

1. CHAPTER 1 - INTRODUCTION

1.1. Introduction

The advent of a new global economic dispensation has altered the mode of operation of virtually all manner of organizations across the globe. In this economic era traditional barriers to trade and the movement of global capital have been eliminated by regional economic integration, trading blocks and common monetary areas. In addition, the emergence of a highly sophisticated information communications technology and ecommerce infrastructure has ensured the relative ease of transnational and intercontinental exchange of goods, services, skills and capital.

Concomitant with the latter has been the proliferation of financial scandals related to corruption, fraud, money laundering and cyber-crime across the spectrum of private, public and non-profit sector organizations in all economies, big and small. Indeed the succession of events preceding and following the global economic meltdown and subsequent financial crisis have strengthened the growing consensus that organizations entrusted with stewardship of financial resources need to exercise more prudent financial management. In this regard, organizations in the non-profit (NPO) sector in the Kingdom of Swaziland are by no means an exception. These organizations are effectively operating in a multi-million (Emalangeni) industry worth of international donor funds.

For this reason the imperative to adopt and adhere to best practice corporate governance standards has never been more important. This is particularly important when taking into account the relatively low levels of ethical conduct and professional integrity. The lack of effective stewardship of donor resources and weak governance oversight has serious implications for future funding prospects of NPO's.

Against this backdrop this research study seeks to examine the business case of transparency and accountability in the NPO sector particularly as relates to financial resource mobilization.

1.2. Problem Statement

During the past decade there has been a proliferation of corruption scandals involving the public, private and NGO sectors. The latter include the United Nations (UN) Oil for Food Program and financial abuses and mismanagement in United Way of America, and respectively the well documented Enron and Parmalat collapses. Such incidences have seriously tarnished the public image of many NPO's resulting in a loss of donor trust and confidence in those institutions entrusted with donor resources. (Vaccaro and Madsen, 2009).

Under the powerful glare of the media and subjected to intense public scrutiny the NPO sector has collectively suffered severe damage to its reputation and credibility due to the unscrupulous conduct of a few organizations. Not surprisingly, the violation and breach of donor trust has made it increasingly difficult for NPO's to attract and retain the donor funding upon which they heavily rely on for their survival. Ironically all of the above has occurred against the backdrop of furious competition for limited and scarce resources in donor funding markets worldwide. Further aggravating matters is the plight of the intended beneficiaries of donor aid at the grassroots whose already dire situation is made much worse by corrupt officials of NGOs who illegally siphon funds for their own private gain.

Interwoven in the tapestry of the fabric of society today is an acute state of moral decay and dearth of ethical values and conduct, a key feature that remains essential for the long-term financial sustainability of organizations and more especially so for NPOs. A closer examination of the underlying causes behind the embezzlement of donor funds invariably points to the absence of proper governance mechanisms that are necessary pre-requisites for efficient and effective use of programme and project resources.

Given the highly dynamic nature of the global economy and subsequent changes in donor funding patterns it has become more crucial for NPOs, especially in resource-

poor countries like Swaziland to fully exploit the plethora of opportunities that good corporate governance brings.

1.3. Purpose Statement

The paramount goal of this research report is to critically examine the salience of transparency and accountability in the NPO sector in Swaziland. Underpinning this critical objective is the increasing importance of corporate governance best practice in contemporary organizations. Even more compelling is the growing body of evidence that suggests a strong correlation between credible governance policies, structures and procedures, and long-term organizational sustainability.

Notwithstanding the presence of tangible and irrefutable evidence which shows that placing a higher premium on corporate governance best practice is mission-critical under changing economic conditions many NPO's continue to lag far behind. Where some entities have taken the bold and necessary steps to adopt and implement transparency and accountability as an integral and core component of their corporate ethos, the rate of sanctioning deviant behaviour has left a lot to be desired. Accordingly this paper seeks to gain a deeper understanding of the root causes behind the glaring discrepancy between adoption and enforcement of best practice governance standards.

To fast-track this process the body of knowledge on NPO transparency and accountability will be interrogated rigorously with a view to identify some of the bottlenecks that impede successful implementation. Having alluded to the latter it suffices to mention that what makes this research study particularly important is the multitude of economic benefits that stand to be gained by NPO's who not only adhere to governance best practices, but also those who go beyond normal expectations in doing so.

Through the collection, analysis and interpretation of qualitative data combined with document analysis it is envisaged that the findings of the study will avail much better

insight into the intricate and complex web of factors that characterize NPO transparency and accountability. Once this process is finalized it is envisaged that the key recommendations will outline effective ways in which corporate governance can be given the due attention that it requires.

1.4. Research Questions

The role of the research questions is to provide a building block to the process of enquiry. Thus the questions are continuous and interrelated, and seek to provide answers on various aspects of transparency and accountability in relation to NPO resource mobilization. Most importantly they provide an important basis for focusing the direction of the literature review. In addition the research questions determine the type of research and methodology to be adopted. Due to the limitations in the scope of the study only three critical questions will be investigated:

- (i) Which factors have given rise to the prominence of transparency and accountability in financial resource mobilization in Swaziland's NPO sector?
- (ii) What is the relationship between the characteristics of an NPO, the quality of organizational transparency and accountability, and the level of success in financial resource mobilization?
- (iii) Which factors impede the adoption and successful implementation of transparency and accountability as governance best practices within the NGO sector?

1.5. Research Outline

This chapter provides an important background and context within which to situate the research study. Accordingly, it commences with a brief introduction followed by the

problem and purpose statements. It proceeds with an outline of the research questions, significance and includes the significance and limitations of the study.

The second chapter includes a critical analysis of the main theoretical arguments found in the body of knowledge on NPO transparency and accountability and its effect on external resource mobilization. The third chapter documents the research methodology that underpins the research process while the fourth chapter presents the collected data in accordance with the core thematic areas that were unveiled by the research. The fourth chapter is the data analysis while the final chapter sets out recommendations.

1.6. Significance of the Study

The increase in corruption, financial mismanagement and embezzlement scandals in the private, public and non-profit sector organizations has increased the imperative for prudent financial management. Moreover, in the post-global financial recession period, these calls have become ever-more important.

In light of the above, it is envisaged that this research study will provide useful insights that will help to improve understanding on the degree to which transparency and accountability is important to NPO's in Swaziland. Once key findings become available, it will be possible to arrive at meaningful conclusions on both the stumbling blocks, and potential benefits of complying with corporate governance best practices.

1.7. Limitations and Ethical Considerations

Some of the limitations of the study include the external validity of the study. For this reason the units of analysis cannot be trusted as representative of the larger population. Furthermore, since the in-depth questionnaire interview will be administered by the author of the paper, it is unavoidable that there will be a certain degree of biasness in this study.

1.8. Conclusion

As Swaziland continues to battle with a myriad of socio-economic challenges such as stagnant economic growth, food insecurity and the unabated scourge of pandemic diseases, the involvement of the NPO sector is inevitable. While this is worthy in principle, the relatively poor governance standards and weak regulation of this increasingly important sector remain a constant threat to external financial assistance.

2. CHAPTER TWO - LITERATURE REVIEW

2.1. Introduction

The literature review seeks to critically analyze the major theoretical arguments found in the body of knowledge on NPO transparency and accountability as they relate to external resource mobilization. By interrogating the diverse range of diverse views on transparency and accountability it is envisioned that the study will be placed in an empirically grounded context. In addition, it is envisaged that the literature review will enable the proper formulation of the problem and purpose statements, and research questions in line with the study objectives. Assessing the literature will assist in the identification of existing gaps in knowledge thereby facilitating the development of new theoretical paradigms.

While the necessary caution has been taken to consult the body of knowledge as extensively as possible, due care has been exercised to exclude material that is not relevant to the study objectives. Consistent with this approach, the literature review will commence with a definition of Non-Governmental Organizations (NGOs), corporate governance, and the business case for transparency and accountability. It will proceed with an examination of the key characteristics of transparency and accountability plus the different types of accountability. Finally an analysis of five leading schools of thought on NPO transparency and accountability will be undertaken. The latter include principal agency, information asymmetry, resource-dependency, the normative theory of stakeholder salience, and phenomenology.

2.2. Non-Governmental Organizations

Because NPOs in Swaziland are referred to as non-governmental organizations (NGOs) the discussion will focus on the definition and role of NGOs as opposed to NPOs.

However, this is not to suggest that these are markedly different concepts per se.

NGOs are commonly referred to as 'voluntary' or 'third sector' organizations. To this end the third sector comprises of organizations that are outside of the legal organization of state authority, they do not distribute profits from their activities, are self-governing, and involve significant private and local voluntary efforts. Most importantly, in spite of their non-profit status they are an emergent partner in governance (Choudury and Ahmed, 2007).

In addition some definitions define non-governmental organizations (NGOs) as organizations that are non-political, non-profit, and non-governmental. They are accountable to their stakeholders and are involved in the welfare, and socio-economic development of people. Against this backdrop, there are three primary categories of NGOs. These are grassroots organizations (GROs), intermediary NGOs, and international or donor NGOs. Of the three GROs are the largest in number even though they are very small in size, are localized, and have limited funds and outreach capacity. To the contrary donor NGOs are big in size, mostly foreign funded, and do not work with beneficiaries. On the other hand, intermediary NGOs work at a regional level, and are relatively bigger than GROs or community based organizations (CBOs) but smaller than donor organizations in size and outreach capacity (Rahman, 2007). This arrangement is perhaps closest to what obtains in Swaziland's NGO sector.

Nonetheless, NGOs play a crucial role in facilitating development and maintaining a healthy civil society. Citizens everyday rely on it to help deliver programs and services in the arts, education, healthcare, the environment, sports, professional associations, humanitarian services, and countless other areas. With respect to their source of funding it is observed that NGOs often rely heavily on charitable contributions from corporations and private individuals. A typical example is the United States of America where such contributions are delivered at the rate of a staggering \$300 billion annually (Zhuang, Saxton, Wu, 2011).

In recent years, the recognition of the work of NGOs in society has increased. And this is mainly due to the fact that activities that NGOs carry out address market and state

shortcomings. Although the objectives of NGOs are focused on serving public interest, their legitimacy has been undermined by recent incidences of fraud by directors of some reputable international NGOs. Due to these circumstances and given the societal importance of these entities, there is an increased demand for transparency and accountability not only with respect to the publication of NGO results, but also with respect to the governance practices of such organizations (Rodriguez, Perez and Godoy, 2012).

It is specifically due to increased attention given to the governance practices of NGOs that this research study is underpinned. Accordingly, it is imperative to examine corporate governance which is the umbrella concept within which transparency and accountability belong.

2.3. Corporate Governance

In spite of the fact that it is a relatively new discipline, there are a number of definitions that are found in the body of knowledge on corporate governance. One of these posits that corporate governance is mainly a set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled. In particular its primary purpose is to influence directly or indirectly the behaviour of the organization towards its stakeholders. "The key factor underpinning the growing interest in this area of scholarly research is that the last two decades have seen a renewal in corporate governance interest among scholars, practitioners and the media alike. The primary motivation factor for this has to a large extent been the high-profile collapse of several large corporations, whose governance systems failed to prevent corruption and adequately implement risk management procedures," (Mostovicz et al, 2012:613).

Due to the complexity of this subject matter the major focus of this research paper lean more towards two central pillars of corporate governance, transparency and accountability.

2.4. The Relationship between Transparency and Accountability

There are three possible ways that these two aspects of corporate governance relate to one another (Hood, 2010:990). “First, they might be considered as Siamese twins in the sense of being inextricably intertwined to the point where they cannot be meaningfully distinguished as different things. Second, they might be seen as matching parts meaning they are separable but complimentary, meaning they produce good governance only in combination. A third possible relationship between transparency and accountability might be that of awkward couple or uneasy bedfellows, meaning they involve elements that are not only separable but by no means combine to produce good governance, and indeed can be in tension at least sometimes” (ibid, 2010).

Not coincidentally, the terms accountability and transparency are both quite malleable and therefore conveniently can mean all things to all people. “Yet what they share is that a wide range of actors agree that transparency and accountability are key to all manner of ‘good governance,’ from anti-poverty programmes to corporate responsibility, participatory budgeting and NGO management,” (Fox, 2010).

2.5. Key Characteristics of Transparency and Accountability

Following an extensive consultation with the literature it was found that transparency and accountability are contextual and come with the power of sanction authority.

2.5.1. Contextual

The contextual nature of transparency and accountability basically entails that what these concepts mean is subjective and depends on the specific context within which they occur, and are being assessed.

According to Cordery and Baskerville (2010) the form that accountability takes is affected by the environment in which it arises. Similarly, accountability is noted for its complexity, ambiguousness and context dependency. It has such widely varying

interpretations and a high degree of abstraction that a common understanding of its detailed implications is often elusive.

Conforming to the same line of thought, Bovens, Hart, Schillemans (2008:226) state that accountability serves as a conceptual umbrella that covers various other often highly contested concepts, which leads to conceptual ambiguity and multiplicity. It is a vague concept, 'a garbage can filled with good intentions, loosely defined concepts and vague images of good governance, the very elasticity of which constitutes both challenge and a pitfall' (Curtin, Mair, and Papadopoulos, 2010). By a similar vein it is observed that studies on the nature and significance of accountability often start by lamenting the fuzziness and manipulability of the concept (Koenig-Archibugi, 2010).

Furthermore, Molnar (2008) observes that accountability is contradictory in nature, and that the term itself still has no clear definition. In practice it can take a number of forms, accountability can be; internal or external, formal or informal, vertical or horizontal, bottom-up or top-down. The form that it takes depends on the context within which it occurs at a given point in time.

It is a broad and rather stretched concept that reflects a range of understandings rather than a single core paradigm (Curtin et al. 2010). Accountability means different things to different people, depending on the context and the purpose for which accountability is sought. Although the concept of accountability remains "abstract and composite" and "offers a range of possible meanings", in its most fundamental sense, accountability means to be answerable to some party, for some expected performance (Bies, 2010).

"One of the criticisms of the contextual nature of accountability is that the disparities and ambiguities concealed by differently interpreted terminology and logically inconsistent frameworks inhibit effective theory building," (Williams and Taylor, 2012:3). This section provides irrefutable evidence that accountability is contextual. This further demonstrates the fact that there is much more scholarly research that has been undertaken on accountability compared to transparency. Nevertheless, due to the importance and

relevance of accountability to this research study, this information cannot be omitted from the literature review. Another attribute of transparency and accountability is that it entails a demand for answerability and sanctions where deemed necessary.

2.5.2. Answerability and Sanction Authority

Candler and Dumont (2010) suggest that donors wield a hefty accountability cudgel, by giving or withholding money or other resources, they can exercise the blunt instrument of financial control.

For many answerability without consequences falls short of accountability. In this context, the two basic dimensions of accountability include answerability or 'the soft face' and answerability plus the possibility of sanctions which is the 'hard face' (Fox, 2010). To illustrate this point, Beu and Buckley (2001) consider the action of defending or justifying one's conduct to an audience that has reward or sanction authority, and where rewards or sanctions are perceived to be contingent upon audience evaluation of such conduct.

In this regard, it is further suggested that those wielding an upper hand over NPO's will often impose rules, regulations and even sanctions to regulate the accountability relationship (Leornard and White, 2009). It suffices to mention that it is quite common in business relationships for a party holding a stronger bargaining position to exercise that particular advantage as and when considered necessary.

In view of the above, it is safe to understand accountability to be a communicative interaction between an accountor (person or organization) and an accountee in which the former's behaviour is evaluated and judged by the latter, in light of possible consequences (Schillemans, 2008).

In many cases however, the critical danger may be not a lack of NGO accountability to its patrons, but a *surfeit* of it. "Since patrons have both the inclination to hold NGOs accountable and the means to 'punish' them, the most important danger lies not in the NGOs abusing the trust but in the patron's abusing its powers of punishment," (Najam, 1996).

By examining the key characteristics of transparency and accountability a foundation was being laid down for introducing the main concepts behind this research study.

2.6. The Business Case for Transparency and Accountability

A number of recent events that have occurred in the internal and external environment have motivated the focus of the research study on NGO transparency and accountability.

For instance, the downfall of Enron, ImClone, WorldCom, Tyco and other large global conglomerates has created a general state of suspicion and mistrust toward corporate America. The corporate scandals have been likened to a cancer in the economy. Wrongdoings have come to be expected in the world of big business where the ends of moneymaking and profit often justify the means. "Government excesses too, along with the cumbersome and inefficient bureaucratic structures associated with public institutions, are acknowledged to be a perpetual problem. However, in the current socio-political context the public looks for tough proposals to remedy underlying problems. In this climate, revelations about NGO wrongdoings have run the risk of even more public indignation about a sector held to a higher ethical, let alone legal standard of behaviour," (Gibelman and Gelman, 2004:358).

Exposed to the critical gaze of pressure groups, media, business analysts and other inquisitive stakeholders, it is not surprising to find that organizations of today feel more vulnerable, and in a sense more transparent than ever before (Christensen, 2002).

Against this backdrop, it is stated that managers of corporations, government, and nongovernment actors alike are increasingly confronted with expectations relating to organizational accountability based on sound ethical performance (Rasche and Esser, 2006). In this respect, it is vital to note that most organizations often lack professional integrity, which ironically has become even more essential for attracting and securing external funding.

Meanwhile, current funding trends have seen a significant decline in the amount of funds available to donors in their pursuit of giving. The net result has been a marked reduction in the number of NGOs that they can support leading to what can be referred to as an 'NGO Scramble' (Reith, 2010). It is precisely this scramble that has ushered in a new era of unprecedented competitiveness in local and international donor funding markets. This competition environment has also had the effect of putting pressure on NGOs to meet the needs and demands of donors since there will always be another NGO ready to follow the 'correct' path to the money (Reith, 2010).

Notwithstanding the foregoing, Omona and Mukuye (2012) emphasize the primacy of organizational accountability as a critical success factor for improved public trust and credibility, and by extension donor aid. By the same breadth, managers of corporations, government and non-government actors alike are increasingly confronted with expectations relating to organizational accountability based on sound ethical performance (Rasche and Esser, 2006). "Given these changes in donor funding patterns and expectations, public trust is seen as the single most important asset of the non-profit and philanthropic community, without which, it is feared donors will not give and volunteers will not get involved," (Candler and Dumont, 2010:268).

Consistent with the above, it can be highlighted that indeed transparency in terms of operations, strategy and financial position is often advocated as the necessary ingredient for the development of more trustworthy and accountable institutions.

Furthermore, transparency is regarded as a pre-condition for accountability. Consequently, it is often argued that when considering mechanisms for ensuring NGO accountability, the most obvious is to ensure that NGOs are transparent (Vaccaro and Madsen, 2009). “Invariably, effective scrutiny implies access to information and nobody can be made accountable without publicity” (Velayutham, 2004).

To drive home the preceding point, Omona and Mukuye (2012) emphasize the primacy of organizational accountability as a mechanism for increasing public trust and credibility. In this regard, they consider public trust to be the single most important asset of the non-profit and philanthropic community, without which, donors will not give and volunteers will not get involved (Candler and Dumont, 2010:268).

Indeed the issue of public trust is a defining factor when taking the need for credible organizations into account. Accordingly, Petrick and Quinn (2001) argue that the neglect of company integrity capacity as an intangible asset is particularly alarming as its resultant increase in reputational capital has been established as a critical competitive component of global firms. In concert with this proposition, the study seeks to investigate how NPOs can gain a competitive advantage by distinguishing themselves in the donor funding market from less credible organizations.

In line with this approach Walsh and Lenihan (2006) suggest that donors will increasingly favour those NGOs that already have strong management systems or are in the process of putting them in place. By a similar token, Keating and Frumkin (2003) view accountability through the lens of fiscal honesty, avoidance of fraud, and good governance as measures of a charity’s effectiveness.

It is due to the events outlined above that transparency and accountability have risen to prominence on the NGO resource mobilization agenda in Swaziland. At this juncture it is essential to briefly describe transparency and accountability.

2.7. Transparency

While not much has been written on transparency compared to accountability, there are various definitions that are found in the literature. For example one reasonable definition of transparency might entail, 'The condition in which the knowledge of activities that are of public interest is revealed so as to provide the potential for accountability' (Sturges, 2008:369). In support of this view transparency can be understood to mean the release of information about institutions that is relevant to evaluating those institutions (Lindstedt and Naurin, 2010).

Departing slightly from the focus on accountability another view is that which sees transparency as the ability of all stakeholders in a system to see everything, making it easy to discover ways to create value. The basic premise of this assertion is that, in a transparent process everyone can see the necessary aspects and status of an operation at all times, (Klotz et al, 2008). In simpler terms transparency can simply be defined as the opposite of secrecy, (Coombs and Holladay, 2013).

2.8. Accountability

As already mentioned there is much more that has been written on accountability compared to transparency.

In general, definitions often refer to the right to require an account, and the right to impose sanctions if the account or the actions accounted for is inadequate (Cavil and Sohail, 2007). In the case of the NGO sector in Swaziland, a donor may require that certain information be provided by a funding beneficiary in line with pre-determined funding regulations, the failure of which may result in punitive measures being taken.

Another more-or-less similar definition is that accountability refers to the perception of defending or justifying one's conduct to an audience that has reward or sanction

authority, and where rewards or sanctions are perceived to be contingent upon audience evaluation of such conduct (Beu and Buckley, 2001).

Having alluded to the foregoing, the next section defines accountability based on some of its various types. These include hierarchical, internal, external, strategic, procedural, web-based, and social accountability.

2.8.1. Hierarchical Accountability

Hierarchical accountability entails answerability to higher authorities and refers to the state of being called to account, to provide an explanation or justification for one's conduct or duties (Onyx, 2008). "Concurring with this view accountability is seen as the means by which individuals and organizations report to a recognized authority or authorities and are held responsible for their actions," (Edwards and Hulme, 1996) in (Ebrahim, 2003:193). Based on the foregoing, it is safe to state that hierarchical accountability particularly useful in explaining the balance of power in the NPO – donor relationship.

Consistent with the preceding view, Jacobs and Wilford (2010), distinguish between upward and downward accountability. With upward accountability, a more powerful actor (such as a donor) uses accountability mechanisms to influence the actions of a less powerful actor (such as an implementing NPO). As a case in point, Dhanani (2009) considers accountability upwards to donors as a key mechanism with which to relay financial probity and organizational efficiency to enhance their trust and confidence, and in turn, engender their continued support. On the other hand with downward accountability, a less powerful actor, (such as an intended beneficiary) uses accountability mechanisms to influence the actions of a more powerful actor (such as an implementing NPO). This form of accountability is also referred to as social accountability (ibid.)

A major critique of hierarchical accountability is that due to concerns about organizational survival and increased competition for funding, there is dominance of “upward” accountability, where accountability privileges relations to donors (Baur and Hans, 2011:14). In effect this means that the interests of NPO’s are relegated to secondary importance which in turn impacts on operations and service delivery.

Notwithstanding the foregoing, Kopell (2005) observes that accountability is a condition in which people who exercise power are constrained by both external means and internal norms. Functional accountability informs us how this interaction occurs.

2.8.2. Internal Accountability

According to Keating and Frumkin (2003:4) “internal accountability can be seen through the lens of fiscal honesty, avoidance of fraud, and good governance as measures of a charity’s effectiveness.” This goes to prove that indeed ethical conduct and integrity is crucially important for NGOs that seek to succeed in attaining their objectives.

To add credence to this perspective some scholars assert that functional accountability is a form of internal accountability which explains the process of providing an account for resources, resource use and immediate impacts. To further stress this key point an argument is made that functional accountability is markedly different from strategic accountability which considers the impact of an organization on other organizations in the external environment (Edwards and Hulme, 1995) in (Mohammad, 2003). Indeed, external and or strategic accountability is crucially important for effective resource mobilization by NPO’s, and particularly so if a proactive approach to it’s implementation is adopted. Both forms of accountability are discussed extensively below.

2.8.3. External Accountability

Dose and Klimoski (1995) espouse that the conventional or traditional view of accountability has been to treat it as a form of external control where an account has to

be made, usually in the form of a reporting requirement to an external party. In this regard it suffices to mention that the reporting party is usually hierarchically subordinate to the party being reported to. Therefore, although external, accountability still maintains its hierarchical form.

In the above-mentioned scenario a demand for accountability is normally imposed by government or other funding bodies on NPO's. "Under these conditions, the terms of the accountability relationship invariably include a financial account for the expenditure of funds provided by the principal," (Onyx, 2008:121). What the latter shows is that external and hierarchical accountability are more-or-less similar. This assertion is further supported by Bies (2010:57) who states that "external accountability is useful in explaining compliance oriented self-regulation models in which non-profits must conform to a set of behaviours imposed on them by external actors such as third party evaluation or accreditation entities". As will be demonstrated later on in the discussion, self-regulation is a useful means for fostering both internal and external accountability among NPO's.

2.8.4. Strategic Accountability

In line with the basic premise proposed by external accountability, Akingbola (2006:265) argues that more than ever, non-profit organizations are embracing strategy in order to navigate the rapid change in their operating environment. Strategy reflects what an organization does or how efficiently it operates compared with other organizations (Akingbola, 2006:266). In this respect the scholarly work on NPO self-regulation and signalling vis-à-vis external fundraising is especially relevant.

On the other hand of the spectrum Cavil and Sohail (2007) consider strategic accountability to refer to the way in which NPO's are performing in relation to their mission, which is similar to a form of internal accountability.

At a broader level Reinhardt (2009) states that multivariate analysis shows that donors channel their money to organizations exhibiting higher levels of reliability, accessibility, credibility, reputation, and fundraising specialization. To this end NPO's emit these signals through obtaining certification, employing staff members that speak various languages, acquiring the endorsement of international donors, and undergoing thirdparty audits. Consequently, donors are giving money to the most skilful signallers (ibid.).

While accountability is important for the effective operation of any organization in the external environment, research has also provided evidence that there is a 'dark side' to accountability. "Specifically, accountability has been associated with such negative outcomes as wasted resources, increased stereotyping and inaccurate performance evaluations. Also, too much accountability might be a stressor to employees with the accompanying strain reactions such as increased job tension," (Hall and Ferris, 2010:132).

In relation to the above, perhaps the research findings will shed more light on the pros and cons of accountability. Another form of external accountability that was found in the literature and is increasingly gaining popularity among both funders and NPO's is web-based accountability.

2.8.5. Web-Based Accountability

In recent years the rapid diffusion of advanced internet-based technologies among non-profit organizations has brought with it considerable potential for demonstrating and promoting organizational accountability (Saxton and Guo, 2012). Accordingly, web-based accountability underscores the extent to which internal organizational forces can have strong external implications. In concert with this view Gandia (2011:61) examines the relevance of technology, in particular the internet for the improvement of accountability and transparency in non-profit organizations. Subsequently, an assertion is made that the disclosure levels by non-profits are related to the level of trust created,

and the amount of future donations received. The latter is the key factor with regard to web-based accountability.

An increasingly important type of accountability that is both internal and external in the NPO sector is that of self-regulation, which can also be referred to as a kind of 'self-accountability' or 'internal accountability'.

2.8.6. Non-Profit Self-Regulation

According to Phillips (2011:7) "self-regulation represents a collective action by a significant number of non-state actors to shape their own behaviour and that of others in a sub-sector through the establishment of norms, standards, and credible commitments, supported by mechanisms that induce adherence." Of course the assumption is that these are effective when drawing substantial legitimacy across the sector and with governments, stakeholders and citizens.

Yet another view is that voluntary accountability programs seek to develop common standards across organizations by regulating non-profit governance, fundraising, and management, and include national and industry codes of conduct, self-regulation systems, and accreditation and certification programs. The rationale behind these is that non-profit stakeholders, including donors, governments and citizens cannot easily observe how organizations use their funds, and cannot entirely trust non-profits to perform as promised. Thus they may require some credible signal of their virtue. Consequently, voluntary accountability programs can be understood in part as a signalling mechanism that is necessitated by information asymmetries that are inherent between non-profits and their stakeholders. Non-profits therefore, seek a means to communicate their "virtue" and trustworthiness to key stakeholders by distinguishing themselves from their less ethical or effective counterparts and thereby reap the rewards from stakeholders (Gugerty, 2009:245).

Furthermore, Gugerty elaborates on the benefit of certification programmes by stating that certification systems are a screening mechanism that provides participants of a

voluntary club with a reputational signal of quality in exchange for compliance with certain standards (Gugerty, 2009:248). Yet again, another form of screening mechanism that is also important for circumventing information asymmetries in funding relationships is that of charity watchdogs. This form of accountability is seen as having the potential to mitigate the perceived failure in the donations market by interpreting the respective financial information in ways that are relevant to donation decisions. Thus, donors can direct their donations to the “good and trustworthy” non-profits (Szper and Prakash, 2011:117).

From the foregoing a conclusion can be made that self-regulation through its various mechanisms fulfils three main functions. Firstly, it provides a yardstick for transparency and accountability which helps ensure that member NPO's conform to specific performance indicators. Secondly, it helps hold member NPO's to account for their actions. And last but certainly not least it provides a signal of organizational quality to prospective funders.

Critique

While the body of knowledge on self-regulatory mechanisms is quite extensive, its various mechanisms are not void of criticism. For example, some authorities on this subject matter contend that the weakness with external ratings is that organizations may ‘play to the test,’ or alter behaviour or organizational structures in ways that increase ratings without impacting (or while negatively impacting) the qualities the ratings are designed to evaluate (Szper, 2012:4). Moreover, ratings may turn out to be self-fulfilling prophecies. That is, several studies reveal that organizations respond to identity threats created by the rankings by highlighting positive identity attributes not emphasized in the rankings (ibid). This argument is indeed interesting when considering the persistent challenge of information asymmetries between funders and NPO's that lead to both competitive advantage and disadvantage in the bargaining process.

Furthermore, a major weakness that is suffered by self-regulation and or voluntary accountability programmes is that of poor or complete lack of enforcement of sanctions

in response to deviant conduct. One of the main difficulties with the rapid expansion of similar programmes is that of transitioning from the passive process of signing voluntary codes of conduct, to code implementation and enforcement, whether through certification, enforcement, or other means (Sidel, 2010).

Finally, in the case of rating agencies and charity watchdogs a stumbling block is found when the regulator is not mainly motivated to serve society. In such instances, the case for regulation and oversight becomes problematic and complex when the regulator is self-serving, or when it aims to please multiple stakeholders and interest groups. This then defeats the whole purpose of self-regulation (Burger, 2012:90). Closely related to the critique of self-regulation is procedural accountability.

2.8.7. Procedural Accountability

Unlike hierarchical, internal and external forms of accountability, procedural accountability places emphasis on the fact that users of resources cannot be assumed to be completely honest, and requires their reports on accountability to be cross-referenced through additional forms of analysis, evaluation or audit. “The proposition being made is to the effect that such examination will go further in authenticating the validity of the account being given on the stewardship of resources,” (Cutt, 1982:312). Basically, procedural accountability is more akin to the information asymmetry theoretical model of accountability and transparency which asserts same. In the context of the study this kind of accountability is fundamental to unearthing some of the intricacies related to enforcing accountability within both funding agencies and NPOs.

Indeed the definitions of transparency and accountability are many and varied. However, it is necessary to point out that they all fit within a broader theoretical framework. The next part of the literature examines five theoretical approaches of transparency and accountability that were found to be relevant to this research investigation.

2.9. Theoretical Approaches

A careful review of the literature reveals that there are several theoretical approaches that best explain transparency and accountability relative to the research study. These include the Principal-Agent, Information Asymmetry, Resource Dependency, Normative Theory of Stakeholder Salience, and the Phenomenological View. Accordingly, the theoretical frameworks are discussed sequentially as outlined above.

2.9.1. Principal-Agency Theory

Most scholars agree that accountability refers to the means by which individuals and organizations report to a recognized authority or authorities and are held responsible for their actions (Edwards and Hulme, 1995 in Mohammad, 2003). In the principal-agent model the terms of accountability include a financial account for the expenditure of funds provided by the principal, (Onyx, 2008:121).

The principal is the owner of the capital assets over which the agent has day to day control and manages nominally on behalf of the principal. However, the agent typically has different interests to the principal and may prefer use of resources that is inconsistent with maximizing the welfare of the principal via the return which the principal receives on the investment of his or her capital assets that the agent is managing nominally on the principal's behalf, (Mayston, 1993)

In the terminology of principal-agent theory, "transparency is one of the instruments available to a "principal" for ensuring that its "agent" does not engage in shirking, that is, activities that promote its own interest rather than the interests of the principal." "Principal-agent models usually assume that the information asymmetry about agents actions in its own advantage are prohibitively costly to completely eliminate, but that the more they are reduced the less room there will be for shirking and the more efficient will be the delegation," (Lindstedt and Naurin, 2010:303).

Therefore under this approach transparency means availability of information on an agent's conduct. For transparency to have an effect, the information must reach the stakeholders, and it must be possible to sanction the agent. In addition transparency must be complemented by publicity and accountability (Pitlik, Frank and Firchow, 2008). The disclosure of information enables the use of retrospective comparisons (accounts) of agents' behavior to previously stipulated expectations as the basis for applying rewards or sanctions, the anticipation of which is presumed to encourage the agent to perform in accordance with expectations. (Justice, Melitski and Smith, 2006). Therefore, accountability is useful as a means of restraining power (Anuradha and Houtzager, 2012).

The logic of the principal-agent model immediately leads us to the theoretical issues at the heart of the contractual paradigm, issues of hierarchical control in the context of information asymmetry and conflict of interest, (Lane, Kivisto, 2008). The model is based upon the rational assumption that an individual prefers to pursue self-interest before the interest of others. Therefore, the contractual paradigm requires the principal to ensure the agent acts in the best interest of the principal, particularly given that the agent's specialized abilities and knowledge advantage the agent in using the principal's resources to pursue ends that benefit the agent, (ibid).

Regardless of the analytical approaches, accountability can be viewed as a mechanism for ensuring credible commitment from the parties involved in a relationship, (Acar, Guo and Young, 2008). It provides a means to assess the coordination and integration of individual efforts by providing predictability and the endurance of shared expectations of organizational members (ibid).

Some critiques of principal-agency observe that from a legal standpoint, not every constituency has a legal claim for the provision of an account. "Although we might understand donors to be (principals) who want their funding beneficiaries (agents) to behave in accordance with the principal's desires, in a legal sense, the 'donor-beneficiary' relationship is not one of agency. What this effectively means is that once

the donors part with their money, it is no longer their money. Although the organization is bound by the express or implied terms under which its assets were obtained, the donor has no standing to challenge deviation from those terms,” (Chisolm, 1993:147).

Without a shadow of doubt the principal-agent theoretical framework provides an important backdrop to this research study. Following closely is the information asymmetry model.

2.9.2. Information Asymmetry Theory

Essentially, information asymmetry describes a typical scenario in the funding agency NPO relationship whereby certain information may either be withheld, or disclosed, depending on the potential to either strengthen or weaken the bargaining position of either party.

Some proponents of asymmetry argue that NGOs believe that accountability matters to donors, but they are not certain (Sloan, 2009). Such uncertainty results from the fact that organizations have incomplete information about donor behaviour. Likewise, donors have incomplete information about NGOs. Accordingly, incomplete information or selective information sharing on the part of the donor translates into information asymmetry where non-profit organizations gain a strategic advantage over donors by withholding negative information and publicizing positive ratings and other information such as “feel good” stories about their organization (ibid).

Another assertion is that, due to poor accountability, transparency has become a key issue in the NGO sector because there are private information and hidden actions in the NGO-beneficiary-benefactor nexus. NGO relationships with their stakeholders are fraught with information asymmetries which make it more difficult for donors, government and beneficiaries to observe potential problems and to hold NGO’s accountable. If the donor is not familiar with local circumstance and culture and has no benchmark for cost comparisons, the interpretation of accounts and reports may be a

further obstacle to assessing performance and detecting ineffectiveness or fraud (Burger and Owens, 2010).

Since non-profit stakeholders, including donors, governments and citizens cannot easily observe how organizations use their funds, and cannot entirely trust non-profits to perform as promised they may require some credible signal of their virtue (Gugerty, 2009:244).

One of the perceived disadvantages of transparency is that it comes in opposition to business secret. Secondly, transparency generates significant costs: institution of regulation authorities, creation of a great variety of committees and, capture, diffusion, and analysis of a huge quantity of information. The thickness of annual reports and its evolution over the past decade speaks volumes about this point. Costs are never evaluated but the actual benefits are not better identified. Whenever there is a high level of information asymmetry and uncertainty, both clients and donors seem to have more trust in non-profit organizations than in the for-profit corporation (de Andres-Alonso, Azofra-Palenzuela and Romero-Merino, 2010).

Nonetheless, some critics argue that the performance of non-profits and governments is shrouded behind a veil of secrecy that is lifted only when blatant disasters occur. "This is problematic, because non-profit organizations generally lack the three basic accountability mechanisms of business: the self-interest of owners, competition, and the bottom-line measure of profitability" (Salamon, 1999:14). And yet as Smilie (1995) in Assad and Goddard (2010) puts it, accountability is the 'Achilles Heel' of the NGO Movement. Quite often NPOs can, and often do, carefully construct these accounts to avoid having to further explain their practice to funders and thus protect the organization from additional inspection (Benjamin, 2008).

A conclusion that can be drawn from the foregoing is that information asymmetry is seemingly as inevitable in the funding agency-NGO interaction as it is in private sector funding relationships. Resource dependency is yet another equally important theoretical model of transparency and accountability.

2.9.3. Resource Dependency Theory

The main basis of the resource dependency perspective is that organizations seek resources necessary to their survival and therefore must stimulate interactions and exchanges with others in their environments that control or possess the needed resources. Thus, contrary to the agency theory's assumption that non-profits are reactive to external accountability expectations, resource dependency theory emphasizes proactive strategies that can be pursued to deal with environmental constraints. Non-profits' efforts to control their resource environments to be favourable to their survival stimulate entrepreneurship in the self-regulation arena, as self-regulation is seen as a means to access or preserve resources, (Bies, 2010). Self-regulation as an internal accountability mechanism is discussed later on in this review.

Echoing a similar sentiment on dependency, Siddique and Faroqi (2009) espouse that increasing access by NGO's to donor funds at national and international levels poses the danger of donor dependence and prioritizing donor objectives, instead of their own, thus undermining their accountability to the government and the people they claim to serve. Indeed, such declines in accountability can accelerate demands for downward accountability as discussed in earlier sections of this report.

In the final analysis, this theory relates to accountability mechanisms being used not only by funders to keep track of NGO spending but also by NGOs to leverage funds by publicizing their projects and programs. There is thus resource interdependence, albeit often asymmetric in which NGOs rely on donors for funding, and donors rely on NGOs to present information that is an accurate reflection of organizational performance and mode of operation, (Ebrahim, 2003).

One of the major criticisms of the resource dependency school of thought is that dependency tends to foster donor-centric approach to accountability, much to the detriment of NGO development priorities and the needs of grassroots-level beneficiaries.

2.9.4. Normative Theory of Stakeholder Salience

In line with the resource dependency school of thought, the basic premise of the normative theory of stakeholder salience approach is that that accountability is seen as being responsive towards ever-changing stakeholder interests, (Painter-Morland, 2006).

“It defines a relationship between an organization and a set of stakeholders and assumes that being responsive to those stakeholders will be beneficial to the NGO and its mandate,” (Baur and Hans, 2011:14).

In this regard, salience refers to the conspicuous prominence of particular stakeholder groups in order to develop insights into those stakeholders relative influence on the charity. Thus the most salient stakeholders will demand accountability from the organization, (Cordery and Baskerville, 2010:203). When taking into cognizance the donor-NGO accountability relationship, ultimately, the donor wields greater relative influence over the NGO, as stressed in hierarchical, agency and external accountability.

The two factors of conspicuous prominence and relative influence clearly indicate the biased nature of salience and by extension accountability from this perspective. As a case in point, even where some “connectivity” existed between local NGOs and beneficiaries, there was concern that this connection was often framed in the context of what local elites determined was good for their fellow citizens regardless of the citizens’ views, (O’Dwyer and Unerman, 2010).

Ambiguity in the operative notions of accountability and lack of specificity regarding its meaning, or the inability to articulate a choice can undermine an organization’s performance. First, an organization may attempt to be accountable in the wrong sense; secondly, it may attempt to be accountable in every sense. Organizations trying to meet conflicting expectations are likely to be dysfunctional, pleasing no one while trying to please everyone. Ironically this may lead to failures of accountability in every sense imaginable. This phenomenon can be described as *multiple accountabilities disorder (MAD)*, (Cordery and Baskerville, 2010).

While the salience of stakeholders may seem relatively easy to determine when assessing two or more stakeholders, discharging accountability can prove a much greater challenge where there is a diverse set of stakeholders with multiple competing interests involved.

2.9.5. Phenomenological View

Accountability can also be view through the lens of phenomenology. “This theory considers accountability to be a foundational element of every organization. It is a meso-level and multi-level construct that is ubiquitous throughout society and the organizations within them,” (Hall and Ferris, 2011:133). However, the formal accountability mechanisms adopted by an organization are subject to the interpretations of individual organizational actors. As such, individuals facing ostensibly similar formal organizational accountability systems may feel or experience different levels of accountability. This distinction is critical because it is the perception of reality, as opposed to reality itself that drives individual behaviour, (ibid).

Relative to this research study, the phenomenological paradigm is important give the fact that where misuse of donor funds has taken place, it usually begins with an individual who disregards the importance of accountability.

2.9.6. Conclusion

As already highlighted in the introduction, the literature review provides an empirical foundation upon which to base the research study.

The review commenced with a definition of the various categories of NGOs which have to do with size and capacity. It also discussed corporate governance as the umbrella concept under which transparency and accountability are subsumed. In addition, the relationship between transparency and accountability was assessed, including an examination of the key characteristics of both concepts. Specifically, the latter refers to the contextual nature and the power of sanction authority which are common denominators in transparency and accountability. Furthermore, an analysis of the

compelling factors behind the crucial importance of transparency and accountability particularly to NGO resource mobilization was undertaken. Also, a number of definitions were presented with a conclusion being made that each of these fit within a broader theoretical framework of transparency and accountability. It is noteworthy that for the most part the literature showed that comparatively more has been written on accountability as opposed to transparency. The reasons for this are not entirely known and in any case are not the main focus of this research investigation.

Finally, the five theoretical frameworks of NGO transparency and accountability found in the body of knowledge were critically analyzed. All of these, to varying degrees will be used to analyze the findings.

3. CHAPTER THREE - RESEARCH METHODOLOGY

3.1. Introduction

The broad framework within which this study was conducted was the interpretive social science research approach. “The interpretive approach refers to the systematic analysis of socially meaningful action through the direct detailed observation of people in natural settings in order to arrive at understandings and interpretations of how people create and maintain their social worlds” (Neuwman, 2011).

In addition, Andrade (2009: 43) states that, “an interpretive approach avails deep insight into the complex world of lived experience from the point of view of those who live it. In this regard interpretive research assumes that reality is socially constructed, and the researcher becomes the vehicle by which reality is revealed.”

As outlined above, the interpretive approach relies on qualitative measurement as a method of inquiry during the data collection and analysis processes. For this reason the approach was selected as the most effective tool for investigating the multiple subjective interpretations attached to transparency and accountability among key actors within Swaziland’s NPO sector.

In comparative terms this approach was considerably more suitable relative to the positivist approach which is inclined towards quantitative measurement. The major flaw of the positivist research paradigm was the assumption that everyone experiences the world in the same way and as such logically deduces from theory, collects data, and analyses facts in a way that allows replication.

3.2. Research Design

Subsequent to adoption of the interpretive and qualitative approach it was essential to develop a research design. The classic design consists of four components which are

comparison, manipulation, control and generalization (Frankfort-Nachamias and Nachamias, 2000). In the case of this specific research study, the research design was the programme that helped to guide the investigator in the process of collecting, analysing, and interpreting observations from key respondents. During the face-to-face interviews, it allowed inferences concerning causal relations to be made which was useful with regard to defining the domain of generalizability.

3.2.1. Perspective for Designing the Qualitative Study

While there are several available methods the *Modified Analytic Induction Approach* was to solicit responses to the main research questions. In virtually all the face-to-face interviews an iterative process was used in which the research questions and responses were revised until arrival at suitably comprehensive and descriptively rich narratives. Subsumed under this perspective there are several types of qualitative research design which include case study phenomenological research, ethnographic research strategy, and grounded theory. And all of these have strengths and weakness.

3.2.2. Qualitative Research Strategy

Notwithstanding the merits and demerits of the different research designs, Grounded theory was considered to be more suitable to the research study given its qualitative research elements. According to Glaser and Strauss (1967: 273), “grounded theory is a general methodology for developing theory that is grounded in data systematically gathered and analysed. Theory evolves during actual research and it does this through continuous interplay between analysis and data collection. It is further stated that, a central feature of this approach is a general method of constant comparative analysis.

Accordingly, grounded theory was used to continually identify and refine relationships between concepts so as to facilitate, to the extent possible, the development of a new theory on NPO transparency and accountability in the Kingdom of Swaziland. Another advantage of this theory was that it allowed room to accommodate the unexpected

which continuously altered the direction and focus of the research during the course of empirical investigation. In line with the basic premise of interpretive social science, early data was contrasted with newer data to refine, discard, generate or extend questions, hypotheses, interpretations and conclusions. A typical example was the observation that NPO's in Swaziland have generally received extensive exposure on the salience of corporate governance best practice. However, the persistent challenge was the lack of sufficient organizational capacity to implement the aforesaid best practices.

3.3. Data Collection

As per normal established practice in empirical research, primary and secondary sources of data collection were used with observation and interviews as the chief data collection devices. Also, mixed-method triangulation was used during data collection to test hypotheses and measure variables as a means to circumvent the limitations of method specificity and thereby increase the validity of the research.

3.3.1. Primary Data

Essentially, primary data entailed analysis of various documents and records such as annual reports, financial statements, constitutions and policies which were used to derive better insight on the importance of transparency and accountability within key respondents in the NPO sector. Combined with the foregoing secondary data was collected via self-administered semi-structured questionnaires. The latter were primarily used to gather detailed qualitative data which was useful in gathering detailed qualitative, or rich data from subjects under investigation.

3.3.2. Secondary Data

One of the key strengths of the face-to-face interviews was that it provided higher response rates and permitted longer questionnaires. Also, non-verbal communication

and visual aids were used which afforded the interviewer to ask complex questions and utilize extensive probes.

3.3.3. Sampling

Sampling involves the selection of a portion of the finite population being studied (Battaglia, 2008). During the research, the sampling frame included the five categories of organizations that were identified as key players in Swaziland's non-governmental organization (NGO) Sector. These included funding agencies, aid coordinating bodies, international non-governmental organizations (INGOs), local non-governmental organizations (LNGOs), and community-based organizations (CBOs).

As there is probability and non-probability sampling the latter was used to select the respondents to be studied in this study. The reason for this choice is that non-probability sampling does not intend to select a random sample from the population of interest. Rather, subjective methods are used to select which elements are used in the sample (ibid). As a case in point, convenience and economy were some of the key factors considered in choosing the foregoing respondents. And unlike in the case of probability sampling, the above-mentioned sample was not necessarily representative of the sampling population.

Against the backdrop of different non-probability sampling methods convenience sampling was used to select key informants or 'information- rich' participants in the five categories of organizations outlined above. The major advantage of the convenience sample was the ease of access to the sampling frame. While it was not possible to generalize results across a wider population because of the sample bias, budgetary and time constraints were circumvented through the selection and of samples and or respondents that were conveniently at the disposal of the researcher.

3.4. Data Analysis

The analysis of data was inductive and iterative and the patterns of interaction were proactively sought between and among subjects by logically linking two or more data categories where data was organized and reduced via setting of context codes. These codes were used to describe the setting or context of the NPO respondents under study and were then made specific to regularly occurring characteristics.

In addition there was constant comparison of information from the interviews to emerging themes, as part of a more encompassing theory. Initial categories with subcategories and descriptions of extreme possibilities on a continuum were formed. A coding paradigm was further created in which the central tenets of the data or research findings were described with causal conditions, resultant actions, conceptual conditions, and consequences. In the final analysis, a research study would not be complete without discussing the validity and reliability of the study.

3.5. External Validity and Reliability

According to Drost (2011: 105-120) “external validity aims to measure the presence of causal relationships between two variables with a view to determine generalizability across other persons, settings and times. On the other hand, reliability is the extent to which measurements are repeatable, when different persons perform the measurements, on different occasions, under different conditions, with supposedly alternative instruments which measure the same thing. In sum reliability is consistency of measurement.

Having alluded to the foregoing, the reliability of findings and validity of the research study on NPO transparency and accountability was predicated on ensuring that rigorous and robust research methodologies are applied. In view of this, the research methodology utilized was important to give uniformity and an acceptable level of reliability to the findings derived from the empirical research. Since it was nearly

impossible to control variables in their natural settings, two strategies for ensuring internal validity were used to ensure the design integrity of the study. These included *interpretive validity* and *trustworthiness*. The former refers to the degree to which data interpretation and conclusions were considered accurate so as to be reflective of the key respondents reality. Trustworthiness on the other hand was fostered through measurement triangulation of the data analysis. Thus the perceptions of the key NPO respondents were verified in a systematic manner, and the logical consistency in the chain of evidence was established.

4. CHAPTER FOUR - DATA PRESENTATION

4.1. Introduction

This section presents empirical findings derived from the data collection process. As a critical component of the research study this process involved the systematic application of carefully selected research techniques and data collection methodologies. The research findings mainly consist of the combined qualitative views of fifteen interviewees. A two-pronged approach of semi-structured and open-ended in-depth interviews was used to gather data from respondents.

At this juncture a brief outline of the criteria that was used in selecting respondents, a listing of respondent categories, and a description of the main research questions will be provided prior to the presentation of findings.

4.2. Respondent Selection

A total of fifteen respondents selected from the five categories of organizations (key players) deemed to be playing a central role in Swaziland's NGO sector particularly as relates to external resource mobilization, were interviewed. The five respondent categories also referred to as the 'key players' are listed below. Due to ethical considerations the names of respondents including their organizations will remain anonymous except for exceptional cases where it is considered non-detrimental to the professional and organizational image of those being quoted.

4.3. Respondent Categories

A total of twenty-four individuals from fifteen organizations were interviewed from the five categories of respondents. In order to cross-reference the information given by respondents it was often necessary to interview several individuals from within the same organization at different intervals. This was highly beneficial as in all instances their view

differed considerably. In large part, this had to do with the level of seniority of an individual within a particular organization. Quite often, and despite assurances of respondent anonymity, those in positions of higher authority were not always forthcoming with information on some of the challenges they experience with regard to transparency and accountability. And this was with regard to either their own organizations, with their funding principals, or funding beneficiaries (sub-recipients) where applicable. An assumption that can be made is that this had a lot to do with the need to protect sensitive information in order not to expose their organizations to any form of risk.

Another reason why it was essential to interview different respondents within the same organization was that, in the first round of interviews the data seemed rather shallow and lacked the potential to make any meaningful and contribution to the existing body of knowledge. Accordingly, it is in the second round of interviews, many issues that are not necessarily related to transparency and accountability, such as institutional capacity, which impeded external resource mobilization, emerged.

They are listed below as follows;

(i) Funding Agencies

- President's Emergency Plan For AIDS Relief in Africa (PEPFAR)
- Centre's for Disease Control (CDC)
- National Emergency Response Council on HIV and AIDS (NERCHA)

(ii) Aid Coordinating Bodies

- Country Coordinating Mechanism (CCM)
- AID Coordination Management Section

(iii) International Non-Governmental Organizations (INGOs)

- ICAP
- PACT
- Elizabeth Glazer Pediatric AIDS Foundation (EGPAF)
- Mothers to Mothers
- World Vision
- Population Services International (PSI)

(iv) Local NGOs

- Swaziland National Network of People Living With HIV and AIDS (SWANNEPHA)
- Coordinating Assembly of Non-Governmental Organizations

(v) Community Based Organizations (CBOs)

Respondents from CBOs were not interviewed due to the fact that the respondents in the other categories were well versed on the peculiarities of NGOs as they worked with such groups on an on-going basis..

4.4. Research Questions

The primary objective of the research questions is to provide a context upon which to investigate the confluence of factors that underpin organizational transparency and accountability in NGO external financial resource mobilization in Swaziland. To this end the data is presented sequentially in line with the research questions which are listed below.

- (i) Which factors have given rise to the prominence of transparency and accountability in financial resource mobilization in Swaziland's NGO sector?

- (ii) What is the relationship between the attributes of a main actor, the quality of organizational transparency and accountability, and the level of success in financial resource mobilization?

- (iii) Which factors impede the adoption and successful implementation of transparency and accountability as governance best practices within the NGO sector?

4.5. Presentation of Findings

The findings being presented here are classified in accordance with the three main research questions, study objectives, and information themes that emerged from the coding of data.

Before the findings can be presented it is essential to allude to an important observation. It is possible to observe that the respondents did not necessarily distinguish organizational transparency and accountability as separate terms to corporate governance best practice, professional integrity or ethical conduct. On the contrary it appears that the concepts were perceived as referring to the same thing with more-or-less the same meaning at least judging from the responses. In most instances, there were no responses to transparency related issues on the one hand and accountability matters on the other. Of course both in theory and in practice, organizational transparency and accountability are two independent terms with distinct meanings and specific contributions to the corporate governance body of knowledge. It is worthy pointing out that while by definition the lines can indeed be quite blurry, this need not necessarily cause confusion. However this should not necessarily be so especially when taking into account the well documented fact that transparency and accountability are inherently contextual terms among other unique characteristics.

In addition, the field of corporate governance has only recently risen to global prominence and therefore is newly emergent in many parts of the world including the kingdom of Swaziland. Consequently the key concepts associated with corporate governance are neither well known, nor well understood by many, be it in the public, private or NGO sector. Furthermore, the open-ended interviews which aimed to encourage rich data and bring to the fore unforeseen, albeit related aspects of the problem, rendered it difficult to address issues of organizational transparency and accountability exclusively. As such, new strands of knowledge that are poised to make an invaluable contribution to the existing body of knowledge are the main hallmark of the study.

4.5.1. Factors which have given rise to the prominence of transparency and accountability in financial resource mobilization in Swaziland's NGO sector

4.5.1.1. Introduction

The findings revealed that four main factors have heightened the need for organizational transparency and accountability in NGO resource mobilization in Swaziland. Namely, these are the global economic meltdown and financial crisis (GEFC), the advent of stringent funding requirements, organizational credibility, and compliance with corporate governance best practice.

TABLE 1: FACTORS THAT HAVE GIVEN RISE TO THE PROMINENCE OF TRANSPARENCY AND ACCOUNTABILITY IN FINANCIAL RESOURCE MOBILIZATION

No.	Factor	Impact on Financial Resource Mobilization	Effect on Transparency and Accountability
1.	Global Economic Meltdown	<ul style="list-style-type: none"> • Donor fatigue • Major shifts in donor funding patterns. • Competitive donor funding markets. • Demand value for money (SROI). 	<ul style="list-style-type: none"> ❖ NGOs compelled to demonstrate highest levels of ethical conduct.
2.	Stringent Funding Requirements	<ul style="list-style-type: none"> • Grant funds paid directly to service providers. • Regulations modelled on funding agency best practices. 	<ul style="list-style-type: none"> ❖ Emphasis on evidence based programming. ❖ Credibility and reputation increasingly important.
3.	Compliance with Corporate Best Practices	<ul style="list-style-type: none"> • Fosters operational efficiency. • A necessary pre-condition for attracting and securing funding. 	<ul style="list-style-type: none"> ❖ More emphasis on structure, policies and processes for transparency and accountability. ❖ Requirement of voluntary disclosure of information on organizational activities, strategy, financial position.
4.	Organizational Credibility and Reputational Capital	<ul style="list-style-type: none"> • Sends positive signal of organizational quality, enhancing ability to attract funds. • Fosters donor trust and confidence. 	<ul style="list-style-type: none"> ❖ Positive track record of success in stewardship of funds essential for fostering donor trust; confidence.

4.5.1.2. Global Economic Meltdown and Financial Crisis (GEFC)

Nearly seventy percent of the respondents shared the view that the changes in the global economic environment, have resulted in major shifts in donor funding patterns all over the world. In particular, the findings revealed that the GEFC was a major contributory factor to the prevalence of ‘donor fatigue,’ and had served as a leading

catalyst for the change in donor funding choices and regulations. In this respect, it was further reported that the GEFC had dealt a severe blow to not only the purchasing, but also, the giving power of many of the leading global funders of charity. Consequently, the scarcity and limited availability of surplus funds, by some of the richest nations was directly responsible for the shrinking of official development assistance (ODA) and bilateral aid, which could be translated to funding grants for developmental causes. Moreover, the succession of events that followed the advent of the GEFC was cited as the principal reason for the fierce competition for funding by NGOs both internationally, and within the country's borders. It was further found that these events were characterized by multiple reports of fraud, corruption and white collar crime within the governance and management structures of some of the largest financial corporations in the world. All the factors cited above, were in large part responsible for the dawn of a new era in NGO fundraising in Swaziland, one that placed far greater emphasis on organizational transparency and accountability.

Due to the advent of highly competitive donor funding markets, it was reported that NGOs are now compelled to go beyond the call of duty in both meeting and exceeding the expectations of past, existing and prospective funders. As a case in point, one of the respondents stated unequivocally that, there is added impetus for NGOs to frame and operationalize corporate governance best practice and to be a cut above the rest. The respondent further added that, given the considerable demand for donor assistance it is in the best interests of every institution to attain a cutting edge in terms of performing its accountability standards”.

Accordingly, the general feeling was that international donors, much like their private sector counterparts, more than ever before seek value for money and a social return on investment for every grant they make to an NGO. This demands that NGOs adhere to the highest possible levels of ethical conduct and professional integrity.

4.5.1.3. Advent of Stringent Funding Requirements

Approximately sixty percent of the respondents perceived the new regime of stringent donor funding regulations as responsible for altering the donor funding landscape in Swaziland. For instance, one of the LNGO respondents noted that, accountability has become critical for the economy of Swaziland. Governance is increasingly important for donors. Likewise, in an attempt to strengthen the system of checks and balances and prevent mismanagement and fraud, funding agencies had found it prudent to pay service providers directly as opposed to routing the funds via LNGOs. In addition, value for money has become increasingly critical with funders seeing their grant awards more as an investment. As pointed out by one of the statutory aid coordinating agencies, the increasing trend is the desire to see impact hence the introduction of evidence-based programming. Therefore, under the prevailing conditions donors are less interested in outputs but are now more concerned with the outcomes. Likewise, they do not want to hear about activities but more about the end result.

Further echoing the need for transparency one of the funding agency respondents asserted the fact that, there is a transparent competitive process that is established by the donor agencies which requires a request for proposals (RFP) to be issued out publicly. By being transparent, a level playing field and equal opportunity are created for all potential applicants who wish to compete for a particular grant.

In addition, respondents from the INGO *proxy funders* emphasized that they modelled the regulations of funding agencies when conducting pre-award assessments of prospective recipients of funding. This they said was very useful in meeting the often high and sometimes intricate grant requirements of international donor agencies.

In line with the advent of comparatively tougher funding requirements, one of the critical issues that emerged during the interviews was that the credibility and reputation of NGOs in securing donor aid had become even more influential in donor funding decisions.

4.5.1.4. Compliance with Corporate Governance Best Practice

All of the respondents were of the view that good corporate governance has become a necessary pre-condition for securing donor aid.

As far as accountability is concerned, one of the LNGO respondents noted that there is increasingly more emphasis by donors on accountability. This refers to your reporting structures, policies, procedures, values and systems that underpin corporate governance and other related variables. The respondent further noted that these attributes avail a useful platform for accounting on management decisions and showing a commitment to professional integrity". In support of this line of thought one of the funding agency respondents commented as follows; "In Swaziland we have various structures in place to ensure that our partners remain accountable. Internally, there is an annual work plan and quarterly monitoring tools. Funding recipients are obliged to follow agency regulations and we must conduct an internal audit. Also, externally, there are various levels of accountability."

Affirming the significance of accountability, it was stated that an equally important expectation and requirement was seen as that of having a Board that adequately fulfils its oversight role and reports regularly. This was regarded as forming the foundation upon which an organization builds a credible and effective accountability mechanism.

While the foregoing may be correct it was noted that "organizations that have not invested sufficiently in corporate governance seldom ever grow as governance best practices provide the added benefit of improving operational efficiencies".

On the transparency side, the collective view was that voluntary disclosure of information on a regular basis of the vision, mission, governance structures, executive management, strategy formulation, execution and performance, and the financial position of an NGO were 'sacrosanct' for securing and attracting donor funding. As an example one of the respondents from the statutory aid coordinating agencies observed

that “transparency creates pro-efficiency and efficiency of programmes and is also key for systems efficiency”.

While the aforementioned may indeed be true, some LNGOs and coordinating bodies held the firm view that there must be an accountability and transparency strategy that is well understood by all. They further argued that donors themselves should be held accountable for their actions. There should be a responsible way to manage discoveries of financial mismanagement, especially at higher levels of the funding hierarchy so that intended beneficiaries at the grassroots levels do not suffer undue harm due to abrupt withdrawal of pre-approved funding.

Closely related to the need for the irrefutable need for compliance with corporate governance best practice is the imperative to build organizational credibility and reputational capital.

4.5.1.5. Organizational Credibility and Reputational Capital

Except for a small proportion of about twenty percent, the majority of respondents were of the unanimous view that the reputation and credibility of an NGO is a critical success factor for attracting and retaining new and existing donors respectively. In particular, they shared the view that the positive track record of any NGO in the stewardship of donor funds lied at the heart of building and maintaining donor trust and confidence.

To exemplify this point, one of the INGO respondents stated that, the close-knit nature of the donor network is the first port of call with regard to the performance rating and reputation of local NGOs. This means that funding agencies first conduct a pre-assessment of an NGO’s previous record in dealing with other international donor agencies before considering that respective organization for funding. If an NGO has maintained a solid reputation some of the funding may even come to the organization ‘unsolicited.

Another example of the high value that is placed by potential funders on the credibility and reputation of any funding applicant can be seen in the following case study of one of the INGOs that was interviewed - Mothers to Mothers. During the interview it was revealed that, the Founder of Mothers to Mothers has over a period of time garnered a reputation among funding agencies across the globe for not having a profit-driven motive. For this reason alone, over and above other key attributes, the organization has been relatively successful in securing external funding for its various initiatives. Another reason that has fascinated prospective funders with Mothers to Mothers is that only a bare minimum of just two percent of the total grant aid being solicited goes towards administrative costs. From the point of view of funders, this was seen as conservative by a funding applicant and demonstrated that the underlying reason for seeking funding is not the pursuit of self-interest, as has become rife in the NGO sector. Also, the personnel remuneration system of Mothers to Mothers is based on the total-cost-to-company and thus excludes pension and terminal benefits for staff, leaving a larger share of donor funds to be designated towards specific developmental initiatives. Finally, and perhaps most importantly, the entire financial management of the local country office of Mothers to Mothers is controlled at the head office in Cape Town, South Africa. In effect, this means that the receipt of donor grants, payment of salaries, and outsourced services (suppliers and service providers), is all done at head office where there is stronger personnel capacity to perform the financial administration function more judiciously. All of these financial austerity measures were deliberately put in place to ensure that the handling of donor funds was 'above board'.

In stark contrast to the Mothers to Mothers case study some of the LNGO respondents decried the negative publicity attracted by some of their leaders, some of whom even sit in the highest governance structures. One of those interviewed made an example of a recent news story that was reported in the print media. Lamenting this 'unfortunate' incident the respondent stated that, it is a cause for grave concern if a member of the board is taken to court for failing to pay child maintenance. In the same vein, one of the funding agency respondents remarked that, "there is now a paradigm shift in the quality of our programming. If you are flamboyant as an NGO, for instance purchasing a three litre engine capacity vehicle as opposed to a two litre to us demonstrates fiscal

indiscipline because the running costs for a bigger engine capacity car will obviously be much higher. As funders we can see right through such extravagant behaviour.”

Contrary to the preceding view, one respondent observed that if you have strong financial systems it seems that you receive less, if any funding at all. There seemed to be of international donor aid towards crisis situations, then funding will be given to organizations that are on the ground and showing that they can deliver the work. Meaning you are first given the funding as an NGO and then capacity building follows later.

4.5.1.6. Conclusion

In the final analysis, the data demonstrates the various ways in which the donor funding market has been vastly altered in Swaziland. Throughout this change the global economic meltdown and financial crisis is the common denominator that has been at the forefront of the new and unprecedented wave of developments. From the introduction of stringent donor funding requirements, to the rise to prominence of corporate governance best practice, and leading to the growing importance of organizational credibility and reputation capital it is evident how the landscape has changed dramatically. In spite of this interconnected trajectory of changes there have been several factors that have militated against the success of organizational transparency and accountability.

4.5.2. What is the relationship between organizational capacity, the quality of organizational transparency and accountability, and the level of success in financial resource mobilization?

4.5.2.1. Introduction

The preceding set of findings primarily focused on the critical factors that served as the main catalysts for heightened attention on the NGO sector to adhere to higher levels of corporate governance best practice. This section reviews the interrelationship between

organizational characteristics, the quality of organizational transparency and accountability and fundraising success and or funding ranking. Accordingly, the five main actors that are involved in the award, disbursement, receipt and use of donor funds in Swaziland will be critically analyzed in the following sections.

TABLE 2: THE RELATIONSHIP BETWEEN INSTITUTIONAL CAPACITY, QUALITY OF CORPORATE GOVERNANCE (TRANSPARENCY; ACCOUNTABILITY); FINANCIAL RESOURCE MOBILIZATION

No.	Organization	Institutional Capacity	Quality of Transparency/Accountability	Funding Ranking
1.	Funding Agency	<ul style="list-style-type: none"> • Well established. • Strong technical systems and financial capacity. • State owned aid agencies. 	<ul style="list-style-type: none"> ❖ Places a higher premium on corporate governance best practices. ❖ Strict governance policies and funding regulations. 	<ul style="list-style-type: none"> ▪ Are the main sources of funding. (Principal funder).
2.	Aid Coordinating bodies	<ul style="list-style-type: none"> □ Strong institutional capacity (technically and financially). 	<ul style="list-style-type: none"> ❖ Stringent funding regulations 	<ul style="list-style-type: none"> ▪ Responsible for substantial amount of funding from single and multiple sources. ▪ (Principal Recipient)
3.	INGO	<ul style="list-style-type: none"> □ Multinational organizations, with strong global support. 	<ul style="list-style-type: none"> ❖ Structures, policies and procedures modelled on funding agency best practices. 	<ul style="list-style-type: none"> ▪ (Direct Recipient) ▪ Receipts large amounts of funding; disburses to LNGOs.
4.	LNGO	<ul style="list-style-type: none"> □ Relatively weaker organizational structures, policies; procedures. 	<ul style="list-style-type: none"> ❖ Governance quality substandard; relative to donor expectations. 	<ul style="list-style-type: none"> ▪ (Sub Recipient) ▪ Receives funding from LNGOs.
5.	CBO	<ul style="list-style-type: none"> • Poorly organized. • Very weak organizational capacity. 	<ul style="list-style-type: none"> ❖ Poor / Lacking 	<ul style="list-style-type: none"> ▪ Final beneficiary of development at the grassroots levels.

4.5.2.2. Classification of Organizations

The five categories of organizations within Swaziland’s NGO sector include funding agencies, aid coordinating agencies, international non-governmental organizations (INGOs), local non-governmental organizations (LNGOs) and community-based organizations (CBOs). As already mentioned in the research methodology chapter, subsumed under the main actors are a group of about fifteen organizations with whom face-to-face interviews were conducted. In this section the research sought to investigate the relationship between the type of organization, the quality of organizational transparency and accountability, and the ability to attract funding.

Before venturing into this critical component, it is vital to highlight at this juncture that one of the most significant findings was that there is a specific funding ranking commonly linked with each group of organization. This means that a main actor is either ranked as a principal funder (PF), principal recipient (PR), direct recipient (DR), sub-recipient (SR) or a super sub-recipient (SSR). Table 1 below illustrates this aspect more clearly.

TABLE 3 FUNDING RANKING OF RESPONDENT GROUPS

	ORGANIZATION	FUNDING RANKING
1.	Funding Agencies	Principal Funder (PF)
2.	Aid Coordinating Agency	Principal Recipient (PR)
3.	International Non-Governmental Organization (INGO)	Direct Recipient (DR)
4.	Local Non-Governmental Organization (LNGO)	Sub-Recipient (SR)
5.	Community Based Organization (CBO)	Super Sub-Recipient (SSR)

As will become more evident with the unfolding of the research findings it is essential to also highlight that the lines of such descriptions are often blurry. By a similar token, the funding rankings are also not confined to each group, which means that quite often they

transcend boundaries and as such they are used inter-changeably, on a case-by-case basis throughout the presentation of findings. Finally, while there are clear distinctions between the quality of organizational transparency and accountability across each of the groups, there are sometimes many similarities.

4.5.2.3. Funding Agencies

Description

According to the research findings, funding agencies refer to foreign state-owned international aid agencies tasked with disbursing development grants to various institutions which include, but are not limited to NGO's in Swaziland. It was further found that the primary motivating factor for their presence in the country is the provision of high-level aid intervention in order to help resolve the myriad socio-economic challenges facing the kingdom. In this respect the findings also revealed that the intervention was mainly in the area of public health. The principal reason for this area of focus was mainly the serious and widespread effect of the HIV and AIDS pandemic which had nearly crippled the public healthcare infrastructure and delivery system over the last decade beginning in the early 2000's. It was due to this reason that there was a marked increase in the footprint of international aid agencies in the country made available sizeable funding levels to the NGO sector to reverse a situation that had reached crisis proportions by the turn of the century. Notwithstanding the above, and relative to the study objectives, the most crucial aspect of funding agencies is their quality of organizational transparency and accountability.

Quality of Organizational Transparency and Accountability

All of the respondents unanimously agreed that funding agencies place a higher premium on compliance with corporate governance best practice. It is noteworthy that this applies to both the corporate ethos of funding agencies themselves and also to prospective recipients of aid. In particular, they pointed out that the quality of organizational transparency and accountability is increasingly a leading precondition for

the provision of developmental aid to the NGO sector in the country. As a case in point, one of the interview respondents stated unequivocally that, “there are systems in place relating to procurement, implementation, evaluation and audit that have been devised to ensure that tax dollars are used efficiently.” By the same breadth another respondent emphasized the fact that “there are structures in place to ensure that NGOs remain accountable, and these include annual work-plans and quarterly monitoring tools to name a few.” From the findings it is plausible to deduce that organizational transparency and accountability are in their various forms considered sacrosanct among funding agencies.

Funding Ranking

Funding agencies, by virtue of the mandate vested in them to disburse funds to eligible organizations, governmental and NGO, wield a considerable amount of influence. Over and above their ‘funding ranking’ so to speak, the research findings showed that the preference of funding agencies is to directly channel large development grants via both coordinating agencies or INGOs as opposed to LNGOs or CBOs. It is important to note is that the former entities, classified as *principal recipients (PR)* and *direct recipients (DR)* respectively will often pass on the grants to qualifying LNGOs and CBOs commonly referred to as *Sub-Recipients (SR)* and *Super-Sub Recipients (SSR)*. As is demonstrated in the rest of the findings, the leading reason for this distinct funding choice is the acute technical systems capacity constraints in SRs and SSRs. Be that as it may, it is crucially important to observe that in spite of the above, LNGOs and indeed CBOs are not precluded from directly applying for funding grants to the funding agency. However, the NGO may be correctly channelled to apply via either the PR, DR or SR with each case judged on its individual merits.

Accordingly, and implicit in the research findings is that the single most important criteria for the award of donor development aid is the strength of institutional capacity as exemplified by the corporate governance best practices of transparency and accountability. In addition, it is succinctly clear that funding agencies disburse funds either as a stand-alone agency or under the banner of a designated international body

that combines the multiple interventions of several countries in a specific area of need. In this regard, one notable funding agency is the Global Fund for AIDS, Tuberculosis and Malaria (GFATM) which mainly disburses its funds through the National Emergency Response Council on HIV and AIDS (NERCHA) which is at the moment the sole PR in the country.

In line with the underlying assumptions of the principal-agent theoretical framework, the findings revealed that cascading down from funding agencies, are the aid coordinating bodies located a level below in this inherently hierarchical classification of main actors.

4.5.2.4. Aid Coordinating Bodies

Description

According to the research findings, there are two sub-types of aid coordinating bodies that are found in Swaziland's NGO sector. In this report they are described here as statutory bodies and non-statutory membership based NGOs.

(i) Statutory Bodies

Based on the research findings there are three statutory bodies that can be identified in the country. These include, the AID Coordination Management Section (ACMS) housed under the Ministry of Economic Planning and Development (MEPD), the National Emergency Response Council on HIV and AIDS (NERCHA) housed under the Ministry of Health and Social Welfare (MOHSW), and the Country Coordinating Mechanism (CCM). Essentially, the findings revealed that statutory bodies are entities that are established by the state with the distinction of being anchored by a legislative instrument or Act of Parliament. The specific function of a statutory body created in this manner is to coordinate the disbursement of often large sums of funding to various NGOs that are complementing government efforts in a specific area of dire need. This is often seen as a more effective approach to averting a situation that has spiralled beyond government's resources. Consequently, the establishment of statutory bodies is often a collaborative

undertaking of the government and donor governments involved. For this reason you find that statutory bodies are characterized by a two-pronged origin of funds, technical systems and to a lesser degree, staff. As already noted, one example of a statutory body is the ACMS.

- **ACMS**

The paramount role of the ACMS is to coordinate the allocation and disbursement of bilateral aid grants which are availed through the diplomatic representatives of donor governments. Such grants are allocated by sector to the most appropriate government ministries, departments and parastatals. The ACMS also reviews funding applications by LNGOs who apply for funding for various developmental projects. Nevertheless, the ACMS does not directly receive funds in cash, rather, it works with funding agencies to ensure that the funds are equitably distributed, in line with national development priorities, and pre-determined donor funding guidelines.

- **NERCHA**

While the role of the ACMS is more heavily skewed towards supporting government entities, NERCHA is more biased in favour of the NGO sector. From the research, it was found that NERCHA is a quasi-governmental entity (parastatal) which receives an annual government subvention, and to a larger extent, funding availed by the GFATM. Unlike the ACMS which does not directly receive funds, NERCHA has the singular distinction of being classified as a *PR (Principal Recipient)* according to GFATM funding guidelines. As previously mentioned the term PR refers to the highest possible funding category and is currently the exclusive preserve of NERCHA. Essentially, the term PR is commonly used to describe a well capacitated organization in terms of financial management, technical systems, human resources capacity, and corporate governance best practices. However, in the case of NERCHA this has not meant that the challenge of weak absorptive capacity of funds has been resolved, hence the new drive to establish a second PR.

Also, the findings show that PRs wield the power of sanction authority. This power and authority is normally seen when suspension of funding to NGOs that deviate from agreed-upon grant regulations occurs.

- **CCM**

The findings revealed that the CCM is a supreme autonomous body tasked with the crucial role and responsibility of providing governance oversight regarding the activities of the PR, NERCHA. It is made up of representatives from a diverse range of sectors including government, civil society, and traditional leadership structures.

The next section provides a description of the second type of aid coordinating body, the non-statutory membership based organization.

(ii) Non-Statutory Membership Based Organizations

Non-statutory membership based organizations are further divide into two main types. On one side they consist of *local level membership based coordinating agencies* where membership is acquired on a voluntary basis by an interested NGO. However, the actual approval of membership is contingent upon the fulfilment of certain preconditions. On the other end of the spectrum, non-statutory bodies comprise of entities that serve as *proxy funders*, (usually INGOs), on behalf of funding agencies.

□ Local Level Membership Based Coordinating Agencies

A few examples of the foregoing include the Coordinating Assembly of Non-Governmental Organizations (CANGO), Swaziland National Network of People Living with HIV and AIDS (SWANNEPHA), the Council of Churches, and the League of Churches. Their primary task typically involves playing a leading role in coordinating strategic initiatives and the policy direction of the programmes and projects of member organizations. As representatives of a diverse range of civil society groups one of the

tangible benefits they provide is a form of informal-cum-formal vetting system for members by virtue of their registration. The vetting avails some form of signalling to prospective funders on the quality of the organization and their credibility for funding. Such funding, it should be emphasized is either provided as a large grant to be disbursed by the coordinating agency to its members as super-sub recipients (SSR). Alternatively it may be awarded individually to a particular local non-governmental organization (LNGO) or community based organization (CBO).

□ **Proxy Funders**

The proxy funders are primarily tasked with the assessment, award and disbursement of grants to LNGOs, CBOs and in a few cases, a limited number of INGOs that are classified as sub-recipient (SR). The two sub-types are briefly discussed below. This type of non-statutory coordinating agency is typically an INGO or LNGO that is entrusted with the responsibility of channelling grants to other organizations on behalf of a funding agency. Proxy-funders are ranked either as Direct Recipients (DR) or Sub Recipients (SR) depending on the capacity level of that particular organization. Often, proxy funders also fulfil a second role of building the capacity of smaller organizations, and often, those that are awarded funding. Some examples of proxy funders include INGOs such as PACT, membership based coordinating agencies like CANGO, and SWANNEPHA.

Quality of Organizational Transparency and Accountability

The findings revealed that in principle, the quality of organizational transparency and accountability often corresponds with the funding ranking of each aid coordinating agency or sub-type. The reason behind this is that the funding ranking is derived from a due diligence assessment by funding agencies of the internal systems capacity of aid coordinating agencies. However in practice, albeit with the exception of INGO proxy funders, it was found that there are reported cases of financial mismanagement and fraud that occur across the board irrespective of funding ranking.

Also, the findings showed that aid coordinating agencies are perceived as adhering to relatively higher standards of organizational transparency and accountability compared to stand-alone NGOs are not part of a larger multi-national organization. One of the reasons for this perception is that aid coordinating agencies often subscribe to standard operating procedures (SOP's) that are consistent and compatible to the mode of operation of their principal funding agencies. However, this does not necessarily mean that they themselves always toe the line, as demonstrated by the following statement made by a respondent from a statutory coordinating agency. "One of the requirements of board members is to sign a declaration of conflict of interest. However, this is not always forthcoming from fellow members yet these are the very same people entrusted with the responsibility to closely monitor the level of compliance with corporate governance best practices by NGOs under their funding jurisdiction".

From this statement, it is evident that in many respects, the quality of transparency and accountability varies on the individual merits of each unique context as opposed to the funding ranking attached to a particular organization.

Funding Ranking

The research findings indicate that the funding ranking of an aid coordinating agency is largely based on the perception of funding agencies of the organizational quality of an entity. Effectively, this means that the level of funding such entities are able to secure locally and indeed internationally, is to a large extent predicated on the assessment criteria of funding agencies both individually and as a collective. The latter is based on the fact that funding agencies are a close-knit group that regularly shares information on organizational quality which in turn informs their funding decisions. Perhaps the exception is the PR, NERCHA which is awarded funding via the GFATM based on the general consensus that it represents most accurately the broader needs of the Government and people of Swaziland.

4.5.2.5. International Non-Governmental Organizations (INGOs)

Description

According to the research findings, INGOs are locally based subsidiaries of multinational or international organizations that have a physical presence in various geographic locations (*country offices*) across the globe. In addition, INGOs were found to be well established organizations with a proven record of success in their areas of professional specialization. Also, it was observed that in most instances the mode of operation of INGOs is often a microcosm of the parent organization based at the global head office. Furthermore, another common thread that was found in INGOs is that they have strong financial management and technical systems capacity. They have clear governance structures, leadership roles, policy frameworks and decision making processes. The sum total of the above often ensures that INGOs enjoy long-term growth and sustainability. Most importantly, it helps to enhance the capacity to attract and secure external funding from a diverse range of sources.

Quality of Organizational Transparency and Accountability

In terms of organizational transparency and accountability the findings showed that hard-wired in the corporate ethos of INGOs is a firm commitment to adhere to the highest possible levels of ethical conduct and professional integrity. This applies to virtually all aspect of organizational performance and operation. For example, INGOs practice voluntary disclosure of information using a variety of print, digital and electronic mediums. The latter include leaflets, flyers, posters, brochures, newsletters, quarterly and annual reports and the website. To this extent, the vision, mission, governance structures, policies, standard operating procedures, financial management systems, the database of donors, and financial position are published regularly. All of this is aimed at keeping stakeholders abreast of INGO activities and in the process empowering potential funders to make informed judgments of the quality of organization that a particular INGO is. Furthermore, procedures for the recruitment, selection and evaluation of the board, including its composition and audit procedures are also

published unsolicited. The respondents stated that the objective of putting in place accountability checks and balances including their disclosure, served as a useful means for increasing public, and donor trust and confidence.

Funding Ranking

With respect to funding ranking, the findings showed that quite often, the favourable reputation of INGOs often precedes them regardless of the country in which they operate. The respondents further indicated that INGOs are selected meritoriously through a competitive tender process and or call for proposals (CFP) that is open to both local and international organizations. It is noteworthy that when applying for funding INGOs involve well trained and qualified professionals - including expatriate staff who are experienced in formulating competent funding proposals. Over and above the strength and superior quality of funding proposals it was found that accountability is enforced at multiple levels within the hierarchical structure of INGOs. For instance, it was reported that some INGOs employ full-time compliance officers who have the sole responsibility of ensuring that the stringent set of funding requirements and donor regulations are fully complied with. In addition, internal audits are conducted by experts from the regional and global head offices with the aim of providing an early warning system for the detection of loopholes and malpractices in financial systems and procedures. The respondents also stated that over and above serving as a vehicle for providing a diagnostic assessment of the financial management systems and health of INGOs internal audits help to foster prudent financial management by recommending corrective measures to be taken. Last but not least, the respondents stated that external audits are undertaken on an annual basis by reputable international audit firms such as KPMG and Price Waterhouse Coopers. Due to strong internal financial systems INGOs have a comparative advantage in external resource mobilization relative to the other NGO classes. All in all, INGOs have a culture and mode of operation that encourages and enforces transparency and accountability.

Another important finding that explains the stronger funding ranking of INGOs is that there seems to be a close correlation between country of origin of funding agencies and

that of INGO's who are *direct recipients* of aid. Another type and perhaps most critical respondent organization to the study is the LNGO.

4.5.2.6. Local Non-Governmental Organizations (LNGO's)

Description

The research findings unveiled that LNGOs are indigenous, locally-bred organizations that are registered under the Ministry of Commerce and Trade by the Registrar of Companies. It was found that many of them also hold voluntary memberships with coordinating agencies like CANGO. Also, LNGOs have the added advantage of grass-root level credibility and benefit from a more in-depth knowledge of local conditions.

Furthermore, it was intimated that LNGOs are usually formed by both sectoral groups and individuals who have identified a gap in a specific area of intervention. Examples of the aforementioned sectoral groups include those LNGOs created by groups as diverse as the business community, women and children, people living with HIV and AIDS (PLWHA), the public sector, municipalities, and faith-based organizations to name a few. In some cases, it was found that LNGOs are created by a group of friends or family members who sometimes purport to be community development activists. This they do as a survival mechanism that will help them secure funding from international donor. This has led to the proliferation, on an unprecedented scale, of very large numbers of NGOs that have mushroomed due to the prospect of economic gain that is presented by the massive inflow of international donor aid into the country.

Quality of Organizational Transparency and Accountability

In terms of transparency and accountability, it was found that it is normal established practice for LNGOs to have a written constitution that outlines how the organization is to be run. However, it was also found that LNGOs suffer weak capacity which often prevents them from complying with both corporate governance best practices and the

stringent set of donor expectations. To illustrate this point, the procedures that have to be followed in the implementation of projects is not always known, and where it is, it is not written in black and white. This often leads to project failure. Furthermore, it was found that there is usually no easy access to company information that pertains to financial standing, strategy, policies and financial statements. The most quoted reason for the absence of the above is that there are no funds to perform these tasks.

In addition, the findings revealed that the weak organizational structures of INGOs have serious implications for the quality of governance oversight. This is evidenced by the fact that at the governance level there are instances where the Board of Directors neither fully understand their fiduciary responsibilities nor perform them to the expected levels. Also, it is common to find that the formulation and implementation of policies that will ensure prudent financial management is grossly lacking which leads to operational inefficiencies and a failure to attract large amounts of funds, consistently and from diverse sources. According to one of the respondents, with many LNGOs, you find that an internal, let alone external audit has never taken place, and if it has, it can be several years before another is undertaken. Equally, some respondents argued that some NGOs are run like private farms of the leadership, and are literally accountable to no one. As a result, there is a high labour turnover since staff are often lowly paid, if at all paid, and as a result are severely demotivated. Furthermore, it is not uncommon to find that a host of malpractices such as bribery, corruption, fraud and embezzlement of funds are taking place albeit to various degrees. Yet again, it was discovered by the findings that, in spite of extensive training on corporate governance best practice, many LNGO's still do not place a high premium on this increasingly vital aspect of organizational performance.

Another respondent stated categorically that, you cannot really refer to LNGOs as fully fledged organizations, rather they can perhaps be referred to as associations. It was stated that the reason for this is that LNGOs do not have structures, policies and procedures that are basic to any organization. Also, because policies and procedures are not properly documented these are easily manipulated for selfish interest once

donor funding becomes available. An important view was also that, once there is no governance and leadership, you cannot expect much from an organization.

In spite of the above, it is needful to state that the findings also revealed that a blanket approach to describing LNGOs is not necessarily a true reflection of reality. In this regard, it was stated that some well-established LNGOs do have good governance structures and enjoy a clean bill of health in as far as transparency and accountability is concerned. Ironically, this type of LNGO, in some instances, seemed not to attract the highest amount of funding.

Funding Ranking

The study also brought to light that LNGOs are responsible for implementing the various developmental programmes in communities albeit under the direct supervision of INGO's or the coordinating agencies. Consequently they are often ranked as *sub-recipients* based on a pre-award assessment of their overall capacity to implement projects and efficiently manage donor funds. Due to the capacity constraints LNGO's are ranked as sub-recipients or sub-grantees of donor aid. This kind of classification means that the LNGO's will be subjected to a greater degree of oversight and that there is a limit to the amount of funds that they can be entrusted with.

The last tier of organization found in Swaziland's NGO sector that is discussed in the next section is the community based organization (CBO) which also includes faith based organizations (FBO's).

4.5.2.7. Community Based Organizations (CBO's)

Description

CBOs are grassroots or community level organizations that are located across the four geographic regions of the country. They are found in every city, town, chiefdom and

community and mainly consist of support and advocacy groups that group together in pursuit of a particular cause or area of need. Also, they are the final beneficiaries of aid that cascades down from the funding agencies, coordinating bodies, INGOs and LNGOs down to the grassroots levels. Worth mentioning is that CBOs are not professionally run organizations with proper organizational structures, policies and procedures and qualified and well trained staff compliment. Rather they are more of associations.

Quality of Organizational Transparency and Accountability

The findings indicate that CBOs are transparent and accountable in a different sense compared to the other categories of INGOs. They practice downward accountability to the key constituents that they serve. Also, they are not necessarily obliged to provide an account of financial expenditure to funding agencies, INGOs or LNGOs. And this is mainly due to the fact that they are not awarded funding per se. Rather, they are grassroots change agents who contribute towards community development by way of advocacy, participating in training and research, and by distributing aid to beneficiaries on the ground.

Funding Ranking

According to the findings, LNGOs are the lowest funding category that is known as the *super-sub recipient (SSR)*. In this respect, it is worth highlighting that funders seldom fund CBOs directly due to their poor level of organization compared to INGOs and LNGOs. Instead CBOs are ultimately the final recipient of funds that trickle all the way down from *principal recipients* who are placed at the highest point in the funding chain. The main reason for donor funds to be channelled in this manner, is the need to ensure prudent financial management, value for money and optimal service delivery.

4.5.2.8. Conclusion

A key conclusion that can be made from the research findings is that there seems to be a strong correlation between the quality of the organization (institutional capacity) and the level of transparency and accountability that is practiced. Moreover, the findings are invaluable in terms of demonstrating the hierarchical (principal-agent) nature of organizational transparency and accountability in each category of organization. While in principle, the data shows that the level of success in attracting donor aid corresponds with the quality of corporate governance best practice, in reality, the persistent challenge of capacity constraints remains a major threat to current and future funding prospects.

4.5.3. Which factors have impeded the adoption and successful implementation of organizational transparency and accountability within the NGO sector?

4.5.3.1. Introduction

According to the research findings six main factors were identified as some of the stumbling blocks to organizational transparency and accountability in Swaziland's NGO sector. These include among others, the massive inflow of international donor aid, the proliferation of NGOs, NGO registration, geo-political factors, NGO regulation and capacity constraints.

TABLE 4: FACTORS WHICH HAVE IMPEDED THE ADOPTION AND SUCCESSFUL IMPLEMENTATION OF ORGANIZATIONAL TRANSPARENCY AND ACCOUNTABILITY WITHIN THE NGO SECTOR.

No.	Factors	Implementation Challenge
1.	Massive inflow of international Donor Aid	<ul style="list-style-type: none"> • Proliferation of poorly capacitated NGOs and CBOs. • Weak coordination of aid. • Donor focus, less on NGO transparency and accountability.
2.	Mushrooming of NGOs	<ul style="list-style-type: none"> • Fly-by-night NGOs difficult to regulate. • Widespread incidences of fraud and corruption.
3.	NGO Registration	<ul style="list-style-type: none"> • NGOs that are a flight risk. • NGOs difficult to hold liable for wrongdoings.
4.	NGO Regulation	<ul style="list-style-type: none"> • Minimal sanctions. • Anti-Corruption Commission not involved in the NGO sector.
5.	Capacity Constraints	<ul style="list-style-type: none"> □ Weak institutional capacity means weak transparency and accountability.

4.5.3.2. Massive Inflow of Donor Aid

To this end, the findings indicate that the funding landscape was largely transformed by the global call to action, and subsequent funding pledge by the world’s leading donor governments to contribute substantially towards the HIV and AIDS pandemic. This pledge was translated into a tangible reality through the creation of the Global Fund for AIDS, Tuberculosis and Malaria (GFATM) as a special vehicle for disbursing grant assistance to some of the worst affected countries across the globe. Subsequently, the GFATM, has over the last decade awarded over two hundred million United States Dollars, about two billion Emalangeni towards various public health initiatives in the country. This was made possible through the establishment of a local representative of the Global Fund, the Country Coordinating Mechanism (CCM) which has an oversight responsibility over the fund. During the initial stages, NERCHA the current PR, served as the CCM, a role which was later designated to a legally independent body. In addition to the GFATM other agencies that made substantial contributions to the NGO sector include the United States, President’s Emergency Plan for AIDS Relief (PEPFAR), and the Centres for Disease Control (CDC). Also, additional funding has

been provided by several entities under the United Nations system, including several other international donor agencies.

As evidenced by the names of the donor agencies, most of the funding being referred to was geared towards addressing the debilitating effect of the HIV and AIDS pandemic which had peaked to crisis proportions at the turn of the twenty - first (21st) Century. During this period, Swaziland had reached the unenviable global ranking of suffering the highest HIV infection rate in the world at forty-two and six percent (42.6%) of ante-natal care patients.

Accordingly, a total of seventy percent of the respondents were of the view that the massive inflow of international donor aid into the NGO sector was partly responsible for the low levels of good corporate governance practices. They stated that, while the trickling in of funds had without a shadow of doubt produced multiple socio-economic and health benefits. However, it also helped to create a fair share of impediments to NGO transparency and accountability. These stumbling blocks include the fact that many LNGOs and CBOs lacked the necessary technical, financial and personnel systems that are necessary for compliance with corporate governance best practices.

Furthermore, another challenge that coincided with the massive inflow of aid is that of weak coordination of grant assistance to NGOs, which resulted in funding duplications. Unknowingly, various funders across the globe would simultaneously fund an NGO for a similar project without investigating the database of previous funders, including the activities they were funded for. Such conduct was unethical to state the least and created greed among NGOs as they could apply for donations anywhere in the world for private gain. This was further perpetuated by the blind faith by donors on the virtue of NGOs, and the legitimacy of their funding requests.

The findings further revealed that, the massive inflow of funding did not create compliance problem just for LNGOs, but also, their INGO counterparts were also affected. For example, one of the respondents stated that it was not uncommon for

INGOs to be under immense pressure to spend funds in an attempt to meet reporting deadlines dictated by their respective head offices, and funding agencies. In this regard, the primary reason that was cited as responsible for the foregoing is that where funds are underspent, future funding is placed at risk as funding agencies may interpret this as an indication that the funding is not really required. Again, this compromises the quality of transparency and accountability as NGOs are forced to 'cook' reports on project results merely as a means to comply with the stringent set of expectations.

Another hindrance to organizational transparency and accountability is the proliferation of NGOs particularly at the local level.

4.5.3.3. Proliferation of NGOs

A key finding is that there is a cause-effect relationship between the massive inflow of international aid and the unprecedented increase in the number of NGOs in the country. One of the reasons is that the unprecedented availability of donor funding, presented a lucrative economic opportunity for many individuals to establish their own NGOs amidst the prospect of private economic gain. And yet, prior to the advent of HIV and AIDS funding, many of these organizations did not exist at all. It is noteworthy that the phenomenal increase in the number of NGOs occurred across the board in all NGO categories. However, the findings reveal that this was mainly concentrated in the LNGO and CBO categories. Furthermore, what gives credence to the assertion that the international aid was the underlying catalyst for mushrooming of many LNGOs is that incidences of financial abuse were mainly concentrated in this category of NGO.

It was further noted that in many instances, where financial abuses were later discovered, the underlying catalyst that fuelled the process of establishing an NGO was the prospect of personal financial gain. As a result, many 'NGOs' that have emerged in the country over the last decade have lacked the necessary resources, structures, policies and regulations that serve as a foundation for optimal performance. In the early years when external aid first became available, the lack of effective oversight by donors

due to their location in various parts of the globe further worsened matters. A case in point is one well publicized incident where an NGO was created by a parent who mostly hired her children as employees. When queried about this anomaly, the parent argued that the children had been volunteers long before funding became available and therefore the children could not then be deprived of full-time employment when the financial situation had improved. However, it appears that the real contention was that when the NGO later experienced funding constraints and was unable to pay salaries for staff, the children of the parent director were not affected.

Therefore, there is irrefutable evidence which shows that while the massive inflow of aid was beneficial for the country, many unscrupulous NGOs were created in the process, which manifested in poor levels of ethical conduct and professional integrity.

4.5.3.4. NGO Registration

Based on the research findings many NGOs were not registered as fully fledged NGOs with the Registrar of Companies within the Ministry of Commerce and Industry. This means that, the full process of registering an organization, which includes preparing the Memorandum of Articles, and outlining the objects and directors of the respective organization was found to not having been carried out in its entirety. Instead, many NGOs who purported to be properly registered had in fact, only reached the preliminary stage or registration known as the, 'Names and Badges.' This merely refers to the process of applying for a preferred name for the organization and being granted preliminary approval pending final registration of the NGO. The respondents revealed that a key reason for this non-conformity to the registration procedure can be linked to the tendency to register an NGO for the mere sake of acquiring funding, and not necessarily for the long- term. To validate this point, one of the respondents stated that, people just rush to register an NGO in the afternoon after seeing a call for proposals (CFP) published in the newspapers earlier in the morning. Therefore, it becomes extremely difficult to hold fly-by-night organizations to adopt and implement corporate

governance best practices. This also demonstrates shortcomings with regard to NGO regulation.

4.5.3.5. NGO Regulation

The research findings show that there is currently no formal regulatory framework in the NGO sector in the country. To the contrary, the only form of regulation is that which is facilitated by the accountability relationships between funding agencies and NGOs. One of the disadvantages of lack of regulation is that it often results in the interests of NGOs to be relegated to secondary importance at the expense of donor funding regulations and expectations.

One of the reasons why corruption is so rife, and thrives quietly in the NGO sector is that such malpractices are commonly associated with the public and private sector without considering the fact that NGOs handle hundreds of millions worth of funding each year. While the Anti-Corruption Commission (ACC) has focused heavily on wrongdoings in the public sector, and to a lesser extent the private sector, not much attention has been given to the NGO sector, unless there is government co-funding in a particular case. A typical example of the latter is the fraud scandal that rocked the

Baylor Children's Hospital which is co-funded by government, which resulted in the dismissal of the hospital's director. This state of affairs is further perpetuated by underreporting on financial malpractices due. This is mainly due to the potential loss that could result from the suspension or complete withdrawal of funding that can follow such negative reports. Consequently, many of the measures that are taken are corrective as opposed to preventative.

The findings showed that in the absence of formal regulation there is some form of self-regulation and voluntary accountability mechanism that is used by the NGO sector. This applies to organizations registered with CANGO. To become a member of CANGO, a basic requirement of NGOs is that they need to have a certificate of incorporation and a

constitution before they can join. In addition, they need to provide a list of activities being implemented. Subsequently, the CANGO Director reviews activities of NGOs to determine NGO performance and takes results to the Board sub-committee which approves that a respective NGO can be registered as a member. The subscription fee for NGOs is five hundred Emalangeneni, per annum. If a member of CANGO mismanages donor funds, for instance, uses one grant for another project hoping another grant will come through then it does not happen, CANGO will rebuke, but not sanction bad behaviour because it does not interfere with the operations of member NGOs. The agreement it enters into with members is simply limited to coordinating NGO activities such as forums, workshops and symposia. CANGO holds regular Director Forums to discuss all challenges of NGOs. If and when there are Calls for Proposals (CFPs) CANGO forwards these to its members. It was noted that the lack of formal regulation has the potential risk of creating saturation in the number of NGOs and the duplication of services. For instance most LNGOs are geographically concentrated in the Manzini, Shiselweni and Lubombo, with fewer in the Hhohho Region.

The most significant impediment to transparency and accountability in the NGO sector was found to be that of institutional capacity constraints.

4.5.3.6. Capacity Constraints

(i) Governance Oversight

About eighty-percent of the respondents felt that the execution of the oversight function particularly by the boards of NGOs particularly LNGOs, left a lot to be desired. Firstly, the composition of boards was sometimes found wanting due to the fact that board members often rose through the organizational ranks to the highest echelons of power based primarily on grassroots-level credentials at the community level. Consequently, the business acumen required to lead the direction and control of a professionally run NGO at a strategic level, was often lacking. Yet another factor that was cited as contributing to weak governance oversight included the fact that, there was often a lack of proper induction and training, if any at all, of Board members upon assumption of

their duties. As a result of this shortcoming, they barely understood in full, their role, function and key performance areas, including the operations of the organization. This placed that particular NGO at a competitive disadvantage in several ways including in terms of operational efficiency, governance oversight and fundraising capacity.

Secondly, it was observed that due to this serious shortcoming, many boards were not too keen to challenge the decisions and actions of the often better educated Executive Director of the organization. In such boards the Executive Director operated as a 'one man show'. As stated by one of the respondents, indeed it would seem that some people are 'yes men' and there just to collect sitting allowances. This situation was further exacerbated by instances where board members suffer poor socio-economic circumstances. In such cases they were disinclined to rebuke the management at the risk of life-saving perks and benefits such as sitting and cell-phone allowances including the prospects of permanent employment in the organization. Furthermore, because some board members have private business dealings with the very organization whose financial interests they are supposed to safeguard and therefore have serious conflicts of interest, it becomes difficult for them to hold management to account. These were decried as some of the atrocities that bedevil transparency and accountability particularly in LNGOs and INGOs.

Linked to the challenges related to governance oversight, the management of NGOs was also considered as a stumbling block to organizational transparency and accountability.

(ii) Operational Management

Nearly all of the respondents were of the view that, the commitment of the Executive Director towards compliance with corporate governance best practice can either hinder, or propel, an NGO to a higher standard of organizational transparency and accountability. The rationale behind this view is that the Executive Director has a strong influence over how the Board performs its oversight function. Consequently, they felt

that where the CEO undermines this fundamental aspect of the NGOs business, the credibility of the organization suffered irreparable harm, making it difficult to attract future funding. Also, the opinion was that, where the performance of the Board is stifled by those at the operational level, the board tended to walk away. In this regard, it was highlighted that such organizations never grow to reach their full potential because they lack the governance fundamentals that are a critical success factor for the long-term financial sustainability of the organization. It was further noted that, a fundamental question that needs to be asked is whether the board, or management, controls the board. In this regard, it was observed that when employees own the board, then in practice the board is rendered ineffective in fully performing its fiduciary responsibilities.

From the preceding findings, it is evident that, the calibre of individuals sitting either at board level, or alternatively within operational management, invariably define the quality or lack thereof of corporate governance that will obtain in an NGO.

The other bottleneck to compliance with donor funding regulations and governance best practices was identified to be in the area of human resources capacity.

(iii) Human Resources

More than sixty percent of the respondents, mainly LNGOs and CBOs, conceded that many NGOs fail in the governance domain due to acute limitations in the quality of personnel, especially, but not limited to the finance function. Accordingly, many respondents held the firm view that there was a positive correlation between employing a degree-holding financial manager and increased donor trust. However, they mentioned that while this was good in the eyes of funders, hiring a trained professional can sometimes prove to be a hindrance to those in the highest levels of authority wishing to embezzle funds. All of these anomalies can be traced back to the fact that the recruitment process in NGO is often not meritorious and or following modern human resources principles. A classical example is the case of a financial manager who was hauled before a disciplinary hearing for refusing to counter-sign a bank cheque on a

weekend which had been fraudulently endorsed by the Executive Director and Board Chair. This individual was subsequently suspended from duty, and fired from the organization for insubordination. Therefore, it was observed that, where there is an 'unholy alliance' between the board chairperson and Executive Director, it was not unusual for donor funds to be fraudulently siphoned for private purposes.

Another root-cause for the dearth of professional staff is the lack of sustainability within LNGOs which leads to well-trained professionals to preferring employment in more stable organizations in the public or private sector. In cases where a degree holder is successfully hired, retaining that individual is often difficult due to remuneration not being competitive. Consequently, this leads to a high labour turnover within NGOs. A Board Chair of one of the LNGOs lamented using the following expression, "if you pay peanuts you get monkeys," which when loosely translated means that if you do not remunerate well you can expect mediocrity. Another problem that was discovered is that where the Executive Director is the only individual with a professional qualification they tend to be bullish and often dictate terms to the other staff members. In this regard, the general feeling was that unilateral decision making inhibited progress, and impeded the adoption of transparency and accountability within an organization.

Besides the question of the quality of personnel that is recruited, a representative from one of the INGOs remarked that NGOs are often under-staffed, they are so understaffed that everyone does everything, which robs them of the opportunity to reflect on their performance. To avert this challenge of being understaffed one LNGO respondent remarked that their organization has taken the drastic step to become selective regarding which donations they accept. And this is because not doing so might cause more problems than solutions. For example, you may find that the donation consumes up to forty percent of the finance manager's time due to the reporting strings that are attached to grant assistance. The finance manager may be required to report monthly and yet in reality that person has the capacity only to report quarterly. For this reason, NGOs often failed to properly follow donor requirements in the utilization of funds resulting in an inability to secure new or repeat funding due to the tarnished reputation

These findings provide a glimpse-view of the day-to-day personnel challenges that constrain the performance of NGOs where transparency and accountability are concerned.

(iv) Multiple Accountability Requirements

Closely related to personnel constraints, a cross-cutting issue with a majority of NGOs is the challenge of multiple accountability requirements. More than ninety percent of the respondents indicated that the need to meet the competing needs of multiple funders severely constrained the operational efficiency of NGOs. This difficulty was most prevalent where donors demand a level of accountability that is not commensurate with the size of grant given. For example, one of the respondents observed that sometimes a donor demands a detailed report on the expenditure of a grant and yet the contribution made was relatively minimal. In an effort to remain in good stead with donors, NGOs end up spending a substantial amount of resources to satisfying the different demands of the donors. While diversification is good, it can sometimes inhibit operational efficiency.

Another interesting dimension to this challenge is the perception by some local organizations that some donors award them funding merely to meet their own reporting requirements elsewhere. To this end one of the LNGO respondents decried the fact that donors require you to do their own programmes. For example, some donors can make an NGO to purchase an expensive vehicle such as a Toyota Land Cruiser without due consideration of the associated costs such as hiring a driver for that vehicle, providing fuel and ensuring proper maintenance. Sometimes these expenses have not been budgeted for which causes money to be taken from one project code to another. This often leads to non-compliance with donor regulations and implementation of governance best practices.

(v) Financial Management

According to the research findings prudent financial management was considered a necessary pre-condition and central pillar for the award of aid by funding agencies. Consequently, a key criterion for funding any NGO entails evaluating the strength of financial systems, procurement, audit, and accounting policies, and human resource capacity. However, it was reported that in the case of Swaziland a vast majority of NGOs were grossly lacking in many of these important areas. Therefore, a major stumbling block to the adoption of corporate governance best practices was the fact that the basic infrastructure that formed the basis of any credible governance regime was often absent in the first place.

Another shortcoming to the adoption and implementation of transparency and accountability in the NGO sector was found to be the growing incidences of corruption, fraud and many other forms of financial mismanagement. As a result of the foregoing, it was reported that in most NGOs internal and external audits had seldom been conducted in the history of the respective organizations, at least not until embezzlement of donor funds was detected and investigations had to be instituted. As a case in point, it was reported that in a recent external audit of the *Principal Recipient (PR)*, a case of fraud to the tune of seventeen thousand Emalangeni (E17, 000.00) was discovered which resulted in scheduled funds being withheld. In addition, another external audit of the PR uncovered a staggering five million, eight hundred thousand dollars (\$5,800,000.00) that was unaccounted for. In both instances, it was found that the audit results showed that this was not necessarily due to fraud, but rather financial mismanagement. While this may have been the case, a highly informed source observed that this could result in the collapse of the NGO sector since it relied almost entirely on international donor aid.

Some of the financial capacity constraints that NGOs were faced with often resulted in the re-allocation of funds towards other purposes than those initially intended in the funding application. According to some of the respondents this was due to lack of

diligent planning. Some of the malpractices that had become the norm include non-remission of employee provident fund, income tax, and the re-routing of donor funds from one project code. You find that NGOs take a budget heading for one item to fund another item and hope new funding will offset the re-allocation of funds.. Basically you then have a case of robbing Peter to pay Paul. Sometimes it does not happen, which leads to serious problems of accountability as with the case of a prominent LINGO which recently had to be shut down for this particular reason. Paradoxically, the research findings indicated that all of the foregoing 'malpractices' were apparently being done for the survival of the organization.

Contrary to the aforementioned scenario, the funds of most of the INGOs are both controlled and channelled via their respective head offices. In effect this means that grant funds including finances for operational costs are not only handled locally but there is constant oversight at a higher level of authority. Reiterating this view one of the respondents stated that "one of the benefits is that we have a global support structure." Also it is standard practice for INGOs to employ a Program Officer whose core duty is specifically to manage funds in accordance with standard operating procedures (SOPs) of donors. For instance with INGOs you find that there is a Procurement and Logistics Manager who serves as the focal person for compliance at country-level. Therefore you find that INGO finance and accounting systems are centralized for managing resources. Such financial accountability practices are good for fostering donor trust and confidence and attracting repeat funding.

4.5.3.7. Geo-Political Factors

More than eighty-five of the respondents agreed unanimously that in some instances, the strength of diplomatic relations rendered strict compliance with donor funding regulations peripheral compared to the actual gesture of providing grant assistance. They noted that, such instances were common where the country receiving aid enjoyed strong ties with a particular donor government. What this effectively means is that the funding decisions of some donor agencies were based not so much on the governance

record of a given country, and or its NGO sector, rather this had to do with the nature of relations. While it is true that negative media reports on financial mismanagement in the NGO sector had the potential to adversely affect donor perceptions, the view of some respondents was that this did not always result in withdrawal of funding.

Another factor that influenced donor funding decisions is not entirely focused on adherence to corporate governance best practice by the NGO sector as it is to socioeconomic factors. A case in point is the well-known fact that some prospective donors simply do not have a funding focus on Swaziland due to the country's ranking on the Human Development Index (HDI) as a lower middle-income country. This is often misconstrued to mean that the country is better off financially compared to other country's falling beneath this classification. Contrary to this misperception the reality on the ground is that there is unequal distribution of wealth among the country's population.

All of the abovementioned factors are a stumbling block to the adoption of transparency and accountability best practices in two different ways. Firstly, where compliance with funding regulations is not prioritized by donors, the NGOs become worse off in the sense that they are given a pat on the back in spite of their wrongdoings. Secondly, by being deprived of international development assistance due to the HDI, NGOs miss out on an opportunity to learn from experience about corporate governance related matters.

4.5.3.8. Conclusion

The main essence derived from the research findings is that, while the massive inflow international donor aid helped significantly to solve the public health crisis in Swaziland, it indirectly created another problem. The availability of grant assistance on an unprecedented scale resulted in the mushrooming of all manner of organizations with the title 'NGO'. These institutions were established in large part by the aid carrot that was dangled by funding agencies and perhaps not necessarily due to long-term interests in societal development. The by-product of the 'NGO revolution' driven by the 'funding boom' was weak as opposed to strong institutional capacity.

5. CHAPTER FIVE – ANALYSIS OF FINDINGS

This data analysis section provides an in-depth analysis of the research findings based on the data presented in the preceding chapter. It suffices to mention from the onset that due to limitations in the scope of the study, the analysis will only constitute a highlight of the most critical issues relative to the study objectives. The analysis commences with a comparative analysis of the interrelationship between the organizational attributes, quality of organizational transparency and accountability and the level of success in resource mobilization.

5.1. The factors which have given rise to the prominence of organizational transparency and accountability in the NGO sector in Swaziland.

5.1.1. Introduction

According to the research findings, three main factors have given rise to the need for corporate governance best practice in Swaziland's NGO sector. These factors include the advent of the global economic meltdown and financial crisis (GEFC), the introduction of stringent donor funding requirements, and the weak capacity of NGO's in Swaziland. In the next section all three variables are discussed against the backdrop of the four theoretical models of the study.

5.1.2. Global Economic Meltdown and Financial Crisis (GEFC)

Principal-Agency

The research findings show that the global economic and financial crisis (GEFC) had a detrimental effect on the financial muscle of some of the leading donor governments and funding agencies. This resulted in heightened demands by donors for the adoption of higher levels of organizational transparency and accountability in Swaziland's NGO sector. Indeed, the shrinking in the power of the purse of donors significantly altered the donor funding market due to the resultant donor fatigue. As a direct consequence of the

latter, there was a substantial increase in the demands by funding agencies for value for money and social return on investment (SROI). Prior to the GEFC these were business terms that were more commonly used in the for-profit environment.

As the track record of success of NGOs at the grassroots levels was relegated to secondary importance, the face of the donor funding market and NGO sector changed irreversibly. This is consistent with the assertion that most often, individuals prefer to pursue self-interest before the interest of others (Lane and Kivisto, 2008). Indeed, the subsequent paradigm shift on the part of funding agencies can be understood better when assessed based on the principal-agent school of thought. When the funding agencies (principals) took a sneeze (donor fatigue), everyone (NGO agents) caught a cold (change in funding policy and demands for social return on investment).

A positive aspect of the set of changes ushered in by the GEFC is that it increased awareness on the part of NGOs to become more competitive. However, in the context of Swaziland, it did not necessarily result in actual competitiveness. This was due to the specific funding policies of funding agencies, including the classification NGOs for funding based on their varying institutional capacities. This affirms the view that organizational transparency and accountability are contextually bound.

Information Asymmetry

In addition to demonstrating the contextual nature of accountability, the GEFC also highlighted the fact that there can be dissimilar interpretations of organizational transparency and accountability between funding agencies and NGOs. For instance, while funding agencies proactively sought to strengthen their bargaining position with NGOs by demanding higher levels of ethical conduct, NGOs did not exactly share the same point of view. This line of thought affirms the notion made by (Bovens, etal. 2008) that accountability is a conceptual umbrella with many possible meanings. In addition, there was lack of consensus on the effects of the GEFC on the financial capacity of funders. While INGOs may perhaps be at higher information advantage due to their comparatively better level of exposure, the same cannot be said about locally bred organizations. Local NGOs do not always have real-time information on the latest trends

and tendencies occurring in the global funding markets. Because, they are not always adequately informed on changes in donor funding patterns, it can be extremely difficult to persuade LNGOs and CBOs that funding may not be available in the near future. This may also be due to the inherent mistrust that underlies funding agency and NGO relationships. Consequently, NGOs often exhibit a markedly different perception of reality compared to funding agencies. For instance, some hold the firm view that funding will always be available in abundance. They are used to being taken care of and believe that funding agencies will not just abandon them. This substantiates the school of thought which suggests that relationships between funding agencies and NGOs are shrouded behind a veil of secrecy, which manifests in asymmetrical information between these parties (Burger and Owens, 2010).

Resource Dependency

As briefly mentioned above, the changes in donor funding patterns which came about pursuant to the GEFC did not change the funding regime that much in Swaziland's NGO sector. Instead, it seems more to foster complacency and resource-dependency and deprives NGOs the required opportunity to learn from their own lessons. The inherent risks associated with "putting your eggs in one basket" and not diversifying revenue are not properly inculcated in the fundraising strategy and corporate ethos of many local NGOs. Unlike their INGO counterparts, the local NGO sector when seen through the lens of LNGOs and CBOs is placed at risk of extinction due to acute donor-dependency. This gives credence to the argument that NGOs often rely heavily on charitable donations (Zhuang, et al. 2011)

These are some of the disadvantages of over-dominance of funding agencies in the country's NGO sector. Therefore an assumption can be plausibly reached that were there an alternative mechanism for regulating the donor funding markets over and above the oversight of funding agencies, perhaps only credible and worthy organizations would be operating in the market. Such an environment would completely weed out incompetent and unscrupulous organizations from both entering and remaining in the market which would result in quality as opposed to the prevalent quantity.

Normative Theory of Stakeholder Salience

Given the dominance of funding agencies in how the NGO sector is configured in Swaziland, the jury is still out on the extent to which NGO's are able to meaningfully engage in funding related stakeholder mapping or whether they are limited by the funding ranking. Were there a diversity range of active funders, and by extension relative autonomy, perhaps LNGOs and CBOs would perhaps be in a vantage position to match their strategies with the most compatible funding agency. This means that if the funding market were more competitive, accountability relationships would be regulated more by the relative influence of one donor over the other, (O' Dwyer and Unerman, 2010).

5.1.3. Advent of Stringent Donor Funding Regulations

Principal-Agency

Concomitant with the GEFC, another variable that catapulted organizational transparency and accountability to prominence in Swaziland's NGO sector is the advent of stringent donor funding regulations and expectations. The latter mainly pertains to the introduction of stricter funding criteria and grant reporting requirements.

While at face value enforcing a full-proof strategy for tightening the system of checks and balances seems prudent, the underlying factor is that funding agencies continue unabated to prescribe pre-conditions that largely suit their own interests. Also, the strings attached to the funding are often a bitter pill to swallow for some NGOs, as the funding regulations are sometimes misaligned with the peculiar contextual circumstances of NGOs. At worst, LNGOs and CBOs are precluded from an opportunity to actively participate in development of their immediate communities. As a result of the imposition of funding regulations, resource constrained NGOs, when hard-pressed for funding, end up abandoning their own organizational objectives and adopting the goals of funding principals for the sake of survival. In the process, a sense of ownership, rich indigenous knowledge, and grassroots-driven development is lost irrevocably. In addition to affecting the long-term sustainability of NGOs it also distorts the life-cycle

growth and development of the NGO sector which would otherwise be incremental. Furthermore, the latter would enable a natural attrition of unsuitable organizational practices by providing a conducive environment for organizational learning, organic growth and self-renewal.

Another problem with the complex web of funding regulations and compliance procedures is that, NGOs end up spending comparatively more time on compliance related matters, compared to the broad spectrum of equally important organizational competencies that need to be mastered. In spite of the numerous trainings on capacity building, this is lopsided in the sense that it concentrates more on financial management. As if that were not enough the financial management that NGOs are taught is mostly tailor-made to suit donor funding. Therefore, it would seem that the most successfully NGOs are those whose financial management procedures are a replica of those of their funding principals. This of course begs the question, will NGOs ever have an opportunity to solicit funding and manage it on their own without being told what to do by an entity that is conflicted by its own vested interest in the outcome of training. What is evident here is that NGOs simply lack the autonomy to be architect of their own destinies. Under the prevailing conditions, donor requirements suit the present and future interests of donors and are somewhat incongruent with the special needs of NGOs that may propel them into a force to reckon with. While it may be argued that baseline studies are undertaken to determine local level requirements and that there is a degree of unity of purpose, the fundamental fact is that these are heavily skewed in favour of donor interests.

Information Asymmetry

To exemplify the preceding view, if internal and external audit is a pre-condition for certain funding levels and its absence is construed as non-compliance with donor regulations, the respective LNGO will be eliminated accordingly. This has the serious potential to stifle as opposed to encourage real growth and capacity building in the country's NGO sector. While organizational transparency and accountability is by all accounts a vital ingredient for funding, it perhaps need not be treated as the panacea for

organizational success. Rather, a 360 degree full circle assessment of organizational capacity and potential is probably more appropriate. However, the tail (NGO agent) cannot wag the dog (funding principal) which is the major stumbling block to any prospects of real and long-lasting organizational sustainability and autonomy.

Moreover, the stringent set of funding regulations cause information asymmetry because NGOs end up misrepresenting facts on organizational performance for the sake of receiving funding. The key performance indicators of funding agencies are not always compatible with NGO conditions. Instead, such helps to foster a vicious cycle of information asymmetry from funding agencies all the way down to grant beneficiaries. To circumvent the sometimes complex and intricate web of grant procedures that are dictated from the top funding agencies and indeed INGOs often resort to advising NGO's on how to structure and even phrase their reports. Such reports may be far from the actual truth, but may be necessary for continued funding of both the funding agency, INGO and all the way down to the LNGO or CBO. Such 'unholy alliances' perhaps speak volumes about some of the disadvantages of a top-down approach to funding regulations.

Resource Dependency

As previously mentioned, the findings suggest that the regime of stringent funding requirements perpetuates as opposed to prevent resource dependency. They both jeopardize and thwart the operational autonomy of NGOs. They deepen the roots of principal-agency, and render NGOs particularly at the local level disempowered to chart their own growth trajectory and develop their own identity. By stifling creativity and freedom of thought, the innovation that is the lifeblood of any successful organization is impeded. Also, it makes NGOs risk-averse and reluctant to seize the multiple niche opportunities at their disposal. By spending most of their effort in appeasing funding agencies they are prevented from seeing the bigger picture and thinking beyond donor funding in the context of Swaziland. By remaining donor-dependent, the NGO sector in Swaziland is almost entirely involved in public health which relegates other areas of socio-economic priority to secondary importance. For this reason the NGO sector in

Swaziland is not diverse, it is predominantly concentrated where there is funding. In this respect, what remains to be seen is whether or not these organizations would be able to survive beyond HIV and AIDS, Tuberculosis and Malaria.

5.1.4. NGO Credibility and Reputational Capital

Principal-Agency

Another critical factor that accentuated the need for NGO transparency and accountability is that of, increased donor and public scrutiny on the financial management processes of NGOs. Funding agencies became concerned about adherence to ethical conduct and professional integrity among NGOs, particularly LNGOs and CBOs. As stated by Petrick and Quinn (2001) the most important measure for the credibility of an organization is the level of donor trust and confidence. Because the above-mentioned, organizational attributes became the most important measure for organizational performance NGOs were classified according to their institutional capacity and quality of corporate governance best practice. That is why today the funding regime in the NGO sector is meticulously categorized in such a manner that it provides a reliable signal on organizational quality. The extent of oversight effectively means that it would not benefit an NGO much if it independently engaged in independent signalling to demonstrate its organizational quality. Accordingly, there seems to be not much room for competition especially among LNGOs precisely because the funding market is so well controlled and regulated by funding agencies who are the major funders of the programmes of NGOs. There is not much space for NGOs to manoeuvre on their own nor is there sufficient technical and financial capacity to do so. The challenge of course is that such a status quo perhaps benefits the interests of funding agencies more than that of the NGO sector.

One of the reasons why the credibility of the NGO sector became a leading concern was NGOs misrepresented facts on their quality. For example some NGOs were literally registered on the deadline of a call for applications and yet these organizations would purport to have a solid track record in a particular area of intervention. Funding agencies increasingly became aware that NGOs were in it more for accessing money other than a

genuine desire to assist in community development. This also resulted in the strengthening of funding criteria, pre-award assessments and reporting requirements.

The findings also show that NGO transparency and accountability became vital due to the fact that NGO's had become heavily donor-reliant. Some NGO's ended up utilizing most of the funds allocated for projects to finance their own salaries and operational costs which also coincided with increased incidents of fraud and corruption.

5.1.5. Conclusion

From the foregoing findings it can be concluded that while stringent set of donor requirements are crucially important as far as organizational transparency is concerned, and have resulted in positive changes, they have also come with their own challenges. Furthermore the discussion has brought to bear the discrepancy between organizational transparency and accountability as it is understood in the global context vis-à-vis the manner in which it's interpretation and applicability can be markedly different in the local context. The foregoing notwithstanding, the critical analysis is useful in gaining a better understanding of the growth and future prospects of Swaziland's NGO sector, especially as relates to how the funding and strings attached thereof, has influenced and the course, character and face of the country's NGO sector.

5.2. The Relationship between institutional capacity, the quality of organizational transparency and accountability, and the level of success in financial resource mobilization.

5.2.1. Introduction

According to the research findings the organizations in Swaziland's NGO sector comprise of a diverse range of unique attributes with respect to the origin, mode of operation and institutional capacity of these entities. It is worth mentioning from the onset that one of the most important findings of the study was that organizational characteristics reflect the institutional capacity of a respective NGO. By the same

breadth the capacity of an NGO is directly linked to the quality of organizational transparency and accountability, and by extension the ability to successfully fundraise.

As already highlighted in preceding sections the funding regime in Swaziland's NGO sector is configured in such a way that NGO's are ranked for funding by funding agencies in accordance with institutional capacity and quality of organizational transparency and accountability. Given the fact that they all three variables are inextricably intertwined and have a cause-effect relationship they will be discussed collectively under the theoretical frameworks commencing with the principal-agent framework.

5.2.2. Principal Agency

The research findings revealed that the organizational characteristics and or institutional capacity in Swaziland's NGO sector is hierarchical. Funding agencies are placed strategically at the top, followed closely by aid coordinating agencies, INGO's, LNGO's and CBO's at the lower end of the spectrum. Compared to organizational transparency and accountability, and funding ranking institutional capacity is the independent variable upon which the other two variables are predicated. That means the strength or weakness of institutional capacity determines the quality of organizational transparency and accountability and consequently, funding ranking.

What the hierarchical nature of institutional capacity indicates is that there is a principal agent relationship that regulates the balance of power between funding principals and the different levels of NGO's.

To illustrate this point you typically find that LNGO X is subordinate to INGO Y in which the latter has been awarded a grant for a specific developmental project. Between these organizations there is an accountability relationship that is regulated by not only the superior financial capacity but also the power of sanction authority held by INGO Y. Therefore INGO Y may elect to withhold further funding based on the appropriate or inappropriate conduct of LNGO X. This not only demonstrates a relationship characterized by agency but also by resource dependency. In addition, agents have the

prerogative to demand answerability from principals where there have been legitimate wrongdoings otherwise known as social accountability.

The uneven levels of capacity among main actors creates agency since the organization with weaker organizational qualities (capacity) often has lower levels of organizational transparency and accountability. Yet the latter is the main signal of organizational quality that determines the funding ranking that is given to a specific NGO. What this literally means is that the organization with stronger capacity and financial capacity will have stronger reputational capital and will invariably dominate the one that is weaker. For instance an INGO will typically be more competitive in donor funding markets compared to the LNGO compelling the LNGO to rely on the INGO for funding. Thus the INGO will be ranked as a direct recipient (DR) and the LNGO on the other hand will remain within the sub-recipient (SR) status. This also means that the organization with a superior bargaining position for funding will wield the power of sanction authority and demand answerability from the comparatively weaker one.

It is also important not to note that the principal-agent relationship can also occur at the macro level where the resource rich donor governments command power relative to resource poor governments. When this occurs it has a trickle-down effect on all organizations within the NGO sector. It is necessary to mention though that NGO in their capacity as agents may demand accountability from funding principals which is commonly referred to as social accountability.

5.2.3. Information Asymmetry

The research findings show that there are certain limits to the amount of transparency that can be expected from any organization seeking to remain competitive, and attract and retain donor funding. There are some instances where NGOs will not share certain information with external stakeholders including funding agencies for the sake of minimizing risk exposure and protecting intellectual property. A classic example is that of external audits. While these may be conducted on an annual basis in line with international financial reporting standards (IFRS) and globally accepted accounting

practices (GAAP), it remains an open secret that they are fraught with serious conflict of interest given the fact that NGO's are the paymaster of the their fees. Vice-versa, where it is the funding agency paying the audit firm to audit an NGO, it is quite likely that the audit report will be expose a lot of malpractice on the part of the NGO. Audit firms are ultimately in the business of making money and are unlikely to place in jeopardy future business. In the final analysis the defining factor is who the paymaster is.

Based on the foregoing example, and others that have been made in preceding sections, it would seem therefore that all parties in the NGO sector are perpetually involved in a game of information asymmetry for the sake of safeguarding competitive advantage. Effectively what this means is that the organization with stronger financial capacity to compensate an audit firm for their services will be seen by funding agencies as compliant with transparency and accountability best practice, with the converse being true. Furthermore what it also proves is that positive and negative information is voluntary released and withheld based on an assessment of its potential for sanctions or rewards. Information asymmetry in the latter case transcends capacity concerns and rather is a matter of organizational survival. In fact some organizations will aggressively position their brand, which is called marketing particularly for this purpose.

The findings also revealed that information asymmetry can also occur at a macro-level by funding agencies. It could be, for instance that while funding agencies are seen as bringing much needed aid intervention into the country, yet there could be secondary and perhaps much more important objectives. However, prematurely divulging both the strings attached to the aid plus the nature of their other interests for availing aid may not entirely be in the best interests of funding agencies which may be better understood by fully appreciating diplomacy.

By a similar token, some LNGOs will often present themselves as well established and credible organizations that are passionate about alleviating acute poverty and disease at the grassroots level. For the sake of accessing funding they will not always reveal their ulterior motives or the fact that they are not even worthy to be called organizations because they do not fit the description at all. It is improbable that those that are corrupt

will openly declare that they are ‘wolves in sheep skin’ or ‘fly by nights’ who are only hell-bent on swindling donors of the hard-earned tax dollars of citizens in their home countries.

Therefore it was found to be highly improbable that any organization could be one hundred percent trustworthy with respect to the quality of transparency and accountability. Even the most compliant INGOs, were found unlikely to voluntarily report on incidences of financial abuse and fraud, be it by their management, junior staff or sub-recipients as this may not place them in good stead with their funding principals. Rather they will resort to evaluating the extent of damaged caused, consider reputational risk and weigh the implications on important external relationships before deciding on whether or not to report deviances to funding principals.

5.2.4. Resource Dependency

What the findings also showed is that the unevenness of the institutional capacity between the main actors in the country’s NGO sector has the effect of perpetuating resource dependency. The donor funding market is crafted in such a way that there is limited prospect for LNGO’s to be elevated to the rank of direct recipient (DR). To the contrary it would seem that their classification is cast in stone. To add insult to injury the funding agencies are responsible for capacity building which means that an LNGO can only cut through the funding ceiling only when endorsed by the funding agency itself.

5.2.5. Normative Theory of Stakeholder Salience

According the findings, given the manner in which donor coordination is strong in the NGO sector, LNGO’s and CBO’s seemingly do not have much latitude to engage in meaningful stakeholder mapping. The variety of funders is simply not that extensive to allow donor-centric transparency and accountability strategies. Therefore it seems that it would not be of much force and effect.

5.2.6. Conclusion

What can be concluded from the findings is that indeed the organizational characteristics, quality of organizational transparency and accountability and funding level have a cause-effect relationship, and are mutually interdependent. Accordingly, organizational characteristics and or (institutional capacity) is the independent variable upon which the latter two dependent variables are predicated. It is noteworthy that there are exogenous factors that have influenced the level of organizational capacity that need to be brought to bear when considering the quality of organizational transparency and accountability, and indeed funding levels in Swaziland's NGO sector. These are discussed in greater detail in the next section.

5.3. Factors which have impeded the adoption and successful implementation of organizational transparency and accountability within the NGO sector

5.3.1. Introduction

A key finding of the research study is that there are several factors that have increased the imperative for the adoption of organizational transparency and accountability best practice in the NGO sector. By a similar vein, there are a number of challenges that have also stood in the way of same. These include the massive inflow of international donor aid, the proliferation of NGO's, weak NGO registration, and institutional capacity constraints.

5.3.2. Massive Inflow of International Donor Aid

According to the research findings, the massive inflow of international donor aid significantly altered the donor funding landscape in the country. While there are innumerable benefits that resulted from the injection of substantial amounts of grant aid into fledgling NGO sector, there were simultaneously some detrimental effects.

To this end, a proper diagnostic assessment of the root cause of the latter reveals that these resulted mainly from the lack of sufficient capacity to properly administer and account for the large sums of aid that suddenly became available to the NGO sector. Due to the lack of structures, policies and personnel that will foster prudent financial management and compliance with donor regulations, there were inevitably countless breaches by LNGOs, CBOs and in some instances the coordinating bodies. The breaches of donor funding requirements were partly due to the fact that the donor funds had to be expended during a time of crisis. Proper compliance with complex funding regulations during a time of crisis may have been an onerous task for NGOs particularly when considering the capacity constraints inherent within the sector.

In addition, the fact that a multitude of NGOs were formed overnight in response to the availability of funding, and were in fact not credible and well established entities also played a role in non-adherence with donor expectations. Some of these organizations were later exposed to be downright unscrupulous which tarnished the reputational capital of the NGO sector as a whole. As already highlighted, the unabated mushrooming of NGOs in an otherwise nascent and unregulated sector was in large part responsible for the weak adherence to transparency and accountability best practice.

5.3.3. Proliferation of NGO's

As already highlighted, the rapid growth and expansion of the NGO sector has largely predicated on the massive inflow of international donor aid. According to the agency paradigm, the conclusion that can be made is that there was indirectly, a top-down approach implicit in the expansion of the NGO sector in the country. This unintentionally caused by the influx of donor aid. Given this history, it is not difficult to understand why organizational transparency and accountability has often fallen short of the desired expectations. And this is primarily due to the fact that the organizational architecture and configuration of LNGOs was not initially designed for the effective stewardship and management of funds in the first place. To make matters worse, capacity building of

NGO has not always been on the priority list of funding agencies hence the time lag in the development of NGOs into credible entities. For many years, the key performance areas of funding agencies were geared more towards ensuring that NGOs deliver on the projects that need to be implemented at community level as a matter of priority. Had a due diligence inspection on the quality of NGOs including their ability to comply with regulations been done much earlier perhaps the misuse and mismanagement of funds that later took place would have been avoided. This would have resulted only in the most credible organizations to be awarded donor funding. Such would have created a level playing field in the NGO sector, and the present situation where NGO's are classified for funding based on organizational capacity would not exist. However, as previously noted, those wielding an upper hand will often impose rules, regulations, and even sanctions to regulate the accountability relationship, (Leornard and White, 2009).

5.3.4. Institutional Capacity Constraints

Due to the generally weak organizational infrastructure needed to efficiently and effectively manage donor funds, LNGOs were deprived of the much needed experience and exposure in complying with donor funding regulations. The assumption here is that had the sector grown, developed, and evolved organically into a mature one the constellation of obstacles to transparency and accountability that later became apparent may not have occurred. In this regard, a closer examination of the manner in which a strong and well-established NGO sector has grown systemically and incrementally over time in various parts of the globe would be very useful. In the context of Swaziland this has not necessarily been the case.

On the other hand, the dearth of credible governance structures within some NGOs has resulted in NGOs that are virtually held accountable by no one, at least not operationally. The only time they are obliged to provide an account on their organizational conduct is when and where external funding is involved. Due to this reason, you find that NGOs lack basic policies aimed at harness individual and organizational accountability such as the code of conduct, recruitment, and procurement policies to name a few.

(i) Governance Oversight

Boards were not appointed based on governance track record or capacity. Quite often they lack a clear understanding of their role. Also the quality of governance that they portray is not at a level that is compatible with requirements of the external environment. By suffering poor levels of governance NGOs are placed at a competitive disadvantage the consequence of which is an inability to attract donor aid. By a similar token when there are no funds there will be no incentive for NGOs to formulate and implement policies for organizational transparency and accountability. The findings also showed that many NGO Boards have been constituted based primarily on grass-root level credentials. The recruitment and selection criterion is seldom based on academic qualifications, professional competence or governance track record of a particular individual. This proves that there is a disjuncture between the quality of governance that is practiced in NGOs and actual global best practice in corporate governance. Due to lack of exposure and low levels of education it is not uncommon for an entire Board to assume a subordinate position relative to the management which they are mandated to supervise. In addition, due to the prospects of financial gain and the risk of loss thereof, you find that Boards are quite weak with regards to demanding and enforcing higher standards of transparency and accountability from management. As a result of this situation you find that the director of an NGO wields excessive power with regard to both the governance and operational affairs of the organization.

(ii) Operational Management

The findings revealed that Executive Director's wield a sizeable amount of power in relation to the exercise of the oversight function. The million dollar question then becomes who has more authority over the other when Boards are living in fear of being deprived of various perks and benefits by the director and therefore would rather remain quiet and not query questionable management actions. In the worst case scenario where the Board Chairperson and Executive Director have an unholy alliance there is often little if anything that any other individual can do to help prevent corruption and

fraud. Unilateral decision making by the Director and Board Chairperson is rarely conducive for corporate governance best practice.

(iii) Human Resources

From the findings it can be deduced that professional qualifications and other minimum educational requirements are necessary for the proper direction and control of an organization at board level, and for ensuring compliance with transparency and accountability at an operational level. One key observation among NGOs is that recruitment of personnel who will work for the company is rarely meritorious. In the exceptional case where a qualified professional is hired this is often a result of succumbing to external pressure where donors expect for instance a degree holding accountant before funds can be awarded. Another common characteristic of LNGOs is that the higher labour turnover means that it is difficult to not only attract but also to retain well trained and competent staff. When staff are not experienced and qualified it is unfathomable that they will be competent in ensuring adherence to organizational transparency and accountability. A vicious cycle of breaching corporate governance best practice is created by the operational inefficiency that is caused by not have the structures and policies for corporate governance in the first place. Poor human resource capacity can lead to poor financial management.

(iv) Financial Management Systems

Poor or lack of internal audit severely compromises organizational transparency and accountability. This is because of the absence of an early warning system for detecting weaknesses in the system of checks and balance for the prevention of financial mismanagement. Reports on discoveries of fraud shows that transparency and accountability is lacking. Sometimes this is good when discovered by funding agencies as it can lead to the institution of requisite corrective action. A huge challenge with LNGOs is that, they do not have a business driven approach to their business which creates the need for proper measures to foster transparency and accountability not to

be put in place. As previously highlighted, donors will often favour those organizations that already have credible management systems, (Walsh and Lenihan, 2006).

(v) Capacity Building

Consistent with the foregoing, it is worth noting that the growth trajectory and capacity building experience of INGOs and LNGOs is not the same, and the key question is whether capacity building will indeed translate to compliance with corporate governance best practice. Another question is whether capacity is being built for the short so that funds being granted now are used properly, or is whether it is for the long term. It is imperative for compliance to occur at multiple levels, that is, personal, individual and international. It is essential to point out that the fundraising of INGOs is a function that is undertaken at the international level. Another factor is that INGOs have been in existence for much longer and have Compliance Division from country to country. In addition, INGOs have their own standard operating procedures (SOPs) over and above what donor regulations dictate. The findings further revealed that there is a laissez-faire attitude among NGOs. They believe that funding will just come regardless of their organizational performance

5.3.5. Conclusion

The main essence that can be grasped from the research findings is that, the range of impediments to organizational transparency and accountability can be traced back to weak organizational capacity. Most importantly though the findings reveal that while there has been a massive inflow of funding into the NGO sector over the last decade this has not necessarily translated to the building of financial management capacity among local organizations. Yet these organizations are perhaps competent technically. It would seem therefore that in terms of financial management capacity which includes organizational transparency and accountability local organizations have lagged behind. Perhaps due to a sense of obligation that is why funding agencies are now helping to build capacity among NGOs who were crucial to the success of development programmes being implemented by donor agencies. Alternatively, it could be due to a

genuine realization of the need to improve capacity of NGOs. However what remains unknown is the underlying objective of capacity building particular in view of the focus on nascent organizations compared to the LNGOs that have existed for much longer.

6. CHAPTER SIX – CONCLUSIONS

6.1. Introduction

The primary objective of the research study was to investigate the salience of organizational transparency and accountability in financial resource mobilization within Swaziland's NGO sector. Accordingly, the findings revealed that adhering to donor funding regulations and maintaining the highest possible levels of professional integrity is a critical ingredient for securing international donor aid. In many regards, the findings were in concert with the various assertions found in the existing body of knowledge on NGO transparency and accountability. For instance, the findings provided irrefutable evidence to the effect that organizational transparency and accountability is relational and contextually bound.

Having alluded to the foregoing, the conclusions will focus on four main pillars which are geared towards providing solutions to some of the challenges unveiled by the findings.

These will include a discussion of the historical development of Swaziland's NGO sector, self-regulation of the NGO sector, parallels that can be drawn between the for profit and NGO sectors, and finally the need to professionalize the local NGOs.

6.2. Historical Development of the NGO sector

A close examination of the findings brings to bear a number of factors that have influenced the evolution, character and ethos of Swaziland's NGO sector. Firstly, the massive inflow of international donor aid for combating the HIV and AIDS pandemic has been the bedrock of the NGO sector for the last decade or so. Therefore, the proliferation in the number of NGOs can largely be attributed to the availability of aid assistance and grants on a hitherto unknown scale.

It is noteworthy, that LNGOs and CBOs in particular have always lagged far behind in terms of organizational capacity which has rendered them less able to adhere to donor

funding regulations and expectations. Accordingly, this shortcoming has placed LNGOs at a competitive disadvantage compared to their INGO counterparts.

Against this backdrop it is important to note that the NGO sector emerged out of a crisis and therefore, the calibre of organizations that still exists today were not really created with a long-term view in mind. More than a decade ago, the singular objective was to combat the HIV and AIDS pandemic. For this reason, the present day NGOs were mostly established as community action groups and associations. Regrettably, enough these organizations have remained in this state without becoming fully fledged organizations. Accordingly, it is possible that local NGOs have largely remained in their original state due to the fact that they have not attempted to chart their own destinies. Perhaps, one of the ways that the latter can be achieved is through the adoption of the various forms of self-regulation that are at the disposal of local NGOs.

If indeed, organizational transparency and accountability are the leading criteria for securing international donor aid, it only follows that LNGOs would position themselves better by simply adopting standard operating procedures that are consistent with donor regulations. Indeed, at face value it seems to be the most appropriate course of action, if securing funding is anything to go by.

6.3. Self-Regulation of the NGO Sector

The findings revealed that the balance of power within the NGO sector is tilted in favour of funding agencies due to their financial muscle. Therefore, in the absence of a formal regulatory framework, powerful funding agencies regulate and control the NGO sector by determining which areas will be funded, the funding eligibility criteria, and the reporting requirements. This is not surprising when taking into cognizance their strong vested interest in the proper use of funds, value for money and social return on investment (SROI).

Nevertheless, it is therefore imperative for local NGOs to develop and strengthen their own self-regulation mechanisms as international donor agencies can come and go any day. Even though there may be capacity building, it is by and large suited to the current requirements of funding agencies and INGOs and not necessarily the long-term sustainability of the local NGO sector. This being the case, it is not unreasonable to expect that many of the rules that apply in the private sector can be readily applied in the NGO sector. If financial institutions in Swaziland are regulated by the Financial Services Regulatory Authority (FSRA) in order to limit and curb the powers of financial institutions, perhaps a similar bodies can also be introduced in the NGO sector. While the issue of regulation and or self-regulation is not within the scope of this research paper, it is certainly worth much consideration. And there is one particular reason for this, funding agencies, aid coordinating bodies and INGOs may come and go, but LNGOs will and shall always remain the backbone of the NGO sector in the country. For example, NGOs provide employment to multitudes of Swazi citizens who are otherwise unemployable in mainstream job market, and contribute revenue through various types of tax streams. Inevitably, the NGO sector is as a strategic partner of the Government of Swaziland in the implementation of national development priorities. For this reason, the long-term sustainability of LNGOs perhaps needs to be afforded even greater attention by those at the highest echelons of power and decision making authority.

6.4. Professionalizing Local Non-Governmental Organizations

Nevertheless, it is crucial important to note that regulatory issues are but one piece of the puzzle that is Swaziland's NGO sector. The conduct of local NGOs and CBOs also leaves a lot to be desired. To this end, the position taken by this research report is that from a capacity building point of view LNGOs need to be architects of their own destiny. For NGOs to be able to take their growth and prosperity into their own hands, a serious paradigm shift in their mode of operation is required as a matter of urgency. This will help ensure that organizational transparency and accountability in the NGO sector is not entirely based on the dictates of funding agencies. When funding agencies are proactively engaged in determining NGO quality this can be hugely detrimental to

LNGOs. For instance, NGOs under CANGO could introduce their own voluntary code of conduct which carries sanctions for deviant behaviour.

In addition, where funding agencies are directly involved in professionalizing the NGO sector via the capacity building model that is currently being followed, such capacity building will invariably serve the interests, short and long-term of funding agencies and INGOs. This is not insensible when considering the role and responsibility of funding agencies. That is, their mandate is not necessarily to build capacity as an end in itself, but rather it is for the fulfilment of their own organizational purposes. Furthermore, by remaining donor-dependent, NGOs are forfeiting their future well-being in exchange for funding current needs. Perhaps, institutions such as CANGO can possibly review their overarching goals and align themselves more with the long-term interests of local NGOs.

The other alternative is that, a new pedigree of NGOs with an innovative and business driven approach need to enter the NGO funding market. Certainly, a more bold, courageous and visionary type of leadership is needed to take on the future. As HIV and AIDS has become more contained and is no longer at crisis proportions, perhaps a new pedigree of NGOs is needed to replace the old in order to take the country forward to reaching its goal of attaining First World Status by 2022. While indeed survival is important, this should not necessarily mean that the NGO sector should shy away from assertiveness. Afterall, an entrepreneurial, industrious approach, hallmarked by sound business savvy, astute leadership and impeccable integrity cannot be achieved through complacency.

It is therefore imperative for LNGOs to take a leaf from their INGO counterparts who have all the makings of a robust 21st Century business undertaking. From their governance structures, Board composition, set of policies, financial management systems, quality of personnel, to their strategies for fundraising and marketing strategies. In spite of the NGO tag, INGOs do not go around begging for charity, rather, they compete for funding in highly competitive funding markets, and where successful

are awarded funding based on merit. Anything to the contrary is certainly a luxury that LNGOs and CBOs can no longer afford particularly in a highly competitive global economy. By all accounts, the local NGO sector should no longer be characterized by a survivalist mentality or even relegated to 'third class citizenship.' Particularly, in a country where a multitude of trained graduates remain excluded from the mainstream of the economy due to unemployment, there is most certainly plenty of room for improving the quality of LNGOs. If anything, many professionals with qualifications and degrees in the humanities and social sciences are the most suitable candidates to be at the helm of LNGOs. The assertion being made here is that the NGO sector should not be looked down upon by graduates. The charitable sector no longer exists as it did a decade ago. In many parts of the globe the NGO sector is big business and in charge of a market segment and portfolio running in the billions of dollars.

6.5. Conclusion

It is not possible to discuss exhaustively the various issues surrounding NGO transparency and accountability, particularly the huge role that capacity constraints have played in determining the ability to mobilize external aid successfully. Most certainly there is still plenty room for additional research and discussion that can and needs to be done on all of the above-mentioned matters. And it is definitely possible to reach a stage in the near future where the NGO sector is professionalized and better still on its own terms. Only then would the NGO sector be architect of its own destiny.

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