

# **An Examination of the Business Case for Transparency and Accountability in the Non-Profit Sector in Swaziland**

---

Vulindlela Sibonginkhosi Simelane

Student I.D. (418388)

**March, 2014**

A research report submitted to the Faculty of Management, University of Witwatersrand in partial fulfillment of the requirements of the degree of Master of Management (in the field of Public and Development Management)

The primary objective of the research study was to investigate the salience of transparency and accountability in Swaziland's Non-Governmental Organization (NGO) Sector. To this end, the study had a particular focus on the relationship between compliance with transparency and accountability and the increased ability to mobilize external funding. The key motivating factor behind this assessment was the rise to prominence of corporate governance best practice across the globe. To achieve this paramount objective, the existing body of knowledge on NGO transparency and accountability was consulted extensively. This was aimed at situating the research study in an empirically grounded context. In addition, the appropriate research methodology was adopted with a view to arriving at credible conclusions on the actual facts on the ground. While the strong focus of the study was NGO transparency and accountability, the findings revealed that there were underlying factors that created a cause-effect relationship between the quality of transparency and accountability, and the ability of NGOs to mobilize resources effectively. In this regard, it was found the institutional capacity was the defining factor, and or independent variable that determined the levels of transparency and accountability, and by extension, funding ranking. In conclusion, the research report, recommends that the NGO sector, particularly at the local level be professionalized in order to ensure that stronger institutions in the NGO sector are fostered.

## **Declaration**

I, Vulindlela Sibonginkhosi Simelane, hereby declare that this dissertation is the result of my own investigation, and that due reference is made where necessary to the work of other researchers. It is submitted to the University of the Witwatersrand, Johannesburg in partial fulfillment of the requirements of the degree of Master of Management (in the field of Public and Development Management).

I further declare that this dissertation has not previously been accepted for any degree and is not concurrently submitted for any other degree or examination at this or any other university.

---

Vulindlela Sibonginkhosi Simelane,  
March, 2014

## **Acknowledgements**

I would like to take this opportunity to give all the praise, honour and glory to the Alpha and Omega – You and only You are worthy to be adored and worshiped. Thank you Lord Almighty for being faithful and supplying my every need according to your riches in glory by Christ Jesus. With You nothing is impossible!

I would also like to convey my deepest gratitude to my lovely wife Gugu - I am highly indebted to you for all the long winding hours you kept me company in every library, office, restaurant and hotel room while I was writing this research paper.

May I also express my sincere appreciation to my Research Supervisor, Professor Pundy Pillay. Without your invaluable advice throughout the writing of this paper I would not have made it.

Furthermore, I would like to thank my employer the University of Swaziland (UNISWA) Foundation for making it possible for me to pursue my studies - Thank you Professor Magagula, Mr. Joshua Wycliffe and the Board of Trustees for your approval.

## List of Abbreviations

CANGO – Coordinating Assembly of Non-Governmental Organizations

ODA – Official Development Assistance

NPO – Non-Profit Organization

NGO – Non-Governmental Organization

PR - Public Recipient

DR – Direct Recipient

SOP - Standard Operating Procedure

SR – Sub-Recipient

SSR – Super Sub-Recipient

CCM - Country Coordinating Mechanism

CBO – Community Based Organization

LNGO – Local Non-Governmental Organization

NPO – Non-Profit Organization

INGO – International Non-Governmental Organization

ACMS – Aid Coordination Management Section

NERCHA – National Emergency Response Council on HIV and AIDS

GEFC – Global Economic Meltdown and Financial Crisis

FSRA - Financial Services Regulatory Authority

<b>TABLE OF CONTENTS</b>	<b>Page</b>
Abstract	i.
Declaration	ii.
Acknowledgements	iii.
List of Abbreviations	iv.
Table of Contents	v.
<b>1. CHAPTER ONE - INTRODUCTION</b>	<b>1</b>
1.1.    Introduction	1
1.2.    Problem Statement	2
1.3.    Purpose Statement	3
1.4.    Research Questions	4
1.5.    Research Outline	4
1.6.    Significance of the Study	5
1.7.    Limitations and Ethical Considerations	5
1.8.    Conclusion	6
<b>2. CHAPTER TWO – LITERATURE REVIEW</b>	<b>7</b>
2.1.    Introduction	7
2.2. Non-Governmental Organizations	7
2.3. Corporate Governance	9
2.4. The Relationship between Transparency and Accountability	10
2.5. Key Characteristics of Transparency and Accountability	10
2.5.1. Contextual	10
2.5.2. Answerability and Sanction Authority	12
2.6. The Business Case for Transparency and Accountability	13
2.7. Transparency	16

2.8. Accountability	16
2.8.1. Hierarchical Accountability	17
2.8.2. Internal Accountability	18
2.8.3. External Accountability	18
2.8.4. Strategic Accountability	19
2.8.5. Web Based Accountability	20
2.8.6. NPO Self-Regulation	21
2.8.7. Procedural Accountability	23
2.9. Theoretical Approaches	24
2.9.1. Principal-Agency Theory	24
2.9.2. Information Asymmetry Theory	26
2.9.3. Resource Dependency Theory	28
2.9.4. Normative Theory of Stakeholder Saliience	29
2.9.5. Phenomenological View	30
2.9.6. Conclusion	30
<b>3. CHAPTER THREE – RESEARCH METHODOLOGY</b>	<b>32</b>
3.1. Introduction	32
3.2. Research Design	32
3.2.1. Perspective for Designing the Qualitative Study	33
3.2.2. Qualitative Research Study	33
3.3. Data Collection	34
3.3.1. Primary Data	34
3.3.2. Secondary Data	34
3.3.3. Sampling	35
3.4. Data Analysis	36
3.5. External Validity and Reliability	36

<b>4. CHAPTER FOUR – DATA PRESENTATION</b>	<b>38</b>
4.1. Introduction	38
4.2. Respondent Selection	38
4.3. Respondent Categories (Key Players)	38
4.4. Research Questions	40
4.5. Presentation of Findings	41
4.5.1. Factors which have Given Rise to the Prominence of Transparency and Accountability in NGO Financial Resource Mobilization	42
4.5.1.1. Introduction	42
4.5.1.2. Global Economic Meltdown and Financial Crisis	43
4.5.1.3. Advent of Stringent Funding Requirements	45
4.5.1.4. Compliance with Corporate Governance Best Practice	46
4.5.1.5. Organizational Credibility and Reputational Capital	47
4.5.1.6. Conclusion	49
4.5.2. The relationship between organizational capacity, the quality of organizational transparency and accountability, and the level of success in financial resource mobilization.	49
4.5.2.1. Introduction	49
4.5.2.2. Classification of Respondents	51
4.5.2.3. Funding Agencies	52
4.5.2.4. Aid Coordinating Bodies	54
4.5.2.5. International Non-Governmental Organizations	59
4.5.2.6. Local Non- Governmental Organizations	61
4.5.2.7. Community Based Organizations	63
4.5.2.8. Conclusion	65

4.5.3. The factors that have impeded the Adoption and Successful Implementation of Organizational Transparency and Accountability within the NGO sector	65
4.5.3.1. Introduction	65
4.5.3.2. Massive Inflow of International Donor Aid	66
4.5.3.3. Proliferation of NGO's	68
4.5.3.4. NGO Registration	69
4.5.3.5. NGO Regulation	70
4.5.3.6. Capacity Constraints	71
(i) Governance Oversight	71
(ii) Operational Management	72
(iii) Human Resources	73
(iv) Multiple Accountability Requirements	75
(v) Financial Management	76
4.5.3.7. Geo- Political Factors	77
4.5.3.8. Conclusion	78
<b>5. CHAPTER FIVE – DATA ANALYSIS</b>	<b>79</b>
5.1. The Factors Which Have Given Rise to the Prominence of Organizational Transparency and Accountability in the NGO sector	79
5.1.3. Introduction	79
5.1.2. Global Economic Meltdown and Financial Crisis (GEFC)	79
5.1.3. Advent of Stringent Donor Funding Regulations	82
5.1.4. NGO Credibility and Reputational Capital	85
5.1.5. Conclusion	86

5.2. The Relationship between Institutional Capacity, Quality of Transparency and Accountability and the level of success in Financial Resource Mobilization.	86
5.2.1. Introduction	86
5.2.2. Principal-Agency	87
5.2.3. Information Asymmetry	88
5.2.4. Resource Dependency	90
5.2.5. Normative Theory of Stakeholder Salience	90
5.2.6. Conclusion	91
5.3. Factors which have impeded the Adoption and Implementation of Organizational Transparency and Accountability within the NGO Sector.	91
5.3.1. Introduction	91
5.3.2. Massive Inflow of International Donor Aid	91
5.3.3. Proliferation of NGO's	92
5.3.4. Institutional Capacity Constraints	93
(i) Governance Oversight	94
(ii) Operational Management	94
(iii) Human Resources	95
(iv) Financial Management Systems	95
(v) Capacity Building	96
5.3.5. Conclusion	96
<b>6. CHAPTER SIX - CONCLUSIONS AND RECOMMENDATIONS</b>	<b>98</b>
6.1 Introduction	98
6.2 Historical Development of the NGO Sector	98
6.3 Self-Regulation of the NGO Sector	99
6.4 Professionalizing Local Non-Governmental Organizations	100
6.5 Conclusion	102

