does not monitor compliance and NGOs are free to operate unhindered by regulatory compliance. This freedom to operate has its origin in the colonial era when NGOs such as missionaries had the freedom to operate as long as they did not threaten public order. They ran health, educational and social welfare institutions. The incursion of the military into governance diminished the importance of this sector as many of the establishments they ran were transferred to state control. The attendant human rights violation under these regimes also saw the emergence of various Human Rights NGOs. But these organizations were denied legal recognition. Therefore, there was no apparent need to develop any system of regulation for them.

Even the accounting profession pays no attention to the NGO sector. Nigeria has a standards setting body (The Nigerian Accounting Standards Board). It has issued 21 Statements of Accounting Standards (SAS) which are in large part reflective of the UK standards. It has now adopted a convergence programme aimed at full adoption of IFRS from January 2012. Among the SAS it has issued so far, there is none that gives guidance to NGOs on how accounts should be prepared. In an informal interview, an official of the Nigerian Accounting Standard Board was asked if the board is working on developing a reporting standard for NGOs in Nigeria for now or for January 2012. His response was: ‘we will think about it when we get there (2012)’

2.3.3 Why a Fundamental Rethink on NGO Accountability is Needed

From the literature, NGOs are organizations whose role and boundary are constantly being redefined by law and society. As the role of NGOs has evolved so has the debate on NGOs' accountability. Ebrahim (2009) reflects on 'the heavily normative nature' of the current accountability debates. It identifies three 'normative logics' of 'how accountability problems facing NGOs are frequently described and framed'. The first is the problem of governance which is addressed through a 'coercive regulatory regime'. The second is the problem of measuring performance which is addressed through a 'professional or technocratic regime' using accountability tools such as log-frame, evaluation and normative codes of performance. The third is the problem of demonstrating progress in achieving their mission addressed through a 'strategic and adaptive' accountability regime. It raises a question as to whether there is a 'difference between how accountability is imagined and how it actually operates' (Ebrahim 2009: 886) and calls for more empirical investigation or 'thick' description of the operation and the effects of the three regimes.

A proper analysis that can produce a more enduring framework needs to be adequately grounded in theory. This requires a re-examination of the concept of accountability in general and its meaning and scope within the context of NGOs.

2.4 Accountability: A Theoretical View

Accountability has been described broadly as a relationship involving the 'giving and demanding of reasons for conduct' (Robert and Scapens, 1985: 447). It involves two parties- the one who gives an account and the one who holds someone to account. Stewart (1984: 15-16) highlights the necessity of having these two 'strands' in any accountability relationship: the giving of account in a form that is understood and the 'holding to account, an exercise of power involving making judgement and taking action on the basis of the judgement'. He asserts that, though the giving of account can stand on its own right as a form of accountability, it is not a full expression of accountability if it does not involve the exercise of the power to demand account. He described the accountability relationship between the one who accounts and the one who holds to account as a ***bond***, asserting that the bond will remain strong where the one who holds to account has necessary authority and power. He described the relationship as a '***link of account*** 'where accounts are given without the power to hold to account.

The nature of the form of giving of account and the form of holding to account could be viewed as major elements in the existing theories of accountability. Two of these theories, the Principal-Agent theory and the Stakeholder theory, are particularly prominent in the accountability literature and will be examined in turn.

2.4.1 The Principal - Agent Theory of Accountability

In private sector accountability the major conceptual framework used is the economic model of Principal- Agent theory the central concern of which assumes that a 'Principal' transfers resources to an agent and the transfer gives the principal rights to demand accountability. The expectations of the 'Principal' concerning the activities and conduct of the 'Agent' could be stated in an explicit contract which could be of a formal or informal nature (Laughlin, 1990: 96). The 'Agent' carries on activities aimed at fulfilling these expectations and demonstrates this by rendering accountability to the 'Principal'. Stewart's (1984) two main strands necessary in accountability relationship could be seen in operation- the form of holding to account is strong as the 'Principal' has the power, under contract, to demand accounts. Also, the form of giving account is clear- the need of the principal is wealth maximisation so accounts are prepared to reflect performance against this objective using the appropriate language of traditional accounting[2]. Though this model is widely used and may be considered as successful in the study of private sector accountability, it has some limitations.

In some organizations, there may be other objectives and values, different from maximising wealth, that are considered important, sacred or core. The obligation to be accountable to these sacred objectives or values may be very strong notwithstanding that the power to hold to account is not present or exercised. Examples are religious organizations where such sacred objectives are held as important and may be

[2] Traditional accounting is used throughout this thesis to refer to the network of practices defined by the Accounting Principles Board in its Statement No. 4 as concerned with provision of quantitative information, primarily financial in nature about economic entities that is intended to be useful in making economic decisions. More detailed explanation of this term is given in Section 4.3

considered a sort of 'higher principal' (Laughlin, 1996: 225). Other examples are educational institutions and hospitals described by Bourn and Ezzamel (1987: 34) as professional organizations founded on an 'overriding value system' loosely identified as 'academic freedom' or 'clinical freedom'. These organizations hold themselves accountable to some values, or what one may consider as stakeholders, who do not have or exercise the power to demand accountability. NGOs are in a similar position as they subscribe to a common set of shared values which can be summed up as the 'principle of humanity'. This may have some role to play in NGO accountability as noted by Gray et al. (2006: 334):

> 'NGOs are actively accountable through shared values, understanding and knowledge to the staff who work for them, to the other NGOs with whom they interact and to the communities in which they are embedded...'

As noted in Gray et al. (2006:334) this shared values are often linked to some other stakeholders such as the community, staff, worshipers, a 'higher principal' or the public. The stakeholder theory, examined next, may, therefore, be a more embracing theoretical construct in these contexts.

2.4.2 The Stakeholder Theory of Accountability

An alternative theory of accountability is the stakeholder theory that suggests that an organization is accountable to its stakeholders. Freeman (1984: 46) defined stakeholders to include 'individuals and groups who can affect, or are affected by, the achievement of an organization's objectives'. This could be interpreted in a narrow sense to mean that organizations are accountable only to those stakeholders who can affect the organization. But in the broader sense, it could mean that organizations have

a duty of accountability not only to those who have influence on the organization but to all individuals and groups whose life experiences may be affected by the organisation's activities. Both interpretations of the theory have been used in accountability research in different contexts.

The resource dependence theory (Pfeffer & Salancik, 1978) encourages a narrow interpretation of the stakeholder theory to mean that organizations are accountable only to those stakeholders who can affect the organization:

> 'Organizations will (and should) respond more to the demands of those organizations and groups in the environment that control critical resources (Pfeffer, 1982: 193)

The private sector Principal-Agent model of accountability is consistent with this narrow interpretation of the stakeholder theory whereby the shareholders are treated as the only important stakeholders on account of providing the resources needed by the organization. The government is only considered a significant stakeholder because it has the power, through legislation, to affect private sector organizations. But the Principal- Agent model is not consistent with a broader interpretation of stakeholder theory. These are in different forms including the various normative and instrumental stakeholder theories in the corporate social responsibility literature (Jawahar and Mclauglin, 2001:399) that attempt to address the needs of other stakeholders. But a descriptive stakeholder theory could be more useful in exploring the nature of accountability across a broader range of organizations. Brenner and Cochran's (1991: 462) descriptive stakeholder theory identifies four variables that affect organizational behaviour:

> ‘the nature of an organization’s stakeholders, their values, their relative influence on decisions and the nature of the situation are all relevant information for predicting organizational behaviour’.

The following sections will examine the nature of the form of the giving of account and the form of holding to account, in different organizational contexts as variables in a theoretical exploration of accountability across organizations.

2.4.3 The Giving of an Account

Major streams of research have studied accountability from the perspective of the forms and ‘language’ used in presenting the accounts. This form or language varies widely with the context in which accountability is rendered. Stewart (1984: 15) highlights this in the following way:

> ‘..accounts can be given in different languages depending on what has to be expressed and to whom. The language of the financial account is not the language of the policy account. Many languages are needed for a full account’

He describes the form and language used in accountability as the ‘bases of accountability’. Within the context of public sector accountability, he identified five accountability bases which he set out as a ‘ladder of accountability’ progressing from ‘accountability by standard’ at the base (with focus on process) to ‘accountability by judgement’ at the top (with focus on outcome or performance). The first of these is accountability for probity concerned with ensuring that funds are used properly and in the authorised manner. The second is accountability for legality concerned with ensuring that the powers given under the law are not exceeded. The third, accountability for efficiency, is about ensuring that there is no waste in the use of

resources (Stewart, 1984: 17). These three forms of accountability fall within the area described by other researchers broadly as 'managerial accountability'. Robinson (1971) describes 'managerial accountability' as encompassing fiscal accountability which measures whether money has been spent according to budget; process accountability which measures whether particular processes have been followed; and programme accountability which measures whether outcomes or defined results have been achieved. Though the terminologies differ slightly, what Robinson (1971) describes as managerial accountability essentially covers the first three accountability bases identified by Stewart (1984).

Other researchers have devised similar classification of accountability according to the form of giving accounts. Sinclair's (1995) study of accountability in 15 Australian public sector organizations finds that on one hand, accountability is viewed as a rational, objective and controllable activity. In this category is 'managerial accountability that requires those with delegated authority to be answerable for producing outputs or the use of resources to achieve objectives' and involves the specification of outcomes and a system of formalised controls (Sinclair, 1995: 222-232). This form of accountability is consistent with those identified by Stewart (1984) as accountability for Probity, legality and efficiency and by Robinson (1971) as managerial accountability. These accountability bases could be aligned as shown in Figure 2.1.

The last two accountability bases, performance accountability and policy accountability, identified by Stewart (1984), fall outside the domain of managerial accountability. Stewart (1984:17) describes performance accountability as concerned with whether performance achieved meet required standard, an idea similar to what Robinson (1971) describes as programme accountability concerned with whether the work carried on has met the goals set for it. In these areas, depending on whether standards can be set with any reasonable level of precision, accountability may involve measurement of performance against pre-set standards or more subjective qualitative assessment of performance against objective. Because Stewart's analysis was within the context of the public sector where performance may not be objectively measured against pre-set standards, it may be appropriate to leave this outside the domain of managerial accountability. Stewart (1984:18) describes this as 'accountability by judgement'. But within the context of the private sector where performance may be more accurately specified and objectively measured, it may be possible to categorise Programme accountability as managerial accountability as Robinson (1971) suggests.

Stewart (1984: 17) describes policy accountability, as the accountability of the government to the electorate for 'both the policies it has pursued and those it has failed to pursue'. This falls more clearly in the domain where measurement is through qualitative judgement on performance as Stewart (1984: 18-19) argues 'there can be no set standards to be used in policy formulation'.

Figure 2.1 Accountability Bases

Domain	Accountability bases			
	Robinson (1971)	**Stewart (1984)**	**Sinclair (1995)**	
Accountability for personal values			Professional & personal	**Performance based**
Accountability of government		Policy	Public	
Accountability of public servants			Political	
Achievement of objectives		Performance		
Achievement of defined outcome	Programme		Managerial	**Process based**
Efficient use of resources		Efficiency		
Specified processes followed	Process			
Given powers not exceeded		Legality		
Authorised use of funds	Fiscal	Probity		

The other two types of accountability identified in Sinclair's structural discourse are closely related to Stewart's (1984:17) policy and performance accountabilities. First, political accountability involves public servants exercising authority on behalf of elected representatives who are held directly accountable to the people. As public servants are responsible for implementing government policies, political accountability

could be viewed as equivalent to Stewart's policy accountability. Second, public accountability is understood as a more informal but direct accountability to the public, interested community groups and individuals. This is equivalent to Stewart's policy accountability and here as well accountability could only be by judgement on performance.

As a personal discourse, Sinclair identified professional and personal accountabilities, two closely related concepts dealing with situations where there is no formal authority to enforce accountability. Here the form of giving account may not involve the rendering of formal accounts but demonstration of the achievement of some broad objectives or adherence to some principles or values. Though there may be no established approaches to evaluating the fulfilment of those objectives or adherence to those values, in some organizational contexts such as religious organizations, educational institutions and hospitals, the obligation to be accountable to these values may constitute the bulk of the organizational accountability.

The various types of accountability discussed above can be grouped into two broad categories based on the form of rendering accounts. This is shown in Figure 2.1 and could be summarised as:

1. Process based accountability that measures compliance with pre-set standards and formally defined outcomes
2. Performance based accountability involving qualitative assessment of performance against broad, less precisely defined objectives.

2.4.4 The Holding to Account

The nature of accountability has also been studied from the perspective of the form of holding to account. This involves studying the roles and relationships between the party that accounts and the party that holds to account. Roberts (1991: 358) sees the practice of accountability as having 'open possibilities in terms of the sense of self and our relation to others that it reflects and enacts' and suggests that 'different forms of accountability produce very different senses of self and our relation to others'. He identified two distinct forms of relationship involving two different forms of practices. First is the individualising form which focuses on the self, the desire for recognition and acceptance. He suggests that this relationship occurs in organizational life where it is sustained by disciplinary power. It is essentially focused on work, production, or output and leads to the 'hierarchical form' of accountability (Roberts, 1991: 361). He suggests that in this hierarchical form of accountability, accounting information typically plays a central role because 'it's apparent objectivity' makes it 'a tool by which others can view, judge and compare individual and group performance' (Roberts,1991: 365).

Roberts (1991: 360) uses Habermas' distinction between 'work' and 'interaction' to argue that 'alongside the instrumental individualism that hierarchical accountability produces, there are a variety of other possible experiences of accountability alive and flourishing'. He identified a different type of relationship built on 'mutual understanding and ties of friendship, loyalty and reciprocal obligations' that leads to a 'socialising form of accountability' (Roberts, 1991: 363). He identified conditions that may lead to this as 'a relative absence of asymmetries of power and a context for the

face-to-face negotiation of the significance of organizational events' (Roberts, 1991: 362)

Drawing from the above, it is possible to argue that the type and strength of the relationships between the stakeholders involved in organizations is another variable that influences the form of accountability practices. Elements of this can be seen in the existing theories of accountability. The relationship may be strong and individualising where a distinct stakeholder group holds and exercise the power to demand accountability. The Principal-Agent theory is based on the assumption of a strong, contractual relationship between the Agent that renders account and the Principal that has the power to hold the agent to account. Laughlin (1990: 226-229) critiques the 'unquestioning significance given to the principal and their expectation for the conduct of the agent' and draws attention to the importance of the 'implicit context which surrounds the relationship'. This context may be construed to include the involvement of other important stakeholders in addition to the principal. These other stakeholders may be affected by the actions of the party that gives account but may have no power to hold that party to account. The relationships and accountability that results from this situation is essentially different from that in the Principal-Agent model. Laughlin (1996) describes it as 'communal' and contrasts it with the type of relationship and accountability in the Principal-Agent model which he describes as 'contractual':

> 'The 'Communal' context encompasses a less formal set of accountability relationships where expectation over conduct, and information demands and supply are less structured and defined.... The 'contractual' context, on the other hand, encompasses a much more formal set of accountability relationships where action expectation and information demand and supply are tightly defined and clearly specified' (Laughlin 1996: 229).

The contractual context is basically the same as Roberts' (1991) individualising context that leads to the hierarchical form, while the communal context is the same as the socialising context that leads to a socialising or communal form of accountability. The communal form of accountability is particularly relevant in organizations where there is the involvement of many stakeholders some of whom may not have the power to hold the organization to account. The organization may nonetheless attempt to render accountability to them usually in less formal ways at the discretion of the organization.

The bulk of the literature on accountability is based on the perspective of the contractual or hierarchical form while there are fewer researches into the communal forms of accountability. These two approaches are currently being treated as separate or alternative approaches. Roberts (1991:367) notes that current forms of organizational accountability separate these dimensions and privileges the hierarchical form. But the two approaches need not be mutually exclusive as both can be combined within the same organization as Roberts (1991:356) argues:

> 'the search for the possibilities of accountability should be concerned with the reconciliation of this destructive and untenable divide'.

These two essential elements, the form of rendering accounts (involving the language or bases of accountability) and the form of holding to account (involving the relationships) will be further explored in order to develop an analytical model of possible approaches to accountability. The model will attempt to reconcile the divide between the contractual and the communal forms of accountability.

2.5 An Analytical Model of Approaches to Accountability

Drawing from the literature, there are two main dimensions on which accountability can be categorised. The first is on the basis or language used in rendering the account. This may be *process based* focusing on proper use of resources or *performance based* focusing on achievement of objectives. The second dimension is on the relationship between the party that renders accounts and the party that holds to account. This determines the form of holding to account which could be 'contractual' where the party holding to account has the power to demand account or 'communal' where any potential power is not exercised but accountability is discretionary or negotiated based on mutual trust. These distinctions are built into a two-dimensional framework that can be used to categorise the diverse literature on accountability (See Figure 2.2).

Figure 2.2- A contextual framework for categorising accountability approaches

		The form of holding to account	
		Contractual accountability	**Communal accountability**
The form or language of rendering account	**Performance based**	**B** Accountability for set objectives and outcome	**C** Accountability for stakeholder's needs
	Process based	**A** Accounting for the use of resources in line with prescribed standards	**D** Accounting for the use of resources in line with stakeholders' needs

But the literature on accountability is more focused on the ‘contractual’ form of holding to account while there is a paucity of research on the ‘communal’ form. This could be as a result of the lack of consensus on what constitutes accountability. Tricker (1983: 33) maintains that if the accountability relationship is not contractually bound then it is ‘not an act of accountability’. Stewart (1984: 16) sees accountability as a relationship of power that ‘can be analysed as a bond linking the one who accounts..to the one who holds to account’. He acknowledges that ‘there will be relationships which fall short of the bond of accountability in that accounts are given but there is no power to hold to account’. He describes such relationships as ‘links of account’ and argues that ‘they do not in themselves constitute a bond of accountability’. Laughlin (1990:97) consider both as constituting accountability.

In the contractual form of accountability, the form of rendering accounts may be the process based approach, where the focus is on the use of resources according to prescribed standards (represented as type A) or performance based where the focus is on the achievement of set objectives or predetermined outcomes (represented as type B). In both types A and B, because the form of relationship is contractual, expectations are more explicitly expressed by way of prescribed processes and standards or expected output or performance. Within the contractual category, the literature on process based approach (type A) is more extensive than those on the performance based approach. This may be because the domain it covers involves accountability for quantifiable inputs, outputs and outcomes, areas that could be monitored by systems of formal controls. In this area, traditional forms of accounting play a key role in form of

financial reporting and the use of accounting for managerial control and performance measurement. The bulk of the literature on corporate sector accountability falls in this area and the Principal-Agent theory is relevant for analysis. Here the accountability of managers of businesses is predominantly to shareholders who appoint them and have the powers to hold them to account. But the involvement of the regulatory authorities in corporate accountability means that another stakeholder has the power to hold the managers to account. Because the accountability needs of the regulatory authorities are mainly financial and not significantly different from those of the shareholders, the traditional financial statements (type A) adequately meets the needs of these two stakeholders. But if the existence of other stakeholders such as the community is recognised, type A form of accountability may not be adequate as the needs of these stakeholders may be different from those of the shareholders and the regulators. Corporate accountability may therefore need to involve other approaches such as those in the remaining three segments B, C and D. The efforts towards corporate social responsibility may be in recognition of this need.

In the type B form of practice, because the achievement of objectives may not be quantitatively measurable, the use of accounting methodologies may be limited. In the private sector where the objectives of the most dominant stakeholders are mainly financial returns and closely aligned to the use of resources, type B practices may be in the form of narrative reporting as an extension of the financial statements. But in other organizations where the objectives are not mainly financial returns, other forms of practices as determined by the party that holds to account may be used. This may be in

the forms of narrative reporting or performance measurement against pre-determined Key Performance Indicators or any other form. This form of accountability is predominant in organizational contexts where the focus is on the achievement of objectives and outcomes that are different from maximising financial returns. An example is the public sector. There may be difficulties when 'type A' form of practices is imposed in areas where type B is more appropriate. For example in the UK Public Sector some elements of the 'new public management' attempt to increase formal accountability by introducing measurable standards of performance and output but this initiative is problematic (Broadbent and Laughlin 1998:403-404).

Communal forms of accountability results where the parties to whom the account is rendered either does not have or does not exercise the power to hold to account. The form of accountability is based on relationship of mutual trust and respect. It is negotiated, taking the needs of the parties involved into consideration. The form of rendering accounts could be performance based where the focus is on the impact of the organization on the stakeholders (represented as type C). It could also be process based where the focus is on the use of resources not necessarily according to some prescribed standards but in line with the needs of the stakeholders (represented as type D).

Communal forms of accountability are less widespread in the accountability literature but could be found in certain organizational types. For example in religious organizations the nature of relationships involved has meant that the communal form is a prominent form of accountability practised. The basis involves performance based (type C) focusing mainly on meeting the spiritual needs of the stakeholders (the sacred

or the core mission). It also involves some element of the process based approach focusing on the resourcing and resource allocation. Because the resources are supplied by the devotees who, in order to allow the spiritual work to go unhindered, may not demand any formal accountability (Laughlin 1988: 30-39), practices here involves the use of accounting methods that are appropriate to the organization's needs rather than any prescribed standard or format. The practices here are therefore type D.

The communal form of accountability is more relevant in organizations with a core mission founded on the promotion of values or objectives that cannot be measured in quantitative or economic terms. The nature of the objectives and values may foster the development of relationships based on mutual trust, respect and friendship. Apart from religious organizations, Universities and Hospitals are other examples. In these types of organizations, the nature of accountability arguable should be mainly of type C. But because they require financial resources to carry out their activities, accountability may also involve some form of process based approach which could be type A if a contractual form is imposed, as it often is, or type D where the organization chooses practices that suit its needs. This may depend on how the organization is funded. For example, in the Church of England, initially, the funding was from the state but over the years, the state became divorced from the church and the responsibility for supplying the resources shifted to the devotees. The accounting system has therefore evolved to serve the changing needs of the organization (Laughlin, 1988: 33-37).

2.5.1 Contextualising NGO accountability using the analytical model of approaches to accountability

This section applies the framework in figure 2.2 to examine NGO accountability and to categorise the existing research in the literature. The involvement of many stakeholders to whom NGOs are accountable has an impact on the form of holding to account. Among the stakeholders are the larger donors who have the power to hold NGOs to account. With the increasing prominence of their activities, NGOs have come under closer attention of the regulatory authorities who also exercise the power to hold NGOs to account. But there are other stakeholders such as the small individual donors, the beneficiaries and the community who do not have the power to hold NGOs to account. The nature of the relationships and accountabilities, therefore, could vary from the contractual (with the Institutional donors and the regulators) to the communal forms (with, the individual donors, the beneficiaries and the community).

Concerning the basis or the language used in NGOs' accountability, the complex nature of NGOs' objectives and activities makes it difficult to specify in quantitative terms, the expected output against which performance could be measured particularly in the area of development and advocacy. The basis of accountability would therefore be expected to involve a substantial element of the performance based approach both of type B in relation to the demands of the stakeholders who have the power to demand account, and of type C in relation to the needs of the stakeholders who do not have such powers. Also, since the funding of NGOs are from both stakeholders who demand

account and those who do not, one would expect accountability to involve both elements of type A and D practices.

The existing research on NGOs' accountability has used diverse frameworks but these could be embodied within the analytical model in Figure 2.2. For example, Avina's (1993) Functional-Strategic accountability framework views accountability from the perspective of the form of rendering accounts. Functional accountability focuses on accountability for the use of resources. It is consistent with the process based approaches which could be types A or D depending on the nature of the relationship between the NGO and the party to whom account is rendered. The relationship with the Institutional donors have been mostly contractual in form and the accountability has, therefore, been of type A. Strategic accountability focuses on measuring the impact of NGOs' activities and is consistent with the performance based approaches which could also be types B or C depending on the relationship with the parties to whom account is rendered. Avina's framework did not elaborate on the form of holding to account so one may assume that functional and strategic accountabilities could be rendered within both the contractual and the communal context.

Najam's (1996) framework focuses on the form of holding to account and identified three stakeholder groups to whom NGOs are accountable: the patrons (donors), the clients (beneficiaries and the community) and themselves (their goals and mission). By examining the nature of the relationships between NGOs and these stakeholders, Najam's framework could be analysed using the contractual-communal dimension in

Figure 2.2. Accountability to Clients and to their mission may be considered as communal as they are rendered voluntarily and involve no contractual obligation. But accountability to donors may be either contractual or communal depending on the donors involved and the relationships. To the Institutional donors who give grants for designated purposes, it is mostly contractual as the 'donor asserts financial control by seeking accountability for the money, and policy control by seeking accountability for the designated purpose' (Najam, 1996: 342). But accountability to the smaller donors, who give without making any formal accountability demands, could be grouped together with that to the beneficiaries and to their mission as communal in form. This is because the nature of the relationship is participatory and involves negotiation to strike a balance between 'what people deem best for themselves and what the NGO and/or its donors deem best for the people' (Najam, 1996: 347).

Edward and Hulme's (2002) framework of 'upward' and 'downward' accountability is from the perspective of the power to hold to account, focusing mainly on the relationship between the party that accounts and the party that holds to account. It is consistent with the contractual-communal dimension in Figure 2.2. They used 'upward' accountability to describe NGOs' accountability to donors and other stakeholders such as the regulators who have the power to hold them to account. The relationship involved here is the 'contractual' form. The power to hold to account derives from the right to demand account under the contractual grants given by the donors or under statutory authority. They used 'downward' accountability to describe NGOs' accountability to the stakeholders such as the beneficiaries and the community who do

not have the power to hold them to account. The form of relationship here is 'communal' as accountability is discretionary and negotiated. For both 'upward' and 'downward' accountability, the form of rendering accounts could be either process or performance based. When analysed further using the framework in Figure 2.2 one can deduce that 'upward accountability' could be of types A and B while 'downward' accountability could be of types C and D depending on the language used in rendering the accounts.

O'Dwyer and Unerman (2006b; 2007) use 'social accountability' to refer to NGOs' accountability for the impact of their activities on their beneficiaries and the community, including others that their activities may inadvertently impact on. This form of accountability is rendered through participation and is mainly performance based. As the form of relationship involved is communal, it could be categorised as type C. Other forms of accountability to beneficiaries involving participation have been identified (Khan, 2003, Dixon et al., 2006). These could also be categorised as type C as the relationships involved are communal in form and the accountability bases are mainly performance. These forms of accountability to beneficiaries do not involve accounting for the use of resources.

2.6 NGO Accountability: Knowledge Gaps

The literature on accountability is extensive and has been approached from different disciplinary perspectives. The two main contributors to the literature are the public sector and the private sector and more recently but to a limited extent, the NGO sector. The literature has dealt extensively on various descriptive and theoretical frameworks for analysing accountability in particular sectors. One of the dominant frameworks in the literature is the private sector 'Principal - Agent' model. Here the obligation to render account is contractual and the form or language of account is mainly process based, supplemented by some elements of the performance based in the form of narrative reporting. As a result, private sector accountability fall mostly in 'segment A' of the framework in Figure 2.2 with only a slight extension into segment B. Segment A has been well researched and the methodology, involving traditional accounting, sufficiently developed. But the growing demand for corporate social responsibility has called for the introduction of elements of 'Communal' forms of accountability, type C, into private sector accountability. The desirability of this or the modalities for doing it is a subject of contending academic debates and success in this direction has been very limited.

Public sector accountability has enjoyed similar attention in the academic literature. The framework for analysis has been mostly contractual dealing with the obligation of elected public officials and their agents (public servants) to render accountability to the electorate. But the form in which account is rendered has been less coherent, consisting

of both process and performance based methods that one may consider as being spread between types A and B in the Figure 2.2.

‘Communal’ forms of accountability have received relatively less attention of researchers. This may be partly due to the lack of a clear conceptual definition of what it involves. There are very few empirical studies available in this area. Because the context, the stakeholders and the relationships involved could vary, accountability is negotiated and adapted to the needs of the stakeholders and could take different forms. These forms are fragmented with few empirical details on how they are implemented in practice. Some of NGOs’ accountability may fall in this area.

NGOs’ accountability involves many stakeholders and the nature of the relationships varies from contractual to communal. One would expect elements of both contractual and communal forms of accountability to be found in NGOs. Concerning the language of rendering accounts, the nature of NGOs’ core objectives and values, and the activities embarked on are such that a process based approach alone will be inadequate for accountability. One would, therefore, expect both the process and performance based approaches to be part of NGOs’ accountability. It appears that NGOs’ accountability may necessarily involve elements of all four approaches identified in Figure 2.2. But there are insufficient empirical details of actual practice in NGOs to confirm this. Though previous research has addressed some of these concerns and some progress made, there remain areas of gaps that call for more research.

Initially, the literature on NGO accountability was concentrated around the process based approaches mainly of the contractual form, type A. Even then, practices in this area were poor and undeveloped (Bird and Morgan-Jones, 1981). Further research and policy have improved practices in this area particularly as they relate to NGOs' statutory financial reporting (Connolly and Hyndman, 2000). But apart from highlighting the significant influence of donors in NGO accountability, there has been less research in the area of how accounting is used in NGOs other than for statutory reporting. One of the few researches here is by Goddard and Assad (2006) who investigated the use of accounting in an African NGO and concluded that its use is mainly in 'navigating legitimacy' and this was considered more important than for decision-making. There remain gaps in the knowledge of how accounting is used (or could be used) in accountability to the beneficiaries and the community.

Little research is available on performance based practices that could be categorised as type B. Earlier research only identified the needs here conceptually but give little insight into how it could be implemented. For example Avina's (1993) Strategic Accountability framework argues for the need for NGOs' to account for the social impact of their work but suggests no practical tool for implementing this. The major strides here again are those attributable to the statutory regulators. Hyndman (1990) drew attention to the 'mismatch' between the information needs of the users of charities accounts and the information contents of statutory financial accounts. The regulators have since improved statutory reporting to include narrative performance reports on NGOs' objectives and activities (Hyndman and McMahon, 2011). Though

the donors also demand performance reports from NGOs, the methods by which this form of accounts is rendered are yet to be adequately researched. Therefore, there remain some gaps in the area of how type B form of accountability is implemented particularly with regard to donors' needs.

The practices of the communal forms of accountability in NGOs are yet to be adequately researched. Though the literature indicates that this form of accountability is relevant in NGOs, the mechanisms by which it is, or could be implemented, are yet unclear. Some research has looked at this in particular organisations (O'Dwyer & Unerman, 2007; Agyemand et al, 2011). While some insights have been gained into mechanisms by which some organisations attempt to implement these, there are yet some difficulties. For example, O'Dwyer & Unerman (2007) investigated the implementation of a donor initiative termed multi-annual programme scheme (MAPS) aimed at making a development NGO accountable for the effectiveness and long-term impact of their work on the beneficiaries and the community. This initiative could be categorised as communal accountability considering that the focus is on beneficiaries, but because it is driven by the donors as a contractual grant condition, it could also be categorised as contractual accountability. This contradiction may be part of the reasons for the limited success of the initiative. The researchers call for more investigation of similar accountability relationships in other NGOs (O'Dwyer & Unerman, 2007: 467)

A major area of gap remains on how NGOs render financial accountability to the non-contractual stakeholders (type D). There is yet no major research in this area. In

addition, there remains a lack of a coherent theory to explain or link the diverse practices and frameworks found in the literature.

This study aims to contribute to knowledge by adding to the insights from previous research and providing new insights into areas of gaps identified. The study aims to investigate whether NGOs practice the four types of accountability A, B, C, D in Figure 2.2 and determine how these practices are implemented. It also aims to develop a framework, grounded in theory, for describing and explaining NGO's accountability. Specifically, the study aims to find answers to the following research questions:

1. What theoretical model should inform the description and analysis of accountability practices in NGOs?
2. What is the nature of accountability practices in actual NGOs? Do NGOs practice accountability types A, B, C and D in Figure 2.2?
3. What theoretical, policy and practical implications can be derived from the analysis of NGO accountability practices?

By seeking answers to these questions this study aims to provide a better theoretical understanding of NGOs' accountability practices as well as empirical details concerning how it is implemented in selected NGOs. It is hoped that this will provide a basis for assessing the state of NGOs' accountability and identifying the areas needing further improvements.

2.7 Conclusion

This chapter attempted to set the background for the study by analysing the historical development of NGOs through three main eras and how the change in their funding over these eras has impacted on their operation and accountability. It attempted to set the scope of the study by defining NGOs and drawing from previous researches to propose a framework for classifying NGOs. This framework prepares a useful basis for sample selection for the case study. The chapter further examines the nature of accountability in general drawing on existing research to conceptualize accountability in a way that it could be discussed consistently across different sectors. This conceptualization will be useful in developing a theoretical model for the investigation. The chapter examines the existing theories of accountability in general, the peculiar nature of accountability in NGOs and the various frameworks that have been used to analyse it. It draws on these to develop a broader framework of accountability and position the existing research within it. It identifies the concentration of the research around particular areas and gaps in other areas leading to some important research questions.

Chapter 3

Research Approach

3.1 Introduction

Chapter two reviewed the state of accountability in NGOs by analysing their historical development and by examining the nature of accountability in general. It identified two broad conceptualization of accountability: one as a formally defined 'contractual' activity and the other as a socially negotiated 'communal' activity. It reviews the various frameworks used in the study of NGOs' accountability and relates them to these two broad dimensions. It traces the complexity involved in NGOs' accountability practices to the complex nature of their activities and the difficulty involved in relating them to the outcome or achievement. This complexity has implications for the research approach this study adopts to investigate NGOs' accountability practices.

Prior to 1980 the general approach to accounting research was mainly normative and prescriptive, yet these ideas and prescriptions were not taken up in practice (Laughlin, 1995: 63). This has led to calls for a more grounded understanding of the functioning of accounting systems in practice to discover their fundamental nature and rationale. This call has been accompanied with no dominant consensus on the research approach to be used to access this understanding. This has led to the development of various schools of thought and resulted in 'a proliferation of paradigms' (Chua, 1986: 601) with each school claiming superiority for its chosen approach.

Before taking a position on the research approach to adopt, it is important to examine the various philosophical assumptions on which the competing research approaches are based. Several scholars have attempted to delineate these philosophical assumptions (Laughlin, 1995; Chua, 1986; Burrell and Morgan, 1979; Watts and Zimmerman, 1978, 1979; Jensen, 1976). These delineations have been on various dimensions, and coming from various disciplinary perspectives.

Five important dimensions have been identified. The first is on ontology relating to the nature of the world and the physical materiality of the phenomenon under investigation. The second dimension is on epistemology which relates to the perception on understanding or knowledge. Epistemological assumptions influence 'what is to count as acceptable truth by specifying the criteria and process of truth claims' (Chua, 1986: 604) The third dimension relates to the role of the investigator or observer in the discovery process. This determines to what extent the researcher could be considered as objective and value-free. The fourth dimension is on 'methodology' or ways to investigate the world. The final dimension is in relation to the nature of society in terms of its stability or potential for change.

Laughlin (1995) adopts a three schema classification that groups ontology and epistemology under the category 'theory'. He categorized methodology and the role of the observer in the discovery process under the broad category of 'methodology'. The third dimension is on the position of the observer concerning the desirability of change in the phenomenon under study linking this to the nature of society dimension

(Laughlin 1995: 66). This could range from a critical perspective that sees the need for change to the perspective that sees little problem in maintaining the status quo.

This chapter examines the main themes of these various approaches to research and makes a choice of the most suitable research approach. It is divided into six main sections. Section 3.2 on research philosophy examines the two dominant positions on ontology and how they influence the research process. Section 3.3 on epistemology examines how the ontological position taken influences the approach to generating understanding. It reviews the two extreme epistemological positions: positivism and phenomenology. Section 3.4 examines the range of other epistemological approaches deriving from the two extreme positions and attempts to identify the key differences in them. Section 3.5 examines the relevance of these approaches to research on NGO accountability. Section 3.6 takes a position on the research approach adopted. It justifies the use of 'middle range thinking' as the most suitable research approach for this study. Section 3.7 examines the implication of this research approach for the choice of methodology and methods and sets out in detail how the study will be undertaken from a methods perspective.

3.2 Research philosophy

Several philosophical assumptions underlie the research process. They relate to the researcher's view of the world and the process of building or discovering knowledge. Two of these are dominant. At one extreme are the rationalists that believe in the existence of an objective world that could be discovered through rational investigatory

processes free of observer bias (Laughlin, 1995:70). At the other end is the wholly subjective approach of the empiricist who claim that such knowledge come to us only via our senses (Brown, 1969: 60-1). The major schools of thought have their origin in one or a combination of these two underlying philosophies but two of them are dominant.

3.2.1 Realism

This is the philosophical approach that assumes that physical and social reality exists in an objective plane independent of the researcher. Realism makes a distinction between the world 'out there' (the object) and the knower (the subject) and presumes that knowledge is achieved when the subject correctly discovers this objective reality (Chua, 1986: 606) This approach is dominant in the sciences where the objects are clearly identifiable physical phenomena. The approach has also been applied in the social sciences where people have been viewed as identical to physical objects and studied in the same manner (Chua, 1986: 604). This approach has been adopted in accounting research by some scholars and appears to be the dominant school in accounting research

> 'Mainstream accounting has been dominated by a belief in physical realism….people are analysed as entities that may be passively described in objective ways' (Chua, 1986: 606)

Other researchers have criticised this approach claiming that people cannot be treated as scientific objects because they are self-interpretive beings who create the structures around them (Christenson, 1983; Lowe et al, 1983)

3.2.2 Idealism

At the other extreme philosophical position is idealism traceable to the works of Immanuel Kant. Immanuel Kant's idealism is a sociological perspective that acknowledges the existence of a material world but insists that all insights to it are subjective. To him, 'neither experience nor reason alone can generate understanding as all discovery is mediated through human beings making the insights generated always conditional and inevitably subjective' (Laughlin, 1995: 71). He maintains that all knowledge is characterised by the point of view through which it is known (Scruton, 1982: 18). Several variations in interpretation of Kantian thinking have developed, some tilting towards a more object perspective and others towards a wholly subjective perspective.

3.3 Epistemology

The position taken on ontology is inextricably linked to and has direct implication for the epistemological and methodological choices that will follow. This subsection looks at the two dominant epistemological positions that follow directly from the two opposing ontological positions examined above.

3.3.1 Positivism

The *positivist approach* places more emphasis on the description of the empirical world distinct from any observer bias. It is traceable to the work of Auguste Comte who introduced the term. Positivism is generally believed to have certain fundamental rules. First is a conviction that all 'knowledge' is capable of being expressed in terms which

refer in an immediate way to some reality that can be apprehended through the senses. Accordingly, the distinction between essence and phenomenon should be eliminated on the ground that it is misleading (Kolakowski, 1972: 11) Second is the rule that refuses to call value judgements and normative statements knowledge (Kolakowski, 1972: 16) Finally is a belief in the 'essential unity of the scientific method' which expresses the belief that the methods for acquiring valid knowledge are essentially the same in all spheres of experience. This suggests that the methods of science can be applied to the study of social phenomenon. Giddens (1976) put this in the following way:

> 'Comte regarded the extension of science to the study of human conduct in society as a direct outcome of the progressive march of human understanding towards man himself' (Giddens, 1976: 12)

The positivist approach is a formal, structured approach to research as Laughlin (1995:73) makes clear:

> 'Comte's positivism was a tightly defined rational, deductive process with similarly clear rules on how to observe the empirical world'

The approach assumes the existence of an observable social reality that could be studied in ways that result in law-like generalisations (Remenyi et al, 1998: 32). This positivist approach searches for universal generalization and causal relationships. As such, data collection is focused on 'discovery' of rigorous generalizable relations and there is a neglect of 'soft' methods such as case studies (Hagg and Hedlund, 1979). This approach has been widely applied in accounting research resulting in a neglect of the importance of contextual variables on accounting practice. Kaplan (1984: 415) criticised this type of accounting research for their reluctance to 'get involved in actual organizations and to muck around with messy data and relationships'

3.3.2 Phenomenology

At the other extreme end of the continuum are the wholly subjective approaches such as phenomenology and linguistic philosophy. These approaches offer alternative perception on knowledge and understanding. Phenomenology critiques the natural science arguing that its claim to knowledge are secondary to and dependent upon the ontological premise of the 'natural attitude' while linguistic philosophy insists that there exists a logical disparity between the human world and the world of nature (Giddens, 1976: 131). Phenomenology dispenses with the rigidly defined methods of enquiry of the positivist approach and places more emphasis on understanding the phenomenon under study from the standpoint of the social actors.

A major critique of this approach is that it cannot lead to the discovery of 'new knowledge' since it can do no more than describe or re-describe what we already know as participants in social life. Such a view has been rebutted. Even if it were true that the approach merely 'describe' what the actors already know about their actions, no one actor can possess detailed knowledge of anything more than the particular sector of society in which that actor participates. There still remains the task of making into an explicit and comprehensive body of knowledge that which is only known in a partial way by actors themselves (Giddens, 1976: 131)

In between the two extreme positions on ontology and epistemology are several other schools of thought deriving from these two broad perspectives.

3.4 Other Variants of Positivist and Phenomenological Thinking

3.4.1 Other Variants of Positivism

Four contemporary schools have developed from Comtean thinking. These are positivism, instrumentalism, realism and conventionalism. Instrumentalism is a liberalised version of positivism. It agrees with positivism that only observational propositions describe reality. But while positivism awards scientific status only to statement of 'what is', instrumentalism admits that theories cannot be reduced to statement of 'what is'. Instrumentalists think that the usefulness of theory is more as instruments of prediction than as description of reality (Christenson, 1983: 15). They maintain that theories are only ever instruments for prediction having no explanatory power (Laughlin, 1995: 74).

Conventionalism is the more sociological end of Comtean thinking. It concedes the importance of the observer in the discovery process. Kuhn for instance maintains that it is a 'paradigm' which binds a community of scholars together and guides their 'normal science' behaviour. The significance of the concept of paradigm, in Kuhn's sense, is that it refers to a series of very basic, taken-for-granted understandings that form a frame for the conduct of 'normal science' (Giddens, 1976: 136) But as noted by Laughlin (1995: 74), this paradigm is not fixed but subject to revolutionary change in order to fulfil its purpose. Kuhn conceded this but argues that outside these 'revolutionary phases' of change, the development of science depends on a suspension of critical reason. This intolerance to critical reasoning is a marked characteristic of this

approach. Popper admits that ‘normal science’ is a subversion of the norms of critical exchange to which alone science owes its distinctive character (Giddens, 1976: 137)

3.4.2 Other variants of Kant’s idealism

Kant’s ‘idealism’ leaves some questions unanswered concerning the extent to which reality may be considered real or distinct from our mental image and to what extent one can critique the subjective interpretation of another observer (Laughlin 1995 :72) This has permitted varied interpretation of Kantian thought. The two marked variations are critical theory and Fichte’s transcendental idealism.

3.4.2.1 Critical theory

Georg Hegel interpreted Kantian thinking to give emphasis to a material world that could be understood or misunderstood. He also gave emphasis to an ideal to which we should be aiming thereby introducing the notion of critique and change into understanding and action (Laughlin, 1995: 72). Those following Hegelian thinking (divided between the left and right) view the need for change differently. The left Hegelians, led by Karl Max, maintained that the ideal society which would supply a complete understanding of what constituted ‘reality’ was yet to be discovered or created. They continued in the hope that this ideal state, interpreted by traditional Marxists as some classless society, would be created.

Critical theory has its roots in the works of scholars at the Frankfurt Institute of Social Research which has an interdisciplinary orientation. Prominent among them are

Horkheimer, Adorno and Marcuse. These scholars retained many of the themes of idealism such as the nature of reason and truth but recast the way it has been articulated by Kant and Hegel. They rejected the more structuralist interpretation of Marxism but nevertheless found in Marx's thought a powerful tool for the analysis of historical events (Thompson and Held, 1982: 2) Habermas, a prominent scholar of this school, maintains that critical theory cannot be conceived on the model of natural science because critical theory is characterised by 'self- reflection', a concept which has no place in positivism (Thompson and Held, 1982: 6)

Habermas provides a methodology for 'self-reflection' in language. He sees language as central in the formation of consciousness and capable of providing a foundation for critique. In his theory of social evolution, Habermas suggests that language provides an intrinsic and autonomous learning mechanism in the Institutional sphere that allows alternative solutions to be created as society goes through problems created by changes (Thompson and Held, 1982:10). This communication of meaning enabled by language is a major aspect of the evolution and change in the structural properties of societal systems discussed further in Chapter 4.

3.4.2.2 Fichte's transcendental idealism

On the other hand, Johann Fichte emphasized the subjective side of Kantian thought. Everything to Fichte is a projection of our minds thus making a material existence uncertain. This led inevitably to a lack of critique in terms of interpretation (Laughlin, 1995: 72). Other schools of thought have developed from different interpretations of

Fitchean thought. At the most subjective end of this are the ethnomethodologists (e.g Husserl, Garfinkel) and the more subjective wing of symbolic interactionism (e.g Blumer and the Chicago school).

Ethnomethodology draws a distinction between the 'rationality of science' and the rationality of commonsense or of the 'natural attitude' asserting that broad areas of human social activity appear to be non-rational when judged against a single standard of rationality specified by the 'scientific attitude' (Giddens, 1976: 35-36). Garfinkel maintains that actions are 'indexical expressions' having different meanings in different contexts. Ethnomethodology therefore, deals mainly with descriptive study of 'indexical expressions' in all their empirical variety. The distinctive character of this approach is that the contextual details of the phenomenon are preserved as unique features thereby ruling out the necessity for critique or change.

Other branches of Fitchean thinking have developed through the works of Wilhelm Dilthey and Max Weber who attempt to incorporate some elements of Comte's objective approach into the Kantian/Fitchean thinking leading to a range of other schools such as symbolic interactionism and Giddens' structuration theory.

3.4.3 Giddens' Structuration Theory

Giddens defined structuration as 'the structuring of social relations across time and space, in virtue of the duality of structure' (Giddens, 1984: 376). A main theme of structuration theory is the interaction between human agency and structure. In a general

sense, structure refers to the rules and resources involved in the Institutional articulation of social systems while structural properties refer to the Institutionalized features of social systems stretching across time and space (Giddens, 1984: 185). Agency refers to peoples' capability of doing things. It concerns events of which an individual is the perpetrator whether intentionally or unintentionally (Giddens, 1984: 9)

The concept of 'duality of structure' refers to the idea that agency (individual actions and interactions in social settings) and structure (the rules and resources which reproduce social systems) presuppose one another. Structuration theory has an emphasis on underlying structures in all actions while maintaining the importance of the details in particular actions (Laughlin, 1995: 75)

Structuration theory is not a theory in the empiricist tradition but an organized way of making sense of social life (Macintosh & Scapens, 1990: 469). Structuration theory concentrates primarily on ontological concerns. Its main purpose is to provide conceptions of the nature of human activity and of the human agent which can be placed at the service of empirical work (Giddens, 1984: 17-20). The main strength of structuration theory is that it recognises the importance of formal structures in social order while not discounting the significance of human agency within those structures. It is, therefore, positioned between and has the potential to overcome the weaknesses of the extreme positivist and phenomenological approaches. This will be relevant in the choice of research approach for this study.

3.5 Choice of Research Approach for Analyzing NGOs Accountability

The different research approaches discussed in the preceding sections have direct implication for the entire research process. The ontological assumption made is invariably linked to particular epistemological positions and both may be viewed as a coherent whole. This has profound influence on the choice of methodology and of data collection and analysis methods:

> 'choose a research approach and you choose a coherent way of thinking that needs to be operationalised in accordance with its ontological, epistemological and methodological underpinnings, without mixing and matching unrelated elements that lead to inconsistent and ultimately incoherent ways of undertaking empirical research' (Laughlin, 2007: 5)

The position taken on ontology and epistemology is influenced by certain underlying assumptions or theories. Laughlin (1995: 66) clustered ontology and epistemology together under the label of 'theory' and categorized the possible approaches a researcher can adopt based on the level of 'prior theorising and prior theories that can legitimately be brought to the empirical investigation'. In Figure 3.1 below (taken from Laughlin, 2004: 272) the implications of the two broad approaches to research for the whole research process is made clear. It further identifies a possible middle position in between the two extreme approaches.

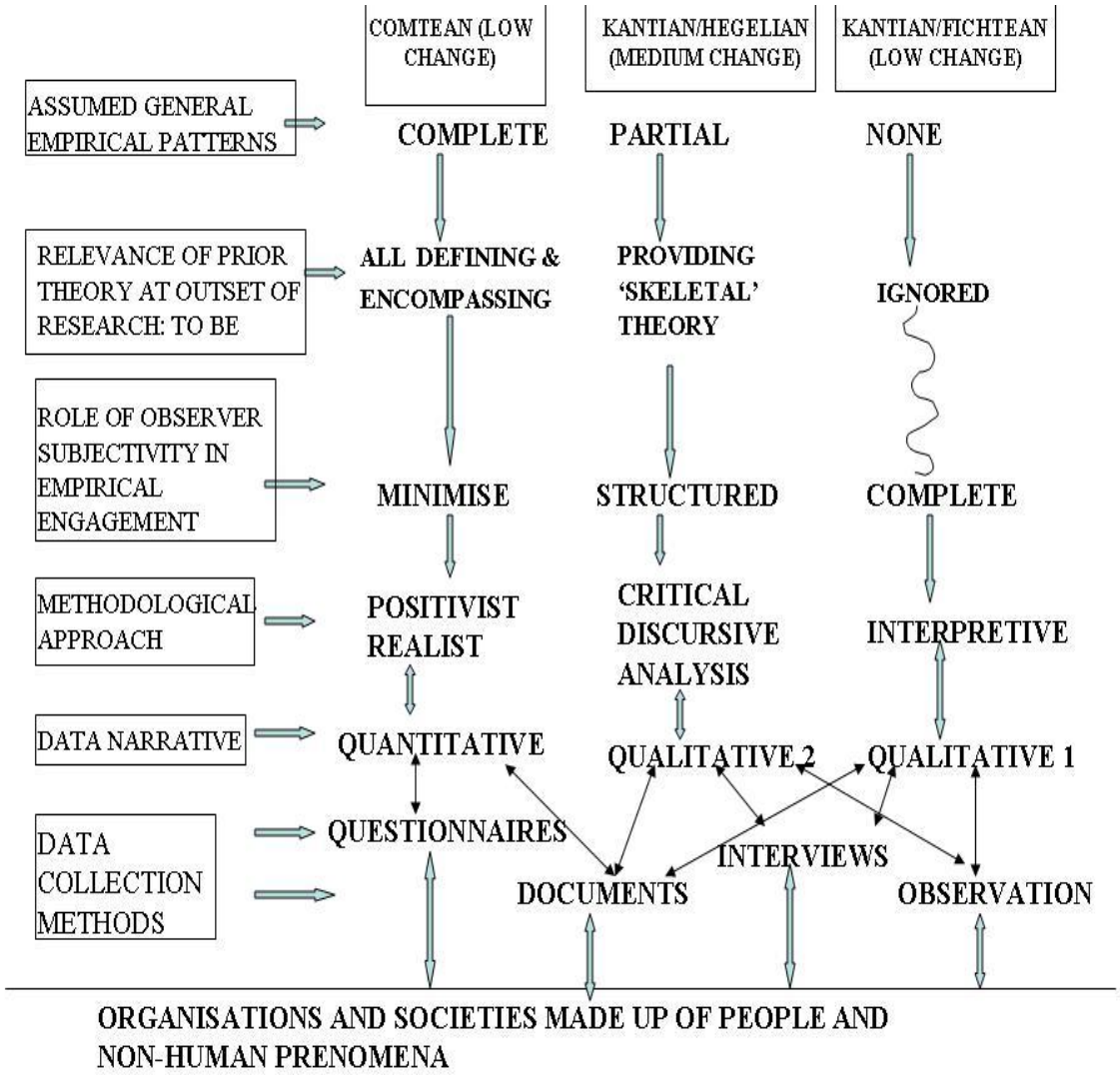
The following subsections examine each of the approach presented in figure 3.1 in relation to the role of theory and the use of prior theory in the research process.

3.5.1 The Comtean approach

The comtean approach (the left column in Figure 3.1) sees the role of prior theories at the beginning of the research as all defining. This is consistent with the assumption of the existence of a material world distinct from the observer that could be researched in a value-free manner. The positivist approach that derives from this is characterised by a high levels of prior theorizing. A theory or hypothesis is developed and tested through empirical investigation. This may result in a law-like generalization of the phenomenon under investigation.

The second dimension is on the choice of methodology. This is depicted as flowing from the assumptions made on ontology and the role of theory. This encompasses defining the role of the observer in the research process. This may be either minimal 'where the general empirical pattern are assumed to be completely summarised within the theoretical term and concept' (Laughlin, 2004: 272). Here the observer is viewed as objective. This view is consistent with the Comtean/Positivist approach and is naturally adopted in positivist studies. It involves the formulation and testing of hypothesis. The choice of data collection methods must, therefore, follow from this. 'Clear, replicable empirical information must be fed into the prior theories with minimal subjective noise' (Laughlin 2004: 272). This necessitates the use of quantitative data collection methods dominant among which is the use of questionnaires.

Figure 3.1 Alternative research approaches (taken from Laughlin, 2004: 272)



3.5.2 The Kantian/Fichtean approach

At the other extreme position and depicted in the right column in Figure 3.1 is the Kantian/Fichtean approach. This assumes that the world is not material but a projection of our minds. Since such projections differ, it assumes that no empirically generalisable patterns exist. This approach consequently places low reliance on prior theories to guide empirical understanding. As a result, the link between theory and methodology become more divorced and indicated by the wavy line in Figure 3.1. This approach allows for the total subjectivity of the researcher and does not rely on the structures and guides established in previous studies:

> '…relying on previous theoretical studies and insights is both inappropriate and potentially corrupting of the diversity and detail of the present study. In this position, the empirical detail is not mere confirmable or refutable 'data' for some prior theory but becomes the theory for the particular phenomena' (Laughlin, 1995: 67)

This approach is an inductive approach where the research begins without a pre set theory but the theory is developed from the data. Since the underlying assumption is that there are no general empirical patterns and therefore low reliance on prior theories in guiding the research, reliance is placed on the subjective analytical skills of the researcher. Consistent with this approach, therefore, is the methodology that permits the observer to be involved in the observation process 'completely uncluttered by theoretical rules and regulations on what is to be seen and how the seeing should be undertaken' (Laughlin, 1995: 67) Here the role of the observer may be assumed to be complete and the theory is induced from the data. This thinking informed the various interpretive approaches such as ethnomethodology, symbolic interactionism and

grounded theory. The data-collection and analysis method following on from this is qualitative using techniques such as observations, interviews and document analysis.

3.5.3 The 'Middle Range Thinking'

A 'middle range thinking' research approach lies between the two positions discussed in sections 3.5.1 and 3.5.2 and is depicted in the middle column of Figure 3.1. It takes the ontological stand that agrees with the Comtean view that some generalisation of an objective world that allows broad understanding of relationships is possible. It, however, differs from Comtean thinking in that it maintains that such generalizations cannot be complete as important details will vary according to the context. It believes that these general patterns can only be 'skeletal' needing to be 'fleshed' out with understanding gained from empirical studies.

Following from this ontological assumption, the discovery process begins with some prior theorization but only in 'skeletal' form. The 'fleshing out' of the theory, however, relies on the innovation and creativity of the researcher. Here middle range thinking agrees more with the Kantian/Fichteans:

> 'To do this requires the innovation that human subjectivity can bring albeit in a way which is not totally left to the observer to specify in actual situations.' (Laughlin, 2004: 273)

However, it advocates that the subjectivity should not be 'complete' but rather some 'structure' should be introduced into it. Structured subjectivity of the researcher implies that what is involved in the process of empirical investigation can be separately specified whilst leaving room for the observer's skills, imagination and intuition:

> ‘Structured’….specifies in more precise and abstracted terms what is involved in this engagement process whilst at the same time not trying to squeeze out the intuitive, imaginative properties of individual observers’ (Laughlin 2004: 273)

In this approach, the observer is part of the investigatory process and the method of observation is defined yet flexible enough to accommodate the subjective variety in perceptual powers of the observer.

Certain methodological frameworks are consistent with the approach of structured subjectivity of the observer. Laughlin (2004: 274) suggests the methodological thinking drawn from German Critical Theory as one methodological framework consistent with this approach. Consistent with this is the use of qualitative data collection methods such as documents, interviews and observation. This is, however, different from the qualitative data methods in the interpretive approaches because the data narratives are generated within a predetermined conceptual framework or theory, albeit of a ‘skeletal’ form. This is labelled as ‘qualitative 2’ in Figure 3.1 to distinguish it from the qualitative data used in the interpretive approaches. The main difference is that ‘qualitative 2’ data narrative ‘provides a narrative where prior theoretical terms and concepts are more evident, having guided the empirical investigation in the first place’ (Laughlin 2004: 275).

3.5.4 Justification for a 'Middle Range' Research Approach

The research approach adopted in this study is based on 'middle range thinking'. This has implication for the choices made in terms of the use of theory, the role of the observer, the methodological approach and the data collection methods. This section provides the justification for adopting this approach for the study.

The more theoretically defined methods of the positivist approach and its derivatives has served the needs of the natural sciences but it has severe limitations in accounting theory and social theory in general. Accounting as a social practice is greatly influenced by the context in which it is conducted. If there are limitations in applying this approach to accounting research in general, there are even more severe limitations in adopting it in the study of accountability in NGOs.

The term NGOs is socially constructed and the categorizations of NGOs is not rigid but flexible and context dependent. Likewise, accountability is a socially negotiated concept and its precise meaning and scope is influenced by the understanding of the social actors involved. While the attempt to search for generalizable commonalties prevalent in the positivist tradition is useful, divorcing this from context severely limits the accuracy and usefulness of the insights forthcoming

On the other hand the subjective Kantian/Fitchean approach places a great deal of emphasis on learning from the uniqueness of each situation but its main weakness is its inability to learn from other situations (Laughlin 1995:83). While each NGO is unique

and faces accountability issues that are specific to it, there are nonetheless certain issues that recur across the sector. An example is the problem of holding NGOs accountable to their beneficiaries. While most actors in the sector agree that this is desirable, there are structural issues across most NGOs that make this impracticable. Full adoption of this approach will therefore limit the opportunity of obtaining such broad understanding.

But while some features of NGOs' accountability may be abstracted and studied across organizations, the richness of specific situation or subgroups and the complexity involved makes it impracticable to divorce this from the context. For instance a key component of NGO's accountability is the 'humanitarian imperative.' What this means and how it affects practices varies across various parts of the NGO community. An emergency or welfare oriented NGO interprets this as the overriding importance of the need to save lives or relief suffering above economic rationality. But a development NGO interprets this as effectiveness and long-term sustainability of development assistance projects.

The middle range approach allows the contextual details to be brought into the study while not foreclosing the possibility of broader categorization and uncovering of generalizable findings. This approach is suitable for this study and is adopted.

A major area of difference in the approaches of the various research schools in accounting is the desirability for change. Neither of the two extreme philosophical

standpoints emphasises the need for change. However other research approaches have argued that research endeavour can and should be involved in processes of critique and of change (Laughlin & Lowe, 1985; Tinker et al, 1982). Laughlin (1987: 481) argues that though the benchmark for direction for these changes may be complex and yet unresolved, a case can be made for seeing the essence of research as understanding and transformation of the phenomena being investigated. This research will follow this lead. It will be mainly aimed at investigation of NGOs' accountability practices and its theoretical basis but will also explore the possibility for change that may improve the practice.

3.6 Data Collection and analysis

This research adopts a case study approach. This is justified because the concept of accountability is influenced by the context in which it is practised. A case study approach has the advantage of offering a rich understanding of the subject within a specific context and may reveal understanding of the specific situational variables that affect it. Data collection is carried out using six NGOs as case studies. Multiple levels of analysis is used in order to obtain understandings that are context specific as well as common to more than one organization or generalizable across NGOs. The next subsection discusses the approach to the selection of case studies while section 3.6.2 examines the justification for the use of the data collection methods chosen

3.6.1 Sample selection

The selection of cases was carefully considered as it involves defining the population. This is crucial in defining the limits for generalizing the findings. For this study, the population is defined as the whole NGO sector as defined in Chapter 2.

As the study is exploratory, the sample was carefully selected to include NGOs across the different categories identified based on their orientation and their level of operation. This is to ensure that the NGOs selected are representative of the whole categories of NGOs identified in Chapter 2. Concerning the sample size, the case study approach involving in-depth study in the selected NGOs necessitates limiting the sample size to a manageable six.

One of the NGOs was chosen to be the lead case study based on a consideration of which NGO is most likely to be informative in answering the research questions and where there will be access for more extensive data collection to be undertaken. The NGO selected as the lead case study was the one that provided the opportunity of wider access and also faced most of the challenging accountability issues under study. Extensive data collection and analysis was undertaken in order to explore the issues involved in NGOs accountability particularly in the areas where knowledge gaps have been identified. Based on the result of the preliminary analysis, the skeletal theory was modified and the data collection and analysis properly focused around the key issues emerging. These were then developed into a structure that formed the basis of data collection and analysis in the five other NGOs selected for the study.

Data collection in the remaining five NGOs was less extensive than in the lead case study but more focused on relevant themes. Due to the limited sample size, it is important to ensure maximum possible variation within the selected sample. The samples were selected to achieve a fair spread across the various categories of NGOs as defined in Chapter 2. This included emergency or welfare oriented, development oriented and advocacy oriented NGOs. This is presented in Table 3.1 below. The aim is to ensure that the unit of analysis is clearly defined.

Table 3.1- Selected samples of NGOs for case study

NGO type	Emergency/welfare	Development	Advocacy
International	Case Study 3		Lead Case Study
Regional or National	Case Study 4	Case Study 2	
National or Local	Case Study 6		Case Study 5

3.6.2 Data collection methods

In this study, primary data was collected using the three main data collection methods associated with the Qualitative 2 method in middle range thinking. These are mainly document analysis, observation and interviews. Using multiple data collection methods offers the benefit of triangulation which provides stronger evidence by substantiation of findings. This is particularly important in this study because the data relevant to the research exist in diverse forms across the whole of the organization. As the nature of the research is exploratory, and consistent with the research approach, data analysis

commenced as an integral part of the data collection. This overlap is not uncommon with case study research. Glaser and Strauss (1967) argue for an iterative process of data collection, coding and analysis as a means of guiding the direction of research, the approach adopted here and consistent with middle range thinking is to allow some overlap only to enrich the process of fleshing out the skeletal theory. The benefit of the flexibility to make adjustments to the data collection process 'allows the researcher to probe emergent themes or to take advantage of special opportunities which may be present in a given situation' (Eisenhardt, 1989: 539) This was particularly useful in the lead case study where the main themes to be explored were not completely defined but were being developed through the data collection and analysis process. The following sections describe the main data collection methods used.

3.6.2.1 Document analysis

The most extensive form of data collection methods used in this research is document analysis.

> 'Organizations… have a variety of ways of representing themselves collectively both to themselves and to others. It is, therefore, imperative that our understanding of contemporary societies…incorporates an appreciation of those processes and products of self-description' (Atkinson and Coffey, 2004: 56-57)

One of the products of self description is documents. They are routinely created in the normal course of organizational functioning and are the means through which organizational activities and decisions are implemented. Documents exist in different forms. MacDonald (2001:197-203) identified five major classes of documents available to researchers as: Public records, The media, Biographies, Visual documents (e.g films,

artwork etc) and Private papers (e.g minutes of meetings, internal memos etc). Documents are created and used for several purposes in organizations. This 'includes a variety of materials concerned with their self-presentation. This might involve annual reports, prospectuses, financial accounts and the likes.' (Atkinson and Coffey, 2004: 57). One of the uses of documents in organizations is for accountability. This may include, but not limited to, financial reports, narrative reports to stakeholders, strategic planning documents, project evaluation reports and other forms of communications internally and to stakeholders.

NGOs are highly regulated in the UK. There are extensive public records of issues of concern to this research and as such these documents were used extensively as a data source particularly for three of the six case studies that are UK NGOs. Some of these documents are annual reports and detailed information about the NGOs' activities filed with the Charity Commission. There are also published surveys and reports on issues affecting the sector. The Charity Finance Directors Group and the National Council for Voluntary Organizations have carried out surveys on several issues concerning NGOs' finance and accountability. The results of some of these surveys were used as data for analysis. There is an Office of the Third Sector in the UK Government that releases information on issues affecting the sector. Major Institutional donors such as the UK Department for International Development (DFID) publish information concerning funding of NGOs on their website. These include calls for application detailing donors' priority areas and criteria for assessment of NGOs' proposals for funding. These documents are useful sources of data and were used extensively in this research.

Private papers were also used extensively particularly in the lead case study, where the researcher had more access, and to a reasonable extent in the other five case studies. These private papers consist mainly of strategy papers, minutes of management and trustees' meetings, internal memos (including electronic mails) and papers on major decisions taken by the organizations. Also included in this category are management reports, both financial and narrative, fundraising applications and communications with Institutional donors. Feedback from donors on acceptance or rejection of project proposals submitted for funding were also used as data source on donors' influence on NGO's priorities and strategies. End of project evaluation reports were also used extensively as data sources. These provide the evaluators' assessment of the success and difficulties encountered in the projects. In the lead case study, the NGO periodically compiles the evaluative reports of a number of completed projects and discusses this in joint meetings between management and project staff. This consolidated evaluative report was used as a data source in addition to participant observation of the group discussion on the reports.

Table 3.2 below is a summary of the documents analysed and their coding.

Table 3.2- List of documents analysed and their codes

SN	Description of document	Code
1	Annual Reports	*[3]/AR/[4]**
2	Strategic Plans	*/SP/**
3	Programme of Work	*/PR/**
4	Annual Audited Accounts	*/AA/**
5	Grant or Programme Audited Accounts	*/GA/**
6	Fundraising Proposals to donors	*/FP/**
7	Programme Narrative Reports to donors	*/NR/**
8	Programme Evaluation reports	*/PE/**
9	Advocacy reports produced as part of advocacy programmes	*/RE/**
10	Donors' Calls for Proposal	*/CP/**
11	Funding guidelines and other information from donors	*/FG/**
12	Project Grant Contract	*/CT/**
13	Feedback from donors on Programme Proposals	*/FB/**
14	Published organizational literature	*/LT/**
15	Minutes of Meetings of Trustees	*/MM/**
16	Other Internal Memos and e-mails	*/IM/**
17	Statement of Recommended Practices for Charities	UK/SORP/**
18	The Non-Governmental Organizations Registration Act, Cap. 113, Republic of Uganda, 1989 (Amended 2006).	UGX/NGO Act/89
19	The Non-Governmental Organizations Regulations, 2009. Statutory Instruments Supplement to The Uganda Non-Governmental Organizations Registration Act, 1989	UGX/NGO Reg/09
20	The Companies and Allied Matters Act. Laws of the Federal Republic of Nigeria, 1990.	NGN/CAMA/90

[3] * indicates the organization (NGO or Donor) that the document relates to.
[4] ** indicates the year of publication or issue of the document

As the same types of documents are used across several NGOs, the coding system adopted identifies the organization, the document type, the year of publication or issue and where relevant, the page number. For example, CS1/AR/09:3 represents Case study 1, Annual Report 2009, page 3 while DFID/FG/08 represents the Department for International Development's Funding Guidelines issued in 2008.

3.6.2.2 Participant observation

Participant observation is a method that has its roots in sociology and anthropology. It involves a process where 'the researcher attempts to participate fully in the lives and activities of the subjects and thus becomes a member of their group, organisation or community. This enables the researcher to share their experiences by not merely observing what is happening but also feeling it' (Gill and Johnson, 1997: 113)

One of the benefits of participant observation as a data collection method is that of 'immersion in the research setting' (Delbridge and Kirkpatrick, 1994). This is of great value in an exploratory study of this nature where the issues being investigated are significantly dependent on the context. This method was, therefore, extensively used as the primary data collection method in the lead case study, where the researcher had extensive access.

Participant observation exists in various forms. Gill and Johnson (1997) sets out four possible positions that a researcher can adopt in participant observation. These are:

- Complete participant
- Complete observer

- Observer as participant
- Participant as observer

In the first two of these positions, the ‘complete participant’ and the ‘complete observer’, the identity of the researcher is not revealed and the subjects are unaware that they are being observed for research purposes. In the position of ‘complete participant’ the researcher takes part in the activities of the subject and attempts to become a member of the group being researched. This differs from the position of a complete observer, where the researcher does not participate in the activities of the group but observes from a detached position.

In the last two positions, the ‘observer as participant’ and the ‘participant as observer’, the identity of the researcher is made known to the subject. In the ‘observer as participant’ role, the researcher participates in the activities of the group only to a limited extent while focusing more on issues relevant to the research. But in the ‘participant as observer’ position, the researcher takes part in the activities of the group in full. This position gives the maximum benefit of immersion in the research context and it is the position adopted in the lead case study. The researcher, being a staff member in the organization, had sought permission from the Executive Director who agreed to using the organization as a case study and to using the data collected in the course of the researcher’s work. A significant amount of the data required can be found in the strategies and decisions taken by the management team of the organization which the researcher is part of. Saunders et al (2000: 224) describes this position as the

‘practitioner-researcher’ role and, while acknowledging the benefits of research access and quick understanding of the context, warn of certain pitfalls relating to approaching the research with some preconceptions and overlooking asking questions on basic concepts which the researcher may assume to already know. These issues were given careful consideration and addressed through careful recording and reflecting on the data collected and their analysis.

Three key categories of data are generated in participant observation. They are *primary observations* of what actually happened, made by the researcher; *secondary observations* consisting of interpretations of other observers of the events; and *experiential data* consisting of the researcher’s perception of the events and recorded in his diary and field notes (Delbridge and Kirkpatrick, 1994). In the lead case study, extensive volumes of these three types of data were collected. Extensive data from primary observations were gathered and recorded in a diary or in annotation of important documents. Informal questions were asked of other participants to clarify issues encountered and to understand their interpretations of the events observed. These were recorded in the field notes. The data collected were coded according to the structure in Table 3.3 below.

Table 3.3 Coding of data collected from Participant's Observation

Organization	Data collection method	Data type	Code
CS1	Participant's Observation	Primary Observation	CS1/PO/PR
CS1	Participant's Observation	Secondary Observation	CS1/PO/SE
CS1	Participant's Observation	Experiential data	CS1/PO/EX

3.6.2.3 Interviews

Interviews are a widely used method of data collection particularly in qualitative research. Interviews are of several types and they are used in both Qualitative 1 and Qualitative 2 types of data narratives shown in Laughlin (2004) (see Figure 3.1 above). However, the nature and type of interview needs to be consistent with the research strategy and the research questions. Interviews have been categorised in different ways but the categorisation most relevant to this study is that based on the degree of structure introduced. This could be at three different levels:

1. Structured interviews are highly formalised using standardised pre-prepared questions for each respondent. These were not appropriate for this study considering the research strategy adopted. While some structure is desirable to guide the direction of the research, the exploratory nature of the study and the need to reshape or 'flesh out' the theoretical framework based on the findings from the research implies that fully structured interviews will not be appropriate. It will be too inflexible and will tend

to exclude the opportunity to explore the unique features of each case. For this reasons, structured interviews were not used in this study.

2. Unstructured interviews are informal and useful in exploratory studies in areas where the issues are not well defined. There are no prepared lists of questions but the interviewee is given the opportunity to talk freely on the issues and may have more control of the direction of the discussion. This method is more suitable for studies using the interpretive research approach. It is not the main approach adopted in this study. But informal interview was extensively used particularly in the lead case study. This involved the researcher asking questions to clarify issues arising from data analysis or gaps noticed in data collected using other methods. Some of the interviews lasted only a few minutes while others continued over lunch or dinner. Most of the interviewees are NGO staff. 11 informal interviews were held in CS1 with the Heads of conflict prevention programme; International Advocacy; Policy and Communications; Programmes and the Deputy Director. 7 informal interviews were held with staff of CS2, CS3, CS5 and CS6. Others interviewed are 3 NGO trustees including the late Chair of the Council and the Treasurer at CS1. Other informal interviews conducted outside NGOs are one with a staff member of the EC, an Institutional donor, and another with a senior official of the Nigerian Accounting Standards Board. The questions were aimed at eliciting more information or clarifying issues arising from the data analysis. The informality made the interviews easy to arrange and the respondent discussed more freely.

3. Semi-structured interviews lie between the two types described above. The questions are not standardized but the interviewer has a list of questions or themes to be covered. The questions and the sequence can be varied from one interview to another as the situation demands. This flexibility makes this method of data collection appropriate for a 'middle range thinking' approach and was therefore used in the study, though not as the main form of data collection. The main themes to be explored were developed using the initial skeletal theory while the questions were guided by the findings from the documentary analysis which was the first and primary form of data collection used in all the cases except in the lead case where it was combined with participant observation. Each of these interviews lasted about an hour. Based on the result of analysis of the data follow up interviews were required in some cases. These were conducted in three cases one lasting about an hour (in CS2) but the other two were much shorter, with one (in CS3) conducted by e-mail. In total 14 formal interviews including the 3 follow up interviews were conducted between November 2007 and July 2011. The formal interviews were coded as shown in Table 3.4 with the follow up interviews coded as part of the initial interviews to which they relate.

3.6.2.4 Focus group discussion

Focus group discussion or interviews involves a number of participants engaging in a fairly unstructured discussing facilitated by the researcher. The involvement of a number of participants has the benefit of allowing ideas to emerge and be promptly evaluated. This method of data collection was used in the lead case study. Here the organization already has a culture of informal group discussion of issues affecting the

sector. This ‘brown bag’ forum happens fairly frequently (about monthly) in an informal atmosphere over lunch (in brown bags). This existing culture made it easy to organize the first group discussion on the research in May 2008. This involved mainly the Programme Coordinators, the Head of Programme, the Head of International Advocacy, the Head of Law, the Deputy Director in charge of fundraising and programme evaluation and about 5 other staff members. The topic of the discussion was on NGOs’ accountability to the beneficiaries. The discussion was mainly exploratory but moderated by the researcher who noted the important themes coming from the discussions and the views of the programme managers. A second focus group discussion was undertaken in September 2009 to review the main points from programme evaluation reports completed in the proceeding one year and draw some learning points for future projects. This was initiated by the Deputy Director who was in charge of programme evaluation but the researcher joined in because the issue was very relevant to the research and presented an opportunity for collecting relevant data.

3.6.3 Data Analysis

Consistent with the ‘middle range thinking’ approach adopted, the main type of data generated is qualitative. The first level of data analysis was focused on the lead case study. The data collection and data analysis were carried out concurrently and guided by the initial skeletal theory developed. The extensive mass of data gathered in the lead case study was assessed with regard to their quality and relevance. The analysis was focused around the key themes that developed and was used to revise the skeletal theory. The second level of analysis synthesised the initial findings from across the six

case studies, beginning with the three UK NGOs. This enabled a coherent analysis covering all the case studies.

Table 3.4 Coding of Interviews and Focus Group discussions

Organization	**Person interviewed**	**Date**	**Code**
CS1	Head of International Advocacy	Nov 2007	*/IV1/**
CS1	Independent Programme Evaluator	Mar 2008	*/IV2/**
CS1	Deputy Director	June 2009	*/IV3/**
CS2	Head of Finance	Jan 2010 & Jan 2011	*/IV4/**
CS3	Head of Programme Effectiveness unit	Aug 2010 & July 2011	*/IV5/**
CS4	Human Resources Manager	Aug 2010	*/IV6/**
CS5	Programme Officer	Aug 2010	*/IV7/**
CS5	Programme Manager	Aug 2010 & May 2011	*/IV8/**
NGO Board	Officer	Aug 2010	*/IV9/**
CS6	Director/Founder	Oct 2010	*/IV10/**
CS6	Fundraiser/Administrative officer	Oct 2010	*/IV11/**
CS1	Group discussion on beneficiaries' participation	May 2008	CS1/GD1/08
CS1	Group discussion on learning from evaluations	Sep 2009	CS2/GD2/09

3.7 Conclusion

This chapter locates the research approach adopted in this study within a framework describing a range of possible approaches to research. It aimed to highlight how the chosen approach adopted differs from the other approaches and to justify the choice process. The chapter opened with a broad description of the philosophical assumptions underlying the various research approaches and how they have been categorised by various scholars. It identified the key assumptions underlying the research process as analysed according to the three categories of 'theory', 'methodology' and 'change' in Laughlin (1995; 2004). It highlighted the limitations of the two dominant alternative approaches, the first starting with a prior-defined theory and structured investigative process and the other dispensing with a prior defined theory or structure but relying on the analytical skills of the researcher to induce the theory from the data.

It identified a 'middle range thinking' approach lying between these two extreme alternatives. It chose this as a suitable research approach because of the exploratory nature of the study. Consistent with this approach, a case study approach will be used and the main form of data collection will be documentary analysis, semi-structured interviews and participant observation. Concerning the role of theory, 'middle range thinking' approach requires the study to commence with a skeletal theory that could be 'fleshed out' with the findings from the investigation. The development of this skeletal theory is an important part of the study and is dealt with separately in the next chapter.

Chapter 4

The theoretical framework

4.1 Introduction

The theoretical approach to the study of accountability is diverse or varied. This is because accountability practices are context-dependent. As a result, different theories have been used to study accountability in various organizational situations.

The role of theory in the research process follows from the choices made in the research approach. Chapter 3 sets out the possible approaches to research and justifies the choice of a 'middle range thinking' approach to the research on NGO accountability. This necessitates the use of a 'skeletal theory' in approaching the empirical investigation. This will then be 'fleshed out' with the findings from the investigation. This chapter develops the theoretical framework that is used to commence the study. It begins by examining some of the existing theories of accountability with a view to identifying their relevance and limitations. It then builds on the categorization of approaches to accountability developed in chapter 2 to construct the theoretical model.

Section 4.2 Links the framework for categorising approaches to accountability to the existing theories. It examines agency theory and its dominance in private sector accountability and identifies why it is of limited use in studying NGOs' accountability. Section 4.3 looks at the stakeholder approach to accountability and identifies the reason why NGOs prioritize accountability to some stakeholders over others as resulting from

NGOs strategies in dealing with unequal balance of stakeholders' power and influence. Section 4.4 examines the suitability of accounting in a more traditional sense, as a tool of accountability and introduces a conceptual model to study the role and limitations of accounting in organizational accountability. Section 4.5 examines the relevance of Structuration theory to the study of the underlying stakeholder interactions that shape accountability practices in organizations while section 4.6 synthesises these different elements into a skeletal theoretical framework for approaching the study

4.1.1 The Accountability Framework

From the ideas presented in Chapter 2, accountability can be viewed as involving two strands: the giving of account in a form that is understood and the holding to account (Stewart, 1984: 15-16). These two strands are essential components of accountability relationships. The giving of account focuses on the 'language' used in presenting the accounts. This language may be quantitative or qualitative depending on the context but can be grouped into two broad categories:

1. Process based accountability that measures compliance with pre-set standard and formally defined outcomes. This includes fiscal and managerial accountability that measures the efficiency of the organization's processes and relies on the use of the quantitative language of accounting.
2. Performance based accountability that measures performance against organizational objectives. This measure may be qualitative and the criteria against which performance is measured less precisely defined.

The second way of categorizing accountability practices is in terms of the form of the holding to account broadly divided between the ‘contractual’ and ‘communal’ forms. The ‘contractual’ form of accountability involves the rendering of formal accounts mainly to stakeholders who have the contractual right to demand it. The expectations and information demands are more clearly specified and the approach highly standardized. But the ‘Communal’ form of accountability is mainly to stakeholders who may not have the contractual right to demand it. The approach is informal, less structured and often discretionary, as the obligation to account may be moral rather than contractual.

These distinctions are built into the two-dimensional framework in Figure 4.1 which is based on the categorization in Figure 2.1 The four segments of the framework (A to D) describe the possible approaches to accountability practice. The Process based approach involving measuring of outcome, using mainly the quantitative language of accounting, could be used either in the contractual or communal forms. In the contractual form as in segment A, accountability is rendered using traditional accounting with the practices standardized and regulated. When used in the communal form (as in segment D), it involves the use of accounting but this may not be in the traditional form. The stakeholders involved have the flexibility to determine the form of accounting that is relevant to their needs and adapt the practices accordingly.

The performance based approach involves giving account of the attainment of organizational objectives. Under a contractual form, this may be structured and

regulated as in the extension of traditional financial statement to narrative reporting (type B) but in the communal form it may be unstructured and adapted to the varying needs in different organizational contexts (as in type C). The categorization of these different approaches first presented in Chapter 2 are reproduced here as the 'Accountability Space' depicting the entire range of possible approaches to organizational accountability (Figure 4.1)

Figure 4.1- The Accountability Space

	Contractual Accountability	**Communal Accountability**
Performance Based	B- Accountability for the achievement of defined objectives	C- Accountability for stakeholders' needs
Process Based	A- Accountability for the use of resources to achieve defined outcomes (using Traditional accounting)	D- Accountability for the use of resources to achieve stakeholders' needs (using other forms of accounting)

4.2 Linking the Accountability Space to Theory

Different theoretical approaches have been used to study the different forms of accountability but none of them is broad enough to address all the range of possibilities that exists. For example, segment A type that falls under the contractual form has been analysed using Agency Theory. But as discussed in section 4.2 below, this theory cannot explain the accountability practices of segments B, C and D types which may be analysed using the stakeholder theory. The following sub-sections examine the relevance and limitations of this theory in analysing the practices in the entire 'accountability space'

4.2.1 Agency Theory Approach

The Agency Theory model dominates thinking on accountability particularly in the context of the private sector. In this model, the principal (in the private sector, the shareholders) owns the 'asset' (using this term broadly) that the agent manages on his or her behalf. Accountability of the agent (the management of the organization) is predominantly towards the principal as the principal has the contractual rights to demand accountability. As a result, the wishes of the principal influence the action of the agent and by implication the objectives of the organization. In this context, the guiding principle in the agent's conduct is the maximization of shareholder's wealth which constitutes the main organizational objective. Accountability is measured in terms of performance against this objective. Because of certain characteristics of the organizational objectives and the nature of accounting (discussed in section 4.4) the accountability system uses predominantly traditional accounting. This model may not

be appropriate in other sectors. For example, Mayston (1993: 73-77) contends that the Agency Theory model of accountability is unsuitable for the public sector for certain reasons. First, it is difficult to identify who the principal is in such an agency relationship. The electorate, the consumers of public services or the central government do not fit into the role of the principal as clearly as the shareholder does in the private sector model. Though Mayston (1993) made no reference to a stakeholder view, he admits, by implication, that there is a multiplicity of interests groups (or stakeholders) in public sector organizations. Second is the fact that the aim of public sector organizations is to provide social services to the population and to implement government policies. The organizational objective is therefore a balance of several needs and influences as opposed to the single wealth maximization objective of private sector organizations. As a result, performance cannot be expressed in a single criteria or indicator such as profit or share value.

Public sector accountability may be described as 'contractual' because the electorate have the power to enforce it by changing governments through elections. And though public servants have no formal contract with the public they are nonetheless indirectly held accountable through public office holders. But because the broad and qualitative nature of the objectives of public sector organizations, the basis of accountability is both process and performance, falling into both segments A and B. Because there are other non-contractual stakeholders involved, accountability necessarily involves some elements of the communal form.

There are three major difficulties in applying agency theory to NGOs. The first is that NGOs' resources are provided by donors mostly under contract. The victims of disaster, who are the beneficiaries of NGOs' activities, are not the funders and have no contractual relationship with the organization. NGOs therefore contract with one party (the donor, who has the contractual right to demand accountability) for the benefit of another party (the beneficiary, who has no contractual right to demand accountability). The second is that the objectives of NGOs are broad and non-economic and performance cannot be expressed in a single criterion such as share value. The third is the involvement of multiple stakeholders with varying interests. Agency theory recognises only one dominant stakeholder (the Principal) and treats other stakeholders as largely non-existent. Laughlin (1996: 227) draws attention to the significance of other contextual variables in the accountability space (See Figure 1, Laughlin, 1996: 227). If the actors that make up the context are viewed as stakeholders it could be argued that though they are not in a contractual relationship with the organization they are owed the duty of accountability. A more embracing approach that takes the interest of these varied stakeholders into consideration is argued, therefore, to be more appropriate.

4.2.2 The stakeholder Theory Approach

The composition of the stakeholders will vary across organizational types depending on the organization's objectives. In the context of NGOs, these stakeholders will include the donors or funders, the beneficiaries of NGO's activities, the government and the community or civil society. The donors may include individual supporters who give

small amounts or institutions and governments that give large grants to fund specific projects or the general activities of NGOs. The beneficiaries of NGOs' activities may include the poor, the victims of natural or man-made disasters or the victims of human rights abuses. Some of these stakeholders may be in direct contractual relationship with the organizations while the others may not. As a result, their relative importance in the organization varies.

Jawahar and McLaughlin (2001) suggest that the strategies an organization adopts to deal with different stakeholders will be influenced by the extent to which the organization depends on those stakeholders for resources critical to the organization. This dependence has implications for the power relations between stakeholders and the organization. Emerson (1962) sees this dependence as linked to the provision of critical resources needed by the organization. The result is a tendency for organizations to prioritize the needs of the stakeholders who provide the most critical resources needed for the organizations' survival over those of the other stakeholders. This could explain why, in private sector organizations, the needs of the shareholders are taken to be of overriding importance over those of other stakeholders. While this tendency may be seen in NGOs, it is not wholly applicable. While financial resources are critical to the survival of all organizations, private sector equity funds are provided or owned solely by shareholders. But NGOs have diverse funding sources from both contractual stakeholders such as Institutional donors and from non-contractual stakeholders such as from membership subscription, individual donations, foundations and legacies. This makes them less susceptible to the influence of a single stakeholder like private sector

organizations. Furthermore, NGOs' reserves (equivalent to shareholders' funds in private sector organizations) are not owned by any of the funders and cannot be withdrawn by any stakeholder. It must be used in furtherance of its charitable object (Charity Commission, 2006). These factors limit the influence of a single funder or stakeholder.

In organizations having other stakeholders apart from those in direct contractual relationship with the organization, communal forms of accountability becomes important. For example in religious organizations the resourcing is supplied by the faithful devotees who have no direct contract with the organization and may not require or demand any formal accountability. They are more interested in the spiritual work (the sacred or the core mission) of the organization (Laughlin 1988: 30-39). Accountability therefore involves mainly demonstration of the fulfilment of the sacred core mission.

This idea of a sacred core is relevant in other organizational types. Universities and Hospitals are typical examples. Bourn and Ezzamel (1987: 34) described them as professional organizations founded on an 'overriding value system' loosely identified as 'academic freedom' or 'clinical freedom'. Likewise, NGOs are guided by the Principle of Humanity which implies that no service whatsoever for the benefit of a suffering human being is to be dismissed out of hand (ICRC, 2002:4). Adherence to this principle is taken to be of central importance and Slim (1998: 28-48) argues that these fundamental values should be at the centre of accountability in humanitarian

assistance. In these organizations accountability of the form in ‘segment C’ of Figure 4.1 which involves qualitative reporting on the achievement of objectives or adherence to the core values will be very important. This is rendered in different forms but there is yet no standard approach towards it. But because these organizations also use financial resources, they may also render financial accountability to these non-contractual stakeholders. This may involve the use of elements of accounting but in a form different from that in segment A as the organization or the stakeholders may choose elements of accounting they consider as appropriate to the context. Practices in this area (segment D) are largely unregulated or non-standardized.

4.3 The Theoretical Framework

From the ‘Accountability space’ in Figure 4.1, accountability in organizations involves various approaches depending on the context. When using the process based approach to accountability in the contractual form, traditional accounting is the major tool employed. Here traditional accounting is used to describe the network of practices concerned with the provision of relevant information for decision-making, the achievement of rational allocation of resources and the maintenance of accountability and stewardship. These functional attributes are reflected in the Accounting Principles Board (APB) definition of accounting in its Statement No. 4 as

> ‘..to provide quantitative information, primarily financial in nature about economic entities that is intended to be useful in making economic decisions..’

Traditional accounting may satisfy the accountability needs in certain organizational context. But viewing accountability in terms of it only may be inadequate in other

contexts. This is because certain endogenous and exogenous variables may render it inadequate or inappropriate. The endogenous variables relate to the nature of the objectives of the organisation, the activities required in achieving them and certain elements of the nature of traditional accounting while the exogenous variables relate to the information preferences of the stakeholders. The following sub-sections examine these variables and propose a conceptual model for understanding why accounting meets more or less the accountability needs in different organizational settings. It is not a scientific model derived from some tested hypothesis but a skeletal one based on general observation and the result of previous research. It is intended only as a guide for empirical investigation.

4.3.1 Endogenous Variables

Contingency theorists argue that there is no universally appropriate accounting system applicable to all organisations. They attempt to identify specific aspects of an accounting system and demonstrate an appropriate matching with particular organisational contexts (Otley et al, 2001). They identified three major contingent factors (the environment, organisational structure and technology) that impact on the accounting system. This section proposes that there is a relationship between the nature of the organisational objective and the adoption of accounting practices. This relationship has its origin in the nature and history of accounting. Some key aspects in the definition of accounting (given in Section 4.3) together with certain organizational characteristics constitute the endogenous variables that influence the appropriateness of

traditional accounting practices in organisational accountability. These endogenous variables are examined in the following subsections.

4.3.1.1 Specificity of Organisational Objective and the Certainty of Cause/Effect

The first two of the endogenous variables are closely related. They are the nature of the organizational objectives and the extent to which the activities required to achieve them are programmable. Thompson and Tuden (1959) examine this relationship in the context of organizational decision making process. They conclude that when the organisational objectives are clear and specific, and the consequences of action known (or in other words, if the activities required in achieving those objectives are programmable), there is a high potential for decision making by computation.

Thompson and Tuden (1959) shows other possible combinations of uncertainty (or conversely certainty) of Objective and Cause/effect as presented in table 4.1 below with the implication for the decision making process.

Table 4.1 Relationship between organizational objectives and decision making (taken from Thompson and Tuden, 1959)

		Uncertainty of Objectives	
		Low	High
Uncertainty of Cause and effect	Low	Decision by computation	Decision by compromise
	High	Decision by judgement	Decision by inspiration

Traditional accounting, which by its nature, provides quantitative information, is more suitable for accountability in organizations where decision-making is by computation. From 4.1, one may conclude that traditional accounting will be more useful in organizations where the objectives are certain and the cause/effect relationship between the objectives and activities is high. One can deduce that the first two variables that affect the adoption of accounting practices in organisations are: Certainty of organizational objectives (now labelled O) and the extent to which the activities required to achieve the objectives are programmable (now labelled P)

4.3.1.2 Economic Nature of Organisational Objectives or Activities

The history and development of accounting dates back to the practices of Italian merchants from about the 13th century but codified in 1494 by Luca Pacioli. Double-entry book-keeping developed as a way of keeping records of business transactions. As businesses grew larger and more complex, cost and management accounting developed in response to the need for more information for controlling and decision making. Though historians of management accounting differ in their account and theories of its development (Garner, 1954; Kaplan, 1984; Hopper and Armstrong, 1991) there are areas of common understanding. Whether the aim was to control labour or promote economic efficiency, few disagree with Garner (1954: 348) that:

> ‘Cost theories and procedures have evolved as a natural corollary of their industrial environment. The expansion of the factory system…and the keener competition brought about by widening markets all combined to cause the manufacturer to appreciate more fully the necessity for adequate information as to his cost of production’

The development of accounting is therefore rooted in commercial practices. This is reflected in the definition which indicates that accounting information is more suitable to making economic decisions. As a result, the adoption of accounting practices in an organisation will depend on the extent to which the objectives (or the activities carried out to fulfil them) are economic in nature (now labelled E).

4.3.1.3 A Model of Endogenous Variables that Influence the usefulness of Traditional Accounting in Organizational Accountability

All of the variables identified above affect the usefulness of accounting within the organisation and impact on the extent to which traditional forms of accounting meets the accountability needs in the organization- an idea referred to in this thesis as a *sociological divide.* The sociological divide (ds) is inversely proportional to the product of the three variables discussed above and could be represented as:

$$ds \ \alpha \ \frac{1}{O*P*E}.$$

High values of O and P implies that the organizational objectives are clearly defined and the activities needed to achieve them are highly programmable. High values of E imply that the dominant objectives of the organization are mainly economic. This is the case in private sector organisations where the objective (maximization of share value) is purely economic, clear and measurable and the activities required to achieve it (profitable trading) has a programmable link to the objectives. As a result, ds is very small and traditional accounting should be used for organisational accountability. In this situation, provision of accounting information arguably almost completely meets

the accountability needs of the organization. Accountability in this type of organizations will be predominantly of type A in Figure 4.1

But where the variables take on low values the sociological divide will be large and traditional forms of accounting will be inadequate or unsuitable for organisational accountability. In public sector organizations for example, the objectives may be considered clearly specified in terms of the provision of basic services at a cost that makes them accessible to the population. But these objectives are not entirely economic as they serve other social or political needs. Furthermore, the activities required to achieve this are not entirely programmable. There exists a moderate level of sociological divide and accounting may not entirely serve the accountability needs of the organization. Attempts to extend the influence of accounting beyond the appropriate level will result in difficulties and resistance. This is consistent with the result of other research in this area (Mayston, 1993; Broadbent and Laughlin, 1998; Broadbent et al 2001). In this type of organizations, though type A form of accountability is still very important, it needs to be complemented by methods of reporting on the achievement of objectives in form of type B (where there are contractual stakeholders) and type C (where there are non-contractual stakeholders).

But there exist other organizational forms with much wider objectives and stakeholders whom though have no contractual relationship with the organization are nonetheless influential or important in the organization. For example, in religious organisations where the main objective is the worship of a sacred being and the resourcing to allow

this to happen is provided by a wider group of stakeholders who see financial accountability for those resources as a 'secular' and less important concern relative to the 'sacred' purpose of the organization. Accountability for these 'sacred' activities cannot be rendered using any standardised methods such as types A and B as they rest on some belief system. Relying on traditional accounting for accountability in these circumstances creates a sociological divide. This is consistent with the result of Laughlin's (1988) study of the role of accounting in the Church of England. It found that accounting is viewed as a secular activity distinct from the sacred objectives of the Church and only partly adopted at different levels of the organisation based on specific and limited needs. In this type of organization accountability consists mainly of the communal forms involving elements of types C and D practices (Figure 4.1).

In NGOs the organizational objectives relate to delivery of welfare services, development and advocacy. Though these objectives may be stated to different degrees of clarity and specificity, the activities required to achieve them may not be clear or specific. In some situations they may be communally negotiated between NGOs and the beneficiaries. In some cases, this may be a compromise[5] established through participatory processes such as needs assessment[6]. Furthermore, those activities are not programmable as it is difficult to link those activities directly to measurable improvements in welfare or development or the success of particular advocacy

[5] In interview IV1, the Head of International Advocacy at CS1, cited instances where communities failed to mention crucial human rights as part of their needs during consultation. In other instances, they did not consider important issues like girls' education as part of their needs.

[6] Apart from needs assessment, other tools such as the Logical framework, Participatory Rural Appraisal (PRA) and Participatory budgeting are used to involve communities and ensure that their needs are reflected in project design

campaigns. This suggests that the endogenous variables in NGOs will take on low values. As a result there is a sociological divide suggesting that traditional accounting practices alone cannot fully satisfy NGOs' accountability. This is consistent with the findings of Connolly (2002).

While financial reporting is used to establish NGOs' accountability for the use of resources in carrying out their activities, it does not establish any link between those activities and the achievement of their objectives. But the non-contractual stakeholders such as individual supporters, the beneficiaries and the wider community are more interested in the impact of NGOs' work rather than purely financial accountability. Therefore, for full accountability, NGOs need to go beyond the provision of traditional accounting information and embrace elements of all of the practices in segments B, C and D in addition.

4.3.2 Exogenous variables

The composition of stakeholders and their information needs have a major impact on organizations' accountability. The widespread approach is to use accounting information for organizational accountability as Thompson and Tuden (1959: xx) put it:

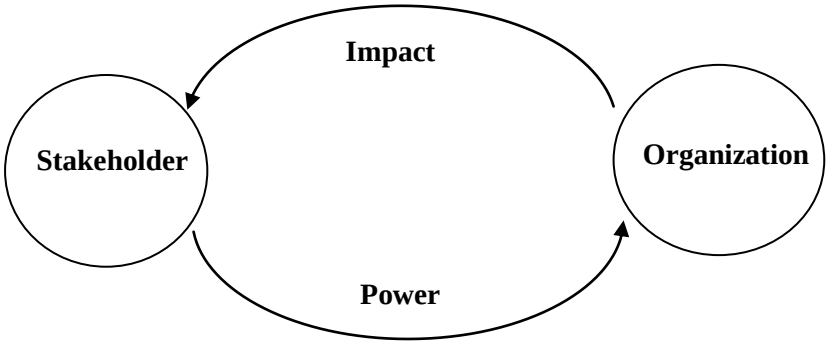
> 'Although accounting information in no way reflects the totality of activities that take place within the organisation and in its interaction with the wider environment, it does provide information on one dimension of such activity. Because the information is expressed in common monetary terms, it can be aggregated across all organisational units into a performance measure'.

In a similar manner, Jones and Dugdale (2001: 45) wrote:

> ‘The power of accounting rests to a considerable extent on its ability to re-present other forms of data and calculation in terms of money as pure information. Accounting claims to provide the ultimate translation - the bottom line’.

These perceptions would be appropriate for organizations where all the stakeholders are concerned primarily with financial returns. Accountability based on the use of traditional accounting information (type A) will be adequate in meeting stakeholders’ needs. But in other types of organisations where there are stakeholders whose interests are not financial returns, other forms of accountability will be important as well. How well accounting or any other chosen practices serve the accountability needs of an organization will, therefore, depend on the information needs of the stakeholders. To determine if accounting information (or the chosen practices) will satisfy the stakeholders’ information needs it is important to identify the stakeholders involved and assess their information preference. Using Freeman’s (1984: 46) definition of a stakeholder in an organization as ‘any group or individual who can affect or is affected by the achievement of the organization’s objectives’ one can represent this bilateral relationship as the stakeholder map in Figure 4.2. The way the stakeholder can affect the organization’s objectives and activities is represented as the ‘Power’ while the way it is affected by the organization’s activities is represented as the ‘Impact’

Figure 4.3- Stakeholders' Influence Map.



The model conceives the influence of a stakeholder on the organization as the product of the Impact and the Power of the stakeholder:

Stakeholder's Influence = Impact x Power[7]

The stakeholders with the greatest influence are those that the organization's activities have a high impact on and who also have the power to make changes in the organisation. Examples are the shareholders in private sector organizations. The stakeholders who have moderate influence on the organization are those who have limited power to make changes in the organization or who the organization's activities have only limited impact on their lives. There are also a few stakeholders on whose lives the organizations' activities have high impact but have little or no power to make any changes in the organization. They may therefore have little or no influence in the organization. Examples are beneficiaries in NGOs. Conversely, there may be other stakeholders on whom the organization's activities have little or no impact but who nonetheless have the power to make significant changes in the organization. Here the influence may also be little as the stakeholder may have no motivation to exercise its power to make changes in the organization. An example is the government as a

[7] This equation should be read as a relationship, not a precise mathematical formula

stakeholder in religious organizations. The government does not look to religious organizations for tax revenue but is yet able to make changes, through legislation, that affect the organizations.

4.3.2.1 A Model of the Information divide

Where some stakeholder groups have information preferences that are not satisfied by the organization's chosen practices, an information divide (di) is created. This divide represents the divergence between the organization's chosen accountability practices and the information preferences of that particular stakeholder:

di = Organization's accountability practices – Stakeholder's preference

An information divide will be created where an organization has many stakeholder groups but focuses its accountability practices exclusively on the needs of the most influential stakeholders. Where the organization's activities have low impact on the less influential stakeholders, this may not be considered a problem. But where the organization's activities have a high impact on the less influential stakeholders, this information divide will be a problem if not addressed.

Table 4.2 below uses the model to illustrate possible scenarios of the information divides in three organisational types if accountability practices are limited to, for example, traditional accounting practices (type A). The illustration assumes that the information preferences of the stakeholders are the varying mix chosen from the four possibilities, types A, B, C and D, identified in the 'accountability space' in Figure 4.1.

Table 4.2- Stakeholders' information preference in three organizational types

Commercial Organizations

Stakeholder Groups	Impact	Power	Influence	Preference	Organizational Practice	Information Divide?
Community[8]	L	L	L	C, D	**A**	**Yes**
Users (Customers)	L	L	L	C,D	**A**	**Yes**
Government/regulators	H	H	H	A	**A**	**No**
Shareholders	H	H	H	A	**A**	**No**

Religious Organizations

Stakeholder Groups	Impact	Power	Influence	Preference	Organizational Practice	Information Divide?
Community	M	M	M	C	**A**	**Yes**
Users (Worshipers)	H	M	H	C, D	**A**	**Yes**
Government/regulators	L	H	M	A	**A**	**No**

Non Governmental Organizations (NGOs)

Stakeholder Groups	Impact	Power	Influence	Preference	Organizational Practice	Information Divide?
Community(including individual donors)	L/M?	M	M/L?	C,D	**A**	**Yes**
Users (Beneficiaries)	H	L	M/L?	C,D	**A**	**Yes**
Government/regulators	M	H	H	A	**A**	**No**
Institutional Donors	M	H	H	A, B	**A**	**Yes/No?**

[8] For commercial organizations involved in oil exploration, forestry, tourism etc, the influence of the community may be higher on account of the high impact of the organization on their lives. Through organising into advocacy groups, they may also increase their power to make changes in the organization. Their level of influence may then increase to medium (M)

The scenario in table 4.2 suggests that in private sector organisations there are information divides in relation to the needs of the community and the customers as stakeholder groups. The accountability focuses mainly on type A on account of the high influence of shareholders and the government (or regulators) both of whom are primarily interested in financial accountability. The information divide in relation to the needs of the customers (users) and the community may not be considered a problem if there is low impact of the organization's activities on them. In this instance, the organization does not significantly affect their lives and in a competitive environment, they can chose not to deal with a particular organization. But this is not the case in organizations operating in sectors having significant externalities such as mining, petroleum exploration, forestry and tourism. In such cases, the effect of the organisation's activities on their lives and environment may be very severe. This may raise the level of impact and an information divide in relation to the needs of these stakeholders will be problematic. Where the community is able to organise themselves into advocacy groups, they may increase their power and force the organization to render accountability.

In religious organizations, there will be an information divide in relation to the needs of the worshipers and the community if accountability is viewed only in terms of traditional accounting (type A). This will be a problem because the impact of the organization's activities on the worshipers' lives is High and on the community Medium. The divide will be a major problem because in case of the worshipers, in addition to the high impact, they also have some power to make changes in the

organization and are therefore somewhat influential stakeholders in religious organizations. Compared with commercial organizations, the non-profit seeking worshipers (users) actually provide the funding for the running of the organization. But for the limited ability to make changes in the organization, their position could be more like that of the shareholders in commercial organizations.

NGOs are somewhere in between the two extremes of commercial and religious organizations. The Institutional donors (and the individual donors in the community) replace the shareholders in providing the funding for the organization. But their motive is not profit and they have no residual claim on the assets of the NGO. The impact of NGOs' activities on them is Medium, particularly for the Institutional donors, as NGOs help them achieve their humanitarian objectives. The Institutional donors through their funding decisions have power to make changes in the NGOs though the individual donors do not have such power. But both require more than traditional accounting information (types A). This means that if accountability is limited to type A, there will be an information divide in relation to the needs of the donors. Assessing NGOs' accountability against the same practices as the private sector may, therefore, yield the misleading conclusion that NGOs are less accountable as noted by Gray et al. (2006) concerning a study that suggests NGOs are less accountable than corporations based on a definition of accountability in terms of control and reporting, attributes that are closely similar to type A form of accountability:

> 'At the heart of Kovach et al. (2003) study is an examination of the accountability processes of three groups of organisations: transnational corporations (TNCs), NGOs and intergovernmental organisations (IGOs). The accountability was proxied by two variables: member control and access to

> online information....Of course, one would need to extend considerable caution on relying on the results shown (that NGOs are less accountable than TNCs)' (Gray et al., 2006: 332)

Also, the role of the beneficiaries (users) is somewhat different from those of the worshipers (also users) in religious organizations. The main difference is that unlike the worshipers, they do not provide the funding for the organization and have no power to make changes in NGOs.

In summary, the nature of accountability practices in organizations is affected by the composition of the stakeholders, their relative influences and information needs. Where the resulting practices do not meet the needs of some stakeholders (more likely the less influential stakeholders), an information divide is created. This will be considered more problematic where the Impact of the organization's activities on those stakeholders is high than where the Impact is low.

The composition of the stakeholders, their needs and influence are variables that affect organization's accountability practices. The influence, which is linked to the power of stakeholders and the way it is exercised, is a particularly significant variable. The interactions between these variables occur within a social context that affects the practice of accountability in organizations. The theoretical model therefore uses structuration theory to incorporate the dynamics of these interactions within it.

4.4 A Structuration Theory Model of Accountability

The concept of accountability is a socially constructed one therefore, its meaning and form cannot be divorced from the social context in which it is practiced. This section introduces Giddens' (1979; 1984) structuration theory as a relevant approach to understanding how the social context affects the evolution and sustaining of accountability practices in different organizations and sectors. The introduction of this thinking is intended to complement and extend the theoretical analysis developed in section 4.3 by adding a more contextual appreciation to the dynamic interactions between the stakeholders' influence and their information needs.

The core of structuration theory is the 'duality of agency and structure': that agency and social structure interact in the production and reproduction of social systems (Giddens, 1984: 162). This means that social systems (or structure) are dynamic and constantly recreated as a result of the activities of the social actors involved. Giddens rejected the view of social systems as a form of totality having properties analogous to those which control the form and development of an organism (Giddens 1984: 163). He contends that through the activities of social actors, social systems evolve or change in clear identifiable episodes. He describes these episodes as

> 'identifiable sequences of change affecting the main institutions within a societal totality, or involving transition between types of societal totality' (Giddens, 1984: 244)

To understand how social actors (or Human Agency) influence or recreate social systems, it is important to examine Giddens' views on each of these two important elements of the theory.

4.4.1 Human Agency

Giddens uses human agency to refer to the activities of social actors. He sees human agents as knowledgeable. By this he means that they know a great deal about the conditions and consequences of what they do. Giddens (1984: 3) suggests that the 'knowledgeability of the human agent is reflexive in form and different from the coded programmes that sustain natural systems'. This implies that the activities of social actors can result in a change is social systems but not in any programmable manner. The ability of social actors to effect conscious change in a particular direction is curtailed by the limited nature of the knowledge possessed by social actors, or as Giddens put this:

> 'This knowledgeability …involved in the recursive ordering of social practices…is bounded on one hand by the unconscious and on the other by unintended consequences of action' (Giddens, 1984: 3-4)

According to Giddens (1975:5) knowledge exists on three levels. The first is the level of unconsciousness which relates to the motives behind human action. The second level, practical consciousness, is the tacit stacks of knowledge which actors draw upon in the constitution of social activities while discursive consciousness, the third level, involves knowledge which actors are able to express on the level of discourse (Giddens, 1984: 44-45) Discursive consciousness is involved in the rationalization of action which entails giving verbal expression to the reasons for conduct. However, it is practical consciousness that is involved in the reflexive monitoring of action as actors often respond to social interaction using implicit stocks of knowledge which are not directly accessible to the consciousness of individual agents (Gidden 1984: 5-7). This is because it is impossible for agents to pause, reflect and make conscious choices about

their behaviour for every event flowing by the stream of social action and interaction (Macintosh and Scapens, 1990: 458). What this implies is that the various methods of accountability in use by organizations are influenced by the tacit stock of knowledge that the social actors draw upon in shaping their accountability practices. This is the level of practical consciousness. But the practices are also influenced by the 'unconscious' level relating to the motivation behind those actions and the unintended consequences of the actions. This motivation may not be obvious to an observer or even the actors. It is the interaction with this 'unconscious' that makes the evolution and shaping of social systems (or structure) complex and non-programmable and somewhat out of the direct control of the social actors.

4.4.2 Structure

The concept of structure is fundamental to structuration theory. Giddens (1984: 185) used it in two senses. In the first sense, he uses structure to refer to 'rules and resources involved in the Institutional articulation of social systems' (Giddens, 1984: 21). He describes rules of social life as generalizable procedures enacted to order social practices, which actors are aware of in their practical consciousness. According to Giddens, it is these rules that structure social systems by 'sustaining, termination and reforming of encounters' (Giddens 1984: 22-23). The various rules, practices and methods of accountability currently used by organizations may therefore, be viewed as constituting part of the structure on which the accountability system is built.

In the second sense, Giddens (1984: 186) uses structure in a more general way to refer to 'the Institutionalised features of social systems stretching across time and space' In this sense, Giddens implies that once the social practices have been structured and those practices accepted as the norms of social life over a wide span of time, those practices then constitute the structure. The distinction between structure and system is not very explicit but Giddens (1979: 66) attempts to explicate it

> 'Structure (refers to the) rules and resources organised as properties of social systems….System (refers to) reproduced relationships between actors and collectivities organized as regular social practices'

Robert and Scapens (1985: 446) further explain that 'systems are not structures, but rather systems have structures which are produced and reproduced only through being drawn upon by people in interaction with one another.'

For the purpose of this study, it is sufficient to view organizational accountability as a social system supported by a structure consisting of certain Institutionalised rules and practices. This system or structure though stable may change or evolve over time. How the system is created, sustained or recreated over time could be understood by examining certain properties of social structures. Giddens identified three such structural properties as signification, domination and legitimation.

Signification refers to the organised sets of codes or rules on which the system is founded. These are drawn upon by social actors who apply their stock of knowledge (practical consciousness) reflexively to communicate meanings. In essence, signification refers to the collective understanding of the rules of the system entrenched

in the practical consciousness of the actors. This is not easily changeable as demonstrated by the failure of the first SORP introduced for charity accounting in the UK (see 2.5.4. for details). Gambling et al (1990) concluded that the standard was generally ignored because a major group of social actors involved (the charity accounting practitioners) did not identify with the views expressed in it. The emphasis on net surplus and capital maintenance suggested by the standard, which has gained acceptance or signification in the private sector was challenged by practitioners in charities as not suitable in reflecting their activities. These views were taken into account in subsequent revision of the SORP. For any such views to permanently influence or change the accountability structure, they must be widely accepted by all the major actors and Institutionalised in form of rules or codes. The process by which this occurs could be described by the other two structural properties identified by Giddens (1984) as 'domination' and 'legitimation'.

Domination describes the potential for some social actors (or stakeholders) to influence the course of evolution of social systems by reason of their control of allocative resources (referring to capabilities generating command over objects, goods or materials) and authoritative resources (referring to capabilities generating command over persons or actors) Giddens (1984: 31- 33) describes it as 'the persuasive influence of power in social life'. The most powerful stakeholders (usually those having allocative or authoritative capabilities) have more influence in determining which set of practices are sustained.

Legitimation relates to the sanctioning of conduct. The sanction could be positive connected with reward, or negative in form of punishment (Giddens 1976: 109-110):

> ‘Legitimation structures are those shared sets of values and ideals about what is to count as important and what is to be trivialised; and what ought to happen and what ought not to happen. It involves a normative aspect consisting of rules and a moral aspect consisting of the obligation to follow them’. (Macintosh and Scapens, 1991: 142)

Structures of signification are closely connected to those of domination and legitimation and are separable only analytically (Giddens, 1984: 31-33) For example

> the idea of ‘accountability’.. gives cogent expression to the intersection of interpretive schemes and norms. To be ‘accountable’ for one’s activities is both to explicate the reasons for them and to supply the normative grounds whereby they may be ‘justified’. (Giddens, 1984:30)

Through the use of the power of sanction, powerful stakeholders have influence in determining which of the evolving organizational practices gain legitimacy thereby completing the process of Institutionalization. It can be concluded that while the evolution of accountability practices is influenced by the collective understanding and practices of all the social actors involved, those practices that gain ‘domination’ and ‘legitimation’ are determined by the more powerful stakeholders involved. These actors may therefore have significant influence on the course of evolution or change in the structure of accountability practices. According to Giddens (1984: 27-28):

> ‘in the context of social life, there occur processes of selective information filtering whereby strategically placed actors seek reflexively to regulate the overall conditions of system reproduction either to keep things as they are or change them.’

Roberts and Scapens (1985: 448) analyse accountability systems as ‘drawing upon and thereby reproducing structures of Signification, Legitimation and Domination’. They

show the signification properties of accounting as a language of accountability, providing organization members with a set of categories that serve as a structure of meanings drawn upon to order their experiences and action. This may or may not be appropriate for all the stakeholders depending on their objectives and values as Roberts and Scapens (1985: 448) admit that 'the precise significance of events are open to different interpretations, to elaborations, to negotiation and to dispute'. The legitimation and domination structures can be viewed in terms of the exercise of the power and influence of the stakeholders. These also have significant influence on organizations' accountability practices.

This study incorporates elements of structuration theory in the skeletal theoretical framework for analysis to explain how the composition of the stakeholders, their objectives, values and information needs and the interaction between them have determined the accountability system and practices in organizations.

A major critique of structuration theory relates to its abstract form and the difficulty in linking it with any particular approach to empirical research. Gregson (1989: 240) sees it as a 'second-order theory' that is concerned with constituents of society, different from a 'first order theory' which is relevant in explaining the events of a particular period. Giddens (1990:310) clarified that structuration theory is not meant to be a concrete research programme but rather an 'overall ontology of social life, offering concepts that should be useful as sensitising devises for research purposes'. It is in this sense that the theory is used to enhance understanding of the dynamics of the

relationships between the variables in the theoretical framework developed for the study.

Laughlin (1990: 94) sees structuration theory as enabling the design of skeletal models which can be applicable across different situations but 'fleshed out' using different empirical details. He argued that 'appreciating the underlying context and structure of accountability practices provides a much needed dynamic complement to the theoretical insights into accountability already advanced' (Laughlin, 1990: 98)

The following subsection summarises the skeletal theory used for the empirical investigation.

4.5 A model of Accountability in Organizations

Figure 4.3 is a summary of the theoretical model used in the study. It shows that accountability practices in organizations could be rendered using one or more of the four possible approaches. What determine the actual practices are two main influences operating at two different levels. At the first level are two direct influences arising from:

1. The endogenous variables that influence the form in which account is rendered (or the bases of account). These variables are: how specific and measurable the organization's objectives are (O); how economic the activities required to achieve those objectives are (E); and how programmable is the link between those activities and the achievement of the objectives (P). Where the size of

these variables are low, accountability bases will tend towards the performance based as there will be a sociological divide (ds) that limits the ability of traditional accounting (the main tool in the process based approach) to satisfy the full accountability needs in the organization. The size of this divide is measured as:

$$ds \ \alpha \ \frac{1}{O*P*E}.$$

2. The exogenous variables relating to the composition of the stakeholders, their objectives and information needs and their relative influence in the organization. This influence is proportional to the product of their power to make changes in the organization (P) and the impact of the organization's activities on them (I).

   Stakeholder's Influence = Impact x Power

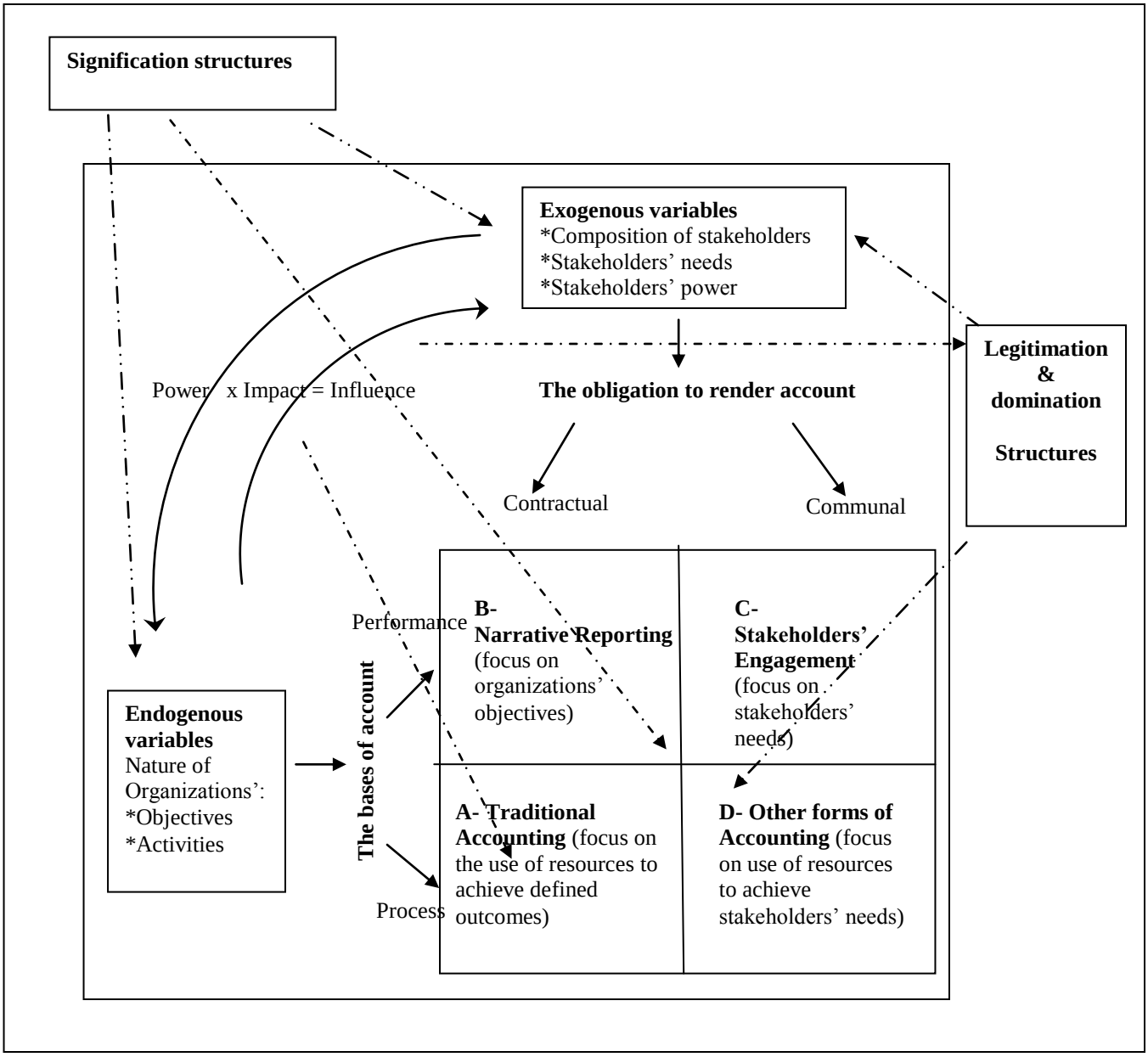
   The influence may be exerted in shaping the organization's objectives and activities or in determining the forms of accountability practices.

   Where the information needs of a particular stakeholder are not met, an information divide (*di)* results, the magnitude of which is expressed as:

   di = Organization's accountability practices – Stakeholder's preference

At the second level are the indirect influences resulting from the dynamic interactions between the stakeholders occurring within the social context marked by the structure of signification, legitimation and domination.

Figure 4.3 - A skeletal model of the influences on the choice of organizations' accountability practices



The empirical work will investigate the nature of the endogenous and exogenous variables in the 6 case studies. It will investigate the existence and the extent of any sociological and information divides and examine the interplay of the social context and the nature of the interactions between the stakeholders. Fleshing out the skeletal theory with these empirical details will offer a descriptive analysis of NGOs' accountability and the potential for making recommendations that will improve future practice.

4.6 Conclusion

This chapter attempted to outline the basic theoretical framework used to approach the study. The chapter revisited the categorisation of the approaches to accountability based on the form of giving account and the form of holding to account developed in Chapter 2. It labelled the resulting four possible approaches as the 'accountability space' defining the range of possibilities from which organizational practices could be chosen.

The chapter introduced the model of endogenous variables to explain the role and limitation of traditional forms of accounting in organizations' accountability. It suggests that where the organization's objectives are specific and measurable and the activities required in achieving them are economic in nature and bear a programmable link to the achievement of the objectives, there will be a very small sociological divide that means accounting information will to a large extent fulfil the organization's accountability. But where the converse is the case, there will be a significant

sociological divide that means traditional accounting information alone cannot fulfil the organization's accountability and should be supplemented with other forms of performance based approaches.

It also introduced a model of the exogenous variables relating to the stakeholders' information needs and suggested that organisation's accountability practices depend on the information preference of the stakeholders. It suggests that the influence of stakeholders is related to their power to make changes in the organization and the impact of the organization's activities on the stakeholder. It suggests that where the organization's accountability practices are focused exclusively on the needs of the influential stakeholders there will be an information divide with regard to the needs of the non-influential stakeholders. It described the information divide as the divergence between the organization's practices and the information preference of stakeholders. This divide will not be considered a problem if the impact of the organization's activities on the non-influential stakeholders is low, but it will be considered a problem if the impact is high. The chapter introduced structuration theory to explain how the interactions between the stakeholders, against the backdrop of their relative influence and their values (or views on the significance of events), determine the form of organizational accountability.

The following propositions follow from the theoretical model developed:

1. Where an organization's objectives are specific and measurable and the activities required to achieve them are economic in nature and bear a programmable link to the achievement of the objectives, there will be a very

small sociological divide and traditional accounting information will to a large extent fulfil the organization's accountability.

2. Where an organization's objectives are not specific or measurable and the activities required to achieve them are not economic in nature and bear no programmable link to the achievement of the objectives, there will be a large sociological divide and traditional accounting information alone cannot fulfil the organization's accountability.
3. Where an organization's accountability practices are focused exclusively on the needs of some stakeholders there will be an information divide with regard to the needs of other stakeholders.
4. An information divide with regard to a particular stakeholder will cease to exist if this stakeholder has the power to make changes in the organization to ensure that accountability information required by this stakeholder is supplied.
5. An information divide with regard to a particular stakeholder will continue to exist if this stakeholder does not have the power to make changes in the organization to ensure that the accountability information required by this stakeholder is supplied. This will be a significant problem if the impact of the organization's activities on the stakeholder is high.
6. The signification, legitimation and domination structures that underlie the accountability practices in organizations provide important insights into why these practices occur.

As befits 'middle range thinking' these propositions will be used to shape and be shaped through the empirical data and analysis of actual NGO accountability practices.

Chapter 5

Lead Case Study: Data and Analysis

5.1 Introduction

The preceding two chapters set out the research approach and the theoretical model used in the study. This informed the approach to data collection and analysis. The main categories used for the data collection and analysis are taken from the theoretical model developed in Chapter 4. At the first level are the organizational objectives, the organization's activities, the stakeholders' needs and the accountability practices. At the second level are the underlying social interactions that shape them and how these have influenced the practices observed. This chapter sets out the data collected, the analysis and the main findings from the lead case study (labelled as Case Study 1 or CS1). The chapter is divided into seven sections. Section 5.2 gives the general background to CS1, its objectives, activities and sources of funding. Section 5.3 describes CS1's current accountability practices while section 5.4 follows through a typical programme implemented by CS1 to exemplify how these practices are operationalised. Section 5.5 uses the theoretical model developed in chapter 4 to analyze CS1's accountability practices. The influence of the social context on these practices is examined in section 5.6 using Structuration theory. Section 5.7 draws some conclusions from the data analysis.

5.2 Background to CS1

CS1 was established in 1969 by a journalist, worried about the post second world war rise in inter-ethnic conflict and pogroms against minorities around the world. He

‘brought together a small group of journalist, academic and anti- apartheid campaigners’ and proposed using the strategy of ‘the higher blackmail’ involving publishing information about human rights violation and discrimination in order to shame governments into improving their records (CS1/LT/09: 3).With the first grant secured from the Ford foundation, the organization was launched at a press conference in November 1969. It started researching and gathering information on human rights violation experienced by minorities around the world. Six initial reports were produced. By the end of the decade, it had produced fifty reports and had gained consultative status with the United Nations. By 1988 it had produced 150 reports and half a million copies sold by 1990. These achieved the organization’s objectives but to a limited extent in that ‘while many governments acknowledged the importance of human rights…the need to ensure protection for minority communities still regularly proved controversial’ (CS1/LT/09: 6). The organization found out that to protect minorities, it needed to do more than exposing injustices and human rights violations. It began to use ‘international pressures and the authority of international law to challenge instances of minority rights violations around the world. Our consultative status at the UN is a major boost to our advocacy efforts’ (CS1/IV1/08). CS1 records as part of its achievement the UN General Assembly’s adoption of the *UN Declaration on the Right of Persons belonging to National or Ethnic, Religious and Linguistic Minorities* in 1992. It considers this as a major step forward in securing international agreement on minority rights. It also counts as major parts of its achievement its help in securing the following major advances in minority and indigenous peoples’ rights:

1. The Council of Europe Framework Convention for the Protection of National Minorities, 1995
2. Establishment of the office of the UN Special Adviser on the Prevention of Genocide (2004) and the UN Independent Expert on Minority Issues (2005)
3. The UN Declaration on the Rights of Indigenous Peoples 2007.
4. The UN Forum on Minority Issues 2008

(CS1/LT/09:7)

By the turn of the century, most of its published resources had migrated to the internet. These included the online *World Directory of Minorities and Indigenous People* containing entries on minority issues in every country in the world. It also publishes the annual State of the World's Minorities which contains the *Peoples Under Threat* table that identifies those communities most at risk.

CS1 realized that 'international agreements on human rights were worthless unless they were implemented on the ground' (CS1/LT/09: 10) and began seeking new ways of holding governments to account on how minorities were treated. This resulted in the development of its National Advocacy programmes, involving partner organizations, aimed at equipping minority communities with the skills to dialogue with their governments. 'But when governments refuse to listen, it sometimes becomes necessary to take legal action' (CS1/IV1/ 08). In 2002 CS1 decided to add to its work, international litigation for the protection of minority rights. This has developed into a full programme involving a number of legal cases.

> ‘We select cases where new precedents could be set or where the judgments can impact positively on a large number of people such as an entire community’ (CS1/IV1/ 08)

The prominent ones among these legal cases are where CS1 have:

1. Challenged the denial of minorities’ access to high office in Bosnia and Herzegovina before the European Court of Human Rights.
2. Promoted a major claim for indigenous land rights in Kenya before the African Commission on Human and Peoples’ Rights.
3. Together with other organizations, helped win a European Court ruling banning the segregation of Roma Children in Czech Republic.
4. Helped secure representation for minorities in the Botswana House of Chiefs after a 40-year struggle.

In 1981 CS1 was registered in the UK as a charity and a company limited by guarantee. It has annual turnover of about £3m and employs 35 people, 27 of whom are based in the UK and the rest mainly in two offices located in Africa and Europe. Its stated aim is:

> ‘to secure the rights of ethnic, religious and linguistic minorities and indigenous peoples and to promote cooperation and understanding between communities’ (CS1/PR/09: 4).

It draws a link between minority rights and safe/equitable society and thinks that abuse of minority rights causes conflict. It maintains that respect for minority rights also benefits the larger community by avoiding conflict and promoting peaceful co-existence. Its strategy for achieving its objectives has evolved over the years since its

first approach at inception which then involved conducting research into areas of minority rights abuse and publishing reports on findings. It finds out that this was not having as much impact as desired as policy makers often ignore the reports. This prompted the change in strategy towards influencing policy changes through advocacy in the 1980s. It has recently expanded its work to include taking up legal cases involving minority rights abuse before National and International courts. It also works with major international institutions to strengthen international mechanism for the protection of minorities.

CS1 is governed by an international council of about 12 - 15 members including representatives of minority communities around the world. It aims to maintain a North-South balance of representation at this level by ensuring that 50% of its members are drawn from countries based in the southern hemisphere. The council meets twice a year to approve the accounts, the strategy and the planned upcoming programmes of the NGO. The board has two committees: A Finance and General Purposes Committee that meets a further twice a year to look after the finance and administration issues and a Legal Advisory Committee to support the legal cases programmes of the organization.

The management of CS1 is carried out by a team of five, consisting of the Executive Director, the Deputy Director in charge of the fundraising and the human resources functions, and three other directors: The Directors of Programmes; Policy and Communications; and Finance and Administration. The organization has its main office in London and two regional offices to support its programmes in the regions. The

Uganda Office coordinates its Africa Programmes while the Hungary Office coordinates its Europe Programmes. These offices are established as NGOs under the countries' laws and prepare accounts which are audited locally. These are consolidated into the Head Office accounts. In addition CS1 works through partners, mainly local NGOs and Community Based Organizations (CBOs) spread globally, by giving them small grants to carry out specific activities under its various programmes. The involvement of the community is based on the belief that 'the best long-term advocates for minority rights are members of minority communities themselves' (CS1/IV1/ 08).

5.2.1 Organizational Objectives and Strategy

The main objectives of CS1 are derived from the original vision of its founder to protect the human rights of minorities in the face of increasing conflicts around the world. This is stated in its mission statement as two fold. The first is protecting the rights of minorities and indigenous peoples while the second is promoting cooperation and understanding between communities. It aims to achieve these objectives by developing and implementing relevant programmes. These programmes potentially cover a broad area of activities. CS1 has attempted to define its mandate/ focus of its activities in more specific terms. This has been challenging because of two main issues around the nature of its objectives. The first is that there is no legal or internationally accepted definition of minorities. One of the reasons for this relate to 'the diversity of this groups and the situations in which they live'. In some cases, they may be geographically separated from the majority population (for example the Himong minority in Vietnam who live in the mountainous province of Yen Bai). In other cases,

they are scattered throughout the country (e.g the Serbs in Kosovo) or throughout a region (e.g the Roma people in Europe). Another reason is because of the fear that such a definition could be used by governments to exclude certain minorities from their rights because of the limiting criteria of a definition (CS1/LT/08:8). Up to 2006, CS1 accepted this position and admits that:

> 'There is no internationally agreed definition of minorities ..In its 60-year history and despite repeated attempts, the UN has failed to agree a definition of what constitutes a minority' (CS1/PR/ 05: 2)

This has not been a major limitation to CS1's work, as certain recurring characteristics are used to identify minorities and to guide its work. Some of these characteristics are: specific ethnic, linguistic or religious identity; position of numerical minority; or distinct ethnic religious or linguistic groups which are subject to discrimination even when they are not a numerical minority. Though taken together, these characteristics identify the groups of people the organization aims to support, 'none of these characteristics are entirely satisfactory taken by themselves' (CS1/LT/08:8) For example a group may be a minority within a state but a majority in the region. Or a numerical minority in a state may have a disproportionate amount of economic and political power. But from 2007 CS1 began to review this position. It reasons that:

> 'for an organization whose main objective is the protection of minorities' rights, accepting that there is no definition of minorities makes the organization appear weak and less focused' (CS1/IV1/ 08)

It therefore decided to adopt its own definition and in September 2008 assigned a team headed by a council member (trustee) knowledgeable in the subject to consult with all

staff and stakeholders to produce a 'working' definition. After a series of consultations and debates, a proposed definition was accepted in April 2009. It reads:

> 'Minorities of concern to CS1 are disadvantaged ethnic or national, religious, linguistic or cultural groups who are smaller in number than the rest of the population and who usually wish to maintain and develop their identity' (CS1/MM/09:4- 45*)*

But the organization accepts that this is neither a legal definition nor an all-inclusive one as some groups that qualify to be described as minorities may not be included in the definition (CS1/MM/09:4)

In order to aid the measurement of its achievement against its broad objectives, CS1 has attempted to break down its main objectives into smaller more specific objectives around which its activities are organized. This is done through the strategic planning process carried out in a 4-year cycle by the management team with involvement of all staff. It is done in a consultative process involving a wide range of its stakeholders, including partners, donors, Council members and staff' (CS1/PR/04: 5) The plan breaks down the two broad objectives into specific and measurable ones around which individual programme activities are designed. The plan is approved by the board of trustees (the Council) and guides the work of the NGO over the planning period. It also serves as a tool for accountability against which performance is measured and reported yearly and at the end of each strategic planning period. The ways the two broad objectives have been broken down has changed over the years and continue to evolve. In the 2001 -04 strategic plan, the two broad objectives were developed into fourteen detailed strategic objectives (see Appendix 1)

The plan incorporates a list of activities to be carried out towards achieving these objectives but the plan did not clearly indicate how the achievement of these detailed objectives would be measured. Under the heading 'Development and progress aimed for in 2002-2004' it merely lists the activities it aims to carry out as the achievements expected over the plan period. It, therefore, makes no clear distinction between the activities to be carried out and the objectives that would be achieved. A strategic review was undertaken in 2004. CS1 realized the shortcomings in how it has interpreted its objectives and the weak link between its activities and the expected outcomes. The NGO sought to improve this in its next strategic plan:

> 'we are, however, looking for new and better ways of presenting our strategic statements. Although our work will remain broad in scope, we aim to reduce the strategic objectives to no more than six. We aim to find ways of sharing our theories of how our work causes positive changes in the real world for minorities' (CS1/PR/04: 5)

The strategic plan for 2005-2008 made a major attempt to translate its broad objectives into a more concise list of six objectives which were now labelled as planned 'outcomes' to emphasize the focus on measuring their achievement:

> 'This presents a strategic shift towards a greater focus on ensuring our work eventually translates into on-the-ground change for minorities and indigenous peoples' (CS1/PR/ 05: 4)

The six objectives or outcomes are:

1. Increased public participation by minority and indigenous peoples
2. Positive changes in national legislation, policy and practice
3. Strengthening international mechanisms and standards
4. Improved international development cooperation for minorities and indigenous peoples
5. Increased awareness and understanding of inter-ethnic and inter-religious issues
6. Prevention of violent conflicts in situations involving minorities.
   (CS1/PR/05: 6-8)

The activities required to achieve these objectives were listed as:

> ‘Capacity building and training of minorities and indigenous peoples’ organizations; In-country research and advocacy programmes with partners; Legal casework; Advocacy at UN, EU and other inter-governmental bodies; Reports, briefings, media coverage; publicity and early warning’(CS1/PR/05: 6).

The detailed 2005-08 strategies together with the activities needed to achieve them are listed in Appendix 2 and summarized in Figure 5.1

Achievements against the strategic objectives are measured yearly but more comprehensively at the end of the four year period during the strategic review exercise.

CS1 is aware that some of the objectives may not be achieved over a four-year period but may take longer to achieve. It therefore devised a second time-frame of ten years over which the achievement of some of the objectives will be measured. It expects that its work ‘cumulatively would result in these four broad outcomes:

1. National laws, policies, processes and practices are inclusive of minorities and respond to their needs and concerns appropriately.
2. Minorities and indigenous peoples’ standards of life, political participation and civil rights are closer to national averages
3. Discrimination against minorities and indigenous peoples is reduced.
4. A reduction in inter-communal tension leading to fewer new inter-ethnic conflicts breaking out’ (CS1/PR/05: 9)

The strategy has been implemented and a report on the outcome compiled. The report incorporates feedback from stakeholders who in the main were donors and beneficiaries. The feedback shows that the core area of CS1’s work around research and publications; workshops and training of minority rights CBOs and activists were

rated as more successful and valued by stakeholders than the newer areas such as legal cases and media work. The feedback was incorporated in the new 2009-12 strategic plan which also incorporates emerging needs identified:

> ‘We considered the changing patterns of violations against the rights of minorities and indigenous peoples, the emerging opportunities for advocacy with governments and inter-governmental organizations and the expressed needs of minority communities, in order to decide how and where our work could have most impact over the next four years’ (CS1/PR/09: 3)

This, however, did not lead to a major change but the six objectives were slightly modified and restated as:

> 1. Strengthening the voices of minorities and indigenous people
> 2. Reducing poverty and ending discrimination
> 3. Changing discriminatory attitudes.
> 4. Promoting minority and indigenous participation
> 5. Preventing conflict and mass atrocities
> 6. Strengthen international systems for minority protection’
>
> (CS1/PR/09: 3)

The modification was to give more emphasis to particular areas of its work and deemphasize others. For example, Objective 1 (Strengthening the voices of minorities and indigenous peoples) was reinforced while Objectives 2 and 3 in the 2005-08 strategic plan were reconceived as mere strategies for achieving the six new objectives:

> ‘Our key strategies for achieving this will include bringing about positive changes in national laws, policies and practices, and increasing the participation of and protection for women from minority and indigenous communities’ (CS1/PR/10: 3)

To achieve these objectives a range of activities are planned. These are packaged as separate programmes and described in the next subsection.

5.2.2 Organizational activities

CS1's programmes are varied and diverse. They are grouped together either as regional programmes addressing one or more of the detailed objectives in a particular region or thematic programmes focusing on particular objectives across several regions:

> 'Programmes are divided between two types: those which are based on a thematic area or methodology and can involve minority partners from all over the world and those which are geographically based and concentrate on minorities or indigenous peoples in a particular region, sub-region or country' (CS1/PR/10: 14)

In terms of regional grouping, the organization works mainly in Africa, Europe and Asia. New projects are being developed for the Middle East and Latin America but these are yet to attract funding and so have not been implemented.

> 'While our current geographical focus remains in the Horn, Eastern and Central Africa, South East Europe and South and South East Asia, we are pleased to report that active work in Latin America has started in 2009…we have also designed a new programme of work for the Middle East, a region where our presence has remained limited until now' (CS1/PR/10: 22)

In terms of grouping along thematic lines, programmes are developed to address particular issues across several countries or regions. Thematic areas of its work are:

1. Prevention of genocide and conflict involving minorities: This involves research aimed at understanding the minority rights issue in most of the world's conflict and 'disseminating early warning and other public information about minority rights abuses, thus contributing to preventing conflict and mass atrocities. This contributes to the achievement of Objective 5.

2. Legal cases challenging minority rights violation: this includes challenging the displacement of indigenous communities from their ancestral lands (e.g the Endorois in Kenya); fighting for non-discriminatory access for minority tribes to the house of chiefs in Botswana; challenging discriminatory treatment of religious minorities in Bosnia and Kosovo; fighting for the rights of Turkey's minorities to register their children's names according to their culture and heritage; challenging the forced removal of the indigenous Chagos islanders from their land in a British overseas territory. These legal cases contribute to achievement of Objective 6:

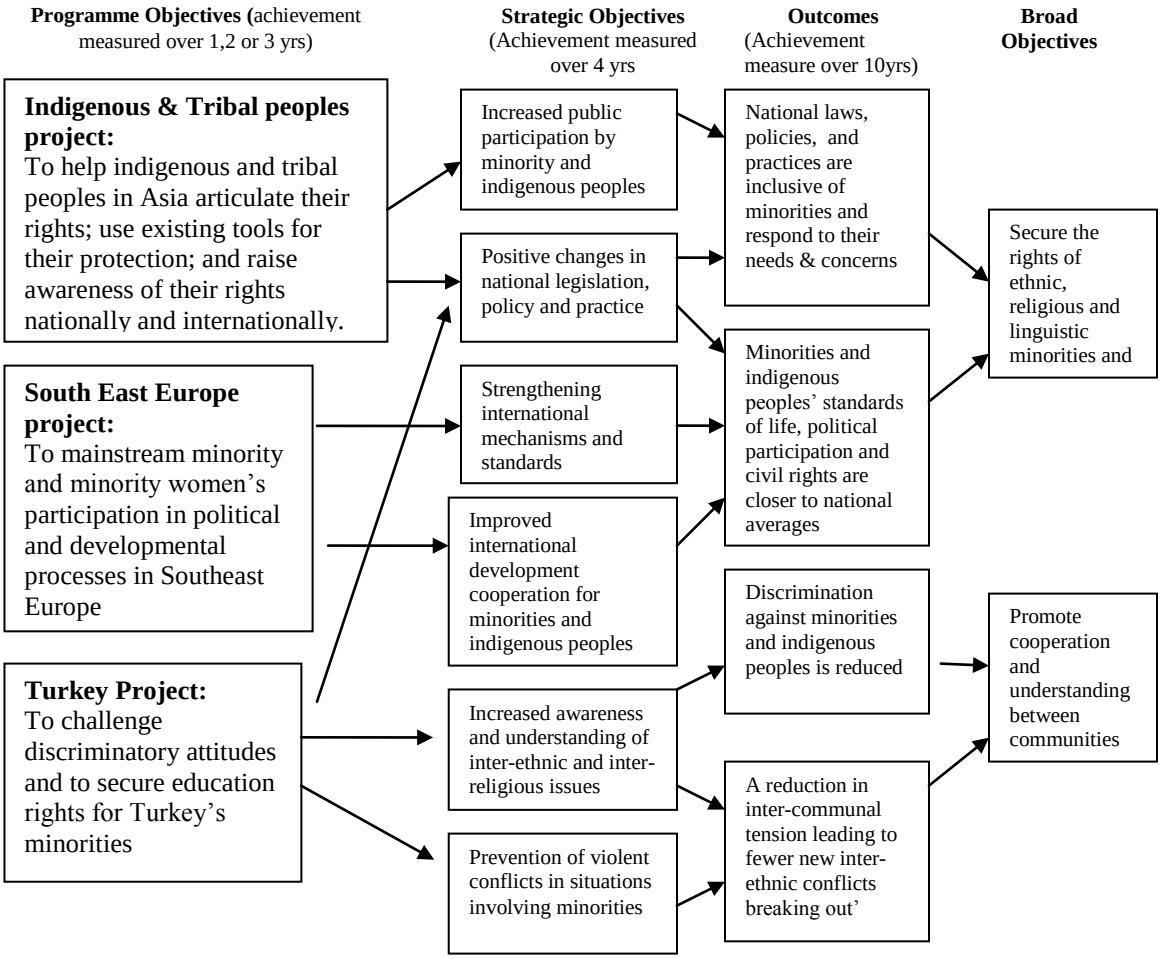
   > 'Many of these cases are hinged on governments respect for International treaties and form an integral part of our advocacy work' (CS1/IV1/08)

3. Minority Voices in the Media: aims to address the negative attitudes resulting from ignorance and lack of contact between majority and minorities and indigenous peoples by highlighting to the global public the necessities of achieving the Millennium Development Goals for them. It aims to launch a 'Minority Voices web-hub' to upload stories, photos and video footages for use by EU-based journalists. This contributes to achievement of Objectives 1, 2 and 3.

   (CS1/PR/ 09: 14-18)

These programmes usually span a period of one to three years. Figure 5.1 exemplifies the interconnections between the objectives and programme activities using three of the 23 projects implemented in 2008.

Figure 5.1- Relationship between CS1's Objectives and Activities



In order to achieve its objectives, CS1 carries out various activities. While some of them are specific to particular programmes, a number of them are generic and frequently reoccur in many of its programmes. For example, training of minority rights activists, publication of reports on minority rights abuse and national advocacy campaigns are activities that frequently occur across many programmes. In total, 23 programmes were implemented in the year 2008 (Appendix 2). An example is the programme: *South East Europe: Diversity and Democracy-Phase 3* (or SEE project) which focused on establishing links and dialogue between minority communities in South East Europe (with focus on Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro and Serbia) and individuals within the European Commission and parliament. The programme was designed to contribute to the achievement of objectives 1, 2, 3 and 6 in the 2009-12 strategic plans.

> 'Throughout this project…we are supporting minority organizations to ensure that they acquire the skills and knowledge they need to effectively engage with their government and the European Union as part of the EU accession process (outcome 1). The focus of the advocacy campaigns implemented as part of this initiative is to tackle the poverty and discrimination faced by minority communities across the region (outcome 2)'. (CS1/PR/10: 32)

The activities involve organizing seminars to train minority representatives on carrying out advocacy on behalf of their communities and supporting them to use the skills in carrying out advocacy campaigns.

CS1's programmes are designed based on needs assessment carried out. This may be in one of two ways. The first involves a field visit by CS1 staff to meet with the intended beneficiaries of a proposed programme (CS1/PO/PR). The needs are jointly identified and the range of activities required to meet them are agreed with the beneficiaries (CS1/PO/SE). In the second case particular needs are identified by beneficiaries who then approach CS1 for support. If the needs fall within areas of CS1's objectives, a programme may be designed to address it (CS1/PO/EX). The activities needed to achieve the programme objectives are laid out and the time frame or programme duration set (usually one, two or three years). The tool used in this is the 'Logical Framework' (called Log-frame from now on). It is a table setting out the programme objectives, the outcome expected and the activities to be performed together with verifiable indicators of their achievement and the means of verification. The use of the Log-frame is encouraged by CS1's major donors (particularly the European Commission and the UK Department of International Department, DFID) who require CS1 to use it in the design, monitoring and reporting on programmes proposals submitted to them for funding:

> 'The Logical Framework is useful in the design and planning, implementation, and monitoring of a programme…We wish to ensure that reporting and monitoring for strategic funding relationships does not focus on excessive detail but rather remain at the strategic level by focusing on outcomes and impact' (DFID/FG/08: 17)

The DFID provides a sample Log-frame with guidance on how to use it and justifies why it recommends its use in this way:

> ‘DFID recommends the use of the Log Frame because:
> - It clarifies how the programme or project is expected to work and what it is going to achieve and helps to ensure that inputs, activities, outputs and purpose are not confused with each other;
> - It clarifies how programme or project success (qualitative and quantitative) will be judged/measured and provides a basis for monitoring and evaluation’
>
> (DFID/FG/08: 17)

CS1 uses the log-frame for programme design and reporting. Extract from the log-frame for the SEE project is shown in Appendix 5.

A budget is also prepared and a decision to commence implementation is made when adequate funding is secured. This may be 100% of the budget or less where a programme is jointly funded by two or more donors (CS1/PO/EX). For example the Development Education programme and the Turkey project (see Section 5.4 below and Appendix 2) both commenced when only part of the funding were secured while fundraising activities continued. But the scope of the project may be limited if towards the end of the project’s life less than the total funding required has been raised. The project is deemed as completed when either all activities set out in the grant contract have been carried out or when the grant expires (CS1/PO/EX). Accountability for the programme is then carried out in accordance with contractual requirements. This process is described further in Section 5.3

CS1's services are generally not paid for by the beneficiaries. For example, as part of its advocacy activities, CS1's beneficiaries are given grants to attend international events in order to speak on issues affecting them. The amounts spent on advocacy events vary depending on the targets of such advocacy (e.g the UN, ACHPR, ECHR), the number of participants involved and their location. CS1's programme officers work with the local NGOs and CBOs involved to agree on the activities needed and establish a budget. CS1 does not appraise the economic efficiency of the activities either at the design or budgeting stages. Also, shadow reports and other publications are given free to advocacy targets. Where the publications are sold the fees are nominal and do not cover the cost of production and dissemination. For example, the sale of publications through the main distribution channel (Central Books) shows that for the period to January to October 2009 the distribution cost of the publications exceeded the sales revenue.

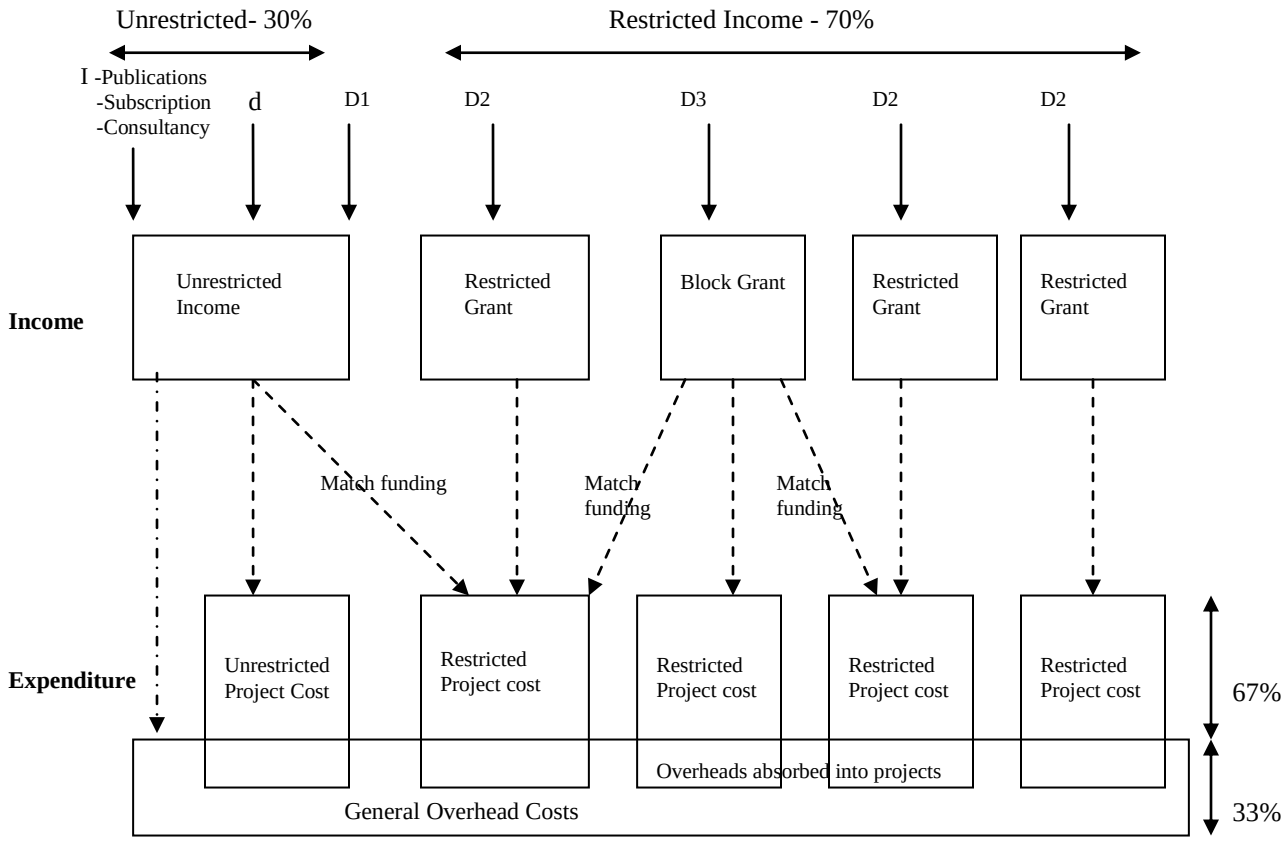
CS1's activities are, therefore financed mainly from grants and donations from individuals, Institutions and Governments. The next subsection describes the sources of CS1's Income and how they are expended on its various activities.

5.2.3 Funding of CS1's programmes

Figure 5.2 below is a summary of the composition of CS1's Income and Expenditure. Funding for CS1's activities come from two main sources: Unrestricted (or voluntary) income and restricted income.

Unrestricted incomes are funds generated by the organization with no restrictive conditions attached to its use. They are used for the general activities of the organization and to fund any of its programmes not already funded by the restricted fund. These constitute about 30% of its total funds.

Figure 5.2- Analysis of CS1's Income and Expenditure



I= Internally generated income; d= donations and legacies from individuals
D1= Unrestricted grants from Institutional donors; D2 = Restricted grants from Institutional Donors
D3 = Block grant from Institutional Donors

CS1's unrestricted income comes from 3 main sources:

1. Internally generated from the sales of its reports, publication and copyrights; from subscription by individual and institutions; from consultancy services rendered; and income from investments (I in Figure 5.2). This accounts for only about 5.5 % of the unrestricted income.

2. The second source of unrestricted income is from individual supporters, in form of donations and legacies (d in Figure 5.2). This accounts for only about 0.5% of the unrestricted income.

3. The third and most important type of unrestricted income are unrestricted (or core) grants from Institutional donors, foundations and some governments of northern countries for the general activities of the organization with no restriction made as to its use (D1). In 2008, this accounted for about 94% of the unrestricted income.

All the unrestricted income constitutes about 30% of CS1's total income. About 80% of this is used up in meeting its overheads while only 20% is used in implementing programmes that could not be funded from restricted sources. This 20% usually serve as 'match-funding' for programmes that are only partly funded by restricted grants. Appendix 3 shows a breakdown of the restricted income by sources.

The second major income type is Restricted Incomes provided under contract to the NGO for specific projects. 70% of CS1's income is of this type. Total restricted income in 2008 was £1.9m out of a total income of £2.7m received (see Appendix 4). Almost all of the restricted income is provided by Institutional donors, governments and foundations. They are of two types. The first type is grants for specific approved

programme (D2). The second type is block grant for a number of named programmes which CS1 allocates according to the funding needs of the named programmes (D3) The programmes are small usually costing between £50,000 and £300,000 per annum and highly focused around a limited number of specific objectives. While some donors may fund 100% of a particular programme, others may provide only a part (e.g 80%) of the total cost and require CS1 to provide the match-funding from its unrestricted income or find another donor to provide it. Appendix 2 contains details of the restricted programmes implemented in 2008 showing the contributing donors and the amounts involved.

Programme funding is secured in one of two ways. The first is by submitting programme proposals following the donors' 'call for proposals'. These happen when a donor has earmarked funds for certain broad purposes and invite NGOs to submit grant applications. The call specifies the donor's areas of priority and the objectives they want the projects to achieve. It also contains guidance on the types of activities they envisage would be carried out and the size of the grant. NGOs are invited to submit 'Concept Notes' which are a short description of the project. The projects may be designed specifically in response to the 'Call for proposal' in which case the project objectives are designed to fit into those set out in the 'Call'. Or more commonly, a pre-designed programme may be submitted in response to the call. Appendix 6 is an extract from a 'Call for proposal' for which CS1 submitted a Concept Note. It highlights the nature of information given by the donors when making such calls.

The donors assess the various proposals received based on its pre-set criteria and decide on the programmes to fund. The successful programmes are those which the donor considers as meeting its priorities. Most of CS1's programmes are pre-designed and submitted to donors for funding either following a 'call for proposal' or independent of such call. This is because it takes CS1 about six to nine months to design a programme but many donors' call are open for a period of about only six months making it difficult to meet the deadline if the design starts after the donor's call has been made. Examples of CS1's pre-designed programmes are the *Development Education programme* for which funding was successfully raised and the *Afrodescendants in Latin America programme* for which no funding was secured and the project could, therefore, not commence. Where a funding application is rejected, the feedbacks given by donors are carefully considered as learning points in the design of subsequent programmes. At other times, the application is not rejected entirely but the programme is pre-qualified subject to certain modifications. CS1 considers these suggested modifications and where possible incorporates them in the programme.

What determines whether a programme is funded are the criteria which donors use in their appraisal. These vary from donor to donor but a few elements are common to all. Example of criteria used by one of CS1's donors, the DFID in the preliminary assessment of programme proposals are:

- Track record of working in the field of the theme applied for
- Coherence and relevance of the set of activities and objectives proposed
- Expected impact of the set of activities and objectives in making a difference in the area of the chosen theme
- Adequate set of indicators and means of verification to evaluate progress

(DFID/FG/08)

These criteria do not include the assessment of economic viability or efficiency of the programme. The donor confirms this in its 'guide to funding scheme':

> 'Proposals submitted are passed through a full technical appraisal. At this stage no-one undertakes a rigorous appraisal of your budget' (DFID/FG/08: 3)

Another of CS1's major donor is the European Commission, EIDHR (see Glossary) uses an evaluation grid to assess proposals. The criteria are:

- Financial and operational capacity of the NGO
- Relevance of the objectives and priorities. This includes how well the programme objective supports the donor's objectives as listed in the call and whether the target country falls within EC's priority. Also included here is how the proposal meets the needs of the beneficiaries. The needs must be identified and justified and the number of beneficiaries involved (EC/FG/09)

The relevance of objectives is considered more important, and is scored out of twenty-five with a minimum score of twenty required for an application to be successful. The financial and operational capacity is considered less important than the programme objectives and scored out of twenty. A programme needs a minimum score of 12 to be successful. The guide requires that budget estimates accompanying a preliminary proposal only need be a general one which can be increased or decreased by up to 20% if it is prequalified to submit a detailed proposal.

5.2.4 CS1's Stakeholders

CS1 has a number of stakeholders. These are:

- Individual donors and supporters (d) who give small amounts towards its work. This group consists of numerous and dispersed individuals who do not come

together as one body. They contribute about 1% of CS1's income and this goes into the unrestricted income pool

- Institutional donors consisting of governments of the UK and some Scandinavian countries and major foundations and trusts. They give larger amounts of funds either as unrestricted or core grants (D1) or as restricted grants for specific projects (D2). Some may give restricted 'block' grants for a number of projects leaving CS1 with the discretion to allocate the amounts between the projects.
- The regulatory authorities mainly through the Charity Commission. They do not provide funding for CS1 but are vested with the power to register and regulate charities' activities. The commission provides the framework for its statutory reporting
- The beneficiaries consisting of minority and indigenous communities and the small local NGOs and CBOs that represent them. They are the focus of CS1's activities as its programmes are designed to meet their needs.

The stakeholders could be categorized as contractual and non-contractual. Two of the stakeholders fall into the contractual group. The first are the Institutional donors who provide the bulk of CS1's funding as contractual grants. The needs of the Institutional donors for accountability are clearly spelt out in the contract with CS1. The regulatory authorities can be seen as the second contractual stakeholder. CS1 owes a legal duty of accountability to them. The other stakeholders constitute the non-contractual stakeholder group. Individual donors though providing small funding to CS1 do so

without any contract specifying how the money should be used. They could be described as non-contractual stakeholders along with the beneficiaries who, although they are directly affected by CS1's activities, do not provide the funding for those activities and have no contractual power to influence programme design and implementation or to demand accountability. The stakeholders may be subject to various influences and values. The regulatory authorities appear to be more interested in maintaining accountability for use of resources and for protecting the public interest. The donors' criteria for funding requires CS1 to demonstrate that its programmes are having impact on the beneficiaries but do not appraise the economic efficiency of the programmes. This value appears to be based on humanitarian principles. CS1's values also appear to be founded upon this principle which it interprets to mean a world where discrimination (that leads to poverty and conflict) is eliminated and people and communities live together in peace. This principle influences its objectives and programmes and to a varying extent, the thinking of the other stakeholders and appears to play a significant role in the contextual variables that shape the stakeholders' interactions and influence CS1's accountability practices. The absence of profit seeking stakeholders is also significant in that profit maximization as a value appear to play no significant influence in the stakeholders interaction and in effect the accountability practices. How these interactions shape the accountability practices is analyzed in Section 5.5

5.3 CS1's Accountability Practices

This section describes the current approach that CS1 uses in rendering accountability. A number of different approaches are being used for different purposes. The first is statutory reporting. As a charity and company limited by guarantee, CS1 files annual returns with the Companies house and the Charity Commission. This consists of financial reporting that complies with the Charity Commission's Statement of Recommended Practices (SORP) as well as narrative reporting on its charitable activities and fund balances. The second approach is the Donor Reporting system whereby CS1 reports to donors on the grants and donations received. For the donors providing unrestricted income, the statutory reports are accepted as sufficient accountability. But the donors that provide restricted grants require specific programme financial report on the use of resources as well as narrative report on delivery of programme activities and the achievement of objectives. They may also commission a project financial audit to confirm the validity of the financial reports and a programme evaluation to confirm that the project was delivered and the objectives achieved. In addition CS1 uses other means such as consultation with stakeholders to demonstrate accountability to its beneficiaries who require information on how CS1 is responding to their needs. These various approaches are discussed in the following subsections.

5.3.1 Accounting Information

Traditional accounting (described in section 4.4 as the network of practices concerned with the provision of relevant information for decision-making, the achievement of rational allocation of resources and the maintenance of accountability and stewardship)

is a major component of CS1's accountability. This consists of the statutory reporting under the Charities SORP, financial accounting to Institutional donors in forms dictated by the donors and the management accounting system that support the first two systems. The whole system is based on the fund accounting principle that aim to separate and account for the income and expenditure on the unrestricted funds and the various restricted funds.

On statutory reporting, the annual accounts are prepared in line with the Charities SORP and audited. The Charities SORP applies to larger charities (defined in terms of income or total assets) that are required by law to have an audit:

> '..you will not usually need an audit until your income in a year is more than £500,000 or your total assets are £2.8m or more…Charities that are required by the law to be audited by a qualified accountant must follow the SORP in full for both the annual report and accounts' (SORP 2005: v)[9]

The SORP is compatible with the requirement of the law and the relevant accounting standards as they apply to NGOs:

> 'it provides the charity sector with an interpretation of accounting standards and principles and clarifies the accounting treatment for sector specific transactions' (SORP, 2005: 3)

Since its inception in 1990, the SORP has undergone revisions to reflect the nature of charities. It recognizes that charities do not have shareholders and do not match income and expenditure over year end and concepts such as distributable profit or surplus/deficit at particular points are irrelevant. SORP (2005) therefore, recommends an accounts structure comprising:

[9] Using the main SORP, not the SORP update of May 2008

a) a Statement of Financial Activities (SOFA) for the year that shows all incoming resources and all resources expended and reconciles all changes in its funds

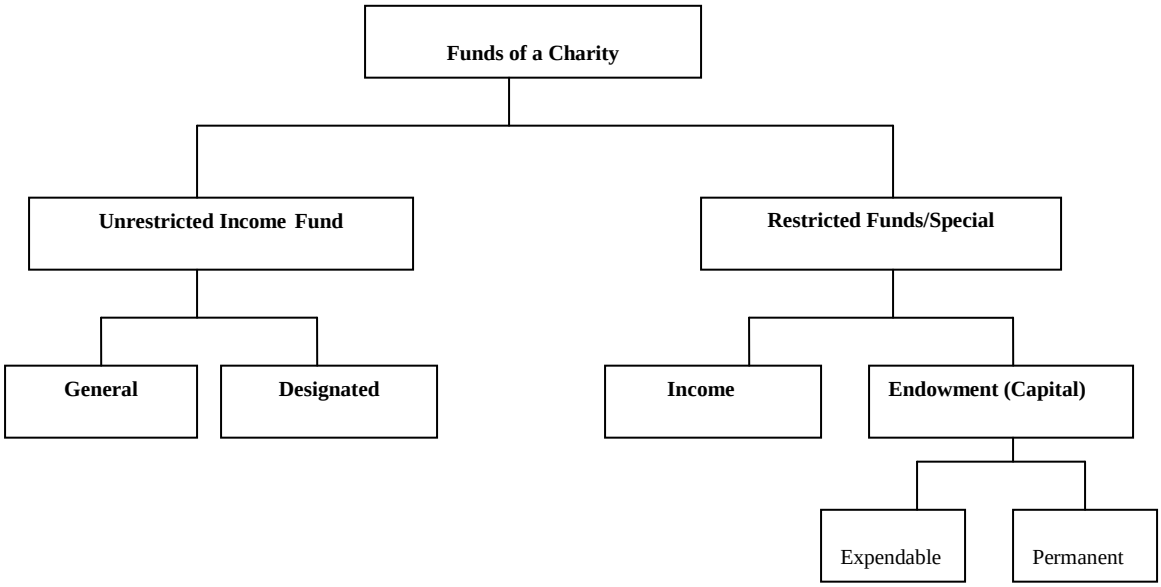
b) a balance sheet that shows the recognized assets, the liabilities and the different categories of funds of the charity

c) notes explaining the accounting policies adopted and other notes which explain or expand upon the information contained in the accounting statements

(UK/SORP/2005: 5)

The SORP requires the use of fund accounting separating the resources of the charity into the main funds shown below in Figure 5.3:

Figure 5.3- The types of funds of charities (taken from Figure 1 SORP, 2005: 11)



CS1 has no endowment funds but has all of the other categories of funds. The SORP requires that the SOFA shows the incoming resources for each fund category, the cost of generating the funds, the charitable expenditure also by fund categories, and the net position. It also requires the funds to be grouped together in the Balance Sheet according to their types and to give further analysis of each fund in the note to the account. Table 5.1 below is an extract from the SOFA in CS1's 2009 accounts. It shows total restricted income was £2,082,144. This represents the total restricted grants on the 24 projects implemented in the year. The total restricted expenditure on these projects amounted to £2,148,319. For the same period the unrestricted income was £731,097 and expenditure was £497,948 out of which £280,956 was spent on 'Advocacy and Projects' and the rest on overheads and support. The total expenditure on Advocacy and Projects of £2,429,275 therefore, consists of unrestricted expenditure of £280,956 and restricted expenditure of £2,148,319.

Table 5.1- CS1: Statement of Financial Activities January to December 2009

	Restricted	General	Total
	£	£	£
Incoming resources			
Incoming resources from generated funds			
Voluntary income		646,469	646,469
Investment income		4,649	4,649
Incoming resources from charitable activities			
Advocacy & Projects		-	2,082,144
Publications		6,509	6,509
Consultancy		25,091	25,091
Other income		48,379	48,379
Total incoming resources	**2,082,144**	**731,097**	**2,813,241**
Resources expended			
Costs of generating funds:			
Costs of generating voluntary income		98,068	98,068
Charitable activities			
Advocacy & Projects	2,148,319	280,956	2,429,275
Advocacy Support		10,581	10,581
Project support		31,926	31,926
Publications		35,887	35,887
Consultancy		11,859	11,859
Governance costs		28,671	28,671
Total resources expended	**2,148,319**	**497,948**	**2,646,267**

The SORP further requires that the detailed breakdown of the total project expenditure (restricted and unrestricted) be given in the notes to the accounts. This is provided as Note 3 in CS1's 2009 accounts extract from which is shown in Table 5.3 below.

Table 5.2 CS1- Extract from the notes to the financial statements 31 December 2009

Notes to the financial statements : 31 December 2009	
Charitable expenditure	
	Advocacy & Projects
	£
Staff Costs (note 5)	827,974
Consultancy & Volunteers	159,323
Recruitment	7,367
Staff Training & Development	4,944
Staff Travel	147,656
Regional Offices	16,818
Partners' Activities	632,918
Partner attendance at events	150,893
Training Events	32,094
Publications Production	65,376
Media, PR & Marketing	5,938
Communications	36,056
Office Running costs	11,723
Premises costs	143,452
Office Relocation	1,557
IT & Equipment	34,397
Depreciation	9,495
Bank charges and forex	3,299
Professional Fees	26,210
Charity Management & Statutory	6,402
Support costs	105,383
Total resources expended	**2,429,275**

This detailed breakdown is available only for the total project expenditure but not for the 24 individual projects (or funds) that make up the total. The only details provided for these funds is that in Note 13 in the accounts showing the total income and expenditure for each restricted programme (or fund) and the summary by region and thematic areas. Table 5.3 and Table 5.4 below are extracts from Note 13 in CS1's 2009 accounts.

Table 5.3- Extract from Note 13 showing the Summary of CS1's restricted funds by region and by thematic areas for the year end 31 December 2009

13.	**Movement in funds (summary note)**				
	Restricted funds:	At the start of the year £	Incoming resources £	Outgoing resources £	At the year end £
	AFRICA & MIDDLE EAST REGION	171,295	751,455	- 781,434	141,316
	ASIA PACIFIC REGION	110,247	184,663	- 201,342	- 93,568
	EUROPE / CIS REGION	266	266,538	- 264,751	- 2,053
	MINORITIES & CONFLICT PREVENTION	110,265	269,956	- 331,391	48,830
	STRATEGIC COMMUNICATIONS	171,100	89,299	- 214,102	46,297
	INTERNATIONAL ADVOCACY	273,685	713,335	- 388,751	598,269
		836,858	**2,275,246**	**- 2,181,771**	**930,333**

For each region (or thematic area) the detailed Income and Expenditure on the individual funds or programme implemented in that region is provided. For example, in Europe/CIS region, the £264,751 spent was on three projects implemented in the year. Two of them are significant: the South East Europe programme (on which £144,657 was spent) and the Development Education programme implemented through the Hungary Office (on which £ 116, 683 was spent). These two projects were jointly funded by a number of donors. The Development Education project did not attract enough donors' funding and CS1 had to spend £33,452 from its unrestricted income in order to fulfil the match funding requirements for the project. These details are shown in Table 5.4 below.

Table 5.4 Extract from Note 13 showing the Income and Expenditure on Europe/CIS region programmes

EUROPE / CIS REGION	At the start of the year	Incoming resources	Outgoing resources	At the year end
South East Europe Programme	**-**	**144,657**	**-144,657**	**-**
UK Department for International Development	-	117,657	-117,657	-
Ministry for Foreign Affairs of Finland	-	27,000	- 27,000	-
Hungarian office Dev Ed Project	**-**	**118,941**	**-116,683**	**2,258**
European Commission	-	77,489	- 75,231	2,258
Hungarian Ministry of Foreign Affairs		8,000	- 8,000	
CS1 Match funding		33,452	- 33,452	
INFOCON/UN Advocacy Project	**266**	**2,940**	**- 3,411**	**-**
European Commission		2,940	- 2,940	-
Hungarian Ministry of Foreign Affairs	266	-	- 471	- 205
Sub Total Europe / CIS Region	**266**	**266,538**	**-264,751**	**2,053**

This level of details meets the requirements of the statutory authorities as no queries have been raised concerning CS1's returns for the years 2004 to 2009. But this is insufficient for accountability to the various donors for the individual grants that form the restricted income pool. Some of these grants are funded by a single donor and others jointly by two or more donors (see Appendix 3 for the contributing donors to the 23 programmes implemented in 2008). In most of these cases, the donors require separate financial reports in particular formats specified in the grant contract. These formats are in forms that compare expenditure against approved budgets drawn up according to the sequence of activities to be carried out. For example, in the General Conditions applicable to EC- financed grant contracts for the EC funded Turkey project, Article 2.1 states:

> 'the Beneficiary must draw up interim reports and a final report. These reports shall consist of a technical section and a financial section....The report shall be laid out in such a way as to allow comparison between on the one hand.….the budget details for the Action and on the other hand….the costs incurred'(EC/CT/05: 13)

The summarised expenditure report sufficient for statutory reporting is, therefore, insufficient for financial reporting to donors. CS1 finds this donor reporting requirement challenging. But SORP, 2005 advises charities:

> 'to account for the proper administration of the individual funds in accordance with their respective terms of trust and accounting records must be kept in a way which will adequately separate transactions between different funds' (SORP, 2005: 10)

This level of detail required has meant that CS1 expends considerable resources on reanalyzing data from its main accounting system to support the preparation of individual grant financial reports.

Some of CS1's grant contract requires that the financial reports to the donors be subject to independent audit. For example, in the General Conditions applicable to EC-financed grant contracts for the Turkey project, Article 15.6 requires that:

> 'A report on the verification of the Action's expenditure, produced by an approved auditor who is a member of an internationally recognized supervisory body for statutory auditing, shall be attached…conforming to the model in Annex VII' (EC/CT/05: 13)

In addition to statutory reporting, CS1's accounting system serves two further purposes. The first is that it supports the donor financial accounting system by providing monthly information on individual programme expenditure. This is shared internally with the fundraising team and the programme managers. The information is used in controlling programme activities and in preparing financial reports to the donor. The second is in supporting the Senior Management team in decision making at the organization level. This involves controlling the various programmes to ensure that the activities are delivered according to plans and the organization is financially stable. Generally, an expenditure level consistent with budget is taken to mean that the programme is progressing according to plan. Any surplus (excess of income over expenditure) on individual programmes (restricted funds) at the year end is taken as owed to the donor and carried forward into the following year for spending on the programme. It does not contribute to the surplus on general funds.

The accounting system also supports the design of new programmes by providing data on previous programme costs and for allocating overheads to programmes. But the use of the accounting system does not include appraising efficiency or economic viability of the organization's activities.

In addition to the financial reports the donors also require accountability for the programme activities carried out and objectives achieved. This is fulfilled using narrative reports.

5.3.2 Narrative reporting

CS1 uses narrative reporting in three ways. The first is as an extension of the statutory financial reports. SORP 2005 recommends a Trustees' Annual Report. The Charity Commission recognizes that the financial information alone does not meet the needs of all the stakeholders:

> 'Charity accounts alone do not meet all the information needs of users who will usually have to supplement the information they obtain from the accounts with information from other sources….The accounts of a charity cannot alone easily portray what the charity has done (its outputs) or achieved (its outcomes) or what difference it has made (its impact)' (SORP, 2005: 5)

The annual accounts, therefore, incorporates the trustees' reports (called Report of the Council in CS1) consisting of narrative notes on the overall organization objectives, strategy and programmes.

The Report of the Council contains sections on the governance structure, a review of the year's financial performance, the organization's policies on grant making, investment and reserves and the plans for the future. It also contains a section that lists the six strategic objectives and how they have been achieved. However these comments are very brief and give only basic information. The following extract from the

‘Objectives, activities and achievement’ section of the Report of the Council in the 2008 accounts shows the level of details supplied:

> ‘2008 was the final year of a four- year strategic planning period spanning 2005-2008. For this period CS1 has the following 6 planned outcomes:
> 1. Increased public participation by minorities and indigenous peoples. This was achieved through a variety of training programmes designed to give minority activists the skills and confidence to carry out advocacy and promote the human rights of their communities. Training events took place in the Great Lakes region of Africa, Hungary, Turkey, Uganda, South Africa and South East Europe. After training events, CS1 also supports partner organizations to prepare and run advocacy projects and this work was going on in 2008 across Africa, in 7 states in South East Europe, 4 states in South Asia as well as Turkey, Iraq, Indonesia, Syria and Sri Lanka’.
> (CS1/AA/08: 3)

Further narrative details on the programme activities are given in the ‘Purpose of restricted funds’ section of Note 13 to the accounts. The section describes the programmes (grouped by regions or thematic areas) implemented in the year. However these are also very brief and give only basic information about the programmes. For example, in 2008 six programmes were implemented under the theme ‘International Advocacy’ and described in one paragraph as:

> ‘INTERNATIONAL ADVOCACY
> To build the capacity of selected minority and indigenous communities worldwide to participate effectively in international fora and international legal processes to represent the needs of their communities and pressure states to make policy changes that result in improvements in the day-to-day life for minorities’ (CS1/AA/08: 22)

The second way in which CS1 uses narrative reporting is in its ‘Annual Report on Activities and Outcomes’. This is a system of organization-wide reporting to its stakeholders on its activities and the implementation of its strategic plans. This is done voluntarily as it is not part of the statutory reporting requirement. This report, which is in more details than the Trustees’ Report, addresses how the major objectives listed in

the strategic plans have been achieved in the year and how the programme activities carried out have contributed to the achievement of the strategic objectives:

> 'This report is structured around the six planned outcomes established in this strategy document…Under each outcome it sets out the activities we planned at the beginning of the year to achieve these outcomes..It sets out the targets we aspired to reach as indicators of progress and shows to what extent progress has been made on achieving these.'
> (CS1/AR/05: 10)

For example with regards to specific objective 1 (increased public participation by minorities and indigenous peoples) the 2005-08 strategic plan lists under 'Target for one year (2005)' that it expects:

> '125 community representatives (to)…report that they have gained skills, knowledge or confidence to carry out advocacy on behalf of their communities and 90 of (them to) go on to use these skills.' (CS1/AR/05: 6)

To demonstrate how CS1 has performed against this target, the report states that:

> 'We ran a training workshop for 38 participants in Geneva on international standards, advocacy and other influencing strategies and skills…. Following the training, participants went on to attend the UN Working Group on Minorities and 20 participants made an intervention on behalf of their community '
> (CS1/AR/05: 13)

Though these reports account for the whole organization's objectives and outcomes, they are prepared for and disseminated to mainly donors who have supplied funding, both restricted and unrestricted, to CS1 in the year.

The third way CS1 uses narrative reporting is at an individual programme level. This may be an interim report carried out mid-way into the programme or a final one prepared on completion of the programme. These reports are required by the donors

and included as condition of contract for the restricted grants. CS1's donors require these reports to be in prescribed formats usually based on the structure of the 'logical framework' which presents in tabular form the programme objectives, the activities to be carried out to achieve those objectives, the output expected and the indicators to be used in measuring their achievement. The project narrative reports sets out the activities carried out and the achievements made against those indicators agreed in the 'Logical-framework'.

5.3.3 Programme Evaluation

CS1 carries out programme evaluation usually at the end of the programme, though sometimes interim evaluations are carried out for programmes running for two or three years. Programme Evaluation aims to measure the extent of achievement of programmes objectives and the impact on their intended beneficiaries. As such it is taken as a means of accountability not only to the donors but also to the beneficiaries and other stakeholders. The evaluation is carried out by an independent consultant appointed by CS1 but paid from the programme fund. It is supported and encouraged by CS1's major donors. For example, DFID's guidance on Project budget management includes:

> 'We recognize the value of evaluation and, as such, expect to see a budget line for evaluation in all CSCF budgets. We do allow up to 5% of project costs for evaluation' (DFID/FG/06)

The evaluation process involves the evaluator travelling to the programme site to verify the activities carried out and where possible, speaking with the beneficiaries to assess how far the programme has met their needs and achieved the objectives stated in the

logical framework. But because of certain constraints, it may not be possible to reach many of the beneficiaries:

> 'The most effective way of getting feedback from beneficiaries is through interviews. But this requires a lot of resources which may be limited in supply. Furthermore, the evaluator's terms of reference may not leave enough room for adequate consultation with beneficiaries. There may also be situations such as war that make it impracticable to reach some beneficiaries' (CS1/IV2/08)

Evaluative reports prepared are qualitative assessment based on the knowledge and experience of the evaluator. These may vary greatly and there are no agreed standard that the evaluation process must conform to. One of CS1's evaluators interviewed said:

> 'Many NGOs use evaluation as a way of institutional learning. There are no widely accepted standards. Some NGOs have some form of standards at individual organization level but this varies across organizations. And do they comply to the standards? Who checks this? Is there any Police Force to ensure compliance?. Generally, it is Institutional donors that drive this process but what about those NGOs that seek mainly unrestricted funds?' (CS1/IV2/08)

The evaluative report is sent to CS1 who disseminates them to donors, beneficiaries and other stakeholders. But the reports are not always disseminated in their original form. CS1 sometimes produces two versions of evaluative reports: a private version used internally for learning and a public version widely disseminated to beneficiaries and other stakeholders. A selection of some of the public version of evaluative reports is displayed on CS1's website. Evaluative reports that are critical of the internal processes are kept private and the weaknesses identified are taken as learning points to be used in improving the organization's processes. The management of CS1 explained to the Trustees the reason for this:

> 'All major programmes have at least a final independent external evaluation…In 2007 and 2008, evaluators assessed 6 programmes. The main findings, conclusions and recommendations of these 6 evaluations are attached.

> All evaluations are publicly available on our website…occasionally where evaluations are clearly critical of either an individual or a partner organization as a whole, we modify the text slightly to avoid any suggestion of us 'naming and shaming' or publicly humiliating anyone. In three cases, the evaluations included above are the 'internal' and more frank ones... In each case there is a public version of the text on the website'
> (CS1/MM/10:09- 48)

5.3.4 Stakeholders' participation

CS1 attempts to secure the participation of its stakeholders, particularly those whose needs may not be met through any of the other methods of accountability. Primarily in this group are beneficiaries of CS1's work. These are minority and indigenous peoples and the local organizations that represent them. CS1 attempts to incorporate them in the planning and implementation of its programmes. At the planning stages, meetings are held with this group to design the programme activities to ensure that it meets their needs. But not all programmes so designed are funded. Where a programme is not funded eventually, any money spent on such consultation is not recovered. This limits the extent to which CS1 is able to engage beneficiaries in this way.

To exemplify how the various means of accountability discussed in this section operate in relation to a particular programme, the following section examines in detail, a typical CS1's programme that was completed in 2009.

5.4 Accountability trail for a typical CS1 programme: Combating discrimination and promoting minority rights in Turkey

This section aims to use one of the completed projects implemented by CS1 to exemplify how the NGO practices accountability. It traces the life-cycle of the project

from conception to completion, breaking it down into stages and highlighting the relevant issues relating to accountability.

The initiation of the programme can be traced to 2005, the beginning of CS1's new strategic plan 2005-08, when six new strategic objectives were developed. The first two of these objectives involves achieving:

1. Increased public participation by minority and indigenous peoples
2. Positive changes in national legislation, policy and practice.

During this period, the European Union was considering opening accession talks with Turkey. Turkey has particularly poor records on respect for minority rights. Since the Turkish republic was established in 1923, minorities have been perceived as a threat to the 'indivisible integrity of the state' enshrined in the Turkish constitution (CS1/REP/09: 4). This idea impacts on the fundamental rights of minorities in Turkey. For example, in spite of Turkey's ratification of major international treaties designed to protect the rights of minorities, Turkey's minorities (apart from Armenians, Jews and Rums) are denied the right to open their own schools and the teaching or use of their languages is banned in all public and private schools in Turkey:

> 'Although Turkey has ratified International treaties including the International Covenant on Economic, Social and Cultural Rights (ICESCR), the Convention on the Rights of the Child (CRC) and the International Convention on the Elimination of All forms of Racial Discrimination (ICERD)..it has put reservations on provisions that are relevant to minority rights (CS1/REP/09: 4).

CS1 decided to use the opportunity of the accession process and Turkey's desire to join the European Union to address this by producing a report designed to inform the European Union's decision as to whether to open accession talks with Turkey. It also aimed to use the opportunity to put pressure on the government of Turkey to redress the denial of rights to a broad section of Turkey's minorities. The Turkey project was designed in 2005 to achieve these aims and contribute to achievement of the two strategic objectives listed above by ensuring that:

1. International standards on minority rights are fully understood in Turkey by minorities, the authorities and the EU
2. Practical steps to their full implementation are devised and taken with focus in particular on three key areas: anti-discrimination, education rights and the rights of displaced minorities

   (CS1/PR/07: 27)

The programme, was implemented from 2006 through 2009. Table 5.5 portrays in chronological order the main events and the stakeholders involved through majors stages in the life of the project categorized as the planning, implementation and reporting phases. The following subsections amplify those events and their significance in the accountability process in CS1.

Table 5.5 Turkey Project Timeline

	Planning phase		Implementation phase (EC component)						Reporting phase		Impact phase	
								Implementation (FCO)				
2004- Jul-Dec	2005 Jan- Jun	2005 Jul-Dec	2006 Jan-Jun	2006 Jul- Dec	2007 Jan- Jun	2007 Jul- Dec	2008 Jan- Jun	2008 Jul- Dec	2009 Jan- Jun	2009 Jul-Dec	2010 Jan- Jun	2010 Jul-
EVENTS strategic plan 2005-08 finalized	*Programme designed. *Full proposal written	*Funding application submitted to EC. *Grant approved. Contract signed	*Met EC staff and local MEPs on urgent minority rights issues for inclusion in EC progress report on Turkey *went to Sarajevo to learn about the experience of IDPs	* Publication of action plan highlighting the rights of IDPs under the case law of ECHR *£20k Cordaid match funding received	*2-day workshop on anti-discrimination and litigation in Istanbul	*Publication (in English & Turkish) and dissemination of the Country Report on Minority rights in Turkey *2nd workshop on anti-discrimination held	*Workshop on 'Education Rights in multicultural communities: Turkey's experience'	*Presentation to the EC on Turkey's progress on minority rights. *Workshop on anti-discrimination highlighting possible remedies. *Advocacy at the 1st UN forum on Minority issues, Geneva *EC approves extension of implementation period to March 09. *£8k match funding secured from British Embassy Ankara	*£26k match funding secured from FCO. *Publication of report: Education rights of minorities in Turkey'. *Produced draft anti-discrimination law *Did Advocacy at the 74th session of the UN CERD and submitted a shadow report on Turkey's progress. *Final report to EC.	*Final Narrative and Financial report sent to the EC *EC grant audit performed by SV *Programme Evaluation performed	* Turkey's Interior ministry prepares draft Anti-discrimination law. CS1's Project Officer wrote 'I am glad to say that more than half of the Ministry's draft law is directly copied from our draft law'	
Accountability 3-Srategic plan	**practices**		7-Participation	4&5- Donor reports	1&2-Statutory reports	4&5- Donor reports	1&2-Statutory reports	4&5- Donor reports	1&2- Statutory reports	4&5- Donor reports; 6-Evaluation	1&2- Statutory reports	
Stakeholders	**Involved**											
1.Trustees 2.Management 3.Staff	1.Proj Mgr 2. Fundraiser 3.Beneficiaries	1.Donors 2.Fundraiser 3.Proj Mgr 4. Finance	1.Proj Mgr 2.Advocacy targets 3..Partners	1.Proj Mgr 2.Beneficiaries	1.Proj Mgr 2.Beneficiaries 3.Advocacy targets	1. Proj Mgr 2.Beneficiaries 3. Advocacy targets	1. Proj Mgr 2.Beneficiaries 3. Advocacy targets	1.Donors 2. Proj Mgr 3.Beneficiaries 4. Advocacy targets	1.Donors 2. Proj Mgr 3. Advocacy targets	1.Donors 2.Statutory authorities	1.Donors 2. Proj Mgr 3. Management 4.Trustees	

5.4.1 The planning Phase

CS1 undertook a strategic review at the end of 2004 aimed at reviewing the success of its 2001-2004 strategy and providing useful input for its next strategy for 2005-2008. The process involves consultation with stakeholders and environmental analysis that 'takes into account the opportunities and threats for minority communities that are emerging' Some of the opportunities identified include the accession and constitution-building processes of the EU and the establishment of institutions of international justice (CS1/PR/05: 3) These opportunities were taken into account in formulating the strategic objectives for 2005-2008 and reflected in the first two strategic objectives which aimed to improve the public participation of minorities and ensure that national laws and policies are conducive to this. The Turkey programme was developed in response to the opportunity provided by Turkey's intention to join the EU accession process. It was designed to make the government of Turkey address the denial of rights to a broad section of Turkey's minorities through campaigning for:

- Education reform that ensures public and private education respects all communities including languages, religions, ethnicities and cultures.
- Changes in legislation and practice to incorporate mechanisms for the peaceful resolution of conflict over discrimination and the development and adoption of an anti-discrimination law
- Creating favourable conditions for the return of refugees and Internally Displaced Persons (IDPs) and compensation for loss of property.

Those directly involved in this initiation stage are mainly the management of CS1, the Programme Manager, the Programme Coordinator and the Fundraiser. The result of the consultation with stakeholders, mainly the donors and the partner organizations, were compiled and used as input in the process. At this stage, the EC had made a 'call

for proposal' entitled 'Combating racism, xenophobia and promoting the rights of Minorities' (EC/CP/05). The EC was therefore identified as a likely funder. The Fundraising team and Programme Managers then developed a Concept Note which, after approval by the Board of Trustees, was presented to the EC. This was approved by the EC and a full proposal was developed jointly by the Fundraising team and the Programme Managers. The full proposal and grant application were sent to the EC in April 2005. The aim of the programme was stated as:

> 'the implementation of minority rights protection in Turkey to European standards (the Copenhagen criteria), benefiting the target group of minorities in Turkey, several million people- including Kurds, Syriacs, Armenians, Greeks, Laz and Alevis' (EC/FP/05: 2)

The main activities to be carried out were summarized in the application as

> ' The main activities are production of a report on how to achieve EU standards of minority rights protection in Turkey; workshop leading to specific guidelines on how to create an education system respecting minority rights; drafting of a comprehensive anti-discrimination law to meet EU standards and litigation to begin implementation of anti-discrimination laws; and workshops and research on property rights and return, leading to specific guidelines for policy makers and a guide for internally displaced people (IDPs) and refugees and litigation to support property claims' (EC/FP/05: 2)

The application then lists both the minorities and the partner organizations that represent them as direct and indirect beneficiaries but admits that the majority of them will be indirect beneficiaries and that due to the particular nature of advocacy projects, the changes sought may not occur during the life of the project:

> 'Given this is an advocacy project, guaranteeing direct beneficiaries depend on the implementation of policies and laws which may not occur during the project. (But) the project will make much more likely the passing of an anti-discrimination law…which will directly benefit minorities-more than 14% of the population or 14 million people…The four partner organizations will benefit from experience of research…training on and working with the EU and media…Indirect beneficiaries will include EU and its staff…as well as the Turkish authorities' (EC/FP/05: 5)

The document, in response to the EC's requirement, explains how the beneficiaries or their representatives (called partners) were involved in the design of the programme through series of planning and consultation meetings:

> 'The design of this project has been based on a relationship over 18 months with three out of the four partners. Either the partners or some of their members have been involved in past work with CS1and have fed into the design their analysis of minorities' needs as well as the political constraints. This has involved at least four meetings in Turkey over this period with each partner and two joint planning meeting with all partners' (EC/FP/05: 4)

These meetings between CS1's staff and the partner organizations were mainly to agree the project design, the activities, the work plan and allocation between CS1 and the partners, and the budgets. Initially the partners selected were the Diyarbakir Bar Association (DBA), Foundation for Society and Legal Studies (TOHAV), Cultural and Solidarity Association of Mesopotamia (MEZODER) and Human Rights Association, Istanbul (HRA). The work plans agreed at the planning meetings were mainly in outline form but the detailed proposal was finalized by CS1's programme managers and fundraisers with inputs into the budgets by the finance department. On 11 September 2005, the full proposal and grant application were submitted to the EC for funding. The total budget for the project was €613,062 and CS1 sought 80% of the funding from the EC delegation in Turkey amounting to €490,450.

The grant application also included a logical framework and activity plan covering the three years of implementation. The EC approved the grant subject to certain clarifications or amendments requested by a letter dated 21 Nov 2005. This includes the request to include other disadvantaged groups apart from minorities in the target beneficiaries and the need to commission an external evaluation at the end of the programme:

> ‘Drafting of anti-discrimination law: The inclusion of disadvantaged groups other than minorities, like the disabled, women, homosexual etc is vital for the achievement of a consensus law reflecting the concerns of all parties which would pave the way for more successful advocacy. CS1 should ensure their participation in drafting or endorsement of the draft law’ (EC/FB/05)

CS1 agreed to this as shown in its response to this point contained in the reply letter of 25 November 2005:

> ‘We fully agree that the more disadvantaged groups represented the more effective the work can be…..Presently, we have the interest of the groups KAOS GL and Turkiye Sakatlar Dernegi’ (CS1/FB/05)

Following modification in line with the EC’s request, the EC approved the proposal and agreed to finance 80% of the cost. CS1 was to supply the balance of 20% of the funding either from its unrestricted funds or raise match-funding from another donor. A grant contract was signed on 30 December 2005 for implementation over three years ending 30 December 2008. Included in the contract were the agreed budget and the EC general condition of contract stipulating the reporting requirements, narrative and financial, and the templates that must be used to prepare them. It provided detailed description of eligible costs as direct cost of the programme activities (staff cost, travel etc) plus a lump sum of 7% of the direct cost to cover CS1’s administrative overheads:

> ‘A fixed percentage not exceeding 7% of the total amount of eligible cost of the Action may be claimed as indirect costs to cover the administrative overheads incurred by the beneficiary for the Action’ (EC/CT/05)

Currency exchange losses were to be borne by CS1 while exchange gains and any unspent funds were to be returned to the EC.

The standard condition of contract also provides for the submission of annual interim reports, narrative and financial, and end of programme reports. These interim reports

are exactly the same in format and content as the end of programme reports but they allow for progress monitoring and for important issues to be brought to the attention of the donor earlier. The narrative reports format specified is closely aligned with the format of the log-frame while the financial report format compares expenditure to budget. The contract stipulates that the end of programme financial report should be audited and named SV, a firm of certified accountant and the external auditors to CS1, as auditors for the programme audit. The EC audit guideline that specified how the audit must be performed (technically an 'agreed upon procedure') was made available to SV.

5.4.2 The implementation Phase

The programme was implemented over 42 months from January 2006 to June 2009 extending six months beyond the original 36 months planned due to delays in implementation particularly on the part of some of CS1's partners. CS1 had difficulties in raising the remaining 20% match funding required for the programme. In the first year of the programme (2006) £20,200 was provided by Cordaid[10] in the form of allocation from a larger block grant for a number of CS1's projects. The rest of the match funding came in only in the final year of the programme through a grant from the British Embassy, Ankara for a specific activity under the programme and another grant from the UK Foreign and Commonwealth Office for another set of activities under the programme. The latter grant ran for 5 months till July 2009 taking the implementation period beyond the EC contract end date of April 2009.

[10] Catholic Organization for Relief and Development- a Dutch development agency

The EC's approved funding was released in 3 yearly instalments, the second based on receipt of satisfactory reports of the first year activities and the last based on completion of the programme and submission of an acceptable audit report.

The following is a chronology of events in the implementation phase. It is not a comprehensive account of all the events and activities but a highlight of the most significant ones.

5.4.2.1 January to June 2006

CS1's Programme Coordinator and Programme Manager met with the staff at EC delegation in Ankara and some Members of European Parliament to discuss minority rights issues in Turkey for inclusion in the EC country report. Also, CS1 and its partners visited *Sarejevo* to give partners a chance to learn about the experience of displacement in another country through roundtable discussions with experts. Information obtained during this visit was later used in the "Action Plan."

5.4.2.2 July to December 2006

The Programme Coordinator travelled to Istanbul and Diyarbakır to meet with project partners. During this visit she held meetings with Roma NGOs, TESEV, and the Mayors of Diyarbakir, Yenişehir, and Suriçi Municipalities. She also attended a roundtable meeting in Brussels to give a brief to EC staff on minority rights in Turkey. CS1 and TOHAV prepared the *"Action Plan.*" TOHAV published both English and Turkish versions and distributed them widely.

CS1 and DBA published the *"Guide"* in Turkish and Kurdish. Both were distributed widely across the country and were also sent to Kurdish and Assyrian NGOs in Europe. A press conference was organized in Istanbul for the launch of ***the Action***

Plan and the Guide. Some other NGOs working on displacement attended the press conference. In December 2006 CS1, DBA and TOHAV had a ***roundtable meeting*** in Ankara with staff and representatives from UNDP, EC Delegation and Human Rights agencies to discuss and exchange ideas about the Action Plan and the Guide.

5.4.2.3 January to June 2007

The first workshop on anti-discrimination and litigation was held in Istanbul. In this workshop Turkish legislation on anti-discrimination, relevant EU and international standards and the anti discrimination practices in different countries were examined. Twelve individuals from Universities and different NGOs working on discrimination related issues attended this two day workshop. CS1 staff ***travelled to Brussels*** to give a briefing to the staff at the enlargement unit of EC on the situation of minorities in Turkey.

5.4.2.4 July to December 2007

The second workshop on anti discrimination and litigation was held in Istanbul. Anti-discrimination law, remedies, and relevant EU and international standards and practices from different countries were examined. The outline of the draft law on discrimination was also examined. Sixteen individuals from Universities and different NGOs working on discrimination related issues attended this two day workshop. The country report on Minority rights in Turkey was printed in London in English and Turkish. CS1 launched the report on its website and sent the report to the press. In December 2007 some legal cases were selected for intervention including supporting the Yumak and Sadak case among others through submission of an amicus brief to the ECHR's Grand Chamber.

5.4.2.5 January to June 2008

CS1 held a workshop in Istanbul titled "*Education Rights in Multicultural Communities: Turkeys' experience.*" Twenty eight participants from NGOs, minority communities and international organizations attended and discussed, among other things, access to education. During this period CS1 staff and partners travelled to Brussels where they made a presentation on the situation of minorities in Turkey to the Members of European Parliament. They also travelled to Sweden to meet with the members of Assyrian, Kurdish and Yezidi communities in Stockholm to discuss with their representatives the country report and possible strategies for return. The delegation also visited Swedish Parliament.

5.4.2.6 July to December 2008

CS1 and IHOP held a workshop in Ankara titled, "*Anti-Discrimination Legislation and Equality Bodies.*" Fifty two participants from NGOs and governmental bodies attended this workshop. Also in this period, the Project Coordinator made an oral presentation at the European Commission on Turkeys' progress with minority issues and attended the UN Forum on minority issues held in Geneva where she made a statement on the education of minorities in Turkey.

5.4.2.7 January to June 2009

CS1 published a report on the situation of minorities in the education system in Turkey. The report, titled "*Forgotten or Assimilated? Minority Rights in Education System of Turkey*" was published in Turkish and English and introduced to the public by a media launch in Istanbul. CS1 also submitted a shadow report on Turkeys' compliance with the International Convention on the Elimination of All Forms of

Racial Discrimination to UN CERD and attended the CERD session on Turkey with a minority community representative. They organized a lunch-time briefing for the members of the CERD and carried out individual advocacy before and after the session

CS1's Project coordinator made a presentation to EU countries representatives and diplomats in Turkey on minority rights in Turkey, at an event hosted by the Delegation of the European Commission in Ankara and in cooperation with Education Reform Initiative and the History Foundation. The draft anti-discrimination law was prepared.

5.4.3 The Final Reporting Phase

The project implementation for the EC grant ended in April 2009 and the final reporting started. But implementation continued through April to June 2009 for the other activities funded by the other donors. There was, therefore, an overlap of the implementation and reporting phases from April to June 2009. Though the final reporting phase has been separately identified as more reporting and accountability happened at this stage, there was indeed some form of reporting and accountability going on concurrently through all the other phases. This consists mainly of the statutory reporting and the reporting to the donors including the end of programme evaluation. The involvement of beneficiaries (mainly the local partners) was counted by CS1 as a form of accountability but this is not structured. The main aspects of accountability observed are discussed in the following subsection.

5.4.3.1 Statutory Reports

In terms of the statutory reporting, the programme activities were reported along with other CS1's activities in the annual audited accounts and the reports to the Charity Commission for the years 2006 to 2009. The statutory reports consisted of the Statement of Financial Activities and the Directors' report. The Statement of Financial Activities (SOFA) gives a financial account of the income received by CS1, split between the two major funds (the unrestricted and the restricted funds) and how they were expended. But at this stage no distinction is made between the several project funds that make up the total restricted funds. The extract below (Table 5.6) from the SOFA from 2006 to 2009 shows the total Income and expenditures on the restricted funds.

Table 5.6 CS1 Restricted Income and Expenditure 2006 to 2009

Restricted Programmes	**2006** **£**	**2007** **£**	**2008** **£**	**2009** **£**	**Total** **£**
Incoming resources	**1,609,507**	**1,498,016**	**1,899,226**	**2,182,111**	**£7,188,860**
Charitable expenditure	**1,705,407**	**1,423,105**	**1,524,256**	**2,258,721**	**£6,911,489**

Included in these are the 23-25 programmes implemented in each of the years, one of which was the Turkey programme. Detailed breakdown of the income and expenditure by individual programmes were given in the notes to the account. An extract of this for the Turkey programme for 2006 to 2009 is shown in Table 5.7 below.

Table 5.7- Extract from CS1's Note to the financial statement: Restricted funds

Restricted Projects	2006 £	2007 £	2008 £	2009 £	Total £
Income (Turkey project)	**112,150**	**100,935**	**129,738**	**41,221**	**384,044**
- EC	91,950	100,935	114,738		307,623
- Cordaid	20,200			9,650	29,850
- FCO/British embassy			15,000	31,571	46,571
Expenditure (Turkey project)	**107,404**	**97,383**	**93,445**	**85,812**	**384,044**
- EC	87,204	97,383	78,445	44,591	307,623
- Cordaid	20,200			9,650	29,850
- FCO/British Embassy			15,000	31,571	46,571

The narrative aspect of the statutory report consists mainly of the Directors' reports which describe the overall activities of CS1 but gives no account of individual projects. In the reports for 2006 to 2009 no specific account of the Turkey project was given but the overall activities on 'International Advocacy' within which the programme was classified was briefly described.

The statutory audit reports for 2006 to 2008 were unqualified and appropriate returns to the Charity Commission and the Companies' House were filed with no queries arising from them.

5.4.3.2 Reporting to Donors

The reporting to donors consisted of two parts- a narrative report and a financial report. The interim forms of both reports were given to the donors yearly while the final forms were given at the end of the project. The narrative reports submitted to the

EC were in line with the prescribed format. These reports were designed mainly to meet the information needs of the donor. The format consists of 4 sections with specific questions asked by the donor to which CS1 was required to provide answers. The main sections are:

Section A titled *Contractual Compliance* asks the question 'has the project been carried out as foreseen in the terms of reference of the contract? Here CS1 details all the changes to the planned project activities and changes to the involvement of partners and justifies them.

Section B titled *Project Activities* required CS1 to list all the activities carried out under the project, publications and reports produced (attaching copies) and to disclose and justify why any planned activity had not taken place.

Section C titled *Impact and Evaluation* asks the question: What is your assessment of the results of the project? It required CS1 to comment on the extent to which foreseen goals were met and whether the project had any unforeseen positive or negative results. Here CS1 cited among other things the wide coverage given to publication of the education report in the media and the awareness of minority issues raised. On the positive experience, CS1 cited the relocation of the project coordinator to Turkey and the opportunity this allowed for her to interview and obtain inputs of several minority representatives in the Education report. In terms of the negatives CS1 cited the' lack of adequate contribution and support' from the local partner resulting in the replacing of one of them causing 'an extension and even non completion of the activities around the model equality law before the termination of the project' (CS1/NR/09: 21)

Section D on *Partners and other cooperation* asks the question: How do you assess the relationship between the partners of this project? It requires CS1 to give details of the division of responsibilities, transfer of expertise and overall coordination of the partnerships. It also requires each partner organization to write a one-page assessment on its role and cooperation in the partnership. CS1 acknowledges that certain difficulties leading to the change in partnership was a major obstacle to a good implementation of the project as some activities were carried out later than planned. It stated that 'some project partners still did not provide CS1 with activity and financial reports on the dates agreed' It however stated that 'CS1 is generally content about the development of this partnership' (CS1/NR/09: 24)

The second aspect of the reports to donors is the financial reports. Interim forms of these were submitted to the EC yearly and a final form at the end of the project. The reports, prepared using EC templates, basically compare actual expenditure to budget for each budget line item and the total. The currency used in reporting is the Euro as specified in the contract though actual expenditures were incurred in Euro, Sterling, Swiss Francs and Turkish Lira. The non-Euro expenses were converted at exchange rates specified by the EC, though actual exchange rates obtained from the market were different. Where this resulted in a loss, the loss was borne by CS1 from its other income as the EC considered these as non-eligible for funding.

The EC grant final financial report was audited by SV as stipulated in the contract. The audited report shows total expenditure up to April 2009 was € 470,477 out of which €380,620 was eligible for funding under the contract with EC. The balance of the expenditure incurred from May to June 2009 was charged to the match funding

grant from Cordaid, the British Embassy in Turkey and the FCO. The eligible cost charged to the EC grant (€380,620) was less than the total of the upfront payments received from the EC. The difference includes exchange gains resulting from the weakening of Sterling against the Euros over the project period. The programme grants were received in Euros but expenditures were incurred in sterling and other currencies and converted to Euro at the average exchange rates for the year. But the auditors raised exception as noted in the grant audit report at the end of the project:

> ‘We hereby certify that the operations account (income and expenditure) are faithful, reliable and supported by the appropriate supporting documents and that eligible expenditure totalling EUR 380,620 has been incurred in accordance with the provisions of the contract except as noted below:
>
> 1. Bank interest has been earned on part of this funding. No separate bank account was set up by CS1 for this funding
> 2. Expenditure has been translated using the annual average exchange rates instead of the *InforEuro* monthly rate specified in the funding agreement
> 3. CS1 was unable to split expenditure funded by the EC and that funded by other contributors
>
> (SV/GA/09)

Based on this, the EC requested that the report be restated using the exchange rates supplied by the EC for all the expenditures. The exchange difference together with the unspent balance of the grant amounting to €44,144 was returned by CS1 to the EC.

5.4.3.3 Programme Evaluation

Following the completion of the programme in July 2009, a programme evaluation was commissioned by CS1 in line with the contract condition and an evaluator was appointed. The brief given by CS1 to the evaluator was to verify that the activities were effectively carried out and the desired outcomes achieved. How far this meets the beneficiaries’ needs was not expressly included in the brief.

> ‘This evaluation has been made upon the request of CS1 with the purpose of providing an assessment of:
>
> -whether CS1 completed all activities as planned in the project,
> -whether the activities contributed to the planned results,
> -whether the project and its implementation was relevant and effective;
> -whether there were any unplanned outcomes or impacts
> - the extent to which gender was successfully mainstreamed throughout the project;
> -the lessons that CS1 and other organizations can learn for future similar initiatives’ (CS1/PE/09: 5)

The evaluative report highlighted some of the difficulties CS1 had in implementing the project particularly that involving its engagement with its partners:

> ‘It is obvious that CS1 has had some serious difficulties working with its partners in Turkey. At the early stages of the implementation of the project, CS1 lost one partner. One important partner was included into the project scheme at the very end of the project’ (CS1/PE/09: 11)

The evaluator traced the causes of the problems with the partners to their limited involvement in decision-making concerning the project:

> ‘There were serious problems in getting specific work done by the partners.....the partners only had knowledge and initiative on the parts of project that they were responsible for. No partner seemed to have full knowledge and responsibility over the implementation of the whole project except CS1. Some partners have the feeling that their participation in decision making process was not satisfactory’ (CS1/PE/09: 11-12)

The evaluator also noted that the complexity of the technical and contractual requirements dictated by the donor was too challenging for the partners involved:

> ‘it seems that the technical details of implementing an EU funded project have taken precedence over the enthusiasm of creating a serious impact. The evaluator believes that partners of CS1 were not motivated enough to undertake such energetic work’ (CS1/PE/09: 12)

The report was sent to the EC. A summarized version was placed on CS1’s website with a link to the full report.

5.4.4 The Impact Phase

The impact phase is the most prolonged of all the phases. CS1 constantly monitors developments in the area of the project objectives, drawing attention to any achievements and making follow up non-programmatic interventions such as granting interviews, speaking on the issue at conferences etc. Implementation of the Turkey project was completed in June 2009 but the desired impact and change sought were not immediately realized but continued gradually into 2010. For example by June 2009 when the programme ended, the anti-discrimination law that the programme campaigned for had not been passed neither had the return of property to the IDPs happened. But in November 2009, the government of Turkey decided to initiate the process for enacting an anti-discrimination law, a key component of what the Turkey project has campaigned for. The draft law was sent to some NGOs for comments in March 2010. Substantial sections of the draft were taken from the draft law prepared as part of the Turkey project. CS1's project coordinator was delighted by this and announced this as one of the achievements of the project in an e-mail to all CS1's staff:

> 'I am glad to say that more than half of the Ministry's draft law is directly copied from our draft law…' (CS1/IM/10)

CS1 continues to participate in meetings to comment on the draft law, organize other NGOs to input their views and sustain its advocacy through the media and international organizations. But feedback from the beneficiaries was limited as there was no common platform or mechanism to obtain the views of partners involved in the project.

5.5 Analysis of CS1's Accountability Practices

From the data presented in the preceding sections, it could be deduced that accountability in CS1 involves the use of a combination of several methods or approaches. These approaches, focusing on different aspects of the organization's accountability and serving the needs of different stakeholders, fit into those identified in the theoretical model. They consist of:

1. A system of statutory financial reporting and audit focusing on accounting for the overall income and expenditure by fund (restricted and unrestricted) in line with the reporting standard (SORP). These are in summarized form as detailed financial accounts for the individual restricted fund activities are not rendered at this level.
2. Statutory Narrative reporting focusing on the overall organization objectives and activities including brief summaries of the restricted programme activities. This is in the form of Directors (trustees) report in the audited accounts and annual returns to the Charity Commission. These reports do not include detailed account of the individual programme activities.
3. Donor financial reporting comparing detailed programme income and expenditure with budget using formats specified by the donors in the grant contract. The report may be subject to a project financial audit where specified in the contract.
4. Programme narrative reporting focusing on the implementation of individual programme activities, the achievement of objectives and the desired outcome and impact. This uses the format specified by the donor which is closely aligned with the structure of the logical framework.

5. Annual reports in narrative form focusing on the implementation of CS1's strategic plans. This covers the whole organizational activities and measures performance against the strategic objectives. It takes into account the combined achievements of all the programmes rather than those of individual programmes. This report is disseminated to all stakeholders and no standardized format is used.
6. Programme Evaluation involving an independent evaluator visiting the programme site and the beneficiaries to verify that the activities were carried out and the objectives achieved.
7. A system of involving the beneficiaries and stakeholders to ensure that the programmes implemented address their needs. This is carried out through consultation during programme design and participation of beneficiaries' representatives in the implementation. But evidence from the data indicates that this system is not operating effectively.

The accountability practices observed are analysed using the skeletal model (Figure 4.3). The first level of analysis identifies whether the obligations to render account are contractual or communal and whether the accountability bases are process or performance. A categorization of the practices according to the types A, B, C and D then follows from this. The next levels of analysis will examine how the natures of the exogenous and endogenous variables and the signification, legitimation and domination structures have shaped the emergence of these practices.

On the first level of analysis, the process based approaches focus on the use of resources in conformity to standard and the performance based approaches focus on

measuring the achievement of objectives and the meeting of stakeholders' needs. Evidence of the use of these two approaches could be seen in the data. While the statutory financial reporting system is process based, the statutory narrative reporting system is performance based. Likewise, the system of financial reporting to donors is process based while the narrative reporting to donors is performance based. The annual reports/ strategic planning, programme evaluation and beneficiaries' participation are all performance based system as they aim to assess the achievements of objectives.

The categorization into the contractual and the communal systems of accountability relate to the nature of the obligation to render accounts. Both forms of practices were observed. The contractual system, driven by the needs of the donors and the regulators, is evidenced in the statutory reporting and donor reporting systems (both financial and narrative) in use. But evidence of the use of the communal system is sparse. The system of involving beneficiaries could be categorized as communal but this is not sufficiently developed in CS1. Programme evaluation cannot be categorized as communal as it is driven by the donors even though it considers the views of the beneficiaries.

5.5.1 The Process based approach- Types A and D

The process based approach could be used in two forms –under the contractual method (type A) with practices in line with prescribed standards and under the communal method (type D) with practices determined by the information needs of the wider stakeholders. Two forms of the process based approach are in use at CS1. But both appear to be of type A as they are influenced mainly by the needs of the

contractual stakeholders. The first is the statutory financial reports. This is filed with the Charity Commission as a statutory requirement. It is also used for financial accountability to some Institutional donors that give CS1 unrestricted funding without requiring separate financial accounts for the grants. These donors are satisfied with the statutory reports and require no further detailed financial reports. But the statutory financial report only partly meets the needs of those Institutional donors who provide CS1's restricted funds. In addition to it, these donors require specific financial information on their particular programmes and the system of financial reporting to donors is used for this purpose. Both of these forms of accountability may be described as type A, as CS1 has no flexibility in determining how it is practiced. CS1 prepares this donor financial reports using the same basic financial data used for the statutory reports and faces the challenge of reconciling both reports (this was noted in the audit management letter, 2008) as the two systems are not integrated. The organization expends considerable effort in processing the same financial data in two different systems and struggling to reconcile both.

None of the practices observed could be categorised as type D as none of them is aimed at accounting to the non-contractual stakeholders for the use of resources

5.5.2. The Performance based approach- Types B and C

The performance based approach to accountability focuses on measuring the achievement against objectives. It could be used under the contractual system where it is prepared in fulfilment of a contract condition or a statutory requirement (type B). The focus may be on the overall organizational objectives or particular programme objectives. This accountability practices are rendered by CS1 using two main forms of practices. The first is statutory narrative reporting prepared as the narrative part of the

financial statements and the annual returns to the Charity Commission. The second is the programme narrative reports that focuses on the achievement of individual programme objectives and are prepared for donors as part of the conditions of contract.

The performance based practices are also used in the communal system where it is rendered voluntarily with the aim of meeting the needs of the stakeholders (mostly the non-contractual stakeholders since the contractual stakeholders have the power to ensure their needs are met). This accountability practices that could be categorised as type C is rendered by CS1 using three forms of practices. The first is the Annual Report and strategic planning system. These reports cover the whole organizational activities and measure the performance of the organization against the strategic objectives. Considering that the organization's objectives are directly linked to the programme objectives which in turn are highly influenced by the objectives of the donors this report may be viewed as type B. But because feedback from beneficiaries and other stakeholders are incorporated in the reports and strategic plans they may also be considered as type C. The second is Programme Evaluation. Though evaluation is contractually required and funded by the donors and the evaluator is appointed by CS1, the brief involves obtaining the views of beneficiaries and wider stakeholders. Programme evaluation may, therefore be viewed as both type B and type C accountability.

The third form of type C accountability used by CS1(and the only one that is exclusively type C) is beneficiaries' participation. This is in form of consultation with beneficiaries in the design and implementation of programmes. But this is not always

done due to cost constraint and the difficulty of securing funding for such activities. The second form of consultation with stakeholders is during the process of review of implementation of the strategic plan. But there is no mechanism to ensure that the feedback from the beneficiaries is taken up in future plans.

The performance based approaches as used in CS1 have some limitations. With regard to programme narrative reporting, the limitations result from two main issues. First, '*measurable indicators'*, against which achievement of programme objectives are reported, are not always measurable. For example, from the logical framework of the SEE project (Appendix 5), the purpose of the project include '*to mainstream effective minority and minority women's participation in political and developmental process in South East Europe*'. The '*measurable indicators'* of its achievement given in the logical framework include '*The position of minorities and minority women in SEE countries is strengthened'*. This indicator is qualitative and difficult to measure. Second, baseline data on the pre-intervention state of the issue the programme seeks to address are not always available. For example the SEE programme proposal presents no data on the state of representation of minorities in SEE other than that they are underrepresented. It is then difficult to measure how much the programme contributed to the change achieved. Third, as the narrative report is prepared by the NGO implementing the programme there is a tendency to present a fairer picture than was achieved in reality.

Accountability for the achievement of wider objectives and fulfilment of non-contractual stakeholders' needs (type C) is performed only to a very limited extent as the methods used for it were not particularly developed for the purpose. The most

prominent here is Programme Evaluation. It was developed to give assurance to donors that programme objectives were being met and could be considered as more of type B accountability. However, CS1 disseminates the reports to beneficiaries and other non-contractual stakeholders and claims this as a form of accountability to them. But Programme Evaluation as a form of accountability has its own limitations. The first limitation is that the evaluators may not be totally independent as they are appointed by the organization they evaluate. In an interview with MD, an evaluator of a number of CS1's programmes, he thinks this influence is mitigated where evaluators appointed are people who have established their reputation and have reasonable financial independence. [11] But this is not always the case as some evaluators appointed by CS1 do not fall in this category. A threat to the independence of evaluators is the fact that some have carried out other consulting work for CS1. For example in the introductory paragraph of the evaluation report of one of CS1's programmes, the evaluator wrote:

> 'I was commissioned by CS1 to undertake a final evaluation for the LC Programme, a process required by the main donors, the FCO. I was delighted to undertake this task, owing to my previous involvement in preparing the feasibility study as well as the interim evaluation. It has been an enormous pleasure to witness the programme grow and develop from its inception and to view at close hand the difference that this programme has made to a number of minority and indigenous communities'(CS1/PE/07)

The lack of independence of evaluators may impact on the objectivity of the reports and their usefulness as a means of accountability. This situation is not helped by the fact that the practice is not regulated. Evaluators do not operate under a professional body and there are no agreed standards or approach used by all evaluators.

[11] MD has retired after a successful career in Development and has been commissioned to perform evaluation on a number of CS1's programmes. He appears to be professional, objective and financially secure. He has not performed any other consultancy work for CS1 apart from the evaluations.

The second limitation of evaluation is that the desire of NGOs to obtain good evaluative reports may lead to sub-optimal decisions in programme implementation where more effort is directed towards 'countable' achievements. The quote below taken from CS1's report on learning from evaluation reports illustrates this:

> We must ensure that completing one activity does not absorb so much energy that it detracts from the important advocacy/follow up etc on potentially all the other activities. Although the activity feels more "countable" and glaringly obvious if it is not completed, in fact, the less visible advocacy and follow up to the other activities may well be more valuable, and most if not all donors would understand this (although, of course they should be asked first) (CS1/MM/4-09)

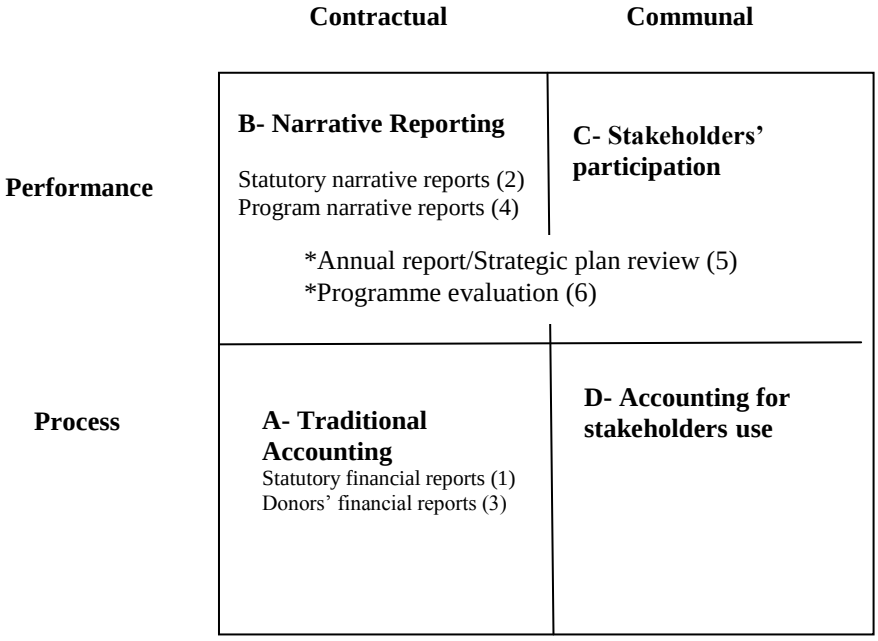
Finally, evaluation does not fully meet the accountability needs of beneficiaries. It happens only at the end of the programme and the feedback only used to the benefit of the NGO. Beneficiaries do not have the power to commission the evaluation, appoint the evaluator or demand the report. As a result they do not feel that the process was important to them. This is illustrated by the following extract from the evaluation report of CS1's *TB* programme:

> 'I encountered what I felt were surprisingly substantial difficulties in persuading some individuals who had taken part in the project to talk to me or give me all the information I requested...it was probably due to a feeling that this evaluation was not very important' (CS1/PE/08).

The programme evaluation reports are sometimes disseminated in summarized versions. These summarized versions highlight issues CS1 consider as important. This process of information filtering means that accountability to this group is selective and does not guarantee that any adverse feedback from beneficiaries would be disseminated or acted upon. Furthermore, because evaluation as a tool of accountability is designed for the donors and paid for by them, there is beneficiaries' apathy towards it as noted in the comment of the evaluator of the TB project.

The observed practices fitted within the 'accountability space' produced the result shown in Figure 5.4

Figure 5.4 Accountability Practices in CS1



5.5.3 The Influence of Endogenous Variables on CS1's Accountability

From the model of the endogenous variables presented in Chapter 4, the importance of traditional accounting in CS1's accountability practices will depend on the nature of CS1's objectives (how clear and measurable), the nature of its activities (how programmable) and how economic in nature the objectives and the activities are. Where these three variables take on low values, there will be a sociological divide that limits the extent to which traditional accounting could be used in CS1's accountability. The following sub-subsections present in detail the analysis of the data collected with regard to each of these variables and highlights the existence of a sociological divide in CS1.

5.5.3.1 The Specificity of CS1's Objectives

CS1's objectives are very broad. Protecting the rights of minorities and indigenous peoples is a wide objective because minorities and indigenous people can be found in every continent and in almost every country of the world. Also, the objectives are not clear or specific as there is no agreed definition of who constitutes minorities. Different people have taken the term 'minorities' to mean different things. Such an imprecise term being at the heart of the organization's objective makes a clear definition difficult to achieve. But this was not considered to be a problem until the end of the 1990s. It could be inferred that this is because then there were no obvious pressure for NGOs to be accountable. The pressure to be accountable increased from the 1990s when increased funding of NGOs brought accountability to focus. From about the end of the 1990s, CS1 began to consider this as a problem and to advocate for a clear definition of the term 'minorities' From about the same time, it began the first attempt to clarify and restate its broad objective in detailed terms through its strategic planning process. These two events could be interpreted to be in response to the pressure to demonstrate accountability for the achievement of objectives.

The strategic planning process can be viewed as an attempt to make accountability for the achievement of objectives more achievable. The process has focused on redefinition of the broad objectives through breaking them down into clearer, more specific and measurable detailed objectives against which performance could be measured and reported. But the way that CS1's objectives have been redefined (or broken down) has changed with each 4-year planning period. The broad objectives were broken down in the three strategic plans covering 2001 to 2012 initially into 14 detailed objectives which were later summarized into 6 objectives and subsequently

rephrased to reflect a slightly different focus. This suggests that the broad objectives are fluid enough to be interpreted to mean different things. Over the same period CS1 has expended substantial effort in an attempt to focus its work by defining what constitute 'minorities'. After the enormous work and debates, it came up with a 'working definition' but conceding that it is not all-inclusive. Defining the second part of CS1's broad objective (protecting minority rights) is no less challenging. The issue of 'rights' is subjective and dependent on cultural interpretations. For example, CS1's view of girls' education as a right is not exactly in consonance with the understanding in some communities it works with. This suggests that the aim of clarifying the objectives has not been fully achieved. Measuring how well it has performed in achieving those objectives therefore remains subjective. This indicates a low value of O in the model of endogenous variables.

5.5.3.2 The Nature of the Link between CS1's Objectives and Activities

CS1's activities are generally packaged as programmes with specific objectives linked to the overall organizational objectives set out in its strategic plans. Within each programme, several activities are carried out ranging from organising training, workshops, advocacy events and campaigning, to taking up legal cases involving minority rights violation before national and international courts. But the relationship between the successful implementation of the programmes activities and the achievement of the objective is tenuous. Successful implementation of the activities does not guarantee the achievement of the objectives or the desired change. The organization recognizes and accepts this. For example CS1's analysis of three of the evaluation reports on recently completed programmes admits:

> Our reports are generally of high quality, ("All of the reports and briefing papers received high praise from those people who had in fact read and/or

> used them, whether (country) specialists or generalists" Conflict page 12) however many of their intended targets had not read them or denied ever having received them. Often there is not a lot of evidence that they have had any impact. (CS1/MM/4-09)

The reasons for this are twofold. First is the general nature of advocacy work that makes impact difficult to attribute as many actors are involved in any particular advocacy work. Second, and more important, is the fact that the changes sought in advocacy campaigns take a very long time to realise. For example, the change in Turkey's national law to recognize minorities, and grant the right to education in minorities' mother tongue at primary school level has not happened though CS1's 3-year *Anti discrimination programme, Turkey* had this as one of its main objectives. The project has ended but its achievement remains unclear. But this change may well occur in future. For example, in March 2010 the Turkey government prepared a draft anti-discrimination law that incorporates substantial elements of the draft prepared by CS1 as part of the Turkey programme that ended nine months earlier. As a result, there is no measurable cause-effect relationship between the achievement of CS1's objectives and the programme activities. CS1 accepts this and admits that there are no 'logical connections or causalities that link the activities to the targets and outcomes' (CS1/PR/05: 9). This suggests that CS1's activities are not programmable which is indicative of a low value of P in the endogenous variable model.

5.5.3.3 The Economic Nature of CS1's Objectives and Activities

CS1's main objectives are predicated on the principle of humanity. This is consistent with the values of the major stakeholders that shape its detailed objectives (the management and the Institutional donors). This reflects in the fact that the organizations' services are provided free to beneficiaries. It also reflects in the low emphasis given by donors to economic efficiency as criteria for approval of its

programmes for funding. This thinking affects the accountability practices across the organization. There is no system of appraising the economic viability or efficiency of CS1's programmes either at the planning, implementation or reporting stage. The accounting in CS1 focuses on supporting programme delivery by monitoring expenditure against budget but does not cover appraisal of the economic efficiency of the programme activities or cost control. This is acceptable to the other stakeholders as they are influenced by the same values. A review of narrative reports and the evaluative reports of CS1's programmes reveals that none included any reference to the cost or economic efficiency of the programme delivery. This suggests a low value of the endogenous variable E in the model presented in Chapter 4.

Because all the endogenous variables in CS1 take on low values, the model suggests that there will be a sociological divide in CS1. This implies that traditional accounting alone will be inadequate for organization-wide accountability. Evidence from the data suggests that CS1 and the major stakeholders realize this and the use of multiple systems of accountability appears to be in response to this. For example, CS1's donors demand detailed financial accountability in addition to those in the statutory financial reports. But they also require programme narrative reports and evaluation to supplement the use of accounting reports. This seems to be in response to the realization of the limitation of traditional accounting resulting from the sociological divide.

5.5.4 The Influence of Exogenous Variables on CS1's Accountability

CS1 has several stakeholders. These were categorized in Section 5.2. as contractual and non contractual stakeholders. The information needs and the level of influence of

these stakeholders vary. This has some impact on CS1's objectives and accountability practices. Evidence from the data suggests that CS1 uses both the contractual and the communal systems of accountability but to different extents. The contractual system, driven by the needs of the contractual stakeholders, is more prominently used while the communal system is sparsely used.

The following subsection examines in more detail the exogenous variables in CS1 and how these impact on the organization's objectives and accountability practices.

5.5.4.1 The Influence of Stakeholders on CS1's Objectives

The influence of stakeholders derives from their power to affect decision-making in CS1 and the importance or impact of CS1's activities on them.

Prominent among the stakeholders are the Institutional donors. The broad and imprecise nature of the objectives and their detailed interpretation makes them susceptible to the influence of the Institutional donors who supply the bulk of its funding determine and therefore determine which programmes are funded and thereby implemented. This influence is most visible in cases where CS1 designs programmes specifically in response to donor's 'call for proposal'. In such instances, the donor's objectives (usually stated in the call) are translated into the programme objective and by extension into CS1's objectives. Because of the competition for funding among NGOs, donors assess funding application based on their strict criteria. In one feedback on a funding application submitted to the EC in response to a call, 'relevance to the priorities and objectives of the call' was allocated 20 out of 50 marks and though CS1 scored 18 out of 20 on this criterion, the application was rejected because 'it received a lower score than the ones selected to go through' (EC/CP/11).

Even where pre-designed programmes are put forward for funding applications, sometimes, the donors give feedback requesting CS1 to make certain amendments to the programme design. CS1 often modify the programme to suit the donors' needs wherever this is possible or achievable. For example, the DFID's reply to CS1's Concept Note in support of a funding application contains this paragraph:

> 'We have highlighted below issues arising from your concept note which must be addressed in your full proposal:
>
> 1. The project contains elements that meet the objectives of the DFID in that you will aim to improve capacity of local Dalit communities to engage in decision-making at the local and national level as well as at the international level. Your full proposal will need to further develop the international advocacy dimension of the project' (DFID/FB/09).

CS1 has the option to choose between this project and an alternative one on '*The impact of climate change on minorities'*. CS1's response is summarized in the e-mail of 30/06/09:

> 'We then needed to decide between Dalit Gender and Climate change. We have decided to go with Dalit Gender. There are two reasons for this. The main one is that we already have (part) funding in place…The second reason is that I feel that the feedback on Dalit Gender is less challenging to address' (CS1/IM/09:2)

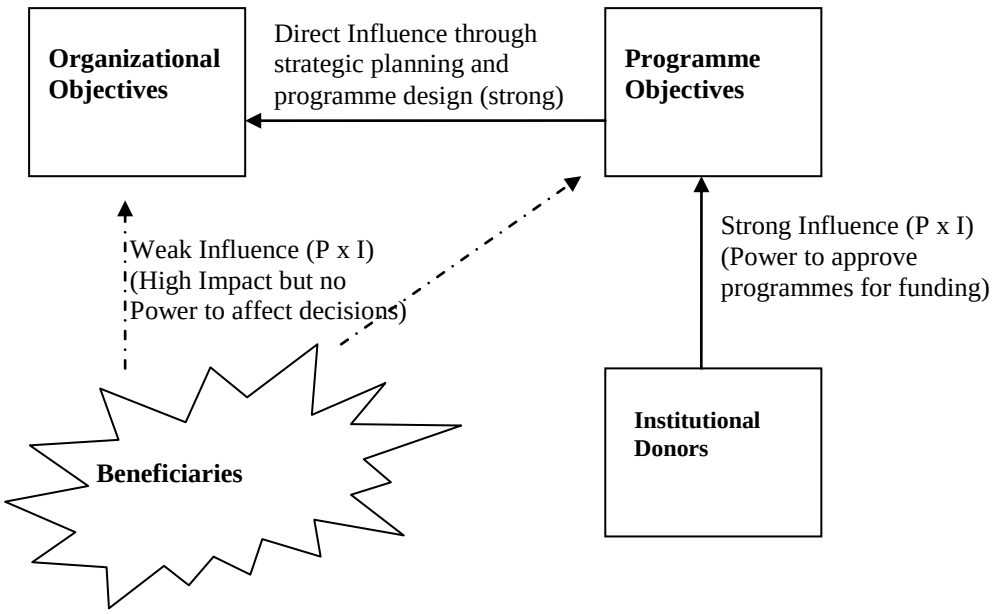
From the above analysis, the power of the Institutional donors to affect decision-making in CS1 is high. Because these donors need NGOs to implement their programme, the impact of NGOs' activities on them (their success) is also high. The Institutional donors therefore exert significant influence in CS1 which is evident in its accountability practices.

Another stakeholder group are the beneficiaries. They have little power to affect decision making in CS1's. They are not adequately consulted during programme

design because of cost constraints or more fundamentally because they have no contractual powers to demand it. Notwithstanding that the impact of CS1's activities on this stakeholder group is high, their influence is low. The humanitarian values that tends to guide the thinking of CS1 and the influential stakeholders has meant that the beneficiaries interests do get incorporated in the organization's and programme objectives but only indirectly through the understanding of these stakeholders and other influences that they may be subject to. The effect is that the beneficiaries' needs may not be accurately reflected in the programme objectives and activities.

Figure 5.5 below shows how the various stakeholders influence CS1's organizational and programme objectives.

Figure 5.5- Stakeholders' Influence on CS1's objectives



5.5.4.2 Influence of stakeholders' needs on CS1's accountability practices

The varying influence of stakeholders on CS1's objectives has implications for the accountability practices. Those stakeholders who have high influence over the organization's objectives or the programme objectives, principally the Institutional donors, have their needs adequately reflected in those objectives. Accountability for the achievement of these objectives cannot be addressed merely by the provision of financial information which focuses only on the use of resources in implementing the activities designed to achieve those objectives. The accountability practices therefore focus on the achievement of the programme objectives, in addition, to ensure that the information needs of these stakeholders are met. The other influential stakeholders are the regulatory authorities who have the power to demand accountability in forms appropriate to their needs. But practices designed to meet the needs of these influential stakeholders may not meet the needs of the other non-contractual stakeholders whose interests are not adequately reflected in the organizational or programme objectives. If these needs are not addressed through some other system of accountability, an information divide is created. The recognition of this divide may be the reason for the attempt to introduce some communal forms of accountability in CS1.

But any potential information divide in relation to the needs of the contractual stakeholders may have been addressed through the use of the multiple systems of accountability which are in response to the different information needs of the stakeholders. For example, the regulatory authorities are more interested in standardized overall financial information that demonstrates legitimate use of resources as well as qualitative information to confirm that CS1 is operating within its

charitable objectives. These two needs are achieved within the structure of the statutory financial and narrative reporting. But the Institutional donors require more than that. They want specific financial information on their grants in forms suited to their varied needs. This may be different from what the statutory financial reports can provide. In addition they want individual narrative reports on the achievement of programme objectives in more details than that in the statutory reports. This need necessitates the additional individual programme reporting and the programme evaluation that supports it.

Generally in CS1, accountability practices that address the information needs of the contractual stakeholders are more prominently used though some effort is made to incorporate practices aimed at the information needs of other non-contractual stakeholders. One may conclude that there is little information divide in relation to the needs of the contractual stakeholders but a significant information divide in relation to the needs of the non-contractual stakeholders.

In summary, accountability practices in CS1 involve a multiplicity of systems and practices aimed at achieving different purposes. This situation results from two main conditions present in CS1:

1. The existence and recognition of a sociological divide that means traditional accounting (type A) is not exclusively relied upon for accountability.
2. The involvement of many stakeholders with different information needs and the need to minimise any potential information divide that may result if information the needs of stakeholders are not satisfied.

The reason why the accountability practices in CS1 addresses the information needs of some stakeholders better than those of others can be explained using a structuration theory analysis of the social context in which CS1 operates.

5.6 The Influence of the Social Context on CS1's Accountability

The nature of accountability as a social practice and the significant influence of the stakeholders involved in shaping the practices makes structuration theory a suitable complement to the theoretical framework for analysis. Here the activities of the different stakeholders constitute the 'human agency' involved in the creation of the accountability system. The main structural properties of signification, legitimation and domination play a crucial part in the emergence of the observed practices.

5.6.1 The Signification Structures in CS1

The signification structures reflect what counts as important. This is influenced by the objectives of the organization and the collective views of the most influential stakeholders involved. A common background influence on the objectives and the views of the major stakeholders is the humanitarian principle which suggests that no service whatsoever for the benefit of a suffering human being is to be dismissed out of hand (ICRC, 2002:4). As a result, responding to the needs of beneficiaries is considered to be of greater importance than the economic efficiency of such response. This value permeates the collective structure of meaning which gets translated into actions and practices in CS1. For example, in appraising funding applications submitted to the EC, the cost of the action or their economic efficiency is not considered important.

The other CS1's donors have a similar approach. They are interested in achieving their objectives but within an allocated aid budget. The budget is disbursed on projects they judge to contribute most to their objectives. No financial return is expected from such disbursement but it is important to them that the programme is implemented and the objectives achieved. They consider the financial management of programmes as important but only in ensuring that plans are implemented within the budget. The low importance attached to economic efficiency in the signification structures reflects in the whole accountability process from programme design through funding approval and final accountability.

The second major element of the signification structures in CS1 is the need to ensure that money meant for a particular purpose is utilized only for that purpose. The Institutional donors hold this important for accountability and this may be the driving force behind fund accounting that require separate identification of income and expenditure for their grants. This highly detailed fund accounting is integral to CS1's operations. But this value was not important to the regulators who were more interested in accountability for the overall pool of Charities' income and as such it was not recognized in the first SORP. But the enormous influence of the Institutional donors in the sector has meant that this practice is sustained (or gained domination) and had to be recognized in the subsequent revision to the SORP. But this is still not in enough detail. As a result, the system of detailed fund accounting for donors is practiced alongside the statutory reporting system.

The needs of CS1's beneficiaries influence the signification structure though they are a less influential stakeholder group and do not play any active role in determining

those structures. CS1 considers them as important just as the Institutional donors who require that beneficiaries are consulted and their needs taken into consideration in any programme proposal for funding. This is one of the criteria the EC and DFID, two of CS1's major donors, use in assessing programme proposals. But the donors do not provide the funding for this consultation. Where the programme does not succeed in attracting funding, the cost of such consultation is not recovered from the donors but borne by CS1. CS1 therefore attempts to minimize this cost by using the ending period of funded programmes to consult beneficiaries on subsequent phases or follow on programmes. But where a programme is entirely new, this opportunity for a funded beneficiary consultation is not available and the consultation process often skipped

> 'We know that some form of beneficiaries' representation in programme design and implementation is required. In some cases, we meet community leaders who represent the views of the beneficiaries….In some cases we work with beneficiaries who have organized themselves into groups. Good examples are the Endorois Welfare Council for the *Trouble in paradise* campaign and the Pastoralist Women's Forum for the *Pastoralist* project...Where it is practicable we consult with beneficiaries at the project design stage. The difficulty is that most of our donors would not fund the planning phase with the exception of the Big Lottery Fund that provides some grant at the Concept Note stage for detailed project planning…As we have very limited core funding to finance extensive consultation with beneficiaries…(where) this opportunity is not available…we may skip this phase' (CS1/FG/ 07)

From the above analysis, it is clear that the signification structure in CS1 gives more emphasis to the achievement of programme objectives over economic efficiency. The system of accountability therefore goes beyond the provision of financial information relating to the programme activities to include several other approaches. The major ones are narrative reporting on the implementation of the activities and achievement of objectives and independent programme evaluation which focus on the same issues. Other approaches such as participatory budgeting, outcome mapping and stakeholder consultation aimed at engaging with beneficiaries in programme design and

implementation are considered important and talked about but not implemented in practice. To understand why some practices have gained more prominence, it is important to examine the domination and legitimation structures in CS1.

5.6.2 The Legitimation and Domination structures in CS1

The legitimation and domination structures are closely connected and are better viewed together. These structures determine which of the values, objectives and practices become widely adopted and form part of the system. It reflects the unequal influence of stakeholders. The most influential stakeholders in CS1 are the Institutional donors and the regulatory authorities through the Charity Commission. This influence derives from the control of the source of CS1's financial resources by the donors and the use of authoritative power by the regulatory authorities. But their influence is exerted in different ways. The Institutional donors influence the objectives and the activities of CS1 in ways already discussed in section 5.5.4.1 but they also influence the accountability practices in a number of ways. This influence could be seen in the detailed fund accounting system in use in CS1 that is in direct response to the needs of the Institutional donors. The level of detail required as grant contractual conditions are over and above those required to meet the statutory reporting needs. This is exemplified in CS1's Turkey programme where the programme was accounted for within the statutory accounts from 2006 to 2009 which received unqualified audit reports. But a specific project audit requested by the donor and performed by the same auditor revealed inaccuracies in the project financial reports requiring some adjustments.

Narrative reporting using the logical-framework format is another prominent accountability practice in CS1. This is encouraged by the Institutional donors who require that programme proposals submitted for funding must include the logical framework and where approved the contract conditions require that narrative reports be prepared using this format. This method of reporting, used primarily only for accountability to the Institutional donors, is well established in CS1.

Another influence of Institutional donors in CS1 could be seen in the focus of its accounting system mainly on monitoring expenditure against budget. This is driven by the needs of the donors. For example, one of CS1's donors includes the following in its guidelines on grant management:

> 'DFID is governed by Government Accounting Rules. These rules are such that if, for any reason, the Fund does not spend the £14m it has been allocated the unspent balance is not carried over in to the next financial year. In effect, any under spend on the £14m allocation has to be surrendered to the Treasury. It is important that all organizations submitting proposals to or receiving funding from the fund understand this and are aware of the implications.' (DFID/FG/06)

The donor is as much displeased with expenditure below budget as with expenditure above budget. This influences the accounting systems in CS1 to give emphasis to the monitoring of spending to ensure that it keeps pace with budgets.

Beneficiaries do not play a part in the domination and legitimation structures. While all stakeholders view the needs of beneficiaries as important, consultation with beneficiaries are subject to availability of funds. Furthermore, CS1 takes the feedback from the consultation process as desirable action points, not as binding recommendations. For example, some of the feedback from CS1's consultation with

beneficiaries following the implementation of the 2005-08 strategy was taken up in the new strategic plan 2009-2012 while some others were not.

The regulatory authorities play a major part in the domination and legitimation structure through the use of 'authoritative resource' in the regulation of charities. This is manifested for example in their role in developing the reporting standard for the sector (SORP) and making it mandatory for charities. Evidence from the data suggests that, statutory financial reporting does not meet the challenging demands of accountability to the Institutional donors but it has remained a part of the accountability system because of the use of 'authoritative resource' by the Charity Commission.

5.7 Conclusion

CS1 renders accountability by using a multiple system falling mostly into segments A and B of the skeletal theoretical model of accountability. The organization attempts to use some form of communal accountability (type C) for accountability to beneficiaries but the methods are not properly developed or appropriate for that purpose so no significant impact has been made in this area. The various systems in use are not integrated and there are no clear cut divisions between them. As a result, there are areas of overlaps and gaps. The overlap results in duplication of efforts with two systems of accountability addressing the same area of concern. An example of this is the financial accountability which is being addressed by two forms of type A, one focused primarily on the needs of the Institutional donor and the other on the needs of the regulators. Also, narrative reports on all programmes are prepared in the form of the Annual reports and Trustees' reports. These are in addition to specific

programme narrative reports. All of these are type B but addressing the needs of different stakeholder groups. The use of multiple systems and the lack of integration between them mean more resources than necessary are going into accountability. Another problem with the system is that there are gaps in areas where none of the accountability systems in use cover. An area of gap is in types C and D forms of accountability. Even though some limited attention is given to type C, anything like type D form of accountability is not practiced at all. The non-contractual stakeholders have no involvement in decisions relating to how the resources of the NGO is utilised. These overlaps and gaps are not immediately obvious because no stakeholder takes a total view of accountability in the NGO as each concentrates on areas of concern to them.

Chapter 6

Data from the Secondary Case Studies

6.1 Introduction

Chapter 5 sets out the data from the lead case study along with the analysis and findings. These guided the data collection in the following five case studies which are spread evenly across the NGO classification scheme developed in Chapter 2 and used for the initial sample selection in Chapter 3.

Two of these additional five case studies (CS2 and CS3) are UK based NGOs while the other three (CS4, CS5 and CS6) are NGOs based in Africa, two in Uganda and one in Nigeria. Of the two NGOs based in Uganda, one is an affiliate of one of the UK based NGOs studied. This chapter presents the data from these five case studies labelled Case Study 2 (CS2) to Case Study 6 (CS6) while the analysis of the data is presented in Chapter 7.

Section 6.2 presents the data on CS2 a national charity based in London providing services to people who have experienced mental health issues. Section 6.3 presents the data on CS3, an international development NGO based in the UK but operating in 15 countries to provide access to safe water and sanitation to poorer people. Section 6.4 presents the data on CS4, a Uganda based NGO that is an affiliate of CS3. Section 6.5 presents the data on CS5 also a Uganda based NGO that works in the area of conflict prevention and resolution. While CS5 is not an affiliate of CS1, it has received funding from it to carry out specific activities in the area of their common objectives. Finally Section 6.6 presents the data on CS6 an Orphanage based in Nigeria's capital city, Abuja.

The descriptions of these cases are presented within the framework of the understanding gained from the lead case study (CS1). The analysis of CS1 indicates that the accountability practices consist of a combination of different approaches that serve the needs of different stakeholders. They consist mainly of:

1. **Statutory financial reporting** and audit focusing on accounting for the overall income and expenditure by fund (restricted and unrestricted) in line with the reporting standard.
2. **Narrative reporting extension of the statutory reports** in the form of Directors (trustees) reports, focusing on the overall organization objectives and activities including brief summaries of the restricted programme activities.
3. **Donor financial reports** comparing detailed programme income and expenditure with budget using formats determined by the donors and specified in the contract.
4. **Programme narrative reports** focusing on the implementation of individual programme activities, the achievement of objectives and the desired outcome and impact.
5. **Annual reports and Strategic plan review** consisting of narrative accounts of the implementation of CS1's strategic plans, taking into account the achievements of all the programmes.
6. **Programme Evaluation** involving an independent evaluator visiting the programme site and the beneficiaries to verify that the activities were carried out and the objectives achieved.
7. **Participation of the beneficiaries and other non-contractual stakeholders** to ensure that the programme effectively addresses their needs.

Elements of these seven approaches to accountability are also apparent in the five case studies.

6.2 CS2- Background

CS2 is a charity established in 1981 to address a lack of services for London and Hackney residents experiencing mental health issues. It aims to promote good mental health in the society and to protect people who have experience of mental health difficulties. It started as an advocacy organization but has grown into the provision of welfare services for its beneficiaries. The welfare component of its work has grown substantially and it is now classified as a Welfare NGO though it still retains the advocacy elements of its work. It has annual income of £2.7m (2009) and employs 75 staff and 40 volunteers working in four main premises in the UK. It is governed by a Board of Trustees consisting of 17 members selected by a panel that includes a representative of users. CS2 carries out various activities aimed at achieving its mission and objectives. These activities are organized into distinctive areas of services described in detail in sub section 6.2.2

6.2.1 CS2's Objectives and Strategy

CS2 articulates its vision and objectives in its strategic plans which it undertakes in a four year planning cycle. Its 2006-2009 strategic plan states:

> 'Our vision is of a society that promotes and protects good mental health for all, and that treats people with experience of mental distress fairly, positively, and with respect' (CS2/SP/06: 3)

The plan then summarizes in its mission statement how it aims to achieve this vision through advocacy on behalf of people with mental health problems and the provision of services that meet their needs:

> ‘Our mission is to advance the views, needs and ambitions of people with mental health problems and to challenge discrimination and promote inclusion. We will influence policy and promote equal rights through campaigning and education and develop innovative quality services which reflects expressed need and diversity’ (CS2/SP/06:3)

The plan also lists as part of its objectives certain qualitative values it believes in and which it commits to promoting in all its work. These values are:

- Egalitarian ethos: contribution of all roles equally valued
- Strengthening user participation: putting users at the heart of the organization
- Strengthen relationship with stakeholders
- Strengthen the financial position of CS2

(CS2/SP/06:4)

The plans are developed with input from all staff, managers, and trustees during a ‘Strategic planning day’ event. The users of its services are given the opportunity to input into the plan through separate meetings. For example, during the development of the 2006- 2009 strategic plan two consultation meetings were held with users at CS2’s sheltered accommodation at Homerton Friends Lodge and at Tudor Road. These meetings were to ‘discuss the positive aspects of the services offered by CS2 and the areas they would like to see change, improvement or entirely new services developed’ (CS2/SP/06: 4)

Each strategic plan focuses on particular aspects of the organization and can vary significantly from year to year. For example for the 2006-09 period the plan lists as its focus four key goals that are markedly different from the previous plan:

> ‘Last year’s strategic plan focused on internal issues such as organizational development and staff capacity building. This year we will focus on services especially around the following themes:
> 1. To improve/enhance all our services in line with best practice.
> 2. To promote effective joint working between departments and projects in order to provide a holistic service to our clients that address all their needs in a coordinated way.
> 3. To integrate user participation in all our work.
> 4. To develop new services in line with assessed and changing needs’
> (CS2/SP/06: 4)

The programmes and services are designed with the aim of achieving these four strategic goals:

> ‘Plans to achieve these four strategic goals will be incorporated into the annual plans of all the departments/projects’ (CS2/SP/06: 4)

The detailed Implementation plan lists the activities to be undertaken in order to achieve each strategic goal and the outcomes and targets expected together with the Key Performance Indicators (KPIs) to be used in measuring them. The KPIs used for measuring the achievement of the strategic objectives are developed by CS2 internally. But for its funded programmes and services the KPIs used are influenced by the funders in the process of negotiating grant contract.

> ‘Where we receive grants for particular programmes, the contract usually stipulates the expected outcomes and the KPIs to be used in measuring them. For example the KPI used for the employment project includes the number of people enrolled and the number of people that graduated. Reporting against the KPIs involves extensive collection of non-financial data’ (CS2/IV4/10)

The KPIs set by the donors for CS2’s grant-funded programmes are more demanding than the KPIs that CS2 has set for itself to measure its overall performance against its strategic objectives. These are flexible and less challenging to achieve. For example the following extract from the 2006-09 ‘Strategic Objectives Action Plan’ show for each strategic objective some of the actions or activities to be carried out and the KPIs developed by CS2 to measure their achievement.

Table 6.1- Extract from CS2's Strategic Objective Action Plan 2006-09

Strategic Objectives	Actions/Activities to be undertaken	Key Performance Indicators
1. Improving all our services in line with best practice	Undertake review of Education and Employment service (and other services)	Review completed and recommendations implemented
	Undertake review of IT services to ensure effective use of ICT	IT systems in line with latest technologies;
	Develop and implement 'Absence at Work' policy	Reduce sickness level by 40%
	Develop and implement plan to improve standard of office environment & infrastructure	30% of Tudor projects redecorated. Old equip and furniture replaced.
	Improve evaluation systems to include clear outcome-oriented approaches	Support care plans and outcome monitoring reports
2. Promote effective joint-working in order to provide a holistic service that meet clients' needs	Develop an assessment process to include all our services and not just one department	Referral and assessment system for all projects reviewed to be in line with objective two
	Become a more information centred and information driven organization with greater emphasis on gathering, processing, using and giving out information	Three Newsletter produced annually; Two research reports or/and good practice guides published per year; CS2's services leaflets updated yearly;
	Increased focus on recovery/ improving quality of life, case work and group work for all services	Clear outcomes focused on recovery and improved quality of life for users
3. Integrating user participation in all our work	Develop a training programme for users to enable them participate	Training programme delivered to at least 10 users
	Encourage users to take part in decision-making where possible	Performance Review Panels in place for all projects
	Undertake annual user satisfaction survey	User satisfaction survey reports
4.Develop new services in line with assessed and changing needs	Pilot a floating support service to provide support in one's own home rather than in specialized supported housing	Floating support provided to at least 10 tenants in non CS2's supported housing
	Increase/enhance services to support carers in line with government policy	Increase staffing and the number of befriending volunteers by 100%

Many of these KPIs are qualitative and only subjectively measureable. The more exacting KPIs used at individual programme level are dictated by the funders though not all funders' suggestions on KPIs are accepted. They are discussed and are only agreed or adopted where they are workable within CS2's system. KPIs have been developed and agreed for some areas. For example, the Employment & Education services have the number of enrolment on courses and the number of beneficiaries placed on jobs as KPIs. But KPIs have not been developed for some other important areas (e.g the advocacy service) as a result of the difficulty in developing objective criteria for measurement:

> ' We have been unable to develop meaningful KPIs in areas like Advocacy service….This is because the nature of advocacy services makes it difficult for any reasonable or measurable KPIs to be developed' (CS2/IV4/10).

CS2 realizes that accountability in form of a reliable system of measurement of the outcomes of its programmes is important to its funders:

> 'The monitoring arrangements associated with many of our recent contracts points to the need for us to improve on our ability to identify and measure key performance indicators. The challenge ahead lies in developing meaningful measures and in collecting information in a way that enhances rather than hinders the service provision, or the experience of the service users' (CS2/SP/06: 7).

Responding to the demands of its funders is crucial to CS2's long-term stability and survival as noted in its Strategic Plan:

> 'The voluntary and community sector has long struggled with short-term funding arrangements which have made future planning unpredictable..We will seek to lengthen as many of our funding streams as possible to ensure greater stability' (CS2/SP/06: 7)

6.2.2 CS2's Activities

CS2's activities are developed around its main objectives. They are organized into the following four departments.

The first is the Counselling, Befriending and Prescribed Drugs Department. CS2 sees social isolation as one of the challenges faced by people with mental health problems. It therefore provides supportive, reliable relationships through trained volunteer befrienders to individuals with mental health difficulties who struggle with social isolation.

> 'Befriending is a relationship between a volunteer and a recipient which is initiated, supported and monitored by a voluntary or statutory agency' (CS2/ AR/09:16).

CS2 recruit, train and support volunteer befrienders and match them with individuals who have been identified as needing such support. It aims that through providing these individuals access to a range of activities and social skills, they can build increased self-esteem and self confidence. CS2 uses as a measure of the success of this service the fact that 'The Befriending Service was awarded APS (Approved Provider Standard) by the Mentoring and Befriending Foundation…Meeting the criteria for the award of APS signifies competence and safe practice in mentoring and befriending' (CS2/AR/09: 4)

Second is the Education and Employment department. CS2 supports its beneficiaries to increase their level of academic and vocational achievement and help them to gain employment or voluntary work thereby improving their self confidence and motivation to succeed. It also provides mediation service and mental health awareness training to employers and local businesses in order to ensure that employees with

mental health needs are able to successfully retain their jobs. CS2 reports on its performance in terms of the KPIs it has set for this area. For example, the 2008-09 Annual Report sets out the achievements of the Education and Employment service:

> 'This year we provided assistance to over 200 people: 25 gained paid employment, 70 accessed education and training opportunities, and a further 51 participated in voluntary work placement… during the year 30 people were seen by the Work Retention Advisor, of these 20 retained their original employment, five sought alternative work and five are currently still on sick leave' (CS2/AR/09: 10)

Third is the Advocacy and Advice Department. CS2's advocacy project supports people to express their views and wishes about their mental health care and treatment. It employs 'Advocates' who help people to make informed decisions by providing information and exploring options with them. From 1 April 2009 most patients detained under the mental health act have a legal right to an Independent Mental Health Advocacy (IMHA) service. CS2 provides IMHA services helping users to understand and access their legal rights under the Mental Health Act, to find out information about aspects of their care, access their medical records and to have their voice heard by putting forward their views and complaints.

Fourth through the Housing and Community Department, CS2 maintains a registered care home for people leaving long-stay mental health hospitals offering them accommodation in a good setting and providing support on mental health issues. It also provides supported housing services tailored to tenants' needs with specialization on mental health. It provides a day service that supports people by providing for them services such as housing advice, leisure and sporting activities, skills acquisition etc.

CS2's activities are complementary and all contribute to achieving its stated objective of promoting good mental health and protecting those who have experienced mental health issues. The activities are all based in the community of London and Hackney and are designed by CS2 either based on its assessment of the needs of beneficiaries or in response to identified funding opportunities.

> 'We actively design new programmes some in response to funding opportunities and others in response to needs we identify. For example when we became aware of the build-up of a refugee community and the high incidence of mental health issues we designed a programme in response to it and then started approaching prospective funders' (CS2/IV4/10)

CS2's activities have been running for many years and are developed only incrementally. Initiatives with funding prospects or those specifically suggested by funders are only added on within the context of existing programmes and services. As a result of this the influence of the funders in determining the activities are low:

> 'we are usually more successful with funding application… we experience low rejection rate because we know what the needs are and the areas to cover and our services have been well developed through consultation with GPs, Psychiatrists and the users…feedback from donors requesting us to redesign our programmes are rare' (CS2/IV4/10)

The success of the activities or programs is measured in terms of the achievement of KPIs. But the KPIs are not directly related to the cost of the services as the relationship between cost and service output is not programmeable:

> 'Some of our funders have requested for unit costing of our services but it has not been straightforward.. it has only been possible in areas like counselling but most other areas of our services don't lend themselves to unit costing..for example, Employment service or welfare rights could take one week or one month to deliver. You cannot precisely determine the cost ahead of the actual provision of the service' (CS2/IV4/10)

6.2.3 CS2's Stakeholders

CS2 has three major stakeholders with varying influence in the organization. First there are the major funders who are in the main government agencies and the National Health Service Primary Care Trust (NHS PCT). These funders consider that CS2's activities can contribute to the achievement of their own objectives. They, therefore, provide CS2 with grants to implement specific activities. Together this group provided 75% of CS2's restricted funds in 2009. Though they have some input in determining CS1's programme and services they have limited scope in influencing its core objectives or to take CS2 in an entirely new area outside its core services.

Second, there are the regulatory authorities mainly the Charity Commission. As a registered Charity, CS2 has a statutory duty of reporting and compliance with the Commission's regulations. The role of the Commission as a stakeholder in CS2 is similar to that in CS1 already presented in Chapter 5.

Third there are the beneficiaries who are mainly people who have experienced mental health issues as well as the entire community. CS2 exists primarily to serve this stakeholder group. It therefore seeks to involve them in the development of its programmes. It holds a fortnightly consultation meeting where CS2 collects feedback on its activities and the needs of the stakeholders. This has developed into a full users' forum facilitated by users themselves. CS2 also attempts to involve the users in governance and in reporting. However, the fact that they do not pay for the services limits their influence in determining which service or initiative is given priority or in ensuring that the feedback given is actually acted on. Respondent 1 described one such instance:

> ‘We got to know of the high importance of the IRIE mind project (a day centre for people just released from long term hospitalization) to our beneficiaries through feedback from the users’ forum. Their feedback informed our decision to keep the centres open 7 days a week and all through the Christmas period as that is the period when users feel lonely the most and experience suicidal tendencies. But when funding became difficult we had to reduce the opening time to five days per week. The users are angry about this change but we can’t go back to opening 7 days because funders’ support is just not available anymore’ (CS2/IV4/10)

These stakeholders could be categorized as contractual and non-contractual. The external funders who provide the grant under contract and the regulatory authorities to whom CS2 owes a duty of accountability could be categorized as contractual stakeholders. The beneficiaries and the community are non-contractual stakeholders though CS2 also attempt to demonstrate accountability to them. To highlight the influence of the contractual stakeholders in CS2, the next sub-section presents more information on CS2’s funding structure. The role of the regulatory authorities as a contractual stakeholder in CS1 has been dealt with in Chapter 5. This is broadly the same for CS2 and other UK Charities and will not be repeated here.

6.2.4 Funding of CS2’s Programmes

CS2 funds its activities from both restricted and unrestricted sources. In 2009, the total incoming resource was £2, 696, 411 out of which £405,028 (15%) was from unrestricted sources. The unrestricted income is mainly from 3 sources but the most important of them, constituting 88% of the unrestricted income, was received as rent from the Housing and Community services. Restricted income for that year was £2,291,383 or 85% of total income. This was provided by a total of 16 funders but four of them (see table 6.2 below) are particularly important. These four funders jointly provided 75% of the restricted funds.

Table 6.2- CS2: Restricted Income from major funders in 2008/09

	Funder	Amount £	%
1	City & Hackney Teaching Primary Care Trust	£670, 637	29.3
2	East London & City NHS Foundation Trust	£ 304, 797	13.3
3	London Borough of Hackney	£603, 939	26.4
4	London Development Agency	£133,441	5.8
	Total from main funders	**1,712,814**	**75**
	Other restricted Income sources	578,569	25
	TOTAL RESTRICTED INCOME	**2,291,383**	**100**

Two of the four main funders are government agencies while the other two are a NHS Primary Care Trust (PCT) and a Hospital Foundations Trust. The PCT funding is given in form of 'mainline grants' which are renewed yearly for the same amount until cancelled. Respondent 1 commenting on the predictability of the grant said:

> 'It could be lost usually only on breach of contract…It makes budgeting easy as you know exactly how much to expect yearly' (CS2/IV4/10)

But the other three are not as secure as they are not automatically renewed.

Most of CS2's funding from donors is to continue the programmes and services already designed and being carried out by the organization. But occasionally, the funding are given to add a new service or new initiatives to existing programmes or services.

6.2.5. CS2's Accountability practices

This sub-section describes the approaches that CS2 adopts in rendering accountability. This involves a combination of different methods. The first is statutory reporting. As a charity and company limited by guarantee CS2, like other UK charities, files annual returns with the Companies House and the Charity Commission. This consists of financial reporting in line with the Charities Statement of Recommended Practices (SORP) as well as narrative reporting on its charitable activities and fund balances. The second approach is the Donor Reporting system whereby CS2 reports to its funders on the grants received. This consists of the financial reports and performance reports. CS2 also uses consultation with stakeholders to involve the users of its services in decision making concerning the design of its programmes and services and in governance. This it views as a form of accountability. The various approaches are consistent with those in use in CS1 and can be grouped under similar headings. These approaches are discussed in the following sub-section.

6.2.5.1. Statutory Financial Reporting

Traditional accounting in line with SORP is used mainly for statutory financial reporting. The account is based on fund accounting principles and separately identifies the income and expenditure on each of the service it provides (as separate funds). Table 6.3 below is an extract from CS2's 2009 Financial Statements showing the split between the restricted and unrestricted pool of income and expenditure.

Table 6.3 CS2: Statement of Financial Activities for the year ended 31 March 2009

	Notes	Unrestricted Funds (£)	Restricted Funds (£)	2009 Total (£)
Incoming Resources from generated funds				
Voluntary Income		10,089	9,750	19,839
Bank Interest		1,893	0	1893
		11,982	9,750	21,732
Incoming resources from charitable activities				
User Involvement			18,889	18,889
Advice, advocacy and appropriate adult		15,650	583,475	599,125
Counseling, befriending and prescribed drugs		20,761	305, 262	326,023
Education and Employment			598, 116	598,116
Housing and Community Services		356,835	775,891	1,132,526
		393,046	2,281,633	2,674,679
Total Incoming resources		**405,028**	**2,291,383**	**2,696,411**
Resources Expended				
Charitable activities				
User Involvement		0	18,578	18,578
Advice, advocacy and appropriate adult		17,154	566,080	583,234
Counseling, befriending and prescribed drugs		1,500	275,520	277,020
Education and Employment		1,628	581,078	582,706
Housing and Community Services		409,683	759,520	1,169,203
Provision for maintenance of property		6,000		6,000
Total charitable expenditure		**435,965**	**2,200,776**	**2,636,741**
Governance cost		13,109		13,109
Total resources expended	6	449,074	2,200,776	2,649,850
Net (outgoing)/incoming resources		**(44,046)**	**90,607**	**46,561**

Generally, expenditure is maintained at about the same level as income and any surplus or deficit on restricted income/expenditure is carried forward as a restricted fund balance due to the funders. But any surplus/deficit on unrestricted activities is taken to general reserves. The general reserve is important in CS2 as it is the net free funds available to it. In its reserve policy CS2 sets a target level of reserves it desires to maintain. For example, the net deficit incurred in 2008/09 took the general reserve further down from its low level increasing the gap between the desired and actual level of reserve maintained. Under the heading 'Reserves Policy' the Trustees' report in 2008/09 states:

> 'Reserves are particularly important for CS2 as we have no endowment funding and are entirely dependent for income upon short term contracts and funding which are inevitably subject to fluctuation. We aim to establish a sum equivalent to 3 months' operating costs as unrestricted reserves, estimated at £500,000. At the end of the year, these reserves stood at £78,988 which is 15.8% of the required sum for the year under review' (CS2/AA/ 09)

6.2.5.2 Statutory Narrative Reporting

Narrative reporting forms an important part of CS2's accountability practice. It is used in three forms. The first is as an extension of the statutory financial reports. The Board of Trustees' Report in the financial statements for 2009 contains sections on:

1. Organization structure, Governance and Management
2. Objects and Policies
3. Review of activities and performance
4. Financial Review
5. New developments in 2008-2009

The most extensive of these sections is that on 'Review of activities and performance' where CS2 attempts to demonstrate how its activities have contributed to the

achievement of its strategic objectives. The focus of the report was however on listing the areas of achievements only.

6.2.5.3 Financial reporting to donors

Another component of accountability in CS2 is the system for financial reporting to donors. This consists two main parts. The first is the system of measuring performance against Key Performance Indicators. Respondent 1 says 'it involves extensive data gathering and is sometimes unworkable for some services' (CS2/IV4/10). The second part is unit costing whereby CS2 attempts to establish unit cost for the services it provides. There are difficulties with this aspect but CS2's funders are more interested in unit costing as a way of establishing contract value and monitoring performance. But this is possible only for some of its services. For example, Respondent 1 says 'we do unit costing for services like counselling but in areas like employment for example, welfare rights could take 1 week or 1 month so it is difficult to work out any unit cost. Some funders want to insist on unit costing but this is not always practicable' (CS2/IV4/10)

The accounting in CS2 is also used for planning, budgeting and monitoring of programme expenditure. This is linked to the system of reporting to donors as it aims to ensure that all the organization's costs are packaged as programmes for funding by donors:

> 'We collect extensive data on our costs particularly the central administration costs or overheads. This helps us in our budgeting as we aim to absorb all overheads into our programmes and services. This is very crucial as any unabsorbed overheads reduces our free reserves' (CS2/IV4/10)

CS2's donors require financial reports but in different forms. While some are satisfied with the statutory financial reports, others want particular financial reports given in formats determined by them. The varying emphasis on financial reports is linked to the particular interests of the donors:

> 'The Big Lottery Fund one of our donors places a lot of emphasis on detailed financial reporting, monitoring and control of programme transactions. This may be due to their commercial background. But another, the HSF is more concerned about outcomes, for example checking our classrooms to ensure they are properly equipped for our education project…for them the statutory financial statements is sufficient' (CS2/IV4/10)

6.2.5.4 Programme Narrative Reports

CS2 prepares narrative reports on its programme for donors. The formats and contents of the reports are given in the contract by the donors. The focus of the reports is on demonstrating or measuring outcomes. How the outcome is measured varies with donors:

> 'for example the Learning Trust is more interested in outcome measurement e.g exam success rate for the Education project but the Henry Smith Trust is more interested in verifying that the facilities exist for users (e.g having well equipped classrooms) and ensuring that no potential beneficiary is turned away'
> (CS2/IV4/10)

The outcomes and the means for measuring them are agreed at the start of the project and included in the grant contract.

6.2.5.5 Annual Reports and Strategic Planning

Another way in which CS2 uses narrative reporting is by producing annual reports describing its activities in relation to its strategic objectives and highlighting major achievements. For example, the Chair's report in the 2008- 2009 annual report states:

> 'Our innovative Peer Advocacy Project has become successful in creating a pool of user advocates, six of whom have obtained paid work as mental health advocates across London. We have enhanced our Befriending Service which has now achieved the Approved Provider Standard- a national standard for mentoring and befriending' (CS2/AR/ 09: 1)

The annual report is linked to the strategic planning process and generally contains more information than is available in the Trustees' reports. It substantiates achievements with examples and case studies. It also contains summarized information from the financial accounts. But the financial information reveals no more than is already available in the annual audited accounts.

The annual report is used as a form of reporting on its achievements against its goals stated in the strategic plans and though it is prepared annually, it takes a more long range account of the overall activities of the organization. It is widely disseminated to stakeholders both contractual and non-contractual. Some of CS2's major funders demand it but CS2 also gives it to prospective funders who would want to learn more about its activities.

6.2.5.6 Programme evaluation

CS2 does not carry out any formal evaluation of its programmes but often, the donor sends in evaluators to monitor progress on the programmes. The focus of these monitors is usually on the use of resources and ensuring the programme activities were carried out. These differ in focus from the type of evaluation observed in CS1 that focuses on the effectiveness of the programmes in achieving their objectives.

6.2.5.7 Participation of the beneficiaries and wider stakeholders

In relation to participation of non-contractual stakeholders, CS2 attempts to obtain inputs from its stakeholders concerning its programmes and services. It holds fortnightly meetings with users to obtain feedback on its work. This has developed

into a full users' forum that conducts and facilitates its own meeting and gives its feedback directly to the Executive Director who reports this to the Board of Trustees. The coordinator of the users' forum is on the Board. CS2 also involves a users' representative in the selection of Trustees. The feedbacks from the users' forum are acted on and influence the work of CS2:

> 'We are a user-led organization…users' needs drive what we provide. For example, the Trauma and Refugee counselling project was initiated through feedback from the users' group. This project was later funded by the Big Lottery Fund' (CS2/IV4/10)

CS2 produces a bi-monthly newsletter by which it informs users about its activities and how it affects them. Though CS2 counts these various forms of users' participation as a form of accountability to stakeholders, they may however be symbolic as there is no evidence to show that the inputs from the users actually influence decision making in the organization.

Table 6.4 brings together the summary of the main data from CS2

Table 6.4- Summary of main data from CS2

	CS2	Comments
Type of NGO	Welfare	Started with Advocacy but now delivers welfare services
Area of operation	National	Operates only in the UK
Annual Income	£2.7m	
% of Income provided by contractual Stakeholders (restricted income)	85%	Mainly NHS PCT
% of Income generated internally or from non-contractual Stakeholders (unrestricted)	15%	Mainly through charges from its maintained shelter
Influence of contractual stakeholders	High	Request for funds, supplying information, reports
Participation of non-contractual stakeholders	Medium	Consultation to obtain feedback on its services and in programme design
Accountability methods in use:		
1. Statutory financial reporting	√	Reporting under SORP
2. Narrative reporting extension of statutory reports	√	Basic Trustees' report as required by SORP
3. Annual reports and strategic planning	√	Comprehensive reports on Strategic Plans
4. Donor financial reports	√	Determined by donors' needs
5. Programme narrative reports	√	Determined by donors' needs
6. Programme evaluation	√	Monitoring performed by donors
7. Participation of beneficiaries and wider stakeholders	√	Fortnightly users forum

6.3 CS3- Background

CS3 is an international NGO that aids 'the world's poorest people to gain access to safe water, sanitation and improved hygiene' (CS3/AR/09:4). It believes that water and sanitation are basic human rights that 'underpin health, education and livelihoods and form the first, essential step in overcoming poverty' (CS3/AR/09:4). But it estimates that 'globally 884 million people live without safe drinking water and 2.5 billion do not have adequate sanitation' (CS3/SP/09: 5). It claims that the lack of these basic services adversely affects peoples' health, education, dignity and livelihoods. Its vision is of 'a world where everyone has access to safe water and sanitation' (CS3/SP/09: 6). It was established by a trust deed in 1981, incorporated as a company limited by guarantee in 1984 and registered as a charity in the same year. In 2009, it employed 621 staff, 442 of whom are based in the 15 overseas countries in which the organization works and the remaining 179 in the UK. CS3 also has a wholly owned trading subsidiary through which it sells Christmas cards and other goods. It has its Head Office in London from where it is managed by a team of 6 Directors including the Chief Executive and 5 other Directors in charge of respectively, International Programmes, Campaign and Policy, Finance and IT, Fundraising and Communications, and Human Resources. It maintains country offices in the 15 countries in which it has programmes with each headed by a country representative. These offices support the local partners in delivering water, improving hygiene and sanitation and in influencing policy around the provision of these services. It also works in partnership with other organizations to reach beneficiaries in countries where it maintains no offices. It is governed by a Board of Trustees with 13 members (2008/09 figures) who are Directors of the company and Trustees of the Charity. The board provides overall policy direction but delegates management to the

Chief Executive. The board has three committees: The Audit Committee, the Nominations Committee and the Remuneration Committee. CS3 has a risk management process that ensures appropriate steps are taken to mitigate risks.

6.3.1 CS3's Objectives and Strategy

CS3 sets out four aims it intends to achieve in order to meet its objectives. It expects that by achieving these aims 25 million people will have access to safe water, improved hygiene and sanitation as a direct result of its work and that by influencing the policies and practices of governments and service providers it would have reached a further 100 million people. The four aims are to:

1. Promote and secure poor people's rights and access to safe water, improved hygiene and sanitation
2. Support governments and service providers in developing their capacity to deliver safe water, improved hygiene and sanitation
3. Advocate for the essential role of safe water, improved hygiene and sanitation in human development.
4. Further develop as an effective global organization recognized as a leader in our field and for living our values.

Targets of achievements are set by extrapolating from past historical performance taking into consideration the amount of resources available:

> 'These (targets) are set by looking at what we have achieved in the past and the amount of resources used and projecting for what could be achieved based on the amount of resources we expect to have…. For the number of people reached through influencing, we used a ratio of 4:1. We probably reached more people but since this is difficult to verify we use a more conservative estimate. It is a hypothesis, really, a bit of a guess and it could have been something like 10:1' (CS3/IV5/10)

CS3 lists the following as indicators of the achievement of its objectives/aims:

1. 25 million more people will have access to safe water as a direct result of our work (Aim 1)
2. Improved hygiene behaviour practices will be sustained (Aim 1).
3. By 2015 our influencing work will contribute to 100 million more people having safe water, improved hygiene and sanitation (Aim 2)
4. By 2015, water, hygiene and sanitation will be given greater priority in national development plans – in particular those for health, education and economic development (Aim 3)

(CS3/SP/09: 8)

But CS3 admits that these indicators could be flexible or difficult to measure. For example access to safe water is measured relative to the context:

> 'There are protocols for different countries. We have the JMP (Joint Monitoring Programme) guidelines that suggest 25 litres per person per day. But we use 10 litres per person per day as a minimum standard depending on the context' (CS3/IV5/10)

6.3.2 CS3's Activities

CS3 works mainly in 15 poorer and developing countries to provide services for communities lacking access to safe water and good sanitation and to carry out advocacy campaigns related to achieving these goals. It work covers emergency response, providing safe water and sanitation in cases of disasters, as well as development. It also carries out some advocacy work to enhance the effectiveness of its work. Its activities centre on the direct provision of two main services.

The first service is in relation to the provision of water and water resource management services. CS3 supports the local organizations it works with to install new water supplies and rehabilitate broken facilities. It is also involved in mapping water points in order to aid rural water supply in these countries:

> 'CS3 now sits on a steering committee that develops water point mapping platforms to be used by multiple governments across West and East Africa. As an example, the Water Sector Working Group of the Tanzanian government is

> to adopt water point mapping into a National Rural Water Supply Monitoring System' (CS3/AR/09: 7).

CS3 also helps communities to provide sustainable solutions to water resource management:

> 'In Ethiopia, our partners have constructed sand dams in seasonal river beds to increase water supply during dry season, and in Nepal, we have been working with communities and local authorities to implement Water User Management Plans which provide a framework for effective management of water supplies'.

The second of CS3's services is the promotion of improvement in hygiene and sanitation. CS3 believes that:

> 'a lack of somewhere safe and hygienic to go to toilet lead to disease and a lack of privacy and dignity' (CS3/AR/ 09: 7)

CS3 therefore helps communities to provide basic facilities to address this problem.

> '(we) help communities to build somewhere safe and clean to go to the toilet and to improve individual's health and dignity' (CS3/AR/09: 7).

CS3 also work to raise the level of hygiene awareness of communities. For example it worked with 12 partners in Pakistan to develop hygiene promotion materials for use in communities. It also carries out hygiene work in response to natural disasters such as flooding which increases the risk that communities face:

> 'In our Southern Africa region, we responded to the largest outbreak of cholera for ten years by sharing good hygiene practices to help keep the epidemic under control' (CS3/AR/09: 7)

Most of CS3's activities are carried out in rural communities as it considers community involvement as central to its work. But it also works in urban areas where:

> 'more people than ever are living in unplanned urban settlements, increasing the strain on already scarce and overstretched water and sanitation resources' (CS3/AR/09)

6.3.3 CS3's Stakeholders

CS3 has a number of stakeholders. The first major groups are its individual supporters and donors who give unrestricted funding for its work. This group is important to CS3 as they provide 64% of its total funding. The second group consists of Institutional donors and governments that provide its restricted income and some of its unrestricted income. This group that accounts for the remaining 36% of its income is also important. The group consists of about 17 donors but two of them, the DFID and the EC, are the most important. Together they provide about 19% of CS3's income. The third are the regulatory authorities mainly the Charity Commission. This group, as with all UK charities, has contractual rights to demand accountability. Finally, there are the beneficiaries who are mainly poor people lacking access to safe water, hygiene and sanitation. This group is diverse and consists of people based mainly overseas in developing countries. Then there is the general community who supports its work and makes small individual donations to it.

All the stakeholders could be categorized either as contractual or non-contractual stakeholders. The Institutional donors and the regulators could be considered as contractual stakeholders because they have the power to demand accountability. But the individual donors could be categorised along with the beneficiaries and the community as non-contractual stakeholders because they do not have such powers. A significant difference between CS3 on one hand and CS1 and CS2 on the other is that the bulk of CS3's funding comes from non-contractual stakeholders. This funding structure, discussed in the next sub-section, has a major impact on its accountability practices.

6.3.4 Funding of CS3's Programmes

CS3's activities are funded from both restricted income and unrestricted income sources. The unrestricted incomes are mainly from four sources:

1. Regular giving from individuals, donations and legacies
2. Income from fundraising events
3. Investment income.
4. Unrestricted grants from Institutional donors.

Together the unrestricted income amounted to £27,990,000 constituting 64% of the total income of £43, 787,000 in 2008/09. The largest of the four sources of unrestricted income amounting to £24,076,000 is from donations and legacies. The second largest, amounting to £1,823,000 was given as unrestricted grants by two Institutional donors: The UK Department of International Development (DFID) under a Programme Partnership Agreement and the Dutch Ministry for Foreign Affairs. Table 6.5 below is an extract from CS3's annual audited accounts 2008/09 highlighting the relative values of the various categories of income and expenditure.

Table 6.5 CS3- Consolidated statements of financial activities for the year ended 31 March 2009.

	Note	Unrestricted £000	Restricted £000	Total £000
Incoming resources				
Donations	2	24,076	3,309	27,385
Grants	2	1,823		1,823
Gift in kind	2	185		185
Investment income		505	30	535
Grant funding for specific activities	4		12,458	12,458
Other incoming sources	5	121		121
Total incoming resources		**27,990**	**15,797**	**43,787**
Resources expended				
Cost of generating funds		9,692		9,692
Charitable activities				
Supporting partners to deliver water, sanitation and hygiene	6	14,346	16,109	30,455
Influencing policy in water, sanitation and hygiene	6	5,825	605	6,430
Governance cost		342		342
Total resources expended		**30,205**	**16,714**	**46,919**
Net (outgoing)/incoming resources		**(2,215)**	**(917)**	**(3,132)**

The total restricted income of £15, 797,000 (36% of total income) in the year consisted mainly of restricted donations of £3,309,000 and restricted grants totalling £12, 458, 000. Table 6.6 below shows the various sources of the restricted grants.

Table 6.6 CS3 Grant funding for specific charitable activities (Restricted grants)

Charitable Activities	2009 £000
Supporting partners to deliver water, sanitation and hygiene	
Department for International Development	5,163
European Commission	2,254
Other CS3 affiliates	1,327
Unicef	492
UN Habitat	380
Dutch Lottery	363
Swiss Development Corporation	446
Band Aid	276
Water For Survival	130
Big Lottery Fund	187
Overseas Development Institute	57
Small Islands	183
Terre Nouvelle	59
Ensemble Foundation	101
Irish Aid	96
Other grants	635
Influencing policy in water, sanitation and hygiene	
Department for International Development	227
European Commission	82
Total	**12,458**

The restricted grant of £12, 458, 000 was provided by a total of 17 donors but 2 of them (the DFID and the European Commission) combined with other CS3 affiliates together accounted for £9, 053, 000 or about 73% of the total restricted grants as shown in table 6.7 below.

Table 6.7 CS3- Major Providers of Restricted Grants

	2009 £000	%
Supporting partners to deliver water, sanitation and hygiene		
Department for International Development	5,163	
European Commission	2,254	
Other CS3 affiliates	1,327	
Influencing policy in water, sanitation and hygiene		
Department for International Development	227	
European Commission	82	
Total restricted grants from major funders	**9,053**	**72.67%**
Total restricted grants for the year	**12,458**	**100%**

The influence of the Institutional donors on CS3's programmes is limited by the fact that they do not provide the bulk of its income. Only the two major donors the DFID and the EC have significant influence in CS3 and together they provide about 19% of its total income. The effect is that CS3 is able to determine its own programmes and activities with little influence from donors:

> 'Most of our programmes are designed independent of any call from donors. The fact that we have a significant proportion of our income as unrestricted income helps here. Most of the programmes have the input of the community in their design,,,this helps community ownership and sustainability. When we do get restricted grants to fund such projects it presents some challenges. Any change suggested by the donor may not be possible as it may not be in line with the vision of the community' (CS3/IV5/10)

The reduced influence of donors in CS3 has implications not only for programme design but also for the accountability practices.

6.3.5 CS3's Accountability Practices

CS3 views accountability in terms of its effectiveness in achieving its vision and objectives. It aims to demonstrate this in the design, implementation and monitoring of its programmes:

> 'Accountability is broadly about effectiveness in achieving our vision and mission…Effectiveness comes before efficiency because you have to ensure you are doing the right things first. We ensure we are doing the right things all through planning to implementation and monitoring. Accountability is embedded in the whole planning, monitoring and evaluation system' (CS3/IV5/10)

CS3 adopts a combination of methods in performing accountability through all of these stages. The main forms of accountability observed in CS3 are discussed in the following sub-sections.

6.3.5.1 Statutory financial reporting

CS3 files annual returns with the Charity Commission consisting of a consolidated financial statement and Trustees' report. The financial statement shows the total income received split between funds and analyzed by source. This is matched with the total expenditure and a net incoming/outgoing resource position shown.

The net surplus or deficit on restricted activities is added to restricted fund balance which essentially is owed to the project for which they are meant or returnable to the donors. But the net on surplus/deficit on unrestricted activities is added to the general fund balance or reserve which could be used for any of CS3's charitable activities. CS3 does not aim to accumulate reserves but rather to maintain a level of reserve necessary for its work.

> 'The Board of Trustees has set a target operational reserve within the general funds to enable CS3 to meet the potential costs related to any corporate risks materializing. The rationale for this reserve is discussed in the Trustees' report

> and the range required for 2009/10 is £11m to £13m against an actual balance of £14.2m' (CS3/AR/09: 43).

CS3's reserve was £18m in 2007/08, 16m in 2008/09 and 14.2m in 2009/10. The organization has consistently incurred a net deficit on its unrestricted charitable activities over the last three years. This appears to be deliberate as it spends more on its charitable activities than the income raised in order to bring the reserves down to the target level required as the reserves has been more than the target level in the last three years to 2008/09.

6.3.5.2 Statutory narrative reporting

Narrative report in form of the Trustees' report is produced as part of the statutory reports. CS3 provides more than the minimum information statutorily required for this reports by incorporating its detailed annual reports as the Trustees' reports. This avoids the duplication of reports observed in the other case studies as the information provided in the Trustees' reports are contained in the annual reports in more detail.

6.3.5.3 Financial reporting to donors

CS3 prepares financial reports for the donors where grants have been received for restricted projects. The major Institutional donors to which CS3 reports are the same as for CS1 and the practices here are broadly the same as they are in line with the donors' requirements. It consists mainly of detailed expenditure reports against the approved project budget approved and brief explanation or justification of the variances.

6.3.5.4 Programme narrative reporting to donors

CS3 also prepares narrative reports for the grant funded projects. The reports follow the donors' prescribed formats which is based on the structure of the 'logical framework' developed at the project design stage and approved with the grant. Since the major Institutional donors to which CS3 reports are the same as for CS1 the practices here are also broadly similar.

6.3.5.5 Annual Reports on Review of Strategic Plan

The strategic planning system in CS3 is viewed as part of the system of accountability. The planning is done in a 6 year cycle covering the global operations of the NGO. It involves developing specific objectives around which its programmes are designed:

> 'Accountability at the planning stage is done through our global strategic planning which happens in a 6 year cycle. Within this, our various country offices prepare their country strategy in 3 year cycles. Our programmes are designed to achieve specific objectives which feed into the regional objectives which in turn feed into the global strategy' (CS3/IV5/10)

The achievements of the strategic objectives are measured in terms of the achievement of the programme objectives designed to achieve those strategic objectives. Reports on these achievements are prepared and disseminated in the form of annual reports and various reports to donors:

> 'The main means of reporting on the achievement of the strategic objectives is the Annual reports… In terms of the measurement, we compile the outcomes from the different programmes and determine the overall achievements' (CS3/IV5/10)

CS3 produces annual reports in form of a narrative account of its activities and achievement for the year against the targets it sets for itself.

> ‘Here you can find an overview of how we performed against the aims we set ourselves for 2008/09 with more specific highlights following in the regional sections’ (CS3/AR/09: 6)

The targets are set internally by CS3. For the year 2008/09 the target set was:

> ‘to support our partner organizations in 15 country programmes to provide safe water to over one million people and sanitation to more than 3 million people’ (CS3/AR/09: 6)

The target was later reviewed downward when on completion of one of CS3’s largest programmes located in Bangladesh it became apparent that the initially projected number of beneficiaries could not be reached.

> ‘Following re-evaluation….the number of people we aimed to reach with sanitation was reduced from three million to 1.8 million’ (CS3/AR/09: 6)

In reporting against this target, CS3 summarized its achievement this way:

> ‘In 2008/09 we worked with over 1,100 partners in 15 countries in Africa and Asia to reach 1.14 million people with water and 2.01 million people with sanitation’ (CS3/AR/09: 6)

The report then breaks down this achievement by region mentioning the number of beneficiaries reached in each country in the region. The report contains a financial section that shows the amount spent in providing these services but does not relate this to the cost. But a summarized financial figure titled ‘How your £1 was spent in 2008/09’ shows a breakdown of expenditure between Fundraising and Governance and Charitable objectives. Table 6.8 below brings together an extract from the regional reports setting them alongside extract from the financial sections.

Table 6.8 Achievement and cost of CS3's activities in 2008/09

Charitable activities expenditure by location	2009 £000	Water users reached	Sanitation users reached
West Africa			
Ghana	1,741	50	29
Nigeria	1,694	30	41
Mali	1,264	39	55
Burkina Faso	1,795	55	51
East Africa			
Ethiopia	2,638	71	65
Uganda	1,284	35	18
Tanzania	1,985	63	4
Southern Africa			
Zambia	1,266	45	39
Malawi	1,030	26	37
Madagascar	1,532	35	34
Mozambique	2,104	61	42
Asia			
India	2,831	82	58
Bangladesh	5,037	512	1,503
Pakistan	433	0	0
Nepal	1,268	38	33
Freshwater Action & other UK charitable expenditure	5,851		
Allocated UK support cost to charitable activities	3,132		
Total	**36, 885**	**1,142**	**2,209**

£36.8m of the total £43.92m spent (i.e 79p in £1) was on direct charitable activities. Out of this, amount spent on delivery of water, sanitation and hygiene was £30.46m (or £26.69 per water user reached or £5.63 per sanitation user reached) and on influencing policy on water, sanitation and hygiene was £6.43m (or £5.63 per water user reached or £2.91 per sanitation user reached).

The link between the programme objectives and the strategic objectives are not so measurable. CS3 may be aware of this as it seeks to devise a better means of measuring the achievement of the objectives:

> 'We are now developing a new system involving 15 strategic indicators but this is to be approved in November (2010). This will help us to measure how we are performing against the strategy' (CS3/IV5/10)

6.3.5.6 Programme Evaluation

CS3 carries out evaluation of its programmes. These evaluations are not focused on individual programmes as in CS1 and CS2 but on the entire programmes implemented in a particular country over a period of time. The evaluations are carried out in particular countries every 3 to 5 years. Though CS3 has a Programme Effectiveness unit that carries out these evaluations, the unit engages independent consultants with wide experience in Water and Sanitation (CS3/LT/10). The evaluators review the programme plans and the reports on their implementation and then meet with the communities (the beneficiaries) for data collection and analysis. CS3 views evaluation as a way of rendering accountability to the community and other stakeholders:

> 'Evaluations allow CS3 to be accountable and transparent with communities, partners, donors and supporters' (CS3/LT/10).

The evaluations focus more on learning lessons from past mistakes and driving improvements in the programmes. They are not critical of the programmes but

designed to support them. For example, a review of the report of CS3's July 2010 evaluation of its Uganda programme (implemented by CS4) confirms that the evaluation was 'carried out at the same time as CS4's country strategy development, and was designed to support that process' (CS3/PE/10). The report's recommendations were mainly related to improving CS4's strategy. Examples of the first two of the 15 recommendations are:

> '**Recommendation 1**: In recognition of the common goals of Government and CS3, influence and support national processes. Don't 'go it alone'.
>
> **Recommendation 2:** Work in a few carefully selected Districts...and collaborate with all other players in that District'
> (CS3/PE/10)

6.3.5.7 Participation of beneficiaries and non-contractual stakeholders

CS3 attempts to render accountability to its non-contractual stakeholders in different ways, three of which are prominent. The first of this is by involving the beneficiaries of its programme in the design of its programmes. This is by way of consultation with the community to establish their needs, and by involving them in the selection of site for the water facilities. The second way is by involving the beneficiaries in the maintenance of the facilities it provides. CS3 encourages the formation of village committees and community groups who it trains to manage the water facilities provided. The third way is by providing information to the wider stakeholders concerning the unit cost of its services and the utilisation of its resources. This information is not statutorily required. But CS3 provides this information to help the individual donors and the beneficiaries understand how its resources are used and to relate this to actual services provided. This type of information, though useful for the individual donors and the beneficiaries, cannot be obtained from the current form of

statutory reports in the UK. CS3's practices in this area are ahead of those in CS1 and CS2 who do not provide this type of information.

Tables 6.9 below summarizes the key data from CS3

Table 6.9- Summary of data from CS3

	CS3	Comments
Type of NGO	Development	Mainly Development but includes some Advocacy work
Area of operation	International	
Annual Income	£43m	
% of Income provided by contractual Stakeholders (restricted income)	36%	
% of Income generated internally or from non-contractual Stakeholders (unrestricted)	64%	
Participation of contractual stakeholders	High	
Participation of non-contractual stakeholders	High	
Accountability methods in use:		
1. Statutory financial reporting	√	Reporting under SORP
2. Narrative reporting extension of statutory reports	√	
3. Annual reports and strategic planning	√	
4. Donor financial reports	√	
5. Programme narrative reports	√	
6. Programme evaluation	√	
7. Participation of beneficiaries and wider stakeholders	√	Involves users in location of water points & their maintenance

6.4 CS4- Background

CS4 is an affiliate of CS3 registered in Uganda as a company limited by guarantee and also registered as a NGO with the Ugandan NGO board. CS3 has worked in Uganda since 1983 and decided to open a Country office in Kampala in 1992. It therefore established CS4 to work within the statutory and regulatory framework in Uganda. The establishment of the office is part of CS3's strategy to 'widen our experience in a range of contexts, giving us greater credibility to influence change' (CS3/SP/09:25)

CS4's organization structure is made up of a Country Representative and three core units that work closely together to share information and ensure the effective and efficient operation of the programmme. The management maintains a strong link to the parent NGO.

6.4.1 CS4's Objectives and Strategy

The strategic planning system in CS4 is closely linked to that of CS3, its parent NGO. Its current strategy is for the period 2006-2011. The strategy was developed with input from CS3 and it reflects and seeks to contribute to CS3's strategy. Its 'vision is of a Uganda where all people have access to safe water and sanitation' (CS4/AR/08: 3) It's mission is 'to contribute towards the provision of sustainable and equitable safe water and adequate sanitation to the poor through advocacy and strategic partnerships' (CS4/AR/08: 3) Essentially, the office was established with the same aims and objectives as CS3 but within the context of Uganda. It is intended to bring the work of CS3 closer to the beneficiaries at the field level. It identifies 'working with partners' (mostly beneficiaries) as the first of the three ways it intends to deliver

its strategy. CS4 aims to contribute to the capacity building and organizational development of the partner organizations (CS4/SP/06: 4). CS4 informs its partners and the NGO board about its strategy. It gives copies of its strategic plans to its partner to help them prepare their work plan.

6.4.2 CS4's Activities

CS4's activities are principally in three main areas. The first is provision of access to water and the management of water resources:

> 'Uganda's natural wetlands and groundwater supplies are under threat from changing weather patterns and over-abstraction. Therefore, all of our projects look at managing water resources sustainably….(our partners) use a range of different technologies such as boreholes, hand-dug shallow wells or spring protection' (CS4/LT/08: 2).

The second part of CS4's activities involves improving sanitation and hygiene. The NGO works both in urban and rural areas building latrines and drainages and promoting good sanitation and hygiene.

> 'One way we successfully promote sanitation is through sanitation markets where various types of latrines are built, allowing visitors to choose which option suits them and their budgets best…Our work in urban areas have found that …it is vital that drainage, street cleaning and solid waste (rubbish) management are addressed to give the communities..a healthier quality of life' (CS4/LT/08: 2)

Though CS4's work is mainly in the areas of emergency and development, some aspect of its work involves advocacy at national level. This is the third part of CS4's activities. Through this, it aims to influence the government to provide water and sanitation services and the community to hold them to account:

> 'we also influence others to prioritize and invest in these essential services (water and sanitation)…communities are informed about their entitlement to water and sanitation services and are helped to hold those responsible for providing services to account'
> (CS4/LT/08: 3)

6.4.3 CS4's Stakeholders

CS4 has a number of important stakeholders. The first major groups are its donors who give the funding for its work. Because of CS4's affiliation with its parent NGO, CS3, 80% of its funding comes from CS3. Furthermore, it's governing body and management is directly constituted by CS3 making it one of the most important stakeholders. The other stakeholders are the Institutional donors who provide its restricted income. This accounts for 20% of its total income. In this group the main stakeholders are the DFID, Band Aid and the Simavi-Dutch lottery. The third stakeholder group is the regulatory authorities and the government of Uganda. This group has the rights to permit or refuse registration of the NGO to operate in Uganda and to demand accountability. The fourth group is the beneficiaries who are mainly poor people lacking access to safe water, hygiene and sanitation. Finally, there are the 'partners' mainly local organizations, NGOs and CBOs that work to provide services to the beneficiaries. This group is diverse and consists not only of smaller NGOs and CBOs but also government agencies and departments. The inclusion of the government departments and agencies in this group puts the government in a dual role. This dual role, as a regulator and as a beneficiary, is complex and further examined in the following paragraphs.

The government is a stakeholder in CS4 as a 'partner' on one hand and as a regulator on the other. NGOs in Uganda are registered as companies limited by guarantee under the country's laws. Charitable status is conferred on NGOs through a process of registration with the Uganda's National Board of Non-Governmental Organisation (the NGO board) The board is established under the Non- Governmental Organisations Registration Act 1989 (Amended 2006). It is charged with the

responsibility of regulating NGOs. Section 7 of the Act lists the functions of the Board:

> 'The functions of the board shall be to-
> a. Consider applications for registration by organizations;
> b. Keep a register of registered organizations
> c. Guide and monitor organizations in carrying out their services
> (UGX/NGO Act/89)

Section 13 of the Act empowers the Minister for Internal Affairs, in consultation with the NGO Board, to make regulations necessary for the implementation of the provisions of the Act. The NGO Board, in exercise of this power, established the Non-Governmental Organizations Registration regulations, 2009. The aim of registration and regulation however, is not towards enforcing NGOs' accountability but mainly to coordinate their activities with a view to ensuring that they add on to or complement the work of the Uganda government:

> 'An Organisation shall, in carrying out its operations….co-operate with the local councils in the area and the relevant district committees'
> (UGX/NGO Reg/09: 160)

The government's approach towards NGOs seems to fit well with CS4's strategy that aims to work closely with and through organizations it calls 'Partners'. It has some set parameters it uses to identify appropriate partners to work with and government agencies seem to qualify under these parameters:

> 'CS4 works through local partners who are…agencies or institutions with whom CS4 is relating to achieve its mission. They have essential knowledge of the local context, well-established relationships with local leaders and strong links with the community' (CS4/AR/09: 3).

CS4 has therefore identified government ministries and local governments as appropriate partners to work with:

> ‘In Nebbi, Hoima and Masindi we worked with the Ministry of Health to help roll out the Kampala Declaration on Sanitation (KDS) through advocacy work on total sanitation. In Mpigi we worked with the District Local Government to provide
> - Refresher training for hand pump mechanics
> - Development and rolling out of a sanitation strategy
> - Design of tools for hygiene promotion’
>
> (CS4/AR/09: 4).

CS4’s partnerships with these government agencies are long standing and ongoing. For example CS4 has signed a memorandum of understanding with the Ugandan Water and Sanitation ministry. CS4 considers that this partnership is of mutual benefit to both sides:

> ‘All of our activities contribute to the work of the ministry and its plans. For example, the ministry may have particular projects and want us to take it up. We may also require information in possession of the ministry’ (CS4/IV6/10)

While this cooperation is useful in enhancing the work of the NGO, it is acknowledged that it is a constraint on the independence of NGOs in Uganda:

> ‘You (NGOs) could be a positive critique of government activities… but the government is getting tough about this’ (CS4/IV6/10)

The potential constraint on NGOs’ independence results from the influence the government wields through the NGO Board which holds the power to deny registration to any NGO in the country or to revoke such registration or dissolve the NGO entirely:

> ‘An Organisation may dissolve by order of the Board if-
>
> a) The board has reason to believe that a registered organization has not commenced its activities within twelve months from the time of registration or without justifiable cause has ceased to exist after that;
> b) It is proved to be defrauding the public or its members or both;
> c) It has violated the terms and conditions attached to its permit
> d) It has operated in contravention of the provision of the Act
> e) For any other reason the Board considers necessary in the public interest’ (UGX/NGO Reg/09: 163)

6.4.4 Funding of CS4's programmes

The total income of CS4 for the 2007/08 year was UGX 3.1m (£921,525). This increased to just over £1m in 2008/09. 20% of this was given by Institutional donors as restricted grants for projects while the rest was provided by CS3, the parent NGO of CS4. 84% of the restricted grants were provided by three donors- The DFID, Band Aid and the Simavi-Dutch lottery.

6.4.5 CS4's Accountability practices

CS4's accountability practices are in line with practices in its parent NGO, CS3 and the statutory requirements in Uganda. There are stronger evidences of some practices than others. The practices observed are discussed in the following paragraphs.

6.4.5.1 Statutory financial reporting

CS4 prepares annual accounts. But these are in line with the country reporting structures for all of CS3's affiliates located in different developing countries. These reports are not prepared in line with any statutory guidelines in Uganda. Rather, they are prepared in line with specific guidelines and formats determined by CS3 for all its overseas country offices. It is a simple Income and expenditure accounts that lists the income by donors distinguishing between funding from CS4 and those from other donors. It lists the expenditure breaking them down into Water and sanitation; Advocacy; research; Capacity building; and overheads. No further details are provided at this level. But the transactions are consolidated into CS4's books who report on its global activities under UK GAAP. These global reports are sent to the NGO Board who does not require further country level reports. They are also sent to the Water and Sanitation ministry and the Ministry of Finance and are accepted as

satisfactory. The NGOs' statutory reporting requirement in Uganda is weak and this form of reports is not a part of CS4's accountability practices. The nature of NGOs' statutory reporting practices in Uganda will be discussed in more details in CS5 where this form of reporting is better exemplified.

6.4.5.2 Statutory Narrative Reporting

Because CS4 does not produce statutory reports, this form of reporting is not practiced. In its place, CS4 uses its Annual reports which contain more details of what could have been included in this form of reports.

6.4.5.3 Financial Reporting to Donors

Restricted funding constitutes only about 20% of CS4's funding. The donors that provide this are the same as those for CS3 and CS1. CS4's practices in rendering accounts to these donors are guided by the donors' requirements. As a result, practices observed here are broadly similar to those found in CS1 and CS3. The financial reports give an analysis of the expenditure against the budget agreed as part of the grant contract.

6.4.5.4 Programme Narrative Reports

Programme narrative reports are prepared for the restricted grants from donors. They give a detailed qualitative account of the programme implementation and their achievements in the format prescribed by the donors. The practices here also are the same as for CS1 and CS3 that receive funding from the same sources.

6.4.5.5 Annual reports and Review of Strategic Plans

Like its parent NGO, CS4 views accountability in terms of its effectiveness in achieving its vision and objectives and seek to demonstrate this in the design of its programmes and the reporting on their achievements through the strategic planning and review system. The strategic planning system in CS4 is aligned to the global strategic planning system of its parent NGO. It involves developing specific objectives around which its programmes are designed. As a result, the main input into the plans and the capacity for its development and reporting is supplied by its parent NGO. The achievements of the strategic objectives are measured in terms of the achievement of the programme objectives that relate to those strategic objectives. Reports on these achievements are prepared and disseminated in the form of Annual Reports. This is a narrative account of its activities and achievement for the year against the targets it sets for itself. For example, the annual report for 2007/08 counts as part of its achievements:

- Access to clean water was improved for about 56,000 Ugandans
- Sanitation services were enhanced for 47,600 people
- Hygiene practice was improved for 13,450 people in focus district
- A tremendous improvement in the quality of planning and reporting by partners.

(CS4/AR/08: 3)

The Annual report gives the total expenditure for the year 2007/08 as £928,373 and provides the breakdown of how this has been spent. This breakdown is broad, only stating for example that 32% of the expenses were on Rural Water Sanitation and Hygiene (WASH), 8% on Urban WASH and 15% on Advocacy.

6.4.5.6 Programme Evaluation

CS4 does not carry out a separate evaluation of its programmes. Its programmes are evaluated by CS3 every 3 to 5 years. But the reports of the evaluations are shared with CS4 and the learning points or recommendations are implemented with support from CS3. They are not critical of the programmes but designed to support them.

6.4.5.7 Participation of beneficiaries and wider stakeholders

CS4's practice of accountability to non-contractual stakeholders is integral to CS3's practices. Because CS4 is closer to the beneficiaries of its programme, it is more involved in consultations with the beneficiaries and the community, obtaining their views and feeding these back into programme design by CS4 and into decision making relating to the maintenance and management of the water facilities provided. CS4 participates in the formation of village committees and community groups and the training to manage the water facilities provided.

Table 6.10 summarizes the key data from CS4

Table 6.10- Summary of data from CS4

	CS4	Comments
Type of NGO	Development	Including some Advocacy work
Area of operation	Water and Sanitation	
Annual Income	£1m	
% of Income provided by contractual Stakeholders (restricted income)	20%	Contribution from CS3 is 80% . This is treated as restricted
% of Income generated from non-contractual Stakeholders (unrestricted)	0%	
Involvement of contractual stakeholders	High	CS3 is taken as a contractual stakeholder
Involvement of non-contractual stakeholders	Medium	
Accountability methods in use:		
1. Statutory financial reporting	×	Not used
2. Narrative reporting extension of statutory reports	×	Not used
3.Annual reports and strategic planning	√	
4.Donor financial reports	√	
5.Programme narrative reports	√	
6.Programme evaluation	√	
7.Participation of beneficiaries and wider stakeholders	√	

6.5 CS5-Background

CS5 is a NGO in Uganda established in 1995. It works in the area of promoting conflict resolution and peace-building. Its vision is of a 'Society where peace, tolerance and human dignity prevail' (CS5/LT/10). CS5's main objective falls within the domain of one of the main strands of CS1's work (that deals with promoting peaceful co-existence between communities). While it is not an affiliate of CS1, it has received funding from it to carry out specific activities in areas relating to conflict resolution which falls within the area of activities of both NGOs. CS1 lists CS5 as one of the 150 'partners' it works with worldwide (CS1/PR/11: 40). It pursues its objectives by carrying out advocacy at local and national levels aimed at influencing policies and practices. But because a large part of its activities are community based, it may be classified as a local based advocacy NGO. CS5 has 14 staff including interns. It is governed by a board of trustees consisting of nine members.

6.5.1 CS5- Objectives and Strategy

CS5's aims and objectives centre on seeking alternative ways of preventing and resolving conflict by working:

> '..with people, especially-but not only- in areas where conflict is present or threatened, to develop their awareness to empower them with the knowledge and skills relevant to their situation and to facilitate conflict resolution transformation and prevention' (CS5/LT/10)

It aims to achieve its objectives by empowering 'individuals, organizations, institutions and the community to resolve conflict by applying alternative and creative means in order to promote a culture of tolerance and peace.' (CS5/LT/10)

The way it aims to achieve this is: 'to research and develop the theory and to implement the practice of conflict resolution applying alternative and creative means'

(CS5/LT/10). It also aims to disseminate such knowledge and information through networking and share knowledge and information on early warning and preventive mechanisms on conflict.

The strategy CS5 uses to achieve its objectives is one of advocacy through education and training of the affected communities and stakeholders, building and promoting constructive partnerships amongst organization and communities and equipping them with information and knowledge on conflict resolution, and engaging the media in peace-building efforts (CS5/IV8/10). CS5 does strategic planning every four years. But its objectives and strategy has remained unchanged. It has a strategic plan document but there is no evidence of any structured process of involvement of stakeholders, staff and trustees in the process of its formulation. It has not attempted to break down the objectives into measurable units against which it can measure its achievements. To achieve its objectives, CS5 carries out a number of activities mainly involving training, advocacy, mediation and research.

6.5.2 CS5's Activities

CS5 organizes training for communities to increase their awareness of causes of conflict and how to resolve them. It also conducts research and disseminates information on early-warning and preventive mechanisms on conflict. It promotes peace education in the non-formal sectors of the society and lobbies decision makers to introduce it in schools' curriculum. It also develops innovative approaches to conflict resolution. These activities are organized within various programmes. For example, its 'Hands Across the Border' project it carried out in the Greater Teso and

Karamoja Districts of Uganda, aimed to resolve the decades-long violent conflict between the two communities over access to land:

> 'These two communities for years have been locked up in a violent conflict closely connected with Karimojong cattle-rustling in neighbouring districts and the drought in Karamoja district. The conflict has led to loss of lives, livestock and property and destabilised the two communities that used to enjoy friendships, sharing and good neighbourliness' (CS5/LT/10).

The Karimojong, cattle rearing people have been largely blamed for plundering the farms of their neighbours in the search for pastures for their livestock. The project aimed to support the government's peace initiatives in order to help bring about understanding and eventual reconciliation between the two districts. The project brought representatives of the two communities and the government to a series of workshops to discuss their problems and possible solutions. An innovative solution that came out of this as a final activity was the gathering of key leaders of the Karimojong cattle-rearing community (the suspected organizers of the violent raids against other communities) and some representatives of their neighbouring Teso community for a tour. They were taken around the country to see how other cattle-rearing pastoral communities coexist with non-pastoralist communities. They were also taken across the border 'to neighbouring countries (DR Congo and Rwanda) to witness how communities across international borders interact peacefully in their day to day life' (CS5/LT/10). The result of the project was better understanding between the two communities. But by how much this has reduced the conflict may not be visibly measurable in the short-term.

6.5.3 CS5's Stakeholders

There are a number of major stakeholders in CS5. First there are the donors that provide the funding for the organizations. The most significant of these donors are

International NGOs who provide contractual grants for specific programmes or activities. They require some form of accountability practices that are clearly specified in the contract. The second stakeholder group is the government/regulators. CS5's peace building efforts and initiatives complement the role of government in ensuring peace and security. The government therefore supports its work and has participated in some of its workshops and events. This support, however, does not include any financial backing or grants to CS5. The government, also as a regulator for the sector in which CS5 operates, is a stakeholder in this regard. The last group of stakeholders are the beneficiaries which are mainly communities with potential or actual experience of conflict. Before designing its programmes CS5 claims to consult beneficiaries to establish their needs:

> 'We carry out situation analysis whereby the beneficiaries tell us what is important to do to meet their needs. They make input into the design of our projects' (CS5/IV8/10)

However, when further questions were raised concerning this assertion, no evidence was supplied to substantiate it. It appears the respondent was describing what he thought they should be doing rather than what they actually do. It appears that more of its programmes are led by its own initiatives, information gathered and the outcome of its research efforts.

6.5.4 Funding of CS5's Programmes

CS5 generates very little funding of its own. Only about 5% of its income is unrestricted income derived from consultancy services and interest on bank balances. The bulk of CS5's incomes are given as restricted grants. Just as with CS4, most of its programmes are dependent on restricted funding from Institutional donors and

International NGOs. This has impact on the design of its programmes and activities and the stability of its funding:

> 'Sometimes we design programmes and then seek funding but we sometimes fail and this could be discouraging' (CS5/IV8/10)

The impact of this is two-fold. The first is that part of its programmes are designed to meet the objectives and needs of the donors in order to have a better chance of success with funding applications. The second impact is that CS5's income fluctuates. The total income was £280,000 in 2008 but fell to £96,000 in 2009. The bulk of the income in 2008 (64%) was from a grant of about £180,000 from *Safer World*. Table 6.11 below shows the breakdown of the main income sources for the two years 2008 and 2009.

Table 6.11- CS5's Income Sources 2008 & 2009

Income Sources	**2009 Shillings**	**%**	**2008 Shillings**	**%**
Safer World			555,688,464	64.2
GOPA	42,685,251	14.4	134,368,418	15.6
Diakonia	116,189,564	39.2	71,945,028	8.3
Consultancy & interest income	15,682,637	5.3	41,028,401	4.7
Grant from CS1	98,548,420	33.2		
Other Income sources	23,519,790	7.9	62,264,832	7.2
Total income (Ugandan Shillings)	**296,625,662**	**100**	**865,295,142**	**100**
Exchange rate	2984.4		2771.5	
Total income (GBP equivalent)	**99,392**		**312,212**	

6.5.5 CS5's Accountability Practices

CS5's accountability practices are of various forms. These are generally consistent with the different forms already described in CS1 to CS4. But unlike CS4 that operates under the same regulatory regime, statutory reporting is prominently used in CS5. The various practices observed are mainly:

6.5.5.1 Statutory Financial Reporting

CS5 operates a system of statutory reporting in line with the country's regulatory regime. The practice here is determined solely by the statutory requirement in Uganda since CS5 has no affiliation to any International NGO (INGO). The NGO regulations 2009 require that NGOs submit annual returns. The requirement for this, set out in section 16 of the regulations require only a simple Income and Expenditure accounts and Balance sheet with no specific reporting standard or guidelines issued for their preparation. The accounts are submitted to the NGO board in hard copy form only. The Board has no capacity or facilities for processing or scrutiny of the accounts so no queries are raised. When asked what the board does with the accounts, an official of the NGO Board who receives the accounts, replied (pointing to a huge shelve with dusty paper files):

> 'We file them for future reference. If there happens to be a complaint or problem with a NGO, we refer to the returns they have submitted for information on their activities'
> (NGO Board/IV9/10)

6.5.5.2 Statutory Narrative Reporting.

The NGO Board has not given any guidelines on the minimum information content of the narrative element of the statutory report. CS5's statutory reports therefore give very limited insight into the work and achievement of the NGO. The one page

Directors' Report in its 2009 Financial Statements simply summarises the NGO's activities as 'The principal activity of the organisation is to implement the practice of conflict resolution and peace building' (CS5/AA/ 09:4).

This level of statutory reporting appears adequate as the audit opinion on the financial statements concluded:

> ' In our opinion, proper books of accounts have been kept and the accompanying financial statements which are in agreement with the books of accounts give a true and fair view.....in accordance with Ugandan Companies Act' (CS5/AA/09: 6)

6.5.5.3 Financial Reporting to Donors

CS5 prepares financial reports to donors for its restricted grant. The forms of these reports are determined by the donors' contractual requirements. The method of doing this is broadly the same as for the other NGOs that receive restricted grants from Institutional donors. Some of the restricted grants that CS5 receives are not directly from the Institutional donors but indirectly through INGOs such as CS1. But the method of reporting is exactly the same as when received directly from the Institutional donors. It consists of a simple expenditure report against budget in the prescribed format and the justification of variances. The budget here is a small part of a larger overall budget held by the INGO involved. Because restricted grants constitute about 90% of CS5's income, this form of accountability is the predominant form observed in the organization. But because the restricted grants are not accounted for as separate funds in the statutory accounts, there is no means of verifying the consistency between the donor reports and the statutory reports or the reliability of the system of aggregating all the transactions into the overall statutory reports.

6.5.5.4 Programme narrative reports

CS5 prepares programme narrative reports for its restricted grants in line with donors' requirements. CS5 is very close to the community it works with and its programme narrative reports are detailed and informative. Where CS1, acting as an INGO, provides funding to CS5 for particular programme activities, CS1relies on the programme narrative reports from CS5 as important inputs into its own programme narrative reports to the Institutional donors

6.5.5.5 Annual Reports and Strategic Planning

The Strategic Planning, Review and Reporting system in CS5 is weak. Though a strategic plan is available there was no evidence of any structured involvement of stakeholders and staff in its preparation. The document is not of adequate quality and depth when compared with those from CS1, CS2, CS3 and CS4. There is no attempt to break the objectives down into measurable sub-objectives and no performance indicators for measuring their achievements were suggested. Annual reports that are normally based on reporting against these measurable sub-objectives and performance indicators are not prepared.

6.5.5.6 Programme Evaluation

Formal programme evaluations are used by CS5 only where a donor specifically requests one. This has been requested for some of the restricted projects that CS5 implemented. CS5's involvement in these evaluations has been limited to the area of work they have implemented. But more informally, CS5 carries out a 'lesson sharing and evaluation meeting' with the beneficiaries usually community leaders and representatives. These meetings serve as forum for exchanging information and views

about the programme implemented. The issues that come up from the meetings are used to ‘inform future interventions and avoid pitfalls’. These are summed up in an evaluation report produced at the end of the meeting. This could be described as self-evaluation though the process adopted is similar to that involving an external evaluator.

6.5.5.7 Participation of beneficiaries and wider stakeholders

This form of practice may appear weak in CS5 when viewed from a structured or process perspective. CS5 works closely with the beneficiaries but the process of participation is not in a structured way and not frequently documented. CS5 is close to the community and has detailed knowledge of the main concerns and priorities of the community. It embarks on studies to gather the views of the community concerning the issues that affect them and uses this as a basis to plan its work. But CS5 does not involve the beneficiaries or the community in resource allocation or utilisation issues. Table 6.12 is a summary of the key data from CS5

Table 6.12- Summary of data from CS5

	CS5	Comments
Type of NGO	Advocacy	
Area of operation	National	
Annual Income	£0.1-03.m	
% of Income provided by contractual Stakeholders (restricted income)	87-90%	
% of Income generated internally or from non-contractual Stakeholders (unrestricted)	5-10%	
Involvement of contractual stakeholders	V. High	This includes INGOs and Institutional donors
Involvement of non-contractual stakeholders	Low	Beneficiaries' views are sought but there are no non contractual donors
Accountability methods in use:		
1. Statutory financial reporting	√	
2. Narrative reporting extension of statutory reports	×	
3. Annual reports and strategic planning	×	
4. Donor financial reports	√	
5. Programme narrative reports	√	
6. Programme evaluation	√	
7. Participation of beneficiaries and wider stakeholders	√	

6.6 CS6- Background

CS6 is an orphanage in Abuja, Nigeria established in July 2004 as a NGO. The founder, a barrister educated at Leeds and Buckingham Universities, had concern for the plight of abandoned and orphaned children in and around the city. The orphanage was established in response to this and the founder is still actively involved in its running. The orphanage employs 28 staff and runs two homes both in the capital city. In 2007 another orphanage established and ran by the government was closed and 7 of the children were transferred to CS6. The home now accommodates about 76 children in the two locations it runs.

6.6.1 CS6's Objectives and Strategy

The vision of the founder of CS6 has remained central to the objective of the organization which is stated as:

> 'To alleviate the problems facing many innocent children who were abandoned or orphaned and..ensure that every child has the opportunity for success' (CS6/LT/09:2).

This core objective has been translated into a guiding philosophy that informs its strategy:

> 'our philosophy is to love your neighbour's child like you would your own' (CS6/LT/09:5).

Though CS6 does not go through any structured strategic planning process, it pursues a clear strategy which is directly linked to its objectives and has remained consistent over the years. For example, based on its philosophy 'to love your neighbour's child like you would your own' the organization aims to provide for the children in the orphanage the same level of care and education that is given to the biological children of the founder or any member of staff. This reflects in the decisions made in terms of

the services procured as CS6 aims to provide for the children the best quality of services available. The children are enrolled in premium fee paying schools and cared for in good fee paying hospitals.

CS6's strategy is informally communicated. There are no elaborate strategic plan documents available. But the strategy is clearly understood by the staff of the organization and is integral to its operations. The strategic focus on giving the children the best quality of life possible reflects in the interaction between the children and the staff. The children relate to CS6's staff members as parents or members of the same family and freely communicate their needs and concerns.[12] The strategy is understood by the children as well as they are kept informed about decisions on important issues such as the choice of school, medical care and resource allocation. The strategy is also communicated to supporters or donors who visit the home and interact with the children and staff and identify with the vision and the work of the NGO. But this strategy has been expensive as good quality medical care and education are very expensive in the city. Because of the low level of resources available to it, the bulk of CS6's resources are used up in procuring these services and the organization is in a poor financial state.

6.6.2- CS6's Activities

CS6 admits children who have been abandoned in various circumstances. Some were abandoned in the hospital at birth while others were picked up from the streets. These children, some of whom were brought into the home from as little as one day old, are in need of a home, love, medical care and education. CS6's activities centre on the

[12]While the interview was going on, one of the children came to ask the interviewee about an issue concerning her school. The cordial rapport and warm embrace of reassurance all convey the impression that the children are truly cared for and valued

provision of these basic needs for the children and supporting them to grow into responsible adults. When they have attained adulthood, the organization seeks to maintain the 'family ties' and continue to support the children well into their adult life. One of the former inmates now an adult works with the organization.

The orphanage's main building serves as home to the children and a part of it as the office. It provides a stable and secure environment for the children to live while the staffs provide the love and care that makes it a comfortable home for the children. Medical care is a major area of activity in the orphanage. Some of the children on admission test positive to HIV (CS6/IV10/10). The home separates those children that have tested positive to HIV from the rest and have trained them not to share things like spoons, soaps etc.

Education is another major area of activity. While some of the children are enrolled in public schools, others are sent to fee paying private schools. The decision on the choice of school is based on the children's abilities and needs and not on economy in the use of resources. About 19 of the children are enrolled in Solid Foundation Primary School paying about N50, 000 (about £200) per term excluding books. One is in a boarding school, Royal College Masak paying N210, 000 (£920) per term.

As a result of the strategy to provide high quality education to the children, the largest part of CS6's expenditure is on education:

> 'We pay about N3.5m (£15,000) per term as school fees for the children' (CS6/IV10/10).

This has been a strain on the finances of the organization and CS6 now plans to set up its own school:

> 'We plan to build 'Light on the Hilltop Academy', a school that will start with a twelve (12) grade boarding facility which will not only cater to the

> educational needs of the children in the orphanage but also care for young girls who fall victim of the unfortunate situation of teenage pregnancy. The school will have a special curriculum for these girls i.e. special skills in nursing, forensic sciences, foreign languages, computer programming etc. The orphans however will receive proper formal education' (CS6/IV11/10)

The project has been suspended due to lack of funds. Other needs in the organization remain unmet. For example, the home needs a school bus which it yet can't afford. It conveys the children to school in multiple trips using minibuses.

6.6.3 CS6's Stakeholders

There are a number of stakeholders in CS6. First there is the government. CS6's work complements the effort of the government through the Ministry of Youth and Social Welfare in providing social services to this group. The government has not been very effective in this regard and has looked to CS6 and similar organizations to complement its effort. For example, the government between 2005 and 2009 closed down similar homes it ran and transferred the children to CS6 and other homes, supporting them with only very little funding. The position of the government as a stakeholder here is therefore as a form of beneficiary of CS6's work. On the other hand, the government also stands in the position of a regulator through another of its departments, the Corporate Affairs Commission. But it performs little or no activities in this role as no form of regulation of NGOs is attempted.

A second stakeholder group in CS6 is the community it serves and from which its donors come. CS6 maintains very good relationship with the community. Various groups and individuals come in to visit and are given access to the children and staff. They speak with them and share their stories and concerns. Some supporters have adopted children from the home while others support them with donations and gifts.

There is a remarkable absence of Institutional donors or INGOs as stakeholders in CS6. The NGO receives no funding from these sources.

The third group of stakeholders is the beneficiaries, the children that the home was set-up to care for. Their care and well-being is entirely dependent on the well-being of the organization. While they are in a vulnerable state and do not provide the resources for running the organization, they are nonetheless actively involved in the organization. They have direct access to the management and staff of CS6 and freely discuss their needs and concerns. They also have access to the supporters and donors and often speak directly to them about their needs and welfare. They are informed about decisions that affect them. The channel of communications between the beneficiaries and other stakeholders appear free, informal and unhindered. The needs and concerns of the children therefore, gets translated into the programmes of the NGO.

6.6.4- Funding of CS6's programmes

The sources of CS6's funding are varied and no single source appears to be dominant. The organization relies on donation from individuals and corporate bodies to run its activities. In addition it receives a small annual subvention of N600, 000 (£2,600) from the Nigerian government. The most regular source of donation is from individuals and associations who visit the orphanage as part of their charitable work. The donors are generally members of the community who are sympathetic towards the cause and objective of the orphanage. These supporters make repeated visits to the home and are allowed to meet the children, interact with them and listen to their stories. This enables them to gain more insight into the work of the orphanage and its

needs. This understanding reflects in the form of donations given. The donations received are not only in form of cash but also needed furniture and equipment, food and domestic supplies. CS6 prepares its budget in the form of a needs list which is made available to the supporters and donors. Its overall budget is therefore not quantified monetarily. For example for the year 2010, CS6's budget incorporate a needs list including items such as a school bus, computers, a generator, and furniture and kitchen equipment. Apart from the budget on capital expenditure on its school project, its annual expenditure budget is valued to be in the range of £200, 000 to £300,000.

CS6 has not been particularly successful at fundraising from corporate and Institutional donors. Though it has no dedicated fundraising department its administrative officer combines the role of fundraiser. At the moment, the organization has no grant from any Institutional or corporate donor. While no major effort has been made towards accessing funds from Institutional donors, there has been some effort towards raising funds from corporate organizations. Funding proposals have been submitted to prospective corporate donors. For example, a proposal to fund the staging of an arts exhibition tagged 'Painting my beautiful life' aimed at raising N120m (£0.5m) towards the building of its proposed school, was submitted to three corporate organizations. None of these applications was successful and the event could not hold. CS3's Fundraising Officer thinks the scale of their needs is huge and that may be what 'scares away' potential donors (CS6/IV11/10). But CS6 has received some unrestricted donations from some corporate organizations. Some of this, surprisingly, also comes in form of food and supplies. Dangote Group, a major trading conglomerate in Nigeria donated a large quantity of food and supplies to CS6

in 2010. This happens frequently, about once or twice annually. A significant proportion of CS6's donations, therefore, come in form of food and basic supplies. The supplies meet the needs of the organization in this areas but not enough cash is donated to allow the organization provide the top quality education and medical care it envision in its strategy. It could therefore place only some of the children in top fee-paying schools. It also falls into arrears of school fees and sometimes sells part of its excess of donated food and supplies to pay school fees or medical bills. CS6 has not accessed any funding from International NGOs apart from the Nigerian Red Cross that gave it small unrestricted donation in 2010.

6.6.5 CS6's Accountability Practices

The pattern of accountability observed in CS6 is different from those observed in the other NGOs studied. Some elements of the main forms of accountability practices observed in the other five case studies were observed in CS6 but with a notable absence of some of the other forms.

6.6.5.1 Statutory financial reporting

CS6 is registered as a NGO in Nigeria but does not prepare statutory financial reports. The complete absence of this form of accountability practice is due to the lack of requirement to produce such reports in the regulatory environment in which CS6 and other NGOs in Nigeria operate. There is no separate body established to regulate NGOs beside the Corporate Affairs Commission that regulates all incorporated bodies. The Commission only requires NGOs to prepare simple income and expenditure accounts in line with the provisions of the Companies and Allied Matters Act (1990) but does not monitor compliance. Because of these contextual issues,

statutory financial reporting is not practiced in CS6. Consequently, the narrative reporting extension of the statutory reports is also not practiced.

6.6.5.2 Financial and Narrative Reporting to Donors

Because CS6 has no donor-funded restricted programmes, no financial or narrative reports are prepared for donors. Internal record-keeping and accounting are designed to address only the needs of the organization. CS6 keeps records of its financial transactions and makes internal reports based only on its needs. The main use of these is in resource allocation and cash flow management. Cash flow is a major issue for CS6 and the period of greatest needs are at the beginning of the school terms when the children's school fees have to be paid. CS6 sometimes sells part of its supplies to raise cash to meet more urgent needs:

> 'Until now we still owe school fees on some of our children. We had to sell some of the foodstuffs donated in order to raise cash to pay school fess' (CS6/IV10/10).

CS6 has identified that its two most significant expenditure items are school fees and medical care. It is building its own school which it hopes will save it money and give it better opportunity to offer the top quality education it desires to give all the children. The management of its resources therefore involves a delicate balance between allocation to revenue and capital expenditure. While the expenditure on school fees can be more accurately budgeted for, expenditure on medical cost cannot. There is, therefore, a contingency provision for medical care in the management of its resources. A large part of this is done informally and the formal reports generated do not fully reflect the dynamic and iterative nature of how these financial information feed into management decision. In all these, there is good communication flow

between those that generate the information, the decision makers and the beneficiaries even though there is little paper trail to reflect this dynamics.

6.6.5.3 Annual Reports and Strategic Planning

CS6 prepares a report that communicates its strategy and relates it to its work and achievements for dissemination to its stakeholders. It also uses it to set out its plans for the future as well as its needs. The reports however place less emphasis on relating the success of its work to measurable achievement of its strategic objectives. The reports are similar to the annual reports in the other five NGOs but are not labelled as such and are not necessarily produced annually. A review of the most recent report produced in 2009 shows that the reports are not particularly focused on the needs of Institutional donors or INGOs. It does not employ the language of quantifying objectives and relating its actual activities to their achievements as in 4 of the other 5 NGOs.

6.6.5.4 Programme Evaluation

As CS6's activities are funded entirely from unrestricted donations, no formal programme evaluation in the form observed in the other cases was in use. But its programmes and activities are entirely open to the donors and other stakeholders who periodically visit the NGO and speak directly to the beneficiaries and staff about the activities.

6.6.5.5 Participation of beneficiaries and wider stakeholders

Out of the three main stakeholder groups in CS6, two are non-contractual stakeholders. The first of the two non-contractual stakeholders are the beneficiaries. These are the children in the orphanage. While they have no power to hold the organization to account, CS6 puts them at the centre of its objectives and seek to demonstrate accountability to them. This is done in informal ways rather than through any comprehensive sets of reports. There is a sense of communality in objective and decision making in the organization. The staff and management all understand the objective that the children are the focus of the organizations' strategy and every child deserves the best quality of life and education. The children are encouraged to share their concerns with the staff who they see as parents. Though the process is informal, the needs and concerns raised get translated into effective decisions quickly. The children are involved in or informed about decision making and there appears to be a sense of collective ownership of the decisions. For example, when one of the children who was HIV positive took ill and was taken to the hospital, resources were diverted from other basic needs to paying medical bills. The other children were informed about this and there was a visible sense of collective loss among the children and staff when the child died. The children are generally made aware of donations given and are kept informed about how they are utilized and how resources are allocated. The children are allowed to meet visiting donors and discuss issues of concern to them.

The second group of non-contractual stakeholders are the donors or the community that supports its work. They give unrestricted donations to CS6. One may include in this group the few corporate donors such as the Dangote group since the donations they give are not based on any funding application or tied to any project. They are

wholly unrestricted with no accountability or reporting requirements tied to it. But CS6 renders accountability to them in other informal ways. Apart from the annual reports, the donors are informed about the work of the orphanage through maintaining open access and free communication. They can visit the orphanage at short notice and are allowed access to the children and staff and free to discuss issues. The community or donors value this relationship and repeated visits from individuals and groups are common. They take keen interest in the NGO and in the progress of the children as individuals.

Table 6.13 summarizes the key data from CS6

Table 6.13- Summary of data from CS6

	CS6	Comments
Type of NGO	Welfare	
Area of operation	Local	
Annual Income	£0.1- 0.5m	Donation in kind are not valued for accounting purpose
% of Income provided by contractual Stakeholders (restricted income)	0%	No contractual grant in use
% of Income from non-contractual Stakeholders (unrestricted)	100%	Relies wholly on unrestricted donations
Involvement of contractual stakeholders	None	
Involvement of non-contractual stakeholders	High	Frequent visits, access to staff and beneficiaries, good communication and information flow
Accountability methods in use:		
1. Statutory financial reporting	×	The regulatory environment does not encourage its use
2. Narrative reporting extension of statutory reports	×	
3. Annual reports and strategic planning	√	The contents understates the achievement of the NGO
4. Donor financial reports	×	No restricted grants used
5. Programme narrative reports	×	
6. Programme evaluation	×	
7. Participation of beneficiaries and other non-contractual stakeholders	√	Frequent visits by donors, involvement in decision-making; direct communication between donors and beneficiaries

6.7 Conclusion

This chapter presented the data collected from the five cases, CS2 to CS6. The structure of the data collected was guided by the theoretical model and the findings from the lead case study, CS1. This structure which was also used in the presentation of the data was broadly adequate. However, some practices observed in the lead case study were missing in some of the subsequent five cases while a few new practices not found in CS1 were observed in some of these other cases. Table 6.14 attempts to bring together the main elements of the data collected in the five case studies along with those collected in CS1.

Table 6.14 – Summary of data collected in all 6 NGOs

	Observed Practices	**CS1 UK**	**CS2 UK**	**CS3 UK**	**CS4 Uganda**	**CS5 Uganda**	**CS6 Nigeria**
	Type of NGO	Advocacy & Dev	Advocacy & Dev	Emergency & Dev	Emergency & Dev	Advocacy & Dev	Emergency
	Area of operation	International	National	International	National	National	Community
	Annual Income	2-3m	2.7m	43m	1m	0.1-0.3m	0.1-0.5m
	% of Income from contractual Stakeholders (restricted income)	70%	85%	36%	100%	90%	0%
	% of Income from non-contractual Stakeholders (unrestricted)	30%	15%	64%	0%	10%	100%
	Statutory Regulation of NGOs	Strong	Strong	Strong	Weak	Weak	Absent
	Accountability Practices						
1	Statutory financial reports	✓	✓	✓		✓	
2	Statutory narrative reports	✓	✓	✓			
3	Donors financial reports	✓	✓	✓	✓	✓	
4	Programme narrative reports	✓	✓	✓	✓	✓	
5	Annual report on strategy	✓	✓	✓	✓		✓
6	Programme evaluation	✓	✓	✓	✓		
7	Stakeholder participation in programming decisions			✓	✓		✓
8	Stakeholder participation in resource utilisation decisions						✓

Chapter 7

Analysis of Data from Secondary Case Studies

7.1 Introduction

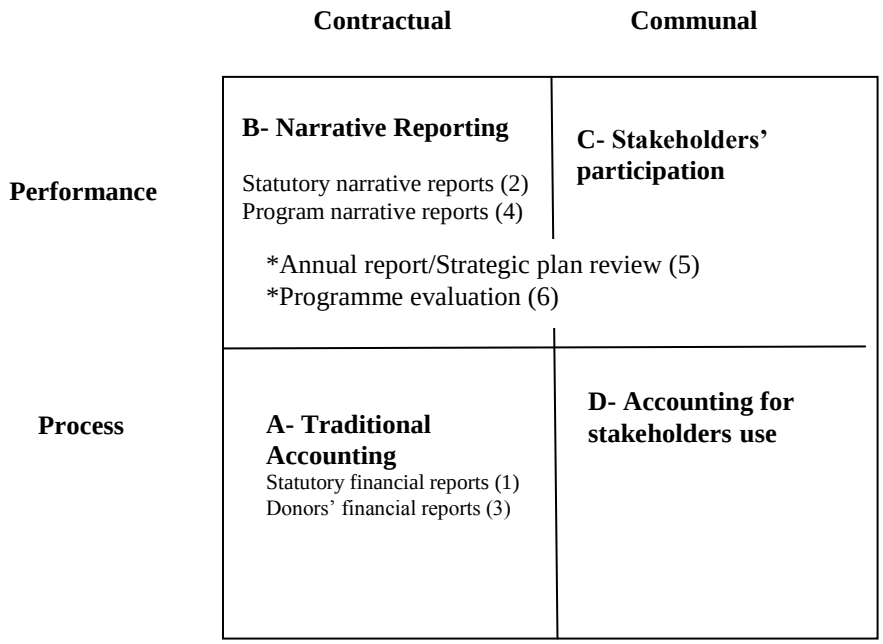
Chapter 6 sets out the data collected from the five case studies consisting of two further NGOs in the UK in addition to the lead case study and three NGOs in Africa. There were areas of broad similarities in accountability practices amongst the UK NGOs particularly in the area of statutory reporting and strategic planning review. But there are marked variations when compared with practices in the three NGOs based in the developing world. This chapter presents the data analysis and findings from all the five case studies highlighting the areas of similarities and differences. The analysis proceeds from the skeletal theory that identifies two main sets of variables that influence organizations' accountability practices. The first are endogenous variables relating to the nature of the organization's objectives and activities and how meaningful accounting information will be in organizational accountability. The second are exogenous variables relating to the information needs of the stakeholders. The next section presents the analysis of CS2 and CS3 which are UK NGOs and compares the findings with those from the lead case study (CS1). Section 7.3 presents the analysis of CS3, CS4 and CS5 all of which are African NGOs and brings out the similarities and differences between them and the UK NGOs. Section 7.4 presents a structuration theory analysis of the accountability practices in NGOs and explains why some practices are used in preference to the others. Section 7.5 concludes the chapter with a summary of the key findings from all the six case studies and the implication for NGOs' accountability.

7.1.1 Linking the analysis to the theoretical model and the findings from CS1

From the theoretical model presented in Chapter 4, accountability practices in organizations are determined by two variables. The first are the endogenous variables that determine whether traditional accounting will be the appropriate method of rendering accountability. This depends on the nature of the organization's objectives and activities. The second are the exogenous variables relating to the information needs of the stakeholders. This may suggest that one or more of the four possibilities named A, B, C and D in the accountability space will be the appropriate method of rendering accountability. The actual choice of organizational practices depends on the composition of the stakeholders, their relative influences and the social interactions between them. This choice may be optimal (leading to full accountability) or sub-optimal.

From the analysis of CS1, the nature of the endogenous variables is such that there is a wide sociological divide that means traditional accounting alone cannot fulfil the organization's accountability needs. Other methods are therefore used in addition. The six accountability practices observed in CS1 are therefore spread across both the process and performance based methods in the 'accountability space' but more of the practices (four) are performance based while two are process based. This result is summarized in figure 7.1 below.

Figure 7.1 Accountability Practices in CS1



In CS1, the contractual stakeholders are very influential on account of providing most of the funding for the running of the organization. This is reflected in the accountability practices as almost all of the practices are of the contractual form. Though two of the six practices observed attempt to address the information needs of the non-contractual stakeholders, but because these two methods are driven by the needs of the contractual stakeholders, they at best could only be described as straddling the contractual- communal accountability space. There is a notable absence of any practice that could be described as D type supplying quantitative financial information to non-contractual stakeholders. The following sections give detailed analysis of the data from CS2 and CS3 and compare the findings with those from CS1.

7.2 UK NGOs: Overview

CS2 and CS3 are NGOs based in the UK just like CS1. They therefore operate within the same general context. This reflects in certain elements of the practices observed across these organizations. This introduction examines the general context in which UK NGOs operate while the following subsections examine the specifics of the findings from the data.

The UK is a wealthy country and a member of the Organization for Economic Cooperation and Development (OECD). GDP per capita in the UK was £21,110 in 2010 (ONS). Charitable donations are tax deductible expenses under UK corporation tax laws while there is tax allowance for individual giving under personal income tax law. As a result, the level of individual donations to charity is high, totalling £10.6 billion in 2009/10 (NCVO, 2010: 10). These individual donations are given not as contractual grants but as unrestricted donations. There is, therefore, a large pool of unrestricted funding to UK charities allowing them to pursue activities they deem appropriate to advancing their causes. The second but larger pool of funding available to Charities is from Institutional donors. These are Official Development Assistance (ODA) given as contractual grants by the governments of developed countries and multilateral agencies such as the United Nations and the European Commission. These grants are made in response to proposals written in line with the donors' specific guidelines. Making a successful proposal requires a combination of programming, fundraising and budgeting skills. UK NGOs have access to this type of funding source because of the availability of a pool of skilled workforce (particularly in Programming and Fundraising) and because of access to information and infrastructural support needed to access these donors. While these present

opportunities for UK NGOs, they also present the challenge of meeting the varied accountability demands of these donors. In addition to meeting these accountability demands, UK NGOs operate within a framework of statutory regulation carried out by the Charity Commission. These contextual influences affect the practice of accountability in UK NGOs and are integral to the analysis of the case studies presented in the following sub-sections. The analysis proceeds from an examination of the nature of the endogenous variables in UK NGOs, the existence of the 'sociological divide' in the use of traditional accounting for NGOs' accountability and how these affect the practices in the UK NGOs.

7.2.1 Analysis of the Sociological Divide in UK NGOs

The existence of the sociological divide depends on the nature of the endogenous variables in organizations. These endogenous variables could be summarized as:

1. How clear, specific and measurable the organizational objectives are (O)
2. The extent to which the activities required to achieve the objectives are programmeable (P)
3. The level of economic rationality involved in decision-making in the organization (E)

The relationship between these variables and the sociological divide (ds) is represented by the expression:

$$ds = \frac{1}{O * P * E}$$

Where this divide is large (O, P, E have low values meaning O is not clearly measurable, P is non-programmable and E is non-economic), traditional accounting alone will be inadequate for accountability and it will be important for the organization to adopt additional forms of accountability to complement it. The

following paragraphs present an analysis of the endogenous variables and the sociological divides in CS2 and CS3 and compare them with those of CS1.

7.2.1.1 How clear, specific and measurable are UK NGOs' objectives? (O)

CS2's objectives revolve around protecting people with mental health issues. This involves delivering certain services to them and protecting their rights. Determining the needs of these beneficiaries (e,g for social inclusion, education and right to employment) around which CS2's services are designed is fairly subjective. CS2 works with GPs and Psychiatrists in an attempt to establish these needs. The subjectivity involved in this process is reflected in the modification to the programmes as they evolve. But the subjectivity involved is not as much as was found in CS1 where the detailed sub objectives and activities have tended to vary with each strategic plan. CS1's objectives have been restated is different ways with each successive strategic plan. In both CS1 and CS2 meeting the beneficiaries' needs are at the centre of the NGOs' objectives. But the beneficiaries have limited involvement in determining their needs or in designing the NGOs' programmes aimed at meeting those needs. While CS2 consults with experts who know best what the beneficiaries need, CS1 adopts a 'needs assessment' process whereby it consults the beneficiaries to find out what their needs are. In both cases the process is out of the control of the beneficiaries. Compared with CS1, CS2's objectives are more specific. The higher degree of specificity of CS2's objectives reflects in its activities. Most of CS2's services have been running for many years with only incremental changes, modifications and additions. This is unlike CS1 where there has been a wider variability in the programmes implemented. Situating this in the skeletal theory, the

variable O (specificity of objective) in the endogenous variable model could be viewed as having a medium value in CS2 as opposed to the very low value in CS1.

In relation to CS3, the main objective is to ensure that the poorest people in the world gain access to safe water, sanitation and improved hygiene. This objective has remained stable and less susceptible to varied interpretations.

In terms of the measurability of objectives, CS1's objective of protecting minorities' rights has been less measurable than CS2's objectives which deal with delivering services to and protecting the rights of people with mental health issues. The reason is attributable to the nature of advocacy work the impact of which is inherently difficult to measure. CS1's work is mainly in the area of advocacy. Though CS2 started as an advocacy NGO, its work now involves more of welfare service delivery. This explains why the achievement of CS2's objectives is now slightly more measurable than CS1's. As for CS3, access to safe water, which is at the centre of its objectives, could be more objectively determined. The international standard (the Joint Monitoring Programme) suggests that everyone should have access to 25 litres of water per day. Though this standard is not absolute, as CS3 has redefined it for its own purpose as access to 10 litres of water per person per day as a minimum standard, it is still sufficiently measurable. But improved sanitation and hygiene may not be as easily measurable and there is no similar standard for measuring good sanitation and hygiene. Because of this component of its work and its involvement in advocacy for improved access to water, sanitation and hygiene, CS3's objectives can only be described as partly measurable. It appears that the higher the advocacy element of the NGO's work, the less measurable its objectives are. The strategic planning process in

CS3 aims to tackle this by breaking the objectives into more specific and measurable units. This is with a view to aiding accountability and reporting to stakeholders on performance against these objectives. For example, the 2009 strategic plan lists as success indicator that by 2015:

> ‘25 million more people will have access to safe water, be practicing good hygiene and have improved sanitation as a result of our investment in partner organisations’ (CS3/SP/09:14).

While there is an objective criterion for determining how many more people have gained access to safe water, there are no objective criteria for establishing how many more people practice good hygiene and sanitation. This suggests a medium value of O for CS3 as in CS2.

7.2.1.2 To what extent do the activities of UK NGOs have a programmable link to the achievement of their objectives? (P)

In terms of the nature of the activities, the link between CS2’s activities and the achievement of the objectives may be considered non programmable in some areas but fairly programmable in others. The link between Employment services and mental health patients keeping their job is fairly programmable. In 2009 spending on Education and Employment service increased 86% to £582,706 from its 2008 level of £313,455 mainly through the new ‘moving on’ project. 71% (£415,635) of this spending was mainly to engage and support four employment advisers ‘to provide advice and guidance specifically to people who are on long-term incapacity benefits’ (CS2/AR/09:6). The result of the increase in activities in this area was reported as:

> ‘Through this projects this year alone we provided assistance to over 200 people: 25 of who gained paid employment, 70 accessed education and training opportunities and a further 51 participated in voluntary work placement’ (CS2/AR/09: 6)

But many of CS2's other activities don't have the same direct link to the achievement of its objectives. For example in areas of Advocacy a similar increase in spending of 50% to £583, 234 from the 2008 level of £389,416 occurred. 63% of the spending (£369,592) was to engage and support '14 full- and part-time advocates' up from 5 advocates in the previous year (CS2/AR/09: 3). But the result of this increased activity was expressed this way with no indication of any measurable achievement:

> 'It is the purpose of the Advocacy Project to strengthen the voices of our service users. Our advocates have achieved this on a daily basis, whether speaking on people's behalf or supporting them to speak for themselves…The substantially increased uptake of our services clearly shows the scale and need for advocacy provision: demand for our services appears to be limited primarily by our capacity to provide them' (CS2/AR/09: 5)

The only data available to justify the achievement was the number of users seen and the number of contact meetings involved. This shows that in 2008 there were 490 advocacy contact meetings where 104 users were seen. In 2009 this increased to 1,250 contact meetings where 118 users were seen (CS2/AR/09: 5). No further information was available on how far the users' voices have been strengthened or their rights respected. The variable P (the extent to which the activities have programmable link to the achievement of objectives) can therefore be taken to have a low value in CS2.

To achieve its objective, CS3 carries out activities involving two main strands. The first is direct provision of water to communities and promoting improved hygiene and sanitation. The second involves advocacy and campaign to influence others (mainly governments) to achieve this. Towards the first strand, CS3's activities involve providing water points, building water supply infrastructure and helping communities to manage their water resources. There is a fairly programmable link between these activities and the objectives of access to safe water. Towards the other objective of

improved sanitation and hygiene, CS3 carries out hygiene promotion activities involving campaign and education. The link between this promotion and campaign activities and improved sanitation and hygiene is less programmable. This is mainly for two reasons. The first, already discussed, is that no objective scale for measuring improvement in sanitation and hygiene has been developed. The second is that education and campaign inherently have no direct or immediate link to the change they seek to bring about. One may, therefore, take the value of P in the model to be medium in CS3. These two results contrast with that in CS1 where the activities bear little programmable link to the objectives they seek to achieve.

7.2.1.3 How much of economic rationality is involved in decision-making in UK NGOs? (E)

In terms of the economic nature of the activities, the third endogenous variable in the model, the NGOs' services are not paid for by beneficiaries. The NGOs do not aim to make profit or accumulate surplus. All of the three UK NGOs studied deploy all of their income towards their charitable objectives and aim to maintain only just enough reserves to mitigate business risks. Attaining an improved economic position is therefore not part of the NGOs' objectives and has not been seen to influence decision-making. The decisions on programme design and implementations are made without any form of economic appraisal such as cost-benefit analysis. None of the accountability practices observed address the issue of economic efficiency of any of the programmes or services. One may conclude that the variable E in the model takes on low values in all the UK NGOs

All these taken together suggest that the sociological divide exist to varying extents in all the three UK NGOs. It is medium in CS3 but wide in CS2 and very wide in CS1. The result of this is that traditional accounting information alone does not meet the full accountability needs in the UK NGOs. The extent of the sociological divide indicates how inadequate traditional accounting information will be in meeting the organization's accountability needs. Improving NGO's system of statutory financial reporting which itself is based on the traditional accounting model appear to be a way of addressing this sociological divide. The efforts to develop the SORP to meet the specific needs of NGOs' reporting, the adoption of fund accounting principle that is very important to the donors and the introduction of the trustees' report that ensures that account is given of the achievement of the NGOs' objectives are examples of initiatives that have been introduced on recognition of the existence of the sociological divide in using traditional accounting for NGOs' accountability.

These findings are summarised in Table 7.1

Table 7.1- The Sociological Divide in UK NGOs

	CS1	CS2	CS3
Type of NGO	Advocacy	Advocacy & Welfare	Development & Advocacy
Objectives	Protecting Minority rights and promoting peaceful co-existence	Protecting the right of people with mental health issues.	Providing safe water and promoting hygiene & sanitation
Indicators of the achievement of the objectives	Changes in legislation achieved; changes in attitude of communities	Number of users trained; number of users that gained or retained jobs	Number of users given access to safe water or hygiene training
How specific and measurable are the Objectives (O)?	V. Low	Low	Medium
Activities	Seminar, training, legal cases, advocacy campaign	Advocacy, education & training, employment support	Building water points & latrines and hygiene promotion
How programmable are the activities? (P)	V. Low	Low	Medium
Economic rationality used in decisions? (E)	V. Low	Low	Low
Is there a sociological divide?	Yes	Yes	Yes
Size of sociological divide	Large	Large	Medium

7.2.3 A Theoretical Analysis of UK NGOs' accountability practices

A main factor that has shaped accountability practices in UK NGOs is the existence of the sociological divide that means traditional financial accounting alone is inadequate to demonstrate NGOs' accountability. As a result, the two UK NGOs, CS2 and CS3 have developed various means of accountability which they use in combination. These methods could be categorized in line with the theoretical model in the same way as the practices in CS1 have been categorized and presented in figure 7.1. The practices observed in CS2 and CS3 are broadly similar to those identified in CS1 but differ in form and details. While there is a balanced spread of the practices between the process based methods and the performance based methods, the practices observed appears to be more concentrated around the contractual methods (types A and B). There are a few practices that do not fit neatly into one of these categories but straddle the contractual-communal accountability space. These are mainly the Strategic Planning and Review process and the Annual Reports. These forms of accountability, particularly as practised in CS3, attempt to integrate the needs of the non-contractual stakeholders more than in CS1. They could, therefore, be viewed as venturing slightly more into the communal part of the accountability space than in CS1. There seems to be no process based method of accountability of the communal form (type D) in use in CS2 and CS1 as no method has yet been developed to render financial accountability to the individual donors who give unrestricted funding to the NGOs, or to the beneficiaries. But CS3 to some extent involves beneficiaries in the management of the water facilities it provides. This involvement includes the direct participation in the management of the resources generated and used towards the maintenance of the facilities. Furthermore, CS3 provides to the non-contractual stakeholders information on the unit cost of its services and relates the resources used

to the services delivered to its beneficiaries. These practices could be categorised as type D in the accountability space.

The six types of practices initially observed in CS1 and shown to repeat to a varying extent in CS2 and CS3 are described below together with the two additional practices observed in CS3. Areas of commonality and differences are highlighted.

1. A system of statutory financial reporting under UK GAAP in line with the charity SORP. This separately accounts for the restricted and unrestricted funds but does not include the detailed accountability for the individual programmes and services that are treated as separate funds. This method of accountability is well standardized and its practice is similar across all of the three NGOs studied. The statutory financial reports of CS2 and CS3 are comparable in form and information content to those of CS1 as they are prepared under the same reporting standard, the Charity SORP.
2. Statutory narrative reporting. This is an extension of the statutory reports in the form of trustees' reports that explains the activities of the NGOs and the achievement of its objectives. Though it is carried out within the same regulatory framework determined by the charity commission, the content is not very standardized. The practice here is identical in form across the three UK NGOs studied but they differ in depth. While the form and information content of the trustees' report is similar in CS1 and CS2, CS3 goes into more depth, and incorporates its annual report as the narrative part of the statutory report.
3. Financial reporting to donors on contractual grants.

The forms of these reports are determined by the funders and specified in the contractual requirements for the individual grants. While the format varies with the different funders, it involves mainly demonstrating that the grant funds have been utilized in accordance with contract. The formats involve setting out the grant Income and Expenditure against the approved budget and explaining the variances. This method dominates accountability practices in CS1 and CS2 because of the high dependence on contractual grants. But while it is prominently used in CS3 it is not as dominant because contractual grants constitute only about 36% of its funding. Since the practices are determined by the donors, the practices are similar where the NGOs have the same source of funding. 60% of CS3's contractual grants are from the EC and DFID, the two main donors to CS1. The method of financial reporting to donors is, therefore, similar in CS1 and CS3. But the practices in CS2 are slightly different as most of its contractual grants are from statutory bodies with slightly different reporting styles.

4. Narrative reports or Performance reports to donors on contractual grants. These reports highlight the achievements of programmes objectives or outcomes against Key Performance Indicators (KPI) or measurable indicators agreed in the grant contract. These reports are predominantly used in all of the UK NGOs studied but again more in CS1 and CS2 than in CS3. The reports give narrative accounts of how the NGO has performed against the indicators agreed in the grant contract. Their usefulness is dependent on how accurately the indicators reflect the achievement of the programme objectives and how practicable it is to gather data on the performance against those indicators. These reports differ in form and style across the three NGOs as they are

determined by the needs of the donors. Again, practices in CS3 are similar to those in CS1 while practices in CS2 are slightly different.

5. Annual reports and the strategic planning & review system.

   This method of accountability involves giving narrative accounts that detail the NGO's overall strategic objectives and how its activities have contributed to their achievement. The annual reports are more detailed than the statutory narrative reports and take an overall view of the NGO's objectives and activities rather than those of individual programmes. It is not prepared as a contractual grant requirement and does not form part of the statutory reporting requirements. As a result, the form of these reports varies among the three UK NGOs. In CS1 and CS2 these reports are prepared separately and aligned with the strategic review process. But in CS3, the annual reports are incorporated as the narrative element of the statutory reports. These reports emphasize mostly the positive achievements of the NGOs and in addition to informing the general public about their work, they are also used as a fundraising tool. The three NGOs view the annual reporting and strategic review process as a form of accountability to the non-contractual stakeholders because the process involves consultation with them. But these consultations are only one-way, particularly in CS1 and CS2, as these stakeholders do not influence strategic decisions beyond giving the NGOs the information and support they need to make the decisions. But the involvement of the non-contractual stakeholders is greater in CS3 where the beneficiaries play a greater role in helping the NGO determine their needs, the appropriate location of water points and the maintenance of the facilities. This involvement can be described as a form of communal accountability (type C) and is categorised as such. In addition, only

CS3 attempts to incorporate in its annual reports, financial accountability for the use of its resources aimed at the needs of the individual donors, the beneficiaries and the community. This practice may be considered as type D and is categorised as such.

6. Programme evaluation and impact studies.

   This involves an evaluator reviewing the programmes of the NGO and making judgments as to their effectiveness in meeting the objectives. The practices here vary between the UK NGOs. In CS1 evaluation is carried out by independent consultants engaged by the NGO to evaluate the programmes implemented, the objectives achieved and the impact on beneficiaries. The services are usually requested and paid for by the donor under particular grants but the evaluators are appointed by CS1. The lack of independence of the evaluator compromises the objectivity of the reports as such reports tend to emphasize mostly the positive accomplishments.

   In CS2 evaluation is performed by the donors' staff as most of CS2's donors have their own internal evaluators. This evaluation is more rigorous and tends to be more critical than those observed in CS1. But as in CS1, the evaluations focus on individual grants rather than the whole of the NGOs' programmes.

   CS3 has its own *Programme Effectiveness* unit that evaluates its programmes worldwide. The evaluation focuses not only on individual programmes but on the whole work of a particular unit (e.g a country office). However, the emphasis is more on learning points and the evaluation tends to be less critical of the programmes.

While the NGOs view programme evaluation as a form of accountability to the non-contractual stakeholders in the sense that evaluators seek their views on how the programme has benefited them, it could not be described as a communal form of accountability as it is, particularly in CS1 and CS2, driven by the needs of the contractual stakeholders.

7. Beneficiaries' participation: This is used as a form of accountability to very limited extents in CS1 and CS2 but more extensively in CS3. This is in the form of consultation with the beneficiaries in programmes that affect them and their participation in decisions relating to them. CS3 encourages the beneficiaries to form village committees through which they participate in decision-making concerning the location and maintenance of the facilities provided for them.
8. Financial accountability to non-contractual stakeholders: In terms of providing financial accountability to non-contractual stakeholders (type D) evidence from the data suggests that only CS3 attempts to explain to all stakeholders how each £1 of donation is utilized in its work by breaking down the unit cost of the services it provides and relating them to its output. Though this information is also used for fundraising, it provides transparency and accountability to the individual donors, the community and the beneficiaries.

Some of these main methods of accountability are used to different extents in the UK NGOs. There is some consistency in practices across the three NGOs in the area of statutory reporting (type 1 and 2) This is due to progress made in the effort to

standardize financial reporting in UK NGOs. But there is no attempt to standardize the methods used to report to donors as the donors have different reporting needs and styles. Also, the system of strategic planning and review is not standardized. The three NGOs have focused mainly on their achievements and successes and have tended to restate their objectives or redefined success criteria where they seemed unattainable. Concerning accountability to the non-contractual stakeholders (type C and D) there is little effort by CS1 and CS2 but CS3 goes a bit further here.

The practices observed in CS2 are similar to those in CS1 presented earlier in Figure 7.1 and will not be represented here. But while some of the practices in CS3 are similar to those in CS1 and CS2, two additional forms of accountability not used in CS1 and CS2 were observed in CS3. Figure 7.2 below presents the eight forms of accountability practices in CS3 within the accountability space.

Figure 7.2 - Accountability practices in CS3

	Contractual Accountability	**Communal Accountability**
Performance Based	**B-** -Statutory narrative reports (2) -Performance reports to donors (4) -Annual Reports/Strategic planning (5) -Programme Evaluation (6)	**C-** -Beneficiaries' participation (7)
Process Based	**A-** -Statutory financial reports (1) - Donor financial reports (3)	**D-** - Financial accountability to non-contractual stakeholders (8)

CS3 has some practices in common with CS1 and CS2 but also has some practices that are unique to it. The system of statutory reporting in CS3 is broadly the same as in CS1 and CS2 but there are differences in the other areas of practice. Unlike in CS1 and CS2 where the annual reports are produced as separate documents aligned with the system of strategic review, CS3 incorporates its detailed annual reports as the narrative component of its statutory reports in place of the trustees' report.

The conclusion from the analysis of the UK NGOs is that while practices in CS1 and CS2 are almost wholly determined by the needs of the contractual stakeholders, practices in CS3 venture slightly into some communal forms of accountability.

An important issue to consider is whether the accountability practices observed in the UK NGOs are adequate. An examination of the stakeholders' information needs will shed some light into the adequacy of these practices.

7.2.4 Analysis of Stakeholders' Information needs in UK NGOs

There are several stakeholders involved in UK NGOs. They can be categorized as contractual and non-contractual stakeholders. These stakeholders have varying levels of influence and different information needs. Because the information needs of the non-contractual stakeholders are not necessarily the same as those of the contractual stakeholders, limiting accountability to what is contractually required potentially creates an information divide. In order to avoid this, the needs of the non-contractual stakeholders have to be addressed within the accountability system in the NGOs as well as those of the contractual stakeholders.

Included in the contractual stakeholder group are the regulatory authorities and the Institutional donors. The regulators have the power to hold NGOs to account and demand accountability in any form they deem appropriate. This form has evolved over the years. The emphasis was originally on accounting for the use of resources through the traditional financial statements but this has now been extended to narrative reporting particularly on the achievement of the NGOs' objectives. The UK NGOs studied have all complied with the statutory requirements and it appears that the statutory authorities' information needs are met because of this.

The influence of the second group of contractual stakeholders, the Institutional donors, derives from providing significant amount of funding to the three NGOs. The information needs of these contractual stakeholders include financial information to demonstrate proper use of the resources as well as performance reports on the achievement of the programme objectives. This need was observed to shape the accountability practices in the UK NGOs as they responded to the information demands of these donors. The contractual methods of accountability have therefore dominated accountability practices in all the three NGOs but more particularly in CS1 and CS2 that relies to a greater extent on funding from contractual donors.

The non-contractual stakeholders in the UK NGOs consist mainly of the beneficiaries or users of their services, the individual donors and the community from which they are drawn. The needs of the non-contractual stakeholders are varied. The individual donors give small amounts of donations to the NGOs. They are less interested in elaborate financial reporting but more interested in the effectiveness of the NGOs' activities in meeting the needs of the beneficiaries. The beneficiaries do not provide

the resources used by the NGOs but they are more interested in how well the NGOs' programmes that are intended to meet their needs do in fact meet those needs.

As accountability practice in NGOs is aimed at providing appropriate information to the stakeholders, a gap in accountability or 'information divide' occurs when a significant section of the stakeholders are not getting the information they need. This may occur where the practices focus exclusively on the information needs of only a section of the stakeholders. In the UK NGOs, as the practices focus on the needs of the contractual stakeholders, there appears to be a significant information divide in relation to the needs of the non-contractual stakeholders. This is more pronounced in CS1 where little effort is made to establish and respond to the information needs of the non-contractual stakeholders. CS1's accountability practices have not addressed these needs and there remains an information divide resulting from this. CS2 has established an organized way of obtaining regular feedback from the users of its services and therefore has better knowledge of their information needs. But its accountability practices do not adequately address these needs so the information divide is observed here as well. But CS3 has gone further than CS1 and CS2 in terms of involvement of the beneficiaries in the decision making relating to the location and maintenance of the facilities it provides for them. This involvement is however, limited and one may conclude that CS3's practices have only partially reduced the information divide.

7.3 Overview of African NGOs

The remaining three case studies (CS4, CS5 and CS6) are NGOs based in Africa, two in Uganda and one in Nigeria. The general contexts in which these NGOs operate are similar but markedly different from those of UK NGOs. Three main contextual differences mark them apart from the UK NGOs. The first is the level of poverty in both countries. Uganda for example is a poor country with GDP per capita of $1,200 in 2009. Also in Nigeria, in spite of the revenue from crude oil, GDP per capita was only $2,300 in 2009 (Central Intelligence Agency, 2010). The implications of this are twofold. First is that the levels of individual and corporate donations are low so NGOs in these countries have a very low level of unrestricted income derived from this source. The second is that the high level of poverty means that most of the beneficiaries of UK NGOs that work in the area of poverty relief, such as CS3, are in these countries. Perhaps the most important contextual issue, the third, is the role of the government and the statutory regulators in these countries. Unlike in the UK where NGOs are largely independent of government but subject to a structured regulatory reporting regime, NGOs in Uganda and Nigeria are less independent of government but not subjected to any elaborate regulatory reporting regime. This section presents the analysis of the data from these case studies.

7.3.1 Analysis of the Sociological Divide in African NGOs

This section present an analysis of the endogenous variables and the sociological divides in the African NGOs and how this has influenced the forms of accountability practices observed.

7.3.1.1 How clear, specific and measurable are African NGOs' objectives? (O)

The main objectives of CS4, like those of CS3, its UK-based parent NGO, is to ensure that the poorest people in Uganda gain access to safe water, sanitation and improved hygiene. This is an adaptation of the objective of CS3 to the local context in Uganda. This is consistent with the fact that CS4 was established purposely to achieve the objective of CS3 in Uganda. As noted in section 7.2 for CS3, access to safe water, can be more objectively measured but improved sanitation and hygiene and the advocacy elements of its objectives may not be as easily measurable. CS4's objectives, like CS3's, can only be described as partly measurable.

In CS5, the objectives involve the prevention and resolution of conflict. These objectives are broad and not easily measurable. CS5 prepares strategic plans every three years but the process is not structured or rigorous and does not attempt to re-present the NGOs objectives in any clearer or measurable way. No measurable indicators have been developed to aid the measurement of their achievement. The endogenous variable O relating to the specificity and measurability of CS5's objectives could, therefore, be considered as low.

In the case of CS6, the objective is encapsulated in the vision of the organization which is to alleviate the problem faced by abandoned or orphaned children and to give them the chance to succeed in life. The immediate problems faced by these children are the basic needs for food, clothing, shelter, education and medical care. These objectives are fairly specific. No effort is expended in breaking them further into measurable terms and no measurable targets of achievement have been set for their achievement. For example, CS6's target to provide the children with good quality

medical care and education is qualitative and its attainment difficult to measure. Though CS6 does not carry out any formal strategic planning process, evidence from the data suggests there is a clear strategy being followed and all the stakeholders are clear about the strategic objectives. One may conclude that the endogenous variable, O, related to the certainty of the objectives, takes on a medium value in CS6.

7.3.1.2 To what extent do the activities of African NGOs have a programmable link to the achievement of their objectives? (P)

To achieve its stated objectives, CS4 carries out activities involving direct provision of water to communities, sanitation and hygiene promotion, and advocacy on these issues. While there is a fairly programmable link between the activities and the achievement of the objectives of giving access to safe water, the link to the other areas of the objectives is less programmable. The endogenous variable P is therefore medium as in CS3 already discussed in Section 7.2.

Though CS5 claims that it carries out activities directly related to the achievement of its objectives, there are no measurable indicators developed to establish this link. None of the organization's reports attempt to attribute identifiable achievements in the areas of its objectives to the success of particular programmes it has implemented. This may be due in part to the inherent nature of advocacy work that forms a major part of its activities. Outcome of advocacy work take a long time to occur making it difficult to attribute them to particular activities. But it may also be due to the inadequate efforts made in breaking down the objectives into measurable units and in developing measurable indicators relating them to particular activities aimed at achieving those objectives. This is one of the main reasons for strategic planning in the UK NGOs studied but this is missing in CS5. The cause and effect relationship

between CS5's activities and the achievement of its objective is therefore weak. Because of this, the endogenous variable P in CS5 may be considered to have low values.

CS6's activities revolve around caring for the children, providing them the basic needs and a stable and loving home to grow up in. Food and supplies are either donated by individuals or bought in while medical care and education are procured from the open market. These activities seem to have a direct link to the achievement of the objectives but this link is in no way programmable. For example, providing a home and the basic necessities ensures that the children grow up in a safe environment. Also, the expenditure on good quality schooling translates to good quality education for the children but one cannot claim that this has a direct correlation to success in life. Neither can one establish by how much CS6's achievement could be raised by for example, a 25% increase in spending. One may conclude that the variable P in CS6 has a low value.

7.3.1.3 How much of economic rationality is involved in decision-making in African NGOs? (E)

Concerning the role of economic rationality in decision making (E), all of the three African NGOs studied use all of their resources in achieving their charitable objectives. Attaining an improved economic position has not been seen to influence decision-making in the areas of programme design and implementations. The decisions made are not weighed in terms of economic impact. In CS6 for example, when one HIV positive child was taken ill, considerable resources were expended on medical care with adverse impact on the resources available for basic necessities in

the home. Though the child died, the management believed they made the right decisions and claimed ‘the life of every child is precious- we won’t spare any resources to save a child’s life’ (CS6/IV10/10). The endogenous variable E could therefore be taken to have low values in all the African NGOs.

All these taken together suggest that the endogenous variables in the African NGOs have low values and there will be a sociological divide if accountability in the African NGOs is based only on the provision of traditional accounting information. The conclusion here is therefore consistent with those from the UK NGOs- that traditional accounting alone is insufficient for the NGO’s accountability needs. But with the African NGOs not subject to any structured financial reporting framework or any reporting standards that address the specific accountability needs in NGOs, the sociological divide is not acknowledged or addressed. Table 7.2 below summarizes the analysis of the sociological divide in the African NGOs.

Table 7.2- The Sociological Divide in African NGOs

	CS4	CS5	CS6
Type of NGO	Development & Welfare	Advocacy	Welfare
Objectives	Providing safe water and promoting hygiene & sanitation	Prevention and resolution of conflict	Providing orphans with a chance to succeed in life
Indicators of the achievement of the objectives	Number of users given access to safe water or hygiene training	Number of community peace initiatives established	No of children cared for
How measurable are the Objectives (O)?	Medium	Low	Low
Activities	Building water points, latrines and hygiene promotion	Education , training and mediation	Providing a home, medical and education
Link between activities and objectives achieved	Medium	Weak	Medium
How programmable are the activities (P)?	Medium	V. Low	Low
Economic rationality used in decisions (E)?	Low	V. Low	Low
Size of sociological divide	Medium	Large	Large

7.3.2 A Theoretical Analysis of Accountability Practices in African NGOs

The main components of accountability in CS4, CS5 and CS6 have some overlaps with the forms of practices observed in the UK NGOs. While some of the practices such as statutory reporting and annual reporting/strategic review are weaker in the African NGOs, communal accountability appears to be practiced to a greater extent notably in CS6. Altogether, the 8 accountability practices already identified were in use to different extents in the African NGOs as described in the following paragraphs.

1. A weak system of statutory financial reporting: This is in the form of a simple Income and Expenditure account with no further adaptation to reflect the special nature of the NGOs' objectives and activities. There are no statutory guidelines on how the reports should be prepared. Transactions and balances on the various funds of the NGOs are not clearly separated. The reports contain very little or no narrative element that explains the activities and the achievements of the NGOs. They give very little or no information on how the NGOs have performed in delivering their various services and achieving their objectives. This form of practice could be described as a simple form of type A process-based accountability. The usefulness of this report in promoting accountability is very limited because of the existence of the sociological divide already identified.
2. Statutory narrative reporting: This is an extension of the statutory reports in the form of trustees' reports that explains the activities of the NGOs and the achievement of its objectives. This is not used by any of the African NGOs as the regulatory framework does not require it.
3. Financial reporting to donors: These are prepared in forms determined by the funders, mainly the Institutional donors, according to the individual grant

reporting requirements. Because these are prepared in line with the contractual requirements for the individual grants as set out by the donors, the practices here are similar to those in the UK NGOs as the funding sources are identical. But CS6 receives no contractual grant funding and does not practice this form of reporting.

4. Narrative reports or Performance reports to funders: These highlight the achievements of programmes against objectives and are prepared along with the grant financial reports for funders in line with the grant contract conditions. These are used by CS4 and CS5 who receive restricted funding from Institutional donors and INGOs. The practices here are also similar to those in the UK NGOs. This form of accountability could be categorized as type B. But CS6 does not practice this form of accountability as it receives no grant funding.
5. Annual reports and strategic planning review: The annual reports contain narrative accounts of the NGOs' activities and achievement of its strategic objectives. It is in more detail than the statutory reports and it focuses more on the objectives and impact achieved in relation to them. This is used prominently only in CS4 that is an affiliate of CS3. It is disseminated mostly to donors and is often used as a marketing or fundraising material. Notwithstanding the fact that beneficiaries are consulted in the process of its preparation, this cannot be claimed to be a full form of communal accountability of type C but rather another form of type B aimed at the needs of contractual stakeholders. CS5 claims to carry out strategic planning and review but there is no evidence of any structured process of reviewing and reporting on the implementation of the strategic plans. CS6 has a strategy that

is integral to its work. It publishes a report on its activities and strategy but this is not a formal process that happens in predetermined cycles as in CS4 and the UK NGOs. The reports are prepared at irregular intervals based on needs and the full essence of the process is not captured in a single document.

6. Programme evaluation and impact studies- In CS5, these are carried out at the request of the restricted grant donor for programmes funded by their grants. It, therefore, focuses only on the area of CS5's involvement in the individual programmes and not the entire organization's activities. In CS4, evaluation is carried out as an internal process by its parent NGO, CS3 as part of its global evaluation of its country programmes. Notwithstanding that evaluators seek the views of beneficiaries on project outcomes, all these forms of evaluation could be categorized as more of type B than C.
7. Participation of non-contractual stakeholders: This is used as a form of accountability to this stakeholder group which includes mainly the beneficiaries and the community. This form of accountability is discretionary and can take different forms. The practices observed involve the participation of the non-contractual stakeholders in the area of needs assessment, location and management of program facilities. CS3 and CS4 involve their beneficiaries in decisions relating to the location and maintenance of the water facilities which they provide to them and incorporate information relating to this participation in their Annual Reports. This level of participation is considered sufficient to qualify as a form of accountability under this category. But CS6 goes further in demonstrating accountability of this form by involving its beneficiaries and the community in its work and incorporating their views and needs in its strategy and activities. Its engagement with this

stakeholder group is continuous and integral to its strategy and processes. To support the process, the donors (mainly individuals and groups from the community) are encouraged to meet the beneficiaries (the children) and discuss their needs. This direct communication between the donors, the NGO and the beneficiaries to discuss the needs is a unique feature of the communal form of accountability practice in CS6. It is the absence of this direct contact between the beneficiaries and the donors in the contractual form of accountability that 'needs assessment' and 'programme evaluation' which are part of the contractual form of accountability seek to address.

8. Financial accountability to the non-contractual stakeholders: This form of accountability as practiced in CS3 involves providing information to the non-contractual stakeholders on the unit cost of the NGOs' services and relating this to its use of resources. CS6 goes further than this to involve the participation of the non-contractual stakeholders in decisions relating to the allocation and utilisation of resources of the NGO. Only CS6 practices this form of accountability. CS6 prepares its budget based on its needs and present it to donors not as a monetary budget but a basket of needs. The donors then decide on which needs they consider most important and they go on to meet those needs either directly by providing the resources (e.g of food, clothing, a school bus or direct sponsorship of a child's education) or by providing the finance. In this way, the non-contractual stakeholders are involved in resource allocation thereby influencing the NGO's strategy and how it is implemented. All donations received in cash or in kind are recorded and a major part of the use of accounting information here is in resource allocation. The management of the NGO makes the decision but the beneficiaries input into the decision by

communicating their needs which are then reflected in the operational decisions.

The practices observed in the African NGOs vary significantly and are therefore shown separately for each of CS4, CS5 and CS6 in Figures 7.3 to 7.5 below.

Figure 7.3- Accountability practices in CS4

	Contractual Accountability	**Communal Accountability**
Performance Based	**B-** -Performance reports to funders (4) -Annual Reports/Strategic planning (5) -Programme Evaluation (6)	**C-** -Stakeholders' participation in programming decisions (7)
Process Based	A- - Grant financial report (3)	**D-** -Stakeholders' participation in resource utilization decisions (8)

Figure 7.4- Accountability practices in CS5

	Contractual Accountability	Communal Accountability
Performance Based	**B-** -Programme narrative reports (4)	**C-**
Process Based	A- - Statutory financial reports (1) -Grant financial reports (3)	**D-**

Figure 7.5- Accountability practices in CS6

	Contractual Accountability	Communal Accountability
Performance Based	**B-**	**C-** -Stakeholders' participation in programming decisions (7)
Process Based	A-	**D-** Stakeholders' participation in resource utilization decisions (8)

7.3.3 Analysis of the Stakeholders' Information needs in African NGOs

There are several stakeholders involved in the African NGOs. As with UK NGOs, these stakeholders could be categorized as contractual and non contractual. The composition of these stakeholder groups is similar to those for UK NGOs. But in addition, African NGOs have another important group of stakeholders- the foreign or International NGOs (INGOs). These are NGOs based in the developed world but whose beneficiaries are mostly in Africa or other less developed parts of the world. These INGOs need local knowledge, skills and presence to deliver services to their beneficiaries. They therefore work through the local NGOs by giving them contractual grants to deliver on specific services, an arrangement often referred to as 'partnerships'. Or in some cases, these INGOs have actually been involved in establishing the local NGOs purposely to help implement their programmes locally. In both arrangements, the INGOs have the contractual rights to demand accountability from the local NGOs and could be described as contractual stakeholders in them. In reality the INGOs serve as intermediaries through which the Institutional donors as well as individual donors based in the developed world channel financial aid to beneficiaries and local NGOs based in the developing countries.

In CS4 the parent NGO, CS3 falls into this group of stakeholders (INGO). CS3 supplies 80% of CS4's funding and plays a major role in its management and the development of its strategy. In the same manner, CS1 provides funding to CS5 under a different form of arrangement it calls 'partnership'. CS1 lists CS5 as one of the over 150 'partners' it works with globally. The relationship here is more flexible. It involves CS1 cooperating with CS5 to carry out specific activities relating to their areas of common objectives. CS1 has no permanent contractual ties with CS5 but only

contracts for the delivery of those specific activities for which it provides the fund. In this way CS1 also serves as an intermediary since it received those funds from Institutional donors, Foundations and individuals all based in the developed world. The interest of the INGOs as stakeholders is in ensuring that the 'partners' or 'affiliates' carry out the activities that help further their objectives and strategies. Because of this, INGOs play a major role in shaping accountability practices in the African NGOs. For example, the practices observed in CS4 are a reflection of the practices in CS3.

The second groups of contractual stakeholders in African NGOs are the Institutional donors who sometimes bypass the INGOs to provide funding directly to local NGOs. Some of these Institutional donors have established offices or embassies in the developing world through which local NGOs sometimes make direct funding applications to them. In CS4 the Institutional donors provide about 20% of the funding directly as contractual grants. Some African NGOs rely almost wholly on the funding from these two stakeholder groups. Together, the Institutional donors and INGOs provide 100% of CS4's funding and 95% of CS5's. The exception is CS6 that receives no funding from these two stakeholder groups. CS6 relies wholly on the non-contractual stakeholders for its funding. The needs of the Institutional donors remain the same as discussed under UK NGOs. They are mostly interested in financial information to demonstrate the appropriate use of funds for the purposes specified in the contract and performance reports to ensure that the intended programme objectives are met.

The third major group of contractual stakeholders is the government and the regulatory authorities. But the complex role of this stakeholder in African NGOs means that the government may be categorized in both the contractual and the non-contractual stakeholder groups. This is exemplified in CS4 that works with government agencies and the Uganda Water and Sanitation ministry in providing the technical support for delivering water and sanitation services to communities. As CS4 assists the government to meet its obligation in this area, the government may be viewed as a beneficiary of its activities. The position of the government as a stakeholder in CS6 is similar to that in CS4. The government has the primary responsibility to care for orphans and abandoned children through its Ministry for Youths and Social Development. But it is unable to meet its obligation to a large section of this group. It therefore actively encourages the NGOs that attempt to do so. The role of the government in CS5 is not significantly different from that in CS4 and CS6. Though CS5 renders no services that are of direct financial benefit to the government, its work on prevention and resolution of conflict is of indirect benefit to the government as it promotes peaceful co-existence in communities. The government supports its work. Government officials and departments participate in CS5's peace-building workshops, seminars and other initiatives. One may conclude that to the extent that NGOs' activities do not conflict with the interest of the government, the government supports their work and benefits from it. But the government also holds the power to regulate NGOs. This regulatory power is used in a way different from that of the UK regulators. The regulators have placed more emphasis on the power to register and deregister NGOs rather than on enforcing accountability. This emphasis is aimed at ensuring that NGOs' activities benefit the government and do not conflict with its interest. The government's role as a regulator or contractual stakeholder in the

African NGOs is therefore a weak one as the power to regulate the NGOs is not exercised. This is evident in the system of statutory regulation and compliance that are yet undeveloped. The information needs of the regulators as contractual stakeholders is therefore very little leaving the accountability practices in the African NGOs to be determined mostly by the needs of the other contractual stakeholders, the Institutional donors and INGOs.

However, CS6 is in a different situation. The organization has not accessed any funding from Institutional donors or INGOs. The effect of this is that there are no influential contractual stakeholders in CS6 and therefore no contractual accountability demands on the organization. This leaves CS6 free to develop practices that suits its needs and those of its stakeholders who are mainly non-contractual stakeholders.

The next stakeholder group in the African NGOs are the non-contractual stakeholders. Generally there are two main stakeholders in this group. The first are the beneficiaries. This group has little influence on the NGOs' activities. CS4 claims that their needs are central to the design of its programmes. As in CS3, these needs are ascertained by CS4 through research and through consultation. The consultations centre on deciding the location of the facilities to be provided and the arrangement for their maintenance. But the beneficiaries do not influence the actual design of the facilities or the decision as to whether the project should be embarked on in the first place. Their influence is therefore weak. In the case of CS5, the beneficiaries are the communities that have potential or actual experience of conflict. CS5 also claims that the beneficiaries input into the design of its programmes. The consultation with beneficiaries occurs by way of research and feedback from CS5's collaborative work

with the community and not by way of a structured system of involvement of the beneficiaries in programme design. The situation is, however, different in CS6 where the beneficiaries are a more important stakeholder group. They are the vulnerable children abandoned by their parents and whose survival and future depends on the organization. They do not make decisions but they have an open, though informal channel of communication with the decision makers and the funders. Their needs seem to take priority in the organization's strategy and activities.

The second group of non-contractual stakeholders in African NGOs is the community and individual supporters or donors. CS4 receives no income from this group as all of its income is provided by contractual stakeholders. In CS5 only about 5% of its income is generated as unrestricted income but this is mainly from consultancy work and bank interest and CS5 receives no income from individual donors. The non-contractual stakeholders are, therefore, of less importance in CS4 and CS5. But CS6 again is in a different position. The community is a major supporter of its work. This group consists of individuals, voluntary associations, clubs and commercial organizations.CS6 relies on the goodwill of this stakeholder group for all of its funding which are given as unrestricted donation of cash or supplies. Unlike in CS4 and CS5, this stakeholder group could be considered as influential in CS6. But considering the context in which the organization operates, the general level of poverty in Nigeria, means that this source of funding is low and accounts for the low level of funding available to the organization.

The information needs of the non-contractual stakeholders are different from those of the contractual stakeholders. Because they do not have any body to report or account

to, the non-contractual stakeholders are less interested in financial reports. They are more interested in ensuring that the NGOs' activities achieve the desired impact. They also want to be involved in determining the needs of the beneficiary and participating in the NGOs' activities aimed at addressing those need.

In conclusion, the relative influences of the contractual and non-contractual stakeholders vary and relate mainly to the level of funding they provide to the NGOs. One may conclude that while the main influential stakeholders in CS4 and CS5 are the Institutional donors and the INGOs, in CS6 the community is the most influential stakeholder. The implications of this is that the main form of accountability practices observed in CS4 and CS5 are the contractual forms while there is a distinctive absence of these forms of practice in CS6. The practices observed in CS6 are mainly communal type involving methods required to meet the needs of the non-contractual stakeholders. The next section presents a structuration theory analysis of accountability in NGOs.

7.4 A Structuration Theory Analysis of Accountability in NGOs

Because of the nature of the endogenous variables in NGOs, there is a sociological divide that means accounting information alone does not meet the organizations' accountability needs. This necessitates the use of additional means of accountability aimed at addressing the information needs of the stakeholders that traditional accounting information does not. The involvement of multiple stakeholders with different information needs implies that there are variations in the practices that could emerge in attempt to satisfy these needs. The type of accountability practices that actually emerge is dependent on the social context in which the NGOs operate. The

dynamics of this social context marked by the interaction between the stakeholders involved and their relative influence is analyzed using structuration theory. This theory suggests that the interaction is shaped by the structure of signification, legitimation and domination operating within that social context. A Structuration theory analysis of the social context in which UK NGOs operate was presented in Chapter 5 based on analysis of the data from CS1. This section summarizes the main conclusions from that analysis while the next section extends the analysis to include findings from the additional two UK NGOs, CS2 and CS3. Sub-section 7.4.2 then extends the analysis to African NGOs in order to obtain a fuller description of the social context in which NGOs operate generally.

The main conclusions from Section 5.6 are that the signification structure in CS1 sees the achievement of programme objectives defined by certain stakeholders as more important than economic efficiency. It also sees financial reporting as important but only in ensuring that the programme objectives are delivered. The system of accountability therefore goes beyond the provision of financial information to include several other approaches that focus on the implementation of the activities and the achievement of objectives defined largely by funders and to some extent by the regulators. There is limited involvement of the beneficiaries in this process. But while the system of accountability for the implementation of the activities and the achievement of objectives are fairly developed, methods of involving beneficiaries are only talked about conceptually but not implemented in practice. The domination and legitimation structures more directly reflect the unequal influence of stakeholders in shaping the practices that emerge. The most influential stakeholders in CS1 are the Institutional donors and the regulatory authorities through the Charity Commission.

The influence of the Institutional donors derives from the control of the source of CS1's financial resources. The regulatory authorities' influence derives from the use of its 'authoritative resource' in regulating charities and in dictating the form of accountability practiced. But the beneficiaries and the community do not play an active role in the domination and legitimation structures. Consultation with beneficiaries is dependent on availability of funds and the whole process is compromised when there are limited funds available. Methods of accountability to this group of stakeholders are therefore not widely practiced in CS1. As a result, the dominant form of accountability practiced in CS1 is types A and B aimed at the needs of the Institutional donors and the regulators.

7.4.1 A structuration theory analysis of accountability in CS2 and CS3

A structuration theory analysis of CS2 produces similar results to that obtained for CS1. The signification structure is similar to those in CS1 as the need to demonstrate delivery of services and achievement of objectives is seen to be as important as financial accountability. Performance based methods of accountability (type B) are therefore as prominently used as the process based methods (type A). The funding structure in CS2 is similar to that in CS1 as 85% of its funding comes from contractual funders who are mainly government bodies. The legitimation and domination structure in CS2 is influenced mainly by the donors and the regulatory authorities. As in CS1, CS2 expends considerable efforts mainly on preparing reports to the donors and in statutory reporting. But there are two contextual differences between CS1 and CS2. The first is in engaging with beneficiaries. Both consider this as important but CS2 goes a little further than CS1 by organizing its beneficiaries into a user group and opening a channel for them to bring up their views. But their

expressed views are subjugated to the constraint of finance and the desires of the contractual donors. One may conclude that CS2's beneficiaries are closer to the organization and receive more information about its activities than CS1's. But their influence in shaping the organization's activities or practices is no greater than in CS1. The second contextual difference is that while CS1 operates internationally, CS2 operates only in the UK. Practices in CS1 could potentially influence or be influenced by practices in the overseas NGOs or partners that it works with. But CS2 is insulated from this type of influence and its practices are determined only by the contextual variables operating in the UK. These two contextual differences do not significantly change the accountability pattern from that observed in CS1. Accountability practices in CS2 are mainly types A and B consisting of financial and narrative reporting to the funders and the regulators. One may conclude that the analysis of CS2 produced results that are consistent with findings from CS1.

CS3 operates within the same context as CS1 and CS2 and the signification structure is broadly the same. But the legitimation and domination structure is different because of the difference in the funding structure. The bulk of CS3's funding (64%) comes as unrestricted donations from individual givers. The Institutional donors that provide about 36% of its funding are therefore not as influential as in CS1 and CS2. Though they still have a significant influence on CS3's accountability practices, their reduced influence has meant that CS3 is able to venture into more areas of accountability beyond those required by the Institutional donors. These other methods, involves mainly the inclusion of some practices that lean towards types C and D accountability. For example, through its Annual Reports, CS3 attempts to demonstrate the participation of the beneficiaries and the community in its programming decisions. In

its Annual Reports, it provides information on the various initiatives to involve the community in the delivery of its programmes. For example, in the 2008/09 annual report, it lists as some of its initiative to involve beneficiaries: a 'Pump Parts Banking' that enabled remote communities in Ghana to fix their water facilities promptly as they can now purchase pump parts and store them for use locally (CS3/AR/09:12). It also reports on its Community Led Total Sanitation (CLTS) across its West Africa programmes that 'focus on motivating communities to construct low-cost toilets and adopt hygienic defecation practices' (CS3/AR/09:13). CS3 supports the communities and award them the 'open defecation-free status' when targets are achieved. These are examples of how CS3 attempts to demonstrate the involvement of the non-contractual stakeholders in its activities.

CS3 also attempts to incorporate some financial accountability to the non-contractual stakeholders, particularly the individual donors and supporters, in its Annual reports. It lists examples of the cost of its services. For example, under 'What your money buys' it lists:

> '£5 could pay for a bag of cement to build a latrine slab in Ghana; £15 can enable one person to access safe water, improved hygiene and sanitation; £50 is enough for 2 days of hygiene education training in a village in Tanzanian; £100 could pay a Mason to build a hand-dug well in Nigeria; £385 could pay for a school sanitation block for 150 boys and girls in India' (CS3/LT/10)

This information is given voluntarily though CS3 has no contractual obligation to do so. This type of accountability that ventures into type D is practiced because of the increased importance of the individual non-contractual donors in CS3. But it does not go far enough to allow the user to verify the information against the total resources utilized and the output achieved.

Although CS1 and CS2 also produce Annual Reports, the information contents are mostly focused around the needs of the funders. CS2 goes someway in establishing a user forum but does not implement the feedbacks that don't fit into the donors' objectives neither does it provide as much information to help the users and supporters evaluate its work and achievements..

The conclusion from this observation is that where the proportion of the funding from contractual stakeholders is reduced, their influence on the legitimation and domination structure is also reduced and NGOs are more able to develop their own means of accountability if they so choose. Accountability practices in CS3 is therefore observed to involve types A and B to the funders and the regulators, some elements of type C practices demonstrating involvement of the community and the beneficiaries and some attempt towards type D practices involving some financial accountability to the community and the beneficiaries. The next sub-section extends the structuration theory analysis to include the findings from the African NGOs

7.4.2 A Structuration Theory Analysis of Accountability in African NGOs

The social context in which African NGOs operate is similar to those of the UK NGOs in some respect but markedly different in others. The contextual differences are most pronounced in three major areas. The first has to do with the level of individual giving to NGOs. This is much lower than in the UK because of the low level of per-capita income in Africa. The second difference is the dual role of the government as a beneficiary and regulator of NGOs' activities. Related to this is the ineffective use of the government's 'authoritative resources' in regulating NGOs. The third is the involvement of International Non-Governmental Organizations (INGOs)

as a major stakeholder in African NGOs. These contextual differences have some impact on the structure of signification but more pronouncedly in the legitimation and domination structures.

7.4.2.1 The Signification structure in African NGOs

The signification structures reflect those values that are of fundamental importance within the context of the African NGOs. This is related to the objectives of the organizations and the collective interpretation of the stakeholders involved on what counts as important. In African NGOs, the major stakeholders are, just as with the UK NGOs, the Institutional donors, the government, the community and the beneficiaries. But in addition, African NGOs have another group of stakeholders- the INGOs. CS1 and CS3 fall into this category of stakeholders related to CS5 and CS4 respectively. The INGOs provide the African NGOs with funding for specific projects. Because the INGOs themselves receive funding mostly from Institutional donors, their accountability needs are similar to those of the Institutional donors who they have to report to. The objectives of the African NGOs remain the same as in UK NGOs- responding to the needs of beneficiaries. But this objective is mediated by the stakeholders involved through the interpretive schemes which may vary slightly. While the Institutional donors and INGO interpret this to mean achieving the greatest impact possible with the available resources, the beneficiaries and the community see it in terms of achieving the greatest impact by directing resources to where it is mostly needed. Meeting needs is therefore core to the shared meaning but while the Institutional donors see the available resources as the constraint, the beneficiaries and the community see how the resources are deployed as the constraint. But because of the active involvement of the Institutional donors who influence the NGOs' objectives

through the grant approval process (see section 5.5.2.1) the signification structure in CS4 and CS5 is not significantly different from that in the UK NGOs. It therefore places importance on the use of resources in addition to responding to the needs of beneficiaries. The slight difference in the signification structure in African NGOs could be attributed to the influence (or lack of influence) of the second group of contractual stakeholders, the government as the regulators. Unlike in the UK, African governments are not keenly interested in probity in the use of NGOs' resources. This is because the government rather than supplying funding to the NGOs look to them for support in meeting needs in areas where they are failing. The role of ensuring probity in the use of funds, performed by the UK regulatory authorities, is therefore missing in the African NGOs' context. The influence of the African government on the signification structure is towards service delivery and ensuring that resources are deployed where it is mostly needed in meeting the needs of the beneficiaries rather than towards probity in the use of resources. Concerning the other non-contractual stakeholders, probity in the use of resources demonstrated through formal financial reporting seems to be of less importance to them as they supply little or no funding to the NGOs. But ensuring the involvement or participation of the wider stakeholders in the delivery of NGOs' services to ensure that resources are deployed to where they are mostly needed are more important values to them. One may conclude that meeting the needs of the beneficiaries is a common value to all the stakeholders and central to the signification structure. But probity in the use of resources seems to be of varying level of importance to the different stakeholders. The INGOs and the Institutional donors hold this to be more important than the beneficiaries and the community who hold their involvement to be more important. The government appears to be aligned towards the beneficiaries.

But the signification structure in CS6 is different from those in CS4 and CS5 as it is not influenced by the Institutional donors and INGOs who are not involved in this NGO. The overriding importance of the humanitarian imperative remains central to CS6's objectives and strategy and the overriding objective therefore remains focused around the needs of beneficiaries. This signification structure is internalized and not sustained by the Institutional donors and INGO who, unlike in CS4 and CS5, play no part in determining the objectives of programmes delivered by the NGO.

The legitimation and domination structures have played a major role in determining the focus of accountability practices in African NGO. This structure takes different forms in CS4 and CS5 on one hand and CS6 on the other. While the legitimation and domination structure in UK NGOs is influenced by the contractual stakeholders mainly the funders and the regulators, in the African NGOs the regulators do not exercise their 'authoritative' powers. The INGOs and the Institutional donors, through their funding relationship with the African NGOs have therefore played the dominant role in the legitimation and domination structures particularly in CS4 and CS5. The next sub-section examines this influence in more detail.

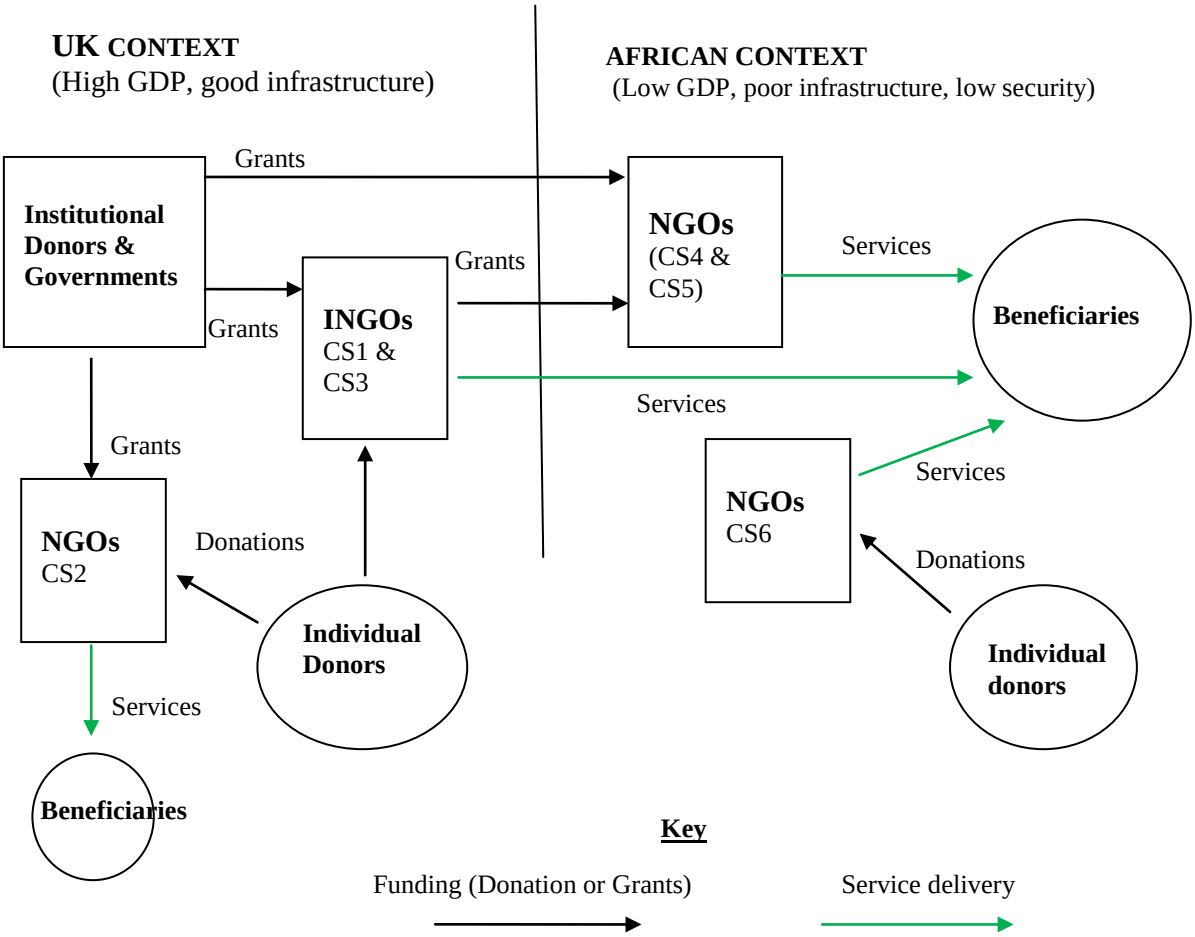
7.4.2.2 The influence of the funding relationships on the legitimation and domination structures in African NGOs.

The nature of funding of the African NGOs can only be understood when examined within the context of their relationship with the INGOs and the Institutional donors. All three UK NGOs studied carry out activities aimed at direct service delivery to their beneficiaries. While CS2 operates only in the UK where all of its beneficiaries are located, CS1 and CS3 have most of their beneficiaries based overseas. While CS2

is able to deliver its services directly to its beneficiaries who are located within its community, CS1 and CS3's are constrained to deliver their services in one or both of two ways. The first is by working through their affiliates or partners, mainly local NGOs in Africa or other developing parts of the world providing them with grants to carry out activities aimed at delivering services to their beneficiaries. The second way is by delivering these services directly to their beneficiaries. This way is less cost-effective and poses logistical challenges and security risks. Where the security risks are above some thresholds set by the INGOs, this second way is abandoned in favour of the first which is the more prominent way adopted by CS1 and CS3.

CS1 and CS3 receive their income mainly as contractual grants from Institutional donors or as unrestricted donations from individuals. Parts of these funds are given as grants to their affiliates or partners. But these partners or affiliates in addition to funding received from the INGOs also receive funding directly from the Institutional donors that fund those INGOs. This funding relationship, illustrated in Figure 7.6 has significant effect on the legitimation and domination structure.

Figure 7.6 The Structure of Funding and Service Delivery in NGOs



The funding to the INGOs from the Institutional donors comes with contractual grant conditions that impact on the practice of accountability in the NGOs that receive them. CS1 and CS3 use only part of the funds for direct service delivery to the beneficiaries of their work while a significant portion is given as grants to local NGOs to deliver services to the target beneficiaries. CS1 spends about 25% of its income in this way- as grants to the local NGOs to carry out specific programmes- while CS3 spends about 50% of its income in this way. The grant conditions given to the INGOs by the Institutional donors are in turn transmitted to these NGOs as sub-contract conditions.

But CS6 is in a different position. It receives no funding from Institutional donors or INGOs. CS6 relies mainly on the support of the community who are interested in its work. Its objectives, activities and strategy are therefore free of the influence of the Institutional donors and this impact not only on the signification structure, but also on the legitimation and domination structures in the NGO. The absence of the Institutional donors and INGOs in the legitimation and domination structure has the effect that the structure allows for more opportunities for the non-contractual stakeholders to influence the practices. The influences on the structure are the direct influence by the community that provides the funding and support that sustains its work and the indirect influence by the beneficiaries whose needs are central to the NGO's objective. The needs of these stakeholders mainly involve the opportunity to participate in the programmes and the activities of the NGO. How this need is addressed by the accountability practices is analyzed in Section 7.4.3

7.4.2.3 The influence of the statutory authorities on the legitimation and domination structures in African NGOs.

The second component of the legitimation and domination structure in NGOs is the regulatory framework established by the statutory authorities. This second component affects the general context of the overall accountability practices. Unlike in the UK where the regulatory authorities have developed a specific standard of reporting for NGOs, African NGOs operate under a different context marked by the absence of such regulation or standard. In Uganda and Nigeria the regulators (or governments) do not make any challenging accountability demands from NGOs. The NGOs are required to operate under the general reporting framework prescribed by the local company laws. The reporting requirements for NGOs under this framework are a

simple Income and Expenditure accounts with no mandatory narrative reports. No NGO-specific reporting standard has been issued to guide its preparation. Though there is a statutory body responsible for the supervision of NGOs in Uganda (the NGO Board), its role has been mainly to ensure that NGOs are properly registered and their activities are legitimate and not contrary to the government's interests. Monitoring of compliance with the requirement to file annual returns is not done and the returns filed with the Board are not scrutinized. The Board is not adequately resourced and lacks the capacity to regulate accountability practices in the NGOs. As a result of the weakness of the statutory reporting framework in Uganda, the only part of the contractual accountability that is prominently practiced in CS4 and CS5 is the one driven by the needs of the Institutional donors and by the INGOs.

In the case of CS6 that operates in Nigeria, there is a complete absence of any form of regulation of its practices. The regulators do not make any statutory accountability demands on the NGO and do not exert their influence on the legitimation and domination structure. Unlike in Uganda, in Nigeria, there is no statutory body charged with the specific task of regulating NGOs and no NGO-specific reporting standard is in use. Statutory reporting requirements are therefore weak and there is no monitoring of compliance. As a result of this, the regulators do not play any part in the legitimation and domination structure in CS6. Because the Institutional donors or INGO also do not play any part in this, the legitimation and domination structure in CS6 is largely determined by its supporters and donors drawn from the community. This reflects in the accountability practices as no form of type A or B accountability is being practiced by CS6.

7.4.3 The influence of the signification, legitimation and domination structures on accountability practices in African NGOs.

The signification, legitimation and domination structures in African NGOs have a major impact on the accountability practices observed. Two out of the three African NGOs studied rely on the Institutional donors and INGOs for their funding. This results in the significant influence of these stakeholders on the entire structures of signification, legitimation and domination in the two NGOs. The accountability practices in these NGOs therefore tilt towards the needs of these stakeholders. Because in addition to the need to demonstrate performance, these stakeholders hold demonstration of probity in the use of resources important, financial reporting of the process type A has remained a prominent part of the NGO's accountability practices. This is in addition to practices aimed at demonstration of services delivery (type B) that all the other stakeholders also consider as being very important. CS4 and CS5 both receive funding from the INGOs as well as directly from the Institutional donors who fund the INGOs. The reporting requirements for these two sources of funding are consistent as most of the funding is ultimately from the Institutional donors. The financial part involves mainly Income and Expenditure reports against the approved programme budget and the justification of any variance. Each report focuses on the particular grant and transactions relating to individual grants are reported separately to the donors. The overall NGO's financial report covering all of the NGO's activities are then prepared under the statutory framework in the country. But because of the weak nature of statutory reporting, the reports are very weak in relevant information content. Because the overall framework for aggregating and disaggregating the financial data is unreliable, one cannot be sure that the individual grants transactions are truly kept separate and not double-counted. The Institutional donors and INGOs

(CS1 and CS3) do not compel the African NGOs they fund (CS4 and CS5) to prepare their statutory reports in line with the UK standard. They appear to be satisfied to have the reports prepared to their specific requirements rather than in line with the UK statutory framework. As a result, type A and B accountability is the prominent form in CS4 and CS5 that relies almost exclusively on Institutional donors and INGOs for their funding. But this type A and B accountability is exclusively defined by the needs of the Institutional donors as understood and defined by INGOs.

In addition to types A and B practices, CS4, because of its link to CS3, also practices some elements of communal form of accountability. CS4 is involved in carrying out CS3's programmes and is at the forefront of its engagement with the beneficiaries and the community. CS4 is integrated into CS3's system of annual reporting and its method of reporting on this engagement is the same as for CS3. Though practices in this area do not go far enough to be considered as communal accountability (types C and D), one may conclude that there is some attempt at this form of practice in CS4.

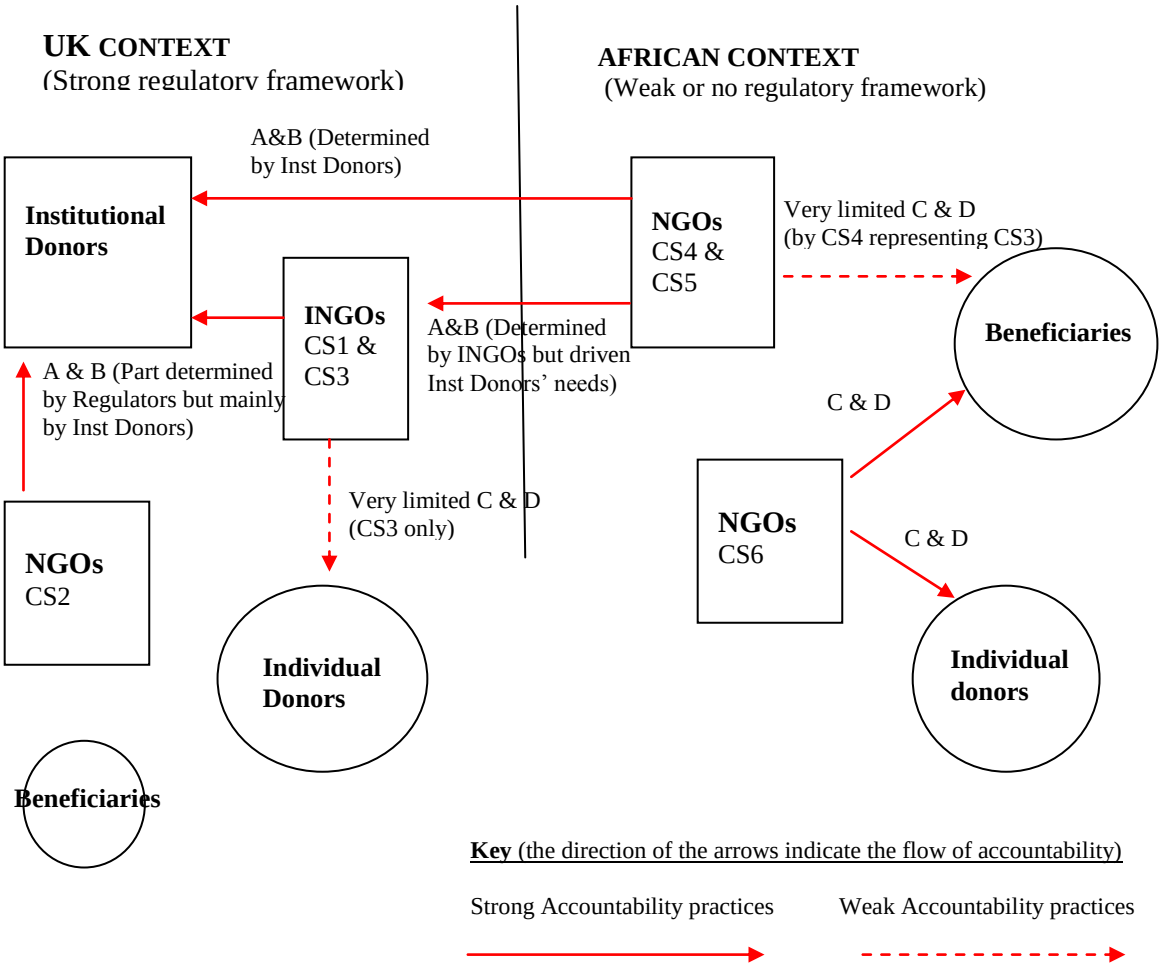
Because it does not receive funding from any contractual stakeholder, CS6 is free of any imposed contractual accountability requirements. Its legitimation and domination structures are not influenced by these stakeholders. It is also not influenced by the regulators who do not exercise the power to regulate NGOs. The non involvement of these two stakeholders reflects in the absence of type A and B practices in the NGO. CS6 is therefore able to respond to the accountability needs of the non-contractual stakeholders. These stakeholders place greater importance on the NGO's effectiveness in achieving objectives and their participation in its activities. They place little importance on financial reports or narrative reports in any format. The legitimation

and domination structure therefore reflects the importance of sustained engagement and participation of the beneficiaries and the community. The focus of CS6's accountability practices reflects these needs. CS6 has developed its own communal forms of accountability involving mainly types C and to some extent D, both rendered through engagement and participation rather than through formal written reports. The way it is practiced involves openness, accessibility and sharing of information with the beneficiaries and the community and responsiveness to their feedback in its activities and strategy. These practices can be categorized as types C and D but the line of distinction between the two is blurred. Some of the practices serve the purposes of financial accountability to the non-contractual stakeholders (type D) but these practices are not clearly separable from the type C practices as it is in the form of involving the stakeholders in its financial planning, budgeting and resource allocation. CS6 communicates its main strategy and plans to all stakeholders formally through its publication and informally through continuous engagement particularly during visits and events at the orphanage. Included in the plans are the financial resources needed to achieve them (or a form of budget). The financial plans or budgets are not closed or signed off annually but kept open for discussion and input by the all the stakeholders including the beneficiaries and the community. Donations by the community though unrestricted in form are aimed at specific needs identified in the budget. In this way, the stakeholders are indirectly involved in the approval of the budget and in resource allocation, a main component of financial accountability in CS6. The process is open and the community is engaged in it and given the opportunity for active participation in whatever areas they want to be involved. Some of the supporters input into its programme and activities by suggesting new ideas and

initiatives while some have adopted or sponsored particular children from the orphanage.

Figure 7.7 brings together the findings to depict the general structure of accountability in all of the six NGOs studied. The structure of accountability practices in CS2 and CS6 are different because they each operate within only one country but findings from them have been included for completeness. The practice of accountability to beneficiaries and the community occurs in only three of the six NGOs. The practices are weak or not well developed and have therefore been shown in dotted lines for CS3 and CS4 but sufficiently established in CS6 where they are shown as full forms of accountability.

Figure 7.7 The Structure of Accountability in NGOs



7.5 Summary and Conclusion

The main findings from the analysis of all the 6 case studies could be summarised in the following:

1. Because of the nature of NGO's objectives and activities, there is a sociological divide that means traditional accounting alone is insufficient for NGOs' accountability. Based on the findings from all the NGOs studied one may conclude that this limitation is recognised as accountability in NGOs generally goes beyond the process based methods focusing on accountability for the use of resources using traditional accounting methods and extends to performance based methods measuring the achievement of objectives.
2. Many stakeholders are involved in NGOs. Their obligations to some of them are contractual while to the others non-contractual. Each stakeholder has different objectives, values and information needs. To avoid an information divide whereby the needs of some stakeholders are not met, NGOs use multiple system of accountability. Eight practices, grouped into the four generic types A, B, C and D identified in the theoretical model, were found to be in use each suited to the needs of particular stakeholders.

3. Because of their influence on the legitimation and domination structures, NGOs' choice of accountability practices has tended towards the needs of the contractual stakeholders mainly the regulators and the Institutional donors. But where the influence of these stakeholders is reduced, NGOs have been free to develop their own means of accountability which have tended towards the communal forms.

4. The needs of the regulators and the Institutional donors are not exactly the same. In the UK where both of these stakeholders exert their influence on NGOs' choice of accountability practices, two systems of types A and B accountability operate in parallel: one to the Institutional donors in forms suited to their varied needs, the other to the statutory authorities under a well structured and standardized regulatory regime. But the regulators' influence is confined to national boundaries. While it is strong in the UK it is weak in Africa.

5. In the African NGOs, the contractual stakeholders mainly the Institutional donors and INGOs play a prominent role in shaping the accountability practices because of the total reliance of the NGOs on them for funding. The choice of accountability practices is mainly the A and B types but due to the absence of a proper regulatory framework for statutory reporting, these are limited to that component required to satisfy the information needs of the Institutional donors and INGOs. But the only African NGO studied that does not rely on Institutional donors and INGOs for funding has been free to develop its own form of accountability practices which is mainly the communal form types C and D.

6. The Institutional donors' influence cut across national boundaries. Due to the north-south interdependence of NGOs' activities in the areas of funding and service delivery, most African NGOs depend on INGOs and Institutional donors for funding. The donors have used their control of funding to influence the choice of NGOs' accountability towards those that meet their needs. But they have not influenced African NGOs operating where there are weak

statutory reporting frameworks to comply with UK statutory rules. It appears that the Institutional donors do not consider the UK statutory reports relevant to their needs.

In conclusion, the weak structure of statutory reporting in the African NGOs has implications for accountability in the UK NGOs because of the interdependent nature of the funding, service delivery and accountability. A large part of the funding raised by UK NGOs goes towards delivery of services to beneficiaries through NGOs in Africa who receive funding from different INGOs and Institutional donors as contractual grants. But the contractual accountability demands focus on each funder's particular information needs. The same data is used to report to the different funders but under a weak overall system of aggregation of the data and reporting. This means that no one stakeholder takes a proper look at the overall accountability picture. Under this scenario, the system cannot detect if grants from different donors are accounted for using the same underlying transactions data leading to double-counting. Accountability reports prepared by UK NGOs under a fairly well structured system incorporate substantial information prepared by the African NGOs under the weak or unregulated reporting framework. There is high possibility that accountability reports from UK NGOs may have been compromised through the input of unreliable source data from African NGOs.

Chapter 8

Summary, Conclusion and Recommendations

8.1 Introduction, Research Objective and Research Approach.

This chapter reviews the initial research question and examines how far the key findings answer this question. It begins by summarising the key issues from the critical review of the literature on accountability, the research questions this raises and the research approach adopted. Section 8.2 summarises the various theories on accountability used in previous research, highlighting their merits and limitations. It then discusses a middle range theory of alternative forms of accountability developed for use in the investigation. Section 8.3 discusses the empirical insights gained from the research and examines their significance. This begins with a discussion of the nature of the endogenous variables in NGOs and how this suggests that traditional accounting alone is insufficient to demonstrate NGOs' accountability. It then discusses the nature of the exogenous variables and how this has necessitated the use of multiple methods of accountability practices. It summarises the eight forms of practices observed. Section 8.4 discusses a structuration theory analysis of the accountability practices observed and concludes that through their influence on the legitimation and domination structures, Institutional donors are a dominant influence on NGOs' accountability practices in the UK and in Africa, tracing some of the problematic implications of this dominance. Section 8.5 examines the limitations of the study while Section 8.6 presents the contribution of the study, the policy implications and recommendations for the future direction of research and policy on accountability in NGOs.

8.1.1 The Research Question

The critical review of the literature on accountability found that it is extensive and has been approached from different disciplinary perspectives. A large part of the research in the literature focus on both the public and the private sectors with accountability being explained in different ways and using different theories. But the different framework and theories have been inadequate in describing accountability in a range of other organizational types falling outside these two sectors. Included in this are NGOs where research has been limited and not based on any of the widely used frameworks and theories identified in the literature. The literature on NGOs' accountability has therefore lagged behind those on private and public sectors and has been backed with little rigorous empirical research or theoretical foundation. The key research question could be summarised very broadly as: How do NGOs practice accountability and what is the theoretical basis for the practice? To answer this question, the study developed a framework that addressed the range of issues involved in NGOs' accountability and provided a theoretical basis for understanding these practices.

8.1.2 The Research Approach

The exploratory nature of the research question influenced the choice of the research approach adopted. This research approach is based on a range of ontological, epistemological and methodological assumptions. Ontology and epistemology are linked to the use of 'theory' leading to different assumptions about the relevance of 'prior theories' for any empirical investigation (Laughlin 1995: 66). While a comtean (rationalist) approach involves the use of a prior-defined theory and a rigidly structured investigative process that aim to discover broad generalisations, a Kantian

(phenomenological) approach dispenses with starting with a defined theory or tightly structured investigative process but uses an inductive approach where the theory is developed from the data. Laughlin (2004: 272) argues that each research approach embodies a coherent and logical view on the role of theory and methodology. He argues for a middle position that takes the ontological stand that agrees with the Comtean view that some generalisation of an objective world that allows broad understanding of relationships is possible but differs from it in that it maintains that such generalizations can only be 'skeletal' as important details will vary according to different contexts. Middle range thinking maintains that a prior theory, in skeletal form, could be used to commence an investigation and then 'fleshed' out with understanding gained from empirical studies in particular contexts. The study adopted this 'middle range thinking approach' because it allowed the investigation to begin with an initial theory developed from what was already known from the literature and based on a careful examination of the relevance and limitations of existing theories. Consistent with this research approach the investigation was carried out in six NGOs, three in the UK and three in Africa. Data collection commenced in one of the UK NGOs used as the lead case study. The initial findings were used to 'flesh out' the skeletal theory. The study used qualitative data collection methods of documentary analysis and interviews in 5 of the six case studies but extends this to include participant observation in the lead case study.

8.2 Existing Theories of Accountability

Various theories have been used in the study of accountability, each having its benefits and limitations. The study examined the agency theory model in which the principal owns the 'asset' that the agent manages on his or her behalf. Accountability

of the agent is mainly towards the principal who has the contractual rights to demand accountability. As a result, the objectives of the principal influence the action of the agent and accountability is measured in terms of the agent's performance against this objective. Because of the nature of the objectives the accountability system uses predominantly traditional accounting. Though the model has been widely applied in private sector accountability, its failure to recognise the existence of other important stakeholders apart from the shareholder has limited its usefulness in organizations where there are more than a single important stakeholder such as in the public sector and NGOs.

The study also examines the stakeholder theory of accountability and identified the donors or funders, the beneficiaries of NGO's activities, the government and the community as the stakeholders in NGOs. The study uses Jawahar and McLaughlin's (2001) and Emerson's (1962) suggestions that organizations prioritize the needs of the stakeholders who provide the most critical resources needed for the organizations' survival over those of the others to explain why, in private sector organizations, the needs of the shareholders are taken to be of overriding importance over those of other stakeholders. It concluded that this is not wholly applicable in NGOs because there are other important stakeholders who may not provide resources to the organisation but whose lives are nonetheless profoundly affected by the organisation. Having found neither of these two theories adequate, the study proceeded to develop an alternative theory of accountability by abstracting some useful elements from relevant research in the field.

8.2.1 A Middle Range Theory of Alternative Forms of Accountability

The development of the alternative theory began by examining Stewart's (1984: 15-16) idea of accountability as involving two strands: the giving of account in an appropriate form or 'language' and the 'holding to account' involving the exercise of the power to demand an account. He described the accountability relationship as a 'bond' where the one who holds to account has necessary authority and power to do so but as a 'link of account' where accounts are given without the power to hold to account. Stewart (1984: 15) describes the form or language used in accountability as the 'base of accountability' and identified 5 bases. Three of these bases are fiscal accountability which measures whether money has been spent according to budget, process accountability which measures whether prescribed processes have been followed and programme accountability which measures whether defined outcomes have been achieved. These have been described by other researchers broadly as 'managerial accountability' (Robinson, 1971; Sinclair, 1995). Sinclair (1995: 222) summarised managerial accountability as that which requires those with delegated authority to be answerable for producing outputs or the use of resources to achieve objectives. The study categorised this form of accountability as 'Process based'. The other two bases that Stewart (1984) identified relate to measuring the achievement of organizational objectives. The study categorised these as 'Performance based'. The form of giving account was therefore summarised into two broad categories:

1. Process based that measures the use of resources and output achieved
2. Performance based that measures performance against defined objectives.

Concerning the form of holding to account Roberts (1988) distinguished between a 'hierarchical' form where expectations are clearly defined by the one that holds to

account and a ‘socialising’ form where these expectations are subject to negotiation between the one that renders accounts and the one that holds to account. Laughlin (1990) developed these further into the ‘contractual’ (or the ‘hierarchical’) form where ‘action expectation and information demand and supply are tightly defined and clearly specified’ and ‘communal’ (or socializing) forms where ‘expectation over conduct, and information demands and supply are less structured’ (Laughlin 1996: 229). The proposed theory adopted this idea and categorised the form of holding to account into a:

- Contractual form where there is an obligation to render account with the expectation clearly defined
- Communal form where there is no contractual obligation to render accounts but accounts are rendered voluntarily and the expectations are not contractually defined

The two dimensions of accountability, the form of giving accounts which could be process or performance, and the holding to account which could be of a contractual or communal form, were built into a framework of possible approaches to accountability called ‘the accountability space’. This resulted in four accountability possibilities, labelled A, B, C, and D which are reproduced here as Figure 8.1with an indication of the focus of practices in each area.

Figure 8.1- The Accountability Space

	Contractual Accountability	Communal Accountability
Performance Based	B- Accountability for the achievement of defined objectives	C- Accountability for meeting stakeholders' needs
Process Based	A- Accountability for the use of resources to achieve defined outcomes	D- Accountability for the use of resources to satisfy stakeholders' needs

The existing literature on accountability was categorised according to this framework and it was observed that most of the existing practices and research into these practices is concentrated in segments A and B. There is little research on practices that could be categorised as C or D. The study then developed a theory to explain how certain endogenous variables, relating to the nature of the organizations, exogenous variables relating to the stakeholders' information needs and the social context in which the organizations operate influence the development or choice of accountability practices.

8.2.2 A Middle Range Theory of the Variables Influencing Accountability Practices

When the process based approach to accountability in the contractual form (type A) is in operation, traditional accounting is the major form of accountability. This will satisfy the accountability needs in certain limited organizational contexts but will be inadequate in other contexts. This is because of three endogenous variables identified in the study as O, P and E. They are:

1. The extent to which the organization's objectives are clear, specific or measurable (O).
2. The strength of the cause-effect relationship between the objectives and the activities of the organization or in other words, the extent to which the activities required in achieving the objectives are programmable (P).
3. The degree to which the organisational objectives and activities are economic in nature (E).

The study abstracted from the work of Thompson and Tuden (1959) that suggests that when the organisational objectives are clear and undisputed, and the consequences of action known (that is if the activities required in achieving those objectives are programmable), there is a high potential for decision making by computation. Traditional accounting, which by its nature provides quantitative information, will satisfy accountability needs in such organizations. Based on this, the study argued that the first two variables that affect the adoption of accounting practices in organisations are certainty of organizational objectives (O) and the extent to which the activities required to achieve the objectives are programmable (P). Concerning the third variable (E), because the history and development of accounting is rooted in commercial practices, accounting information is considered more suitable to making

economic decisions. As a result, the study argued that the adoption of traditional accounting practices in an organisation depends on the degree to which the objectives or the activities carried out to achieve them are economic in nature. These three variables together determine whether traditional forms of accounting will meet the accountability needs in the organization. These variables take on low values where:

- The organizational objectives are not clear or specific or measurable (low O)
- The activities have no programmable link with the achievement of the objective (low P) and
- The nature of the objectives are not economic (low E)

In this situation, traditional forms of accounting will be inadequate for accountability. Exclusive reliance on it for accountability will create a sociological divide (ds) the size of which is inversely proportional to the product of the three endogenous variables:

$$ds \ \alpha \ \frac{1}{O*P*E}.$$

But where the endogenous variables O, P and E take on high values (i.e where the organizational objectives are clearly defined and measurable; the activities needed to achieve them have a programmable link with the achievement of the objectives; and the objectives are mainly economic in nature) the sociological divide (ds) will be small. In this context, relying on traditional accounting as the main form of accountability will be adequate for the organization's accountability provided that it also satisfy the information needs of all the stakeholders. In between these two extremes are other possibilities such as a high O but low P and E (for example where the organizational objectives are specific and measurable but those objectives are not economic in nature and the activities required to achieve them have no programmable link with the objective). Here there may be a medium sociological divide. Traditional

accounting will still be inadequate for full accountability in this context. Indeed, traditional accounting could only be perceived as an adequate form of accountability only in organizations where the sociological divide is very small.

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The second set of variables affecting the choice of practices is the exogenous variables relating to the composition of the stakeholders, their relative influence and information preference. The model categorises the stakeholders in organizations as contractual stakeholders (those having formal contracts with the organization and the authority to demand accountability) and non-contractual stakeholders (those whose stake in the organization are not defined by any formal contract and have no authority to demand accountability). It abstracts from Freeman's (1984) definition of stakeholders in organizations to identify the determinants of stakeholders' influence as the Impact (how much the organization's activities affect them) and the Power (how much changes they can make in the organization). It conceptualises the Influence of the stakeholders in organizations as a product of these two variables:

Stakeholders' Influence = Impact x Power

It then suggests that where some stakeholders have information needs that are not satisfied by the organization's chosen practices it creates an information divide, i, represented as the divergence between the organizations's chosen accountability practices and the information needs of the particular stakeholders:

i = Organization's accountability practices – Stakeholders' information needs

The actual choice of practices constitutes the accountability system (or structure) in any organization. Where the chosen practices satisfy the information needs of the stakeholders there will be no information divide. The organization will then be deemed accountable. This may not necessarily be the outcome in every organization as the choice process is influenced by the social context in which the organization operates. This social context is analysed using structuration theory.

At the core of structuration theory is the 'duality of agency and structure': that agency and social structure interact in the production and reproduction of social systems (Giddens, 1984: 162). The theory suggests that social systems (or structure) and social actions (human agency) mutually mediate and constitute each other. Giddens (1984: 3) sees human agents as knowledgeable and suggests that the 'knowledgeability is reflexive in form and exists on three levels. The first, the level of unconsciousness relates to the motives behind human action. The second level, practical consciousness, is the tacit stacks of knowledge which actors draw upon in the constitution of social activities. Discursive consciousness, the third level, involves knowledge which actors are able to express on the level of discourse (Giddens, 1984: 44-45). According to Giddens, practical consciousness is the most important of the three as, being contextually bound, it shapes people's understanding of the world. How the system is created, sustained or recreated over time is explained by the three structural properties- signification, domination and legitimation.

Signification refers to the underlying meanings of the practical activities that social actors carry out while drawing upon their stock of knowledge (practical consciousness) reflexively. The constitution of social system is linked to these fundamental meanings as understood by the social actors. These are reflected in the

organised sets of codes or rules on which the system is founded. It is these rules that structure social systems by 'sustaining, termination and reforming of encounters' (Giddens 1984: 22-23). The process by which this results in the reproduction of the system is through the operation of the other two structural properties. 'Domination' is the process by which some social actors (or stakeholders) influence the course of evolution of social systems by reason of their control of 'allocative' resources. 'Legitimation' relates to the sanctioning of conduct. The sanction could be positive connected with reward, or negative in form of punishment. Through the power of control over resources and the power of sanction, powerful stakeholders influence which of the evolving organizational practices gain legitimacy thereby becoming a part of the enduring structure. This study views organizational accountability as a social system supported by a structure consisting of certain rules and practices developed by the stakeholders based on their understanding of the context embedded in their practical consciousness. The practices that gain 'domination' and 'legitimation' are those preferred by the more powerful stakeholders involved.

The empirical work identifies the various practices of accountability in the 6 NGOs studied. It investigates the endogenous and exogenous variables in the NGOs and the existence of the sociological and information divides. It then explains the choice of the observed practices using structuration theory. The initial skeletal theory was modified and fleshed out with these empirical details as the study progressed and is now used to provide a descriptive analysis of NGOs' accountability practices.

8.3 Empirical Insights

The analysis of the 6 case studies yielded a number of insights into NGOs' accountability practices. Some of the findings are consistent across all the 6 case studies. Some other findings are particular to the 3 UK NGOs and some to the 3 African NGOs. There are however findings that are unique to each case study. These findings are discussed in the following paragraphs.

8.3.1 The nature of the endogenous variables in NGOs suggests that traditional accounting alone is insufficient for NGOs' accountability.

The study found that the nature of NGO's objectives is predicated on the principle of humanity in which economic rationality plays no part. It also found that the objectives are not quantifiably defined. NGOs' activities are found to bear no programmable link to the achievement of their objectives as it is difficult to link those activities to measurable achievement of their stated objectives. The endogenous variables in NGOs are, therefore, found to take on low values and what has been referred to as the sociological divide is large. As a result the relevance of traditional accounting practices in NGOs' accountability is limited. In recognition of this large sociological divide, not actually described as such by practitioners, it was observed that NGOs' accountability do indeed go beyond the provision of traditional accounting information and incorporate other practices focusing on accountability issues that traditional accounting information cannot address. The significance of this finding is that while some conceptualise organizational accountability to mean the rendering of financial accounts, this model offers a basis for explaining why that may appear sufficient in some organizations but not in others. It explains why traditional financial reporting may be deemed an appropriate form of accountability in the private sector

but inadequate in other areas such as the public sector (Mayston, 1993), religious organisations (Laughlin, 1988), Universities and Hospitals (Bourn and Ezzamel, 1987) etc. This result is significant for NGOs as concern has been raised about NGOs' accountability before Bird and Morgan-Jones' (1981) research, that identified the problem of NGOs' accountability in terms of the inadequacy in financial reporting in the traditional accounting sense. In spite of the progress made in improving financial reporting in UK NGOs, concerns about NGOs' accountability continue to be raised. This finding suggests that the solution to those concerns go beyond improving financial accountability using traditional accounting methods. It is consistent with findings from recent research. Rahaman et al (2010) in a study of 3,000 NGOs and CBOs involved in the fight against HIV/AIDS found that while accounting practices enabled the coordination of the geographically dispersed NGOs, it also undermined the prevention and treatment activities due to its inflexibility to address community specific emergent health needs. Goddard and Assad's (2006) study of a Tanzanian NGO found that formal accounting mechanism is used by the NGO only for gaining legitimacy and credibility with the donors but not for internal decision making or accountability for their mission. The NGO thinks formal accounting constrains their ability to fulfil their mission and lobbied to have the requirements relaxed.

8.3.2 The nature of the exogenous variables in NGOs means that accountability necessarily involves the use of multiple methods.

The study finds that a number of stakeholders are involved in NGOs. Their obligations to some of them are contractual while to the others non-contractual. In the contractual category are the Institutional donors and the government while the non-contractual stakeholders are mainly the beneficiaries, the individual donors and the

community. Each stakeholder has different objectives, values and information needs. The findings show that the diverse nature of the stakeholders' composition in NGOs could potentially result in an information divide in relation to particular stakeholders' needs if NGOs' accountability practices do not meet these varied needs. The need to meet the varied information needs has resulted in the use of multiple methods of accountability falling into all the segments of the accountability space. Eight practices grouped into the four generic types A, B, C and D in the theoretical model were identified to be in use, each suited to the needs of particular stakeholders. None of the NGOs practice all of these accountability methods. Rather, each NGO practices a number of these depending on the social context in which each operate. The observed practices are summarised in Table 8.1 and explained in the following paragraphs.

Table 8.1- Accountability practices in the 6 NGOs

	Observed Practices	**CS1 UK**	**CS2 UK**	**CS3 UK**	**CS4 Uganda**	**CS5 Uganda**	**CS6 Nigeria**
1	Statutory financial reports- A	✓	✓	✓		✓	
2	Statutory narrative reports- B	✓	✓	✓			
3	Donors financial reports- A	✓	✓	✓	✓	✓	
4	Programme narrative reports- B	✓	✓	✓	✓	✓	
5	Annual report on strategy- B	✓	✓	✓	✓		✓
6	Programme evaluation- B	✓	✓	✓	✓		
7	Stakeholder participation - C			✓	✓		✓
8	Stakeholder participation in resource utilisation decisions- D						✓

1. **A system of statutory financial reporting**: This is in line with the regulatory framework operating in the country where the NGO is based. In the UK the regulatory framework is based on a NGO specific reporting standard, the SORP. Monitoring of compliance is strong and the practice is seen to be prominent in all three UK NGOs. But in Uganda and Nigeria, the statutory financial reporting framework is based on prescriptions of the local company laws. There is no NGO specific reporting standard to guide its preparation and monitoring of compliance is weak. This form of practice categorised as type A accountability is prominently used in CS1, CS2 and CS3. But only CS5 among the 3 African NGOs prepare statutory reports. CS4 and CS6 do not prepare statutory financial reports.

2. **Narrative reporting extension of statutory reports**: This is in the form of trustees' reports that explains the activities of the NGOs and the achievement of its objectives. It is mainly used in the UK NGOs where it is part of the statutory reporting requirements and its information content specified by the SORP. This type B form of accountability is not used by any of the African NGOs. CS5's statutory reports contain very little narrative element as this is not a statutory requirement.

3. **Financial Reporting to Donors**: This details the grant income and expenditure in forms determined by the donors according to their individual needs. This is also type A in form but these are different from the statutory financial reports as they are prepared in line with the contractual requirements

for the individual grants and its form and content specified by the funder. The practices here are similar across the NGOs that use them as it is determined by the funders. CS6 receives no contractual grant funding and does not practice this form of reporting.

4. **Programme Narrative Reports:** These highlight the achievements of programmes against objectives and are prepared along with the grant financial reports for funders in line with the grant contract conditions. These are also categorised as another form of type B practices used by the NGOs that receive funding from donors. CS6 does not practice this form of accountability as it receives no grant funding.

5. **Annual reports and Strategic Planning**: The annual reports contain narrative accounts of the NGOs' activities and achievement of its strategic objectives. It is in more detail than the statutory reports and focuses more on the objectives and impact achieved in relation to them. This is used prominently in the UK NGOs and in CS4 that is an affiliate of CS3. It is also used as a marketing or fundraising material and aimed mostly at the information needs of the donors (both Institutional and individual donors). Because beneficiaries are sometimes consulted in the process of its preparation, this practice is claimed to be a form of communal accountability of type C. But the study does not categorise it as a full form of communal accountability, type C.

6. **Programme Evaluation**: these are carried out by all the NGOs except CS6. In CS1, CS2, and CS5, these are carried out at the request of particular donors for

programmes funded by them. It therefore, focuses on individual programmes and not the entire organization's activities. The evaluations are carried out by parties external to the NGOs. But in CS4, evaluation is carried out as an internal process by its parent NGO (CS3) as part of its global evaluation of its country programmes. Notwithstanding that evaluators sometimes seek the views of beneficiaries on project outcomes, most of the evaluation could be categorized as type B as they are demanded and paid for by the donors. Only in CS3 where the evaluations are at the instance of the NGO and covers issues of effectiveness of all of its programmes could one consider it as performing some type C accountability.

7. **Participation of non-contractual stakeholders**: Only CS6 demonstrates significant practice of accountability of this form. CS6 involves its beneficiaries and the community in its work and incorporates their views and needs in its strategy and activities. Its engagement with this stakeholder group is continuous and integral to its work. CS3 and CS4 involve beneficiaries in their activities but to a limited extent as they do not affect decision making in the NGOs. But this participation to some extent counts as a limited form of type C accountability.

8. **Financial accountability to non-contractual stakeholders**: Only CS6 demonstrates type D accountability for the use of resources to the non-contractual stakeholders. This is mostly in the form of involving them in resource allocation decisions. CS6 prepares its budget based on its needs and

presents it to donors not as a monetary budget but a basket of needs for the donors to decide on which needs are most important to them to meet.

8.4 A structuration theory analysis of NGOs' accountability

The study applied structuration theory to examine how the interaction between the stakeholders and the social context in which NGOs operate shape the choice of accountability practices adopted. This section summarises the general context in which NGOs operate and how the signification, the legitimation and domination structures operate to shape the forms of accountability practices observed.

The study finds that the bulk of the resources utilised by the NGOs studied are derived from the global north. This part of the world is wealthy with high GDP per capita, good infrastructure, presence of Institutional donors and a skilled workforce. There is a comparatively higher level of individual giving to NGOs. But only one of the UK NGOs studied has its beneficiaries here. The rest (2 out of 3 studied) have their beneficiaries in the developing world or the global south. This part of the world is characterised by low GDP per capita, widespread poverty and needs and vulnerability to disease and natural disasters. The two NGOs having most of their beneficiaries in the developing world operate as International NGOs (INGOs) delivering their services either directly to their beneficiaries or mostly through the southern based NGOs by giving them grants to deliver specific services to the target beneficiaries. Most southern based NGOs (2 of the 3 studied) rely on the grants from INGOs as a major source of funding in addition to the funding they raise directly from the Institutional donors. The INGOs in turn are funded mostly by the same Institutional donors who provide some funding directly to the southern based NGOs.

This cooperation between northern and southern based NGOs affects the composition of the stakeholders and the interaction between them. While the government is a contractual stakeholder in all the NGOs analysed and the Institutional donors in 5 of the 6 NGOs, the African NGOs that rely on the INGOs for funding have them as additional contractual stakeholders. The influence of the interaction between these stakeholders on the accountability system is analysed by examining the structural properties of the system.

8.4.1 The signification structure in NGOs

The signification structure in NGOs relates to the nature of the NGOs' objectives and reflects the importance of the 'humanitarian imperative' that holds the need to save lives and relief human suffering as being of fundamental importance. All the stakeholders involved see the delivery of services and the achievement of objectives as being of overriding importance over economic efficiency in NGOs' activities. But in addition to this, two of the stakeholders, the Institutional donors and the regulatory authorities (in the UK only) also see probity in the use of resources as important. While all the stakeholders see the involvement of the beneficiaries and the community as important, the beneficiaries and the community themselves hold this as particularly important. The signification structure in the UK NGOs reflects these values. But it is slightly different from that in two of the African NGOs (CS4 and CS5) and significantly different from that in CS6. The main difference results from the role of the government in the African NGOs and UK NGOs. In the UK, the government 'co-opt charities as a willing ally in the provision of public services, often on a contract basis. As a consequence, significant amount of public money flowed into the sector' (Hyndman and McMahon, 2011: 169) In contrast, African governments do not fund

the NGOs but rely on them for providing (to the beneficiaries) some of the public services for which they are normally responsible. Their influence on the signification structure is related to their roles. In the UK, as the government's funding to the charity sector increased it became more involved in the tightening of regulatory controls on charity accounting and reporting:

> While it was relatively passive during the 1980s, since then government has increasingly exerted its influence in a variety of ways....Its influence has been partly coercive (in creating the regulatory framework; through legislation, requiring SORP compliance; and as an increasingly important resource provider exercising a direct disciplining effect on those charities to whom it provides funds) and partly persuasive (Hyndman and McMahon, 2011: 172)

But the interests of the African governments are more aligned with that of the beneficiaries. They consider issues of participation in resource allocation decisions as more important than the emphasis on probity in the use of resources that the INGOs and Institutional donors hold very important. CS6 does not receive any funding from the Institutional donors or the INGOs. As a result, these two stakeholders do not influence the signification structure in CS6. The structure is influenced only by the needs of the beneficiaries and the community. Because of this signification structure, accountability in NGOs, in general, involves a combination of different practices focusing not only on probity in the use of resources but also on ensuring that the activities are carried out and the objectives achieved and, to some extent, the beneficiaries and the community are involved. But some of the practices have gained more prominence than others due to the influence of the domination and legitimation structures.

8.4.2 The Domination and Legitimation Structure in NGOs

The domination and legitimation structures in UK NGOs and those in African NGOs are similar in some respects but slightly different in others. In the UK NGOs, the

domination and legitimation structures are influenced by the Institutional donors and the regulators. This is because the Institutional donors control most of the funding to the UK NGOs. The regulators' influence on the legitimation and domination structures in UK NGOs derives from their power to regulate NGOs. This power is actively exercised in making statutory accountability demands and in monitoring compliance. As a result of their role in the legitimation and domination structure these stakeholders have influenced NGOs' accountability practices to serve their needs. The choice of accountability practices in UK NGOs has tended towards those that serve the needs of these two contractual stakeholders, mainly the types A and B. But the needs of the regulators and the Institutional donors are not exactly the same. Two forms of types A and B practices have therefore developed each serving mostly the needs of only one of these two influential stakeholders. The first is driven by the statutory authorities and consists of a system of statutory financial reporting with narrative reporting. Up to 1989, this was dominated by a framework based on the private sector model. This created an information divide as the approach did not meet the needs of other important stakeholders. In recognition of this, the regulatory authorities have since modified this form of financial reporting. This has involved taking into account concepts such as fund accounting, de-emphasising the importance of the net surplus and substantial improvement in the narrative elements of the statutory reports. This has gone some way in reducing the information divide as the reports are now more meaningful to the stakeholders involved than the earlier versions. But this is not enough to satisfy the information needs of some stakeholders, including those of the Institutional donors and the beneficiaries. The second element of the contractual accountability practiced is that driven by the Institutional donors who provide the NGOs with funding as contractual grants. The grants are given with

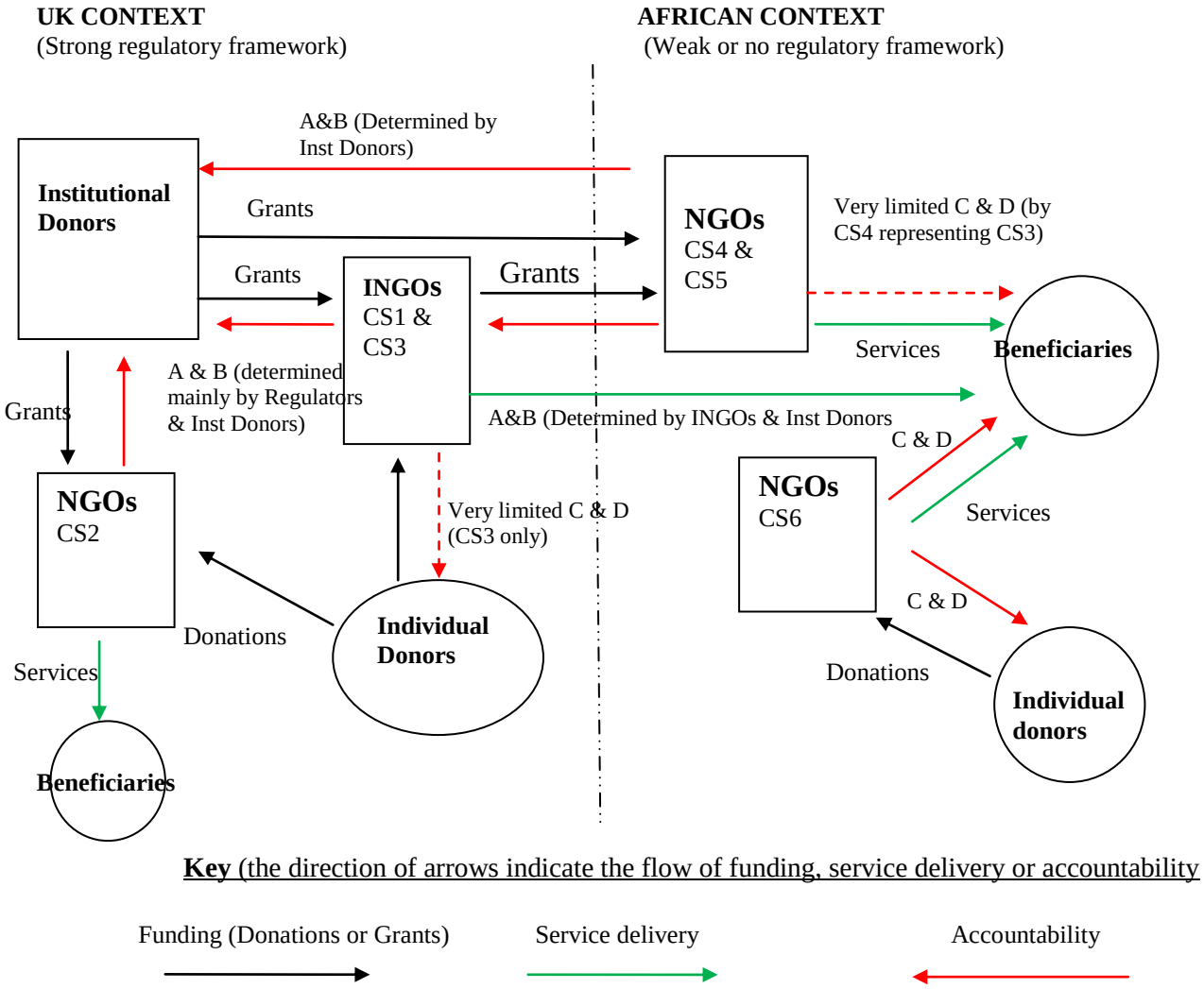
specific accountability demands in form of financial reporting, programme narrative reporting and in many cases, monitoring & evaluation. But these reports are different in form from those prescribed by the charity SORP. The practices are not standardized but specific to the donors' needs. With implicit recognition of the sociological divide, the donors' requirement in financial reporting does not go beyond demonstrating that funds have been properly utilised in the authorised manner. Its method of dealing with issues of achievement of objectives is more comprehensive than the regulators' attempt to incorporate it under the UK Statutory narrative reports (the trustees' report). It involves programme narrative reporting but in more detail than required by SORP and in a format that ties reporting to the original activity plans and objectives. It also involves a system of monitoring and evaluation whereby independent professionals report on the effectiveness of the activities carried out.

But while the regulators' influence on the legitimation and domination structure is strong in the UK it is weak in Africa. In the African NGOs, the regulators do not exercise their power in enforcing a regulatory framework for statutory reporting. Statutory reporting in the African NGOs is still mainly undertaken in line with the prescriptions of the local company laws and no sector-specific standard is imposed. Because of the weak role of the African government in regulating NGOs, the INGOs and the Institutional donors are the main influence on the domination and legitimation structure because of the total reliance of the NGOs on them for funding. The accountability practices observed in two of the African NGOs (CS4 and CS5) are mainly types A and B but only in the form required to satisfy the information needs of the Institutional donors which are broadly the same. The legitimation and domination structure in CS6 is different from the remaining two African NGOs. In addition to the

absence of a strong regulatory regime, CS6 is also free of the influence of the INGOs and the Institutional donors. The legitimation and domination structure is therefore entirely determined by the non-contractual stakeholders- the beneficiaries and the community.

In addition to the contractual form of accountability types A and B, the communal forms of accountability are also used by some NGOs. This addresses to an extent issues that are important within the signification structure that are not addressed by types A and B. But this form of accountability is not being widely practised by NGOs. This is due to the dominance of the contractual stakeholders in the legitimation and domination structure and the weak influence of the stakeholders whose needs this form of accountability practice is most suited to serve. CS6 is the only NGO studied that practices any significant form of communal accountability. CS6 has been able to do so because there are no contractual stakeholders involved. The few practices in CS3 and CS4 that are of the communal form have developed because the influence of the Institutional donors on the legitimation and domination structure is less than in the other NGOs. One may conclude that the dominant influence on NGOs' accountability practices is the involvement of the Institutional donors followed by the regulators where there is a strong regulatory regime. But the strongest influence is that of the Institutional donors arising from the control of the bulk of the funding to NGOs. Figure 8.1 below combines Figure 7.1 and 7.2 to highlight how the observed accountability practices are closely linked to the structure of funding in NGOs. It shows the dominance of the Institutional donors in NGOs' accountability framework.

Figure 8.2 The Structure of funding, service delivery and accountability in NGOs



8.5 Limitations of the study

The study developed a theoretical model of 4 possible approaches to accountability practices and suggests that depending on certain endogenous and exogenous variables, accountability in organizations necessarily involves practices falling into one or more of these approaches. The study finds that NGOs' practices in A and B are well developed and structured but practices in C and D remain largely undeveloped, unstructured and not well researched. The study provides some insight and empirical details on NGOs' practices in all these areas. But the details concerning type C and D are not sufficient to provide a comprehensive description of what this form of

accountability involves across different organizations. This limitation may be as a result of the sampling strategy which means that only one of the 6 cases selected has this form of accountability as its main practice. Further research should seek to explore other organizations where this form of accountability practice is the dominant form.

The study used mainly UK and African NGOs as case studies. This brings out the similarities and differences in the social contexts in which the NGOs operate. It highlights some important findings in terms of how the funding relationships between the UK and African NGOs affect accountability practices across the NGO sector. But there may well be other contextual insights that could be gained by expanding the sample to include NGOs in other developed and developing parts of the world that this study did not cover.

8.6 Contribution, Policy Implication and Future Researches

The study brings out a number of findings that have wider implications for the theory and practice of accountability in NGOs and for future research and policy in the field. Three of these are particularly important and discussed in the following paragraphs.

First, the study shows that traditional accounting financial reports alone cannot address the accountability needs in NGOs. It introduced the model of the endogenous variables to develop the idea of the 'sociological divide' that explains to what extent traditional accounting can be relied on for accountability in particular organizational contexts. This model dispels the misleading notion that accountability in organizations can be viewed exclusively in terms of traditional financial accounting

and reporting. This has broad implications for how accountability is perceived in organizations particularly in NGOs. Prior to the 1980s when financial accounting and reporting in NGOs was largely poor and undeveloped, concerns about accountability in NGOs was focused mainly around ensuring financial probity. In the following decade, the efforts to improve accountability focused largely on improving statutory financial accounting and reporting. Since the 1990s, there have been significant changes in the UK regulatory environment and the standards of statutory reporting. These changes include the development of the SORP and the improvement in the governance of NGOs. These improvements have resulted in the comparability of NGOs' accounts, improved disclosure and relevance of the information contents. These have led to improvements in accountability in the NGO sector (Hyndman and McMahon, 2011: 173). But the improvements have not eliminated the sociological divide. This is evident in the fact that in spite of the improvements, the debate on NGOs' accountability has not ended and other methods of accountability are used alongside the traditional accounting financial reports. This raises some doubt as to whether the prospect for more improvement in NGOs' accountability lie in further improvement in the system of statutorily defined financial accounting and reporting.

The study also developed the idea of an information divide to describe the gap in accountability that results when the organizational practices do not satisfy the information needs of particular stakeholders. The concept of an information divide is useful in explaining the multiple accountability practices observed in NGOs where multiple stakeholders with varied information needs are involved. An information divide will result if NGOs' accountability practices focus on meeting the needs of only a section of the stakeholders. But the practices observed in 5 of the 6 NGOs

studied focus more on the needs of the influential stakeholders, mainly the regulators and the Institutional donors. Only 2 of these 5 NGOs, practice some limited form of accountability to other stakeholders such as the beneficiaries and the community whose needs are not necessarily the same as those of the two influential stakeholders. The limited practice here is because these stakeholders do not have the power to hold NGOs to account. Kilby (2006) finds that there is little incentive for NGOs to be accountable in this way: It is not required by regulation and where the NGOs' values conflict with those of their beneficiaries NGOs fear that a shift in their accountability towards beneficiaries could weaken their control and divert them away from their public benefit role. The contribution of this study is that it provides a broader framework, the 'accountability space', for understanding the range of issues and approaches involved in NGO accountability and the potential for an information divide with regards to accountability for the needs of the non-contractual stakeholders. It also adds to the empirical details on how accountability to the non-contractual stakeholders (types C and D practices) are operationalised in actual NGOs. While the study has used the model to explain the accountability practices in particular NGOs, the model could be applied in other situations. Future research can adopt the framework in relation to other organization types such as public sector or religious organizations in order to bring out more empirical details on the various components of accountability practices particularly in such areas as type C and D that are presently under-researched. Future policy makers can use the understanding of the full ramification of organization's accountability that the model provides in developing a coherent system of practices that could be applied widely across NGOs.

The second area of contribution of the study is in adding some empirical details to the literature on the influence of Institutional donors in dictating the form of NGOs' accountability practices, an issue which has already been noted in the literature. Previous studies have traced the source of this influence to the funding relationship between the donors and the NGOs and noted the effect to be the emphasis on the use of resources in NGOs' accountability (Edward and Hulme, 1996; Najam 1996; Nelson and Dorsey, 2003; Ebrahim 2005; O'Dwyer and Unerman, 2007). O'Dwyer and Unerman (2007: 447) noted the absence of research into the nature of this influence within the context of specific NGO - Donor accountability relationships. They examined how a particular donor-led initiative (entitled Multi- Annual Programme Scheme or MAPS) attempted to shift emphasis from the sole focus on the use of resources to accountability for broader societal impacts such as impact on the beneficiaries and the community. Though this idea conceptually addresses the issue, the mechanism by which it could be operationalised was not properly articulated by the donor. The donor suggested 'partnership, mutual accountability, learning and sharing experiences through enhanced dialogue' as mechanism by which this accountability may be demonstrated but this left many NGOs struggling to understand how they might operationalise this (O'Dwyer and Unerman, 2007: 463). O'Dwyer and Unerman concluded that little substantive change occurred in the Donor-NGO accountability relationship and encouraged other researchers to examine similar accountability relationships in other specific contexts. This study contributes in this area by providing more empirical details on the Donor-NGO accountability relationship and how certain forms of accountability are operationalised in specific NGOs. The study shows that the Institutional donors influence NGOs' accountability across national boundaries because NGOs in the developed and the developing world

rely on them for funding. It traces this influence to the global polarisation of needs and means whereby most of the funding for NGOs' work is derived from the developed world but most of the needs for their services are in the developing world. A significant part of the funding to both UK NGOs and those in Africa is directly or indirectly from the Institutional donors in the form of grants given with specific accountability requirements that have influenced practices in all the NGOs that receive the funding towards the types A and B form of accountability designed to meet the donors' needs. These practices are not suited to rendering accountability to the non-contractual stakeholders. But they remain dominant in NGOs' practices. O'Dwyer and Unerman (2008) finds that while certain hierarchical form of performance reporting using metrics designed by the influential donors are not suitable for measuring performance against other stakeholders' needs and may in fact hinder an NGO's ability to achieve its mission, NGOs may nevertheless adopt such practices to remain viable and relevant. The study found that only the few NGOs that are not dependent (or wholly dependent) on the Institutional donors for their funding have been free to develop their own forms of accountability practices which have involved some communal forms of accountability. It therefore concluded that the more the dependence on Institutional donors for funding, the less the tendency to venture into communal forms of accountability. This can explain O'Dwyer and Unerman's (2007: 466) findings that the MAPS initiative did not substantially change NGO's accountability practices. Notwithstanding the fact that the donors often encourage NGOs to embrace communal accountability, their involvement in NGOs appears to be a part of a range of factors hindering the development of this form of accountability practices. Edwards and Hulme (1996: 969) suggests that NGOs who wish to remain effective and accountable should diversify their funding sources. The

findings corroborate this as the lower the proportion of NGOs' funding that is tied to Institutional donors, the more they are able to develop accountability practices that are more appropriate to their situation.

NGOs' accountability should, therefore, reflect more broadly the needs of their stakeholders. This essentially will involve going further than traditional accounting practices to account for the use of resources (type A) and the demonstration of the achievement of their programme objectives (type B) These are domains of contractual accountability in which the Institutional donors and statutory regulators currently play an important role. Due to the importance of other stakeholders in NGOs, accountability of the communal form is essential and NGOs should be encouraged to develop better practices in this area. This study has shown that the Institutional donors are not the most suited to lead on this. This practice should develop internally within NGOs. Other researchers have suggested ways by which NGOs can involve beneficiaries (a major non-contractual stakeholder group) Wellens and Jegers, (2011) suggests that this could be 'via surveys, via advisory bodies, via participating in annual general meetings' but notes that 'the effectiveness of these mechanisms is rarely investigated' (Wellens and Jegers, 2011). This study contributes to the knowledge of how one of these mechanisms operates in a particular NGO. The mechanism involves stakeholders' participation in the identification of their needs and the design and implementation of programmes to address those needs. This is the domain of type C form of communal accountability. Furthermore, NGOs should involve stakeholders in resourcing and resource allocation decisions. This will make NGOs' work more effective as other stakeholders such as the beneficiaries and the community have legitimate interest in the effective utilisation of the NGOs' resources. There are no standard mechanisms by which this type D accountability is

implemented in practice as only few NGOs have any form of practices in this area. But sharing financial information with stakeholders and giving them the opportunity to participate in decision making relating to financing is an essential ingredient in this. Future research should aim to investigate more specific instances of communal forms of accountability practices (types C and D) in NGOs and the mechanism by which they are, or could be, implemented.

The third area of contribution of the study is in providing more empirical details on the importance of statutory regulations in promoting NGOs' accountability while also highlighting its limitations. The important role of the government in promoting accountability in UK NGOs through statutory regulations has been highlighted by previous research (Hyndman and Mcmahon, 2011). This has led to improved statutory financial reporting in UK NGOs. But a large part of the funding raised by UK NGOs is spent through NGOs in Africa who then make financial returns to the UK NGOs. These reports, prepared under weak systems of statutory regulation are then incorporated into the UK NGOs' statutory financial reports. The contribution of the study is in drawing attention to this limitation resulting from the weakness of the statutory regulation of NGOs in Uganda and its entire absence in Nigeria. The study traces the cause of the weak regulation of NGOs in Africa to a fundamental reversal of role whereby the governments are beneficiaries of African NGOs rather than benefactor or funder as in the UK. They therefore have little interest in statutory regulation of accountability practices.

The study finds that though the influence of the Institutional donors on NGOs operating in Africa presents an opportunity to promote statutory regulations where there is no country-level regulations, this opportunity is not utilised. The UK based

Institutional donors and INGOs have only required the specific information relating to their grants in the forms suitable to their needs and have not attempted to influence the African NGOs to prepare reports in line with the UK regulations. This raises a question as to how much support the Institutional donors give to the system of statutory regulation. It appears that the Institutional donors do not provide support for promoting statutory regulations possibly because of their limited involvement in its development. This finding raises questions as to whether the regulatory authorities alone are able to achieve the changes necessary for further improvements in accountability practices across the sector. Future research may investigate how better involvement of the Institutional donors in developing the statutory reporting framework could affect their level of support for it.

Finally, and by way of conclusion, the study finds that the existing forms of accountability practiced by NGOs which are mostly contractual in form (types A and B) are an essential part of NGOs' accountability. But NGOs need to do more by responding to other stakeholders' needs not addressed by these existing practices. NGOs need to practice more of communal accountability by ensuring the participation of non-contractual stakeholders in decisions relating to the design and implementation of the programmes that affect them. These stakeholders should also participate in resourcing and resource utilisation decisions relating to programmes that affect them. While this study provides some empirical details into how this is operationalised in a few case studies, future research should investigate the mechanism by which this is done in other NGOs and the possibility of developing the practices into a coherent approach that could be widely adopted by NGOs.

Appendix 1- CS1 Strategic Objectives 2001-2004

1. Seek ways to enable minority communities and indigenous peoples to voice their concerns and advocates for their rights
2. Through advocacy, media and publishing activities, bring about changes in areas of CS1's interest and work
3. Through media and publishing activities inform the wider public of the situation of minorities and of the need and ways to protect and promote their rights
4. Achieve higher impact among specific advocacy audiences and decision makers at international fora
5. Within the advocacy work, Prioritize work at global fora including the UN and undertake work at regional fora to ensure a geographical spread of the activities.
6. Promote the interpretation and implementation of existing international covenants, declarations and mechanisms relating to minority rights, rather than the adoption of new standards
7. Work with local partners to find ways to improve implementation of the relevant standards
8. Support others to pursue legal cases under international complaints procedures on minority rights issues
9. Support/strengthen the capacity of minority-based human rights organizations to promote the rights of their communities
10. Encourage coordinated and targeted action as part of a rights-based approach to development by supporting alliances and coalition among minority-based organizations
11. Use opportunities offered by new technologies for communication, outreach and awareness raising
12. Analyze its work, articulate progress and develop new initiatives in this area
13. Accept invitation to work as consultants to programmes reaching audiences or areas which would be difficult for CS1 to reach on its own
14. Promote new thinking and new dialogue by key actors on minority rights issues
    (CS1/SP/ 01: 3)

Appendix 2- CS1 Strategic plan 2005-2008

Planned outcome	Targets – one year	Targets – four years	Activities 2005 * partly funded **not funded
1. Increased public participation by minorities and indigenous peoples	125 community representatives or staff in minority or indigenous organisations report that they have gained skills, knowledge or confidence to carry out advocacy on behalf of their community. 90 of them go on to use these skills. 25 community representatives or staff in minority or indigenous organisations carried out an advocacy	Decision makers refer publically to minority and Indigenous communities, consult them more and take more of their views into account. MRG partners continue to have access to decision makers and carry out effective advocacy. 3 occasions where MRG or partners have influenced improved or new national constitutions,	UN Neelan Tiruchelvam Training** UN Treaty Body Training SEE Advocacy and Rights Training FCNM training* SEE Training for Trainers ACHPR training** ITP skill share events EU member state anti-discrimination training Training manuals* Training events for Pastoralist women, elders, MPs and pastoralist advocacy strategy events**
2. Positive changes in national legislation, policy and practice	2.a 3 occasions where MRG and partners have influenced national legislation, or altered a govt policy or practice.	2.2 20 occasions where MRG and partners' influence has altered national legislation or govt policy or practice focusing on: - protecting land and property rights - education reform	*MRG Campaigns on protecting land and property rights, education reform, and challenging discrimination against minority and indigenous women.*** *UNDM national advocacy projects***
3. Strengthening of international mechanisms and standards	10 sets of conclusions or recommendations from international mechanisms that strongly raise issues affecting minority and indigenous communities.	Positive precedents in minority rights case-law New or stronger international minority rights mechanisms including in the field of conflict prevention.	*Support partners to produce shadow reports, attend and lobby, and linked advocacy*** Legal cases* Campaign for minority input to NEPAD and AU** Publications aimed at international institutions**
4. Improved international development cooperation for minorities and indigenous peoples	10 dialogues between members of minority communities and development decision makers (including PRSP processes).	Ten devt donors/actors including the World Bank report that MRG has helped them develop new policies,	MR and D training for development actors** Donor/minority dialogues** Consultancy support for development agencies* *MR and D workshops* **
5. Increased awareness and understanding of inter-ethnic and inter-religious issues	5 partners run practical cross community projects Increased media coverage 400,000 visits and 50,000 publications downloaded from website	5 partners report decreased intercommunity tensions and / or improved intercommunity cooperation.	Intercommunity dialogue and workshops* Innovative cross–community projects** Media work, website, e-bulletin* Publication of analytical reports**
6. Prevention of violent conflicts in situations involving minorities	Cases where abuses of minority rights may lead to conflict are identified, publicised and recom-mendations on early action made.	Governments and IGOs increasingly understand and accept the link between abuses of minority rights and future ethnic violence	MRG campaign on minority rights in the prevention of conflict and genocide* Early warning – media and advocacy** Conflict micro casestudies** High level seminar**

Appendix 3 CS1- Restricted Programmes Implemented in 2008 and the contributing donors

	Programme Title/Objectives	Contributing Donors	Amount
1	African Commission on Human and Peoples' Rights Project: to develop the skills and capacity of minorities to advocate for their rights at the ACHPR	UK Dept for International Development Cordaid Block grant	146,497
2	Poverty Reduction Strategy Process: Seek to address the deficiencies in current poverty reduction strategies that make it less beneficial to minorities or even increase inequalities. Activities include research, workshop and training	Irish Aid Ministry of Foreign Affairs of Finland	92,620
3	Batwa Programme: to build the leadership capacity of the Batwa people (a marginalized group) and support them in establishing an advocacy network in DRC, Burundi, Rwanda and Uganda	European Commission Irish Aid	158,824
4	Endorois Project: Support the Endorois community to challenge their eviction from their ancestral land at the African Commission for Human Rights and raise awareness of their plight.	Baring Foundation Ministry of Foreign Affairs of Finland	40,147
5	Pastoralist Programme: To train Pastoralist women and elders in participation and representation in civic and political life as a way of reducing poverty and conflict.	Dan Church Aid Irish Aid	97,053
6	Uganda NUREP programme	European Commission	11,798
7	Religious Minorities in Asia	Irish Aid Cordaid Block grant CAFOD	84,614
8	Indigenous and Tribal Peoples training	Swedish Development Cooperation Cordaid Block grant	6,000
9	South East Europe Programme	Charles Stewart Mott Foundation The King Baudouin Foundation UK Dept for International Development Cordaid Block grant	245,501
10	Development Education – Hungary	European Commission	90,581
11	UN Advocacy programme- Hungary	Hungarian Ministry of Foreign Affairs	9,734

12	Other Europe programmes: FCNM training, INFOCOM, Roma Portal	Council of Europe; Cordaid European Commission	10,177
13	Minorities and Conflict Prevention	UK Dept of International Development	48,721
14	Conflict Prevention- Nepal	Taiwan Foundation for Democracy Alan Nesta Ferguson Trust Cordaid Block grant	30,692
15	Conflict East Africa	Ministry of Foreign Affairs of Finland	16,000
16	Iraq Refugees report	Reuben Foundation The Erikson Trust UNHCR Matrix Chambers	9,808
17	Iraq project	Cordaid Block grant	12,614
18	Iraq/Somalia Project	European Commission	6,090
19	Strategic Communications Programme: Provide a database of information that helps minorities claim their rights and helps policy makes understand their needs thus preventing conflict	European Commission Ministry of Foreign Affairs of Finland	105,068
20	Turkey Anti discrimination programme	European Commission Cordaid Block grant	93,445
21	Legal cases Project: to support minorities to bring cases against the state challenging minority rights abuses to establish positive precedents in international minority rights law. Cases involve minorities in Turkey, Bosnia, Botswana, Chagos Island	Sheri Rosenberg foundation Cordaid Block grant Open Society Institute Norwegian Ministry of Foreign Affairs University College London	96,033
22	Minority Women project	Irish Aid Canadian International Development Agency Cordaid Block grant	103,505
23	Others Consultancies	CCFD, EC, ICTJ, SDC	8,737
	TOTAL		**1,524,256**

Appendix 4 CS1- Income sources 2005-2008

	2008	%	2007	%	2006	%	2005	%
	£		£		£		£	
Incoming resources								
Voluntary income								
TBH Brunner Charitable Trust	1,000		1,000		1,000		1,000	
Christian Aid	-		20,000		20,000		20,000	
Ministry for Foreign Affairs of Finland	100,000		62,293		60,656		47,664	
Open Society Institute	-		-		-		10,000	
The Sigrid Rausing Trust	120,000		120,000		100,000		-	
ICCO	-		29,625		26,553		26,893	
Lee Foundation	10,000		10,000		10,000		7,000	
Netherlands Ministry of Foreign Affairs	140,098		104,994		110,881		111,144	
The Pilkington General Charitable Trust	1,500		-		1,000		1,000	
The Eva Reckitt Trust	1,000		1,000		1,000		-	
Swedish Intl Dev Cooperation Agency	184,248		173,450		222,963		221,889	
Doen Foundation	55,601		13,786		-		-	
Alan and Babette Sainsbury	5,000		10,000		-		-	
S. Rosenberg	-		4,632		-		-	
Joffe Charitable Trust	-		2,500		-		-	
Rathbone Trust Company	2,000		2,000		-		-	
Cordaid	150,009		82,970		-		-	
From Institutional donors, foundations etc	770,456	96%	638,250	96%	554,053	94%	446,590	91%
Individual donations (incl W.Jacobs & Lev)	11,335		3,558		6,717		12,701	
Total Voluntary Income (Unrestricted)	**781,791**		**641,808**		**560,770**		**459,291**	
Income from charitable activities								
Investment income (Unrestricted)	4,471		3,951		4,136		5,230	
Publications (Unrestricted)	10,727		12,110		7,501		19,780	
Consultancy (Unrestricted	7,330		5,226		13,955		6,654	
Total Unrestricted Income	**804,319**	**100%**	**663,095**	**100%**	**586,362**	**100%**	**490,955**	**100%**
Unrestricted Income	**826,848**	**30%**	**684,382**	**31%**	**611,954**	**27%**	**522,619**	**27%**
Restricted Income (Advocacy & Projects)	1,899,226	69%	1,498,016	69%	1,609,507	71%	1,384,415	72%
Other income -Cost recovery	45,642		22,997		57,341		44,329	
Total incoming resources	**2,749,188**	**100%**	**2,184,108**	**100%**	**2,253,210**	**100%**	**1,919,699**	**100%**

Appendix 5- Logical Framework for the project *South East Europe: Diversity and Democracy- Phase 3*

PROJECT SUMMARY	MEASURABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL: To eliminate discrimination and ensure minority protection by contributing to the inclusion and effective participation of minorities in Southeast Europe in the economic and social development processes			
PURPOSE: To utilize the opportunities provided by the EU accession process in order to mainstream effective minority and minority women's participation in political and developmental processes in Southeast Europe	1. Representation of members of minorities and minority women in key political and developmental programs and strategies at all levels is clearly agreed and implemented. 2. The position of minorities, in SEE countries is strengthened and benefits from inclusion in political and developmental processes are recorded.	1. Official governmental and EU documents and statistics 2. Reports by international organizations, authorities and NGOs 3. Media coverage 4. Partner programme monitoring reports	1. Regional political stability 2. National governments committed to meeting EU accession criteria 3. Comprehensive data disaggregated by ethnicity and gender is available
OUTPUTS: **1.** Minority communities, civil society organizations, European Union and governments jointly identify and use opportunities for minority and civil society input into the EU policy in SEE through the EU's reporting procedures.	In Serbia, partner input considered by policy makers and referred to in EU country reports In Croatia, minority organizations successfully advocate for implementation of the Constitutional Law for Protection of Minority Rights and fulfilment of relevant international treaties commitments; In Kosovo, partner is consulted by local and international officials on status talks; recommendations are taken forward by authorities.	-EU annual country reports - Partner programme monitoring reports - Feedback from government officials during monitoring visits - Feedback from EC - Media coverage - Public statements by government officials.	1. EU interested and willing to consider and react on inputs *2.* Relevant governmental and EU stakeholders open for communication and cooperation 3. Civil society and minority organizations interested and capable for a long term cooperation.
ACTIVITIES: ***Activity 1-Advocacy*** Regional: 3 strategic advocacy planning meetings to develop programme witth specific aims and deliverables for each programme country National: Programme partners participate at 2 relevant international fora annually (HDIM, Strasbourg, Geneva) 1 shadow report on relevant international treaties and conventions per partner	**INPUTS:** 9,099 GBP per activity. CS1 and partner advocacy expertise; meeting design. Time: 3 wks planning, 2 wks follow-up by each organizer, 4 wks CS1and other partners 756 GBP per visit; Partner advocacy expertise. Previous research/advocacy publications. Interventions. Time: 3 wks per partner pa 3,472 GBP per report; Partner research expertise, knowledge of relevant instruments and mechanisms. Input by research team. MRG feedback and support.	**SOURCES OF INFO:** - meeting agenda - Programme Advocacy Plan - meeting report - advocacy targets - interventions - shadow reports - media launch - advocacy targets	

Appendix 6- Extract from a European Commission Call for Proposal

General Objective of the Programme
To contribute to the development and consolidation of democracy and the rule of law and respect for all human rights and fundamental freedoms, consistent with the EU's foreign policy as a whole.

General Objective of the call (Objective 2 of the EIDHR Strategy Paper 2007-2010)
'Strengthening the role of civil society in human rights and democratic reform, in facilitating the peaceful conciliation of group interests and in consolidating political participation and representation'

Actions: Proposed action must contribute to the empowerment of underrepresented groups and enhance political participation and representation of such groups

Types of Activities: Organization of discussion for a (seminars, conferences, round tables) to improve dialogue between Civil Society Organizations and decision-makers; Awareness-raising, lobbying activities etc

Expected Results: increased capacity of local civil society organizations to support resolution of conflicting interests or sources of deep-seated conflict or potential violent conflict.

Size of Grants: Minimum €500,000 and Maximum €1,500,000. A grant may not be for less than 50% or more than 80% of the total eligible cost of the action

Duration: 12 – 36 months

Concept Notes' deadline: 30/09/2008
(EC/CP/08)

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