

**DEVELOPING A CONCEPTUAL FRAMEWORK FOR  
ACCOUNTABILITY IN NAMIBIAN NGOs**

by

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## DECLARATION

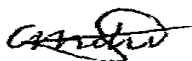
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### DEVELOPING A CONCEPTUAL FRAMEWORK FOR ACCOUNTABILITY IN NAMIBIAN NGOS

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I further declare that I submitted the thesis to originality checking software and that it falls within the accepted requirements for originality.

I further declare that I have not previously submitted this work, or part of it, for examination at Unisa for another qualification or at any other higher education institution.



.....  
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.....  
**Date**

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*Twalumba mwami wesu wakujulu*

All the praises and thanks be to God

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Finally, the thesis is dedicated to my parents, my wife and my children, Siku, Chi and Sepo.

# **ABSTRACT**

## **Developing a conceptual framework for accountability in Namibian NGOs**

By

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Degree: PhD in Accounting Sciences

Supervisors: Prof. D. Scott and Dr C. Williamson

Non-governmental organisations (NGOs) play an important and growing role within the global economy and towards public good. Given the escalating economic and social significance of NGOs, the practical importance of being able to demonstrate their accountability in a robust and comprehensive manner is increasingly being recognised. Perhaps surprisingly, the ability to demonstrate their non-financial accountability is also becoming increasingly important. However, various institutional logics have shaped the face of NGOs' work, as well as their reporting and their accountability mechanisms. This study therefore examined annual reports of sampled NGOs within Namibia and analysed various institutional accountability logics that shape accountability and reporting in the sector. Extending the literature on accountability logics of NGOs to include local regulations logics, financial and non-financial logic and integrated reporting logic, the study adopted a qualitative illustrative case study of the HIV and AIDS sector in Namibia. To this end, it used 13 purposively selected NGOs, subjecting their documents to analysis and through the conducting of interviews to build both theory and practice. The data were then analysed using content analysis to theme the findings towards the novel contribution it was intended to make.

The findings of the study are analysed and interpreted through the lens of the institutional logics theory. The findings indicated that, currently, NGOs do not disclose decision-useful information suitable for all major groups of stakeholders. It is clear from the study that funder and local context regulation logics are the dominant logics in shaping the accountability mechanisms of NGOs in Namibia. The results have an implication for understanding the reporting systems of NGOs, particularly in developing countries such as Namibia. It is argued that extended accountability logics, such as local accountability, financial and non-financial and integrated reporting, are emerging in the NGO sector.

**Key terms:** accounting, institutional logics, institutional theory, qualitative methods, conceptual framework, hybridity, beneficiaries, decision-usefulness, adaptive, funder.

# OPSOMMING

## Ontwikkeling van 'n konseptuele raamwerk vir aanspreeklikheid in Namibiese NRO's

deur

Andrew Simasiku

Graad: PhD in Rekeningkundige Wetenskappe

Studieleiers: Prof D Scott en Dr C Williamson

Nie-regeringsorganisasies (NROs) speel 'n belangrike en groeiende rol in die globale ekonomie en in openbare belang. Gegewe die toenemende ekonomiese en sosiale rol van NROs, word hul praktiese belang en aanspreeklikheid meer prominent. Hul vermoë om nie-finansiële aanspreeklikheid te demonstreer, word ook toenemend belangrik. Institusionele logika het die werking, verslagdoening en aanspreeklikheidsmeganismes van NROs gevorm. Hierdie studie het die jaarverslae van NRO's in Namibië ondersoek en die institusionele logika wat aanspreeklikheid en verslagdoening in die sektor vorm, ontleed. 'n Kwalitatiewe illustrerende gevallestudie van die HIV en Vigs-sektor in Namibië bestaande uit 13 geselekteerde NROs is ingesluit om plaaslike regulasie-, finansiële- en nie-finansiële logika met verslagdoeningslogika in NROs te integreer.

'n Ontleding en interpretasie, deur gebruikmaking van institusionele logika-teorie, het bevind dat NROs tans nie beslissingsinligting bekendmaak wat vir alle hoofgroep belanghebbers geskik is nie. Dit is duidelik uit die studie dat befondsings- en plaaslike konteksregulasie-logika die dominante invloede is wat die aanspreeklikheidsmeganismes van NROs in Namibië gevorm het. Die resultate het 'n invloed op die verstaan van verslagdoeningstelsels van NROs, veral in ontwikkelende lande soos Namibië. Die studie bevind dat uitgebreide aanspreeklikheidslogika, wat plaaslike aanspreeklikheid, finansiële en nie-finansiële asook geïntegreerde verslagdoening insluit, in die NRO-sektor na vore kom.

**Sluteltermes:** rekeningkunde, institusionele logika, institusionele teorie, kwalitatiewe metodes, konseptuele raamwerk, hibridies, begunstigdes, beslissing, aanpasbaar, befondser.

## MANWELEDZO

### U bvedza furemiweke ya zwishumiswa zwa u saukanya vhuḍifhinduleli ha dzi

#### NGO kha ḵa Namibia

nga Vho Andrew Simasiku

Digirii: PhD kha Saintsia ya Akhaunthiḵi

Vhaḵoli: Phurofesa Vho D Scott na Dokotela Vho C Williamson

Zwiimiswa zwine zwa sa vhe zwa muvhuso (dzi NGO) dzi shuma mushumo wa ndeme na wa nyaluwo kha ikonomi ya ḵifhasi kha vhuḵi ha tshitshavha. Ho ḵetshedzwa u gonya ha ikonomi na ndeme ya matshilisano ya dzi NGO, ndeme ya nyito ya u kona u sumbedza vhuḵifhinduleli hadzo nga ḵḵila yo khwaḵhaho yo fhelelaho i khou engedzea na u dzhielwa ḵḵa. ḵḵaḵwe tshine tsha mangadza, vhuḵoni ha u sumbedza vhuḵifhinduleli hadzo hu si ha masheleni na hone ho engedza ndeme. Naho zwo ralo, zwiitisi zwo fhambanaho zwa zwiimiswa zwo fhaḵa mbonalo ya mushumo wa dzi NGO, na ḵḵila dzadzo dzou vhiga na vhuḵifhinduleli hadzo. ḵḵoḵisiso heyi nga zwenezwo yo ḵola mivhigo ya ḵwaha nga ḵwaha ya tsumbo dza dzi NGO kha ḵa Namibia na u saukanya zwiitisi zwo fhambanaho zwa vhuḵifhinduleli ha zwiimiswa zwine zwa fhaḵa vhuḵifhinduleli na kuvhigele kha sekithara. U engedza maḵwalwa nga ha zwiitisi zwa vhuḵifhinduleli ha dzi NGO u katela zwiitisi zwa ndaulo dzapo, zwiitisi zwa masheleni na zwi si zwa masheleni na tshiitisi tsha u vhiga ho ḵanganelaho, ḵḵoḵisiso yo shumisa ngudo ya tsumbo ya khwaḵithethivi ya sekithara ya HIV na AIDS kha ḵa Namibia. U swika zwino, yo shumisa dzi NGO dza 13 dzo nangwaho ho sedzwa vhuḵoni, u ḵana maḵwalo avho kha u saukanya na kha u ita inthaviwu u fhaḵa vhuvhili hazwo thyeori na nyito. Data yo ḵo saukanya nga murahu hu tshi khou shumiswa u saukanya zwi re ngomu kha u wana thero zwi tshi ḵa kha u bvedza phambano ine ya fanela u bvedzwa.

Mawanwa a ngudo a saukanya na u ḵalutshedzwa nga kha kuvhonele kwa vhuḵhaka ha tshiimiswa, maitele a matshilisano na zwine ha tendwa khazwo. Mawanwa o sumbedzisa zwauri, zwazwino, dzi NGO a dzi bviseli khagala mafhungo a tsheo a ndeme o teaho zwigwada zwoḵhe zwiḵulwane zwa vhadzhiamukovhe. Zwi tou vha khagala u bva kha ngudo uri vhalambedzi na zwiitisi zwa ndaulo ya nyimele yapo ndi zwiitisi zwiḵulwane kha u fhaḵa kuitele kwa vhuḵifhinduleli kha dzi NGO kha ḵa Namibia. Mvelelo dzo baḵekanywa na u pfesesa sisiḵeme dza kuvhigele kwa dzi NGO kha ḵa

Namibia, nga maanda kha mashango ane a kha di bvelela a nga ho sa Namibia. Ho rerwa nga ha u pfi zwiitisi nyengedzedzwa zwa vhuḏifhinduleli, zwi ngaho sa vhuḏifhinduleli hapo, u vhiga ho ṭanganelaho hu si ha masheleni na ha masheleni, hu bveledzwa kha sekhithara ya NGO.

**Maipfi a ndeme:** akhaunthini, sisiṭeme dza nyito dzine dza katela zwine zwa tendwa khazwo, vhushaka ha tshiimiswa na maitele a matshilisano, maitele a khwalithethivi, furemiweke ya tshishumiswa tsha u saukanya, ṭhanganelano, vhavhuelwa, mafhungo a ndeme a vhigwaho nga tshiimiswa, u ḏowedza, mulambedzi.



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## LIST OF ABBREVIATIONS

|         |   |
|---------|---|
| ACCA    | Association of certified chartered accountants          |
| DCN     | Democratic coalition of Namibia                         |
| DFID    | Department of federation for International development  |
| DFID    | Department of federal international development         |
| FASB    | Financial accounting standard board                     |
| GRI     | Global reporting initiative                             |
| IASB    | International accounting standard board                 |
| ICAEW   | Institute of chartered accountants in England and Wales |
| IFRS    | International financial reporting standards             |
| ILP     | Institutional logics perspective                        |
| INGO    | International non-governmental organisation             |
| IoDSA   | Institute of directors in South Africa                  |
| NAMFISA | Namibia financial services authority                    |
| NANGOF  | Namibia non-governmental organisation forum             |
| NGO     | Non-governmental organisation                           |
| NGOSS   | Non-governmental sector supplement                      |
| NISA    | Non-profit integrated social accountability             |
| NSA     | Namibia statistical authority                           |
| PEPFAR  | President's emergency plan for AIDS relief              |
| USAID   | United states aid for international development         |

# CHAPTER 1

## INTRODUCTION AND BACKGROUND TO THE STUDY

### 1.1 INTRODUCTION

Non-governmental organisations (NGOs) have a critical and escalating role in the world economy and global public good. With their escalating economic and social significance, the practical and political importance of robust and comprehensive demonstration of NGO accountability, financial as well as non-financial, is increasingly being recognised (Cordery, Crawford, Breen & Morgan, 2019; McDonnell & Rutherford, 2019; Uddin & Belal, 2019).

NGOs are different from for-profit as well as public sector organisations as they are voluntary mission-oriented organisations. For-profit sectors, which are driven by market forces, work to maximise their profits (Dacombe, 2011). They are owned by shareholders, who expect the performance of the organisations to be reflected in profits (Ryan, Mack, Tooley & Irvine, 2014). On the other hand, public sector entities operate in accordance with public benefit principles. They are owned by citizens and the state, and their activities are funded by taxes (Mikołajczak, 2020). In contrast, the focus of NGOs is usually on the creation and facilitation of social value as their mission is not focussed on the financial worth but on 'wealth' (often non-monetary) for the benefit of society (Ryan et al., 2014). In most cases, NGOs' operations are based in locales that are principally based on non-exchange transactions, through and with the use of funders, on a voluntary basis. These funders, as suggested by the authors below, could easily influence them to adopt a conceptual accountability framework that only suits the funders' information needs at the expense of the needs of other development in the NGO sector (Ryan et al., 2014). The present study intended to explore claims of this nature.

According to the Financial Accounting Standards Board (FASB), a conceptual framework is a "coherent system of interrelated objectives and fundamentals that is expected to lead to consistent standards and that prescribe the nature, functions or limits of financial accounting and reporting" (FASB, 2018:8). This definition clearly indicates that, for the conceptual framework to be useful and relevant, it should be designed in such a way that accounting standards that devolve from it will be suitable

## *Chapter 1: Introduction and background to the study*

for the specific information needs of those regulated by the framework (Ryan et al., 2014). The design of conceptual frameworks therefore helps in the creation of a robust foundation that enables the creation of financial reporting and accounting standards (Cordery, Crawford et al., 2019).

The International Accounting Standards Board (IASB) started a process of developing a conceptual framework for financial reporting to guide organisations in the private sector (see IASB, 2018). The focus of their conceptual framework is on the reporting of financial information that caters for decisions regarding the efficacy of the requirements of those that utilise resources in capital markets (Ryan et al., 2014). Furthermore, the scheme initiated by the International Public Sector Accounting Standards Board's (IPSASB) in 2006 serves to create a conceptual framework for public sector organisations (IPSASB, 2016). According to the IPSASB, the aim of financial reporting in the public sector is quite dissimilar from such reporting in the private sector, and this calls for a different conceptual framework (IPSASB, 2016). The IPSASB (2016) also further argues that a comprehensive conceptual framework should be inclusive of financial as well as non-financial data. Such information is significant for the expansion of the public sector as it enables financial reporting to change whilst adding value to the wider accountability requirements of the users of the framework, instead of only fulfilling the objective of decision usefulness (IPSASB, 2016). Users are defined by the Institute of Chartered Accountants in England and Wales (ICAEW, 1975:17) as "entities that possess a reasonable right to information about the reporting entity". A reasonable right comes about when the activities of an entity influence or have the possibility of, affecting the interests of the user group (ICAEW, 1975).

In different countries or states, there is great diversity of accountability practices among NGOs (Cordery, Sim & Van Zijl, 2017). In addition, at global level, when International Financial Reporting Standards (IFRS) were introduced, the level at which they apply in the NGO sector demonstrated some uncertainties pertaining to relevance and applicability of accounting practices (Cordery, Crawford et al., 2019); hence, there is a research gap. It is within such a setup that this research suggests that NGOs need a specific conceptual framework that is designed to cater for their mission, and which permits them to execute their wider accountability. From the available academic literature (see Cordery, Crawford et al., 2019; Ryan et al., 2014), it can be observed

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that the adoption of the current and existing conceptual frameworks to cater for the reporting requirements of NGOs is not satisfactory. Prior to the posited framework from this study, those extant frameworks have not sufficiently considered the primary goals of NGOs, as well as their mission, and the complex institutional environment with diverse groups of stakeholders where NGOs operate (see Goncharenko, 2019).

Therefore, it is important to have suitable accounting standards from which NGO financial reports can be derived. These reports need to be rooted in a distinct conceptual framework fulfilling the priority goal of accountability (Irvin & Ryan, 2013). This will also allow NGOs to acknowledge their mission imperative and enable them to discharge their broader accountability to major and disparate stakeholders (Ryan et al., 2014). Such a conceptual framework will potentially assist in resolving the many and problematic NGO accountability issues as well as the current diversity of practice and will ensure that a complete and relevant account by NGOs is feasible. Therefore, the principal aim of the development of a conceptual framework for NGOs was to provide a framework that generates relevant, reliable, comparable and credible information to be benchmarked across a sector. The intention was that this study would add to the body of knowledge and practice around such a conceptual framework. The researcher is of the understanding that the testing of such a framework is a future research direction, which was beyond the remit of this study.

The present conceptual framework in use by the private sector and the one proposed for use in the public sector do not meet the reporting needs of NGOs. This has been illustrated by the deliberations between the IASB and the IPSASB on the possibility of a collaborative conceptual framework that can be used specifically by the NGO sector (IASB, 2006). The current project however, only considered the provisions of financial data that must be considered principally for decision usefulness with limited attention to broader accountability which satisfies information needs of users. In the researcher's view, it is doubtful whether – seen from the standard-setters' viewpoint – a conceptual framework can be designed to cater for the needs of the private sector while simultaneously transferred for use within the NGO sector. The framework for the private sector may not be suitable as some accounting standards developed from such frameworks may be unnecessarily demanding, while some of the information produced might not be applied by users of NGO annual reports (Boomsma & O'Dwyer, 2019). Additionally, the cost burden of applying standards from commercial sector frameworks

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may not be justified in terms of user needs (Cordery, Belal & Thomson, 2019). The purpose and usage of financial statements and the nature of the accounting expertise available to the NGO sector are not the same as for commercial entities. These circumstances, among others, suggest justification for a separate conceptual framework for NGOs.

The NGO sector has many stakeholders. Central figures include funders, governments and benefactors (Uddin & Belal, 2019). Funders are the leading providers of the funds, and in most cases, they are not present when these funds are being utilised to meet the set objectives. Funding is provided on a contractual basis and as a result of an implicit trust relationship, which drives implementation and consequently accountability (Uddin & Belal, 2019). Having noted this form of funding effectiveness, there is still the need for a refined or more socially just guiding framework to ensure the ongoing effective use of funder and other stakeholder resources for the intended beneficiaries (Agyemang, O'Dwyer, Unerman & Awumbila, 2017 ; Ebrahim, Battilana & Mair, 2014). Uddin and Belal (2019) assert that, owing to various principal stakeholders with different interests, accountability within the NGO sector is not easy. The problem lies in “how to align the interests of various stakeholders and their need for accountability” (Uddin & Belal, 2019:115). This evidence and the attendant gap between accountability and stakeholders' information needs will be demonstrated, especially when we examine the institutional logics (defined in subsequent paragraphs) – that drives the behaviour of NGOs when determining the accountability mechanisms to support their operations and the way a framework might inform these concerns (the focus of this study).

NGO scholarship calls for more research on distinctive features of institutional logics within NGO contexts (Cordery, Belal et al., 2019; Mikołajczak, 2020; Nicholls & Huybrechts, 2016; Smith, Gonin & Besharov, 2013), a fact that prevents scholars from reaching meaningful consensus about such characteristics of NGOs (Powell & DiMaggio, 2012) within their socio-economic environments. While Nicholls and Huybrechts (2016) and Mikołajczak (2020) suggest that NGOs practice hybrid logics, they also indicate that hybrid logics suffer from a lack of attention. The above authors therefore believe that more research will provide promising direction in theorising the debates on hybridisation and institutional logics.

## *Chapter 1: Introduction and background to the study*

It is first necessary to introduce the definition of institutional logics as a theoretical framework for further discussions. Thornton, Ocasio and Lounsbury (2012:804) define institutional logics as “socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organise time and space and provide meaning to their social reality”. This study utilised the theory of institutional logics (Thornton et al., 2012) as it was expected that NGO accountability and reporting practices would spring from domineering or principal logics of action (Greenwood & Suddaby, 2006). Within the NGO reporting circles, the fundamental (accountability) logics for reporting centre on the following precepts:

- who will be the user of reports;
- the manner in which the financial reports need to be made (which type of conceptual framework should be used); and
- which stakeholders drive or decide about the format and content of these reports (Codery, Crawford et al., 2019).

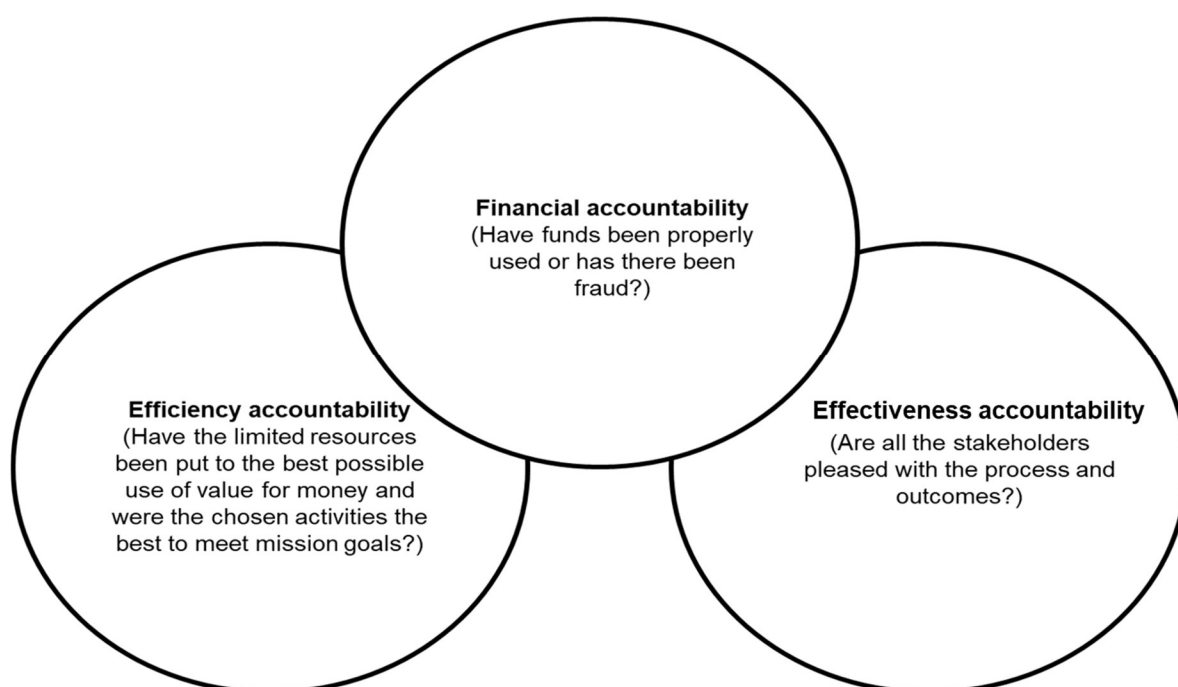
Financial reporting requirements and practices in the NGO sector vary globally (Breen, Cordery, Crawford & Morgan, 2018). As a result, the beliefs and practices (logics) pertaining to NGO reporting are indicative of the prevalent and contending logics, which can alter (or hamper) the changes in NGO reporting (see Cordery, Crawford et al., 2019). Furthermore, it is unlikely that an NGO will have a solitary set of prevailing logics that have been developed to guide its reporting mechanism since the environments of NGOs are complex with competing or complementing logics (Codery, Crawford et al., 2019). “Notably ... there is ... evidence that different types of organisations within a field or industry may adhere to different logics, and behave in consistently different ways as a result” (Fitzgerald & Shepherd, 2018:530).

### **1.2 BACKGROUND**

MANGO (Management Accounting for Non-Governmental Organisations) (2018) (a UK-based NGO providing a range of services and resources to build capacity of, and confidence in, other NGOs around the world) confirms that there are no appropriate conceptual frameworks on accountability for overseeing the work of NGOs and holding them to account for how they use funds. This is owing to NGOs borrowing some

conceptual frameworks or systems from the private sector, without fully adapting them to how NGOs work (MANGO, 2018).

MANGO (2018) further emphasises that currently deployed frameworks on accountability of NGOs play an important role, but do not often fulfil all three goals of NGO accountability. The three goals of NGO accountability referred to are financial, effectiveness and efficiency accountability. Figure 1.1 below depicts the three goals of NGO accountability on which NGOs are asked to focus, namely financial accountability, effectiveness accountability and efficiency accountability (MANGO, 2018).



**Figure 1.1: Three goals of NGO accountability**

*Source: Adapted from MANGO (2018:17)*

**Financial** accountability outlines which policies and practices management should adopt to meet their responsibility for ensuring that the organisation they govern is financially sound. **Effectiveness** accountability embraces the quality and quantity of services offered and the responsiveness of NGOs to the stakeholders, while **efficiency**

accountability looks at “how organisations utilise the available resources in a frugal, strategically aligned manner” (MANGO, 2018:17).

In support of MANGO (2018), Cordery, Crawford et al. (2019), conducted a multi-national survey involving 600 respondents with knowledge of NGO financial reporting. Their results showed that NGO financial reporting lacks uniformity and a global approach as intimated by the Global Reporting Initiative (GRI). They therefore recommend that IFRS – particularly for NGOs – should be developed and followed in order to avoid conflict between local financial reporting logic, stakeholders’ expectations and governance requirements. Additionally, Montesinos and Brusca (2019) claim that the demand for greater accountability and legitimacy has been changing in recent decades, which implies greater information disclosure about the actions carried out by organisations. In this respect, traditional financial information is no longer sufficient and “non-financial information has been seen in recent years as an alternative to that offered in traditional financial reports to meet the demand of different stakeholders on issues related to legitimacy and accountability” (Montesinos & Brusca, 2019:123).

### **1.2.1 Accountability: discussion of selected benchmarks**

In order then to guide NGOs in their quest to achieve all three goals of NGO accountability and prepare better accountability frameworks, this study developed a conceptual framework on accountability logics of NGOs that may be benchmarked against the King IV Report (Institute of Directors in Southern Africa [IoDSA], 2016) on good governance (Part 6 of the King IV Report), and the GRI NGO Sector Supplement (see GRI, 2014).

#### **1.2.1.1 King IV Code**

The King IV code, a South African-originated, yet internationally recognised code, details best practice standards for good governance (IoDSA, 2016). It emphasises that “responsibility, accountability, fairness and transparency by firms”, including those in the NGO sector, should be encouraged by management so that the credibility of their financial reports will be unquestionable by their stakeholders (IoDSA, 2016:88). The King IV code comprises guiding principles and specific sector supplements. The purpose of the supplements is to provide high-level guidance and direction on how the



King IV code should be interpreted and applied by a variety of sectors and organisation types.

There is a specific sector supplement for NGOs under part 6.3 of the code (see IoDSA, 2016). This NGO sector supplement guides NGOs on careful and accountable handling of their resources and programmes. Furthermore, adhering to the principles of King IV code could help NGOs assess potential risks. Adherence to the principles of the King IV code further assures funders that governance principles have been considered and implemented where appropriate (IoDSA, 2016). The researcher posits that other benefits for NGOs implementing the King IV code are that the relationship with funders will be enhanced and greater accountability to all stakeholders will be upheld, which will resultantly promote transparency, fairness and reliability in the reporting mechanisms of NGOs (see IoDSA, 2016).

The King IV code recommends that, in the same way corporate organisations are requested to produce an integrated report, NGOs should also aspire to have integrated information in their formal reporting to stakeholders. Financial and non-financial information should be integrated to give a holistic picture of the organisation so that all stakeholders will benefit in terms of their decision-making (IoDSA, 2016). Hence, the supplement also recognises the need for a guiding conceptual framework.

#### **1.2.1.2 Global Reporting Initiative**

In order to uphold and illustrate the importance of accountability among organisations, the GRI as an international, multi-stakeholder and independent not-for profit organisation (NPO), was established in 1997 in the United States. GRI guidelines are to be followed by organisations across the world in preparing specifically their sustainability reports, regardless of their size, the sector to which they belong, or where they are located (GRI, 2014). In these reports, information produced is meant to be uniform with regard to interrelated social, environmental and economic performance (Association of Chartered Certified Accountants [ACCA], 2012; GRI, 2014). The GRI guidelines are widely recognised and acknowledged by many corporations, and serve as the first framework for providing guidance about the focussed disclosure of sustainability performance (Leszczynska, 2012).

Since the GRI guidelines are applicable to any organisation, regardless of its sector, NGOs are therefore included in the organisations targeted by the GRI in terms of

reporting their environmental, social and economic issues to their various stakeholders. To emphasise these guidelines, the GRI produced a separate disclosure supplement for NGOs as a guide for them to follow when preparing their sustainability reports (see GRI, 2014). These guidelines are important and build confidence in funders and partners (GRI, 2014). The contents of the supplement have been reorganised and streamlined to fit the contents, structure and requirements of the GRI guidelines (GRI, 2014). NGO sector disclosures should not be used in isolation but should be applied in tandem with the GRI guidelines to produce accountability frameworks for the NGOs (see Leszczynska, 2012). The guidelines and the NGO sector disclosures are intended to make NGOs “demonstrate that they are able to meet the same standards of transparency and sustainability” that organisations in other sectors are asked to meet (GRI, 2014:8). The specific standard disclosures are discussed in the literature review (see Chapter 3). It should be noted that the GRI guidelines provide guidance to organisations only on sustainability reporting. This is a central, yet narrow, dimension of accountability and a wider remit is needed, as traced in 1.1–1.3. The developed framework of this study recognises the need for a broader conceptual framework that encourages NGOs to engage with comprehensive accountabilities pertaining to their strategies and operations (see Chapter 9 section 9.2).

### **1.3 PROBLEM STATEMENT**

Despite the King Code and the GRI, to date, international standard-setters inclusive of key stakeholders such as MANGO, have not provided a bespoke or customised conceptual framework for the NGO sector, considering and notwithstanding academic criticism of this vacuum (Cordery, Crawford et al., 2019:22; Keating & Thrandardottir, 2017:135; Laughlin, 2008:247; MANGO, 2018:11; McDonnell & Rutherford, 2019:13; Rossouw, 2007; Ryan et al., 2014:645; Valentinov, 2011:521). NGOs should seek their own conceptual framework so that they can focus on the relevant users or readers who might have differing information needs from commercial organisations due to the social objectives of NGOs (Bloodgood, 2013). This presented the applied problem to propel this research.

Additionally, many NGOs are transforming their mandates towards more hybrid organisational forms and logics (Mikołajczak, 2020). The gap in the way NGOs should

## *Chapter 1: Introduction and background to the study*

strategise and perform their logics has been identified by Mikołajczak as recently as 2020. Mikołajczak (2020:12) states:

[I]n the discussion on NGOs' hybridisation in the context of institutional logics, further research efforts are needed. They would allow for a more comprehensive evaluation of the efficiency of social enterprises combining social and financial outcomes. Although financial performance indicators are well described in the literature, studies identifying the indicators of social effects of an organisation's activities may be of particular value for further research.

The conceptual framework developed during the study addresses this gap, both in an applied and in a theoretical sense, the latter further argued as an intellectual puzzle below.

The framework as this study envisaged called for anchoring in institutional logics for the reasons as follows. These logics are partially defined in the literature, but insufficient attention has been given to how these logics have become hybrid or complexified (Mikołajczak, 2020; Yan, Ferraro & Almandoz, 2019). This has left a distinct gap in the body of knowledge for NGO and development sectors as well as the impetus for theoretical extension of institutional logics, hybridity and complexity studies.

In addition, Knutsen (2012) asserts that, in situations where there are conflicting logics among the stakeholders, the dominant stakeholder's logic will prevail. However, future research – as suggested by Nicholls and Huybrechts (2016), Anesi-Pessina and Cantù (2016), Berente, Lyytinen, Yoo and Maurer (2019), Yan, Ferraro and Almandoz (2019), and Mikołajczak (2020) – indicates the need for further theoretical bases for how organisations, working under multiple and/or conflicting logics, may be sustainable over time and how the actors could work together without alienating the logics of the weaker stakeholders. Although some logics in the NGO sector, such as comparability as well as funder logic, are present, these logics are not sufficient to explain the behaviour of NGOs with respect to accountability because there might be some yet uncovered and adapted logics found in the NGO sector that could optimise the reporting mechanisms of NGOs (Knutsen, 2012). This study therefore attempted to bridge this gap and has bolstered the theoretical perspectives in relation to institutional

logics through critical findings, discussed in Chapter 8 and concluded in Chapters 9 and 10.

Additionally, concepts suggested in this unique conceptual framework, have also not been defined, neither in terms of themselves nor in terms of their integration and configuration with one another within the interplay of the framework (see Chapter 5). The demonstration on how these concepts interrelated in this study provided additional novel knowledge bases for institutional logics and accountability literatures.

#### **1.4 RESEARCH OBJECTIVES AND QUESTIONS**

The objective of this study was to develop a conceptual framework of accountability of NGOs. The framework was developed to theorise around and inform future NGO scholarship and evidence-based practice, as well as to assist NGOs to recognise their current practices in accountability. This they would do in relation to their major stakeholders and to make any necessary changes to result in effective, optimised reporting.

The wording for the research objectives and questions was guided by Frels, Onwuegbuzie & Slate (2010: 23) “typology of verbs” as well as by Agee (2009), and hence the researcher paid careful attention to the intention and wording of the sentences driving the research to ensure accurate alignment to the purposefulness of this study. The careful choice of verbs provides important cognition and action orientation for the study (Frels, Onwuegbuzie & Slate, 2010).

The specific research objectives of the study were:

1. to assume the NGO accountability status by analysing annual reports of studied NGOs.
2. to (re)define the accountability practices of NGOs in terms of institutional logics theory, by:
  - 2.1 analysing and documenting institutional logics relevant to existing reporting practices; and
  - 2.2 identifying (mis)conceptions in terms of institutional logics relating to accountability; and therefore:

3. to develop a conceptual framework on accountability of NGOs (incorporating theoretical extensions to the institutional logics theory as well as existing practices) that may provide relevant, reliable, comparable, uniform and credible information for effective reporting and for disciplinary knowledge.

#### **1.4.1 Research questions**

The following research questions were answered in this study:

1. What is the assumed and actual nature of accountability status disclosures of the studied NGOs? (addressed through the literature review and document analysis).
2. How can the accountability practices of NGOs be (re) defined in terms of the institutional logics theory
  - 2.1. What are the relevant institutional logics shaping accountability and reporting practices of NGOs? (addressed through face-to-face interviews with NGO stakeholders).
  - 2.2. What are the (mis)conceptions in terms of institutional logics relating to accountability in the NGO sector? (addressed through face-to-face interviews with NGOs stakeholders).
3. How can the institutional logics theory, as well as existing practices, be applied to develop a conceptual framework on NGO accountability logics? (addressed through information gained from the literature review, document analysis and interviews and interpreted accordingly).

#### **1.5 CONTRIBUTION OF THE STUDY**

Contrary to the assumption that funder logic is the only accountability logic present in the NGO environment, this study found that other logics, such as local regulations, financial and non-financial and integrated reporting logics, have emerged in the NGO sector. Thus, the study extends the institutional logics theory to acknowledge an eighth logic (see section 4.5 for the seven logics) known as the “hybrid logic” substantively being applied to NGOs (and not only Social Enterprise as demarcated by Mikołajczak’s recent study of 2020). The study also modestly extended theorising on the hybridity of logics through the central finding that different and seemingly contesting logics can

support each other to uphold the organisation's survival (Pache & Santos, 2013). Using institutional logics theory (see Thornton, Ocasio & Lounsbury 2012) the researcher found that funders and local regulators exert dominant logics in the accountability practices of NGOs. The developed conceptual framework accommodates comprehensive information needs, such as openness and downward accountability in respect of beneficiaries as well. The contribution of this study is in the area of practice as well as NGO accountability logics. Regarding practice, the research findings were shared with the specific management of the NGOs under study who have agreed to adopt the developed conceptual framework as their guide as they prepare annual reports for their stakeholders. It is also impossible to ignore the fact that the literature on institutional logics concerns primarily NGOs in America as well as highly developed European countries. No research in this specific area, apart from this study, has previously been conducted in Southern Africa.

## **1.6 UNDERLYING ASSUMPTIONS**

The assumptions for this study have been grouped into three research domains:

**Theoretical:** one assumption was that the annual reports of most NGOs do not adequately disclose all information to enable users to make informed decisions. Therefore, disclosures and accountability of NGOs might be inadequately theorised, specifically in terms of more comprehensive institutional logics.

**Contextual:** it was assumed that NGOs require better accountability and reporting practices (as expressed through their institutional logics) in the increasingly complex local and global strategic and operational environments (noting the effect of the decline in funding owing to 2008 financial crisis; migrant and mobility developmental concerns; the climate crisis and COVID-19, for instance).

**Methodological:** the researcher assumed that a qualitative study with its qualitative methods of data sampling collection and analysis would respond to the research problem and questions. The researcher assumed that a delimited sector with a purposive sample would provide rich and relevant data to respond to the quality criteria of qualitative research studies (Nowell, Norris, White & Moules, 2017). The researcher also assumed respondents' accuracy, honesty and truthfulness in their responses to

the interview questions. Another assumption was that the majority of those who agreed to participate would fulfil the expectations of the interview method.

## **1.7 RESEARCH METHODS**

The research methodology, also termed the design, is a strategy or blueprint of how a researcher aims to conduct the research (Bryman & Bell, 2015), is outlined herein. Designing a study helps the researcher to plan and implement the study in a way that will help the researcher obtain coherent, intended results, thus increasing chances of obtaining data that could be associated with the real situation (Creswell & Poth, 2017) that is within the remit of the study.

This study will adopt a qualitative approach because it involves the use of a variety of empirical strategies that seek to discover human-centred and textual-based data. The choice of the qualitative approach, in this study, is to explore the phenomena around notions of accountability, funding partners and NGOs, as opposed to running statistical tests of data and/or proving any set hypothesis.

Denzin and Lincoln (2008), as seminal qualitative methodologists, describe various decisions that need to be made to follow a qualitative strategy within research. These decisions invoke skills, assumptions, enactments and material practices which are appropriate for a qualitative paradigm and research design. Researchers therefore approach the study using an informal logic of uncovering embedded patterns and make meaning inductively from the data. When applying the theory to the data a more deductive reasoning may be used to apply set theory to the qualitative data.

Moving from the qualitative approach, the researcher will follow an interpretive-to-social constructionist paradigm (Denzin & Lincoln, 2008). Working closely with the participants and documents of the study, the researcher will drill down to find discerning meaning (interpretation). Additionally, the study sets out to co-create and co-discover the realities of the researched world (social construction). This paradigm is appropriate to uncover the existence of phenomena-based meanings, as set out in the objective of the study. The detailed research methodology and design is outlined in chapter 6.

## **1.8 SCOPE OF THE STUDY**

To achieve the research objective, the researcher decided to approach the study in three phases. The phases were planned as described in 1.8.1–1.8.3.

### **1.8.1 Phase 1: Document analysis**

In this phase, the researcher conducted a document analysis of annual reports of NGOs in Namibia. The aim of this phase was to verify if the information contained in the annual reports of sampled NGOs is decision useful (see 1.4.1, research objective 1). Thirteen NGOs, in a specific sector, were purposively selected for the document analysis because these were the active HIV and AIDS-focussed NGOs in Namibia at the time of conducting this research. NGOs operate on sectoral lines (Ebrahim,2010) and the sector provided an encompassing research setting where multiple cases (organisations) could be researched.

### **1.8.2 Phase 2: Interviews**

Phase two of the study involved conducting semi-structured interviews in the NGO sector. This phase was aimed at achieving the second research objective of the study, namely investigating the institutional logics present among a selected group of Namibian NGOs and how these logics shape accountability measurement in the delimited NGO sector.

### **1.8.3 Phase 3: Development of a conceptual framework**

Prior literature, findings from the document analysis and interviews were used to develop the conceptual framework for accountability by NGOs. The researcher also considered the views of the research participants towards some of the topics that were related to the institutional logics theory. This latter theory advocates that NGO accountability reports should be prepared while considering that there are various institutional logics that could influence how NGOs report to their various stakeholders (see Cordery, Crawford et al., 2019). The developed framework had to contribute to more effective accountability reports by NGOs, and for that reason, the aim was to make it comprehensive enough to meet all the information needs of relevant stakeholders as guided by research objective 3. The conceptual framework is defined in Chapter 9.



## **1.9 METHODOLOGICAL NORMS: QUALITY CRITERIA FOR QUALITATIVE RESEARCH**

As indicated, this study followed a qualitative research approach, which made it necessary to meet quality criteria, with discussions of appropriate criteria having sparked many debates over the years (Lincoln, 1995). Criteria help researchers answer the question of whether findings are adequately authentic and trustworthy (Tracy, Geist-Martin, Putnam & Mumby, 2014). This research considered the legitimization of the study, which related to the credibility, trustworthiness, dependability, conformability and/or transferability of synthesis and verification matters as suggested by Denzin and Lincoln (2008) together with the view by Yin (2015) on the objectives for building trustworthiness and credibility. The researcher ensured that the data gathered was aligned to methodological norms apt for qualitative review. This is summarised and discussed briefly below.

### **1.9.1 Credibility or trustworthiness**

**Credibility** refers to dependability or trustworthiness (Lincoln & Guba, 1985), and expresses a reality that is possible, or which seems true (Tracy et al., 2014). A purposive sample of 16 participants and 13 annual reports was selected to ensure adequate data to reflect NGO reality in the chosen sector. The participants were required to indicate the length of time they had been involved with NGOs as well as their roles. Further, the research process was credibly recorded and explained to participants to document the procedures followed. All research records were ethically kept intact in a chronological sequence. Hard copies were also coded to clean data for consistency. The data cleaning was a crucial step for gaining familiarity with the data and for overall trustworthiness, as recommended by Tracy et al. (2014).

Extensive time was also spent gathering the data and on the analysis process. As recommended by Tracy et al. (2014), the tracking of the analysis and the enhancement of the research strategy credibility were enabled using the software program ATLAS.ti™ Version 7. The researcher and the independent co-coder worked together and qualitatively corroborated on the codes and findings (Barbour, 2001). The independent coder presented his interpretations and analysis in tabular form, highlighting codes, quotes and explanations. Outcomes of this systematised analysis were also reviewed by one of the supervisors who is an ATLAS.ti facilitator and

experienced second or independent coder (Williamson, Van Rooyen, Shuttleworth, Binnekade & Scott, 2020). This aided the quality of the data analysis. In addition, the researcher maintained and updated notes of all communication that took place with the participants as well as any other research notes as the research progressed.

### **1.9.2 Dependability**

Given that this was a qualitative study, the dependability of the findings is not measurable in terms of the number of participants but in terms of the richness of the information gathered (see Tracy et al., 2014). Contributions and inputs through constructive discussion with the supervisor were gathered at each stage. The researcher and supervisors ensured an audit trail through ATLAS.ti™ Version 7 software, which encouraged reflexive memo writing and the traceability of both inductive and priori reasoned logic used (see Tracy et al., 2014). Research bias was alleviated, and rigour completed through an independent co-coder who also provided support through reflexivity discussions and notes (Williamson et al., 2020).

### **1.9.3 Conformity or transferability**

In terms of conformity, the primary source of data (i.e., the interviews) was supplemented by document analysis to provide a degree of confirmatory evidence (as suggested by Tracy et al., 2014). Even though it is possible to generalise using a specified setting, in qualitative research, it is not common practice to claim that the findings are representative of the setting within the broader population (Bryman, 2015). Hence, in terms of the findings, the transferability of the data was limited in scope other than investigating NGO accountability logics and the outcomes from the study as a basis for other researchers in NGO settings. The findings were limited to knowledge contribution within the specific range of the exercise and NGO accountability literature. The aim was not to generalise; hence, the research findings, which are rooted in organisational actualities, are only of value to the participants and NGOs involved in the study. Equally, Englander (2019) confirms that such an approach confirms qualitative knowledge claims through providing depth of context-specific phenomena.

#### **1.9.4 Verification**

According to Cresswell (2017), verification is the process of checking, confirming, making sure and being certain. In qualitative research, verification refers to the mechanisms used during the research process to incrementally contribute to ensuring reliability and validity and thus, rigor of the study (Kvale, 1989).

In terms of verification, the conceptual framework was distributed to a sample of experts to explore whether it could assist the stakeholders to determine if the information produced could enhance their decision-making process. The respondents to the conceptual framework were also required to assess whether the framework was considered useful and user-friendly.

#### **1.10 ETHICAL NORMS**

The study conformed to well-grounded norms and values. Indeed, any researcher has the right to search for truth, but this cannot be done at the expense of the rights of other individuals in society (Auriacombe & Mouton, 2007). Research ethics covers not only criteria pertaining to the privacy and anonymity of the participants or the case organisations, but also those pertaining to responsibilities towards the practice of scientific research and the subject of research (Bryman, 2015).

In terms of a research responsibility towards the practice of science, several conventions exist. Among others, researchers should strive to always maintain appropriate objectivity and integrity (Creswell & Poth, 2017). Given the nature of this research design, objectivity in qualitative studies is often a challenge (Creswell & Poth, 2017). However, the various criteria in use to ensure high-quality research as described in Chapter 6 were implemented, and the paradigm of the research acknowledges the bounded subjectivity of qualitative approaches.

Another convention pertains to the recording of data. In this research study, the researcher kept confidential and password-protected research notes and maintained and updated these notes as the research progressed.

Regarding the researcher's responsibilities towards participants, Tracy et al. (2014) discuss procedural ethics, which refer to ethical actions that are prescribed by some review boards as being universal and necessary, such as causing no harm, avoiding

## *Chapter 1: Introduction and background to the study*

deception, and informed consent ensuring privacy and confidentiality. In this study, no pressure was applied by the researcher whilst accessing the NGOs. Furthermore, the participants' recruitment took place on a voluntary basis and no incentive was offered to them. In addition, the participants were accorded the right of withdrawing from the study at any time without any negative consequences. The commitment by the participants was solicited via informed consent, as recommended by Flick (2014).

Saunders, Lewis and Thornhill (2009) explain that informed consent happens if the respondents get fully primed about the type, aim and use of the study to be conducted, as well as the role they are expected to play in the research. In accordance with the requirements of the Unisa College of Accounting Sciences (CAS) ethics review committee, research participants were furnished with an informed consent form (Annexure 2). The form describes the data collection method, the specific manner through which the reporting of the research findings will be done and the study supervisors' details. At the onset of each period, the researcher requested the research participants to complete the informed consent form.

As a way of ensuring the participants' anonymity and confidentiality, the researcher ascertained that no responses provided would be traced back to them. Additionally, ethical clearance was applied for and granted by the CAS ethics review committee in August 2019 (Annexure 3).

Ultimately, the study followed good practice guidelines in relation to ethical considerations as a methodological consideration for qualitative studies (see Tracy et al., 2014), incorporating informed consent, confidentiality, feedback and the right to withdraw from participating in the research at any step when they so wished.

### **1.11 INITIAL LIMITATIONS OF THE STUDY**

Having provided the scope of the study above, it is important to indicate the limitations of the study. Further limitations are discussed in the concluding chapter, Chapter 10 (see 10.6). The study had three limitations as summarised in Table 1.1 below.

**Table 1.1: Limitations of study and domain of limitations**

| Limitation     | Domain of limitation   |
|----------------|--|
| Theoretical    | A number of theories are associated with accountability and disclosure, such as the agency, signalling, accountability, legitimacy, stakeholder, stewardship, resource dependency and contingent theories (An, Davey & Eggleton, 2011; Kelton & Yang, 2008; Sharma, 2013; Van Puyvelde, Caers, Du Bois & Jegers, 2012). These theories can be applied in isolation or can be applied in tandem with each other to achieve the objective of reporting and disclosure requirements in annual reports (Sharma, 2013). The present study, however, adopted only one theory, the institutional logics theory of Thornton et al. (2012), to explain NGO accountability frameworks. |
| Contextual     | The NGOs sampled were all located within the sectoral domain of HIV and AIDS and within the boundaries of Namibia. This demonstrates contextually specific insights, which, nevertheless could warrant analytically sound knowledge claims (Englander, 2019).  |
| Methodological | A purposive sampling strategy (Daniel, 2012) was employed to select both the 13 annual NGO reports and the interviewees. The small sample size may also limit the transferability of the findings. To assist future researchers in determining transferability, a detailed description of the study population is provided (see 6.3.7). Notwithstanding the sample, Englander (2019) substantiates qualitative knowledge claims based on rich context and the phenomenon and not necessarily only on sample size.  |

Source: Researcher's compilation

However, the limitations placed on this study did not affect the relevance or reliability of the proposed accountability conceptual framework for facilitating effective accountability among NGOs. The framework was distributed to a sample of experts on NGO accountability to evaluate whether it can assist the stakeholders to determine whether the information produced can enhance their decision-making process and attendant responses from the same sample were recorded (see Chapter 9 section 9.5).

## 1.12 DEFINITIONS OF TERMS

The following definitions were operationally employed in this study. Some of the terms are also defined, at the appropriate juncture, during the in-text writing of the thesis.

**Users:** The ICAEW (1975:17) defines **users** as the entities and/or persons who have a reasonable right to information in relation to the entity that is reporting. This comes into being in situations where the activities of a specific body have an influence on the interests of a user group or have some effects on such interests (ICAEW, 1975).

**Preparers:** This term pertains to the directors, accountants and managers of organisations as well as officials from the organisation that are directly or indirectly involved in the preparation of annual reports (Bedenik & Barisic, 2019). In this thesis, **preparers** denote those who were involved in the preparation of annual reports for NGOs.

**Conceptual framework:** This refers to a “coherent system of interrelated objectives and fundamentals that is anticipated to lead to consistent standards and that prescribes the nature, functions or limits of financial accounting and reporting” (FASB, 2018:8).

**Institutional logics** are “socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organise time and space and provide meaning to their social reality” (Thornton et al., 2012:804).

**Hybrid logics:** A combination of more than one type of logic practiced in an organisation. These logics might appear contradictory and non-complementary. Yet, in complex settings, they may be brought together to form a blended version that works for socially responsive contexts. For instance, some NGOs combine both non-profit logics and market logics in order to survive (Mikołajczak, 2020).

### **1.13 OUTLINE OF CHAPTERS**

The thesis is outlined as follows:

#### **Chapter 1: Background of the study.**

Chapter 1 introduced the research topic, provided the background of the research and outlined the research problem. In addition, the chapter provided the objectives and scope of the research and discussed the research methodology employed to answer the research questions.

#### **Chapter 2: The context of the study.**

Chapter 2 provides a brief background to the socio-economic environment of Namibia where the study was conducted. The chapter also discusses the NGO and funding

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environment within this specific country. The rationale is to contextualise the study within the milieu where the research was undertaken.

### **Chapter 3: Literature review: NGO accountability.**

In Chapter 3, a review of the available literature on NGO accountability is presented. The aim of the chapter is to provide a synthesised evaluation of the findings by previous researchers who have conducted studies relating to NGO accountability frameworks.

### **Chapter 4: Literature review: Institutional logics theory.**

This chapter elaborates on the literature dealing with institutional logics theory, this theory being the lens through which analysis was performed and whereby theoretical extension was pursued.

### **Chapter 5: The preliminary conceptual framework.**

Chapter 5 presents the preliminary conceptual framework designed during the study as informed by the literature reviews. The preliminary conceptual framework was used as a lens to interpret the results of the study.

### **Chapter 6: Research methodology.**

The qualitative methodology that was adopted in this research is presented in this chapter. First, the chapter outlines the philosophical assumptions of the research; second, a discussion of the rationale for using an illustrative case study for the examination of NGO accountability is presented. Details on the methods of gathering the data, its organisation as well as analysis are also provided in Chapter 6. Methodological norms are also provided to represent quality criteria for this study.

### **Chapter 7: Presentation and analysis of data: phase 1: Document analysis.**

In Chapter 7, the data and research findings are presented in conformity with the data analysis orientation and the interpretations that were formulated in relation to the preliminary conceptual framework and the literature.

### **Chapter 8: Research findings: Phase 2: Interviews with stakeholders.**

Chapter 8 presents the data emanating from the face-to-face interviews undertaken during the present research.

### **Chapter 9: The developed conceptual framework.**

The results from the previous chapters are interpreted in this chapter. The conceptual framework for accountability by NGOs is described, and the development of the conceptual framework is reported.

### **Chapter 10: Conclusions of the thesis**

The research conclusion as well as a summary of the findings is presented in Chapter 10, including the manner in which the study contributes to new knowledge and the implications of this knowledge for policy formulation. The chapter also presents the study limitations and ends with some suggestions on possible directions for future research.

#### **1.14 ANNEXURES OF THE STUDY**

The following annexures are appended to this thesis:

Annexure 1: Research interview schedule template

Annexure 2: Informed consent form

Annexure 3: Ethical approval – Unisa

Annexure 4 to 12: Supplementary

#### **1.15 CHAPTER SUMMARY**

Chapter 1 presented an overview of the study. This chapter provided the research propositions, which comprised the problem statement, research objectives and questions. In delineating the research setting and scope of the study, both the limitations and the major contributions were covered. The discussion also highlighted the methodological norms discussed more fully in Chapter 6. The next chapter provides a brief background to Namibia where the study was conducted and discusses the NGO and funding environment in the country. The aim is to contextualise the research within the specific setting where it was conducted.



## **CHAPTER 2**

### **CONTEXT OF THE STUDY**

#### **2.1 INTRODUCTION**

Chapter 2 starts by providing an overview of Namibia where the research was conducted, and some emphasis is placed on the demographic, social, economic and political setting of the country. The broader NGO setting is also provided with a particular focus on the roles of NGOs, their major sources of funding and key challenges faced by NGOs in Namibia specifically. A chapter summary is provided at the end of the chapter.

Providing the context of the study assisted the researcher in understanding the general setting of the study and helped to provide insights that were used to interpret the empirical findings reported later in Chapters 8-10.

#### **2.2 BACKGROUND OF NAMIBIA**

Namibia, officially the Republic of Namibia, is a country in Southern Africa whose western border is the Atlantic Ocean. It shares land borders with Angola and Zambia to the north, Botswana to the east and South Africa to the southeast. In the European colonial era, Namibia was known as German Southwest Africa. During the First World War (1914-1918), Namibia became a protectorate of South Africa until the guerrilla war and United Nations (UN) pressures led to Namibian independence in 1990 (Melber, 2018).

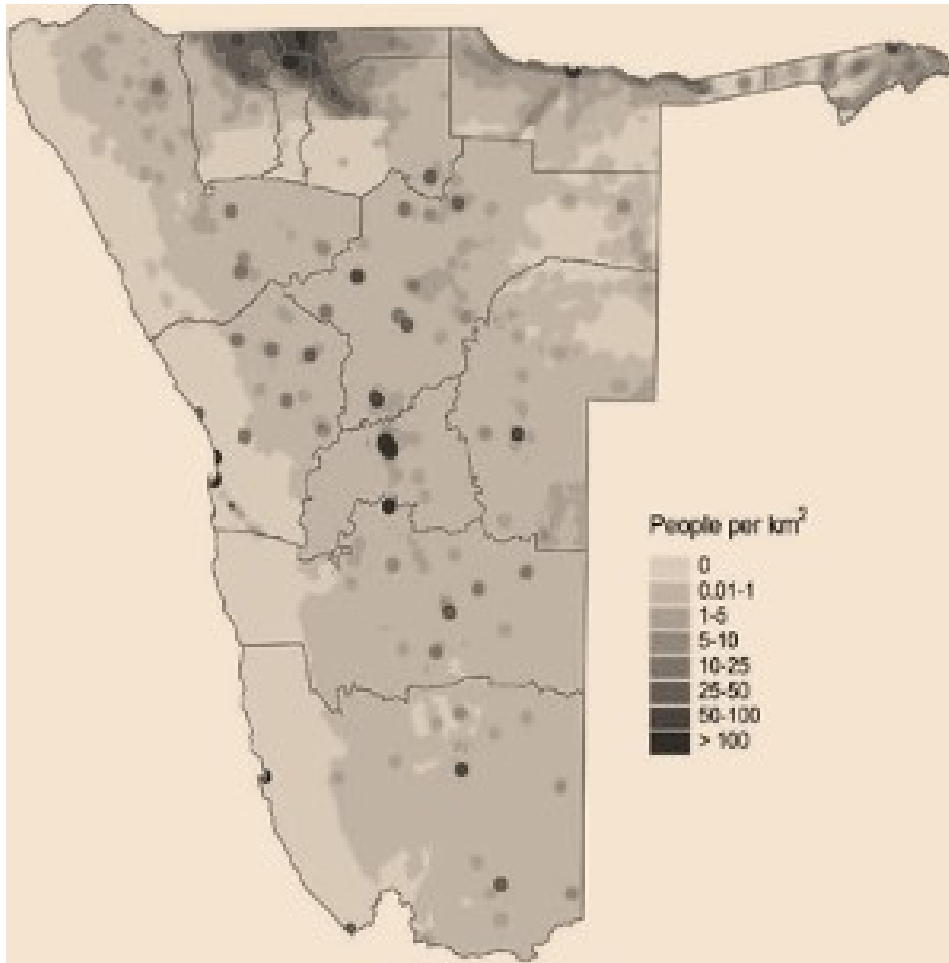
Namibia is considered a clean, safe and relatively modern democratic nation (Melber, 2018). The country enjoys high political, economic and social stability created by a multi-party parliamentary democracy (Melber, 2018). Given the presence of the arid Namib Desert, it is one of the least densely populated countries in the world (Kapitako, 2013; Melber, 2018). As in April 2020, Namibia had a population of about 2.7 million people (see Namibia Statistics Agency [NSA], 2020). While the official language is English, which is widely spoken in the cities and towns, about 2% of the population speaks German (Nambinga, 2017). There are more than a dozen tribal languages reflecting the diverse tribal backgrounds of the Namibian population (NSA, 2020).

Sections 2.3–2.6 focus on the demographic, political, social and economic environments of Namibia.

### **2.3 SPECIFIC DEMOGRAPHIC CHARACTERISTICS RELEVANT TO THIS STUDY**

Demographics characteristics guide NGOs in terms of the population growth rate, age of citizens, and other factors (Werekoh, 2014). If the growth rate, age and other factors are known, NGOs would be aware of locations that need greater attention in terms of supply of goods and services than others. It was important for this study to highlight the social and political situations in Namibia because an effective social framework policy could ensure fair distribution of interventions to reach the beneficiaries (African Development Bank [AfDB], 2014).

On 1 April 2020, the population of Namibia was estimated to be 2 738 083 people (NSA, 2020). This is an increase of about 20% compared to the population of 2 216 902 in 2011 when the previous census was conducted (NSA, 2020). This study invited NGOs that deliver support to people who live in a large land that has a dispersed population to consider participation.



**Figure 2.1: A map of Namibia showing population density**

Source: NSA (2020)

As depicted in Figure 2.1 above, the population of Namibia is highly concentrated in the northern part of the country in the Oshana region by 4.0 to 25.0 people per square kilometre, while the Kharas and Hardap regions are least populated with about 2.0 people per square kilometre (NSA, 2020).

Namibia's population, as shown in Table 2.1 below has grown progressively from 2 216 902 in 2011 to 2 738 083 by April 2020. By April 2020, the population comprised 34.2% children below the age of 15, 61.7% of the population was between the ages of 15 and 65 years of age, while 4.1% represented people who were 65 years old and above. The life expectancy in Namibia stands at 52.5 years for men while females are expected to live up to 51.9 years (NSA, 2020). The average life expectancy in developing countries in Africa is about 55 years (NSA, 2020).

**Table 2.1: Namibian population growth (2011-2020)**

| Year | Population | Growth rate |
|------|------------|-------------|
| 2011 | 2 216 902  | 2.02%       |
| 2012 | 2 265 903  | 2.21%       |
| 2013 | 2 319 119  | 2.35%       |
| 2014 | 2 374 725  | 2.40%       |
| 2015 | 2 430 844  | 2.36%       |
| 2016 | 2 486 243  | 2.22%       |
| 2017 | 2 542 904  | 2.35%       |
| 2018 | 2 600 857  | 2.28%       |
| 2019 | 2 641 996  | 1.58%       |
| 2020 | 2 738 083  | 3.63%       |

Source: NSA (2020)

Namibians are of diverse ethnic origins. However, the main groups are the Ovambo, Kavango, coloured people, Baster, Herero, Damara, Nama, Namibian whites, Caprivian, San and Tswana. The Ovambo makes up about half of the Namibian population (NSA, 2020). The Ovambo, Kavango and east Caprivian people are settled in the northern part of the country. Their occupation is mainly farming and herding cattle. Historically, they have shown little interest in settling in the central and southern parts of Namibia because urban conditions do not favour their way of life, which is mainly farming. The minority white population is primarily of South African, British and German descent with a few Portuguese.

Table 2.2 shows the distribution of the population and the land area in Namibia.

**Table 2.2: Regional distribution of population and land area (2011-2018)**

| Regions      | Population | Land area (km <sup>2</sup> ) |
|--------------|------------|------------------------------|
| All regions  | 2 600 857  | 824 116                      |
| Caprivi      | 90 596     | 14 528                       |
| Erongo       | 150 809    | 63 579                       |
| Hardap       | 79 507     | 109 651                      |
| Karas        | 77 421     | 161 215                      |
| Kavango      | 223 352    | 48 463                       |
| Khomas       | 342 141    | 37 007                       |
| Kunene       | 86 856     | 115 293                      |
| Ohangwena    | 245 446    | 10 703                       |
| Omaheke      | 71 233     | 84 612                       |
| Omusati      | 243 166    | 26 573                       |
| Oshana       | 176 674    | 8 653                        |
| Oshikoto     | 181 973    | 38 653                       |
| Otjozondjupa | 143 903    | 105 184                      |

Source: NSA (2020)

Namibia, like any other country, has certain services and needs, which are covered by NGOs, and not by the government or the private sector. As in any democracy, NGOs have developed over the years to perform a civic responsibility in the development of the country and to address the needs of the people (Kapitako, 2013). NGOs operate in different environments. These environments are interrelated and play important roles that enable NGOs to operate in the way they do. In the next sections, these environments are discussed.

## 2.4 POLITICAL ENVIRONMENT

It is important to understand the political environment of Namibia because democratic institutions, such as freedom of assembly and open elections, together with supporting policies, such as tax-exempt status for NGOs, are essential for the survival of NGOs (see Assad & Goddard, 2010). Brennan and Connell (2000:212), as early scholars, argue, “a vibrant civil society is most likely to thrive in a vibrant democracy and vice versa”. Brennan and Connell (2000) further highlight the difficulties of civil society development in countries that lack supportive political institutions. Governments are

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usually influential in creating an enabling environment for NGOs operations. For instance, an environment where there are continued restrictions in terms of NGO registration or increased internet censorship could lead to NGOs failing to achieve their intended goals or objectives since their operations might be restricted (Burger & Seabe, 2014). Governments can also apply state logic to influence NGOs. Under state logic, “the source of legitimacy is democratic participation; the source of authority is bureaucratic domination; the source of identity is social and economic class; and the basis of strategy is to increase community well-being” (Thornton et al., 2012:113).

The political leadership of Namibia comprises a combination of two systems – the traditional and modern systems of governance that work jointly to ensure the prevalence of political stability in the country (Melber, 2018). Moreover, traditional leaders are a recognised authority whose responsibility is to promote and uphold customary law (Melber, 2018).

The modern system of governance in Namibia consists of the executive, the legislative and the judiciary branches (National Planning Commission [NPC], 2020). The cabinet, an executive organ of the government, is responsible for the implementation of the law of the country. The cabinet comprises the president, the prime minister and his deputy as well as various ministers in charge of 20 ministries. Both the traditional and modern political systems ensure that resolutions to solve problems are hatched through working together (NPC, 2020).

The Namibian government is partly centralised and partly regional. A **centralised** government is one in which power or legal authority is exerted or coordinated by a de facto political executive to which local authorities are considered subject, whereas a **regional** government refers to the structures created by the provinces by which municipalities are grouped under a regional political and administrative set-up (Melber, 2018). In the executive branch, the central government consists of ministries, offices of the prime minister, president, vice-president and the auditor general. The regional government, which is subject to the central government, consists of regional councils and the constituencies. The judiciary is centralised in the supreme courts, whereas high courts and lower courts are distributed throughout the country (NPC, 2020).

Namibia is a multiparty democracy with registered political parties. In 2020, the South West African People’s Organisation (SWAPO) was the ruling party with most seats in

Parliament. The president of Namibia is both the head of state and the leader of the ruling party. Other recognised parties in Namibia (in 2020) are the DTA (Democratic Turnhalle Alliance) (the official opposition party), the United Democratic Front (UDF), and the Monitor Action Group (MAG) (NPC, 2020). Politically, Namibia obtained its independence from South Africa in 1990. Since 1990, the government of Namibia has been taking a keen interest in assisting NGOs in terms of sourcing funds. In 2016, the government of Namibia assisted 70% of NGOs in the country (Strengthening Health Outcomes through the Private Sector project [SHOPS], 2016). Each NGO received up to N\$35 million (US\$4.5 million) every year (see SHOPS, 2016). The government provides both financial and in-kind assistance, such as provision of free condoms and home-based care kits to those in need in the communities (SHOPS, 2016).

## **2.5 ECONOMIC ENVIRONMENT**

In 1993, Namibia became a signatory to the General Agreement on Tariffs and Trade (GATT). It is also a member of the International Monetary Fund (IMF) and the World Bank since 1990 (Kapitako, 2013; Nambinga, 2017). Since independence, support from the World Bank and IMF has primarily taken the form of research policy analysis, technical and capacity building rather than loans or other financial services (NPC, 2020). A few loans, however, have been advanced to the government to assist in education and the private sector to improve the economy (NPC, 2020). The impact of both interventions (IMF and World Bank) to alleviate economic challenges that Namibia faces has been contested, as there are some claims that it is a positive direction (NaMedia, 2016), while others view the interventions as having contributed to the worsening of the situation and resultantly increased the gap between the haves and the have nots (NPC, 2020).

The unequal allocation of resources according to the stipulations of the IMF and World Bank policies has resulted in poor Namibians suffering even more (NPC, 2020), which has necessitated the involvement of NGOs as they provide the necessary interventions to assist cover the gap left by the system between 1990 and 2008 (NPC, 2020). NGOs have a significant role to play in the economic development of Namibia. Nevertheless, NGOs have been found lacking in terms of resources (NPC, 2020). The government of Namibia as well as local resources are in most cases not adequate and this has necessitated NGOs to seek financial aid from other possible funders (NPC, 2020).

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Given the structure of the funder architecture in Namibia (see SHOPS, 2016), NGOs are located as central stakeholders to act in collaboration with government and funders in order to deliver services to people and to provide a site of civic engagement for the population (Nambinga, 2017). NGOs, as part of the system of service delivery and democracy, need to play an effective role in the country – for the benefit of both the development of the country and the people (Crack, 2018). If NGOs must provide their services in an effective and continuous manner, then there is a need to have a distinct appreciation of the accountability frameworks and logics that are critical to stakeholders (Werekoh, 2014). Understanding NGO accountability frameworks and their logics will enable the different role players to appreciate the challenges relating to accountability within this specific sector and thus help them to create appropriate accountability frameworks that specifically address peculiarities within the NGO sector. Accountability for NGOs – particularly those NGOs with many different stakeholders – is clearly challenging. NGOs face accountability challenges because they are accountable to multiple actors (Ebrahim, Battilana & Mair 2014). These multiple actors include the funders or patrons that demand upward accountability, as well as beneficiaries as the actors that expect downward accountability, and this includes being accountable internally to themselves as well as their missions (Banks & Hulme, 2012). **Upward accountability** usually refers to relationships with funders, foundations and governments focussed on the use of funds (Uddin & Belal, 2019). Accountability to beneficiaries refers primarily to downward relationships with groups receiving services, although it may also refer to communities or regions indirectly affected by NGO programmes. The third category of accountability concerns NGOs themselves. This **internal** (or **horizontal**) **accountability** (see Unerman & O'Dwyer, 2012) hinges on the responsibility of the organisation to its mission as well as its staff and included here are the decision-makers of the organisation as well as field-level implementers (KPMG, 2013). In order to demonstrate NGO accountability to major stakeholders, it is important to reflect financial health, programme and service delivery, human capital, fundraising and development, risk management, marketing and advocacy information disclosures in their annual reports (GRI, 2014). These disclosures are discussed in detail in Chapter 7.



## **2.6 SOCIAL ENVIRONMENT**

Since NGOs play an integral part in the social well-being of most Namibians, the government should be supportive in this cause by implementing a favourable social policy framework (Santos, 2018). The social policy framework is necessary for any developing nation as it enables the provision of basic social services to the citizens, such as health and education (Manini, 2009). The Namibian Constitution and its related legislation do not provide an overarching and explicit framework for social protection or social security (Nambinga, 2017). The Constitution, however, provides for consideration of people's welfare in areas that the government can manage (Santos, 2018). Despite lacking a social policy framework, Namibia is considered one of the countries in the sub-Saharan region with a comprehensive social protection system comprising assistance, social insurance as well as occupational and private pension provisions (Santos, 2018).

The **social protection system** consists of a universal benefit for the elderly, the disabled and war veterans as well as grants paid to guardians looking after orphans. Social insurance is composed of the schemes run by the Social Security Commission (SSC), known as the maternity, sick leave and death benefit (MSD), and the employers' compensation fund (ECF). Besides the social assistance scheme and social insurance, the upper ends of the Namibian labour market are protected socially through occupational and private retirement funds (Dempers, 2016). Additionally, health insurance funds and medical aid schemes regulated by the Namibia Financial Services Authority (NAMFISA) are also available. The government of Namibia and agencies fund several schemes aimed at poverty alleviation and job creation and they promote education awareness on terminal illnesses (Dempers, 2016; Santos, 2018).

Despite having a comprehensive social protection system (see Santos, 2018), malnourishment – especially among the children – is rampant and remains a challenge in Namibia (Dempers, 2016). About 20% of the population still lack food and are chronically undernourished (Dempers, 2016). Furthermore, Namibia is marked by a very high number of HIV and AIDS infections, at around 13% (Melber, 2018), which admittedly is one of the highest rates in the world (Melber, 2018). Other common diseases include hepatitis A, typhoid fever and malaria (Melber, 2018).

Namibia is a young country demographically speaking. However, the current situation, for instance, indicates that it has around 140 000 orphans out of which half are orphaned because of AIDS (Dempers, 2016). Children who become orphans still find themselves on the streets because neither the private nor the public sector is able to meet some of their basic needs (Melber, 2018; Santos, 2018). It is therefore essential to have a viable and vibrant NGO sector responsible for such vulnerable children.

Having briefly examined the profile of Namibia in the previous sections, the next few sections will discuss the concept of NGOs, the classification of NGOs, their roles and functions and sources of funds for the sector.

## **2.7 UNDERSTANDING THE CONCEPT OF NGOS**

Fowler (2013) describes NGOs as voluntary independent organisations that are formally registered, which act as a link between the giver (who is the funder) and the receiver (who happens to be the beneficiary) for a public benefit or intervention. Moreover, NGOs are also viewed as non-profit-making organisations (NPOs) that operate independently and outside the control of governments, and who pursue the welfare of the disregarded people in society (Agyemang, O'Dwyer, Unerman & Awumbila, 2012; Chenhall, Hall & Smith, 2010). Insights by Holloway and Galvin (2016) and Chenhall et al. (2010) are similar to how the World Bank regards NGOs (see World Bank, 1995:13). According to the World Bank, NGOs “provide goods and services without pursuing profit, as a way to reduce the challenges that are faced by the economically disadvantaged and for the protection of the environment” (World Bank, 1995). The World Bank (1995) argues that every economy has two main sectors: the public, state or government sector and the private, market or corporate sector. Moreover, the private sector can be subdivided into two sub-sectors, the for-profit sector on the one hand and the non-profit sector on the other (World Bank, 1995). The World Bank does not recognise NGOs as a third sector, as other organisations do. The World Bank thus sees NGOs as private non-profit organisations (NPOs) whose aim is to provide social goods (Anheier, 2013; Hulme, 2013).

However, as opposed to the World Bank's (1995) contention, other organisations regard NGOs as a third sector in the economy (Anheier, 2014; Giddens, 2013a). NGOs are also regarded as the “civil society” (see Giddens, 2013a:123), third sector (see Anheier, 2014:35), “voluntary sector” (see Lewis, 2014:75) or NGO sector (Giddens,

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2013a). A common consensus places NGOs in the civil society sector and not the private or public sectors (Fowler, 2013). Moreover, the World Bank's (1995) way of defining NGOs fails to set the parameters of NGOs clearly beyond private; therefore, creating a continuum of definitional points (see O'Dwyer & Unerman, 2010).

To clarify the above disjuncture arising from the World Bank's (1995) definition, and to eliminate private profit-maximising organisations (see O'Dwyer & Unerman, 2010), the United Nations (UN) originally adopted the term 'non-governmental organisation' (NGO) in 1995. The UN defines NGOs as "a not-for-profit group, principally independent from government, which is organised on a local, national or international level to address issues in support of the public good" (O'Dwyer & Unerman, 2010:5).

Using the label 'non-governmental' has met some criticism because most NGOs get financial resources from the state for them to execute government projects, and they also work with governments to try to solve issues of mutual interest (Banks & Hulme, 2012).

Responsive to this, different terms have been used in different countries to describe the NGO sector. In most cases, the United Kingdom, for example, refers to it as the "voluntary", "charitable" or "third sector" (Lewis, 2014: 10). However, doubt has been cast about the appropriateness of this term owing to the increased involvement of paid professionals and consultants in the sector (Lewis, 2014). In the United States, terms such as "the third sector," "independent", "non-profit" or "not-for-profit sector" are used (Farneti & Guthrie, 2009:90). In addition, the usage of these terms has been criticised in the United States, as such terms emphasise a single characteristic of non-profit distribution to members (Anheier, 2013).

The term "NGO" is mainly used in both Africa and South America, where in other settings "civil society sector" is the preferred tag (see Fowler, 2013:18). Some of the terms that are used in place of the NGO sector include "voluntary" and "non-profit organisations" (see Kilby, 2006:32), the "private non-profit sector" (Mir & Bala, 2015:1832) and "value-led organisations" (see Doh & Boddewyn, 2014:14) because the sector is inimitably considered as affording the downtrodden a voice (Ahmed & Hopper, 2014; Fowler, 2013).

In effect, the NGO concept does not use a clear single term and definition. However, to inform this study, the term "NGO" was used given its wider recognition amongst

stakeholders and being the chosen term for Namibia (see Namibian Non-Governmental Organisations Forum [NANGOF] 2016). In addition, the NANGOF definition of an NGO has been taken as the working definition for this study. According to this definition, an NGO is a “civil society organisation that is organised for public purpose; has a written constitution, has a governance structure which distinguishes between the board and its secretariat, prepares and publishes audited annual accounts; and has a bank account” (NANGOF, 2016:4). Utilising this definition helped to cover many establishments that exhibit some of above characteristics with the aim of complementing the endeavours of both the public and private sectors regarding addressing the challenges that are faced by the society (see Ahmed & Hopper, 2014).

## **2.8 ROLES AND FUNCTIONS OF NGOS**

The roles of NGOs are not pre-set but they differ according to the peculiarities of different settings (Anheier, 2013; Van Rooy, 2013). NGOs have been complimented for switching roles so that they work differently, for instance, towards assisting in finding a solution to a current problem affecting the masses (Ryfman, 2007). For example, the Tsunami disaster in 2004 forced some international NGOs to abandon their known projects when they decided to join forces and help the victims of the disaster (Ryfman, 2007). Other NGOs might do this to attract different funding or to diversify their funding streams (Ryfman, 2007).

Generally, the roles of NGOs have been summarised in different ways, including that of conflict managers, participants of global policies (Brown, Dillard & Hopper, 2015) and as enforcers of corporate social responsibility (CSR) (Baur & Schmitz, 2012) or deliverers of neglected goods (Zarsky, 1997).

The Institute of Directors in South Africa [IoDSA] (2016) identified the following as the main roles played by NGOs in developing countries:

- providing goods and services that are not provided by either the government or the private sector;
- assisting the government to achieve its development objectives;
- helping citizens to voice their aspirations and concerns; and
- helping to enhance the accountability and transparency of government and local government programmes and officials.

Currently, the COVID 19 pandemic has created a vital and critical role for NGOs (United Nations [UN] 2020). NGOs are now the point of reference for individuals and families about COVID 19. They serve as the main communication conduits about health mandates, hygiene practice and quarantine measures, and complement government services as contracted to do so. NGOs are also working to maintain “social cohesion among individuals and families during the mandated periods of social distancing” (UN 2020: 21). During these periods, NGOs are offering virtual services and issuing regular communications via phones and online in order to foster the community and reduce the feeling of isolation.

It should be noted that this study was completed prior to COVID-19 and thereto, there is no intention to discuss the implications of the pandemic for this study.

## **2.9 SOURCES OF NGO FUNDING**

Worldwide, humanitarian relief efforts delivered by NGOs are dependent on philanthropic contributions, grants, government funds and voluntary support for existence (Giddens, 2013a). Prominent funder groups comprise:

- corporations and private funders;
- United Nations agencies (such as Oxfam and Save the Children);
- official development assistance (ODA) agencies (such as the European Union and the Swedish International Development Agency [SIDA]);
- international foundations (such as the Wellcome Trust in the United Kingdom)
- the Asian Development trust located in Japan;
- multilateral development banks (such as the African Development Bank and the World Bank);
- international church-based or religious organisations;
- global corporations;
- host country sources; and
- international non-governmental organisations (INGOs) (such as USAID and DFID) (Smillie, Helmich, Randel & German, 2013).

Canada, Japan, Australia and some other countries from Europe are the major providers of NGO funding through embassies and high commissions where the NGOs are situated (Randel & German, 2013). The embassies are responsible for the

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management and administration of the grants and funds provided by the respective countries as a way of ensuring their proper utilisation. The United States (US) embassy, for example, oversees disbursements from the government of America to Namibia (Santos, 2018). Even though the main aim of multilateral development banks, such as the AfDB, is to provide loans and advice to governments, they also provide technical support and funding to NGOs as a way of enhancing the activities of these (Edwards & Gaventa, 2014). Furthermore, international foundations, such as the Clinton Foundation and the Ford Foundation also fund NGOs (Edwards, 2011; Meyer, 2010). These are autonomous bodies that obtain funds from wealthy benefactors, from an endowment, or from some corporations, and they disburse the funds to NGOs for them to undertake some specific activities (Edwards, 2011).

Furthermore, as part of their social responsibilities, many global and local corporations, such as Coca-Cola, Microsoft and Shell, often support the activities of NGOs, particularly those NGOs that operate within their sector. For example, Shell Limited supports NGOs that are focussing on prevention of contaminating rivers and oceans through illegal oil dispositions (Werekoh, 2014). Another source of funding for NGOs is through religious organisations, such as World Vision, the Adventist Development and Relief Agency and Catholic Relief Christian Aid (Smillie et al., 2013). These church-based organisations undertake humanitarian projects on their own but also provide funding and collaborate with other NGOs to undertake projects. In addition to these sources of funding, NGOs also get some funding from host country government sources as well as other local businesses and foundations (Bagci, 2003). In this study, the term 'sources of funds' are used to refer to all the different sources of NGO funding.

### **2.10 NGO LANDSCAPE IN NAMIBIA**

By 2020, there were about 500 registered NGOs in Namibia (Ministry of Industrialisation, Trade and SME Development, 2020). Of these, approximately 20% either provides or supports HIV and AIDS services, as per the logic provided in subsection 2.7.1 and because historically, funding has been easier to obtain for HIV and AIDS initiatives than for many other areas of interventions for beneficiaries. This funding pattern may have led some NGOs to shift their focus areas and add HIV and AIDS services to their range of offerings, a concept of NGO roles that was discussed

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in sub-section 2.2.4. It may also have sparked the creation of entirely new HIV and AIDS-focussed NGOs over the last few decades (SHOPS, 2016).

HIV and AIDS in Namibia is a critical public health issue, and it has been the leading cause of death in Namibia since 1996 (see Dempers, 2016), but its prevalence has dropped significantly over the last number of years (Centre for Disease Control and Prevention [CDC], 2016). While the disease has declined in prevalence, Namibia still counts among the countries that have a high rate of HIV, according to Melber (2018). In 2016, 13.8% of the adult population between the ages of 15 and 49 were infected with AIDS, after recovering slightly from the peak of the AIDS epidemic in 2002 (CDC, 2016). At the heart of the epidemic, NGOs that were involved in fighting the disease received attention from the local and international funders in terms of increased funding. However, as a result of receiving support from various funders, NGOs in Namibia were faced with institutional pressures in terms of their operations and accountability requirements forcing some of them to close down due to multiple accountabilities demands arising from their funders and other stakeholders (Skaife & Werner, 2018). In line with the number of active NGOs in Namibia, one tends to ask what kind of institutional logics is prevailing in the surviving NGOs and how accountability is practiced in terms of the major stakeholders within these successful NGOs.

NGOs in Namibia have also been subjected to more stringent conditions of reporting and evaluation of their activities compared to commercial organisations (SHOPS, 2016). Organisations previously seen as watchdogs, such as the human rights advocacy and democracy-training organisations, suffered from drastic erosion of funds and, in recent years have shrunk considerably in size (Skaife & Werner, 2018). Employees in Namibian NGOs fear that their jobs are not secured because of the rampant closures of NGOs and retrenchments (Skaife & Werner, 2018). For instance, the Institute of Public Policy Research (IPPR), an NGO with a mission to deliver independent, analytical, critical and constructive research on social, political and economic issues, which affect development in the country, shrank from 21 to 9 employees in 2011 (Mongudhi, 2011). However, IPPR was later sustained by the government of Namibia for the NGO to continue its operations. In 2011, the Namibian Economic Policy Research Unit (NEPRU), once the flagship research organisation in the country, was forced to close after two decades due to negligence in the

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administrative and accountability issues (Mongudhi, 2011). Funders of NEPRU, the African Capacity Building Foundation (ACBF) blocked the funding for the NGO because it failed to submit financial reports for about five years running (Mongudhi, 2011).

All these issues mentioned above had implications for this study in that, if the institutional logics of NGOs are not known, funders will not be in a position to understand the complexity of accountability requirements in the sector. Consequently, they will not provide the required funds for the marginalised in society.

### **2.11 SOURCES OF FUNDS FOR NGOS IN NAMIBIA**

Namibia receives a steady influx of international funding to help fight against the HIV and AIDS epidemic. The major international and local funders operating in Namibia are USAID through the PEPFAR, the Global Fund, the European Union (EU), the government of Namibia (GoN) and CSR companies. The Global Fund is the main funder of NGOs in Namibia (SHOP, 2016). The researcher therefore included Global Fund representatives as interview participants in order to solicit their views regarding accountability issues in terms of NGOs that are sponsored by them.

Table 2.3 below summarises the funder environment in Namibia.



**Table 2.3: NGO funders in Namibia**

|                        |                              |  |
|------------------------|------------------------------|--|
| <b>Foreign funders</b> | <b>USAID</b>                 | USAID and PEPFAR fund 50% of NGOs<br>Each NGO received more than US\$1 million in annual funding   |
|                        | <b>The Global Fund</b>       | The Global Fund funds 60% of NGOs<br>Each NGO received up to US\$4.5 million in annual funding<br>The Namibian Network of AIDS Services Organisations (NANOSO) and the Ministry of Health and Social Services primarily channel funding to the NGOs<br>Implementation of grants is overseen by the Namibian Coordinating Committee for HIV and AIDS, tuberculosis and malaria (NaCCATuM) |
|                        | <b>European Union</b>        | The European Union funds 30% of NGOs<br>Each NGO received up to US\$4.5million in annual funding<br>The EU was the anchor funder of the defunct NANGOF, an NGO umbrella organisation, which was closed in 2016 due to accountability issues  |
| <b>Local funders</b>   | <b>Government of Namibia</b> | The government of Namibia assisted 70% of NGOs<br>Each NGO received up to US\$4.5 million annually<br>The government provides both financial and in-kind assistance. In-kind assistance includes free condoms and home-based care kits   |
|                        | <b>CSR companies</b>         | In 2016, CSR programmes allocated funds to 40% of NGOs<br>Each NGO received US\$2.5 million annually<br>Companies that have provided CSR funding to NGOs include De Beers, Namibia Dairies and NamPower  |

Source: SHOPS (2016)

## 2.12 KEY CHALLENGES TO NGO ACCOUNTABILITY AND OPERATIONS

NGOs in Namibia are facing practical problems with accountability and other operational issues. This amplifies the urgent need for a conceptual framework on accountability of NGOs because some of the funders have withdrawn funding as a result of mismanagement of resources by some NGOs (Menges, 2018; Mwetulundila, 2019; Sauti, 2019). Therefore, there was a distinct contextual need for this study.

For example, the latest external audit of Global Fund (one of the major funders in Namibian NGOs and among the selected organisations interviewed by the researcher) for the Republic of Namibia revealed the following key challenges.

⇒ **Harmonisation of reporting to multiple funders**

NGOs – including those operating in Namibia – have to be accountable to various stakeholders, including beneficiaries, senior managers, trustees, the government of Namibia and all other different funders that remit funds for interventions (Menges, 2018). This creates considerable work for staff, especially if many different funders demand different types of information compared to other funders.

The 2012 Global Fund audit report (see Global Fund, 2012) recommended that the principal recipients should develop and implement guidelines for activities jointly funded by more than one funder. Such guidelines should provide for preparation of joint work plans and budgets indicating contribution per funder and disclosure of financial contributions per funder in programmatic reports (Global Fund, 2012).

⇒ **Internal controls and internal audits**

The Global Fund auditors established the internal audits by the principal recipients of funds were not conducted among the sub-recipients frequently enough to ensure in-depth reviews of financial systems. In addition, some of the audits were done without following the Global Fund annual audit guidelines (Global Fund, 2012).

⇒ **Allocation of shared overheads and pooled accounts**

In the audit report (see Global Fund, 2012), it was revealed that some sub-recipients who operated pooled activities with other NGOs were depositing allocating funds in one account and this caused much confusion when it came to accountability in terms of how the funds were used. Additionally, it was also a challenge to allocate the overhead costs accordingly, and the NGOs were asked to develop a system for allocating shared overheads (see Global Fund, 2012).

⇒ **Inconsistency between the Global Fund-approved budget and NGO budgets**

The principal recipients did not have a system of verifying that the agreed targets with sub-recipients had been properly documented. Follow-ups were also not made to ensure that all the conditions had been met before the next disbursement of funds (Global Fund, 2012). The auditors recommended that the principal recipients should verify that all the targets reported by the sub-recipients were adequately documented and supported with suitable key performance indicators (KPIs) (Global Fund, 2012).

⇒ **Ineligible expenditure: overpayment of employee benefits**

During the reported period (2011 to 2012), it was found that the salaries of some of the staff of sub-recipients and principal recipients were more than what was agreed as final salary levels. As a result, some NGOs were asked to repay the money to the Global Fund because there was no allocation of salary increments in the initial budgets (see Global Fund, 2012).

⇒ **Treatment of VAT refunds and foreign exchange gains in the financial records**

The current approach is that value-added tax (VAT) refunds are not credited to the grants but kept in a separate control account, and the money was used without any guidelines (Global Fund, 2012). The foreign exchange gains were also not accounted for properly, and to that effect, the auditors recommended that the Global Fund secretariat, together with the public recipient and the government of Namibia should ensure that VAT refunds and foreign exchange gains are credited to the grant (Global Fund, 2012).

⇒ **Procurement of assets and disposal**

The audited NGOs were found not to be adhering to proper guidelines in the tendering, procurement and disposal of assets, such as vehicles and equipment (Global Fund, 2012). No proper records were kept for such transactions. Insurance and maintenance of assets expenditure were also not properly documented. The recommendation by the auditors of Global Fund (see Global Fund, 2012) was that the principal recipient should implement effective vehicle management by properly justifying disposal and replacement of assets and achieving better value for money out of fleet management.

⇒ **Subsistence allowances**

The Audit of Global Fund Grants to the Republic of Namibia report (see Global Fund, 2012) revealed that in some instances, expenditure incurred on daily subsistence allowances related to training and travel were paid without referring to the agreed rates and guidelines leading to improper utilisation of grant funds. Global Fund auditors recommended a refund of all unauthorised expenditure (see Global Fund, 2012).

⇒ **Corporate governance issues**

The audit report (see Global Fund, 2012) also identified weaknesses in the corporate governance of the audited NGOs and recipients to strengthen governance and oversight structures in order to support programme management and implementation effectively. The oversight role of sub-recipients can be strengthened by ensuring that the board of directors of the various sub-recipients is fully constituted and meets regularly (Global Fund, 2012).

These were some of the weaknesses revealed in the audit of NGOs in Namibia. However, other challenges faced by NGOs in general could include the following.

⇒ **Confusion about the goals of accountability**

Trying to achieve different goals at once has brought challenges for NGOs (Agyemang et al., 2012). For instance, an evaluation may be carried out both for accountability to funders and for learning. However, these different goals may need different approaches. 'Accountability to funders' means providing an objective report of successes already achieved and failures, whereas 'learning' is more likely to mean helping field staff reflect on their experience in a constructive way and deciding how to do things differently in the future (Busuioc & Lodge, 2017). There is a high risk that, if two goals are confused, then neither goal is achieved to a high standard (Assad & Goddard, 2010). The conceptual framework that was compiled attends to this challenge as it highlights areas that NGOs should cover in their reporting to include the three goals of accountability, i.e., financial, effective and efficiency accountability (MANGO, 2018).

⇒ **Administration costs**

At times, some NGOs present the percentage of money they spend on administrative costs as a measure of their efficiency (MANGO, 2018). This rarely helps stakeholders to understand much about the work of NGOs because administrative costs can be calculated in many ways (MANGO, 2018). It is also misleading to present very low administration costs as a sign of an organisation with good financial management principles. In fact, NGOs need to invest a reasonable amount in administration to ensure that they are using funds carefully and their work is sustainable (MANGO, 2018).

⇒ **Measuring effect of NGO activities**

Developing a standard way of measuring the effect of the activities of NGOs has proved to be difficult (Namibia Non-Governmental Organisations Forum [NANGOF], 2016). This is because some important results presented by NGOs are difficult or expensive to measure. For example, empowerment, new skills, confidence or the contribution by a specific NGO to a wider lobbying effort are elements that are difficult to measure. The outcome of each intervention depends on local circumstances that are beyond the control of an NGO. NGOs are normally small actors, compared to other institutions, such as private businesses or government. This makes it hard to attribute specific social changes to specific NGO activities.

NGOs have to adapt their work to each different social situation within which they work. Their activities are different in each situation, and so are their results. This makes it difficult to compare results from one situation to those from another situation or to aggregate them. Despite many attempts, it has proved impossible to measure the influence of NGOs in a single, standard way. Due to the nature of the work done by NGOs, influence and outcomes cannot be aggregated; it can rarely be attributed to specific activities; it cannot be compared in quantified terms between different interventions (MANGO, 2018).

**2.13 CHAPTER SUMMARY**

Chapter 2 reported on the background of Namibia and the NGO environment globally and locally. The chapter presented the demographic, political, economic and social environments of Namibia, but also the perspective of NGOs in Namibia and the sources of funds for local and international NGOs. The crux of the chapter was situating the study in the exact setting, i.e., Namibia and through extrapolation, more globally. The chapter also highlighted the caveat around COVID-19, given the proximity of the issue at the time of the submission of this study. The next chapter covers the literature review to position the study within a conceptual framework.

## **CHAPTER 3**

### **LITERATURE REVIEW: NGO ACCOUNTABILITY**

#### **3.1 INTRODUCTION**

As per the structure of this thesis, the review of literature was divided into two components. The first component (Chapter 3) discusses accountability as perceived in NGOs and examines the two main frameworks suggested for the NGO sector, namely the NISA (non-profit integrated social accountability) model and the integrated accountability model (IAM). Chapter 4 presents a literature review on the theory of institutional logics as the guiding theory of this study, as recommended by Cordery, Crawford et al. (2019). This division was made to highlight prior studies conducted on the two concepts of this study, namely that of Werekoh (2014) and of Cordery, Crawford et al. (2019) and how the two concepts (accountability and logics) are inter-linked in influencing the accountability system of an organisation.

#### **3.2 DEVELOPMENT AID AND ACCOUNTABILITY**

Development aid is financial support given by governments and other agencies to support economic, environmental, social and political development of developing countries (Rahman & Giessen, 2017). Development aid may be bilateral, i.e., given by one country directly to another (Rahman & Giessen, 2017), or it may be multinational, i.e., given by the funder country to an international organisation, such as the World Bank, which then distributes it among the developing countries (Morvaridi & Hughes, 2018).

Despite taking centre stage as resource and care-giving distributors, NGOs face serious challenges when trying to source funds because of the stringent measures that funders attach to their aid and based on overstretched limited resources (Rahman & Giessen, 2017). In recent years, new funders coming to the development aid arena have shown that aid to recipient countries is no longer based on which country is in real need of the funds. Development aid tends to be distributed based on the formal and informal interests the funder has in a particular country (Rahman & Giessen, 2017). In some cases, funders release the money to recipient countries in order to maintain strategic geopolitical holds in those countries to exercise economic power

and even control the political system of the recipient country (Rahman & Giessen, 2017). In a similar vein, funders may release development aid due to economic interest and may provide aid in order to gain access to raw materials and strengthen trade interest (Rahman & Giessen, 2017).

By creating larger consumer bases in the recipient country, funders may also engage their own consultants to provide expert services for project-based development and, in this way, the money earned by consultants is paid back to the funding countries (Rahman & Giessen, 2017). Besides geopolitical and economic interests, aid may be released to a recipient country for strategic interests. Strategic interests, such as good governance, environmental quality and reduction of social conflicts as a prerequisite for investment, as well as helping the poor and climate victims are some of the criteria funders use to render aid (Rahman & Giessen, 2017).

Other funders are still embracing neoliberal thinking, which argues that governments should liberalise their economies in favour of a “raison d’etre” paradigm, which supports privatisation (Pfeiffer, 2018). The effect of neoliberalism, particularly the aspect pertaining to development aid, involves key players such as NGOs. According to Pfeiffer (2018:40), “neoliberal emphasis has been placed on free markets and privatisation”, which has been tied to the new policy agenda in which NGOs are seen as being able to provide better or cheaper social welfare than governments (see Morvaridi & Hughes, 2018).

Despite promoting NGOs as being more cost-effective than governments in terms of service delivery to the marginalised in society, funders still emphasise the importance of transparency and coordination by the duly funded NGOs (Morvaridi & Hughes, 2018). For instance, the funders from Southern America, referred to as Southern funders (such as Brazil and Argentina) emphasise the need for multi-stakeholder consultation through transparency and accountability to civil society (Morvaridi & Hughes, 2018). The key features of the consultation approach tally with the neoliberal formulation, which confirms that accountability and transparency should ensure that the preferences of all major stakeholders are fully elaborated in the interest of optimally efficient resource distribution (Morvaridi & Hughes, 2018).

### **3.3 NGO ACCOUNTABILITY**

Within institutional logics, the concept of accountability follows a mainstream viewpoint and remains located in the grand theory of a dominant capitalist system (Cordery, Belal et al., 2019). This tenet remained consistent for the outcome of the study (framework) with its components not displacing the grand theory, but addressing the more inclusive, open elements of capitalism. Noting this, the scholars who identify with the parties within the unit of analysis of this study, such as Busuioc and Lodge (2017) and Ebrahim (2010), advance particular viewpoints on accountability, which will be discussed in the rest of the chapter.

The concept of accountability has been defined in numerous ways. Ebrahim (2010:3) defines accountability as a “relationship between an actor and a forum in which the actor is obliged to explain and justify his conduct; the forum can pose questions; pass judgement; and the actor may face consequences”. There are various normative reasons why accountability occurs: it addresses information asymmetry between a principal and an agent; it could contain agent losses; it might ensure that agents adhere to their mandate; and the agent feels he or she or it has a moral duty to discharge accountability (Busuioc & Lodge, 2017). Accountability is a multidimensional concept, and the literature relating to NGOs identifies three elements that are of particular importance: “effectiveness accountability, financial accountability and efficiency accountability” (MANGO, 2018:7). **Effectiveness** accountability embraces the quality and quantity of service offered and the responsiveness of NGOs to the beneficiaries. **Financial** accountability outlines which policies and practices managers should adopt to meet their responsibility for ensuring that the NGO they govern is financially sound, while **efficiency** accountability looks at how NGOs utilise the available resources in a frugal manner (MANGO, 2018).

There is a general lack of uniformity about the academic explanations of NGO accountability because a distinct approach to NGO accountability is not fully available. Hence, this research aimed at the development of a comprehensive conceptual framework for NGOs. Nevertheless, there is general agreement about the fundamental question relating to accountability reports: who should be held accountable, to whom, for what, how, and with which accountability consequences (Andreas & Costa, 2014). One or more of these questions have been used by other researchers in their studies



on NGO accountability (see e.g. Agyemang et al., 2017; Ebrahim et al., 2014; Werekoh, 2014). Two of these questions have attracted (and still attract) the attention of a considerable number of scholars, namely accountability to whom (Ebrahim, 2010), accountability for what (Coule, 2015) or a combination of both (Ebrahim et al., 2014). Such issues (and others) have guided the conceptual framework, which this study developed.

### **3.4 DEFINING PRINCIPLES OF NGO ACCOUNTABILITY**

While funders need to put sound NGO accountability management systems in place for mitigating risks when engaging with NGOs, the issue of NGO accountability is not limited to what is referred to in the literature as ‘upward accountability’ (see Agyemang et al., 2017) towards funders and external partners. Buccina, Chene and Gramlich (2013) refers to accountability as “the concept that individuals, agencies and organisations (public, private and civil society) are held responsible for executing their power properly” (Buccina et al., 2013:112). This implies the obligation to report on activities and raises questions of what to report and to whom.

#### **3.4.1 Accountability to whom?**

The literature increasingly suggests that the concept of accountability should be understood as accountability to all stakeholders affected by the activities of the organisation (Miles, 2017). Given the specificity of NGO mandates and operations, this could include a wide variety of stakeholders with different agendas, making the issue of NGO accountability extremely complex and challenging. Accountability relationships have been made complicated because there are some expectations that NGOs need to demonstrate accountability to a number of stakeholders: upwards accountability is associated with the funders, whereas downwards accountability is associated with the beneficiaries, while internal accountability relates to accountability to themselves (NGOs) as well as their missions (Wellens & Jegers, 2014). For example, the international NGO Accountability Charter (see Miles, 2017), which has been adopted by most of the major international NGOs since its drafting in 2006, identifies a wide range of stakeholders, set out in bullet points for ease of reference, below:

- internal stakeholders – staff, board, supporters, subsidiaries, local partners, volunteers and members;

- funders and external partners – governmental and non-governmental;
- regulatory bodies;
- organisations to be influenced by NGO activities;
- ecosystems – those who cannot speak for themselves;
- beneficiaries and parties affected by NGO operations; and
- the media, civil society and the public at large.

### 3.4.2 Imposed, felt and adaptive accountability

In prior literature (see e.g., Ebrahim, 2010; O'Dwyer & Unerman, 2008), three accountability mechanisms have been identified as covering the *accountability to whom* question, namely imposed, felt and adaptive accountability (O'Dwyer & Boomsma, 2015). In most cases, **imposed (or upward) accountability** is regarded as “functionally narrow, as well as short-term in orientation and esteeming accountability particularly to the shareholders that govern access to the central resources” (O'Dwyer & Unerman, 2008:803). Put differently, shareholders are formal and hierarchical, and they sanction some form of external oversight and control (Ebrahim, 2009). Imposed accountability necessities can therefore include formal reporting obligations that are sanctioned by legislation.

**Felt accountability** or self-accountability is associated with features of personal accountability as well as personal values and individual morality (see O'Dwyer & Boomsma, 2015). Such characteristics are linked to the value-based or ethical concerns of the persons in the establishment (Ebrahim, 2009). O'Dwyer and Boomsma (2015) developed the felt responsibility notion by conceptualising felt accountability as a voluntary response to the mission motivated by the ethical values of individuals working within an organisation. The authors argue that with felt accountability, there are fewer concerns about how funders or principals impose accountability but rather concern about how accountability can be used to develop a shared vision within an organisation. Actors feel an instinctive responsibility to answer to their own values, mission and culture. O'Dwyer and Boomsma (2015) suggest that felt accountability prospers when a conversation for accountability processes occurs in which there is little pressure to meet external accountability demands. Employees are given a voice to contribute towards developing mutually agreed expectations, and evaluations occur in informal ways and through dialogue (Agyemang et al., 2017).

**Adaptive accountability** mechanisms permit the requirements of financiers and beneficiaries to be spotlighted by making sure that the accountability of mission attainment is specifically geared towards these components that NGOs purpose to help, which include the recipients and their representatives (Ebrahim, 2009).

These accountability mechanisms were central to this study as they enabled the researcher to limit the idea of accountability thereby enabling ample comprehension of the characteristics of NGO accountability to materialise and mediate between externally enforced accountabilities and internally engendered accountabilities, as discussed by Werekoh (2014). The gap in the application of both types of accountability means that it is not stated clearly how an organisation can accommodate internal and external accountability needs to produce decision-useful reports (Werekoh, 2014). These considerations have prompted the inclusion of these concepts in the preliminary and final conceptual framework discussed in Chapters 5 and 9.

In practice, however, NGOs tend to emphasise upward and imposed accountability to funders to ensure internal, contractual accountability and accountability to beneficiaries is often less developed (Agyemang et al., 2012). In addition, the accountability measures often do not reflect the complex web of relationships (expressed by institutional logics) that NGOs develop with other stakeholders, as NGOs tend to prioritise accountability to funders over other relationships (Ebrahim, 2010). In addition, different types of NGOs tend to develop and emphasise different forms of accountability (Ebrahim, 2010). For example, service NGOs are principally accountable to their funders, while network NGOs must account to their organisational members (Yasmin & Ghafran, 2019).

### **3.5 ACCOUNTABILITY FOR WHAT?**

Since NGOs are confronted with requirements for accountability from multiple stakeholders (see Agyemang et al., 2017), there are expectations that they are accountable for distinctive things to a plethora of people. NGOs are asked to be accountable for many things to their stakeholders; however, four categories of expectations are noted in literature (Chenhill et al., 2010). In this regard, accountability includes the spheres of performance, governance, finances, and mission, and these are the broad categories about which NGOs are expected to provide answers in terms of their accountability practices.

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Considerable attention has been paid to issues about finances, especially considering multiple accounting scandals as well as crises that have shaken both for-profit organisations (FPOs) and NGOs the world over (Abouassi & Trent, 2016). Reactions from public policy, specifically about organisational-level let-downs, characteristically invite pronounced media and other disclosures pertaining to financial transactions, regarding the usage of, and oversight over, finances by senior officials and executives, including “shielding whistle-blowers who reveal knowledge with regard to maladministration” (Ebrahim, 2010:8). Such a setting is inclusive of corrective or tough measures that are aimed at ensuring admission of the necessity for regulatory or legislative oversight. These situations are also supported by warnings of punitive measures for failure to comply with regulations, which include being fined, incarceration or withdrawal of the tax-exempt status (Assad & Goddard, 2010; Gomez-Mejia, Cruz & Imperatore, 2014).

The focus of the second kind of expectation is on administrative power, and the focus is on the functions of the board of directors (GRI, 2014; IoDSA, 2016). The ideals of obedience, loyalty and care are vested in the board. It is the responsibility of the members of the board to search for, and put into practice, satisfactory information for decision-making to reveal conflicts of interest. This also includes considering organisational interests above individual interests and operating within the bounds of the organisation while sticking to internal organisational governance protocols when making decisions (Ebrahim, 2010; Larrinaga-González, 2010). The fiduciary responsibilities of the board principally centre on its financial oversight role, the way the entity raises and spends money, the way it follows the intentions of the financiers, and the way it makes sure that the organisation follows the law. The fundamental assumption is that the board is accountable for the provision of management of the internal controls as well as lawful amenability, such that organisational failure reflects guidance and oversight failure at board level (Tsamenyi, Enninful-Adu & Onumah, 2007; Van Zyl & Claeyé, 2019).

It is expected of boards to show accountability for the wider goals of the organisation: how the organisation performs for the attainment of the set targets, the identification of an operational strategy and aiming for a mission that generates maximum social value (Hielscher, Winkin, Crack & Pies, 2017). These functions require much more than

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fiduciary oversight, as they are demanding that boards play a more generative role, specifically developing and maintaining the mission of the organisation (McFarlan & Epstein, 2009).

The other wider stream of accountability requirement focusses on performance since organisations are held accountable for whatever they do (Agyemang, O'Dwyer & Unerman, 2019; Naudé, 2008). Accountability that is performance-based frequently uses frameworks that include “logic models (called Logical Framework Analysis or Matrices [LFA/M] in the international development world)” (Earle, 2002:2). In terms of such models, the aims and expected results of such a project have to be recognised within a matrix from a catalogue of indicators that are utilised in the measurement and verification of progress (Department for International Development [DFID], 2011; USAID, 2012). This form of accountability rests on a span of technical and expert skills that connect with the measurement of performance, indications of development, and the assessment of evaluation and impact, and these all converge on metrics that connect aims and outcomes within a desired theory of change (Ebrahim, 2010).

However, Cordery (2013) and Crack (2013) advise that overly emphasising results that are measurable may result in a push towards instant solutions that have the prospect to contradict as well as challenge the goals of NGOs whose focus is on establishing relations as well as empowerment-focussed aims that may take longer to be realised (Cordery, 2013; Crack, 2013).

Organisational mission is one of the emergent types of accountability whose aim is at the heart of NGO activities. The existence of NGOs is centred on public good and their demonstrable progression should be focussed on the attainment of their mission (Thrandardottir, 2015). This can be explained as a mission-centred variant of performance-based accountability and encompasses two major aspects. The first one includes a lasting view of performance measurement that underscores iteration and learning on the foundational belief that NGO executives are not likely to know the best way to realise the goals, as well as what needs to be measured along the way. Therefore, a repetition of trials (learning and feedback) as well as critical scrutiny may result in fresh insights and convergence (Busuic & Lodge, 2016). The implication is that there are no clear-cut answers to social issues; instead, finding solutions to social challenges demands an aptitude to handle complexities as well as shifting

occurrences. This is also indicative of the significant role that boards play in adopting the mission of the organisation, frequently checking performance against the mission, and occasionally evaluating it considering changing external conditions (McFarlan & Epstein, 2009). Secondly, organisational goals and strategies are prone to change because executives continue to discover new dimensions about the social challenges they want to understand as well as solve. Therefore, the main administrative concern is how to put into place processes that can enable systematic critical reflection as well as adaptation, and yet also to be persistently attentive to the provision of solutions to social problems (Van Zyl, Claeys & Flambard, 2019).

However, the four “whats” of accountability – mission, performance, governance, and finances – are not mutually exclusive, as they are instead integrative (Ebrahim, 2010). As an example, boards do not only have fiduciary responsibility but also attend to the mission of the organisation and superintend performance (Ebrahim, 2010; Mussa & Goddard, 2010). Financiers put into consideration the organisation’s mission when choosing whom to sponsor, and most of them offer significant liveness about the evaluation of performance. Furthermore, there is an expectation whereby chief executives of NGOs are expected to work with boards and staff to align mission, strategy and performance (GRI, 2014; IoDSA, 2016). This begs questions of how to be accountable.

### 3.5.1 Accountability how?

Owing to the expectation for NGOs to be accountable to numerous actors (accountability to *whom*) and for manifold purposes (accountability for *what*), it is critical to determine the mechanisms of accountability (*how*) that are available to them. NGOs should strive to choose mechanisms that speak to the various institutional logics that are present in the environment so that the information needs of all the major stakeholders will be fulfilled.

In his study of accountability mechanisms among NGOs, Ebrahim (2010) outlined five broad mechanisms that NGOs generally use in their accountability mechanisms, namely disclosure statements and reports, performance assessments and evaluations, participation, self-regulation, and social auditing. These mechanisms are explained below. Also analysed are the comparative strengths and weaknesses for each of the mechanisms.

### **3.5.1.1 Disclosure statements and reports**

Disclosure statements and reports are some of the often-utilised reporting frameworks available for use by NGOs. NGOs are expected by law to report on their finances, organisational structure, and programmes through an annual information return (Ebrahim, 2010; Wellens & Jegers, 2014). The information is used to gauge whether the activities undertaken by NGOs conform to their mandates as non-profit-making organisations to allow them to qualify for certain incentives, such as tax exemptions (Burger & Seabe, 2014; Ebrahim, 2010). In that regard, disclosures allow a measure of accountability to the financiers, the clients and the members at large. Apart from these legal disclosures, funders also require regular reports from the organisations they fund, explaining how the resources provided were allocated or consumed. The nature of these reports differs among funders and projects, and is subject to negotiation (Ebrahim, 2010; Unerman & O'Dwyer, 2012).

The lack of uniformity or comparability of these reports raises some concerns on the current reporting landscape among NGOs (Cordery, Crawford et al., 2019). It is also apparent that these reports are tailored to meet the needs of one group of stakeholders, namely the funders who even dare to threaten the organisation that any negative reports will result in revocation of funds or loss of non-profit status (Unerman & O'Dwyer, 2012). Moreover, the kind of reporting, which only favours the funders, has "limited potential for encouraging organisations and individuals to take internal responsibility for shaping their organisational missions, values and performance for promoting ethical behaviour" (Ebrahim, 2010:112).

### **3.5.1.2 Performance assessments and evaluations**

Performance assessments and evaluations are other mechanisms currently used to improve accountability and reporting among NGOs. These mechanisms aim to assess to what extent programme goals and objectives have been met to assist the funders determine whether there is a need to release additional funds to the organisation (Ebrahim, 2010). Funders encourage NGOs to use the LFA/M by agreeing on the objectives and targets to be achieved and the measurement criteria in determining whether the set objectives are being met. If any deviations or unfavourable outcomes are detected, they should be investigated and corrected (Ebrahim, 2010).

This mechanism has two obvious flaws. Firstly, there are conflicts among NGOs and funders on what needs to be assessed and measured (Ebrahim, 2010). It is not clear whether the assessment should be on the processes such as participation or empowerment, or whether they should measure tangible products, for instance, the number of girl children enrolled into primary schools (Ebrahim, 2010). The second set of problems about performance evaluations relate to whether staff is concerned with achieving the results by using any method (action) that will help them attain the objectives of the organisation, and therefore the staff does not see any relevance in performance evaluations (McDonnell & Rutherford, 2019). An additional crucial issue highlighted by small NGOs is that, with a small number of employees, resources are stretched so much that they tend not to cope with the needs of the funders in as far as performance evaluations and reporting requirements of funders are concerned. Burdensome data requirements can lead NGOs to develop monitoring and evaluation systems that, while satisfying funders for information, are viewed as irrelevant for internal NGO decision-making (McDonnell & Rutherford, 2019). Considering the above, performance assessment and evaluation frameworks are short-term reporting mechanisms that favour the interests of the funders only (McDonnell & Rutherford, 2018). Again, other stakeholders (such as beneficiaries) are side-lined because NGOs are required to report to the funders in terms of how the resources have been consumed (McDonnell & Rutherford, 2018).

### **3.5.1.3 Participation**

Participation is not a reporting framework, but a process used in organisations to enable the participants to voice their concerns on a subject matter (Ebrahim, 2010). For instance, with reference to NGOs, the communities can be encouraged to participate in a survey pertaining to the intended project of an NGO, or the members of the communities might become involved in the activities of the organisation. It might be believed that, by doing so, the eradication of poverty is possible through widening accessibility to services and resources (Mir & Bala, 2015). NGOs could embrace community logics in the sense that their mandates are centred on improving the social welfare of citizens by providing goods and services where the government and the private sectors have failed to do so (Knutsen, 2012).



However, it should be noted that, even if the communities are actively involved in the activities of the NGOs, the decision-making mechanism lies with the funders and the organisation involved (Knutsen, 2012). This kind of ritual is what Najam (1996:346) refers to as a “sham ritual” because it portrays a picture showing the communities to be actively involved while the fact is that the funders, while exhibiting neoliberal tactics, are making decisions on their behalf. To recognise participation as a downward accountability framework, the communities should be tasked with the responsibility of evaluating the funders and NGOs and be able to check on the fulfilment of their promises to the communities (Knutsen, 2012). The current scenario on reporting by NGOs and funder logic does not allow communities to evaluate the funders. This defeats the purpose of downward accountability (Uddin & Belal, 2019).

#### **3.5.1.4 Self-regulation**

Self-regulation denotes efforts by NGOs that are meant to create standards or codes of behaviour and performance (Ebrahim, 2010). Some NGOs have been linked to public financial scandals, misappropriation of resources and exaggeration of accomplishments. As a result, it has been deemed paramount to ensure that NGOs regain public trust by self-regulation (Keating & Thrandardottir 2017). The representative groups of NGOs in each country, for example, the South African National Non-Governmental Organisation Coalition (SANGOCO), design the codes of conduct (SANGOCO, 1997). The crucial problem is that, inasmuch as the NGOs ought to formulate the guidelines and codes of conduct, the reality is that they have limited participation in consultation and implementation, rendering the whole process questionable (Uddin & Belal, 2019) and idealistic.

#### **3.5.1.5 Social auditing**

Finally, as another mechanism of accountability, social auditing refers to a process through which an organisation assesses, reports and improves upon its social performance and ethical behaviour, primarily through stakeholder dialogue (Ebrahim, 2010). According to the GRI guidelines, all organisations, regardless of location or industry sector, are encouraged to report on their social, environmental and governance issues in their integrated reports. This requirement does not exclude NGOs (GRI, 2014). Proponents of social auditing offer numerous reasons why NGOs

should report on their social impact. Firstly, social auditing offers internal management in terms of monitoring performance (Ankamah, 2016). Secondly, as a mechanism of accountability, social auditing enables views of disadvantaged stakeholders to be taken into consideration when setting organisational objectives and in designing performance indicators. Thirdly, the feedback derived from the disadvantaged stakeholders can be used to formulate strategic plans and organisational learning. Finally, the social audits can be used as a way of proving to society that the NGO operations are legitimate, which will lead to a better public image of the organisation (Ankamah, 2016).

Despite the apparent advantages of social audits, some drawbacks have been highlighted as well (Ankamah, 2016; Ebrahim, 2010). NGOs have complained that social audits are not cost-effective because of the volumes of information required to prepare the reports (Ebrahim, 2010). An additional concern for social audits lies in the situation where the audit reveals some misappropriation of resources. Such revelations might deter rather than attract funders (Ebrahim, 2010). The five accountability frameworks and processes discussed above show that accountability is mainly concerned with upward and external accountability to funders while downward and internal mechanisms is ignored. Funders mainly focus on short-term functional accountability responses and ignore long-term processes needed for long-lasting social and political change (O'Dwyer & Boomsma 2015).

Table 3.1 summarises the elements frameworks and processes of Ebrahim's integrated approach as discussed above.

**Table 3.1: Characteristics of accountability mechanisms**

| Accountability how?<br>(frameworks or process)       | Accountability to whom?<br>(upward, downward, internal)   | Accountability for what?<br>(finance, governance, performance and mission)  |
|--|---|---|
| Disclosures/reports<br>(framework)                   | Upwards to funders and partly downwards to beneficiaries who read these reports   | Finance and performance, depending on what is being reported  |
| Evaluation and performance assessment<br>(framework) | Upwards to funders – significant potential for downward from NGO to communities and from funders to NPOs                                | Performance, often short-term outputs but with increasing emphasis on impacts   |
| Self-regulation<br>(framework and process)           | To NGOs themselves as a sector to funders as a sign of good housekeeping  | Finances and governance, depending on what the codes or standards emphasise   |
| Participation (process)                              | Downwards from NGOs to clients and communities<br>Internally to NGOs themselves<br>Significant potential downwards from funders to NGOs | Depends on the purpose of participants, e.g., whether it is seeking input on implementation (performance) or influencing agendas (governance) |
| Social auditing<br>(process)                         | Downwards and upwards to stakeholders   | Mission and performance   |

Source: Ebrahim (2010:28)

Table 3.1 above depicts the features of several accountability mechanisms of NGOs that are grounded on Ebrahim’s integrated approach (Ebrahim, 2010). The five central accountability mechanisms by Ebrahim as well as whether the mechanisms are processes or frameworks are indicated in the first column. The remaining columns respectively show to whom and for what NGOs are accountable. As per Table 3.1, the disclosure statements and performance assessment focus on upward accountability whereas there is minimal effect on or enough attention to downward accountability. Self-regulation emphasises the NGOs and funders upwardly, while participation and adaptive learning focus on downward accountability (Dewi, Manochin & Belal, 2019; Ebrahim, 2010).

Although the issue of NGO accountability is relatively new, there has been several voluntary initiatives that promote the development and implementation of NGO

accountability measures and standards (Agyemang et al., 2019). Voluntary initiatives also provide valuable information on whether and how NGOs have committed to adhere to minimum extended standards for the NGO sector. Some of the initiatives are the International Non-Governmental Charter, GRI, the International Aid Transparency Initiative (IIATI), the King reports of South Africa, among others. To inform this study, only the GRI guidelines and the King IV code will be discussed in detail because the King IV code provides accountability and reporting guidance to organisations in South Africa and Namibia while the GRI is a reporting initiative for firms globally. These two initiatives are the ones selected to be used as benchmarks when deciding which information needs to be included in the NGO accountability measures incorporating the institutional logics of various stakeholders (Wellens & Jegers, 2014).

The next section (3.6) discusses the suggestions offered by the GRI in trying to improve sustainability reporting in the NGO sector.

### **3.6 GLOBAL REPORTING INITIATIVE**

The Global Reporting Initiative (GRI), with origins in the United States, provides guidelines to be followed by organisations across the world in preparing their sustainability reports, regardless of the organisation's location, sector or size (GRI, 2014). Their disclosures are meant to be uniform with regard to social, environmental and economic performance (ACCA, 2012; Fonseca, 2010). The GRI guidelines are widely recognised and acknowledged by many corporations, and "they serve as the first framework for providing guidance about the disclosure of sustainability performance" (Leszczynska, 2012:913). Many top companies in the world follow the recommendations of the initiative (GRI, 2014).

As mentioned earlier (see 1.1.2.2), the GRI guidelines are applicable to any organisation regardless of its sector (Leszczynska, 2012). NGOs are therefore not exempted from reporting about their environmental, social and economic issues to their various stakeholders (Werekoh, 2014). To emphasise this requirement, the GRI produced a separate disclosure supplement for NGOs as a guide to follow when preparing their annual reports (GRI, 2014). According to Leszczynska (2012), the contents of the supplement have been reorganised and streamlined to fit the G4 guideline contents, structure and requirements. It should be noted that the NGO sector disclosures should not be used in isolation but should be applied in tandem with the

G4 guidelines to produce a reporting framework for the NGOs (Leszczynska, 2012). The guidelines and the NGO sector disclosures are intended to assist NGOs in demonstrating that they are able to meet the same standards of transparency and accountability that organisations in other sectors are asked to do (GRI, 2014). Since the objective of this study was to develop an accountability assessment framework for NGOs, the G4 sector disclosures for NGOs are discussed in detail in the following sub-sections.

### **3.6.1 Overview of the content for the NGO sector supplement (NGOs)**

The NGO sector disclosures are divided into two broad categories: the general standard and the specific standard disclosures that need to be considered by NGOs when preparing their annual reports (GRI, 2014). The general standard disclosures for the NGO sector consist of strategy and analysis, organisation profile, identified material aspects and boundaries, stakeholder engagement and governance. The components of the general standard disclosures are explained below.

#### **3.6.1.1 Strategy of the organisation**

The strategy of the organisation should be disclosed by a senior decision-maker, such as the executive director or secretary general, who should elaborate the overall strategy for the short, medium and long term (GRI, 2014). Reference should be made regarding the management of significant economic, environmental and social effects that the organisation causes, and the effects that can be linked to its activities because of relationships with others, such as “suppliers, people or organisations” in local communities (GRI, 2014:24). The statement should further include views on performance with respect to goals, objectives and standards (GRI, 2014).

#### **3.6.1.2 Organisation profile**

NGOs should disclose an overview of their characteristics in order to provide context for subsequent more detailed reporting against other sections of the guidelines (GRI, 2014). The disclosures should include the following items, bulleted for ease of reference:

- the name of the organisation;
- primary activities (such as social marketing, advocacy, and research service provision, capacity building and humanitarian assistance). The organisation has to indicate the manner in which the activities link with its mission as well as the primary strategic goals (for example, reducing poverty, the environment and human rights);
- the operational structure of the organisation, namely national offices, sections, branches, field offices, main divisions, operating companies, subsidiaries and joint ventures;
- location of the headquarters of the organisation;
- number of countries where the organisation operates;
- nature of ownership and legal form of registration;
- target audience and affected stakeholders;
- scale of the reporting organisation;
- significant changes during the reporting period regarding size, structure or ownership;
- awards received in the reporting period;
- total number of members and/or supporters; and
- total number of volunteers by type in terms of part-time and full-time employees (GRI, 2014:26).

### **3.6.1.3 *Identified material aspects and boundaries***

These disclosures provide an overview of the process that the NGO followed to define the content of the sustainability report. NGOs are asked to list all the subsidiary companies that are included in the consolidated financial statements. The GRI guidelines emphasise that, if a restatement of the financial statements takes place, the effect of the restatement should be reported (GRI, 2014). The organisation should specifically report on the following, bulleted for ease of reference.

- reporting period;
- date of most recent previous report;
- reporting cycle;
- contact point for questions regarding the report or its contents;

- process of defining report content;
- boundaries of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures and suppliers);
- specific limitations on the scope or boundary of the report;
- the basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that could significantly affect comparability from period to period and/or between organisations;
- explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statements (e.g. mergers and/or acquisitions, change of base years and/or periods, nature of business and measurement methods); and
- significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report (GRI, 2014).

#### **3.6.1.4 Stakeholder engagement**

During the reporting period, organisations are required to provide a list of their stakeholders, the criteria used to select such stakeholders and an overview of their stakeholder interaction (GRI, 2014). Examples of stakeholder groups with whom NGOs are expected to liaise are individuals or group of individuals, governments, funders, members, volunteers, academic institutions, peer organisations, networks and coalitions and alliances (GRI, 2014).

#### **3.6.1.5 Governance, commitments and engagement governance**

The GRI guidelines and the NGO sector disclosures emphasise governance issues, especially for NGOs, because NGOs are responsible for management of vast resources (GRI, 2014). NGOs are also expected to be credible, transparent and result oriented. It is the expectation of stakeholders that NGO decision-makers ensure that their organisations reflect the diversity of the society within which they operate and that they act with “fairness, equity and integrity in their leadership and management of the organisation” (GRI, 2014:9). NGOs are therefore expected to disclose the following, bulleted for ease of reference.

- the governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight;
- whether the chairperson of the highest governance body is also an executive officer and if so, his or her function within the management of the organisation and the reasons for this arrangement. The company should also describe the division of responsibility between the highest governance body and the management and/or executives;
- in the case of NGOs that have a unitary board structure, disclosure should be made about the number of non-executive members that are independent;
- mechanisms for internal stakeholders, which can include the members themselves, employees and shareholders, in order to have some recommendations as well as to provide some direction to higher authorities;
- processes for appointing personnel and removal from office, and the duration of the contracts for higher-ranking officials; and
- procedures of the highest governance body for overseeing adherence or compliance by the organisation with nationally and internationally agreed standards, codes of conduct and principles (GRI, 2014).

### **3.7 SPECIFIC STANDARD DISCLOSURES FOR THE NGO SECTOR**

The GRI guidelines organise specific standard disclosures into three categories, namely economic, environmental and social disclosures (GRI, 2014). The social category is further divided into four sub-categories, namely labour practices and decent work, human rights, society, and product responsibility (GRI, 2014). Under this section, various performance indicators are provided as a guide for the expectations of the various stakeholders in a company.

Table 3.2 below outlines the categories as well as the indicators for each category.



**Table 3.2: Overview of the specific standard disclosures and indicators**

| Category                | Economic   | Environmental   |   |  |
|-------------------------|--|---|---|--|
| Aspects <sup>VIII</sup> | <ul style="list-style-type: none"> <li>• Economic Performance</li> <li>• Market Presence</li> <li>• Indirect Economic Impacts</li> <li>• Procurement Practices</li> </ul>  | <ul style="list-style-type: none"> <li>• Materials</li> <li>• Energy</li> <li>• Water</li> <li>• Biodiversity</li> <li>• Emissions</li> <li>• Effluents and Waste</li> <li>• Products and Services</li> <li>• Compliance</li> <li>• Transport</li> <li>• Overall</li> <li>• Supplier Environmental Assessment</li> <li>• Environmental Grievance Mechanisms</li> </ul>                          |   |  |
| Category                | Social   |   |   |  |
| Sub-Categories          | Labor Practices and Decent Work  | Human Rights  | Society   | Product Responsibility   |
| Aspects <sup>VIII</sup> | <ul style="list-style-type: none"> <li>• Employment</li> <li>• Labor/Management Relations</li> <li>• Occupational Health and Safety</li> <li>• Training and Education</li> <li>• Diversity and Equal Opportunity</li> <li>• Equal Remuneration for Women and Men</li> <li>• Supplier Assessment for Labor Practices</li> <li>• Labor Practices Grievance Mechanisms</li> </ul> | <ul style="list-style-type: none"> <li>• Investment</li> <li>• Non-discrimination</li> <li>• Freedom of Association and Collective Bargaining</li> <li>• Child Labor</li> <li>• Forced or Compulsory Labor</li> <li>• Security Practices</li> <li>• Indigenous Rights</li> <li>• Assessment</li> <li>• Supplier Human Rights Assessment</li> <li>• Human Rights Grievance Mechanisms</li> </ul> | <ul style="list-style-type: none"> <li>• Local Communities</li> <li>• Anti-corruption</li> <li>• Public Policy</li> <li>• Anti-competitive Behavior</li> <li>• Compliance</li> <li>• Supplier Assessment for Impacts on Society</li> <li>• Grievance Mechanisms for Impacts on Society</li> </ul> | <ul style="list-style-type: none"> <li>• Customer Health and Safety</li> <li>• Product and Service Labeling</li> <li>• Marketing Communications</li> <li>• Customer Privacy</li> <li>• Compliance</li> </ul> |

Source: GRI (2014:62)

Table 3.2 above clearly indicates that non-financial information has more core indicators than financial information, which need to be disclosed in accountability reports. Financial information alone is not sufficient to reveal the full position of an organisation. As shown above (see Table 3.2), the GRI suggests that more than 80% of the disclosures should be non-financial, thereby prompting the relevance of this study.

The information below in Table 3.3 summarises the GRI indicators.

**Table 3.3: Summary of GRI indicators**

| Section       | Core indicators | Percentage (%) |
|---------------|-----------------|----------------|
| Economic      | 4               | 7              |
| Environmental | 12              | 27             |
| Social        | 30              | 66             |
| Total         | 46              | 100            |

Source: Adapted from GRI (2014:10)

### 3.7.1 Economic indicators

As shown in Table 3.3, economic indicators account for only 7% of the disclosures as suggested by the GRI (2014). This implies that organisations should consider disclosing supplementary information about their environmental and social impacts in their accountability reports.

Even though NGOs are not profit-oriented organisations, they are asked to report on how they have utilised the resources provided by the funders, and how they have managed the income and expenses faced by the organisation. They should demonstrate their “efficiency, effectiveness and economic use of the resources provided to them” (GRI, 2014:15). From the seven core indicators listed under the Economic category (see Table 3.2), four indicators have been identified as NGO sector-specific indicators to be reported by the NGOs in their sustainability annual reports. The four specific indicators are:

**Economic performance** – NGOs are expected to report on the direct economic value on an accrual basis to account for expenses, grants, donations and contracts received (GRI, 2014). In other words, NGOs should demonstrate how their activities have provided benefits to the beneficiaries or affected stakeholders during the reporting period. In terms of economic value distributed to beneficiaries, the organisation should provide information on operating costs, employee wages and benefits and payments to banks and other providers of capital apart from funders (GRI, 2014).

**Resource allocation** – NGOs get financial assistance as well as resources from a variety of both public and private entities depending on the assurance by the NGO that its work will advance the goals that is indicated in its mission (GRI, 2014). Furthermore, NGOs are exempt from paying taxes and they receive preferential treatment from the

government to enable them to achieve their intended goals of meeting the needs of various stakeholders. These organisations are expected to be transparent and accountable in order to ensure that the resources provided by funders and other stakeholders are utilised for the intended goals (Werekoh, 2014). In order to ensure proper accountability and transparency, NGOs are required to report on the processes that are in use for ensuring that there is a trail on the way resources were used (MANGO, 2018).

**Socially responsible investment** – this sector-specific aspect does not contain any indicators. However, NGOs are expected to use alternative indicators or to develop their own indicators, which should have the same technical rigour as commercial organisations regarding GRI standard disclosures (GRI, 2014).

**Ethical fundraising** – NGOs receive funds from different sources. It is important to demonstrate that finances are provided by sources that are genuine, and that the funders will not jeopardise the independence of the organisation that is involved. In order to uphold ethical stances, NGOs are expected to identify sources of funding through the different classifications, for instance, government sources, private and in-kind donations should be reported separately. Other than that, NGOs are also required to identify the five biggest providers of funding in terms of the value of the money provided, and “where there are some donations that are in kind, an approximate monetary value of such donation needs to be provided as well” (GRI, 2014:27).

### **3.7.2 Environmental reporting**

Environmental reporting is the production of narrative and numerical information on the environmental impact or footprint of an organisation for the accounting period under review (ACCA, 2019). Although environmental reporting is voluntary, companies that have adopted it have benefitted in many ways (ACCA, 2019). For example, it is believed that because of environmental reports, organisations can attract more investors, profits have increased, and even the ethical stance of the company is enhanced because stakeholders believe that a company that reports about environmental impacts will be accountable and transparent about its operations (ACCA, 2019). Unlike private companies, most NGOs are not involved in activities that result in affecting the environment in which they operate (Dey, 2018). However, there are NGOs with the objective to monitor companies that have a large impact on the

environment, for instance, firms that are in the oil, gas and petrol chemicals (Dey, 2018) In this instance, where environmental protection is the primary focus of the programme activity of the NGO, it is suggested that the firm should report on the initiatives to mitigate environmental impacts of activities, products and services and the extent of the impact because of the mitigation during the reported period (GRI, 2014).

### **3.7.3 Social category**

The social category, as highlighted in Table 3.2, is divided into four sub-categories, namely labour practices and decent work, human rights, society, and product responsibility. Against the four above-mentioned sub-categories, 36 indicators are suggested by the GRI guidelines (GRI, 2014) to be reported in the annual sustainability reports of organisations. However, the GRI has identified eleven indicators reflected below as relevant to firms in the NGO sector.

#### **⇒ Occupational health and safety**

Considering that there is a big number of unpaid workers in the NGO sector (see Ryan et al., 2014), it is important that their well-being and needs be taken care of by the organisation so that they can operate in a safe and healthy environment (GRI, 2014). Volunteers and employees of the firm are regarded as human capital, and therefore need to be protected and cared for so that the intended objectives of the organisation can be achieved. In that respect, NGOs are asked to describe the programmes related to assisting volunteers regarding serious diseases, including whether such programmes involve education and training, counselling, prevention and risk-control measures or treatment. Additionally, the firms should report on the type of injury and rates of injury, occupational diseases, lost days, and the total number of work-related fatalities by region and gender. Furthermore, a report on workers with a “high incidence or a high risk of diseases related to their occupation” must be given in the annual reports (GRI, 2014:15).

#### **⇒ Training and education**

The annual report should disclose the average hours of training per year by gender and by employee category, as well as indicate programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings (GRI, 2014).

⇒ **Labour practices and grievance mechanisms**

According to the GRI (2014), the NGO sector does not usually allow the formation of trade unions and other collective bargaining units where employees' grievances can be channelled. This is because most funders are not willing to cater for extra expenses that accompany the operation of such units (Crack, 2013). However, the GRI guidelines for NGOs (see GRI, 2014) require organisations in the NGO sector to report on mechanisms for workforce feedback and complaints as well as how these complaints are finally resolved. In doing so, external stakeholders will be assured that the needs and working conditions of the workforce are taken care of – even in the absence of organised labour representation, such as trade unions (GRI, 2014).

⇒ **Anti-corruption**

Corruption is one of the vices that can deter the achievement of the goals of a firm because organisations involved in corrupt practices do not operate in the interest of the stakeholders (GRI, 2014). NGOs, by their nature, are expected to demonstrate that the resources entrusted to them are utilised in a way that does not suggest any corrupt practices, for instance, in the way the resources are distributed to the affected stakeholders (Keating & Thrandardottir, 2017). There have been widespread reports on NGOs that tend to misuse funder money by their involvement in corrupt practices (Agyemang et al., 2017). The GRI guidelines are therefore urging NGOs to indicate, in their annual reports, the percentage and total number of programmes analysed for risks related to corruption. In addition, firms should report on the percentage of employees trained in the anti-corruption policies and procedures of the organisation. Firms should also disclose confirmed incidences of corruption and the relevant action taken (GRI, 2014).

⇒ **Marketing communications**

Organisations in the NGO sector are at liberty to market their products or services in the same way as profit-making organisations (GRI, 2014). NGOs are also allowed to be involved in fundraising ventures in order to raise funds for the vulnerable in society (Werekoh, 2014). Fundraising and marketing communications that do not conform to generally accepted ethical or cultural standards, guidelines in terms of privacy intrusion and/or dual standards, or which attempt to influence vulnerable audiences, such as

children, could be detrimental to stakeholder expectations (GRI, 2014). To that effect, the GRI guidelines for NGOs state that firms in the NGO sector should report on the number of complaints of breaches of standards for fundraising and marketing communication practices, in relation to the rights of affected stakeholders and actions taken. Additionally, disclosures about complaints of breaches of standards for fundraising and marketing communications practices in relation to the rights of funders should be included in the annual reports of NGOs (GRI, 2014).

⇒ **Affected stakeholder engagement**

In the GRI guidelines, stakeholders are defined as:

[E]ntities or individuals that can reasonably be expected to significantly be affected by the organisation's activities, products and services and whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives (GRI, 2014:43).

Participation of affected stakeholders in the design, implementation, monitoring and evaluation of policies and programmes comprises a core value for many NGOs and therefore disclosures are required in the annual reports for NGOs to highlight the extent to which affected stakeholders are given the opportunity to participate in the processes of the organisation (Crack, 2013; Ebrahim, 2010). The firm should be able to provide information on the criteria for selecting who participate and on their level of participation in setting and formulating the strategic policies of the NGO. NGOs are specifically required to report on their mechanisms for identifying affected stakeholders as per their mission statement, and they should report on the way in which decisions and decision-making processes get communicated to the interested parties (GRI, 2014). Furthermore, NGOs should disclose how feedback from stakeholders affects the decision-making process or reshapes existing policies and procedures (GRI, 2014).

⇒ **Feedback, complaints and action**

Feedback, complaints and action disclosures allow NGOs to demonstrate their ability to self-correct programmes and policies systematically based on feedback and complaints received from affected stakeholders (Bloodgood, 2013). The GRI guidelines for NGOs provide that firms should report on key topics and concerns that have been raised through stakeholder engagement and how the organisation has

responded to those key topics and concerns (GRI, 2014). In addition, NGOs should disclose the stakeholder group that raised each of the key topics and concerns (GRI, 2014). The GRI guidelines require organisations to report on the number of substantiated complaints that pertain to the violation of the rights of individuals as well the stakeholders that have been affected, including users of the service, members, funders, customers (GRI, 2014). The disclosures should also cover the feedback and complaints mechanisms in place throughout the organisation in relation to the policies and programmes of the organisations, as well as safeguards in place to protect the reporting channels, such as whistle-blowing and anonymous calls (GRI, 2014). Furthermore, the firms should be able to provide information on mechanisms for the assessment of complaints as well as the determination of the responses that are required, inclusive of the manner in which the organisation can differentiate between irksome and genuine complaints (GRI, 2014).

⇒ **Monitoring, evaluation and learning**

Monitoring, evaluation and learning disclosures allow NGOs to specify their mechanisms on how to measure the usefulness of their programmes concerning their stated mission and objectives (Benjamin, 2013). NGOs in Southern Africa, which are sponsored by USAID, use the LFA to monitor and evaluate their programme effectiveness (DFID, 2011; USAID, 2012). Firms are asked to disclose their system for programme monitoring and evaluation, as well as how they measure programme effectiveness (Ebrahim, 2010). NGOs should as well take note of the way results from programme monitoring and evaluation add to internal learning processes, for example, the addition of monitoring and evaluation results in staff training programmes (GRI, 2014). Instances of adjustments to policy and programmes and communication because of monitoring, evaluation and learning should also be disclosed (GRI, 2014).

⇒ **Gender and diversity**

The necessity to include gender and diversity issues in programme design and implementation is a phenomenon that is broadly anticipated and encouraged in the entities that are found in the NGO sector (Crack, 2013). The GRI guidelines for NGOs encourage firms to disclose their policies related to the diversity of all types (gender, ethnicity, age) and how these inform programme design and implementation (GRI, 2014). They should also report on their frameworks for diversity analysis and measures

taken to include gender and diversity into both programme design and implementation (GRI, 2014).

⇒ **Public awareness and advocacy**

NGOs whose mandate includes public awareness and advocacy are obligated to report within their annual reports the degree at which they are involved in informing and educating different stakeholders on public issues (Candler & Dumont, 2010). Firms should also pinpoint the process of corrective adjustment of advocacy positions and public awareness campaigns (GRI, 2014).

⇒ **Coordination**

Duplication of activities by NGOs is a matter of concern for many stakeholders (Benjamin, 2013). NGOs are supposed to coordinate with other actors in order to ensure that no activities are duplicated (Benjamin, 2013). This in return will help the firms save on the resources and concentrate on producing services or products that are in line with their mission and objectives. To achieve this, the GRI guidelines for NGOs provide that firms should recognise any internal requirements when they conduct research and analysis during planning programmes as well identifying the possibility for the doubling of the efforts of other actors (GRI, 2014).

The GRI provides cardinal information guiding NGOs on how they should present disclosures about their operations in their sustainability reports (GRI, 2014). However, while these guidelines are applicable globally, the way NGOs operate in developed economies differ compared to NGOs in developing countries due to different expectations of stakeholders and regulatory systems monitoring the operations of NGOs (Mook, 2014). Since, the accountability framework that was developed was meant for NGOs in Namibia, not all the suggestions by GRI informed the study but only those guidelines that were applicable to the context of the NGOs were considered. The next section outlines the reporting guidelines provided in the King IV report.

### **3.8 KING IV REPORT (SOUTH AFRICA)**

Corporate governance has been identified as critical for the survival and growth of every organisation, regardless of its sector or location (IoDSA 2016). IoDSA (2016) defines corporate governance as the mechanisms and controls in place that ensure



smooth and effective management of stakeholder resources. In order to uphold smooth and effective running of organisations, the King IV report (IoDSA (2016) states that responsibility, accountability, fairness and transparency should be encouraged by those who are charged with governance. This requirement also applies to firms in the NGO sector. In the first and second King reports (see IoDSA, 1994; 2002), the issue of reporting frameworks was not highlighted, as was the case in the third and the fourth draft reports (IoDSA, 2009; 2016).

The King IV code is an internationally recognised code, which details best practice standards for good governance, which may be used by all entities, including NGOs (IoDSA, 2016). The King IV code recommends that organisations should produce an integrated report in place of an annual financial report and a separate sustainability report (IoDSA, 2016). This sustainability report should be prepared in accordance with the requirements of the King IV code (see IoDSA, 2016). In contrast to the earlier versions, the King IV code is applicable to all types of entities – public and private – and even NGOs (IoDSA, 2016). The King IV code has nine chapters, sometimes referred to as the “nine pillars” (see IoDSA, 2016: 3), namely –

- ethical leadership and corporate citizenship;
- board and directors;
- audit committees;
- the governance of information technology;
- compliance with laws;
- rules, codes and standards;
- internal audit;
- governing stakeholder relationships; and
- integrated reporting and disclosure (IoDSA, 2016).

Chapters 8 and 9 of the King IV code on integrated reporting and disclosure, as well as governing stakeholder relationships, had relevance to the aim and objectives of this study and therefore are discussed further in 3.9.2.

### **3.9 INTEGRATED REPORTING AND DISCLOSURES**

The King IV code encourages the NGO governing body to ensure that appropriate systems and processes are put in place in order to produce a report to stakeholders

that gives a comprehensive spectrum of the financial and non-financial profiles of the company in such a way that the report is holistic and reliable (IoDSA, 2016). In order to comply with the requirements of the code, organisations should report on “social, economic and environmental issues”, which will assist the stakeholders in making decisions on the performance and viability of the firm (IoDSA, 2016:89). The King IV report further recommends that firms should produce forward-looking information in order to be able to manage various kinds of risks that might affect the organisation in the future (IoDSA, 2016).

### **3.9.1 Governing stakeholder relationships**

Stakeholders have a significant responsibility in the growth and survival businesses because they are able to affect the firm positively or ruin its reputation (IoDSA, 2016). The King IV report emphasises that a healthy relationship with all groups of stakeholders is important to ensure the smooth running of the business. In order to achieve this, firms should engage various stakeholders in the processes of managing their businesses so that an appropriate balance among the stakeholder groups can be achieved (IoDSA, 2016). The King IV report further encourages firms to maintain an effective and transparent communication mechanism, which is beneficial to all groups of stakeholders. This can be achieved by utilising reliable reporting frameworks whose disclosures will meet all the needs of various stakeholders, including disadvantaged ones (IoDSA, 2016).

### **3.9.2 Relevance of King IV code to NGOs**

Although the King IV code is technically applicable to corporate organisations, it may be used as a framework by NGOs (IoDSA, 2016). The code can be used as a point of reference in assessing the governance processes against best practice in the NGO sector (IoDSA, 2016). Furthermore, adhering to the principles of King IV code could help NGOs assess potential risks as well as providing assurance to funders that governance principles have been considered and implemented where appropriate (IoDSA, 2016). Other benefits for NGOs of implementing King IV code are that the relationship with funders will be enhanced and greater accountability to all stakeholders will be upheld, which will resultantly promote transparency, fairness and reliability in the reporting mechanisms of NGOs. Being able to demonstrate good

governance also attracts quality members of staff willing to be part of the governing body of the NGO (IoDSA, 2016).

NGOs should further refer to the principles of King IV code in terms of performance, risk management and sustainability (IoDSA, 2016). King IV code requires NGOs to contextualise financial performance by explaining in their reporting frameworks how they have performed regarding social and environmental issues (IoDSA (2016). Additionally, NGOs should demonstrate how they have managed to mitigate the risks associated with their operations, such as funder confidence and reputational risk, changes in regulatory environment, financial sustainability, crisis readiness, the disaster recovery plan and people management of risk (IoDSA, 2016). The King IV code encourages NGOs to maintain healthy stakeholder relationships by ensuring that their needs in terms of benefits and information disclosures are met. The management of stakeholders in the context of NGOs is very important for the firm to survive. Stakeholders of NGOs may include funders, beneficiaries, members, and employees, volunteers, government, other NGOs and the public. These stakeholders should be managed properly so that the mission and objectives of the organisation will be achieved (Wellens & Jegers, 2014).

Finally, King IV code (IoDSA, 2016) recommends that, in the same way corporate organisations are requested to produce an integrated report, NGOs should also aspire to have integrated information in their formal reporting to stakeholders. Financial and non-financial information should be integrated to give a holistic picture of the organisation so that all stakeholders will benefit in terms of their decision-making (IoDSA, 2016).

### **3.10 LITERATURE REGARDING EMPIRICAL STUDIES ON NGO ACCOUNTABILITY FRAMEWORKS**

Annual reports offer a distinct communication channel for the presentation of financial data as well as information that can permit users to generate their reality in terms of their goals or objectives. The information disclosed in annual reports is continually increasing and being presented in different formats. (Cronjé & Gouws, 2008:122).

Annual reports have long received sharp criticism among researchers, international accounting standard-setters, accountants, investors, companies as well as from those

who prepare annual financial statements (ACCA, 2012; Busco, Frigo, Quattrone & Riccaboni, 2013; Fried, Holtzman & Mest, 2014; Goodman & Hutt, 2012; International Financial Reporting Standards Foundation [IFRS Foundation], 2013; MANGO, 2018; PwC, 2015; Viader & Espina, 2014). Even though various researchers and major stakeholders agree with certain aspects of current annual reports, they accept that current annual reports need to change for the annual reports to continue being relevant and useful in the twenty-first century. As alluded to earlier (see 1.2), various scholars and practitioners have tried to improve annual reports. However, since the mid-1990s, there has been no proven accountability framework in place to guide NGOs in preparation of their annual reports. Prior studies applicable to the objective of this study are those conducted by Andreas and Costa (2014) and Mook (2014) as discussed in the next sections.

### **3.10.1 Integrated accountability model (IAM)**

In their article “Towards an integrated accountability model for non-profit organisations”, Andreas and Costa (2014:154) expose the weaknesses of conventional or traditional accounting by arguing that the accountability of NGOs “cannot solely be connected to or based on its economic and financial performance because the information produced from conventional accountability systems could be misleading”. They further state that in their accountability, NGOs must consider the relationships with stakeholders and the ability of NGOs to reach their set targets, and such goals go beyond financial achievements as they are inclusive of the social perspectives that pertain to the livelihoods of people (Andreas & Costa, 2014:154).

Similar to the views expressed by Andreas and Costa (2014), critical accounting scholars (see, for example, Epstein & McFarlan, 2011; Hofmann & McSwain, 2013; Reheul, Caneghem & Verbruggen, 2014) argue that accounting should be grounded on the principles of democracy and accountability. In other words, organisations have to provide accountability not only to fund providers, but also to a wide range of stakeholders affected by the activities of the organisation. Moreover, accountability for a broad range of stakeholders must go beyond a financial orientation and should include social consequences as well (Hofmann & McSwain, 2013).

Epstein and McFarlan (2011) explain that it is of significant importance to put into consideration financial as well as non-financial processes when the financial

### Chapter 3: Literature review: NGO accountability

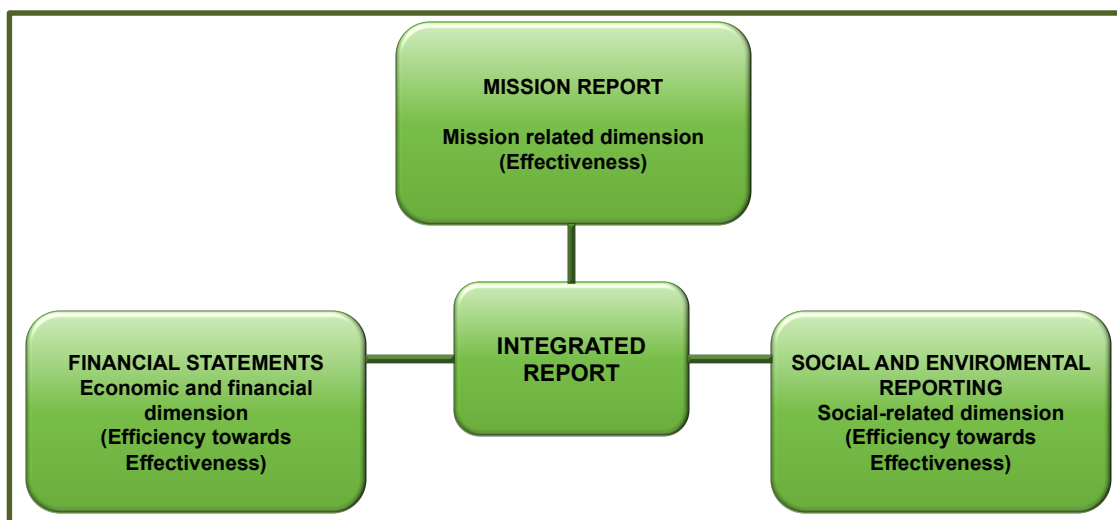
performance of NGOs is considered. Epstein and McFarlan (2011) proffer that financial and non-financial strategies are intertwined since, by themselves, financial resources do not have meaning if they are not used to attain the organisational mission. Moreover, it is impossible to attain a social purpose without efficiently employing financial resources (Reheul et al., 2014).

Several scholars and practitioners (see, for example, Uddin & Belal, 2019; Werekoh, 2014) claim that NGOs are accountable to multiple stakeholders. Therefore, when developing accountability systems, NGOs need to satiate the conflicting claims and logics of multiple stakeholders (Bagnoli & Megali, 2011). Scholars have also expressed concerns regarding difficulties NGOs face in trying to be accountable to different groups of stakeholders (see in this regard Ebrahim, 2010; Hofmann & McSwain, 2013).

To contribute to the debate on NGO accountability and in trying to counter the limitations of conventional accountability frameworks, Andreas and Costa (2014) developed the integrated accountability model (IAM), which identifies three foremost areas of NGOs accountability, namely:

- economic and financial dimensions or the capability and/or ability to be economically sustainable in the long term;
- the mission-related dimension or the purpose for which the NGO has been set up; and
- the social-related dimensions or the relations with the stakeholders (Andreas & Costa, 2014:157).

The IAM model is presented in Figure 3-1 below.



**Figure 3.1: The integrated accountability model (IAM) for NGOs**

Source: Andreas and Costa (2014:165)

**3.10.1.1 The economic and financial dimensions**

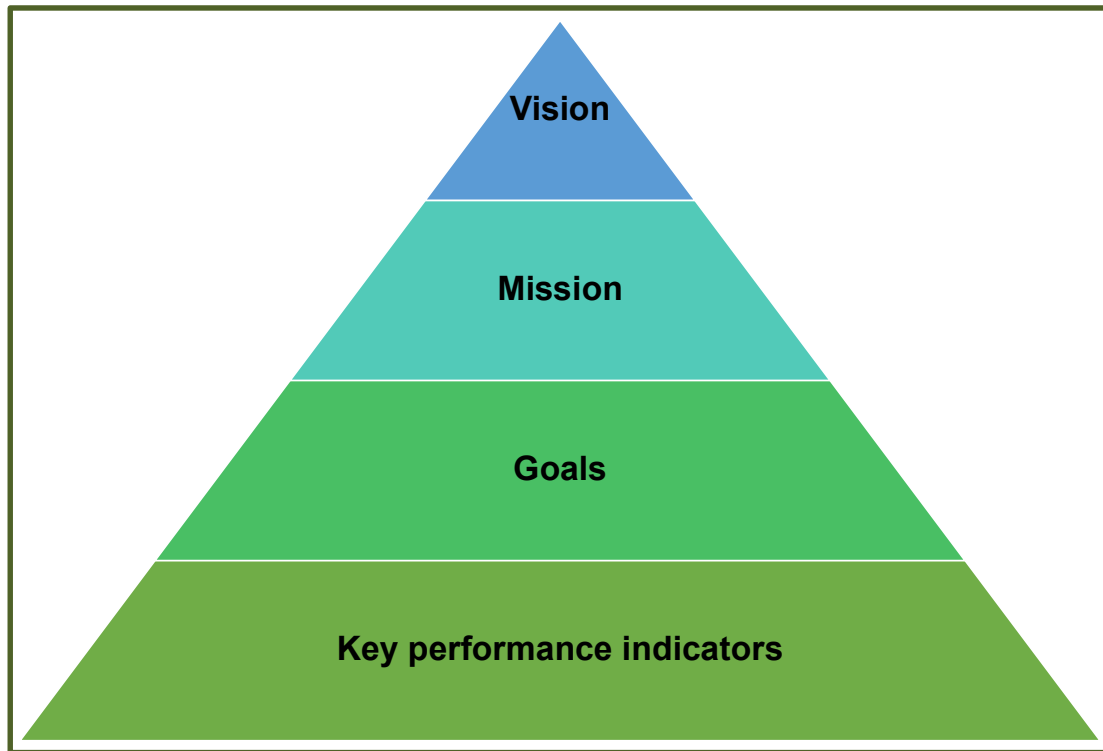
Economic and financial efficiency relates to the way in which NGOs “develop, implement and oversee a coherent economic and financial strategy to which organisations dedicate remarkable effort” (Andreas & Costa, 2014:155). If there is not well-pronounced NGO economic and financial management, it is not possible to reach the desired social outcomes, and the lack of economic and financial equilibrium could result in a hazardous situation, which could raise serious financial instability or heavy economic losses in the long run (Andreas & Costa, 2014). Therefore, the economic and financial dimensions of reporting of NGO activities have to be considered a “constraint in guaranteeing long-term NGO stability” (Andreas & Costa, 2014:166). Under the economic and financial dimensions, economic disclosures, such as the costs and revenues that are received for social services that have been rendered, may be included in the accountability reports of NGOs by using an income statement. Financial disclosures are based on the equilibrium between the invested capital and sources of collateral. Guidance on disclosing financial information is indicated by national and international accounting bodies (Andreas & Costa, 2014).

**3.10.1.2 The mission-related dimension**

The mission-related dimension pertains to the evaluation of the effectiveness of the actions of NGOs for both the members as well as the beneficiaries (Andreas & Costa, 2014; Epstein & McFarlan, 2011). This specific element puts into consideration the goals that have been attained via the mission statement of the organisation. Unerman and O’Dwyer (2006:356) regard this dimension as the “identity accountability” because it “represents a means by which managers running organisations take responsibility for shaping their organisational mission and values”. Since the organisational mission significantly signifies the central NGO undertakings, this must be the metric that can be used in evaluating and effectively assessing previous performance and future activities. According to Andreas and Costa (2014), the mission, vision and goals are linked in some way and they cannot be calculated in economic or financial terms. This

is therefore the author's justification that NGO performance cannot be explained by financial and economic metrics alone.

Figure 3.2 below is a representation of a probable strategic pyramid, which is illustrative of the interconnection that links the vision, mission and goals of NGOs.



**Figure 3.2: The strategic pyramid of NGOs**

*Source: Andreas and Costa (2014:170)*

The strategic pyramid illustrated in Figure 3.2 shows that after the definition of the mission, vision and goals, NGOs have to put into consideration the key strategic indicators or indicators that can be used to explain both preventive action as well as measure outcomes (see Andreas & Costa, 2014). Such pointers do not lie within a conventional annual report because the vision, mission and goals cannot be grounded on economic and financial metrics (Andreas & Costa, 2014).

### **3.10.1.3 The social-related dimension**

While the focus of economic and financial dimensions is on the evaluation of efficiency about the management of NGOs, and the mission-related dimension relates concerns to the efficacy of accomplishing the goals of NGOs, the social-related dimension

denotes the relational attitude of “accountability with which NGOs need to employ in internal discussions with the respectful interested parties” (Andreas & Costa, 2014:170). Furthermore, the social-related dimension contemplates the external method to accountability by aiming at the attainment of the informational needs and expectations of the main interested parties within the establishment (Andreas & Costa, 2014) (also see Table 3.4 below).

**Table 3.4: The accountability expectations of NGO stakeholders**

| Stakeholders   | Expectations  |
|----------------|---|
| Workers        | Involvement in management<br>Job quality<br>Protection of workers<br>Equal opportunities<br>Career progress |
| Members        | NGO institutional goals<br>Democratic management<br>Representation on the board<br>No capital gains         |
| Volunteers     | Professional growth<br>Involvement<br>Reciprocal duties   |
| Beneficiaries  | Type of activity<br>Level of professional response<br>Transparency and disclosure                           |
| Funding bodies | Financial trustworthiness<br>Transparency<br>Type of activity   |
| Public bodies  | Social cost-benefit analysis  |
| Community      | Type of activity<br>Transparency and disclosure<br>Social cost-benefit analysis                             |

Source: Andreas and Costa (2014:171)

Table 3.4 above illustrates that various interested parties urge NGOs to justify their activities, as argued by Andreas and Costa (2014). NGOs need to contemplate the informational requirements of all stakeholders so that they can meet the expectations



and claims thereof that result from various institutional logics that are demonstrable in the NGO sector. The provision of such information enables NGOs to uphold their validity within their societies of operations (Sinclair & Bolt, 2013).

The objective of this study was to develop a conceptual framework that would guide NGOs in determining whether they have achieved the three goals of NGO accountability (i.e., effectiveness, efficiency and financial accountability) as they report to their major stakeholders as suggested by MANGO (2018). Andreas and Costa's (2014) three-dimensions approach to NGO accountability (see Chapter 5, section 5.4) lays the foundation for obtaining some of the metrics to be used in the proposed conceptual framework since their suggestions attest to the demands of accountability in the NGO sector. Furthermore, as explained by Andreas and Costa (2014), multiple relationships are found in the NGO sector created by different logics exhibited by various social actors. The three dimensions of accountability identified by Andreas and Costa could help in ascertaining some of the logics to be used in extending the institutional logics theory by including other logics besides the community, democratic and state logics mentioned in literature (see Knutsen, 2012). Besides the initiatives from the GRI (2014) and the King IV report (IoDSA, 2016), the IAM was considered a strong reference in developing the accountability conceptual framework for NGOs.

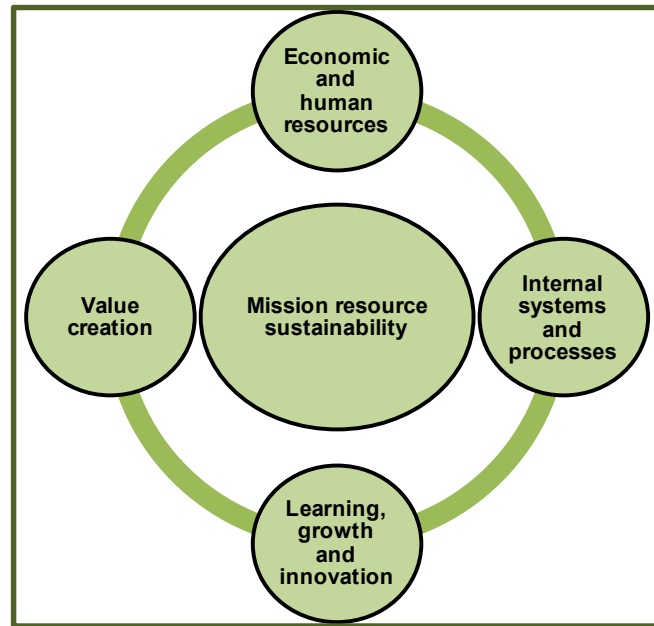
### **3.10.2 Non-profit integrated social accounting (NISA) model**

Another initiative to improve NGO accountability reports is noted in literature in the study conducted by Mook (2014). The author developed a non-profit integrated social accounting model (NISA), which considers the specific goals of NGOs, namely attainment of their mission yet staying practicable as an entity (Mook, 2014). The NISA model affords a system to deal with both functional and strategic accountability issues that pertain to NGOs (Mook, 2014). The model incorporates four elements of social accounting centred on:

- economic and human resources;
- economic and social value creation;
- internal systems and processes; and
- organisational learning and growth.

The four elements are applied for the advancement of the running of bodies through the enhancement of efficiency and effectiveness, strategic accountability, functional

accountability and feedback mechanisms (Mook, 2014). Figure 3.3 below depicts the four elements of the NISA model.



**Figure 3.3: Elements of the (NISA) model**

Source: Mook (2014:211)

### **3.10.2.1 Economic and human resources**

The first element comprises economic (financial and non-financial) as well as human resources. Regular assessment and watching over such aspects are essential for ensuring the continued existence of all entities. According to Mook (2014), the economic and human resources constituent responds to the question: what is the stage of economic and human resources does the NGO require for the effective and efficient operations for the ultimate attainment of its mission? Conventional accounting statements concentrate on financial resources and pay little attention to human resources (Bedenik & Barišić ,2019), and yet human resources play a critical role for the NGO to accomplish its role, and robust and tactical human resource management practices are critical for the optimisation of effective and efficient NGO operations (Finkler, Smith, Calabrese & Purtell, 2016).

### **3.10.2.2 Value creation**

The second element relates to the value creation, which brings into consideration the integrated economic, social and environmental value added, which is either created or destroyed by the organisation (Mook, 2014). In this regard, the crucial element to be considered relates to the question: what is the transformation that the entity is creating, socially, environmentally and economically? The linkage of value creation and financial and human resources “enhances efficiency and effectiveness” (Mook, 2014:212).

### **3.10.2.3 Internal systems and processes**

Internal systems and processes comprise the third element, and the attention here is on how the entity is run and the way in which the human, organisational and relational capital are managed (Mook, 2014). Of significance are the internal systems and processes that the organisation needs for the successful achievement of its mission and how this can continue to remain worthwhile (Mook, 2014).

Effective management of **human capital** is beneficial because this aids firms when fashioning effective assessments that are linked to human resources, which ultimately results in the creation of avenues for improved engagement and subsequently reduces staff resignation rates of both paid and unpaid workers (Dey, 2018).

**Organisational capital** refers to organisational culture, management philosophy, copyrights, patents and systems for assuming the tasks in which the entity is involved (Mook, 2014). These are the aspects that make a difference among organisations and which might be regarded as demonstrating value in the social accounting statement through the variety of proxies (Mook, 2014)

**Relational capital** pertains to connections that exist in relation to clients, suppliers, supporters and the local community. It is important to have due regard to the establishment of relationships and the preservation thereof within the tenets of this model. Whilst relational work can be regarded as important in NGO front-line work, there is a significant deficiency of such relationships with stakeholders especially disadvantaged ones (Lee & Nowell, 2015).

#### **3.10.2.4 Organisational learning, growth and innovation**

Organisational learning, growth and innovation comprise the fourth element of the NISA Model. Organisational learning is important for transitioning further than short-term accountability towards long-term performance (Ebrahim et al., 2014). The central question in the fourth element is as follows: what is it that an entity may realise emanating from both itself as well as its interested parties to enhance the impression that it creates and for it to be sustainable? NGOs have a plethora of accountabilities and goals, and in this regard, the various objectives as well as concerns of interested parties result in different understandings of usefulness (Jun & Shiau, 2012). Therefore, accountability in the NGO sector should not ignore the demands of major stakeholders.

Additionally, the establishment of a platform for imagination and ingenuity is critical. Contemplation, learning, progression and creativity are critical dimensions of progressing; but these aspects are overlooked in resource- and time-strapped NGOs (Mook, 2014).

Mook's (2014) study confirms that NGOs need an accounting and reporting model that acknowledges their social and economic needs as well as paying attention to it. NGOs must therefore make use of models that are derived from the commercial sector without changing such models completely to fit the manner of functioning of NGOs. Furthermore, the NISA model cover matters that relate to stakeholder relationships and thus may aid the construction of institutional logics theory, which was one of the objectives of this study.

### **3.11 LITERATURE GAP**

Accountability is critical as it emboldens agents to be accountable for whatever they do (Uddin & Belal, 2019). In essence, NGO accountability is important as it aids in the analysis of the performances of players for the improvement of the NGO sector. However, accountability is not simply a technical issue; it is also an instrument of politics, institutional logics and power (O'Dwyer & Boomsma, 2015). Accountability is intended to encourage a change in conduct, professional behaviour and values (Cordery, Crawford et al., 2019).

The literature (see Cordery, Crawford et al., 2019; Werekoh, 2014) shows that there are many features unique to NGO financial reporting (if the reports are to be useful to

readers for making decisions). Whilst some countries have developed NGO-specific frameworks to address this, there is no international consensus on the issue and no board or group is mandated to develop an NGO-specific reporting framework (Breen, Cordery, Crawford & Morgan, 2018). In some countries, there are currently no general requirements for NGOs to issue any accountability reports in the public domain. This is evidenced in the case of some NGOs in Namibia who do not post their annual reports on their websites. In other countries, such as Ireland, there is no regulation on the publication of financial reports, except in terms of the legal structure of an entity (Breen et al., 2018). In the United States, some measure of reporting in the public domain is mandatory for all recognised NGOs, but only to comply with tax law requirements (Breen et al., 2018).

In New Zealand, there has been much debate about the lack of NGO requirements, but since the 2015-2016 financial years, all registered NGOs are required to file financial reports based on locally written accrual accounting standards if their expenditure is over NZ\$ 125 000 per annum (Cordery, Sim & Van Zijl, 2017).

NGO financial reporting in some jurisdictions is based on IFRS developed by the IASB for large, publicly accountable, for-profit entities. At the time, the IASB (2018) however expected preparers to produce financial reports to provide useful information to their target stakeholder groups of present and potential investors, lenders and other creditors. This has not been achieved, since to date, no NGO-tailored conceptual framework existed that could guide preparers in this direction; hence, the aim of this study to produce such a framework. The focus of the above-mentioned capital market stakeholder group (investors, lenders and creditors) and the lack of attention to NGO-specific issues suggest that conceptual frameworks guided by IFRS are not ideal for the NGO sector (Breen et al., 2018).

The reviewed literature indicated that most NGOs concentrate on practical accountability relating to the use of inputs, policies and decision-making, the way in which activities are performed and the outputs delivered (Cavill & Sohail, 2007). The practical accountability frameworks have led to a number of gaps in accountability (Ebrahim, 2010). Some of these gaps are discussed in the paragraphs below.

NGOs often repeat the same mistakes on their project implementation and accountability (Cavill & Sohail, 2007). There does not seem to be a standard way of

ensuring that NGO staff build on recognised good practice in the sector or draw on the knowledge available in their own organisations (Cavill & Sohail, 2007). Funders for example, require NGOs to include learning activities and lessons learned from previous projects in their funding proposals (Cavill & Sohail, 2007).

Despite evidence in literature showing that attempts have been made to develop conceptual frameworks or models for NGOs (see e.g., Mook, 2014), few efforts are made in developing a framework that integrates the three goals of NGO accountability (financial, effectiveness and efficiency) as suggested by MANGO (2018).

Similarly, NGOs are also asking developmental partners to understand the complexities of institutional logics and limitations of development work because NGOs have the mandate to account to all the major stakeholders in the sector (Van Zyl et al., 2019). There is relatively limited research that explains how NGOs – operating in environments where there are competing, complementing and hybrid institutional logics – can manage their accountability relations to all the major stakeholders (see e.g., Uddin & Belal, 2019). For example, the adaptive accountability mechanism (see O’Dwyer & Boomsma, 2015) may be regarded as a combination of imposed as well as felt accountability creating hybridity in reporting, which should be managed by organisations as they prepare their reports (O’Dwyer & Boomsma, 2015). In his recent article, “Social enterprises’ hybridity in the concept of institutional logics: Evidence from Polish NGOs as provided by Mikołajczak (2020:480) shows:

[E]ven though a heated debate is taking place in the literature about institutional logics that may have an impact on the operations of NGOs as hybrid entities, this area has not been subjected to a detailed empirical scrutiny and further research efforts are needed.

Additionally, Yan et al. (2019) suggest that further research should explore how, in other settings, the emerging of novel hybrid organisations benefits from the means provided by established or dominant logics, even though their ends might be competing. This was the focus of the present study.

### **3.12 CHAPTER SUMMARY**

The NGO sector is complex due to various groups of stakeholders with different interests that are in conflict at times. Literature illustrates that the accountability frameworks of NGOs seem to be biased towards their funders. Other stakeholders, such as volunteers and beneficiaries, have little or no power to demand any account. Literature also revealed that upward accountability alone is not enough to ensure the efficient use of resources by beneficiaries (see Werekoh, 2014). As a result, this study sought to develop an embracing framework to guide goodness-of-fit accountability in NGOs. Accountability in this sector requires covering all stakeholder information needs in a critical way. Stakeholder accountability needs can only be met by firstly examining the way the actors (funders, NGOs and beneficiaries) behave within and outside the organisation by analysing the various institutional logics that drive the NGO operations. The next chapter discusses the literature on institutional logics surrounding NGO reporting and accountability.

## **CHAPTER 4**

### **LITERATURE REVIEW: INSTITUTIONAL LOGICS THEORY**

#### **4.1 INTRODUCTION**

As already indicated in the previous chapter, this chapter aims to discuss the literature on the institutional logics surrounding NGO reporting and accountability. Haveman and Gualtieri (2016:2) define institutional logics as “systems of cultural elements by which people, groups or organisations make sense of and evaluate their everyday activities and organise those in time and space”. Thornton et al. (2012) identifies seven types of logic that could affect the way an organisation manages its operations, namely family, religious, state, market, corporate, community and professional logics. Some of these logics are applicable in the NGO setting and could be adapted for the purpose of survival by NGOs. As a result, they are to be considered when developing a conceptual framework for accountability by NGOs.

Chapter 4 demonstrates the structure of the literature review for this theoretical focus. The first section (4.1) introduces the chapter. Section 4.2 explains the concept of institutional logics theory in an NGO context. The third section (4.3) discusses some of the key accounting logics that have been identified in literature. It is from this section that the concepts informing the development of the final framework – such as professional logics, comparability logics and the accruals/ cash logic – are highlighted. The fourth section (4.4) concludes the chapter.

#### **4.2 THE CONCEPT OF INSTITUTIONAL THEORY**

The concept of institutional theory as a model to understand the effect of institutions on the operations of organisations has been in existence for decades, firstly with the introduction of old institutionalism, and later, in the 1970s, institutional theory (Meyer, 2010; Powell & Di Maggio, 2010).

Institutional theory seeks to understand how socially constructed norms are internalised by organisations to become the lens through which organisations and attendant society perceive the world (Meyer, 2010; Waldorff & Johansen, 2014). It relates to the effective interaction between organisations and their environments,



#### *Chapter 4: Literature review: Institutional logics theory*

namely that the ability of an organisation to have a cordial relationship with its environment determines its level of legitimacy and survival (Giddens, 2013b; Glover, Champion, Daniels & Dainty, 2014). It is concerned with the development and effects of social structures, values, rules, beliefs, norms and culture on individuals and organisational practices (DiMaggio & Powell, 2012). The theory suggests that the existence of the predominant environmental factors (symbols, beliefs, values, etc.) in a social setting over time becomes institutionalised and internalised in the minds of the social actors. These factors become socially acceptable as legitimate to the extent that they become taken for granted and are the way of doing things within that society. It argues that when strong norms (logics) develop in the environment of an organisation, the organisation operating in such an environment is compelled to adopt and sustain these norms to survive. The issue is how organisations operating in such environments cope with institutional logics and pressures, and what the incentives are for organisations to follow and to adopt the rules of these institutions.

The relevance of institutional theory in understanding accountability systems of NGOs is that there may be certain predominant environmental forces that may influence the accountability systems of NGOs. It can be argued that NGOs operate in societies and are therefore affected ontologically by acceptable socially constructed views and norms (Viader & Espina, 2014).

Four main strands of institutional theory exist, namely:

- new institutional economics (NIE) (see Meyer, 2010);
- old institutional economics (OIE) (see Meyer, 2010);
- new institutional sociology (NIS) (Rowan, B. 2010); and
- Institutional logics theory (see, Thornton et al., 2012).

However, for this study and to guide the final conceptual framework, institutional logics theory was deemed appropriate as framing for this study.

### 4.3 INSTITUTIONAL LOGICS

According to Thornton, Ocasio and Lounsbury (2012:51) institutional logics are “socially constructed, historical patterns of cultural symbols and material practices, including assumptions, values and beliefs, by which individuals and organisations provide meaning to their daily activity, organise time and space, and reproduce their lives and experiences”. Institutional logics are more abstract and powerful social structures than are institutions – they make and guide institutions (Waldorff, Reay & Goodrick, 2013). In short, institutional logics are a set of material practices and symbolic constructions (subjectivities) guiding the institution (object – which could be market, profession, love or accountability). Therefore, there is no logic called *market*; instead, there are logics (a set of practices and symbols) that make the institution of a market.

Institutional logics play a significant role in influencing the operations and principles adopted by NGOs and these may not be entirely rational principles and operations but could be influenced by the institutional environment within which they (NGOs) operate as dictated by funders, governments, regulatory agencies and professional bodies, among others. If institutional logics in relation to NGO accountability are applied, it can be assumed that NGOs are passive conformers to the institutional logics as they passively respond to pressures from funders to exhibit upward accountability. However, it might be suggested that NGOs are assertive about managing their institutional environments, thereby mitigating their dependency on funders (Abouassi & Trent, 2016), although the institutional logics that are innate to NGOs must often adapt to external institutional logics due to resources dependency (Fitzgerald & Shepherd, 2018; Knutsen, 2012). Institutional logics draws from core institutional theory premises, as briefly overviewed below. Thereafter, the review focuses more specifically on institutional logics, the theoretical focus.

#### ⇒ **Institutional isomorphism**

It is argued that institutional isomorphism among organisations occurs when they attempt to adopt similar acceptable institutional norms and values for validity and survival (Di Maggio & Powell, 1983) Di Maggio and Powell (1991) identify three types of institutional isomorphism (coercive, mimetic and normative isomorphism), and argue that the homogeneity of organisations within an operational field could manifest

severally among others, structural, behavioural and decision-making changes. The identified institutional isomorphic pressures are discussed below.

⇒ **Coercive**

Coercive isomorphism emanates when pressure is mounted on subordinate actors by superior autonomous bodies to behave in a particular manner (Powell & DiMaggio, 2012). It is the direct imposition of an acceptable standard of procedures and rules to govern the operations of an organisation (Powell & DiMaggio, 2012). The pressure could be either formal or informal and could be exercised in various forms of force, co-optation, persuasion, evolution or an invitation from an independent organisation to a dependent one. Coercive isomorphism can be legal or technical and may take many forms such as mandates, annual reports, standards, financial reporting requirements and regulations.

In general, there is a direct relationship between the level of dependence and the level of coercive isomorphism and homogeneity (Powell & DiMaggio, 2012). It has been argued that the higher the levels of dependence of an organisation on others for resources such as funds and personnel, the higher the level of influence and imposition (DiMaggio & Powell, 1991; Powell & DiMaggio, 2012). NGOs receive the bulk of their funding and other resources from the international community, funders and governments; and coercive isomorphism may well emanate from all these sources in the form of strings attached to their funds, such as use of funds, level of operations and where to operate, and accountability mechanisms to the NGOs. Although some of these pressures may be ceremonial in nature, they are very important as non-compliance may have serious repercussions on the future of the NGO (Werekoh, 2014).

⇒ **Mimetic**

Mimetic isomorphism occurs when organisations operating within a sector copies, mimics or benchmarks other organisations that are perceived to exercise best practice and are deemed to be legitimate or successful. Mimetic isomorphism is a way by which organisations tend to respond to lapses in their internal operational environment resulting from, among others, goal ambiguity, poor technological understanding, poor guidance and uncertainty in the environment (DiMaggio & Powell, 1983; Powell & Di

Maggio, 2012) by modelling themselves around a best-practiced successful organisation. There is evidence to suggest that mimetic isomorphism is likely to be higher uncertain and goal ambiguous environments (DiMaggio & Powell, 1983; Pfeffer, 2003). The modelling process can be done through recommendations from consultations, employee transfers or through trade associations. In most cases, organisations such as NGOs with large numbers of employees and beneficiaries, tend to mimic others with a view to provide broad-based services to satisfy their employees and beneficiaries.

⇒ **Normative**

Normative isomorphism occurs when professional bodies that operate within an industry try to control and regulate operations with an introduction of rules and regulations that must be met by all parties within the industry. It emanates from professionalisation, especially as members of an occupation agree on rules, conditions and working practices that govern and control occupational members for the sake of occupational autonomy (Andrews, 2009; Dillard, 2004). Inasmuch as professional bodies can command power among members, some professional bodies may have political power backing (state logics) (Knutson, 2012). Irrespective of the source of the power, professional bodies generally have power and could impose it to their advantage. There has been an increase in the number of professionals in organisations, particularly among specialised employees and management. Examples of professional bodies that have exercised normative isomorphism are South Africa Institute of Chartered Accountants [SAICA], ACCA and IASB (Andrews, 2009). These bodies have been able to impose regulations normatively to control and regulate various sectors under their jurisdiction.

In effect, institutional theory and its associated isomorphism explain why organisations may adopt irrational practices and associated logics. The reason could either be a professional body, which dictates its operations (normative) and tries to benchmark a best-practice organisation to improve and be successful (mimetic), or they are being forced to adopt practices for the sake of survival and legitimacy (coercive).

These isomorphic pressures may apply to NGOs as the environment within which they operate is dominated by several environmental forces emanating from governments, funders, the international community, local communities, traditional rulers, opinion

leaders, professional bodies and the like. Isomorphic pressures may be influenced by different institutional logics found in the NGO sector and NGOs adapt some of these logics in order for them to remain going concerns. Having considered the classic building blocks (albeit as an overview) of institutional logic, the review presents the focus on accounting and institutional logics.

#### **4.4 KEY ACCOUNTING LOGICS**

In the NGO sector, accountability and reporting have been influenced by some beliefs and assumptions, which have shaped the way NGOs prepare their annual reports (Cordery, Crawford et al., 2019). For example, Cordery, Crawford et al. (2019) assume that NGOs that are sponsored by international organisations attempt to report using the global international accounting standards whereas NGOs that are sponsored by local organisations produce reports that are guided by local regulations (Cordery, Crawford et al., 2019). Some of the accounting logics mentioned in literature are now discussed below.

##### **4.4.1 Comparability logics**

NGO accountability and reporting strategies follow accountability frameworks that are tailored to suit the local or national accepted way of reporting (Crawford et al., 2014). However, these locally tailored frameworks are still developed based on international financial reporting standards to facilitate comparability both within the same nation and even between countries. For example, in Australia, large NGOs must comply with the adapted IFRSs, while NGOs in New Zealand follow adapted IPSASs. NGOs that prepare accountability reports based on IFRS believe that globalised capital markets best serve the interest of society, and therefore that investors require financial reporting that is comparable across different countries (Irvine, 2008). However, NGOs are not in the business of selling shares on the stock market to prospective investors, which means there might be no compelling need to comply with global standards. In the NGO sector, comparing the performance using IFRS is not applicable (Cordery, Crawford et al., 2019). For example, Connolly, Hyndman and McConville (2013) show that, in harmonising the statement by UK charities of reporting practices (SORP) with IFRS, specific changes that resulted from the harmonisation reduced users' ability to compare over time the percentage of donated funds actually spent on the cause for

which funds were donated. The global logic of IFRS did not appear to meet these NGOs user needs because the way NGOs operate differs from profit-making organisations and hence the need for a separate conceptual framework for accountability.

#### **4.4.2 The cash or accruals logic**

Another accounting logic that is contested in many countries is the basis of accounting (Cordery & Sim, 2014). Although many small NGOs seek to use simple cash accounting, regulators typically require all but the smallest NGOs to prepare accrual-based financial reports. For example, the US standard-setters require NGOs with income of more than US\$25 000 to use accruals accounting whereas in England and Wales, NGOs may report to the regulator using cash accounting if their revenue is no more than 250 000 pounds (Crawford et al., 2014). South African and Namibian NGOs are not guided by any standard; however, most of them use cash accounting (Rossouw, 2006).

Even where standard-setters or regulators make allowances for small NGOs to use cash accounting (Crawford et al., 2014), resource dependency can force NGOs to use accrual accounting. This often requires NGOs to use cash-qualified accountants to produce their financial reports (Cordery & Sim, 2014). Such requirements prevail despite research findings that stakeholders who are unfamiliar with business practices prefer to read and act on cash-based reporting (Cordery & Sim, 2014). The majority of Namibian NGOs prepare cash-based reports.

Additionally, Morgan (1999) found that volunteer treasurers resign when they are forced to change from cash accounting to accrual accounting. The push for accruals accounting links tightly to the dominance of professional accounting firms in terms of financial reporting standard-setting (Sinclair & Bolt, 2013) and reflects the supremacy of the accounting profession. Hence, it is suggested that users expect accrual accounting, as an underlying NGO logic, to be adopted by NGOs.

#### **4.5 OTHER INSTITUTIONAL LOGICS**

Besides accounting logics, the institutional logics theory illustrates seven distinct institutional orders and associated logics, namely family, community, religious, state,

market, professional and corporate logics (Thornton et al., 2012). These logics are briefly discussed below.

⇒ **Family logics**

Family logics are centred on family rules and principles that are developed over a period. For social actors rooted in family logics through family membership, “the basis of legitimacy is total loyalty, the source of authority is male-controlled domination, and the source of identity is the family character” (Thornton, Ocasio & Lounsbury, 2012: 73).

Under family logics, an important motivation for practice is to increase family wealth. Here the notion of wealth does not necessarily mean economic wealth and includes non-financial aspects or ‘affected-related value’ of family owners, termed as social – emotional wealth. According to (Gomez-Mejia, Cruz & Imperatore, 2014), the two dimensions of social-emotional wealth that constitute family logic include: Authority (or control) and identity. Actions that compromise the family identity are given importance under these logics.

⇒ **Community logics**

Community logics centre on common values and social fitness and seek authority from local communities and/or community organisations that determine rules and principles for community welfare. Social actors become embedded in these rules and principles through group membership. For social actors embedded in community logics, the source of identity is “the emotional connection, ego satisfaction and reputation” (Thornton, Ocasio & Lounsbury, 2012:73). Under community logics, an important motivation for practice is to increase collective welfare which is attained through positive impact of that practice on business, society and the environment. Arguably, NGOs could embrace community logics in the sense that their mandates are centred on improving the social welfare of citizens by providing goods and services where the government and the private sectors have failed to do so.

⇒ **Religious logics**

According to Friedland and Alford (1991), the central institutional logics of religion is inspirational truth. Religious logics focus on relation to the paranormal. Religious

logics are based on rules and principles that vary with different religions. By subscribing to these norms, through membership in congregations, social actors become embedded in religious logics. For social actors embedded in religious logics, the source of legitimacy is the importance of faith and sacredness in the society, the source of authority is religious scholars, and the source of identity is association with God. According to Thornton, Ocasio and Lounsbury (2012: 73), an important aspect of religious practices is to “increase religious symbolism”.

⇒ **State logics**

State logics refer to the basic orientation of the state in securing social and political order. Greenwood, Hinings and Whetten (2014 : 573) specified two key dimensions of state logics: *“the relative tolerance shown towards political representation and plurality of expression and the extent to which state powers and authority are centrally concentrated or devolved to sub national levels”*. Under the state logic, the source of legitimacy is democratic participation, the source of authority is bureaucratic domination, the source of identity is social and economic class, and the basis of strategy is to increase community well (Thornton, Ocasio & Lounsbury, 2012).

⇒ **Market logic**

Market logic is defined around the main objective of capitalism, namely, to earn profit in market-related form. It relates to selling a product or service competing on a marketplace to obtain a surplus. Market logic is structured around the importance of being efficient and making rational decisions in order to grant a high rate of return to its stakeholders (Pache & Santos, 2013). According to Falk and Sandwall (2015), market logics are essentially anchored in commercial organisations as well as professional associations which stand for the (economic) comforts of such commercial organisations. However, it is not surprising to see NGOs incorporating both market logic and non-profit logic for them to fundraise and supplement the shortfall of funds from funders (Falk & Sandwall, 2015; SHOPS, 2016). For example, SHOP (2016) suggested that NGOs in Namibia could initiate services that they can provide to the public at a fee to cover the shortfall of funds due to some funders that have withdrawn their financial support to majority of NGOs in the country.



⇒ **Professional logics**

Professional logics focus on relational value, pursue authority from professional association, and are rooted in the values that are regulated through professional membership. For social actors that are entrenched in professional logics, the source of legitimacy is personal expertise, and the source of identity is the association with the quality of craft and personal reputation. Under professional logics, an important rationale for practice is to increase “personal and professional reputation” (Thornton et al., 2012:73). For example, to be considered an accounting professional, one requires being a member of a professional accounting body through passing qualifying examinations and gaining the required work experience. Some NGOs have so far exhibited failure in incorporating professional logics and attracting inexperienced workers because they are not able to provide better conditions of service compared to what private companies can offer.

⇒ **Corporate logics**

Corporate logics complement market logics in terms of their focus on economic value. However, corporate logics vary with corporate culture (norms and values that are developed in that corporation over a period) and focus on managerial prerogatives. Authority lies in top management and an important rationale for any practice is to strengthen the managerial position and to raise the corporate profile (Thornton, Ocasio and Lounsbury, 2012). This is generally attained through giving importance to professionalism, planning and rationality in addition to increasing efficiency and profitability as promoted by the market logics.

#### **4.6 LITERATURE GAP**

Although Thornton et al. (2012) identifies seven institutional logics affecting the operations of organisations, these logics are perhaps not sufficient to explain the behaviour of NGOs with respect to accountability because there might be many competing, conflicting or hybrid institutional logics in the NGO sector that could shape the reporting mechanisms of NGOs (Mikołajczak, 2020; Yan et al., 2019).

This study therefore attended to this gap by examining emerging and/or existing logics that are not yet recognised and suggesting the modest extension of the institutional

#### *Chapter 4: Literature review: Institutional logics theory*

theory to acknowledge the substantive role played by the eighth institutional order to be known as *hybrid logic* (see Figure 4-1 bolded in red). This has bolstered the theoretical perspectives in relation to institutional logics through critical findings, as discussed in Chapter 8.

Additionally, concepts suggested in this unique conceptual framework have also not been defined, in of themselves, and in terms of their integration and configuration with one another. The demonstration of how these concepts were interrelated in this study provided additional and novel knowledge bases for institutional logics and accountability literature.

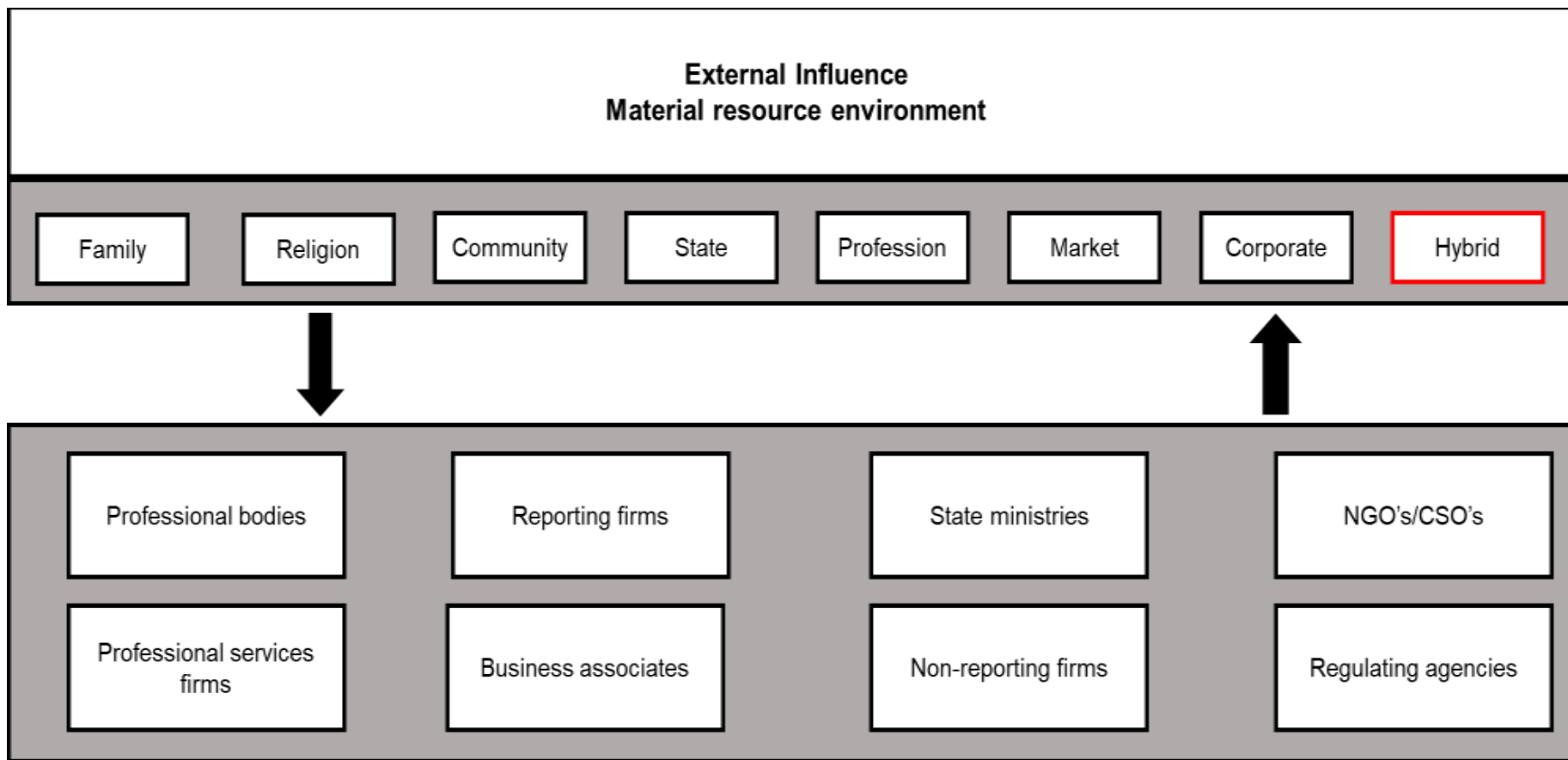


Figure 4.1: Graphical presentation of extension to theory

Source: Researcher's compilation.

#### **4.7 CHAPTER SUMMARY**

Presented in this chapter are literature on the institutional logics theory as an analytical framework for institutional and organisational analysis. The analytical framework was applied in exploring the field level and organisational dynamics for the development of the conceptual framework for NGOs. Field-level institutional logics and organisational dynamics are shaped by both external and internal forces that NGOs are subjected to. Chapters 3 and 4 provided the basis for applying analytical lenses to the empirical work, and Chapters 7 and 8 focus on the data and research findings presented in conformity with the data analysis orientation and the interpretations that were formulated in relation to the preliminary conceptual framework and the literature.

The next chapter presents the preliminary conceptual framework composed during this study and elaborates on the accountability mechanisms that an NGO could adopt. The preliminary or initial conceptual framework was influenced by the three accountability approaches that an NGO could adopt in order to respond to the conflicting and divergent logics that might influence its reporting system (see Mikołajczak, 2020). As noted by Maxwell (2012), prior theory and existing scholarship inform the preliminary (and where applicable – as for this study – also the final) conceptual framework for research-notwithstanding novel findings. The next chapter demonstrates how the context literature of Chapter 3 and the theory literature of specifically Chapter 4 led to and firmed up the initial conceptual frameworks of this endeavour.

## **CHAPTER 5**

### **THE PRELIMINARY CONCEPTUAL FRAMEWORK**

#### **5.1 INTRODUCTION**

This research sought to develop a conceptual framework for accountability by NGOs. It also sought to examine how institutional logics theory could influence the accountability mechanisms adopted by NGOs. The adopted premises were that, because NGOs conduct their various activities within multifarious settings as well as with numerous stakeholder accountability expectations; it follows that several institutional logics, which may be conflicting, could influence their accountability mechanisms.

This chapter presents the preliminary conceptual framework, which is used as a lens to interpret the results of the study. The study also integrates the institutional logics theory to analyse the consequences that institutional pressures have on accountability mechanisms.

The chapter commences with a definition and discussion of the conceptual framework which is the focus of this chapter. It then explains the elements of the preliminary framework and the logics thereof. The chapter ends by providing a diagrammatic demonstration of the steps taken leading to the final conceptual framework, which is discussed in Chapter 9.

#### **5.2 THE PRELIMINARY CONCEPTUAL FRAMEWORK**

The preliminary conceptual framework was developed iteratively based on two considerations: knowledge from existing literature, inclusive of theory that informs this research, and the research approaches employed.

According to Maxwell (2012:33), a conceptual framework acts as “a visual or written product one that explains, either graphically or in narrative form, the main things to be studied – the key factors, concepts, or variables and the presumed relationships among them”. The researcher has thus attended to such provision in this chapter.

This study relied on early scholarship of Najam (1996), who proposed a framework to study accountability: who is accountable to whom, for what and under which

circumstances? This formulation is used in the traditional framework for analysing accountability (Montesinos & Brusca, 2019). In later studies, scholars extracted three foci (i.e., accountability to whom, for what and how), and either chose the former two (Bovens, 2007; Candler & Dumont, 2010) or all three (Ebrahim, 2010) as a conceptual framework for studying accountability. This study has utilised, as part of the conceptual framework, the theorising that is grounded on the three 'ideal' categories of accountability regimes, namely the imposed, felt and adaptive accountability (Ebrahim, 2009; O'Dwyer & Boomsma, 2015).

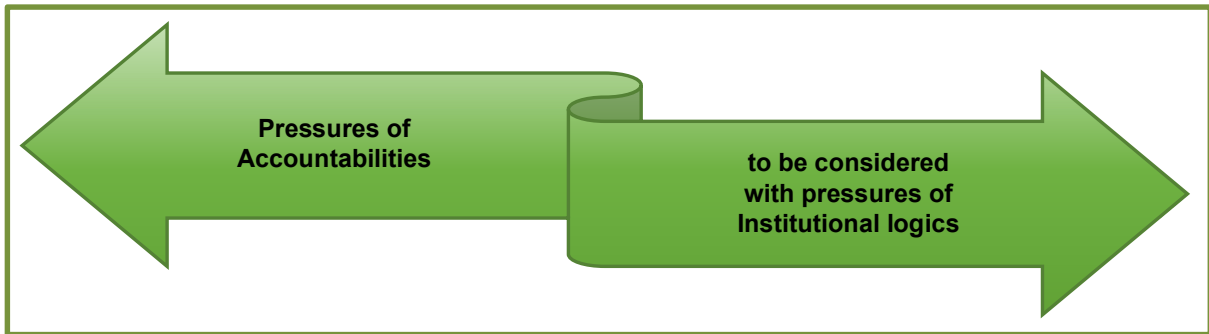
The three 'ideal' types of accountability regimes, however, were not imported per se to frame this study, but were placed in a particular relationship within a broadened preliminary conceptual framework. This extended placement highlights that NGOs find it difficult to adopt singular accountability approaches to their stakeholders, because of different accountability expectations and challenges the NGOs face as a result of internal or external institutional pressures.

Adapting the so-called 'ideal' types, therefore, was informed by the following considerations.

The literature review reflected the rich knowledge stemming from various frameworks (see Andreas & Costa, 2014; Ebrahim, 2010; Mook, 2014). Furthermore, a conceptual framework suggested by Romzek and Johnson (2005) also appeared to be more comprehensive. They proposed studying accountability by asking *why* NGOs should be held accountable, *to whom* they should be held accountable, *what* they should be held accountable for, and *how* they should be held accountable.

These suggested frameworks alone were not sufficient to inform this study for the following main reason. While they serve to reveal various constitutive elements of accountabilities themselves, the frameworks are unable to explore survivalist strategies of NGOs for selecting and prioritising the elements brought about by the competing and complementing institutional logics present in the NGOs themselves, as well as in the sector. These pressures or logics, discussed in section 5.4.1, play an important role in guiding the NGOs as they prepare their reports to account to their stakeholders.

These different points of departure are captured graphically as follows:



**Figure 5.1: Multiple accountabilities demands vs. logics**

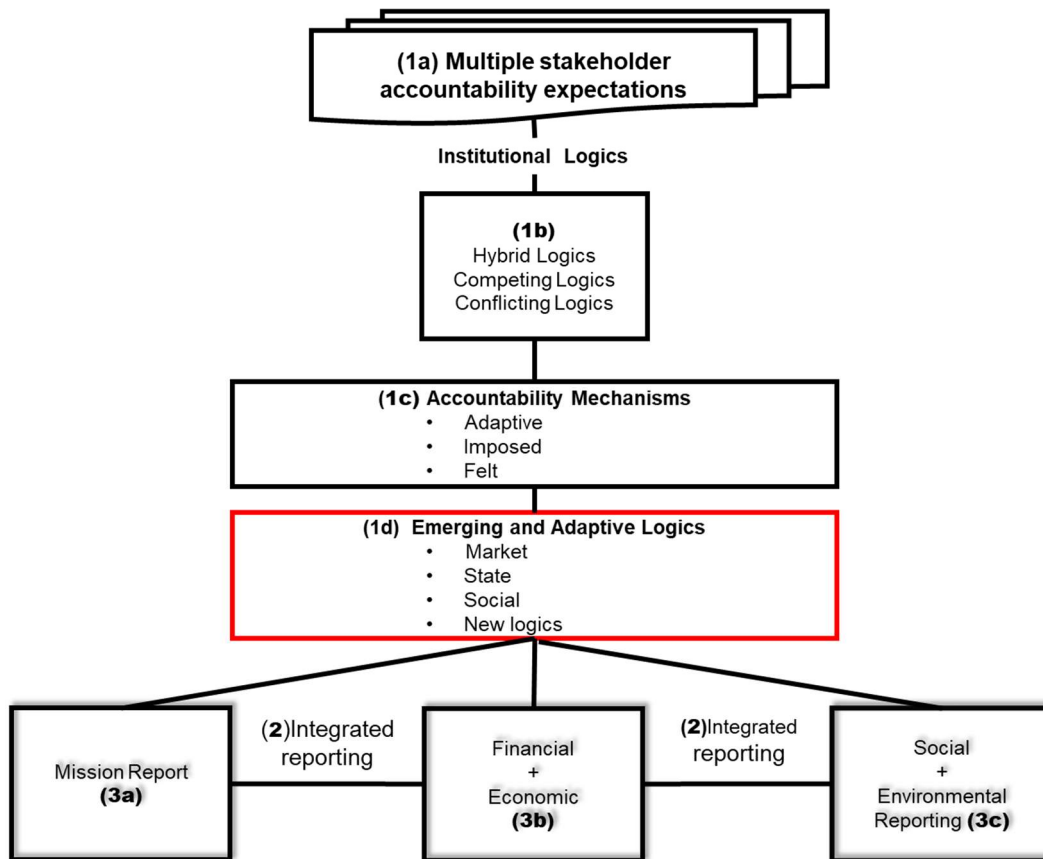
*Source: Researcher's compilation*

As per Figure 5.1 above, the preliminary framework developed by the researcher permits the complex nature of NGO accountability to come to the fore by accepting the complex balancing act that such organisations encounter in managing accountability to their stakeholders while also juggling entrenched and evolving institutional logics, as NGOs struggle to survive.

Figure 5.2 below therefore depicts the preliminary conceptual framework that identifies the concepts and assumptions guiding this study.

### **5.3 PRELIMINARY CONCEPTUAL FRAMEWORK**

The preliminary conceptual framework for the study is graphically presented below as the researcher's posited thinking of the study. This framework guided the researcher in developing the final conceptual framework for accountability by NGOs.



**Figure 5.2: The preliminary conceptual framework**

Source: Adapted from Mook (2014), Knutsen (2012) and O'Dwyer and Boomsma (2015)

## 5.4 NARRATIVE OUTLINE OF THE REPRESENTATION OF THE FRAMEWORK

This section explains the elements of the preliminary framework provided in Figure 5.2 above.

### 5.4.1 Multiple accountability expectations (1a)

Figure 5.2 above depicted the preliminary conceptual framework according to which NGOs attempt to account to their stakeholders amid multiple and demanding expectations. As stated by early scholars, Edwards and Hulme (1996:8–9).

[M]ultiple accountability presents any organisation with problems, particularly the possibilities of having to 'over account' because each overseeing authority assumes that another authority is taking a close look at actions and results ... equal accountability to all stakeholders is at all times is an impossibility.



Many of the concerns expressed about weak accountability of NGOs relate to the difficult they face in prioritising and reconciling these multiple accountabilities because of the competing or complementing institutional logics in the NGO sector.

The researcher represented this multiplicity of expectations by showing layers of text boxes repeating after one another in (1a) (see Figure 5.2). The repeating of text boxes symbolises almost daily issues that NGOs experience as they manage manifold requirements and demands, both internally and externally, which may be both diverse and harmonised or a mixture of both logics.

These layers of text boxes demonstrate the following realities that are faced by NGOs: both private and public funders require NGOs to be answerable for both the efficiency and the effectiveness of the social services they have funded (as shown, for instance, as one layer see 1c in Figure 5.2). Recipients demand NGOs to be answerable for the growth of their social welfare as well as the execution of social services (shown, for example, as another layer). Employees also have the expectation that NGOs must assure them of their employment whilst upholding the quality of their employment as well as the societies that expect NGOs to concentrate their energies on comprehending the societal impacts on the local contexts or environments (yet another layer) (Mook, 2014). To meet these demands, NGOs face various logics, represented in the (text box (1b) competing or conflicting logics that they need to incorporate or integrate for them to account to the diverse stakeholders. Institutional logics could be conflicting and/or competing in an organisation.

The literature does not seek to iron out these multiple layered expectations or the different pulls of logics. According to Markiewicz (2018:125), “organisations that struggle with tensions between conflicting or competing logics can maintain their original beliefs without side-lining other weaker logics through calibrating the reconciliation of logics”. Additionally, NGOs could be faced with paradoxical logics as a result of pursuing more than one organisational goal leading into embracing hybrid logics. For example, the social mission of an NGO may be in conflict with other activities, not associated with the mandates of such NGO – such as political contexts – leading to hybrid logics that are necessary for the survival of the NGO (Mikołajczak, 2020). As suggested by Mikołajczak (2020), existing approaches to managing hybridity do not uphold the dominant logic but focus on solutions that are organisational and structural so that hybrid logics could complement each other.

To accommodate the above diverse logics, the framework developed during this study posits that NGOs may be required to express accountability mechanisms, motivated by the named logics of (1b) For example, NGOs often find themselves caught between funders and beneficiaries. As such, NGOs will express “imposed” accountability to funders’ demands while balancing “felt” accountability for the purpose of legitimacy in the society they operate in (Agyemang et al., 2017). This may well lead to NGOs adapting and creating more than one accountability system leading to hybridity in reporting (Yasmin & Ghafran, 2019) and adaptive logics. The next section (5.4) will discuss accountability at each of these levels that influence NGO accountability. These are imposed accountability, felt accountability and adapted accountability, as represented in (1c).

Broadly defined, these three categories virtually cover the full universe of possibilities in so far as NGO accountability is concerned. Notwithstanding these three areas, prior focus for NGOs has been primarily imposed accountability (O’Dwyer & Boomsma, 2015). It is argued that the other two categories (felt and adaptive accountability) are no less important, but that they are in fact even more important since their mechanism for NGO accountability and learning is decidedly less well developed (O’Dwyer & Boomsma, 2015) and puts NGOs in unknown or inexperienced modes. This study has therefore taken up this gap and included the three accountabilities in the framework depicted in Figure 5.2.

## **5.5 NGO ACCOUNTABILITY MECHANISMS (1C)**

Three mechanisms of NGO accountability – imposed, felt and adaptive accountability – are discussed below.

### **5.5.1 Imposed accountability**

Imposed accountability pertains to the idea of being held responsible (O’Dwyer & Boomsma, 2015), and this includes the functional act of offering justification for one’s actions to senior personnel. It also includes the provision of an elucidation of how pertinent compulsory obligations are/were complied with (Edwards & Hulme, 1996). Such a form of accountability is dependent on compliance (linear-driven efficiencies and effectiveness are important). Compliance demands adhering to the deliberative

guidelines and protocols to evaluate performance, (sometimes) restrict action and enable sanctions (O'Dwyer & Boomsma, 2015), and thus, it is related to authority.

NGOs in Namibia must stand by the requirements of the NANGOF (the regulator) and attendant legislation (see Chapters 2 and 3), as well as fulfil the requirements of any other funding bodies/or organisations of which they are members. The increase in funding of NGOs through and by the Namibian government's budget has led to amplified anticipation of both organisational effectiveness and efficiency in managerial terms. This includes increases in scope, scale and range of services provided by Namibian NGOs and to be provided based on executive and legislative scrutiny.

Higher standards of fiduciary responsibility and financial management along with mandates for performance evaluations and public reporting are now demanded in the NGO sector (Unerman & O'Dwyer, 2006). This change has also meant that NGOs must now attend more consciously to accountability and management tools similar to FPOs to improve their reporting. Sticking to the enforced accountability requirements is accorded more prominence because compliance delivers a level of legitimacy to their activities. Moreover, since there are extra levels of scrutiny in which most NGOs find themselves, it also follows that compliance could signpost constancy and sustainability for their continuing humanitarian activities (Belaon, 2014). This accountability therefore appears non-negotiable and was hence included in the framework.

### **5.5.2 Felt accountability**

Another mechanism of accountability as shown in the conceptual framework is felt accountability, hitherto perhaps not emphasised as the imposed dimension. Felt accountability denotes the sensitivity of being responsible (O'Dwyer & Boomsma, 2015), and it is diligently related to internal aspects of personal conscience. The driving force here is sticking to the internal, moral and ethical values of individuals and not necessarily simply organisational concerns. It is argued that all organisations have some aspects of hybrid accountabilities (felt and imposed accountability) mechanisms that are operational. Fry (1995:188) argues, "this sense of accountability extends beyond what would normally be seen as a job or role boundary ... the accountability becomes nurturing and enabling and responsibility is truly felt". The nurturing and enabling nature of felt accountability develops because, at its core, "accountability is a

social acknowledgment and an insistence that one's actions makes a difference to both self and others" (Robert, 1991:365). A well-developed sense of felt accountability will cause individuals to be honest with themselves and answerable and responsible for what they say and do as well as having the ability to look beyond the immediate moment to consider the consequences. This allows individuals to be accountable to themselves by seeking to align their own values, mission and culture with that of the organisation (O'Dwyer & Boomsma, 2015). Felt accountability therefore replaces concerns of meeting-imposed targets and curtailing activities with aligning the individual expectations of mission and goals with those of the organisation. O'Dwyer and Boomsma (2015:41) note how accountability regimes allow for a more personalised flow of information in which "a sense of trust" is developed between members of the organisation, allowing for a shared vision of collective responsibility for the mission and objective to emerge (Ebrahim, 2009; O'Dwyer & Boomsma, 2015). NGOs have distinct dimensions of felt accountability as Fry (1995) endorses when stating that the level at which the manner of accountability is leading and the shape that it takes are dependent on the form of organisation (NGO or for-profit). Organisational type drives the institutional logics and the success of managers in balancing externally imposed accountability demands with internally driven responsibilities (Fry, 1995). As such, felt accountability was integral to the researcher's framework.

### **5.5.3 Adaptive accountability**

Adaptive accountability "seeks to integrate the moral and ethical focus of felt accountability with the instrumental focus of imposed accountability" (Ebrahim, 2009; O'Dwyer & Boomstra, 2015:42). Comparable to felt accountability, the aim is connected to the fundamental vision, mission and key activities of the organisation. Nevertheless, long-term mission achievement and performance measurement are more formalised and prominent than in felt accountability regimes although not necessarily as much as in imposed accountability regimes (Ebrahim, 2009). Furthermore, adaptive accountability regimes permit the requirements of funders and beneficiaries to be prioritised by ensuring that the accountability of mission achievement is focussed on those constituents whom NGOs aim to assist, such as beneficiaries or their representatives (Ebrahim, 2009). As O'Dwyer and Boomsma (2015:40) emphasised, "unlike felt accountability regimes, adaptive regimes avoid

over-relying on an NGO's internally focused interpretation of whether it is achieving its mission ... and embrace a combination of formal instrumental accountability mechanisms, such as performance measurement standards and informal mechanisms". Thus, the adaptive dimensions of the framework encourage the accountability of mission achievement, which is the core objective of NGOs.

Whereas the Namibian NGO sector is comparatively under-regulated in comparison to other segments (see Welber, 2018), for example the financial sector, the augmented attention that is given to NGOs demonstrates that their accountability regime is liable to be subject to imposed accountabilities. This is however not adequate to allow NGOs to create enough and decision satisfactory information for their major stakeholders. Clearly, to address this concern, adaptive accountability and the theorised adapted logics (1c and 1d) were central to the preliminary framework of this research.

## **5.6 INSTITUTIONAL LOGICS AS INTRODUCTION (1D IN GRAPHICS)**

Institutional logics plays a significant part in ensuring that the operations and principles assumed by NGOs might not be completely cogent, but that they can be swayed by the organisational situation within which NGOs function as ordered by funders, governments, regulatory agencies and professional bodies, self-interest, among others. If institutional logics theory in relation to NGO accountability is superficially applied, it can be supposed that NGOs are inactive followers of the institutional logics theory as they submissively react to directives from funders to demonstrate imposed accountability. However, it might be suggested that NGOs are more assertive about managing their institutional environments and/or sensitive to beneficiaries' proximate needs, thereby mitigating the dependency of NGOs on funders (Abouassi & Trent, 2016), and the funders "external" institutional logics that are inherent within the resource dependency environments (Fitzgerald & Shepherd, 2018; Knutsen, 2012). According to the preliminary conceptual framework, the choice of an accountability mechanism had to be linked to beliefs and assumptions (logics) that a particular NGO would follow. Prior literature (see Knutsen, 2012) has shown that NGO reporting could be linked to certain logics. However, NGOs tend to adapt some logics in order to survive.

Whilst little attempt has been made to probe the underpinning logics of NGO accounting, there is reference to divergent and conflicting logics in existing studies,

which suggests their persistence in organisations (see Cordery et al., 2017). To that end, NGO accounting systems may be shaped by the tensions between the contextual competing and contradictory logics. Recent contributions to institutional theory (such as by Mikołajczak, 2020) have demonstrated that, instead of a single logic pertaining to NGO financial reporting, multifarious logics can be found to be competing or co-existing (as demonstrated by 1a and 1b), and in response to the identified multiple expectations. Tension between different logics could create opportunities to shape adaptations, depending on the relative power and motivation of actors in the field (Cordery, Crawford et al., 2019). This is shown in Figure 5.2 by the ‘emerging and adapted logics’ (1d in graphics, bolded red), which was an anticipated contribution of this study.

### **5.6.1 Emerging and adaptive logics (1d in graphics)**

Accordingly, as (1a) shows (see Figure 5.2), NGOs operate in complex environments rendering it impossible for them to align themselves with only one type of logic (Yan et al., 2019). This complexity in NGO operations has led to NGOs embodying a wide range of institutional logics for the sake of survival. From an economic perspective, some NGOs are perceived as being increasingly institutionalised into “hybrids of private and public organisations due to resource-based relationships with the private and public sector, including financing, competing and contracting relationships” (Billis, 2010; Knutsen, 2012:986). From a charitable perspective, some NGOs gain support largely based on their values and the values of funders and volunteers. This is suspected to be the original characteristic of NGOs. However, due to survival pressure among NGOs, some of them tend to engage in commercial activities to bring extra revenue, and in this instance, they adapt the ‘business’ or market logic. As discussed in Chapter 4, sub-section 4.4.4, market logic is structured around the importance of being efficient and making rational decisions in order to grant a high rate of return to the stakeholders (Pache & Santos, 2013). According to Falk and Sandwall (2015), market logics are mainly linked to FPOs. However, NGOs can equally incorporate both market logic and non-profit logic for them to fundraise and supplement the shortfall of funds from funders (Falk & Sandwall, 2015).

On the other hand, an increasing number of NGOs rely on government support for their interventions. This reliance on government resources forces the NGO to adapt “state

logics” for them to comply and meet all the requirements for a government grant. Under the state logic, the source of legitimacy is democratic participation, the source of authority is bureaucratic domination, the source of identity is social and economic class, and the basis of strategy is to increase community well-being (Thornton et al., 2012:73). NGOs that have no resource dependency challenges attempt to stick to their original mandates of meeting social goals and exhibit the well-known non-profit logic or social logic. NGOs that combine two or more logics (see Figure 5.2, 1d) complicate the accountability mechanisms to be adopted since this calls for multiple accountability expectations of various stakeholders. Aggravating the balancing act still further, adapted institutional logics for survival could be combined with emerging or new logics to complicate the accountability of NGOs further. Nonetheless, the state of complexity differs in relation to the nature of the organisational field. Mature fields exhibit more stable logics and more clear and predictable institutional demands, whereas evolving fields are branded by laxly expressed institutional arrangements, indistinct organisational rules, ambiguous and extremely pervious boundaries and sharp contestation between logics. Emerging logics result in more complexity or more discretion on the part of the organisation (Vican & Pernell-Gallagher, 2013) and therefore make accountability more contextual and perhaps fluid.

Nicholls and Huybrechts (2016) and Yan et al. (2019) suggest that, since institutions are varied and operate in different logics, there might be a multiplicity of logics internal to the organisation and across the different organisations. It is therefore argued that additional exploratory study could be needed in respect of the hybridisation of logics and emerging logics required for survival and sustainability of organisations, such as NGOs, and their relationships with key partners. If emerging logics and adapted logics are not considered important in the accountability of NGOs and in relation to the perspectives of their funders, it is likely that the funders will not be able to understand sufficiently why NGOs behave in such ways. Equally, if NGOs are not well versed in the logics of international and national funding, they might not be able to meet the compliance and quality criteria that funders require.

Funders are often required to give development funds and NGOs need these funds for their constituencies and organisational survival and development. Should the parties to this symbiotic (or otherwise) relationship not be able to understand each other’s logics, theory suggests that there would be conflict and, in the end, breakdown of the

structures that are needed for the relationship and the institutions (see Banks & Hulme, 2012). This study theorised that, besides adapted logics, emerging logics could possibly complicate the accountability systems of NGOs as this would require preparing reports that integrate adapted and emerging logics. The preliminary conceptual framework therefore proposes that adapting the integrated reporting approach (2 in Figure 5.2) to the NGO sector would bring together the suitable accountability mechanisms that would result in effective reporting within NGOs.

### **5.6.2 Integrated reporting (2 in the Figure 5.2)**

The multi-dimensional position of NGOs calls for a corresponding integrated way of accounting and reporting to all the affected stakeholders within the confines of the enacted institutional logics. According to the guidelines of the King IV report (see IoDSA, 2016), it is recommended that, in the same way corporate organisations are requested to produce an integrated report, NGOs should also aspire to have integrated information in their formal reporting to stakeholders. Financial and non-financial information should be integrated to give a holistic picture of the organisation so that all stakeholders will benefit in terms of their decision-making (IoDSA, 2016). Additionally, the demand for greater accountability has been changing in recent years, which has implied greater information disclosure, and, in this regard, non-financial information has been an alternative to information offered in traditional financial reports (Montesinos & Brusca, 2019).

To accommodate the possible adapted institutional logics in an integrated way, NGOs should prepare financial and economic reports (3b in Figure 5.2) social and environmental reports (3c) and mission reports (3a). Financial and economic reports provide data that pertains to the way monetary resources have been sourced as well as the way in which these were secured and utilised. Moreover, the mission report denotes to answerability for the consistency of NGOs doings in relation to the mission standard values while the social and environmental report relates to the relational accountability of the NGO to stakeholders through the provision of data that is required to respond to the undertakings of the establishment (Mook, 2014). All these reports should converge to show the *raison d'être* of the NGO, their role in society, and convince stakeholders of NGOs' integrity.



## *Chapter 5: The preliminary conceptual framework*

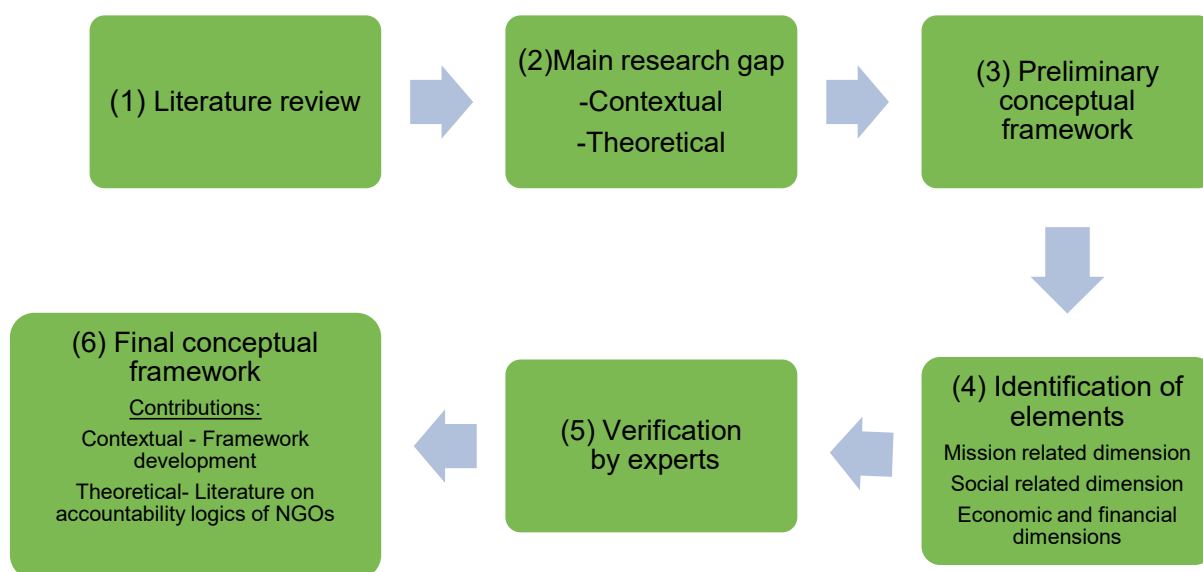
The preliminary conceptual framework in Figure 5.2 is clear on the diversity of the NGO sector. Multiple institutional logics can be embodied and practiced by different NGOs within the NGO sector. This confirms prior speculation that studying NGOs with one disciplinary view that often emphasises a single institutional logic, is insufficient (Mikołajczak, 2020). The NGO sector is multi-dimensional and pursuing one single set of NGO logic to account for all behaviours of organisations within the NGO sector may not be realistic. This multi-dimensional position of NGOs calls for a corresponding integrated way of accounting as well as attuned reporting to all the affected stakeholders within the confines of the enacted institutional logics.

This preliminary conceptual framework was employed to address the second research question in different ways. More specifically, the framework played a primary role in answering sub-questions 2.1 and 2.2 (see Chapter 1 sub-section 1.3.1) about analysing and documenting institutional logics relevant to existing practices and identifying misconceptions relating to accountability of the institutional logics. The conceptual framework was employed to achieve the following aims, bulleted for ease of reference:

- to provide a postulated lens for analysis;
- to confirm the applicability of the preliminary conceptual framework for perceiving NGO accountability (see Figure 5.2, 1b);
- to identify whether there were new institutional logics emerging from the data (see Figure 5.2 1d);
- to explore the relationships across the framework as shown by the arrows (see Figure 5.2); and
- to uncover the constitutive elements in each dimension of the holistic framework.

Regarding the third research question about the possibility of developing an all-inclusive conceptual framework for NGOs (see Chapter 1 sub-section 1.3.1), the literature review indicated that there are limited empirical studies available (IASB, 2018; MANGO, 2018; Ryan et al., 2014). In this light, the illustrated conceptual framework was considered as a source of potential answers and a 'working theory'. However, understanding the accountability mechanisms of NGOs might well rely more on the themes that will emerge from the data than on this conceptual framework.

Figure 5.3 below shows a diagrammatical representation of the main elements guiding this research.



**Figure 5.3: Road map to the final framework**

Source: Researcher's compilation

The literature review identified a contextual and a theoretical gap (2 in Figure 5.3) emphasising an urgent need for the development of a conceptual framework for accountability of, and reporting by, NGOs, since at the time of this research, the sector lacked such a framework. Usually, NGOs adapt frameworks for the public or for profit-making organisations. Additionally, the literature on institutional logics confirmed that logics have been modestly defined in the literature (see Markiewicz, 2018; Nicholls & Huybrechts, 2016), but there has been insufficient attention to how these logics have become hybrid or complexified, a distinct gap in the body of knowledge for NGO and development sectors. This was a research gap to which this study makes an original contribution.

To contribute to the research gap, a preliminary conceptual framework for accountability per se (3 in Figure 5.3) based on the insights from NGO accountability and logics was developed. This framework was improved by the additional information from the document analysis of 13 annual reports of NGOs and the views of various stakeholders gained during the interviews. Before the final conceptual framework was

developed, it was verified by experts (5 in Figure 5.3). The developed conceptual framework filled the contextual gap, and it made a theoretical contribution to the literature on the complex and competing accountability logics of NGOs.

## **5.7 CHAPTER SUMMARY**

The principal conclusion to be drawn from considering the question of NGO accountability through the lens of the conceptual framework presented here is that NGOs appear to focus principally on their responsibilities to their funders, very often at the cost of their responsibility to their beneficiaries and to their own goals and visions. In bundling all types of NGO accountability together, proclaimed pragmatism can too easily become an excuse for perpetuating this situation. By desegregating NGO accountability along distinct axes of accountability to funders, beneficiaries and the mission of the NGO itself, the imbalance in how various categories of accountability are tackled is brought into sharp relief for knowledge purposes. Doing so is important for any institution but especially for NGOs, which are, by definition, creatures of vision who often proclaim (at least in their rhetoric) holding beneficiaries and mission in greater importance than funders. A conceptual framework of NGO accountability such as the one described here highlights how these sentiments are often not matched by action, but by assumptions. An explicit recognition of such mismatches, as existing, has to be a first and necessary step towards rectifying the focus so that NGOs begin creating mechanisms and organisational structures that are equally accountable to their funders, their beneficiaries and their own selves. NGO accountability mechanisms should also accommodate the effect of various institutional logics present in their operating environments.

The next chapter discusses the research methodology inclusive of the methods used to collect data required for the study. Additionally, Chapter 6 discusses how the data collected through the various methods was analysed.

# CHAPTER 6

## RESEARCH METHODOLOGY

### 6.1 INTRODUCTION

An empirical study to achieve transparent, robust and trustworthy outcomes requires the researcher to clarify the research process (the methodology) and to motivate the rationale for the chosen processes. The aim of this chapter, therefore, is to discuss the research process that was employed to carry out this study. As way of introduction, this study adopted an interpretive paradigm through the utilisation of qualitative research strategies that were undertaken with various stakeholders of NGOs in Namibia, to determine how institutional logics theory is being applied and what its potential could be in developing an appropriate conceptual framework. This chapter concentrates on both the philosophical underpinnings that were central to the research process, and the research methods that were employed for the attainment of the following research objectives:

1. to assume the NGO accountability status by analysing annual reports of studied NGOs.
2. to (re)define the accountability practices of NGOs in terms of institutional logics theory, by:
  - 2.1 analysing and documenting institutional logics relevant to existing reporting practices; and
  - 2.2 identifying (mis)conceptions in terms of institutional logics relating to accountability; and therefore
3. to develop a conceptual framework on accountability of NGOs (incorporating theoretical extensions to the institutional logics theory as well as existing practices) that may provide relevant, reliable, comparable, uniform and credible information for effective reporting and for disciplinary knowledge.

To address the research objectives, at an operational level, two qualitative methods were considered as adequate as well as relevant: document analysis and semi structured interviews. These methods are discussed in detail in later sections of this chapter.

## **6.2 RESEARCH PHILOSOPHY**

The research philosophy is a critical element when one is deciding on the research methodology that is appropriate for a study. The research philosophy is a reflection of how the researcher reasons with regard to how knowledge is developed (Saunders, 2011). It assists researchers in creating knowledge (Malmi, 2010) and is recognised as one of the virtues of true scholarship (Lukka, 2010). The research philosophy comprises a set of assumptions that are made by the researcher either in implicit or explicit manner before the research is undertaken. Such assumptions pertain to ontology, epistemology, human nature, methodology and the nature of society (Creswell, 2012a). Moreover, the assumptions have a straightforward association with the design as well as the implementation of the specific research (Collins & Hussey, 2013; Creswell & Poth, 2017). According to Creswell and Poth (2017), the choice selection of a specific research technique is dependent on the research philosophy selected by the researcher and will be followed whilst doing the research.

## **6.3 ONTOLOGY AND EPISTEMOLOGY**

The behaviour and nature of society and the constitution of warranted knowledge have been a source of worry for researchers and has thus caused the emergence of various philosophical as well as methodological ranges (Gill & Johnson, 2010). Considering the development of academic explorations or paradigms demonstrates that paradigms can be distinguished through an analysis of their suppositions and the responses they offer to queries. Paradigms suggest that the two major ways of thinking about research philosophies are ontology and epistemology (Creswell & Poth, 2017; Saunders, 2011).

### **6.3.1 Ontological assumption**

Ontological assumptions are concerned with issues that pertain to reality – in other words, the question of concern relates to what reality is. This has to do with the manner in which reality is conceived as well as perceived (Hallebone & Priest, 2009). The framework by early scholars (Burrell & Morgan, 1979) outlined two possibilities regarding the ontological assumptions objective (realistic ontology) versus subjective (constructionist) ontology. According to Collins and Hussey (2013:48), as a researcher, one must decide whether “the world is objective and external to the researcher or socially constructed and only understood by examining the perception of the human

actors". In realistic ontology, the researcher assumes that reality is objective, that it exists independently prior to the cognition of any individual (Hallebone & Priest, 2009). In constructionist ontology, the researcher assumes that subjective reality is seen as a product of human cognition and is informed by human experiences and knowledge (Brown et al., 2015; Hallebone & Priest, 2009).

### **6.3.2 Epistemological assumptions**

Epistemological assumptions are concerned with ideas relating to issues about that which comprises what can be accepted to be knowledge – how is knowledge about a view of reality generated, represented, understood and used (Hallebone & Priest, 2009; Saunders, 2011). Epistemology also denotes the association between the researcher and that which is being researched (Collin & Hussey, 2013). The researcher can be considered an involved participant keenly taking part in the research process (Hallebone & Priest, 2009) or a remote “white-coated” scientist.

Social science sources provide a variety of epistemological positions that are inclusive of objectivism, positivism, constructivism and subjectivism (Bryman, 2013). Burrell and Morgan (1979) present opposing stances, which may also be seen on a continuum and as complementary to research. Positivism aims to provide an explanation as well as some predictions of what really is taking place within the social world by examining some regularities and casual relationships that exist amongst the specific groups or subjects. In this regard, knowledge can be acquired through observation without subjective involvement of the researcher. However, a complementary epistemology is interpretive constructivism, and this can be comprehended from the perspective of the specific persons that are directly and humanely involved in the composition of the construct that is being studied.

### **6.3.3 Justification of the choice of the philosophical stance**

This researcher made use of the interpretive-constructivist philosophical stance for the study on the development of a conceptual framework on accountability logics for NGOs. The research objective required an in-depth and relativist set of views on diverse perspectives informing the topic of the research. The interpretive-constructivist perspective has been extensively utilised and it is still being applied within the domain of accounting research (Hoque & Parker, 2015; Page & Meyer, 2000).

First, the researcher presents the position that the actuality faced by the NGO accountability phenomenon happens within the minds and milieus of the active stakeholders within the sector, namely funders, NGO employees and beneficiaries. As a result, knowledge about NGO accountability frameworks could be discerned (interpreted) as well as socially constructed from the experiences and content areas that the actors have shared in a manner that may show subjective and objective interpretation. These same views are also interpreted by the reader, listener and/or stakeholder. Hence, there is a dialogical interpretive dynamic that is evolving between parties to the interpretation (Hoque & Parker, 2015). Moreover, the researcher proffers that NGO accountability reports may not be uncovered by using the positivist perspective devoid of comprehension of the value of social opinions as well as people's lived realities. In that regard, the researcher considered himself part of the wider social world to build relationships with participants to understand the accountability reports in experienced and contextualised practice (Punch, 2013). This stance allowed the researcher to see the subjective viewpoints of participants based on an analysis of the empirical evidence obtained through the interview process.

As foregrounded by the research objectives, the study both explored and employed the views of stakeholders in the NGO sector in relation to an interplay of institutional logics around NGO accountability and reporting thereof. The philosophical position of this research has been made clear in the foregoing discussion; hence, sub-section 6.3.1 and 6.3.2 present the research assumptions related to methodology that was used in the study.

#### **6.4 RESEARCH APPROACH**

Given the paradigms that have been discussed, the train of thought indicates that there are two main research approaches, namely a qualitative or quantitative approach, or a combination of both, which is the mixed methods approach (Creswell, 2012b; Punch, 2013; Silverman, 2013). The focus of these approaches differs with regard to ways of creating empirical realities as well as causal relationships (Flick, 2014). Customarily, the quantitative research approach or strategy is the most popular strategy utilised by many researchers in the social sciences. This includes those who conduct studies in the field of accounting research (Myers, 2013, Silverman, 2013). Nevertheless, of late, the application of qualitative and mixed methods research methodologies among

## *Chapter 6: Research methodology*

social science researchers has been on the rise (Nowell et al., 2017). Bryman (2008), for instance, compared the two central approaches from three perspectives: the role of theory, an epistemological perspective, and an ontological perspective.

In terms of their orientation as a role of theory, the quantitative research strategy is more deductive in nature than the qualitative research strategy and is useful in testing theory, whilst qualitative research strategy is suitable in generating theory and therefore inductive in nature (Bryman & Bell, 2011). If the research is theoretically driven, then qualitative researchers use deductive logic. Abduction, which is inferential leaps of logic, is central to qualitative research (Reichertz, 2010). From an epistemological perspective, it can be argued that quantitative research strategies are in the line of natural sciences whereas qualitative research strategies follow interpretivism (Holloway & Galvin, 2016). Moreover, following the ontological perspective, qualitative and quantitative research strategies are not the same. Whereas the ontological perspective of quantitative research strategies follows objectivism, the qualitative research strategy follows constructivism and seeks to explain reality mostly from social interactions (Bryman & Bell, 2011).

The literature review has indicated that powerful stakeholders are predominant influences in both practices and research on NGO accountability and institutional logics (see Cordery, Crawford et al., 2019). Therefore, the way to address the observed power imbalance is consistent with the idea of interpretive constructivism, which offers multiple participants in a focussed sector chances to engage in the social construction of NGO accountability goals and allows originally marginalised people to be heard (Andrews, 2014).

The researcher aligned himself with the qualitative research approach given the nature of the assumptions made through the paradigm chosen. Therefore, the research objectives and theoretical predisposition of this study impelled a qualitative approach, as justified in the sections above in Table 6.1 below. Table 6.1 shows how this study adopted some of the assumptions and fundamentals of the qualitative paradigm.



**Table 6.1: Adaptation of the qualitative fundamentals and assumptions**

| Fundamentals and assumptions of the qualitative paradigm   | Adaption of the study   |
|--|---|
| Aims directed at providing an in-depth and interpreted understanding of the beliefs and ideas of the participants by learning about their practice and experiences and perspectives on accountability.   | The study aimed to understand how institutional logics could affect the accountability mechanisms of NGOs by soliciting views of the participants supplemented by document analysis.  |
| Samples that are small in scale and purposively selected based on salient criteria. Assumptions that people who are knowledgeable about the topic will provide valuable responses. Those voices may be from a small group of people who are well versed in the concepts under study. | The study applied a small non-probability purposive sample.   |
| Data, which is very detailed, rich in information and extensive. Assumption of thick data providing relevant truths in response to research questions. Context is important (Englander, 2019).   | Semi-structured interviews were used to allow detailed explanations to provide better insight. This was further enriched by document reviews. Context-based findings were anticipated and provided.                             |
| Analysis which is open to emergent concepts and ideas and which may produce detailed descriptions and classification, identify patterns of association. Assumptions that inductive and informal logic also creates knowledge.  | Analysis began with content analysis, followed by inductive coding to identify categories and themes.   |
| Outputs which tend to focus on the interpretation of beliefs, ideas and assumption of participants. Assuming that individual and organisation beliefs and situated knowledge are valued for their specific illumination of core human issues.  | The researcher interacted with individuals and focussed on the specific environments within which they worked to understand, interpret and construct the meaning of their views by inductively developing a pattern of meaning. |

Source: Researcher's compilation

## 6.5 CASE STUDY AS DESIGN

This research employed a comparative qualitative approach to conduct an illustrative case design (Gustafsson, 2017) to focus on a situation that warranted illustration and exploration. Yin's (2014:178) definition of a case study is that it is a "strategy for doing research which involves an empirical investigation of a particular contemporary phenomena within its real-life context using multiple sources of evidence". The study acknowledged the complexity of the real world and examined particular phenomena in a natural setting (Yin, 2015). The views of Gustafsson (2017) and Yin (2014) were

applied to the selected illustrative case study. In order to have a fair comparison and analysis of the institutional logics present, the researcher illustrates the bounded case study of the HIV and AIDS sector in Namibia in this thesis. The singularity of the case study was to develop a comprehensive and integrated conceptual framework that sought to establish central principles to inform the sector and it should be noted here that the developed conceptual framework is not limited to HIV and AIDS focused NGOs only. It is an all-inclusive framework for all types of NGOs in Namibia.

Gustafsson (2017) indicates that bounding a case study within a certain context and phenomenon produces a rich slice of theory. Within this case study, thirteen NGOs and sixteen participants were purposively sampled, and multiple sources of evidence (documents and interviews) were gleaned. This study was aimed at understanding NGO accountability measures and institutional logics that occur in natural organisational contexts and the study is in line with the above assertions.

The case study addressed the three main research questions of this study. According to Yin (2015), case study research offers in-depth and detailed answers to 'how' and 'why' questions. Regarding the five research questions (including the sub-questions), there were three 'what' questions and two summative 'how' research questions. The research questions of the study were:

1. What is the nature of accountability status disclosures of the studied NGOs? (addressed through the literature review and document analysis).
2. How can the accountability practices of NGOs be (re) defined in terms of the institutional logics theory
  - 2.1 What are the relevant institutional logics shaping accountability and reporting practices of NGOs? (addressed through face-to-face interviews with NGO stakeholders).
  - 2.2 What are the (mis)conceptions in terms of institutional logics relating to accountability in the NGO sector? (addressed through face-to-face interviews with NGOs stakeholders).
3. How can the institutional logics theory as well as existing practices be applied to develop a conceptual framework on NGO accountability logics? (addressed through information gained from the literature review, document analysis and interviews).

The next section presents strategies for gaining access to the selected NGOs.

### **6.5.1 Gaining access**

According to Ryan et al. (2014), the next stage in case organisation is gaining access to the case site (Creswell & Poth, 2017; Gray, 2013; Saunders, 2011). Gaining unrestricted access to case sites is one of the key ingredients of a successful adoption of case studies as a methodology. The use of social contacts to gain access and the courtesy to treat respondents with respect are essential (Creswell, 2012a; Denscombe, 2008).

In order to have access to the NGOs, the researcher wrote an introductory letter to the executive directors of the NGOs asking permission to use their sites for the study. The researcher made informal visits to the NGOs and capitalised on personal contacts (social networks). The researcher then sent some emails and made some phone calls to the NGOs as a way of ensuring that access would be granted for conducting the study. The moment permission to enter the NGO was granted, a focal point of contact for the researcher was requested. Care was taken to negotiate and arrange appointments with case personnel (interviewees) to minimise disruptions (Yin, 2014). The researcher collaborated with the programme directors to arrange interview schedules with identified respondents and to handle conflicts associated with the interview period. Interview dates and times were kept in a diary, and reminders were set to ensure that scheduled interviews were honoured.

Preceding any visitation to the field (case site), the researcher conducted a close review of the available literature. By doing so, key research questions were identified to assist with the investigation as well as the adoption of the plan for use to attain the anticipated results within set constraints (Creswell & Poth, 2017; Merriam & Tisdell, 2015). Some data collection methods are suggested in the literature. These are inclusive of artefacts, questionnaires, interviews and observations (Creswell, 2012b; Silverman, 2013; Yin, 2014). However, this research on NGO accountability reports and institutional logics used interviews and document analysis.

Furthermore, data collection instruments, namely an interview guide, consent forms, participant information sheets and other documentation were submitted to the Ethical Review Committee of the University of South Africa (Unisa) for approval. The designed

instruments were the ones that were used to collect data from the participants as identified (see sub-section 6.3.3).

## **6.6 DATA COLLECTION METHODS**

The objective of this study was to develop a conceptual framework for NGOs. The intention was for this framework to:

- inform future NGO scholarship and evidence-based practice;
- assist NGOs to recognise their current practices in accountability to their major stakeholders; and
- make any necessary changes to result in effective reporting.

To achieve the research objective, the researcher approached the study in three phases, as discussed in 6.6.1–6.6.3. Phase three was a summative phase which did not require data collection and analysis as discussed in section 6.8.

### **6.6.1 Phase 1: Document analysis**

The purpose of phase 1 was to fulfil the first research objective aimed at postulating NGO accountability status by analysing the annual reports of sampled NGOs in Namibia. This phase of the study was undertaken using document analysis. Content analysis was used as a tool of interpretation within document analysis. (Bowen, 2009). This research analysed annual reports for the reasons as described below.

The researcher made use of annual reports as source documents as these documents are produced in a regular manner and they deliver a “historical account of the interests of an organisation” (Abeysekera, 2006:19). Annual reports offer a distinct communication channel for the presentation of financial data as well as information that can permit users to “generate their own reality in terms of their goals or objectives” (Cronjé & Gouws, 2008:108) through the reflection of leadership, vision and values of the firm (Neimark, 1995). Today, the preparers of annual reports are continuously challenged to communicate more information in the face of a constantly changing economic, social and physical corporate environment. Hence, “determining the precise set of relevant information for the heterogeneous users remains an ongoing task” (Courtis, 2004:292).

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Annual reports are the foremost ways for “communicating corporate activities as well as the future intentions to stakeholders” (Holland & Foo, 2003:7). Moreover, some authorities proffer that annual reports provide critical spaces to the reporting company via the reporting mechanism (April, Bosman & Deglon, 2003; Guthrie & Petty, 2000). Investors and analysts make extensive use of information in annual reports to justify recommendations to investors and to provide forecast earnings, among other uses.

In addition, annual reports can also be utilised as a data source as such reports can articulate “corporate interests in a discursive and concise manner” (Guthrie & Abeysekera, 2006:155). They are also viewed as a means by which a firm identifies itself with stakeholders (Guthrie & Petty, 2000). Studies confirm that annual reports provide a special communication opportunity for firms to go beyond reporting financials (see, for instance, Cameron & Guthrie, 1993) and to prove that their leadership and vision reflect the values of the firm (Neimark, 1995).

In this study, the selection of annual reports was done following the way some previous studies had utilised the same selection method (Ax & Marton, 2008; Moloi, 2014; Scott, Wingard & Van Biljon, 2016). Moreover, previous studies have suggested there is a continuous demand for reliable information in relation to value drivers in a company (Guthrie & Abeysekera, 2006; Palepu & Healy, 2013). Apart from being a major medium for communicating information to stakeholders, annual reports are produced regularly, the company has a substantial editorial input into it, and reports are widely distributed and read (Campbell, 2004). However, annual reports may not reflect the objective reality of the firm, since some may use annual reports as “image-laundering documents rather than complying with relevant accounting standards and corporate law “ (Abeysekera, 2008:19).

In addition, some other studies have also pointed out that those who make use of annual reports have been making some requests for more reliable information that relates significantly to the major drivers, such as human disclosures of future company value creation capabilities (see, for instance, Guthrie & Abeysekera, 2006). As a reaction to this demand, some research has demonstrated that establishments have started to upsurge the amount of non-financial information as well as accounting narratives linked to value drivers (Vandemaele, Vergauwen & Smits, 2005). This has led to a reduction in cost of capital, a reduction in information asymmetry,

enhancement of stock market liquidity and an increased demand for companies securities (García-Meca, Parra, Larrán & Martínez, 2005; Palepu & Healy, 2013).

The researcher collected annual reports from the official media platforms of the participating NGOs, such as their official websites. In cases where the NGO did not have its annual report posted on the website, the researcher requested hard copies. All the annual reports collected were for the year ended 2017-2018 since these were the latest reports for many sampled NGOs at the time of the data analysis. A full list of the documents is presented in section 7.5 of this thesis.

### **6.6.2 Phase 2: Interviews**

Phase 2 of the study comprised conducting semi-structured interviews with selected personnel involved in the case study. This phase was aimed at achieving the third research objective of the study, that of investigating the institutional logics present amongst HIV and AIDS-focussed Namibian NGOs and how these logics shape accountability measurement in this sector of NGOs.

Interviews are used in collecting data related to personal experiences, the needs of hard-to-reach groups, professional experiences and knowledge, and evaluation of services (Flick, 2014). This research employed interview data for three reasons. Firstly, interviews have an ability to elicit stakeholders' personal experiences, which is otherwise impossible for the researcher to obtain within a limited period. Secondly, interviews were previously used in qualitative studies to collect stakeholder views (Cordery, Crawford et al., 2019; Smit, Williamson & Padayachee, 2013; Werekoh, 2014). Thirdly, in this study, it was thought that interviews might offer the researcher an insider's perspective on NGO accountability and the associated logics. The embedded knowledge of the participants is invaluable and difficult to access through other data collection methods.

### **6.6.3 The interview style**

The formal interviews in this research were semi-structured. Semi-structured interviews are primarily applied to subjective theory construction and implicit knowledge explication (Flick, 2014). The researcher needed to include questions to guide the theory construction and to draw on the embedded knowledge of the

participants. According to Salmons (2012), conducting interviews requires planning; hence, the interviews were semi-structured as illustrated below.

**Table 6.2: Interview style of the study**

|                        |  |
|------------------------|--|
| <b>Semi-structured</b> | <ul style="list-style-type: none"><li>○ Same open-ended questions asked to all participants in same sequence but with varied follow-up questions and probes</li><li>○ Same open-ended questions asked to all participants in varied sequence based on responses</li><li>○ Interviewer has a guide or plan, precise wording, or sequence is not predetermined</li></ul> |
|------------------------|--|

Source: Salmons (2012)

In this study, the interview schedule was structured consisting of 16 questions posed to participants in the same sequence. It included open-ended questions that were designed to elicit short narratives. Before the final version of the schedule was adopted, it was refined based on the feedback and comments from the researcher's supervisors. Semi-structured interviews afforded the researcher the opportunity to interact with the interviewees. This provided a chance to probe answers when the researcher needed further clarification (Saunders, Lewis & Thornhill, 2009). In some questions, the researcher also provided ideas or suggestions to probe the participants by thinking deep.

Before the interviews were conducted, the interview schedule was emailed to the selected participants to familiarise them with the questions. A few interview appointments were postponed but were fulfilled at a later stage. The full interview guide is presented in Annexure 1.

During the interviews, participants were asked to talk about their beliefs and practices regarding the logics (in terms of guiding them around this concept) of NGO reporting, their experiences in the NGOs under study and their comments on the NGO accountability management. In this process, the interviewer checked two aspects of information: whether the key accounting logics derived from the literature (see Chapter 3) (i.e., comparability logics, local accountability logics, funder logics) were in place in the NGOs and which type of institutional logics had emerged from the interactions in order to reach a contribution. In general, the pre-designed questions in each version

of the interview guide gave structure to the interviews and direction to the participants. The researcher also allowed sufficient space for participant discretion.

#### **6.6.4 Data management: Audio recording**

The recording of data is a critical component of data collection in the application of qualitative research methodology as this helps to fully grasp the way in which the research participants communicate and also allows the research to make some observations about the body language of participants (Creswell, 2012b; Marshall & Rossman, 2016; Silverman, 2013). The researcher recorded all the interviews and, in some cases, made some handwritten notes. This was done to ensure that all the information that was provided by the research participants was captured. Moreover, these notes served as a backup mechanism. If ever there would have been any mechanical fault with the recording equipment, the researcher would have something to fall back on.

The researcher made use of a digital voice recorder, which had the capabilities of grouping the recordings into different voices, whilst the use of a notebook served the purpose of jotting down some non-verbal cues. All this assisted the researcher in doing the analysis. Moreover, this approach allowed the researcher to ask questions that were of relevance and to observe whether there were any non-verbal cues that were of significance. Prior to recording the interviews, the researcher requested for permission to record the proceedings, and this was granted. Firstly, the researcher explained that the use of the voice recorder would enable him to concentrate fully on asking the necessary questions. The device would capture responses as accurately as possible, and the recordings would also serve as evidence (Marshall & Rossman, 2016; Rubin & Rubin, 2011). Some earlier research however warns that voice recorders need be used with due care (Maxwell, 2012; Myers & Newman, 2007). As a way of reducing the effect of noise and other interferences, the researcher made sure that the interview periods were set solely at the interviewees' convenience and also that this would be at a particular time when it was less likely to have interferences. In addition, the researcher made sure that the voice recorder used for recording purposes had an external noise reduction function as well as a pause function as a precaution to enable the researcher to handle any possible unforeseen noise or other interferences. By taking such measures, the interview activities were not affected by



any such disturbances. During the interview process, the researcher provided the participants with some refreshments.

### **6.6.5 Data management and data triangulation principle**

Throughout the data collection process, this research employed the principle of data triangulation. This principle means triangulating data from multiple sources (Creswell & Poth, 2017). The aim of applying this principle was to study the same topic from various viewpoints. More specifically, in this research, within one case study, where all NGOs were regarded as one unit, data was collected in two ways: conducting in-depth interviews and collecting data from the annual reports of NGOs.

### **6.6.6 Sampling strategies**

This section discusses the sampling strategies employed in this study.

#### **6.6.6.1 Sampling: Purposive sampling**

Sampling in the research context refers to selecting research participants, units and/or settings as research subjects (Flick, 2014; Robinson, 2014). Qualitative research primarily conducts sampling on the premises for certain purposes. This research employed purposive sampling strategy and chose thirteen (13) annual reports produced by active international and local Namibian NGOs to study. A purposive sampling strategy was used to elucidate different perspectives in NGO accountability. Purposive sampling is a non-probabilistic approach that draws samples from a population based on a set of characteristics relevant to the investigation and allowing insights into the phenomenon of interest (Silverman, 2016; Tranter, Irvine & Collins, 2012). A purposive approach was appropriate because the research objectives were exploratory rather than confirmatory (see Daniel, 2012). While the purposive sampling approach targeted different NGOs at level 1 of the sampling, the units of analysis were the accountability and logics content in their annual reports. This is important because reports prepared without considering the diverse accountability demands and the competing or conflicting logics in the organisation will not add value to stakeholders (see Goncharenko, 2019). Narrowing the sample geographically allowed the study to stay within a reasonable scope (Daniel, 2012) and fulfilled the criteria of participants in a single case.

### **6.6.6.2 Sample size**

Sample size is shaped by the analytical objective, approach and resources of every study and should be as large as possible and as small as possible (Daniel, 2012; Sarantakos, 2013). For qualitative studies with a purposive sample frame, sample size is best governed by non-statistical and ad hoc means (Mason, 2010). Regarding research participants, this study targeted sixteen (16) interviewees, comprising users of NGO annual reports, preparers of NGO annual reports, auditors, funder representatives and representatives of professional accountancy bodies. This was at level 2 of the sampling, which focused on participants as individuals. This sample size is consistent with studies that suggest approximately 10–12 participants are usually sufficient to achieve saturation of themes and to build consensus on main ideas in interviews, particularly for professional and expert interviews (Mason, 2010). This sample size is also consistent with several recommendations for qualitative research, which suggest limiting interviews to 10–50 in total to enable in-depth analysis (Bryman, 2015; Mason, 2010; Ritchie, Lewis, Nicholls & Ormston, 2014). Detailed information about the number of interviewees recruited is provided in Chapter 8.

### **6.6.7 Research participants and selection**

This section describes the research participants and how they were selected, as mentioned earlier, sixteen people including, users of NGO annual reports, auditors, funder representatives, preparers of NGO annual reports and representatives of professional accountancy bodies were interviewed.

#### **6.6.7.1 The users**

The Institute of Chartered Accountants in England and Wales (ICAEW, 1975:17) defines users as “those having a reasonable right to information concerning the reporting entity. A reasonable right arises where the activities of an entity affect or may affect the interest of a user group.” Users therefore include employees, analysts, business contact groups, academicians and the general public. From the foregoing, this research regarded users (of annual reports) to be Namibian academics and representatives of accountancy bodies as they were identified as a group of stakeholders that comprehend the rapid changes needed on how entities need to improve their reporting and accountability.

The users of NGO annual reports were interviewed for a period of approximately 35 minutes each. Questions dealt with aspects pertaining to the accountability systems that were in use by the specific organisation at the time of the research, as well as the organisation's reaction to organisational pressures emanating from their accountability relations. Moreover, aspects that were linked to accountability to funders as well as the beneficiaries were also deliberated. The goal of these deliberations was to understand the beliefs and experiences of accountability issues on the way the NGO reports were prepared.

#### **6.6.7.2 Funders**

Funders largely provide most of NGO finances and can influence the accountability systems of NGOs. It was therefore appropriate to interview some of these funders to obtain their views on how they perceive NGO accountability and to ascertain whether there was a need to develop a conceptual framework for NGOs. As a result, representatives of two funders (Global Fund and USAID) were interviewed in their respective offices. Specific individuals to be interviewed from the funder representatives were the sub-recipients (Global Fund representative) and the Grants Manager at USAID.

#### **6.6.7.3 Preparers**

The term 'preparers' relates to the directors, managers and accountants of the organisations as well as the officials of the firms who were either directly or indirectly part of those who prepared annual reports. In this research, 'preparers' therefore referred to individuals who were involved in the preparation of annual reports for NGOs. In a similar vein, preparers were asked the same questions as the users and were also expected to give their views on the NGO reporting at the time and suggestions of the information they thought would improve NGO reporting. Preparers were further asked about their experiences and beliefs regarding the logics of NGO reporting.

Table 6.3 below presents a summary of the sampling frame that was used.

**Table 6.3: Sampling frame**

| Sampling frame   | Summary of the applied methodology of the sampling frame  |
|--|---|
| NGOs – level 1: choice of organisations  | 13 NGOs involved in providing HIV and AIDS-related services. An illustrative homogenous sector sample was used in order to have a fair comparison of their accountability logics in the organisations |
| NGOs and/or others - level 2: choice of individuals. The main participants of the study were preparers and users of annual reports, auditors, professional accountants, funder representatives | 16 participants formed a purposive sample consisting of experts in their different fields.<br><br>One participant was the local agent for a prominent international funder                            |
| The researcher analysed annual reports of NGOs within Namibia-see Level 1 of sample, above   | 13 data sources (annual reports) were purposively sampled as level 2: actual documents from Level 1 of sample   |

Source: Researcher's compilation

### 6.6.8 Levels of analysis

The various levels of analysis and the data collection and data analysis method identified to examine each question are summarised in Table 6.4 below.

**Table 6.4: Levels of analysis**

| Levels of analysis         | Research questions<br>(see sub-section 6.3.1)  | Method: data collection                                     | Method: data analysis                                       |
|----------------------------|--|---|---|
| Analytical                 | What is the nature of accountability disclosures of the studied NGOs?                                      | Document review<br>(annual reports)                         | Content analysis using structural coding<br>(Saldaña, 2016) |
| Analytical and descriptive | What are the relevant institutional logics shaping accountability and reporting practices of NGOs?         | Context of the study<br>literature review and<br>Interviews | Content analysis using structural coding<br>(Saldaña, 2016) |
|                            | Sub-question   |   |   |
| Descriptive                | What are the misconceptions in terms of institutional logics relating to accountability in the NGO sector? | Literature review and<br>interviews                         | Descriptive and<br>Structural coding<br>(Saldaña, 2016)     |

| Levels of analysis         | Research questions<br>(see sub-section 6.3.1)  | Method: data collection  | Method: data analysis  |
|----------------------------|--|--|--|
|                            | Research question  |  |  |
| Analytical and theoretical | How can the institutional logics theory as well as existing practices be applied to develop a conceptual framework for NGO accountability? | Context of the study and literature review<br><br>Interviews<br><br>preliminary conceptual framework | Content analysis using structural coding<br><br>(Hsieh and Shannon (2005)) |

Source: Researcher's compilation

## 6.7 DATA ANALYSIS

This data analysis undertaken during this research followed an inductive design progressing towards a level of theoretical generalisation, as recommended by (Schreier, 2012). Several techniques for analysing qualitative data have been presented by various researchers, such as Denzin and Lincoln (2008), Stake (2005) as well as Saldaña (2016). While many qualitative researchers explicitly try to generate new knowledge and understanding with underlying logic being inductive, this study did not necessarily eliminate previous notions. Inevitably, qualitative analysis is guided and framed by pre-existing ideas and concepts. Hence, an element of a priori reasoning is apparent as a means of using insights from particular explanations from general theories and knowledge in an applied study (see Schreier, 2012).

### 6.7.1 Data analysis for Phase 1 of study

The chosen data analysis method for phase one of this study (see sub-section 6.3.2.1) is a qualitatively driven analysis and in particular, directed content analysis. The aim of a directed content analysis is to confirm or extend conceptually a theoretical framework or theory. Directed content analysis is “more structured than the conventional approach” (Hsieh & Shannon, 2005:1281). The researcher aimed to describe methodically or structurally the meaning of materials specified from the research questions (see Schreier, 2012). In the article by Hsieh and Shannon (2005), qualitative content analysis is portrayed as beneficial for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns. By focussing on selected aspects of data, data

reduction is achieved by limiting “analysis to those aspects that are relevant, with a view to the research questions” (Schreier, 2012:7).

Content analysis seems to be the most suitable method to analyse the annual reports of NGOs. Content analysis was used in prior disclosure research (see Cronjé & Gouws, 2008; Moloi, 2014; Stent & Dowler, 2015). According to literature, the unit of analysis that should be used in corporate annual reports content analysis has been the subject of continuous debate in the literature (see Stent & Dowler, 2015). The debate is centred on the use of words, references or pages, although there was no convincing evidence to justify preference for any of these three units of analysis words, references or pages (Williams, 1990). Pages were not considered as unit of analysis as this could have resulted in missing important information from the annual reports. Therefore, this study used words and sentences as units of analyses which provided the quotations alongside the open and evolving codes of the content analysis.

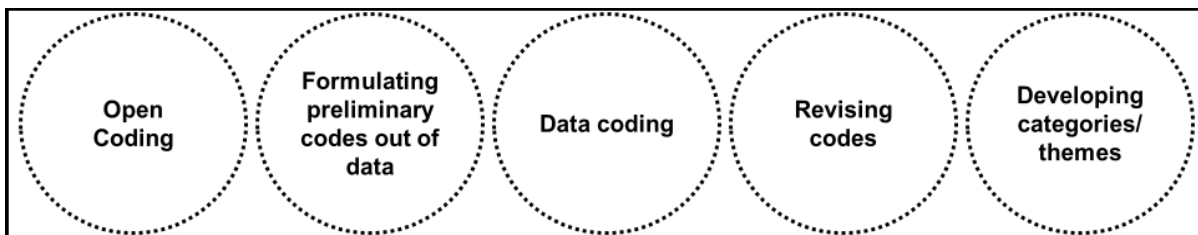
Content analysis as a data analysis technique was specifically chosen in this study owing to its advantages. The first advantage is that content analysis is a non-reactive or unobtrusive technique whereby the reporting entity as well as the intended reader of the reports is not aware of the fact that the report would be examined (Cho & Lee, 2014). As such, the reporting entity would have acted in a “natural” manner, and this means that the researcher has documents for analysis that have little external influence (Cho & Lee, 2014:10). Furthermore, as a non-reactive research technique, it can also be noted that content analysis evades the challenges of non-response, as well as possible interviewer and social desirability bias that can take place when one opts to make use of questionnaires or selects the conducting of interviews (Macnamara, 2003).

Secondly, content analysis, as opposed to a situation where the researcher makes use of questionnaires, semi-structured and structured interviews, accepts unstructured data that is available in a variety of forms. This is found to be valuable in instances where the information that is required by the researcher can be found in a range of forms, especially if the data is reported in a plethora of media (Cho & Lee, 2014). In addition, the mere fact of receiving unstructured data that is found in a plethora of forms also means that content analysis is able to facilitate some form of comparison of a variety of disclosures of accountability information across different formats, such

as integrated annual reports, sustainability reports and company websites (Krippendorff, 2012).

Thirdly, content analysis is arguable flexible, and as such it permits the researcher to make use of it with some varying degrees. This ranges from simply detecting the presence or absence of the reference to a specific aspect within a communication medium, as well as determining the decision usefulness of such communication, as well as assessing “general compliance to guidelines”, such as the King IV and GRI (Wolfe, 1991:282).

The success of content analysis depends greatly on the coding process, where researchers use content analysis to create or develop a coding scheme to make decisions in the analysis of content (Saldaña, 2016). In summary, Figure 6.1 below depicts a procedural diagram for qualitative content analysis which was the main content analysis reasoning, used for the Phase 1 and 2 of the data.



**Figure 6.1: Inductive approach to qualitative content analysis**

Source: Cho and Lee (2014)

### **6.7.2 ATLAS.ti™ Version 7 as supporting analysis and data management**

This study used ATLAS.ti™ Version 7 software (hereafter ATLAS.ti) for the content analysis of annual reports and interviews (as recommended by Freise, 2014). ATLAS.ti is computer-aided qualitative data analysis software. ATLAS.ti 7 was used by the researcher, because it was the only available licensed version that the researcher could access at the time of conducting the analysis.

### **6.7.3 Procedure for content analysis**

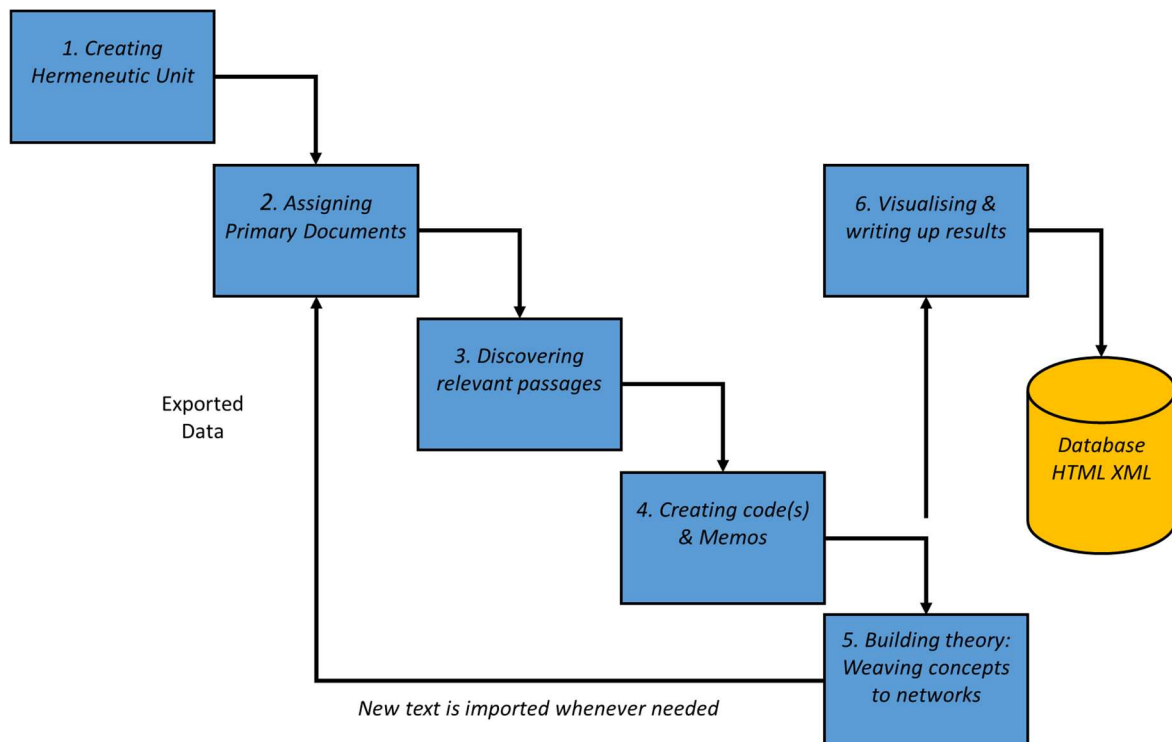
The first step in the procedure for content analysis was to create a new hermeneutic unit (HU) for the project. A hermeneutic unit (HU) provides the data structure for each project which is uploaded in ATLAS.ti (see Muhr, Friese, & Ringmayr, 2004). This new HU was called “Andrew PhD”.

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Moreover, the procedure also involved the use of coding of the relevant words as well as sentences within a specific document and then linking the words together in the form of families (see Muhr et al., 2004), and these were in turn developed into themes that were interpreted in the context of the research purpose and the underlying theory. Furthermore, this study made use of the ATLAS.ti software for doing a content analysis of the annual reports of 13 NGOs. The annual reports of the NGOs were downloaded in PDF format and then imported as primary documents into ATLAS.ti. These annual reports were referred to as primary documents (see Muhr et al., 2004). Further, the primary documents were imported into “My Library” and then assigned to the HU. These documents were identified as P1 (primary document 1) P2, P3 to P13.

In “My Library”, texts that were connected to NGO accountability disclosures items were chosen and coded into a cluster of codes that are known as families or themes (see Muhr et al., 2004).

Figure 6.2 below depicts the process used for the document analysis.



**Figure 6.2: ATLAS.ti workflow diagram**

Source: Muhr, Friese and Ringmayr (2004:28)



#### **6.7.4 Data analysis for Phase 2 of study**

In qualitative research, data analysis is an ongoing process that can be performed simultaneously with the data collection (Eisenhardt, 1989b). In phase 2 of the study, see sub section 6.3.2.2, the preliminary data analysis started immediately after each interview. Aligned to Figure 6.2 above, after collection of the interview schedules, there was need to explore and construct patterns from them (Saldaña, 2016). The interview schedules were imported into ATLAS.ti discussed in section 6.4.1. After the first few interviews, the researcher started developing a mainly inductive coding scheme, which was repeatedly evaluated. The researcher referred to the literature review, and through discussions with the researcher's supervisors, it was possible to cultivate the coding scheme through the writing of notes, reviewing the schedules carefully. Contact discussions with supervisors for opinions about the research assisted the researcher to become familiar with the process and he took ownership of the data. As proposed by Kitto and Barnet (2007), a sequential approach to interview analysis based on three language levels was considered. The three language levels considered were: lexical (individual words), semantic (syntactic meaning of sentences) and pragmatic (holistic analysis of meaning). Through analysis, the sequential approach, systematised by ATLAS.ti, facilitated saving meanings that might otherwise have been lost because of limited data availability. When the meanings made at the three levels are reasonably coherent, researchers can be confident that they have retained meaning as it intended in the data (Kitto & Barnet, 2007). Other than being useful in the quantification of qualitative data, ATLAS.ti is also valuable in the analysis of graphics, audio files and video materials (Friese, 2014).

Manual coding is a common approach that was used in most previous studies on disclosure practices (Cronjé, 2010; Moloï, 2014). Manual coding takes some significant time as well as paperwork, particularly considering its attendant difficulty in coding and recording (Friese, 2014). However, ATLAS.ti allows easy coding and recording. It also enables for the creation of networks that can indicate the way in which the codes and themes interact in a complex manner thus enabling the interpretation process. In addition, ATLAS.ti warrants trustworthiness as it affords evidence in the form of an audit trail (Friese, 2014).

Alongside the gathering of the data, the researcher developed the coding frame and conducted the analysis. Using both manual methods and ATLAS.ti, the first cycle of

## *Chapter 6: Research methodology*

coding ensued and followed descriptive coding, which Saldaña (2016) states is appropriate for virtually all qualitative studies. It is a straightforward method that categorises data at a basic level providing the researcher with an organisational grasp of the study.

The second cycle of coding extracted meaning through structural coding to develop categories and themes inductively (Saldaña, 2016). The codes helped arrange the key themes and thereafter categories formed the sub-branches of those themes (see Chapter 7). The coding scheme ultimately used by the researcher was a combination of a priori reasoning using prefixes (Friese, 2014) and was inductively coded. The coding process involved a co-coder. As mentioned in 1.9.1, the researcher and the co-coder exchanged ideas on the coding process.

For the identification of the various institutional logics, the researcher used pattern matching as an analytical technique (see annexure 1). Pattern matching has been utilised by other researchers to capture institutional logics (Jones, Boxenbaum & Anthony, 2013). Pattern matching encompasses the analysis of data for looking into the specific instantiation of institutional logics and then comparing and/or matching it with pre-determined elements of institutional logics (Jones et al., 2013). In this study, the analysis resulted in the identification and examination of the institutional logics that were prevalent within the selected NGOs (see annexure 1). This is reported in Chapter 8 of this thesis.

In order to understand the organisational dynamics for the adoption of the current accountability measures, the researcher developed narratives (see annexure 1) that were based on inputs from key informants and further research that was informed by the conceptual framework. This was based on institutional embeddedness, the situational context, social interactions and organisational attributes that shaped the logic and accountability practices.

## **6.8 PHASE 3: DEVELOPMENT OF THE CONCEPTUAL FRAMEWORK**

Phase 3 was a summative phase, which did not require any data collection and analysis. To develop an appropriate conceptual framework on NGO accountability, the preliminary conceptual framework and literature study were used. In the development of the conceptual framework, the researcher also considered the views of the research participants towards some of the topics that were related to the institutional logics theory. This theory advocates that NGO accountability reports should be prepared while considering that there are various institutional logics that can influence how NGOs report to their various stakeholders (see Cordery, Crawford et al., 2019). It was envisioned that the proposed conceptual framework would contribute to more effective accountability reports by NGOs. For that reason, the objective was to make it comprehensive enough to meet all the information needs of major stakeholders. The framework was compiled for NGOs wishing to undertake a self-assessment against the good norms of accountability practices in order to provide relevant, reliable indicators for effective NGO stakeholder decision-making. The framework was further intended to generate information on the strengths of the current NGO reports and areas for improvement against the performance indicators, which were determined from the literature, theory and results of the document analysis and interviews.

The conceptual framework outlining – among others, custodians of the annual reports, assessment criteria, validation and communication of outcomes – will be discussed in Chapter 9.

## **6.9 METHODOLOGICAL NORMS FOR QUALITY CRITERIA FOR QUALITATIVE RESEARCH**

In terms of quality and rigour in qualitative research, there is a variation of criteria in use. Some of these were briefly mentioned in Chapter 1 and explicated in the methodological chapter (Chapter 6), Yin (2015) highlights that there are generally three objectives that are critical for the construction of trustworthiness as well as the credibility of a qualitative study. Table 6.5 below provides a review of these three objectives. The table also helps to explain how the researcher met these conditions.

**Table 6.5: Methodological norms**

| Objectives                               | Objectives in relation to the research study   |
|--|--|
| <p><b>Credibility</b></p>                | <p>Credibility is closely connected with maintaining a “higher-level perspective necessary for informed theorising” (Gioia, Corley &amp; Hamilton, and 2012:19). In order to maintain a high-level perspective and avoid going native as a participant observer, the researcher paid close attention to the research process. In particular, the researcher followed clear procedures during the research and using multiple methods of data collection. For example, the researcher digitally recorded and personally checked professionally transcribed interviews (Silverman, 2016).</p> <p>The researcher followed clear procedures for analysing data and reporting findings. For instance, the researcher checked for consistency (not consensus) in relation to coding, discussing the process and challenges with other researchers, and adjusting when required (Richards &amp; Hallberg, 2015). The researcher used extracts from the data to provide additional examples in tables to avoid anecdotalism (Silverman, 2016).</p> <p>The researcher provided detailed information, being transparent about each step of the process (Silverman, 2016). For example, the researcher included examples extracted directly from the data to illustrate points about the process, as well as relevant additional information in the Annexures. As explained in 1.8.1, outcomes of this systematised analysis were also reviewed by one of the supervisors who is an ATLAS.ti facilitator and experienced second or independent coder (see Williamson et al., 2020).</p> |
| <p><b>Dependability</b></p>              | <p>Focussing on richness instead of size is crucial (Patton, 2014:245) in relation to both case selection and sampling of participants. For example, the researcher chose the participants because of their wide knowledge about NGO accountability issues. Research bias was alleviated, and rigour completed through an independent co-coder who also provided some reflex notes (see 1.9.2).</p>  |
| <p><b>Conformity/transferability</b></p> | <p>In terms of conformity, the interviews were supplemented by annual reports to provide a degree of confirmatory evidence. Although it was possible to have some generalisation within a particular setting, it is rare for a qualitative researcher to make claims about the representativeness of the setting for wider populations. Hence, in terms of the findings, the transferability of the data was limited in scope. The findings are limited in making contributions, mainly to the theoretical perspective of NGO accountability, and do not attempt to provide intersecting points with any other theory. The aim was not to generalise; hence, the research findings, which are fixed in organisational actualities, may only be of value to the participants and NGOs involved. Englander (2019) also emphasises that such an approach confirms qualitative</p>   |

| Objectives           | Objectives in relation to the research study  |
|----------------------|---|
|                      | knowledge claims in providing depth of context-specific phenomena (see 1.9.3).  |
| <b>Authenticity</b>  | The researcher used multiple data collection methods, triangulation, to generate appropriate data to the research questions (Silverman, 2016). For example, the researcher conducted semi-structured face-to-face interviews with open questions in order to privilege participants' views. He also gathered normative documents to analyse available logics. Additionally, the researcher's prior knowledge of the participants in their professional contexts helped build trust and developed open and honest communication. |
| <b>Transparency</b>  | The research process was documented to create an understanding of the procedure followed. Contributions and inputs from the supervisor were gathered at each stage. Notes were made of the initial telephonic and in-person conversations with the participants, and email communications were stored. Interviews and documents were stored electronically, and hardcopies were filled and are available for inquiry.   |
| <b>Methodic-ness</b> | Being attentive to methodological fit is important while conducting research (Lincoln, Lynham & Guba, 2011). That is maintaining coherence between the research questions, the researcher's ontological and epistemological position, and the decisions the researcher made throughout the process. This was an iterative process where decisions were often pondered in conversations with other researchers in order to check that consistence was maintained.  |

Source: Adapted from Yin (2015)

## 6.10 ETHICAL CONSIDERATIONS

This research complied with ethical codes throughout the research process: from sampling to participant recruitment, data analysis and writing of the thesis.

In addition, the study applied ethical consideration to the following aspects: participant recruitment, interviewees' informed consent to participate in the research, their rights to withdraw, participants' control over their information, and data storage. In addition, when interviewees or organisational documents mentioned information that was sensitively associated with certain individuals, the researcher replaced their personal identities with pseudonyms. All interview participants were informed at the outset about the need to sign a consent form, and the researcher ensured confidentiality of

organisational identities. Participants were also informed that they had an option to cease the interview whenever they wanted to.

Throughout the data collection process, no information was ever shared among the NGOs and interviewees. In order to comply with the Protection of Information Act of 1982 (RSA) (Republic of Namibia, 1982), all the data was converted into a digital version and stored on the researcher's password-protected laptop at his affiliation. After the thesis had been submitted, the data will be kept in a locked filing cabinet. Together, these approaches aim to maintain ethical standards and comply with the requirements of the Unisa's ethics committee of the College of Accounting Sciences.

Potential ethical risks to consider according to Salmons (2016) include some of the following:

**Table 6.6: Ethical risks addressed by the study**

| Ethical risks  | Study addressed   |
|--|---|
| Does the research involve observation or intrusion in situations where the subjects have a reasonable expectation of privacy?                          | Research involved only interviews and document analysis with limited intrusion, stimulating only the participants' views.   |
| Will the researcher be collecting sensitive information about individuals?   | This related to their role and position in the company. Adequate provisions for protecting the confidentiality of the data through coding and limiting access to the data were made.          |
| Is it clear to the participants that there is no penalty for withdrawing from the research?  | Yes, the participants retained the right to withdraw at any stage before the admission of the examination draft.  |
| Can the researcher protect the data and ensure that it is not used for purposes other than those to which the participants consented in the agreement? | Yes, in order to comply with the Namibian national records act, all the data was converted into a digital version and stored on the researcher' password-protected laptop at his affiliation. |

Source: Adapted from Salmons (2016)

## **6.11 CHAPTER SUMMARY**

The researcher decided to apply a qualitative research approach. The research was conducted in three phases.

Firstly, during document and content analysis phase, the researcher examined the current disclosures found in the annual reports of 13 sampled NGOs in Namibia.

Secondly, during the interview phase, the researcher established the logic that exists in institutional environments of the NGOs and how logic influences their accountability measurement. This entailed selecting 13 NGOs and 16 participants to be interviewed and analysing transcriptions following sound content and coding procedures.

Thirdly, the researcher developed an inclusive and effective accountability conceptual framework that complies with the key information needs of major NGO stakeholders with the purpose to facilitate the longer-term viability of NGOs in Namibia.

The next chapter of the thesis presents the research outcomes and processes emanating from the document analysis.

## **CHAPTER 7**

### **PRESENTATION AND ANALYSIS OF DATA: PHASE 1: DOCUMENT ANALYSIS**

#### **7.1 INTRODUCTION**

This chapter provides a presentation of the research findings derived from the document analysis. The data analysis was conducted based on the themes and concepts that were drawn from the literature and the themes that appeared from the raw data. Whereas the analysis of the data was influenced to some extent by the literature, care was taken to avoid force-fitting the data into a prior set of themes. This approach enabled the researcher to account for new themes and concepts as well as discarding those pre-determined themes that did not fit with the data. Such an approach permitted the recognition of the dynamic nature of empirical qualitative data, particularly in a case study setting.

The chapter is structured into four main sections. The first section comprises an overview of the approach to the presentation and analysis of data. The second covers data summaries and citation of data, while the third section responds to the research question through theme-ing. The final section concludes the chapter.

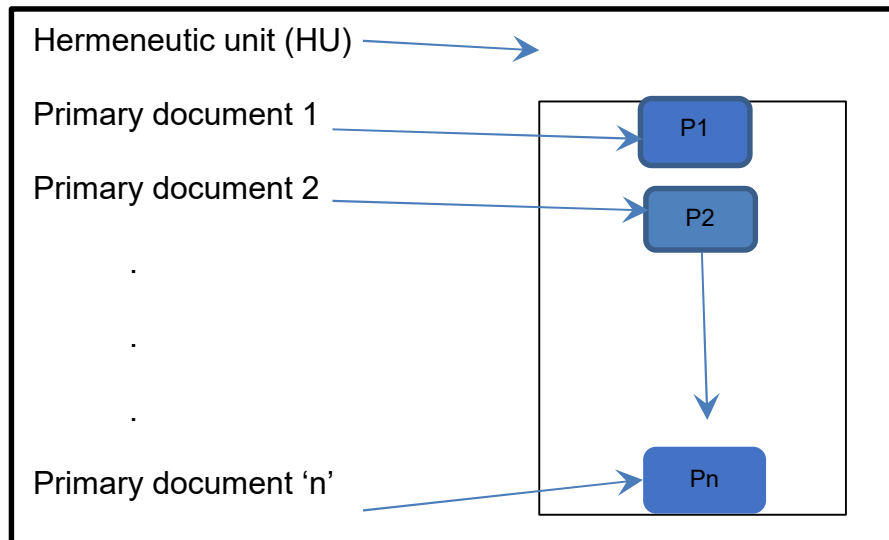
#### **7.2 OVERVIEW OF APPROACH TO PRESENTATION AND ANALYSIS OF DATA**

The researcher adopted Saldaña's (2016:14) model for the presentation of data in order to present the data analysis from coding to the advanced level of assertion required for the contribution to theory and the literature. The sub-sections that follow discuss the presented codes in what is shown as the researcher's anatomisations of Saldaña's (2016) model (Figure 7.5).

##### **7.2.1 Documents**

A total of 13 PDs (Primary Documents) in PDF format were uploaded and assigned a number automatically when loaded in the HU (Hermeneutic Unit). For instance, the first document loaded was numbered P1, the second, P2 .... and the last PD numbered P13, as displayed in Figure 7.1 below.





**Figure 7.1: Primary documents displayed in HU**

Source: Havenga (2008:34)

By clicking on the dropdown arrow of the PD in the HU, the loaded PDs are displayed and a specific PD number that is to be processed is chosen from the list to display the contents. For instance, when P1 was selected, the title of the document was displayed and enabled the researcher to commence the coding (see Figure 7.2 below).

---

**Code: Human capital (4-0)**

**P 1: CoHeNa FINAL JANUARY-DECEMBER 2018 (002).pdf - 1:2 [The organisation has a total o..] (8:14-8:178)**  
**(Super)**

Codes: [CoHeNa employs 91(66% female and 34%male)] [Human capital]

No memos

The organisation has a total of 91 (66% female and 34% male) staff of which 90 are nationals and 1 non-national. The Field Promoters make 79% of the staff members.

**Figure 7.2: Commencement of coding**

Source: Data analysis

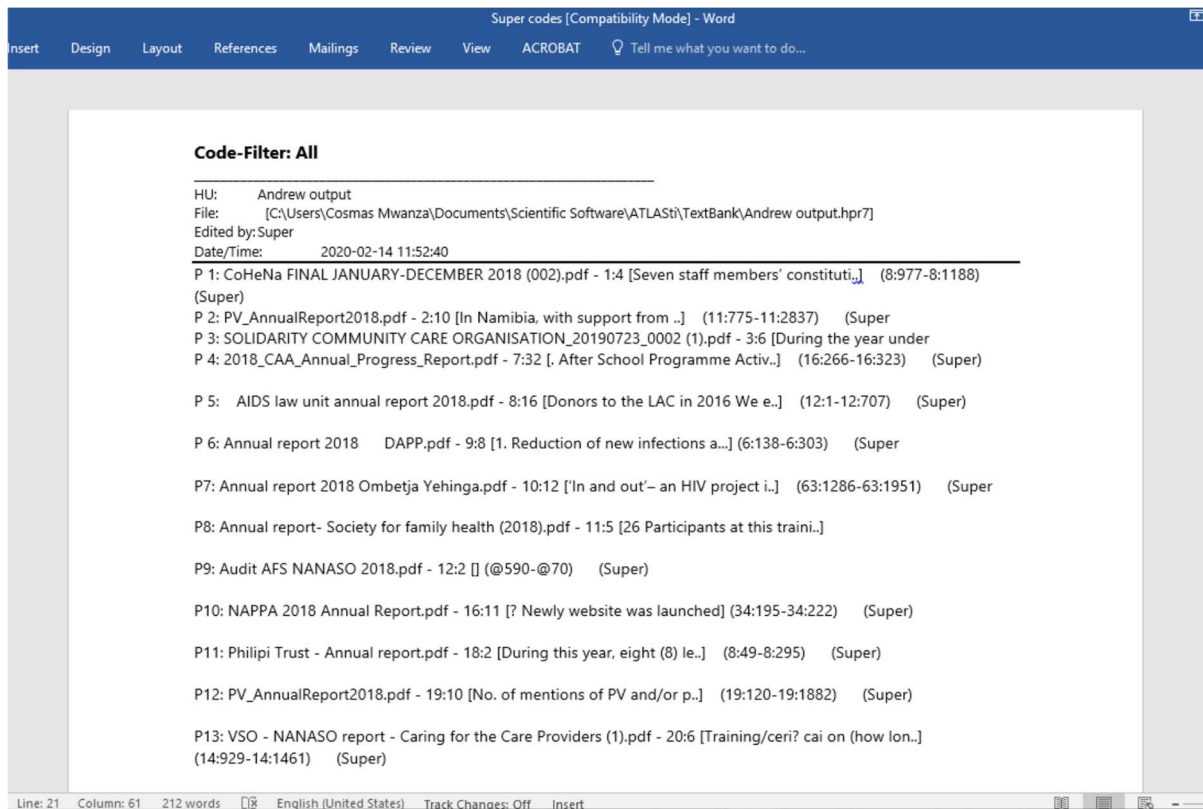
### 7.3 CODING SUMMARY

The reduction and analysis of data started after the uploading of the documents in ATLAS.ti. Data was classified involving breaking up data into bits and putting them together again, and identifying formal connections between them (Saldaña, 2016). That was the process of coding, which involved the procedure of associating code words with selected data (Freise, 2014). Freise further expands the meaning of coding to be the association between a quotation and a code. Furthermore, Saldaña (2016) notes that coding is a paramount part of analysis. It lays the foundation upon which meaningful interpretations are made. In this study, the researcher used coding to classify the large amount of textual information at his disposal. Freise (2014:187) suggests four coding procedures in ATLAS.ti, namely “open coding, *in vivo* coding, coding by list, and quick coding”, as explained under methodology in Chapter 6, subsection 6.7.2.

The researcher used open and *in vivo* coding for this study because it allowed small pieces of data to be considered in detail and enabled comparisons (Lewis, 2014). Strauss and Corbin (1998:218) define open coding as “the analytical process through which concepts are identified and their properties and dimensions are discovered in data”. The purpose of coding is to capture the “meaning of data” (Havenga, 2008:31).

#### 7.3.1 First-stage coding

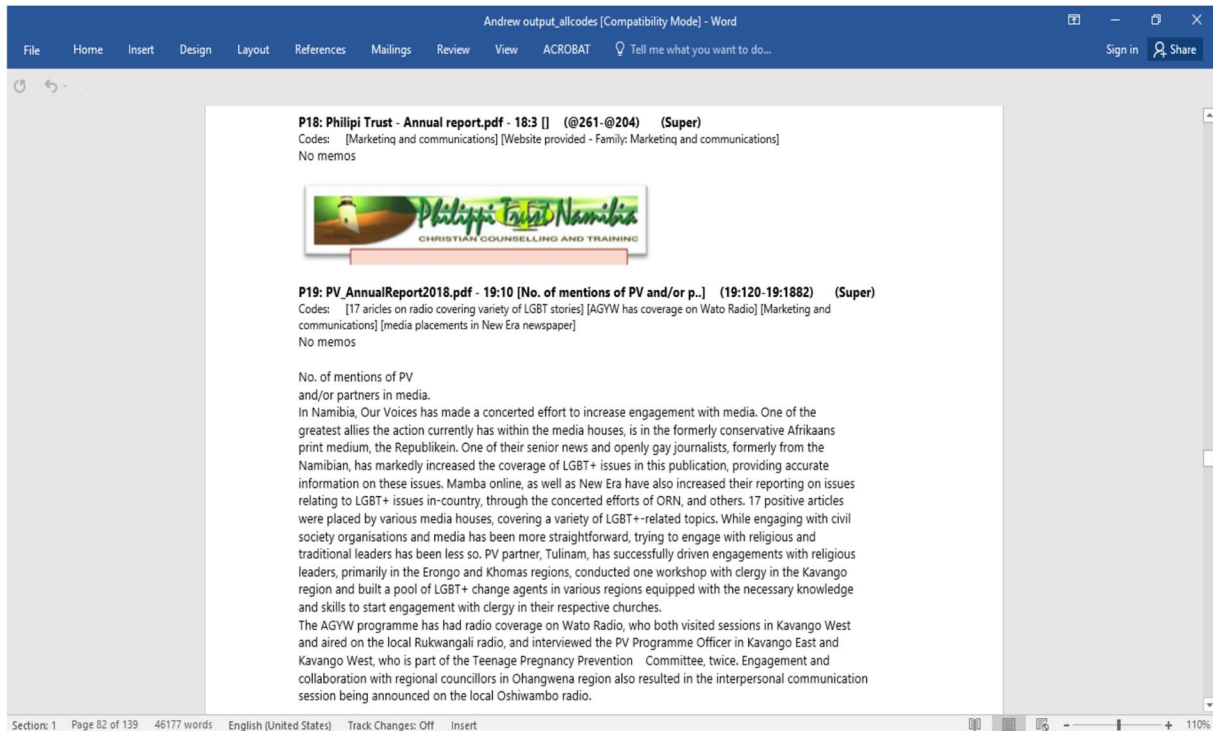
The researcher adopted Saldaña’s (2016) fashion of coding in stages. In the first stage, the coding started when each PD was opened and scrutinised to allow the thoughts, ideas and meanings it conveyed to open up to discover the concepts and to identify the various notable significant associations, which were emerging repeatedly from the texts. The codes representing each of the associations and selected segments of the text from each PD were assigned appropriate codes. Thus, the researcher was able to break down the text into distinct parts, to scrutinise the parts for similarities and differences, and to give it a name. Conceptually, similar items were grouped into categories, which were the most logical descriptors for what the text contained (Figure 7.2). This process was repeated for all thirteen PDs and eventually organised into super codes (see Figure 7.3). A super code is a clustered formula of other codes in ATLAS.ti.



**Figure 7.3: Super codes**

*Source: Data analysis*

The coding was done line by line, and any line of data that was of interest, significant or relevant was coded at this stage. Although some researchers consider “line-by-line coding” to be time-consuming (Strauss & Corbin, 1998:120), the researcher chose that fashion of coding (see Figure 7.4) because it was found to be thorough and reliable. “First-stage coding” is described as just indexing and an attempt to put together analytically fragments that are of interest to the researcher (Lewis, 2014:6).



**Figure 7.4: Line –by-line coding**

Source: Data analysis

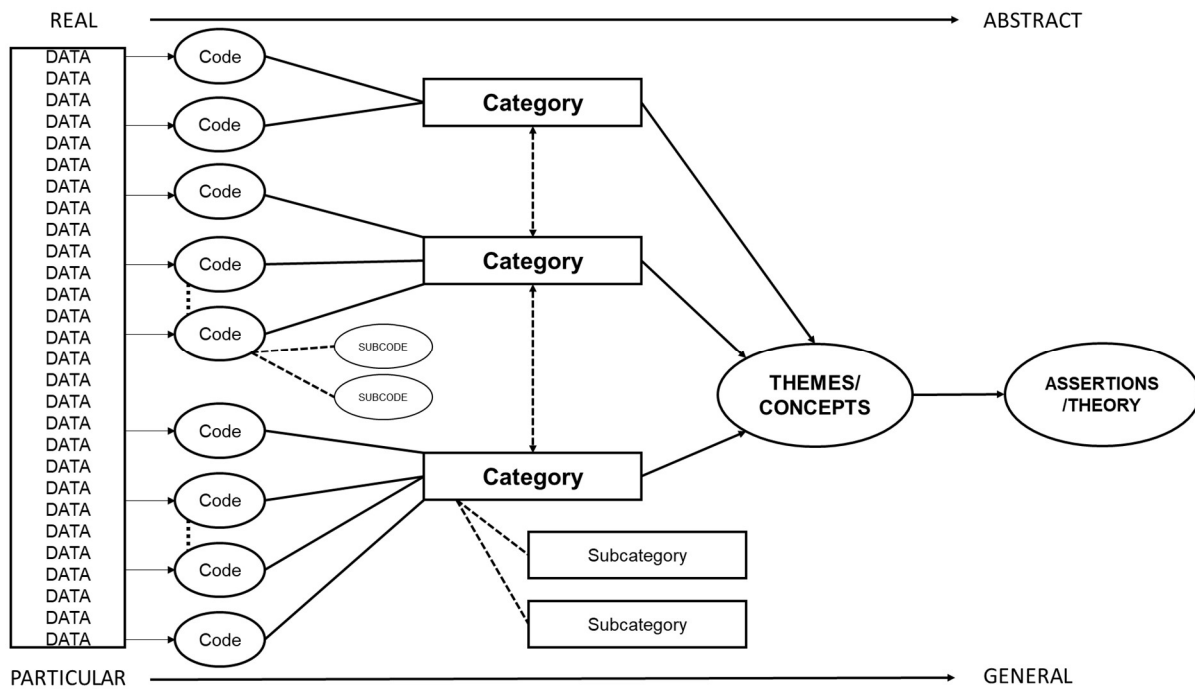
*In vivo* coding sections of texts were simply highlighted, and the *in vivo* window was clicked to activate the code. Although ATLAS.ti has restrictions regarding the maximum character length for *in vivo* coding, this did not create problems, as in this study, none of the *in vivo* codes exceeded this limit. Some codes became heavily used as the coding progressed and desired codes were dragged from the list in the code manager and dropped near the highlighted text establishing a connection between the highlighted text and the desired code. This concept- building facilitated the ground for the second and third coding.

### 7.3.2 Second-stage coding

The second cycle of coding extracted meaning through focussed coding, to develop themes and categories, driven by the accumulated reasoning to increasingly focused points and using the enabling role of ATLAS.ti to systematise and integrate coding (Sinkovics & Alfoldi, 2012). Codes were sorted into themes and then into categories and sub-categories and linked to the research question. The researcher first pre-coded the document data on Microsoft word documents (see annexure 4). The researcher coded utilising both ATLAS.ti and paper coding (Saldaña, 2016) in order to create a

coherent, transparent analysis unit, to systemise the data and for ease of iterations within the coding cycles (Freise, 2014). ATLAS.ti also enables ease in following Saldaña's (2016:14) logic. Codes were then refined, cross-checked and stabilised into a researcher's code book (Tracy et al., 2014). The diagram that follows (see Figure 7.5), presents the firmed-up cycle of coding that provided the basis for the onward analysis.

In order to give the reader a comprehensive overview of the flow of the analysis, Saldaña's (2016) layout was adopted under three separate headings, **data to codes**, **codes to themes** and **categories to themes**. Saldaña's (2016) model was slightly modified in that the researcher made the themes become the main headings in the discussion of the data (to contribute more strongly to the narrated interpretive flow and to give the reader a sense of the analysis that was reached at the composite level). While being the building blocks for the purposes of the presentation, categories are subsumed under the themes. For ease of reference, therefore, Figure 7.5 below trace this logic: the flow from code book to themes, with the categories shown as the sub-branches of the themes. The researcher's interpretation is, to a limited extent, altered from the way Saldaña (2016:14) presents the horizontal streamlined logic process. However, the researcher found this method preferable for the effective interpretation of the data for the purposes of presentation and analysis as summarised in Figure 7.5.



**Figure 7.5: A streamlined codes-to-theory model for qualitative inquiry**

Source: Saldaña (2016:14)

### 7.3.3 Data to codes

Following Sandelowski (2009), the source of data (annual reports) was quantitised; hence, substantiating evidence sources through rhetorical appeal of numbers, and their association with accuracy and rigour. Through quantitising the data, reduction and amplification of the data were possible as well as extracting meaning from the qualitative data (Sandelowski, 2009).

This also provided the number of codes derived from each source, reflective of the data and ultimately accounting for all the new data. This did not replace any qualitative integrity, but instead served to provide a thorough treatment of the data. Table 7.1 shows the breakdown of the codes that were extracted from the documents and interviews. For the purpose of integration, the codes for interviews are also shown in Table 7.1 and they are discussed more fully in Chapter 8.

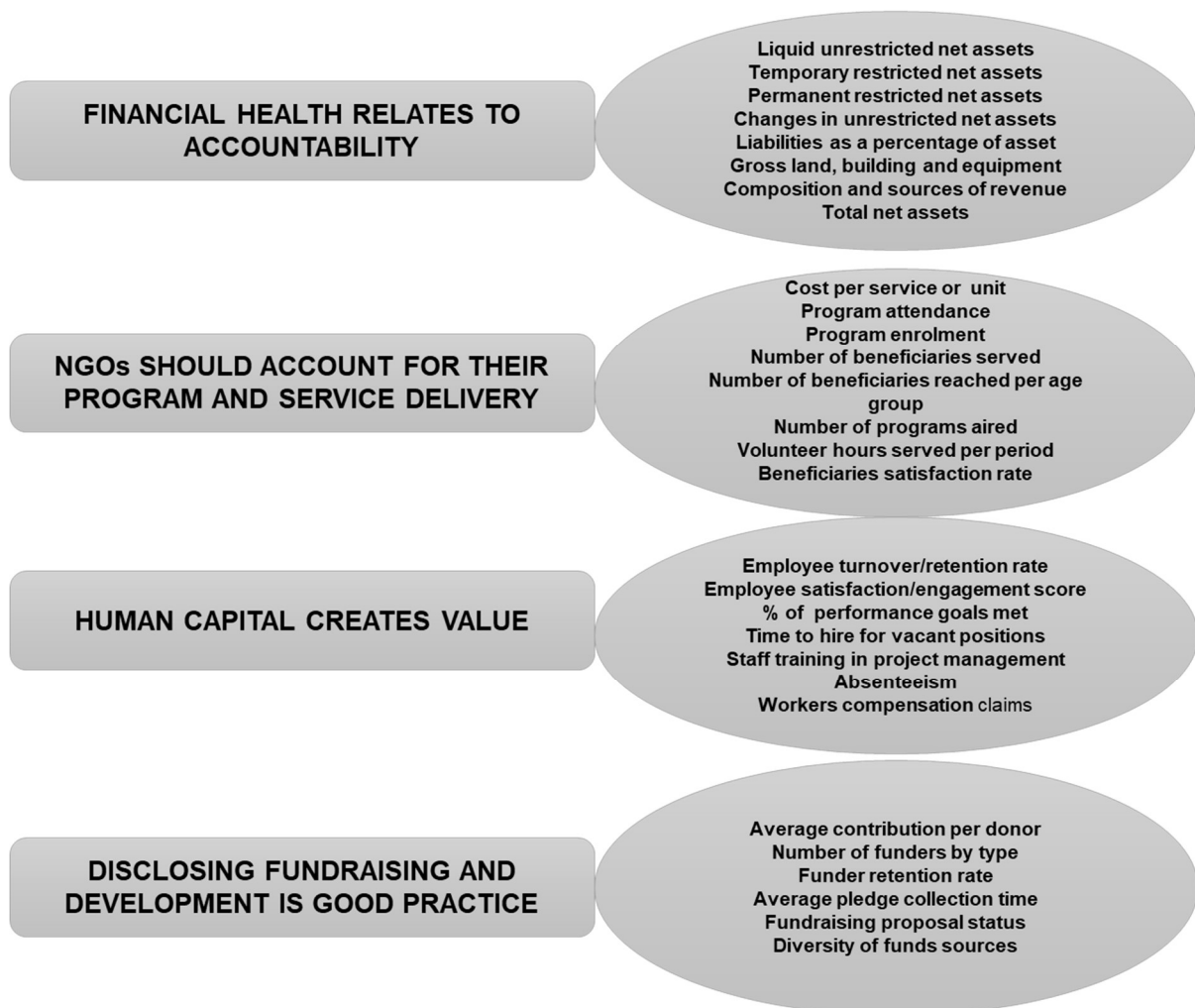
**Table 7.1: Data codes**

| Method of data gathering  | Documents  | Interviews |
|---|--|------------|
| <b>Total</b>  | <b>13</b>  | <b>16</b>  |
| <b>Number of codes</b>  | <b>28</b>  | <b>16</b>  |
| <ul style="list-style-type: none"> <li>• Budget and work plans</li> <li>• Budget versus expenditure</li> <li>• Burn rate</li> <li>• Cash flow statement</li> <li>• Donor retention rate</li> <li>• Financial health</li> <li>• Financial overview</li> <li>• Fund raising and development</li> <li>• Human capital</li> <li>• Income and expenditure</li> <li>• Liquid unrestricted net assets</li> <li>• Marketing and communication</li> <li>• Net asset composition</li> <li>• New website launched</li> <li>• Number of funders</li> <li>• Outreach advocacy</li> <li>• Performance reviews use the result-based management system</li> <li>• Programme and service delivery</li> <li>• Radio coverage</li> <li>• Risk management and governance</li> <li>• Statement of changes</li> <li>• Statement of comprehensive income</li> <li>• Statutory audit completed and signed by Board in June 2018</li> <li>• Statutory governance meetings held</li> <li>• Training 60 students in counselling</li> <li>• Training and advocacy</li> <li>• Workers' compensation</li> <li>• Workers' compensation claims</li> </ul> | <ul style="list-style-type: none"> <li>• Cash recording used for reporting</li> <li>• Harmonisation of reporting practices</li> <li>• Comparability of reports across countries</li> <li>• Mostly cash-based</li> <li>• Importance of feedback to beneficiaries</li> <li>• Inclusion of both financial and non-financial information</li> <li>• Annual reports based on IFRS</li> <li>• Comparability important for performance management</li> <li>• Non-financial information missing in annual reports</li> <li>• Basis of accruals or cash in reporting</li> <li>• Framework to apply to all sizes</li> <li>• Bigger NGOs use accruals</li> <li>• Accruals concept is used</li> <li>• Importance of feedback to beneficiaries</li> <li>• Accountable to beneficiaries</li> <li>• Accountable to target audience</li> </ul> |            |

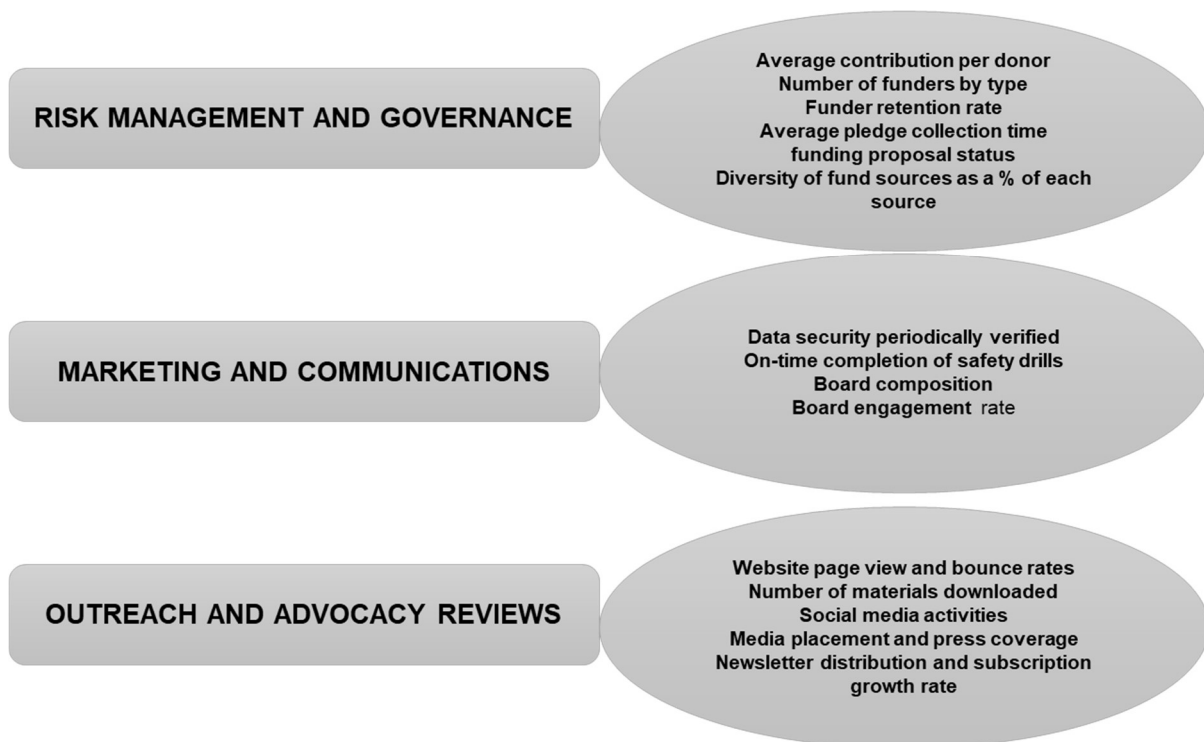
Source: Researcher's compilation

### 7.3.4 Themes to categories

By using iteration, immersion and absorption of the data, the researcher constructed seven key themes shown below (see 7.8.1 to 7.8.7). These themes shuttered between category codes and after condensing them into meaningful categories (see Figure 7.6), the researcher had a line of sight into the themes. This was not a clear-cut process but instead entailed a number of diagram exercises (see Annexure 5), clustering ideas and re-arranging and re-thinking of the logics and levels. These themes are discussed later in the chapter (see section 7.8).







**Figure 7.6:** *Presented as themes to categories, derived from iteration, immersion and absorption process*

Source: Researcher's compilation

#### **7.4 DATA SUMMARY AND CITATION OF DATA**

This section provides a summary of the data used in the presentation of the findings and explains how data were cited. In terms of the document analysis, the summary that follows (Table 7.2) presents the source of documents studied for document analysis. The full document review findings are presented in Tables 7.5 to 7.11.

**Table 7.2: Summary of documents reviewed**

| NGO and document number | Year ended | Type of report |
|-------------------------|------------|----------------|
| 1                       | 2018       | Annual report  |
| 2                       | 2018       | Annual report  |
| 3                       | 2018       | Annual report  |
| 4                       | 2018       | Annual report  |
| 5                       | 2018       | Annual report  |
| 6                       | 2018       | Annual report  |
| 7                       | 2018       | Annual report  |
| 8                       | 2018       | Annual report  |
| 9                       | 2018       | Annual report  |
| 10                      | 2018       | Annual report  |
| 11                      | 2018       | Annual report  |
| 12                      | 2018       | Annual report  |
| 13                      | 2018       | Annual report  |

Source: Researcher's compilation

## 7.5 CITATION CONVENTION WITHIN STUDY

In writing up the research findings, citations are made against the data using the conventions summarised in Table 7.3. However, it should be noted that the convention for interviews will be applicable in Chapter 8 when the researcher presents findings from interviews with stakeholders. The interviews are cross-referenced here (see Table 7.3) to show the integrations across methods of the first method (document analysis).

**Table 7.3: Citation conventions**

| Data source       | Citation convention   |
|-------------------|---|
| Document analysis | Unique document number D#   |
| Interviews        | The participant's number is used, for example, Participant 1, Participant 2 or Participant 3. This method aimed to respect the methodological audit trail.<br><br>When dealing with all interview data, the researcher refers to Participants 1-16. |

Source: Researcher's compilation

## 7.6 RESPONDING TO THE RESEARCH QUESTIONS

This section details how the data was analysed through themes that emerged.

### 7.6.1 Interpretation through theming the categorised data (higher-level analysis)

The analysis of the data was carried out on the foundation of the distinct NGO context as described in Chapter 2. The researcher deliberated on all coded data searching for noticeable trends and patterns. During the review process, the researcher had to read the data repeatedly with the intention of ascertaining the types of relationships in existence between other data as well as within the data that had been coded. It is noted that, after the second cycle of coding in ATLAS.ti, the researcher changed some of the codes, based on the review of the codes and quotes after a holistic view. A further cycle of coding was driven by a paper-based manual analysis (Friese, 2014).

As the researcher developed each theme, sense was made of the data and it was presented in a consistent way. The researcher worked through the progressive stages from coding cycles to category cycles to theming cycles. This represented a developing focus on the data as well as a data consolidation and sense-making strategy (Sinkovics & Alfoldi, 2012). The researcher considered the changes that arose from the cycles through sense-making as progressive (Jarzabkowski & Spee, 2017). Through continuous reading of the literature, it was found that the process of data reduction and conclusion, and confirmatory corroboration (Miles & Huberman, 1994) were facilitated across themes. This meant that the researcher could always use the data and refine, focus or adjust the theme when necessary.

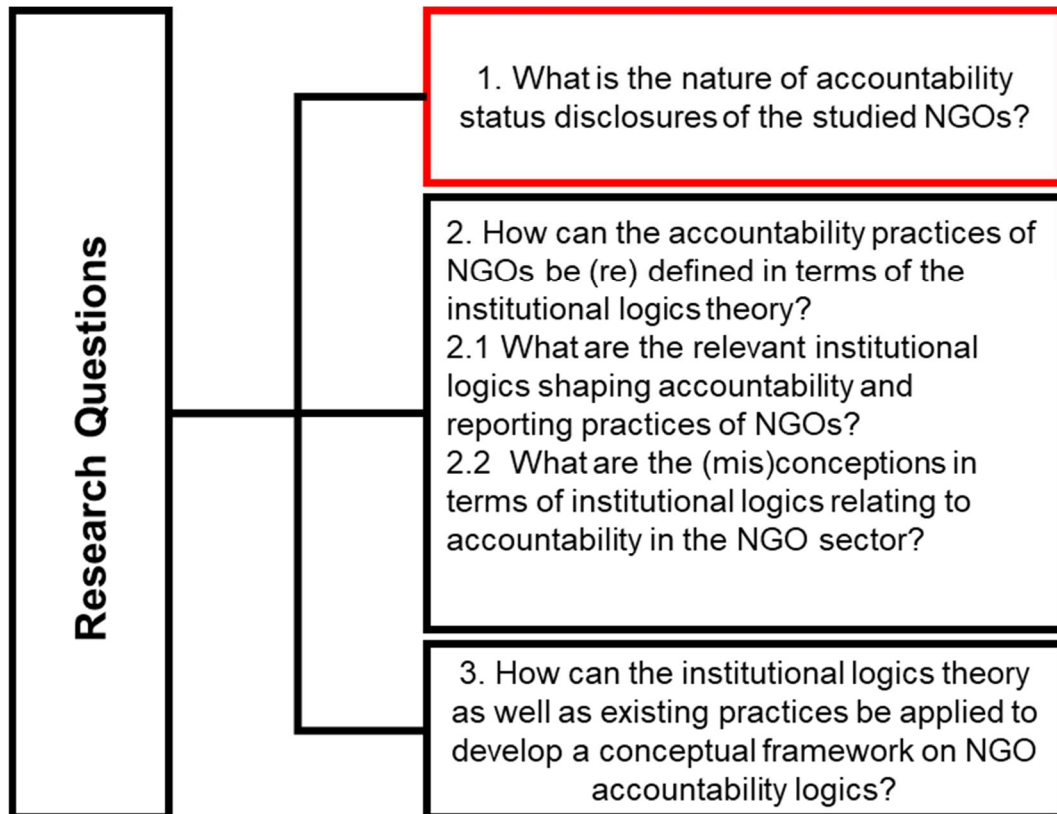
Moreover, the documents and interviews (Chapter 8) were read and analysed by making use of an independent co-coder. The co-coder was not involved in reviewing and evaluation of the literature on which this study is built before the commencement of the coding. Moreover, the codes identified through the inductive approach of the independent co-coder were also not determined by profound theoretical insights into the topic nor did they correspond to any pre-existing coding ensemble. The researcher and the independent co-coder worked together and qualitatively corroborated on the codes and findings (Barbour, 2001). The independent coder presented his interpretations and analysis in tabular form, highlighting codes, quotes and explanations. The researcher then considered the data and reciprocated with codes found to be different to the independent co-coder's explanations of codes. The co-coder then agreed to change the codes or provided different codes and ideas to the researcher for consideration. The researcher found that some codes were similar but worded and interpreted differently by the coder. The researcher considered comments made by the coder throughout the analysis. This process was consistent with Barbour's (2001) advice that multiple coding should not be a technical exercise but, instead, should make sense. The co-coder was involved in coding both documents and interviews. The co-coder contributed to improved methodological norms but was not involved in the interpretation and theorising levels of the study. The advanced interpretation of the findings is based on researcher's analysis of the themes that prevailed in the document analysis and interviews, interwoven into the literature for meaning-making.

## **7.7 RECAPPING THE RESEARCH QUESTIONS**

The research questions of the study are reviewed in Figure 7.7 below.

### **7.7.1 Research questions**

All through the study, the researcher delineated the research questions as per Figure 7.7 below.



**Figure 7.7: Research questions**

*Source: Researcher's own compilation.*

The first research question reflected in Chapter 1 (see sub-section 1.3.1) was aimed at postulating the Namibian NGO accountability context by analysing the annual reports of NGOs in terms of accountability measures. The aim of the document analysis was thus to highlight accountability deficiencies in NGOs as a starting point, with the other research questions and related theory (institutional logics) fully covered in chapter 8.

In responding to this research question, the major goal of the document analysis was to assume the kind of accountability information contained in the annual reports of NGOs.

The methodology informed that the study follows a qualitative approach. Qualitative research does not provide definitive test-able criteria, but instead explores patterns or themes that suggest sensitising concepts (Tracy et al., 2014). These concepts serve

as “jumping-off points” that advance the data towards a “snap-shot” of qualitative information contained within a specific setting and context (Tracy et al., 2014:28).

In this chapter, seven themes (see Figure 7.6) provided the sensitising concepts, which became the “jumping-off points” towards building the conceptual framework for accountability for NGOs in Namibia.

Therefore, the details of the pragmatic findings are laid out and each theme is signalled (Theme 1-7) at an aggregate level to demonstrate the core of analytical thinking. The categories comprising the themes are also shown in tables (Tables 7.5 to 7.11) and informed the narrative discussions.

## **7.8 RESPONDING TO THE RESEARCH QUESTION THROUGH THEME-ING**

Seven themes are discussed in this section starting with theme 1.

### **7.8.1 Theme 1: Financial health relates to accountability**

Following this adapted construction of the model (Saldaña 2016:14), the first theme (Figure 7.5) set out to determine the financial health disclosures in the annual reports of selected NGOs. Financial health disclosures relate to accountability because these disclosures help NGOs to understand whether the financial resources are sufficient and flexible enough to support their mission. According to the preliminary conceptual framework, through the adaptive accountability mechanism, the integrated approach of reporting by NGOs should cover the mission dimension, which is supported by sound financial management. Financial health disclosures help to uphold financial management principles. For example, the liquid unrestricted net asset ratio measures the portion of unrestricted net assets that could be converted to cash for purposes such as supplying working capital, guarding against downturns and pursuing new opportunities (ACCA, 2019). The operating-surplus ratio also help NGOs understand whether the financial resources are sufficient and flexible enough to support their mission by comparing expendable net assets to total assets (ACCA, 2019).

For each of the categories discussed, the researcher presents an overall tabulated summary. This tabulated summary provides the basis for the researcher’s main finding about that category. The researcher also sampled specific annual reports and provides additional and complementary data as examples of how the financial health categories

were analysed in ATLAS.ti. Network views (see Annexure 5) demonstrate that there was coding and qualitative analysis (using network views) of specific exemplars for the sake of demonstrating a methodological audit trail and the richness of the data.

Based on the empirical data and literature, the financial health theme will be aggregated through nine categories. The categories are first listed and briefly discussed and then a composite summary of each theme is presented. It should be noted that the categories in the tables are discussed holistically because of the preliminary conceptual framework and/or literatures and the objective, which these data serve.

In the tables used for analysis, the headings, **fully disclosed**, **not disclosed** and **abstrusely disclosed** are used and their application is summarised in Table 7.4 below.

**Table 7.4: Guidelines on application of the data analysis (content analysis)**

|                            |  |
|----------------------------|--|
| Fully disclosed means      | If the required information is disclosed under its category in a paragraph, a few paragraphs or a full page and this information contains all the required information, that category item is marked <b>Yes</b>  |
| Not disclosed means        | If there is no disclosure at all of the minimum required information, the item is marked <b>No</b>   |
| Abstrusely disclosed means | If the minimum required information is disclosed, however, this information is not disclosed separately under its category and it is not disclosed in detail. i.e. appears in one sentence that does not give adequate details, the item is marked <b>Abstrusely</b> |

Source: Adapted from Moloji (2014:685)

In order to analyse the financial health of NGOs, the content analysis of the annual reports was focussed on nine categories as indicated in Table 7.5:

- liquid unrestricted net assets;
- change in unrestricted net assets before and after depreciation;
- change in restricted net assets as a percentage of expenses;
- temporary restricted net assets;
- permanent restricted net assets;
- liabilities as a percentage of net assets;
- total net assets;

- gross land, building and equipment; and
- composition and sources of revenue

**Table 7.5: Theme 1 categories**

|   | Categories   | Fully disclosed | Not disclosed | Abstrusely disclosed | Total |
|---|--|-----------------|---------------|----------------------|-------|
| 1 | Liquid unrestricted net assets                                   | 2               | 11            | 0                    | 13    |
| 2 | Changes in unrestricted net assets before and after depreciation | 2               | 9             | 2                    | 13    |
| 3 | Changes in restricted net assets as a % of expenses              | 0               | 13            | 0                    | 13    |
| 4 | Temporary restricted net assets                                  | 3               | 10            | 0                    | 13    |
| 5 | Permanent restricted net assets                                  | 0               | 13            | 0                    | 13    |
| 6 | Liabilities as % of assets                                       | 3               | 10            | 0                    | 13    |
| 7 | Total net assets   | 13              | 0             | 0                    | 13    |
| 8 | Gross land, buildings and equipment                              | 13              | 0             | 0                    | 13    |
| 9 | Composition and sources of revenue                               | 0               |               | 13                   | 13    |

Source: Research results

Table 7.5 shows the categories and disclosed information (number 1 to 9) relating to the general financial health of the sampled NGOs. On the disclosure of liquid unrestricted net assets and changes in unrestricted net assets, assessed information revealed that only two of the 13 sampled NGOs fully disclosed this recommended information. Additionally, disclosure of information relating to temporary and permanent net assets was concerning. For example, of the 13 assessed annual reports none of the NGOs fully disclosed the sources and breakdown of their revenue, although this is a crucial indicator of a financially healthy organisation.

In terms of accountability requirements, an entity shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Sufficient information shall be disclosed to understand the



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relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment (Kopescharr et al., 2019: 349).

Among the 13 NGOs, NGO 5 was able to highlight reasonable financial health information. Some of its disclosures were found in the income and expenditure report, statement of comprehensive income and statement of changes in equity. The annual report of NGO 11 (D 11) was able to show the net assets composition, which is a crucial indicator in financial health. Of concern, however, was the fact that NGO 5 did not disclose the change in unrestricted net assets as a percentage of expenses. Additionally, narrative explanation of how the funds were used was missing in its annual report.

Specific examples of research results (see for instance Tracy et al., 2014) used to supplement this main data summary are depicted in Annexure 5 and some quotations extracted from the analysed annual reports of some of the sampled NGOs are cited below.

Some examples of financial health disclosures in the annual report of NGO 3 (D1) are as follows:

Out of the expected budget, the organisation received N\$21,549,237.98 which was 99%. The burn rate was very high as the organisation managed to use N\$20,828,563.45, which is 97% of the received funds and 95% of the budget.

Monthly implementation plans were reviewed and advised according to funds available. Quarterly meetings were held to discuss funding and implementation, and this ensured good budgeting by the regions resulting in high burn rate. Reprogramming was done as needs were identified (D1, page 35).

### ***7.8.1.1 Composite discussion of theme 1: Financial health relates to accountability (made up from the nine categories listed in Table 7.5)***

Additionally, the disclosure of financial information is important as a mechanism for both funder and beneficiary accountability. For funders, this information is for monitoring whether the NGOs are in line with their mission while beneficiaries need “financial information for NGO transparency and for raising a sense of mutual trust” (Dewi, Manochin & Belal, 2019:1).

In the analysis, we also see that annual reports included in the study highlight the importance of financial indicators. Mostly gross and net assets are highlighted as important in all the annual reports sampled. However, it should be noted that the reports that disclose financial indicators thoroughly are very few. The reports show that the disclosures are guided by international accounting standards. In addition, these few NGOs provided non-financial information and narratives that explained the quantitative figures that were found in annual reports. Most of the NGO reports consisted of scanty information on financial health. Usually, the majority of reports are in quantitative formats as specified by each funder. With each funder requiring a different balance and type of information from other funders, NGOs that have multiple funders need to provide a variety of different upward accounts, which is quite challenging. The preliminary conceptual framework proposed that NGOs should at least produce reports that show how the financial resources have been used by the NGOs, and a separation between restricted and non-restricted assets is highly encouraged (Rossouw, 2006).

In answering the research question, most of the NGOs did not fully disclose most of the financial health indicators apart from information on net and gross assets, which was purely financial information (Agyemang et al., 2017). This finding agrees with the results of some other studies, which have suggested that NGOs are preoccupied with satisfying the accountability requirements of institutional funders and regulators (McDonnell & Rutherford, 2019; Uddin & Belal, 2019). As a result, their financial reports consist of predetermined budget templates and work plans only (Agyemang, Awumbila & O'Dwyer, 2009; O'Dwyer & Unerman, 2010:481). From both the main findings and the specific exemplar findings, the summative theme for these categories was that net assets and gross land, buildings and equipment showed more groundedness. Groundedness pertains to the number of quotations attached to a code (Freise, 2014). Additionally, non-financial information was missing from the sampled annual reports. The conceptual framework for financial reporting emphasised the need for organisations to present all information (financial and non-financial) necessary for a user to “understand what is being depicted in the annual reports, including all necessary narratives and explanations” (IFRS, 2013:34).

### 7.8.2 Theme 2: NGOs should account for their programme and service delivery

Programme and service delivery disclosures allow NGOs to specify their mechanisms on how to measure the effectiveness of their programmes concerning their stated mission and objectives (Coule, 2015). Currently, NGOs in Southern Africa, which are sponsored by the United States Aid for International Development (USAID), use the LFA to monitor and evaluate their programme effectiveness (DFID, 2011; USAID 2012). In line with theme 2, eight categories as shown in table 7.6 were identified, namely:

- number of beneficiaries served;
- number of beneficiaries reached per group;
- number of radio programmes aired;
- beneficiaries' satisfaction rate;
- volunteer hours served per period;
- programme attendance;
- programme enrolment; and
- cost per service or unit.

**Table 7.6: Theme 2 categories**

|   | Categories                                    | Fully disclosed | Not disclosed | Abstrusely disclosed | Total |
|---|---|-----------------|---------------|----------------------|-------|
| 1 | Number of beneficiaries served                | 0               | 8             | 5                    | 13    |
| 2 | Number of beneficiaries reached per age group | 3               | 8             | 2                    | 13    |
| 3 | Number of radio programmes aired              | 1               | 12            | 0                    | 13    |
| 4 | Beneficiaries' satisfaction rate              | 0               | 13            | 0                    | 13    |
| 5 | Volunteer hours served per period             | 0               | 13            | 0                    | 13    |
| 6 | Programme attendance                          | 0               | 13            | 0                    | 13    |
| 7 | Programme enrolments                          | 0               | 13            | 0                    | 13    |
| 8 | Cost per service or unit                      | 0               | 13            | 0                    | 13    |

Source: Research results

Table 7.6 shows the categories and disclosed information (number 1 to 8) relating to the programme and service delivery disclosures found in the annual reports of sampled NGOs. Out of the 13 NGOs, only three (NGO 1, 11 and 12) managed to fully disclose the information on the number of beneficiaries reached per age group while two (NGO 4 and NGO 10) were only able to abstrusely disclose the required information. None of the NGOs were able to disclose the number of beneficiaries served, beneficiary satisfaction rate, programme attendance and enrolments, cost per service unit and volunteer hours served per period. The missing information in the annual reports is important as it guides the stakeholders, such as donors, who need to know whether interventions and resources applied reach the intended beneficiaries.

NGO 11 reported in its annual report (D11) as follows:

- 434 AGYW [Adolescent Girls and Young Women] were tested for HIV and received their results – 22 tested positive and have been linked successfully to care and treatment;
- 67 AGYW received SRH (Sexual and Reproductive Health) services, including contraceptive;
- 60 teen clubs with a total of 1 800 adolescent girls were established in schools;
- 16 ALHIV (Adolescents Living with HIV) clubs have been established in the following regions: Zambezi, Kavango East, Omaheke Omusati and Kunene region;
- 6 258 out of school girls were reached with SRH sessions; and
- 447 young women from tertiary education were reached with SRH sessions (D 11, page 30).

The annual report of NGO 9 (D9) disclosed some vital information on a few of the elements of programme and service delivery which NGOs are required to disclose in their annual reports. The NGO reported that:

This programme focus area has prioritised the recruitment and enrolment of HIV positive children, PLHIV (People Living with HIV) and vulnerable household members across the three regions of implementation. The main outcome indicator for this programme is the retention of the registered beneficiaries in the continuum of care, treatment and support services.

The service package provided to the registered beneficiaries is HIV prevention

education health education, nutritional screening and support, TB screening, spiritual and emotional support, ART (Antiretroviral Therapy) treatment adherence counselling. Linkages to other relevant service provider for social and vulnerability grant (D9, page 26).

The NGO further disclosed that for the period under review, a total number of 4 639 beneficiaries were reached through this programme area.

**7.8.2.1 Composite discussion of theme 2: (NGOs should account for their programme and service delivery made up from the eight categories listed in Table 7.6)**

In terms of the programme and service delivery indicators, the theme adopted by few NGOs reflected a large sense of commitment in disclosing their programme and service delivery in line with the requirements of the GRI. Their annual reports indicate how they have served the communities through different programmes and the number of beneficiaries categorised into age and location. However, annual reports from most participating NGOs did not have any narrative information as to how they have delivered to the communities. They also did not provide any information that stipulated who their beneficiaries were. The preliminary conceptual framework suggested the need for downward accountability to all stakeholders, including disadvantaged ones, such as the beneficiaries. It is widely recognised that NGOs are most effective when they are accountable to the people they aim to help. This means explaining their work to local people and involving local people in making decisions about their activities (known as participation) (Yasmin & Ghafran, 2019).

In answering the research question, it seemed most of the NGOs did not disclose the required information under the programme and service delivery category. Those NGOs that attempted to provide some disclosures did not fully disclose all as per the guidelines of the King IV report or the GRI. This finding agrees with the results of some prior studies, which have indicated that NGOs were asked to disclose their system for programme monitoring and evaluation, as well as how they measured programme effectiveness (see GRI, 2014; Ebrahim, 2010). NGOs also had to identify how the findings from programme monitoring and evaluation endeavours contributed to the internal learning activities, such as the inclusion of the monitoring and evaluation outcomes in programmes for staff training. Instances of adjustments to policy and

programmes and communication because of monitoring, evaluation and learning should also be disclosed (GRI, 2014).

### **7.8.3 Theme 3: Human capital creates value**

Adopting human capital reporting increases accountability and presents a more transparent and coherent picture for stakeholders on the health of an organisation (Mook, 2014). Having an accurate picture can also lead to the competitive advantage by unlocking the full potential of employees (International Integrated Reporting Council [IIRC], 2012).

From the human capital disclosures, the number, age, gender and range of new employee hires of the organisation can indicate the strategy of the organisation and its ability to attract diversely qualified employees. This information can signify the efforts made by the organisation to implement inclusive recruitment practices based on age and gender, and the optimal use of available labour and talent in different regions.

A high rate of employee turnover could indicate levels of uncertainty and dissatisfaction among employees or may signal a fundamental change in the structure of the organisation's core operations (Busuioc & Lodge, 2017). An uneven pattern of turnover by age or gender could indicate incompatibility or potential inequity in the workplace (Busuioc & Lodge 2017). Employee turnover results in changes to the human and intellectual capital of the organisation and could affect productivity. Employee turnover has direct cost implications in terms of either reduced payroll or greater expenses for recruitment of workers (GRI, 2014).

To determine the human capital disclosures in the annual reports, the sampled NGOs reports were analysed according to the coding procedures discussed earlier (see 7.4.1.) From the human capital theme, seven categories were identified, namely:

- employee turnover or retention rate;
- employee satisfaction or engagement score;
- percentage of performance goals;
- time taken to hire for vacant positions;
- staff training in project management;
- absenteeism; and
- workers' compensation claims.

The findings were then computed and are summarised in Table 7.7 below.

**Table 7.7: Theme 3 categories**

|   | Categories                                | Fully disclosed | Not disclosed | Abstrusely disclosed | Total |
|---|---|-----------------|---------------|----------------------|-------|
| 1 | Employee turnover or retention rate       | 3               | 10            | 0                    | 13    |
| 2 | Employee satisfaction or engagement score | 0               | 13            | 0                    | 13    |
| 3 | Percentage of performance goals met       | 3               | 10            | 0                    | 13    |
| 4 | Time to hire for vacant positions         | 0               | 13            | 0                    | 13    |
| 5 | Staff training in project management      | 3               | 10            | 0                    | 13    |
| 6 | Absenteeism                               | 0               | 13            | 0                    | 13    |
| 7 | Workers' compensation claims              | 0               | 13            | 0                    | 13    |

Source: Research results

Table 7.7 shows the categories and disclosed information (number 1 to 7) relating to the human capital disclosures found in the annual reports of sampled NGOs. Of the sampled NGOs, 30% fully disclosed information on employee turnover, staff training in project management and percentage of performance goals met. However, these NGOs did not highlight the employee satisfaction score, time to hire vacant positions and absenteeism. None of the 13 NGOs made full disclosures on all seven elements of the human capital disclosure family.

Some of the NGO's human capital disclosures in the annual report read as follows:

Human resource management was primarily concerned with the management of people within ... focusing on the integrated use of systems, policies, and management practices to plan for necessary staff, and to recruit, train, maintain, and develop employees as well as rewarding them whenever funds permit so that the organisation can fulfil its desired mission (D1, page 7).

[H]as always done performance appraisals for staff development purposes as this creates an opportunity to identify training needs for individual staff members. All staff members were appraised during the period under review. Identified training needs were addressed during M&E (Monitoring and Evaluation) meetings; refresher training workshops and supervisory visits (D1, page 10).

Similarly, NGO 11 disclosed human capital information in its annual report (D11) as indicated below:

60 community facilitators were trained as Training of Trainers in SRH and HIV prevention.

26 participants at this training include Programme Officers from the Society for Family Health, Community Health Facilitators and health providers from the Ministry of Health and Social Services from Omaheke, Zambezi, Kavango East and West, Omusati and Kunene region.

The overall objective of the training was to equip participants with skills on how to build positive relationships with children and adolescents using various communication skills; and to enable them to provide a supportive and user-friendly, client- oriented service which respect the privacy of parents and their children including adolescents living with HIV (D11, page 16).

In relation to human capital reporting, only a few NGOs positioned their annual reports as reflecting their commitment to human capital disclosures. Their view was that the maintenance as well as the improvement of human capital, specifically via training aimed at expanding the knowledge base of employees was a significant aspect in organisational growth. These few NGOs believed that the human capital disclosures provided insights into the scale of investment of the organisation in this area and the degree in which the investment was made across the entire employee base. The reports of the participating NGOs mentioned training staff members in project management as crucial as training contributes to the motivation for improvements at both personal and organisational level.

However, the annual reports produced by many NGOs did not or in some instances, abstrusely disclosed human capital information. The theme adopted by the majority of the sampled NGOs in their annual reports was to disclose barely the number of employees that were working for the NGO and their positions.

**7.8.3.1 *Composite discussion of theme 3: (Human capital creates value made up from the seven categories listed in Table 7.7)***

Based on the evidence provided, the summative theme for the human capital categories was that insufficient information on human capital is disclosed in annual



reports of NGOs. However, there is no information in the annual reports about volunteer activities in NGOs. Presently, financial reports fall short of showing the accountability of an NGO for the reliance on and use of volunteers. Even though the influence of volunteer services produces a remarkable aggregate of importance for NGOs, annual reports are not reporting the extent of their dependence on volunteer efforts (Ryan et al., 2014). GRI (2014) also suggests that NGOs should identify the different categories of volunteers by frequency (e.g., full-time, part-time, occasionally mobilised) and function (e.g., campaign or supporting regular operational procedures).

#### **7.8.4 Theme 4: Disclosing fundraising and development is good practice**

NGOs receive funds from different sources. It is important to demonstrate that such monies originate from genuine bases, and that the funders will not jeopardise in any way the independence of the firm involved.

To analyse the fundraising and development disclosures, six categories were identified, namely:

- average contributions per donor;
- number of funders by type;
- donor retention rate;
- average pledge collection time;
- fundraising proposal status; and
- diversity of funds sources.

The analysis was based on the coding procedures discussed earlier (see 7.4.1). The results were then computed and summarised in Table 7.8 below.

**Table 7.8: Theme 4 categories**

|   | Categories   | Fully disclosed | Not disclosed | Abstrusely disclosed | Total |
|---|--|-----------------|---------------|----------------------|-------|
| 1 | Average contribution per donor   | 5               | 8             | 0                    | 13    |
| 2 | Number of funders by type  | 0               | 8             | 5                    | 13    |
| 3 | Donor retention rate   | 0               | 13            | 0                    | 13    |
| 4 | Average pledge collection time   | 0               | 13            | 0                    | 13    |
| 5 | Funding proposal status (% awarded, submitted, and pending submission) | 0               | 13            | 0                    | 13    |
| 6 | Diversity of fund sources (% of total for each type)                   | 0               | 13            | 0                    | 13    |

Source: Research results

Table 7.8 shows the categories and disclosed information (number 1 to 6) relating to the fundraising and development disclosures found in the annual reports of sampled NGOs. Five of the 13 sampled NGOs fully disclosed the average amount of contribution per funder while the number of funders by type was abstrusely disclosed by five NGOs. None of the sampled NGOs indicated donor retention rate, average pledge collection time, funding proposal status and the diversity of fund sources.

In answering the research question (see 7.5.1) and based on the results displayed in Table 7.8 above, it appears that most of the NGOs sampled did not disclose the recommended information, which is vital to stakeholders' decision-making. As mentioned earlier (see 7.6.4 it is important to know the sources of funds for the NGOs in order to ensure that all the funds come from legal and genuine sources.

The fundraising for NGO 11 was associated with Global Fund as its main donor, while the fundraising component of NGO 1 was associated with several donors such as the Embassy of Finland and the United Nations Development Programme (UNDP).

NGOs that attempted to include the fundraising and development disclosures in their annual reports for example, stated:

NGO 1 was 100% dependant on Global Fund grant in 2017. The last grant budget covering period July 2016 to December 2017 was N\$21 816 237.28 distributed as displayed by tables and figures (D1, page 36).

NGO 11 is indebted to various actors for the 2017 achievements. We appreciate technical and the financial support from US government through the President's Emergency Plan For AIDS Relief (PEPFAR) United State Aid for International Development (USAID) US department of defence (DOD) (D11, page 3).

**7.8.4.1 Composite discussion of theme 4: Disclosing fundraising and development is good practice (made up from the six categories listed in Table 7.8)**

From both the main findings (see table 7.8) and the specific findings (see Annexure 5), the summative theme for the six categories showed that NGOs did not list the sources of funds by category. This finding agreed with the results of previous studies, which had noted this missing information in annual reports of NGOs (Cordery, Crawford et al., 2019; Werekoh, 2014).

In order to uphold legitimacy, NGOs are required to pinpoint the sources of financial backing by category, for instance, government sources, private and in-kind donations should be reported separately. Besides, NGOs are also required to distinguish the five biggest funders in financial worth, and where in-kind contributions are involved, the estimates of the monetary value of the donations should be reported (GRI, 2014:27-28).

With regard to fundraising and development, the theme reflected in the annual reports of sampled NGOs suggests that fundraising and development are crucial to NGOs. Five annual reports (D1, D4, D9, D11 & D12) reflected this information, and we see that this time, a good number of NGOs managed to disclose the required information. However, it must be observed that this information was still abstrusely revealed in most annual reports. Important disclosures, such as donor retention rate, average pledge collection period, funding proposal status and diversity of funding sources, were missing from all annual reports that were included in this study.

**7.8.5 Theme 5: Risk management and governance in the NGOs**

To determine governance disclosures, some of the categories used were:

- data security systems periodically verified;
- on-time completion of safety drills or other relevant practices
- board composition (e.g. skill sets and represented groups)

- board engagement rate (number of activities or period required); and

The results are summarised in Table 7.9 below.

**Table 7.9: Theme 5 categories**

|   | Categories  | Fully disclosed | Not disclosed | Abstrusely disclosed | Total |
|---|---|-----------------|---------------|----------------------|-------|
| 1 | Data security system periodically verified                      | 0               | 13            | 0                    | 13    |
| 2 | On-time completion of safety drills or other relevant practices | 0               | 13            | 0                    | 13    |
| 3 | Board composition (e.g. skill sets and represented groups)      | 3               | 10            | 0                    | 13    |
| 4 | Board engagement rate (number of activities or period required) | 0               | 13            | 0                    | 13    |

Source: Research results

Table 7.9 above shows the categories and disclosed information (number 1 to 4) relating to the governance disclosures found in the annual reports of sampled NGOs. Only three NGOs (NGO 1, 9 and 11) sampled fully disclosed information about their board composition. None of the 13 sampled NGOs – i.e., annual reports (D1-13) – was able to report on recommended information, such as data security system, on-time completion of safety drills and board engagement rate. The GRI guidelines (see Leszczynska, 2012). The NGO Sector Disclosures emphasise governance issues, especially for NGOs, because NGOs are responsible for management of vast resources. NGOs are also expected to be credible, transparent and result oriented. It is the expectation of stakeholders that NGO decision-makers would ensure that their organisations “reflect the diversity of the society in which they operate and act with fairness, equity and integrity in their leadership and management of the organisation” (GRI, 2014:9).

It appears that NGOs neglect this area in their reporting despite recommendations from King IV code and the GRI (Ankamah, 2016). Sound governance structures are paramount in any organisation so that firms or NGO could be governed in the interest of all stakeholders.

Some NGOs reported as follows:

In terms of governance the MA (Member Association) has completed all the statutory governance meetings as well as the National Council (AGM) meeting. Since 2017 was an election year, the MA also facilitated the election of the new National Executive Committee (NEC). The new NEC members as well as the new Executive Director received trainings on governance. One of the highlights of the governance is that one of the NEC members was elected as the IPPFARO (International Planned Parenthood Federation -African Regional Office) Executive Committee Member (D12, page 32).

The Executive Director is one of the seven members of the Board. He or she is the chief operations officer responsible for developing the organisation's strategic plan and budget, overseeing its implementation as well as being responsible for the orderly growth of the organisation in liaison with the other BOD (Board of Directors) responsible for the impact of the organisation programme (D1, page 8).

#### **7.8.5.1 Composite discussion of theme 5: Risk management and governance (made up from the four categories listed in Table 7.9)**

From both the main findings and the specific exemplar findings, the summative theme for these categories was that most NGOs abstrusely disclose governance information in their annual reports. This finding agrees with the results of prior studies, which had noted the lack of risk management and governance disclosures in most annual reports of NGOs (IoDSA, 2016; Moloi, 2014; Werekoh, 2014).

NGOs were expected to disclose the following:

- the governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight;
- whether the chair of the highest governance body is also an executive officer and if so, his or her function within the management of the organisation and the reasons for this arrangement. The company should also describe the division of responsibility between the highest governance body and the management and/or executives;
- for NGOs that have a unitary board structure, disclosure should be made about the number of non-executive members who are independent;

- mechanisms that are meant for internal patrons, which include members, shareholders and employees, as a way to proffer some recommendations or direction to the highest governance body;
- processes of selection, firing and the duration of the terms of office of the members or executives who occupy the uppermost control body; and
- procedures of the highest governance body for overseeing the organisation's adherence to or compliance with nationally and internationally agreed standards, codes of conduct and principles (GRI, 2014).

Annual report disclosure of information on governance, which includes risk management, is pertinent to stakeholders' decision-making. In terms of risk, management and governance disclosures, annual reports for three NGOs (D1, D11 & D12) that were included in the study reflected a higher level of disclosure in this area compared to many NGOs. Annual reports for the three NGOs gave insights of risk and opportunities posed by the economic, social and environmental contexts that could affect the achievements of the mission stated by the NGOs, their strategic objectives and their ability to create value in a sustainable manner. As indicated by the preliminary conceptual framework (see Chapter 5 section 5.4, via imposed accountability, NGOs should be able to report on their effectiveness through their disclosures on internal systems and control, such as human capital, organisational capital and relational capital.

#### **7.8.6 Theme 6: Marketing and communication in NGO accountability**

Organisations in the NGO sector are at liberty to market their products or services in the same way as profit-making organisations (Dey, 2018). NGOs are also allowed to be involved in fundraising ventures in order to raise funds for the vulnerable in society (Dey, 2018). Fundraising and marketing communication that are not overly compliant in terms of largely acknowledged ethical or cultural paradigms, privacy intrusion, dual standards, or groups that endeavour to affect susceptible audiences, for example children, might be harmful to stakeholder anticipations. Five categories as indicated in table 7.10 were identified, namely:

- website page view and bounce rates;
- number of materials downloaded;
- social media activity;
- media placement and press coverage and
- Newsletter distribution and/or subscription growth rates

**Table 7.10: Theme 6 categories**

| No | Categories   | Fully disclosed | Not disclosed | Abstrusely disclosed | Total |
|----|--|-----------------|---------------|----------------------|-------|
| 1  | Website page view and bounce rates                       | 0               | 7             | 6                    | 13    |
| 2  | Number of materials downloaded                           | 0               | 13            | 0                    | 13    |
| 3  | Social media activity                                    | 0               | 9             | 4                    | 13    |
| 4  | Media placements and press coverage                      | 0               | 9             | 4                    | 13    |
| 5  | Newsletter distribution and/or subscription growth rates | 0               | 13            | 0                    | 13    |

Source: Research results

Table 7.10 above shows the categories and disclosed information (number 1 to 5), marketing and communication disclosures that are found in the annual reports of sampled NGOs. Based on the results displayed in Table 7.10, none of the sampled NGOs fully disclosed the recommended information and only four NGOs abstrusely disclosed that information.

Relating to marketing and communication, Website page view and bounce rates had more groundedness than other categories. In this study, “groundedness” pertained to the number of quotations attached to a code. The annual reports of participating NGOs indicated less detail than required about their social media activities and media placements.

#### **7.8.6.1 Composite discussion of theme 6: Marketing and communication in NGO accountability (made up from the five categories listed in Table 7.10)**

From both the main findings and the specific findings, the summative theme for the above categories was that few NGOs mainly report on their interaction on social media

only. The finding on marketing and communication is in agreement with the findings by prior researchers who have identified a lack of information on marketing and communication disclosures of NGOs (Agyemang et al., 2017; Werekoh, 2014).

The GRI guidelines for NGOs (see GRI, 2014) state that firms in the NGO sector should report on the number of complaints about breaches of standards for fundraising and marketing communication practices, in relation to the rights of affected stakeholders and actions taken. Additionally, disclosures regarding complaints about breaches of standards for fundraising and marketing communication practices in relation to the rights of funders should be included in the annual reports of NGOs (GRI, 2014).

One of the accountability regimes suggested in the preliminary conceptual framework is felt accountability (see Chapter 5 section 5.4). Felt accountability assists individuals or organisations to function ethically and responsibly even when there is no other person to observe, monitor or hold them responsible due to the belief in an all-powerful, all seeing higher entity (Parboteeah, Hoegl & Cullen, 2008). For instance, as earlier mentioned, fundraising and marketing communication that do not confer to commonly established ethical or cultural standards, privacy intrusion, dual standards, or that attempt to sway weak audiences, such as children, might be harmful to the involved parties' expectations. To that effect, the GRI guidelines for NGOs state that firms in the NGO sector should report on the number of complaints about breaches of standards for fundraising and marketing communication practices, in relation to the rights of affected stakeholders and actions taken.

Relating to the research question (see 7.5.1), the annual reports from many NGOs did not disclose any information on marketing and communication. The structure of the annual reports did not support the recommended approach by the GRI (see Leszczynska, 2012; GRI, 2014) and King IV code (see IoDSA, 2016). Nonetheless, a few have shown slight commitment on disclosing the sought information in their annual reports. In one of the sampled annual reports, the executive officer emphasised, "the NGO's approach to marketing and communication is what will set the NGO apart from the crowd" (D2). This view integrates well with the NGO disclosures on marketing and communication that reflect how the NGO was able to inform its stakeholders in terms of all its sources of funds and other fundraising ventures undertaken.



### 7.8.7 Theme 7: Outreach and advocacy reviews

NGOs that are involved in public consciousness and activism are required to report in their annual reports the extent to which they are involved in informing and educating different stakeholders on public issues. NGOs should review their process for arriving at public policy positions and participation in public policy development and lobbying. Under theme 7, six categories as indicated in table 7.11 below were identified, namely:

- number of community events held;
- number of advocates trained;
- number of community commitments made;
- percentage of activities where community feedback is requested;
- response time to inquiries; and
- community events attendance rates.

**Table 7.11: Theme 7 categories**

| No | Categories   | Fully disclosed | Not disclosed | Abstrusely disclosed | Total |
|----|--|-----------------|---------------|----------------------|-------|
| 1  | Number of community events held                                | 0               | 11            | 2                    | 13    |
| 2  | Number of advocates trained                                    | 0               | 11            | 2                    | 13    |
| 3  | Number of community commitments made vs. completed             | 0               | 13            | 0                    | 13    |
| 4  | Percentage of activities where community feedback is requested | 0               | 13            | 0                    | 13    |
| 5  | Response time to inquiries                                     | 0               | 13            | 0                    | 13    |
| 6  | Community events attendance rates                              | 0               | 13            | 0                    | 13    |

Source: Research findings

Table 7.11 above shows the categories and disclosed information (number 1 to 6), outreach and advocacy disclosures found in the annual reports of sampled NGOs. Of the 13 NGOs, only two (NGO 1 and 11) were able to abstrusely disclose the recommended information covering the number of community events held and the number of advocates trained. However, crucial disclosures under advocacy – such as response time to inquiries, completed community commitments and percentage of activities where community feedback is requested – were missing from the assessed annual reports. As per Table 7.11 above, it is evident that most NGOs do not report

this information in their reports to stakeholders, which makes it difficult for users to understand the true picture of the NGOs activities fully.

Disclosed information in one of the annual reports reads as follows:

The organisation held a total of 161 ACSM (Advocacy, Communications and Social Mobilisation) meetings with 3,946 (1,924 females and 2,022 males) community leaders; influential people; key informants and significant individuals in the 3 regions. The aim was to make them know and fully understand the TB and TB/HIV epidemic in their area and why it is necessary for them to respond. They were given information about how TB and TB/HIV diseases were affecting their community. Facts and statistics were given, suggestions were made on actions to take and resources needed. They were urged to create and or improve community-based norms and or policies in order to enable the environment for community-based responses to TB and TB/HIV (D1, page 12.)

**7.8.7.1 Composite discussion of theme 7: Outreach and advocacy reviews  
(made up from the six categories listed in Table 7.11)**

From both the main findings and the specific findings, the summative theme for these categories was that, at the time of this research, downward accountability to beneficiaries was lacking among NGOs. The finding is in agreement with the results of other researchers whose studies found that beneficiaries are crucial stakeholders and that NGOs also need to know how the interventions meant for them have been accounted for. NGOs should identify the process of corrective adjustment of advocacy positions and public awareness campaigns (Dewi et al., 2019; Uddin & Belal 2019).

Outreach and advocacy are important indicators that show how NGOs were able to meet the beneficiaries' needs in terms of services provided to them. Not all the annual reports sampled clearly disclosed this information. Only two reports vaguely disclosed this information. This signifies the need for inclusion of advocacy and outreach activities in future annual reports.

## **7.9 CHAPTER SUMMARY**

This chapter presented the major themes that were extracted from the document analysis on the annual reports of the 13 sampled NGOs. It was observed that the majority of reports did not provide sufficient disclosures to uphold effective reporting and accountability.

The next chapter discusses the research results from phase two of the study, which was conducted through face-to-face interviews.

## **CHAPTER 8**

### **RESEARCH FINDINGS PHASE 2: INTERVIEWS WITH STAKEHOLDERS**

#### **8.1 INTRODUCTION**

Phase 2 of the study involved conducting interviews with various stakeholders as per the guidelines outlined in Chapter 6. The objectives of this phase of the study were to formulate NGO accountability practices in terms of institutional logics theory by analysing and documenting institutional logics relevant to existing reporting practices, and to provide a novel theoretical perspective on institutional logics. Institutional logics is defined as “socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organise time and space and provide meaning to their social reality” (Thornton et al., 2012:802).

This chapter is presented in a similar way as the previous chapter in terms of approach to analysis and presentation of data.

Chapter 8 comprises a description of the setting of data collection, followed by a description of the relevant demographics characteristics of the study participants. Next, this chapter presents a description of the implementation of the data collection and data analysis procedures described in Chapter 6. The chapter then proceeds with a presentation of the results, which are organised according to the research questions, and concludes with a summary.

#### **8.2 APPROACH TO THE ANALYSIS AND PRESENTATION OF DATA**

Section 8.2 outlines the approaches taken to the analysis and presentation of data collected from interviews with stakeholders.

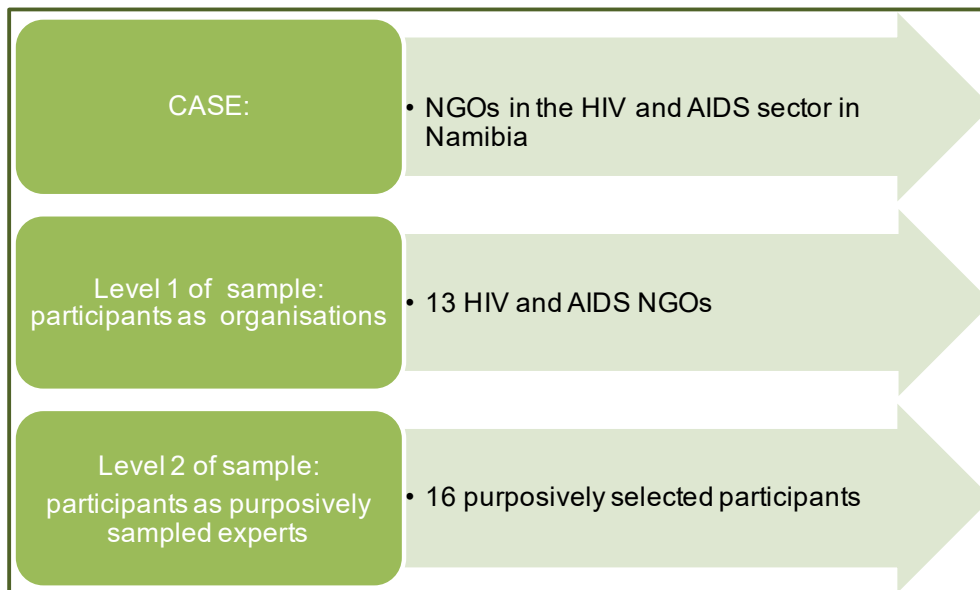
##### **8.2.1 Interview settings**

The two most important considerations in setting the interview locations were the need to protect participants’ confidentiality and the need to make the interviewing process as convenient as possible for participants. Both goals were achieved by conducting interviews in participants’ offices. These offices provided privacy so that the interviews

would not be overheard, or the interviewee identified as a participant in the study. The use of these offices also required no travelling from participants. Interviews were conducted on a date and at a time of each participant's choice to ensure adequate time to answer the questions fully. The interviews were an expression of the paradigm of the study. The interpretive-constructivist stance enabled the participant and the researcher to work through the qualitative questionnaire (interpretive) and then the interview questions (constructivist) to arrive at responses for the study.

### 8.2.2 Demographics

With reference to the purposive sample, there were 13 HIV and AIDS focussed NGOs in Namibia at the time of this research – all of them located in Windhoek. Interview data was collected from 16 participants comprising auditors, users, preparers, donor representatives and representatives of the accountancy bodies. The levels of the participant sample are indicated below:



**Figure 8.1: Sampling levels**

Source: Researcher's compilation

### 8.2.3 Data collection

Data collection involved a demographic section in the questionnaire, consisting of 11 close-ended items, and semi-structured interviews comprising 17 questions with research prompts. Both types of data were collected during a single face-to-face meeting with each participant in his or her private office at work. Each participant took

## Chapter 8: Research findings: Phase 2: Interviews with stakeholders

approximately one minute to respond to the demographic items by hand, ticking the appropriate response on the printed questionnaire. Interviews took approximately 35 minutes to complete. As noted in Chapter 6, interviews were audio-recorded using a digital recording device. No unexpected circumstances were encountered during any of the meetings.

The empirical data were elicited through interviews. The interviews were constructed to correlate with the principal research questions (2 and 2.1) as indicated in 7.4.1. Table 8.1 below describes the interview context for each participant using the researcher's reflexive notes. The table also summarises the context for each interview in order of dates on which face-to-face meetings were held with the participants.

**Table 8.1: Interviews participants**

| Pseudonyms used                                   | Date       | Signed interview schedule and informed consent |
|---|------------|--|
| Participant 1<br>User 1                           | 28/08/2019 | Yes  |
| Participant 2<br>User 2                           | 28/08/2019 | Yes  |
| Participant 3<br>User 3                           | 29/08/2019 | Yes  |
| Participant 4<br>User 4                           | 02/09/2019 | Yes  |
| Participant 5<br>Preparer 1                       | 13/09/2019 | Yes  |
| Participant 6<br>Auditor 4                        | 25/09/2019 | Yes  |
| Participant 7<br>Preparer 2                       | 09/10/2019 | Yes  |
| Participant 8<br>Professional body representative | 28/08/2019 | Yes  |
| Participant 9                                     | 09/12/2019 | Yes  |

| Pseudonyms used | Date       | Signed interview schedule and informed consent |
|-----------------|------------|--|
| Preparer        |            |  |
| Participant 10  | 28/08/2019 | Yes  |
| Participant 11  | 28/08/2019 | Yes  |
| Participant 12  | 29/08/2019 | Yes  |
| Participant 13  | 02/09/2019 | Yes  |
| Participant 14  | 02/09/2019 | Yes  |
| Participant 15  | 03/09/2019 | Yes  |
| Participant 16  | 05/09/2019 | Yes  |

Source: Researcher's compilation

#### 8.2.4 Data analysis

The data was analysed as noted in Chapter 7 based on Yin's (2014) broad orientation with detailed coding to theme-ing provided by Saldaña's (2016:14) rubric (see section 7.2). As noted, the researcher pre-coded the data source first by populating an Excel spreadsheet with a breakdown and grouping of questions and answers. The transfer of data then went from Excel to Microsoft Word (Annexure 4) to ensure that the data would be readable and therefore code-able in ATLAS.ti. The Excel sheet also enabled the researcher to gain a one-page bird's eye view of the sense of the data and to check that correct responses were aligned to the questions, and who responded to each question. The data was then submitted to ATLAS.ti as a HU, and after three cycles of coding the data was refined and clarified, resulting in 16 codes.

The researcher found sparse codes and strength in coding correctness, and hence gained a sense of integrity of the codes. The researcher continued to make sense of the data, which was reviewed and guided by supervisors and the second coder, a specialist in data analysis and coding using ATLAS.ti. Additionally, as noted, one of the supervisors is highly versed in coding and ATLAS.ti and provided an additional layer of coding support.

Once all codes had been reported from ATLAS.ti, the researcher did an intellectual exercise by stepping back from the technical side and seeing the data holistically. This

included the links across and within the data. The second cycle of coding involved analysing the data on hard copy and inductively reading back to the questions for meaning, making notes, highlighting texts and colour coding the codes, which linked back to the relevant questions. Thereafter, some changes were made, and the researcher systemised the codes. The researcher also reflected on the preliminary conceptual framework and how coding related to the concepts within this framework.

A record of each meeting request, the participant's acceptance, the time of the face-to-face meeting and the hard copy of the informed consent form were all verified for thoroughness and for record purposes.

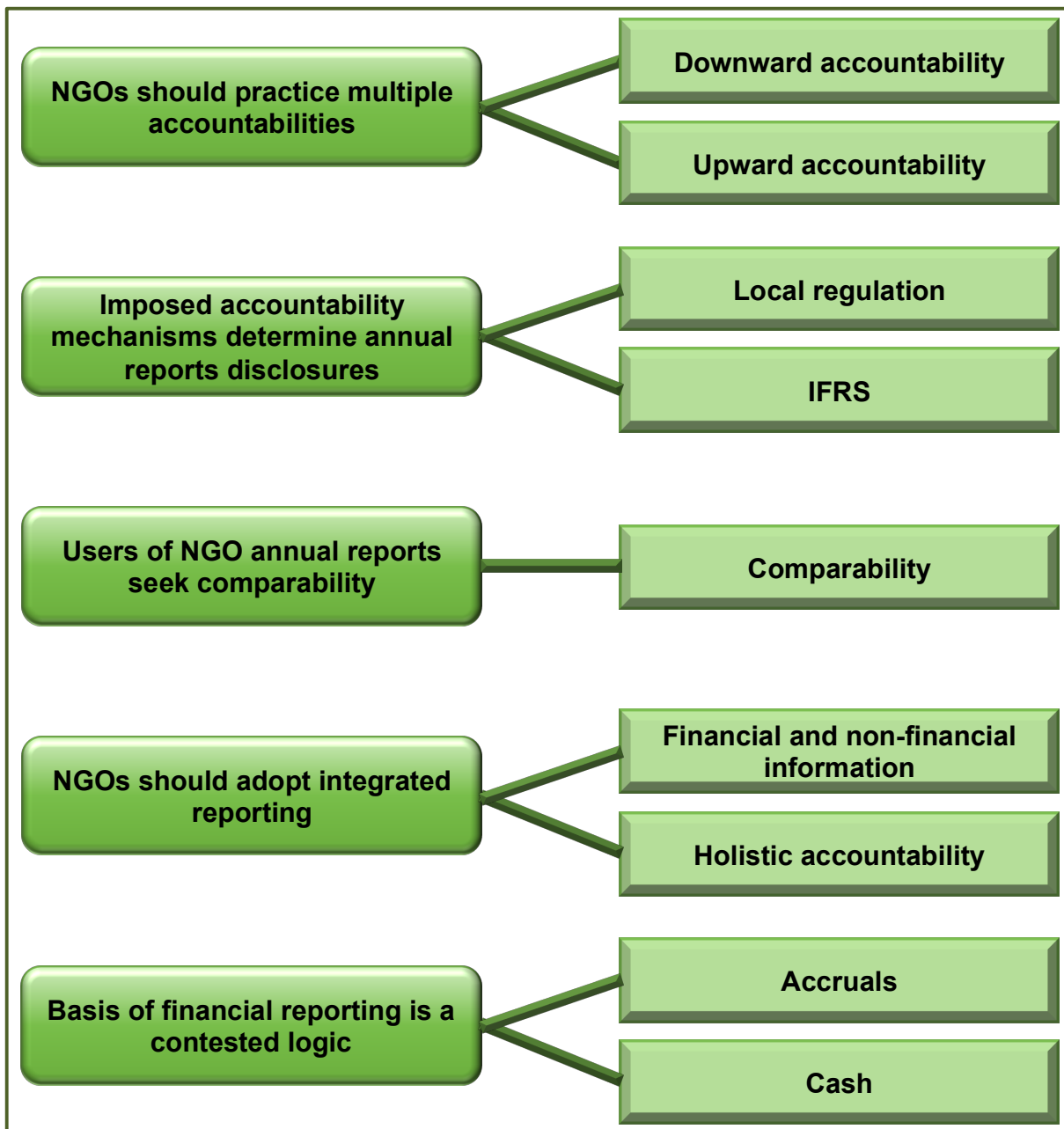
The researcher also sampled some narrations and quotations to provide additional and complementary data as examples of how the themes were supported. Network views (Annexure 6) demonstrated that there were coding and qualitative analysis of specific examples for the sake of demonstrating a methodological audit trail and the richness of data as per the approach adopted in phase 1 of the study (see Chapter 7 section 7.3).

Similar to phase 1, this is presented under two separate headings (**data to codes** and **themes to categories**), in order to give the reader a comprehensive overview of the flow of analysis following Saldaña (2016:14). The relevant codes applicable to interviews are tabulated in Table 7.1 in Chapter 7.

⇒ **Themes to categories**

Using iteration, immersion and absorption of the data, the researcher constructed five key themes, as shown in Figure 8.2 below.





**Figure 8.2:** Presented as themes to categories, derived from iteration, immersion and absorption of the data

Source: Own compilation

### 8.3 RESPONDING TO THE RESEARCH QUESTIONS

The researcher deliberated on all coded data as per procedures in the first phase of the study (see section 7.4.1).

### **8.3.1 Responding to the research questions through theme-ing**

The presentation of the results is organised according to the research questions (2 and 2.1) and within themes. Five themes emerged during data analysis to answer these research questions. In line with phase 1 of the study (see Chapter 7 section 7.8), the categories are first outlined and then a composite summary of each theme is presented.

### **8.3.2 Theme 1: NGO should practice multiple accountabilities**

Following on Saldaña's (2016:14) model, the first theme set out to examine multiple accountabilities in the NGO sector. As indicated in the preliminary conceptual framework (see Chapter 5 section 5.2) and due to various accountability expectations of diverse stakeholders, NGOs are faced with challenges in finding suitable ways of delivering their accountabilities to all the major stakeholders. NGOs are required to be accountable downward to their beneficiaries and upward to their funders.

#### **8.3.2.1 Category: Downward accountability**

Accountability to beneficiaries – also known as downward accountability – has proved to be non-existent in some instances despite numerous calls for its socially just impetus as well as recognition in a more equitable order. Downward accountability recognises that NGOs can and should be accountable – not just to those who fund them, but also to their beneficiaries. Some governments that contribute to the Overseas Development Aid (ODA), have come to realise that to make the deployment of aid more effective, it is important for NGOs to engage in downward dialogue with their beneficiaries in addition to being upward accountable to those who provide their funds (Ebrahim et al., 2014).

Downward accountability warrants that NGOs can include recipients in project decision-making as well as learn and gain some local facts in the course of action (Uddin & Belal, 2019). Furthermore, this also aims to urge the sponsors to exercise flexibility about the way in which they approach issues for them to be able to meet the expectations of recipients (Agyemang et al., 2017). Downward accountability is being accountable only to the customers of the business whilst ignoring the other stakeholders (O'Dwyer & Boomsma, 2015). This is something that is not formal and it brings into consideration frequent conversation amongst stakeholders (Burger &

Seabe, 2014). Moreover, downward accountability is qualitative, open and participative, and as such it helps numerous beneficiaries and allows varied negotiation (Wellens & Jegers, 2014).

### **8.3.2.2 Category: Upward accountability**

NGO funders are individuals or bodies with the responsibility of providing resources to be utilised by beneficiaries (Bebbington, Unerman & O'Dwyer, 2014; Fowler, 2013). According to Najam (1996), NGO accountability to funders, observes the relationship between the funders and NGOs in relation to how they interact. In the NGO sector, the most common form of accountability mechanism is upward accountability, sometimes referred to as "functional accountability" (see O'Dwyer & Boomsma, 2015:40) or hierarchical accountability (see Agyemang et al., 2017:994). Upward accountability recognises that the NGO is accountable to those who provide funds and that those providing funds want an account of what the money has been spent upon (Agyemang et al., 2017; O'Dwyer & Boomsma, 2015). Usually, this account takes the form of a quantitative account in a fixed format as specified by each donor. With each donor often requiring a different balance and type of information from other funders, NGOs that have multiple funders need to provide a variety of different upward accounts. (O'Dwyer & Unerman 2008; Yang & Northcott, 2017). This formal form of accounting, therefore, contains information predefined by each donor, and is collected by those working at grass-roots level who complete a pro-forma report with the required information. This information is then cascaded upward and consolidated with the information provided by other grass-roots workers to create a report from the NGO as a whole to each funder (Yang & Northcott, 2017).

Those who support upward accountability proffer that it guarantees the effective distribution of resources based on previous performance and also provides some assurance to the sponsors with regard to the proficient use or otherwise of their funds expended (Brown et al., 2015). This is because in most cases, funders are away from where the projects are being carried out, and they may not be aware of the effectiveness of the projects without such upward accountability. This argument is true, but it is difficult to judge the efficient allocation of resources in an environment where the outcome of most NGO interventions is either longer-term in nature or intangible or it might not be easy to enumerate (Crack, 2013).

Numerous disparagements have been levelled against upward accountability in the literature (Agyemang et al., 2017; Crack, 2013). One such criticism of upward accountability is that it is too simplistic and strives to make light of the complex political and social environments within which NGOs operate (O'Dwyer & Unerman, 2010). NGOs operate in a complex environment with various and competing institutional logics and account to several different stakeholders differently, in a manner that cannot be represented simplistically (Yasmin & Ghafran 2019). This is because NGOs are positioned in a complex web of interrelationships, each requiring them to discern and perhaps even practice different modes of behaviour and, therefore, logics (Ebrahim, 2010).

In order to ascertain the prevailing belief and practice on downward vs. upward accountability, the interviewees were asked to which group of stakeholders they thought the NGO should be accountable and whether it is paramount that feedback from beneficiaries should be reflected in the annual reports of NGOs.

Specific examples of the calls for accountability to all groups of stakeholders from interviews were:

NGOs should be accountable firstly to their donors but that does not mean they should not be accountable to other beneficiaries. This is where upward and downward accountability should be considered (Participant 3).

Stakeholders, well they must be accountable to the funders as a major stakeholder. Then they should also be accountable to the governments where they are situated in terms of their activities and how it affects the citizens of such countries. Their accountability should also go to their employees as well as the target audience (Participant 5).

⇒ **Composite discussion of theme 1: NGOs should practice multiple accountabilities (made up of two categories discussed above)**

From both the main findings and specific exemplar findings, there was groundedness to the statement that NGOs should first be accountable to all groups of stakeholders. In this context, groundedness refers to the number of quotations that are attached to a code and hence about issues that participants feel strongly (Friese, 2014). This indicates that many participants (90%) agreed strongly on both funder and beneficiary accountability as a priority although the funders are favoured.

Additionally, the importance of feedback by beneficiaries received support from many participants. The participants felt that the feedback from beneficiaries would provide transparency and confidence to the donor as well as to the community that was involved. The majority of respondents (85 %) stated that disclosing feedback from the beneficiaries would be important as this information could be used by funders in deciding if there is need for further interventions. These findings are consistent with those prior studies that have argued that NGOs should be accountable both upwardly to funders and downwardly to beneficiaries to ensure effective dialogue between all parties (O'Dwyer & Unerman, 2010; Werekoh, 2014). In addition, the conceptual framework for NGOs should be multifaceted and involve all stakeholder groups also beneficiaries and local institutions (Agyemang et al., 2017).

In terms of the institutional logics theory, community logics (the belief that people living together in communities should succumb to same rules and principles (see Thornton et al., 2012) could be influential in encouraging accountability to all major groups of stakeholders. It focusses on shared principles as well as social fitness and seeks authority from local communities and/or community organisations that determine the rules and values for civic well-being. By way of group membership, social actors as recipients become entrenched within such norms and values. Regarding social actors that are entrenched in community logics, their basis of identity is “emotional connection, ego, satisfaction and reputation” (Thornton et al., 2012:73). Under community logics, the critical justification for practice is to expand cooperative well-being, which is achieved through the positive influence of that practice on business, society and the environment. As mentioned in Chapter 4 section 4.5, NGOs could embrace community logics in the sense that their mandates are centred on improving the social welfare of citizens by providing goods and services where government and private sectors have failed to do so and through beneficiary accountability. Within the preliminary conceptual framework, community logic was addressed through the term ‘social logic’, and this will be considered in the final framework.

### **8.3.3 Theme 2: Imposed accountability mechanism shapes annual reports disclosures**

Under theme 2, the following categories were linked to this theme.

#### **8.3.3.1 Category: Global approach to accountability**

In their preparation of annual reports, NGOs could be faced with challenges of adopting a certain style of presenting their reports to their stakeholders. For instance, some NGOs would want to comply with the regulator and/or the local generally acceptable way of preparing reports. Other NGOs may comply with global requirements by following the international accounting standards to prepare their financial reports.

Fundamentally, it is critical to discern whether the users and preparers of NGO reports are looking for a local instead of a global account. There is a diversity of NGO reporting standards globally (Irvine & Ryan, 2013), for instance, sector-specific accounting and the adaptation of international standards for NGOs in local jurisdictions (e.g., IFRS to Australia and IPSAS to New Zealand). Accordingly, NGOs are expected to apply a logic that will support their action in relation to the choice they make in practicing their accountability.

#### **8.3.3.2 Category: Local regulations approach**

In order to collect their views, interviewees were requested to provide information about the footing on which the present NGO reporting practice is built. Many interviewees (80%) stated that the current NGO reports are based on local demands (corporate law, funder requirements, national GAAP [Generally Accepted Accounting Principles], NGO law, NGO standards, regulatory requirements). Only a few indicated that the reports are based on global standards (such as IFRS for SMEs [small and medium-sized enterprises]).

However, when asked whether the local approach to preparing NGO reports had some limitations compared to the international (global) approach, more than 80% of the participants agreed that the local approach was popular than the global. The global approach has some limitations because NGOs were not able to prepare comparable reports. Further examination provided evidence of contested logics of NGOs reporting

with dissimilarities between the member groups. Preparers and users were in support of the local approach while the auditors were supporting global standards.

Please note: all excerpts from interviews below are reproduced verbatim and unedited. Some instances of the call against global standards (i.e., the desire to stay local) from interviewees were:

There is no need for this. It is a waste of time and money (Participant 10).

Some participants were in favour of the global approach, using the international standards, with one arguing as follows:

Yes, I think it would be useful because in Africa, specifically in Namibia, the funding for NGOs comes from international countries. The funding for NANASO [Namibia Network of AIDS Service Organisations] comes from Geneva, Switzerland from the Global Fund. The Global Fund consists of a group of countries that donates and then uses the money on countries such as Namibia. It is useful to have it at international levels because the companies that give us the money are international (Participant 13).

Several interviewees indicated that the preparation of these IFRS-based financial statements has been found to be a waste of time and costly, and that this could gratify the regulators; however, it is not user-friendly in terms of its lay readers. This situation therefore results in NGOs preparing two or more sets of financial reports for their different users and highlighting hybridisation (O'Dwyer & Unerman, 2008). Users' requirements are essentially not met; hence, there are some requests for a conceptual framework that may enable reporting to be meaningful to a greater range of users.

⇒ **Composite discussion of theme 2: Imposed accountability mechanisms shape annual reports (made up from two categories discussed above)**

According to the views of the majority of participants (75%), an emerging and, local accountability logic is apparent in the NGO sector. Greenwood, Hinings and Whetten (2014:12) differentiate between two types of fields: "mature" and "emerging". **Mature** fields are typified by distinct institutional infrastructure, identifiable patterns of social interactions among entities in the field, stable logics, less contestation, and clearer and more predictable institutional demands. Such aspects end in reduced complexity as well as reduced discretion on the part of organisations. **Emerging** fields (logics) are distinguished by loosely defined institutional arrangements, unclear institutional rules,

ambiguous and highly permeable boundaries and sharp contestation between logics (Vican & Pernell-Gallagher, 2013). The features culminate in more complexity and more discretion on the part of organisations. The local tactic to accountability is a field that is emerging and as such, it has a loosely defined institutional infrastructure, ambiguous demands, expectations and prescriptions of appropriate activities and contested practices and logics (Vican & Pernell-Gallagher, 2013). Examples of hybrid (two forms grafted into one organisation's reporting) were also found in situations where NGOs attempted to draft IFRS-led reports for their funders and, at the same time, NGOs produced reports demanded by local authorities.

This theme was anticipated in the preliminary conceptual framework as emerging and adaptive logic and will be further addressed in the final framework.

#### **8.3.4 Theme 3: Users of NGO annual reports seek comparability**

NGO reporting is typically grounded in a national regulatory framework (Crawford et al., 2014). Yet, in many countries, these national frameworks are based on global standards that ostensibly allow for comparability both within the same country and between countries. For example, large Australian charities must comply with adapted IFRS-based financial reporting standards and New Zealand charities with adapted IPSASs (Cordery, Crawford et al., 2019). Such global standards draw on beliefs underpinning IFRSs that globalised capital markets best serve the interest of society, and therefore investors require reports that are comparable across different countries (Irvine, 2008). However, NGOs do not issue equities into capital markets. For example, Connolly, Hyndman and McConville (2013) show that, in harmonising the UK Charities SORP (Statement Of Recommended Practices) with the IFRS framework, specific changes reduced users' ability to compare over time the percentage of donated funds spent on the cause for which funds had been donated. The global logic of IFRS-based financial reporting standards did not meet all the needs of these NGOs users.



#### **8.3.4.1 Category: Comparability logics**

Comparability entails constancy in the “recognition, measurement and presentation of information” in both the form as well as the content of reporting over time within a reporting entity or in a single period across entities (IFRS, 2018:16). Consequently, information must not be presented for a single year only; instead, the information needs to be presented side by side with similar information for the prior years as a way of enabling the user to make some comparison of the firm’s performance and access trends (IFRS, 2018). Moreover, it is a necessity that similar situations be presented in a similar manner while different situations can be presented differently across firms by adopting industry norms of performance indicators (IFRS, 2018).

Furthermore, when it comes to the issue of comparability (resulting from uniformity), there was one statement in the interview, which was accorded distinct support, namely “it is important that financial reports allow comparability between NGOs” (Participant 15). Of the 16 participants, 13 agreed. The narrative responses demonstrated that some of the respondents sought comparability for all NGOs within a specific national setting, and this was particularly so comparability would assist preparers – for example:

Yes, having a one-stop conceptual framework for accountability enables comparability across the whole sector. It also enables those with a lack of experience and professional knowledge to have a simple format that they [can] use to meet accountability requirements (Participant 15).

Yet, 3 out of 16 interviewees indicated that they were in favour of comparability across a range of entities (thus, they viewed it as important not only across NGOs). This view is exemplified by the following:

Comparability, the more the NGO law is based on law of NGOs, accounting [the better] (Participant 2).

Our approach has been to minimise differences in reporting between NGO and for-profit sectors to the bare essentials. Most users favour this approach (Participant 10)

Unsurprisingly, two respondents sought comparability internationally, for example:

[R]eports should be complementary to IFRS and not in conflict (Participant 6).

⇒ **Composite discussion of theme 3: Users of NGO annual reports seek comparability (made up of one category discussed above)**

Regarding comparability, the views of the majority interviewees were consistent with the guidelines of the conceptual framework for financial reporting, which state that comparability refers to the qualitative characteristic that allows users to detect as well as comprehend the similarities in phenomena and the contrasts that are found among these (IFRS, 2018:36). Additionally, the preliminary conceptual framework of this study highlighted comparability logic, which is one of the key prevailing accounting logics derived from literature (see Cordery, Crawford et al., 2019). According to the institutional logics theory, comparability logic could be likened to a “mature field” that is typified by distinct institutional structures and identifiable patterns of social interactions among organisations (Greenwood et al., 2014:1211). It is a stable and prevailing logic that guide how the financial capitals (financial resources) should be presented in the annual reports of NGOs (Cordery, Crawford et al., 2019).

This theme was anticipated in the preliminary conceptual framework as a conflicting and prevailing logic and will be further addressed in the final framework.

**8.3.5 Theme 4: NGOs should adopt integrated reporting**

According to the IIRC (2012:7), an integrated report is a “concise communication about how an organisation uses its resources (capitals) to create value for its shareholders in the short, medium and long term”. Based on this definition by the IIRC, one tends to think that the objective of integrated reporting refers to the disclosure of information that might be of paramount importance to the capital providers only. However, the IIRC is quick to add that “an integrated report benefits all stakeholders interested in the organisation’s ability to create value over time including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers” (IIRC, 2012:4). Integrated reporting encourages the inclusion of both financial and non-financial information in order to present a holistic picture of the organisation.

**8.3.5.1 Category: Financial and non-financial information**

The inclusion of non-financial information in annual reports is recommended by both Kings IV and GRI guidelines, as this gives a complete picture on the operations of an organisation. Epstein and McFarlan (2011) proffer that it is of critical significance to consider both financial and non-financial measures when assessing NGOs. Epstein and McFarlan (2011) further argue that financial and non-financial measures are closely related since, financial resources have no meaning unless they are utilised to accomplish a specific mission. Moreover, it is impossible to accomplish a social goal effectively without the utilisation of financial resources (Mook, 2014). In addition, the proposed FASB NGO financial reporting mentions that to provide financial statement users with an understanding of an entity's exposure to risks, as well as how an entity manages its risks, the entity should disclose financial and non-financial information about liquidity, and the time horizon it uses to manage its liquidity (PwC, 2015).

**8.3.5.2 Holistic accountability**

It is noteworthy that the comprehensive accountability mechanism (see Werekoh, 2014) aims to pool together both upward and downward accountability as well as other multidimensional accountability mechanisms (Werekoh, 2014). Holistic accountability strives for the satisfaction of the participants of NGOs and not only donors in the case of upward accountability or beneficiaries in the case of downward accountability (Yates, Gebreiter & Lowe, 2019). Holistic accountability aims to foster a learning environment and it provides the NGOs with the chance to report operational mistakes, learn from their mistakes and gain transferrable experience for future project improvements. Often, the inflexibility of donor-led upward accountability frightens NGOs away from reporting any operational errors in projects because they are afraid of future sponsorship withdrawal or some form of damage to their reputation (Burger & Seabe, 2014).

The acceptance of holistic accountability for NGOs is extremely recommended as a moral obligation (Ahmed & Hopper, 2014; Ryan & Irvine, 2012). The essence of funder donation is premised on the understanding that there is a moral necessity to assist those that are underprivileged in the communities for them to improve their livelihood and thus be able to access rudimentary human rights emanating from the idea of the 'rights-based approach' (Unerman & O'Dwyer, 2012). As such, there is sufficient

moral logic to involve the recipients of the aid as well as the other stakeholder groups in discussions about the selection and implementation of the most persistent projects and any accountability mechanism thereof. Therefore, both downward and holistic accountability share a couple of characteristics in that both inspire accountability dialogue amidst the numerous NGO stakeholder groups, the promotion of beneficiaries' empowerment as well as the improvement of effectiveness, transparency and sustainability of NGO operations (Burger & Seabe, 2014; Smillie et al., 2013).

Asked whether NGOs should include both financial and non-financial information, some of the interviewees in favour of the incorporation of both financial and non-financial information stated:

I think so because this will definitely give more or better understanding of the whole program. Many times, its only financial information you see in terms of how much they spend but they do not explain why they spent that money. Inclusion of financial and non-financial information will give a more holistic view of the programs (Participant 14)

Financial information alone cannot give a true picture of an organisation in terms of accountability. Yes, it is very important that both financial and non-financial information make up the annual reports of NGOs (Participant 2).

Yes, I think it is important to include non-financial. Maybe just a summary of what the program is, what was done, what were the challenges, so that it can assist in NGO's possibly generating more funding (Participant 3).

Integrated reporting is mainly applied in FPOs, but it could also be applied in NGOs. According to the researcher's knowledge, there is no single NGO in Namibia and other countries that applies the integrated reporting approach. This approach is mainly found within commercial organisations (Flower, 2015). The researcher therefore posits that the introduction of this kind of reporting will come as an adapted logic in the NGO sector to be known as the integrated reporting logic. Quotations in support of this adapted logic is provided below:

Holistic accountability in terms of integrated reporting is the new reporting horizon for companies. This does not mean NGOs should report like private companies,

but their disclosures should cover both financial and non-financial information as it encourages accountability (Participant 6).

The world is moving towards integrated reporting, so NGOs also have the responsibility to provide the other capitals within their reporting. The human capital element, the natural capital element and the financial capital element should be included. The rest as well will have equal weighting that is what we like to see coming through (Participant 9).

⇒ **Composite discussion of theme 4: NGOs should adopt integrated reporting (made up of two categories discussed above)**

Most of the participants supported the notion that NGO annual reports should include both financial and non-financial information. While some NGO annual reports would already be reflecting this information, some of the sampled annual reports of Namibian NGOs (phase 1 of the study) reflected a lack of non-financial disclosures.

Theme 4 was anticipated in the preliminary conceptual framework as an adapted logic and will be further addressed in the final framework.

### **8.3.6 Theme 5: Basis of financial reporting is a contested logic**

Accruals is the accounting process of recognising noncash events and circumstances as they occur, specifically accruals that entail recognising revenues and related increases in assets and related increases in liabilities for amounts expected to be received or paid (Crawford et al., 2014). IFRS (2018:73) argues that an entity shall prepare its financial statements – except for cash flow information – using the accruals basis of accounting.

#### **8.3.6.1 Category: Accruals concept**

Whilst most small NGOs aim to make use of simpler cash accounting, regulators essentially demand that all NGOs, except the very smallest NGOs, must prepare accrual-based financial reports. More so, even in instances where standard-setters or regulators make provision for smaller NGOs to utilise the cash accounting (Crawford et al., 2014), the mere idea of resource dependency may mean that this forces NGOs to use accruals accounting. As a result, this seldom demands that NGOs must make use of qualified accountants for them to be able to come up with their financial reports

(Cordery & Sim, 2018). Such obligations exist even though studies have found that stakeholders that are not conversant with business practices prefer to read and act on cash-based financial statements (Irvine, 2011).

### **8.3.6.2 Category: Cash basis**

In England and Scotland, NGOs can report to the regulators by using cash accounting if their annual income is less than 250 000 pounds (Crawford et al., 2014). In addition, some preparers – especially volunteers – find it easy to prepare cash-based financial reports. Cash based reporting is less costly than accrual-based reporting. The majority of UK NGOs prepare cash-based reports (Morgan, 2011). According to Morgan's (1999) study, volunteers resigned the moment they were required to change from cash accounting to accrual accounting.

A contested logic is evident. The contested logic relates to the basis of financial reporting. This study found that the prevailing practice (the material carrier of logic) highlights cash accounting, with most of the participants indicating its usage and only four participants identifying accruals accounting (a contested logic) as the one used. In response to the question relating to the form of NGO financial reporting with which they are most acquainted, auditors and local fund agents are mostly inclined towards accrual accounting while preparers, users and regulators (ACCA) are likely to be in favour of cash as illustrated by the following quotes from the interviewees.

Most of the reports I have seen are cash-based. What is received is what is spent.  
(Participant 14).

The cash-based, because most of our donors will advance us money, so we need to report on what was advanced and then what funds are available. Therefore, it is cash-based (Participant 12).

In favour of accrual-based reports one participant said:

Most of the smaller NGOs use cash basis but they do not do that 100%. They use some aspects of the accrual basis. Some of the bigger NGOs, when they have donor-funded projects try to apply the accrual basis where they try to set up suppliers' ledgers. It is a mixture of the two really but mostly it is the cash basis  
(Participant 3).

⇒ **Composite discussion of theme 5: Basis of financial reporting is a contested logic (made up of two categories discussed above)**

There are some calls for the retention of cash-based financial reporting as a material carrier of logic as well as to transform the principles and beliefs from accrual to cash accounting to represent a contested logic of action in favour of simplicity and cost-effectiveness. Such perspectives were stated mainly by those who were involved with small NGOs. Those who were involved in small NGOs preferred cash to accrual accounting. The proof of conflict is apparent as the auditors like the influence and power to guide the preparers whom they believe do not provide useful and understandable reports.

In situations of multiple and competing logics, accounting may be deployed to actively manage, promote or delimit conflict (Busco, Giovanni & Riccaboni, 2017; Contrafatto & Burns, 2013) where the remit of traditional accounting techniques is extended to absorb some of the competing demands (Contrafatto & Burns, 2013). Therefore, the basis of reporting as a conflicting logic should not hinder NGOs in their preparation of reports since these reports could be adapted to suit their stakeholders accordingly.

This theme was anticipated in the preliminary conceptual framework as a contested logic and will be further addressed in the final framework.

#### **8.4 RESPONDING TO THE RESEARCH QUESTIONS**

In answering the research questions, from the presentation of the data by using summative tables and quotations, each theme was viewed through the lens of institutional logics theory and/or the preliminary conceptual framework and discussed (see Chapter 5 section 5.3).

Although various requirements influence how NGO annual reports are prepared, funder and local regulations are the two dominant logics that NGOs follow as they prepare annual reports.

Comparability logics are prevailing logics in the NGO sector because preparers of the reports believe that comparable information between NGOs is useful for planning and making decisions. It should be noted however that conflicting logics in terms of preparing reports is evident in the NGO sector. NGO are faced with demands from the

funders to prepare cash-based reports while users of the reports prefer an accruals basis.

In addition to the basis of reporting complexities, the fact that NGOs should practice multiple accountabilities forces them to adapt community logics. Community logics support the belief that accountability should be directed at all major stakeholder groups through downward and upward accountability practices.

Finally, the present study revealed emerging logics where stakeholders expect NGOs to prepare integrated reports reflecting both financial and non-financial information.

## **8.5 ASSERTIONS**

The assertions and claims that follow are seen as offerings from a contextual and theoretical perspective. They arise from the data presented in Chapters 7 and 8, and it is desired that these assertions open conversations on NGO accountability frameworks.

**Assertion 1:** There are few efforts and insufficient evidence of a framework that comprehensively integrates the three goals of NGO accountability (financial accountability effectiveness and efficiency) as suggested by MANGO (2018). As such, competing and conflicting logics emerge that potentially undermine/could undermine the credibility of the NGOs in the sampled sector.

**Contribution:** In looking to contribute to the gap in the need for a conceptual framework for accountability in the NGO sector, and drawing on the data and literature, the researcher concluded that NGO annual reports lack sufficient information that could cover all three suggested accountability regimes of NGOs as per the preliminary conceptual framework. The relevant data that would have highlighted the NGOs position is still lacking and this is very clear from non-disclosures of some of the crucial attributes that are recommended by the King IV code and the GRI guidelines for NGOs. For instance, the attributes such as restricted and non-restricted assets, operating revenue sources, volunteer hours, employee engagement donor retention rate all had nil disclosures. Other crucial attributes with nil disclosures were diversity of fund sources, programme attendance, marketing and communication and board engagement rate.



Most of the sampled NGOs also exhibited that non-financial information is excluded in their annual reports. Majority of the NGOs do not report on non-financial issues and concentrate on only showing quantitatively how their budgets are going to be implemented. Beneficiaries benefit from non-financial information and a downward accountability, as not posited in the framework.

**Assertion 2:** Besides funder, comparability and accruals logics, there could be other useful and influential logics that hold way in the preparation of annual reports in the NGO sector. While these logics have been modestly explained in accountability literature, NGOs are either managing these logics through hybridisation or else are not fully harnessing logics that might better align them to the stakeholders' multiple expectations.

**Contribution:** The study found that other logics, such as local regulations, financial and non-financial and integrated reporting logics, have emerged in the sector. Thus, the study contributes to the literature on the accountability institutional logics by including the three types of logics that have also emerged, and how, in some instances, NGOs are using these in a substantive hybrid manner.

Based on these assertions, the extension of institutional logics theory has been incorporated in the final conceptual framework. Figure 9.2 in chapter 9 illustrates the modest contribution to theorising on institutional theory as a novel contribution of this study. The institutional logics developed by Thornton et al., (2012) illustrates seven distinct institutional orders and associated logics. The seven institutional orders are market, community, state, corporate, professional, family and religious. This study acknowledges the eighth institutional order used substantively in a powerful sector such as NGOs, namely hybrid logics expressed through complementary and associated logics such as local regulation, financial and non-financial and integrated reporting logics.

## **8.6 CHAPTER SUMMARY**

Chapter 8 illustrated the analysis of the research findings. There was strong support for a conceptual framework to guide NGO reporting as indicated by the present research. However, there was also convincing evidence of competing and conflicting logics of action. In essence, local concerns and practices were preferred through the

## *Chapter 8: Research findings: Phase 2: Interviews with stakeholders*

search for comparability at a local level. However, the available studies indicate some emphasis from large-scale sponsors that favour international comparability. Furthermore, it was noted that auditors and regulators push for accrual-based logic to underpin accounting whereas preparers recognise the need for cash accounting.

NGOs have a principal aim to attain the best for the community but are pulled in different directions, and therefore show competing, conflicting and hybrid logics which is asserted as a finding in the NGO sector hereto. As such, they seek a more integrative approach which is modestly asserted by the conceptual framework summatively attained in this study. NGOs are caught up in the prevailing logics that deter their capability to determine the varied and unpredictable requests for accountability. Legislation, regulators and funders operate as influential entities that have the resources, time and skills to drive the global comparability and accrual accounting logics, but the present research also took cognisance of the attempts to make a more appropriate conceptual framework that is suitable for NGOs, which this research has developed.

Based on the outputs from Chapter 7 and this chapter, the conceptual framework for accountability by NGOs are described in the next chapter.

## CHAPTER 9

### THE DEVELOPED CONCEPTUAL FRAMEWORK

#### 9.1 INTRODUCTION

The results from Chapters 7 and 8 are contextualised in this chapter leading to the developed conceptual framework for accountability in the NGO sector. This framework was based on some of the elements of the preliminary conceptual framework, findings from the assessment of the annual reports of NGOs and interviews with various stakeholders. It was developed to assist preparers of NGO annual reports to compile fair and comparable reports in relation to generally accepted accountability principles (GAAP). Chapter 9 details the elements of the conceptual framework indicating the key performance areas that are required to be included in the annual reports of NGOs in order to make them fit for purpose. In Chapter 7, seven elements were identified as crucial (see 7.6.1–7.6.7) and these elements should be considered when NGOs prepare their annual reports. NGO annual reports should attempt to provide information on financial health, product and service delivery, governance and risk, human capital, communication and marketing, fundraising, outreach and advocacy (ACCA, 2015).

Additionally, it was established through the interviews that NGO annual reports should include both financial and non-financial information in an integrated fashion (see Figure 9.1) so that readers of those reports will have a complete picture of the organisation (see Bedenik & Barišić, 2019). For example, the integration of financial and non-financial information can be achieved through disclosing the financial position of the organisation and at the same time disclose the firm's achievements towards its key performance indicators in one report.

To confirm the need for a conceptual framework that is beneficial, some of the interviewees highlighted an urgent need in the development of the framework because it would help on improving accountability and it will be a guide for the NGOs so that reporting would be uniform. As indicated in Chapter 2, section 2.10, some NGOs in Namibia have either closed or curtailed on their operations due to failure by management to comply with specific accountability and reporting requirements. For example, NEPRU (Namibia Economic Policy Research Unit), LAC (Legal Assistance

Centre) and IPPR (Institute of Public Policy Research) closed due to management and administration issues resulting in upward accountability challenges. Funders of NEPRU cut ties with the NGO because it failed to submit financial statements for about five years running (see Monghudi, 2011). With some of the issues mentioned above, it is apparent that for Namibian NGOs to survive, guidance on their reporting and accountability (see Chapter 2 section 2.10) should be provided, such as the guidance provided by the final framework presented in section 9.3.

To confirm that the NGO conceptual framework is beneficial, it was distributed to a sample of stakeholders for verification and comments. Verification, in this instance, is a qualitative check and balance, and was included in terms of methodological norming as well as to suggest further avenues for research. The conceptual framework was distributed to purposively selected individuals (see Saunders & Townsend, 2018: 9; Van Biljon, 2016:233) to explore whether it assists the users to be able to identify accountability discrepancies in the annual reports and whether the framework was useful and user-friendly. For the purpose of trustworthiness of the outcomes, the purposively selected evaluators of the conceptual framework were part of the interviewees, and their feedback is provided in Annexure 7.

## **9.2 THE DEVELOPMENT OF THE CONCEPTUAL FRAMEWORK FOR ACCOUNTABILITY**

The development of the conceptual framework was influenced by the following findings and the assertions:

The findings were that:

- Non-financial reporting is increasing in its importance, as traditional financial reports continue to fail in their ability to inform stakeholders about the long-term sustainability of the organisation (see 8.3.5). An adapted logic (integrated reporting logic) (see 8.3.5) has emerged in the NGO sector. This logic is fit for purpose for the NGO sector (see Bedenik & Barišić, 2019; IIRC, 2012).
- Financial reports for NGOs should be comparable across NGOs because comparability and uniformity encourage performance management and enhances accountability among NGOs (see IFRS, 2018)

- There are different beliefs in the NGO sector regarding the basis of preparing financial reports. There is a contested logic that small NGOs should use the cash basis while bigger NGOs are at liberty to utilise the accruals basis of accounting (see 8.3.6)
- Current annual reports for NGOs do not have valuable performance indicators (see 7.8).

The assertions are summarised as follows:

- Assertion 1. To date the NGO sector lacks a conceptual framework for accountability.
- Assertion 2. Competing and conflicting logics could be understood through hybrid reporting guided by an integrated framework.

### **9.3 THE DEVELOPED CONCEPTUAL FRAMEWORK FOR NGO ACCOUNTABILITY**

The conceptual framework on NGO accountability was developed based on the findings and assertions from the document analysis, interviews and preliminary framework discussed in Chapter 5. Initially, the preliminary framework postulated that NGOs are faced with multiple accountability expectations from a diverse group of stakeholders (see 5.5.2). As per the findings, (see 8.3.6), these expectations are not easily met by NGOs due to various institutional logics, some of which are competing or conflicting. For NGOs to embrace some of these logics, preparers of NGO annual reports should apply accountability mechanisms that would at least cover the reporting requirements of major stakeholders. This can be done through adapting some logics, looking at new, or hybrid accountability logics that could reduce the complexity of reporting.

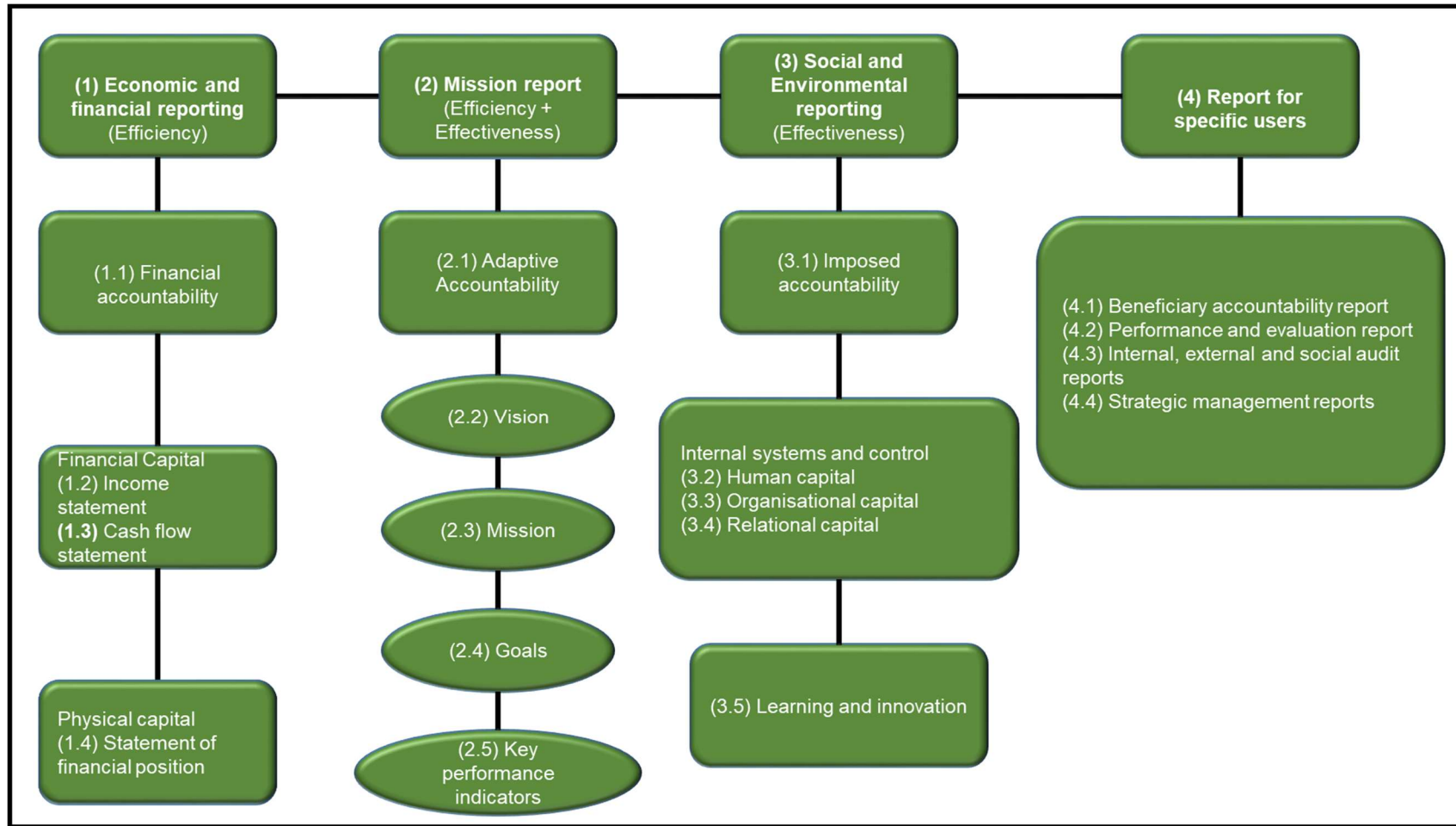
The research findings changed the preliminary framework into the final framework which is presented here. Issues that had been identified during the study highlighted the need to develop a framework that all NGOs could use to disclose their performance and position to their major stakeholders, such as funders, beneficiaries, governments, and employees, the public and regulatory bodies.

The preliminary conceptual framework informed the final framework in that even in the final framework, it is important to consider the complexity of reporting institutional logics

## *Chapter 9: The developed conceptual framework*

and the accountability mechanisms that could be adopted by preparers to cover the three goals of NGO accountability (efficiency, effectiveness and financial reporting). The preliminary framework identified felt, imposed and adapted accountabilities as crucial mechanisms that NGOs could apply in reporting to their stakeholders (see 5.5.4). However, these three accountabilities can be combined to create hybridity in reporting to cover the full spectrum of NGOs reportable areas (see 5.4.1). While the preliminary conceptual framework introduces the notion of accountability mechanisms, it does not show how these mechanisms should be applied or rather which reports should be produced by the NGOs to cover the full spectrum of reporting and accountability. The final framework shown in Figure 9.1 clearly indicates that missing link by suggesting three areas: economic and financial reporting, mission report and social and environmental reporting. These areas can be covered through hybrid reporting by applying felt, adaptive and imposed accountability as suggested in the final conceptual framework (see 5.4.1).

The final framework is summarised and graphically depicted below in Figure 9.1. The graphics highlight the main elements of the framework to which preparers of NGO annual reports should make reference in order to improve their accountability and reporting to their major stakeholders amidst competing and complementing accountability logics.



**Figure 9.1: The conceptual framework for accountability by NGOs**

Source: Researcher's compilation

## *Chapter 9: The developed conceptual framework*

Figure 9.1 above is a graphical presentation of the developed conceptual framework showing four dimensions that can cover the whole spectrum of accountability in NGOs. These are economic and financial reporting, mission report, social and environmental reporting and the reports for specific users. These four components are interrelated. It should be noted that the conceptual framework that was developed was not planned to develop a complete new set of instruments and reporting tools; instead, it needed to come out as an amalgamation of instruments of which some could currently be employed by NGOs in their daily management but either not linked to each other or insufficiently disclosed. The focus was on the promotion of the integrated reporting logic by compiling financial and non-financial information in one report. However, it should be noted that the reports for specific users' dimension (4) is a completely new suggestion by the researcher.

NGOs are mission-oriented multi-stakeholder organisations and consequently as indicated in Chapter 5 (preliminarily conceptual framework), the researcher analysed different accountability regimes that advance interesting insights regarding meeting the demands for accountability from different stakeholders. The researcher discussed the fact that, due to complex or hybrid and competing logics, NGOs find themselves in a dilemma when choosing which accountability regime to adopt. Additionally, institutional complexity, leading to conflicting logics, may frustrate and perplex organisations and actors within organisations and pose management challenges (Battilana, Sengul, Pache & Model, 2015; Toubiana & Zietsma, 2017). Left unchecked, institutional complexity may therefore result in deleterious implications for organisations and individuals. It, consequently, requires appropriate responses. It is important to note, however, that institutional complexity may also “become a basis for improvisation and innovation, as actors treat the sets of alternative values, ideas, beliefs, and practices as resources for the creative assembly of new social combinations” (Bertels & Lawrence, 2016:338).

The conceptual framework considers the four drivers of accountability for NGOs, namely:

- the economic and financial dimension;
- the mission-related dimension;
- the social-related dimension; and



- reports for specific users.

The dimensions that are recommended should include more detailed performance areas that are tailored to the specific needs of the NGO. The dimensions recorded above need to be elaborated upon in order to provide enough guidance for NGOs; yet, they should not be too specific as NGOs have varying KPIs, which are mostly tailored by their funders.

### 9.3.1 The economic and financial dimension (1)

NGOs should aim at being economically and financially sustainable in the end for them to guarantee the attainment of their mission over time (Andreas & Costa, 2014). The financial and economic aspects deliver some information regarding how some financial resources have been acquired or how they have been created and engaged. Therefore, the more efficient an organisation is, the more economic and financial resources it must direct to reach its mission. Without *healthy* NGO economic and financial management, it is not possible to attain the preferred social goals (Andreas & Costa, 2014). The economic and financial information of NGOs should be disclosed through the income statement, statement of cash flows and the statement of financial position. These financial statements are explained below:

#### ⇒ Income statement (1.2)

With reference to reporting the financial performance of the NGOs, the conceptual framework adopted some of the suggestions from the companion guide for not-for-profits (ACCA, 2015). The guide recommends a combination of the statement of income and retained earnings, which will then be referred to as the *statement of income and retained earnings*. NGOs are encouraged to show two primary classes of funds in the statement of income and retained earnings by using the fund accounting approach. Fund accounting is defined as the accounting procedures that yield a self-balancing set of accounts for each fund created by the organisation as it (Fund accounting) seeks to comply with “legal, contractual and voluntary requirements” (Rossouw, 2006:44). Fund accounting involves splitting funds and reporting separately on each of them. NGO accounting generally uses various funds to account for their resources and activities (ACCA, 2015). Incidentally, funds accounting is like the cash accounting method, which this study revealed as a contested logic in the NGO sector

(see 8.3.6).). As per results from phase 2 of the study, there is a conflict of logics in that some NGOs would prefer to present their financial reports on an accrual basis while other NGOs in the sector utilise the cash accounting logic (see annexure 4). The results from interviews indicated that preparers and users of annual reports support cash or fund accounting while the auditors are in favour of the accrual basis of accounting.

Fund accounting, as mentioned earlier, differentiates between two forms of funds: the funds that are not restricted in their use, which can be spent for any purposes of the NGO, and those that are restricted in use (see Rossouw, 2006). Restricted usage may imply the legal restriction whereby funds can only be lawfully used for a specific social purpose, or the restriction that is imposed by the funder (ACCA, 2015; Rossouw, 2006). Funder or giver restrictions are normally communicated in writing and they may be found in the terms of an agreement, grant, will or gift.

The statement of income and retained funds should use the term “net movement in funds” because:

[T]his line in the statement includes valuation gains or losses including pension related items that would not be items included within the calculation of profit and loss/surplus or deficit. It shows the overall movement in retained funds in the reporting period inclusive of all gains and losses (ACCA, 2015:15).

Additionally, all stakeholders would be interested to know how the donated funds have been used to achieve the social purposes of the NGO. In this regard, there is need to separate income, gifts and expenditure that relate to the social purpose as it provides users of financial statements with an analysis of the income of and gifts to the organisation and its expenditure on its activities. The reconciliation of the retained funds is also tabulated within the statement of income and retained funds. The developed conceptual framework adapts the notion that expenditure is reported on an activity basis to show how the NGO has used its resources to further its aims for the public benefit (ACCA, 2015). The illustrative income statement is provided in Annexure 11.

### ⇒ **The statement of cash flows (1.3)**

The statement of cash flows discloses information regarding the ways in which an NGO makes use of the cash generated by its actions and about the changes in cash and

cash equivalents that are held by the NGO (ACCA, 2015; PWC, 2015). Moreover, it provides information that is valuable in the assessment of the liquidity and underlying solvency of the NGO. Liquidity signifies the “capability of an organisation to meet its proximate and short-term obligations as they fall due”. Solvency pertains to its capability to meet its longer-term obligations as they fall due (ACCA, 2015:15).

The researcher adapted some of the recommendations from the publication of the international financial reporting standards for small and medium-sized entities when developing the conceptual framework (see ACCA, 2015). The cash flows were adapted for constrained funds that are not immediately available to spend on a social purpose in the reporting period owing to conditions attached to the gift. Gifts of such nature are considered financing activities if they are invested, and it is the income that comes from the investment that will be utilised for a social purpose (ACCA, 2015). An illustrative statement of cash flow is provided in Annexure 12.

⇒ **Statement of financial position (1.4)**

The publication of the international financial reporting standards for small and medium-sized entities (SMEs), recommends, “[t]he inclusion of additional assets and liability classes and the addition of retained funds along with analysis of any equity for those NGOs that have share capital or equivalent equity” (ACCA, 2015:13). The publication makes some recommendations that the financial statements need to be adapted to supplementary line items for “grants receivable, financial assets that are not current, grants payable, current, non-current, and retained funds” (ACCA, 2015:13). In addition, the line items, financial assets, property, plant and equipment, trade and other payables and provisions need to be modified to incorporate aspects that are specific to NGOs (ACCA, 2015).

To account for liabilities, it is suggested that the liabilities can be indicated distinctly with a total of net assets that are given (see ACCA, 2015). The statement of financial position ends with equity and retained funds that stand for the net total assets (or liabilities). The conceptual framework that was developed for NGOs adapts and incorporates some of the suggestions from the companion guide because outlining information in that way enables the users of the accounts to perceive which funds the organisation has retained in order to carry out future activities. Additionally, it is also beneficial to disclose grants – whether current or non-current – to show the restrictions

and how NGOs could use the grants according to the conditions stipulated. The resulting conflicting logics are identified in the preparation of the statement of financial position. Funders are concerned about attaching restrictions to their resources so that NGOs could follow and abide by the funder logic (Agyemang et al., 2017). However, funder logic comes into conflict with the logics of comparability that were highlighted by the interviewees in phase 2 of the study (see Annexure 4). Comparability was highlighted as a prevailing logic. A core premise of the institutional logics theory is that the interests, identities, values and assumptions of individuals and organisations are embedded within prevailing institutional logics (Thornton et al., 2012). In order to prepare comparable reports, preparers are faced with conflicting logics because the funders want the reports to be prepared in a certain prescribed format, and these formats do not make reports to be comparable since some of the NGOs have multiple funders each prescribing its own template. This complexity leads to NGOs preparing reports that do not have sufficient information as evidenced by some of the sampled annual reports that were analysed during the document analysis phase of the study. Reay and Hinings (2009) suggest that conflicting logics can be sustained with alterations taking place only when persons as well as groups foster some shared mechanisms to bargain incremental improvements on concerns efficaciously and interactively. In this regard, NGOs should move towards explaining to their funders the need for comparable reports, since comparable information could be useful in management decisions. An example of the statement of financial position is provided in Annexure 10. It should be noted that NGOs incorporating both the commercial and non-profit logics could benefit from incorporating the economic and financial dimension in their integrated report as they will be able to report their financial activities in line with the requirements of commercial organisations that follow international accounting standards, as explained by Falk and Sandwall (2015).

Therefore, it is theorised that organisations that prepare comparable financial reports meet the information needs of major stakeholders since comparable information among organisations assist users in making informed decisions about a particular firm's operations and future outlook.

### **9.3.2 Mission report (2)**

At the centre of the conceptual framework for accountability is the mission report disclosing the information on the effectiveness of NGO activities for members and beneficiaries. The mission of an NGO pertains to the set of values that the organisation aims to create for its investors as well as for the wider community. It also refers to an adaptive accountability (O'Dwyer & Boomsma, 2015; Unerman & O'Dwyer, 2006). This implies the way the executives or activists who are responsible to run the entities as they take accountability for determining the mission and values of the organisation, whether to expose themselves to civic or exterior inspection, as well as assessment of their functioning relative to their objectives. Because the mission conspicuously signifies the heart of NGO activities (Ebrahim, 2010) – analogous to the position investor wealth occupies for FPOs – this must be an aspect that is utilised in the evaluation and effective assessment of previous performance as well as future activities. The mission-related dimension shows how effective an NGO is through its performance. For an NGO, the mission dimension cannot be measured in economic or financial terms because the mission usually focusses on societal problems that the NGO seek to remedy or on desirable social conditions that the NGOs seek to encourage. The mission statement is also related to values and principles that form the foundation of the NGO. These values, together with the purpose that NGOs aim to achieve, become the visions of the NGOs. The vision, mission and goals are therefore related and should be disclosed as per the newly developed conceptual framework. The mission and vision have to be long-term-oriented and adaptable to change (Ebrahim, 2010). According to the GRI (2014), the mission report should at least include NGO mission and vision (2.2 and 2.3): What is the identity and desired behaviour of the NGOs?

The mission report should include a statement from the decision-maker of the NGO. This statement should present the overall vision and strategy for the short term, medium term, and long term. The statement should particularly refer to managing the significant economic, environmental and social impacts that the NGO causes and to which it contributes. These impacts can be linked to the activities of the NGO because of relationships with others (such as suppliers, people or organisations in local communities). The report should also mention key events, achievements and failures during the reporting period, views on performance with respect to targets, outlook on

the main challenges and targets of the organisation for the next year, and goals for the coming 3–5 years. However, sampled annual reports revealed that the mission reports lacked content in that in some instances; only the mission and vision were abstrusely disclosed. The goals and KPIs were excluded. KPIs are measurable values that demonstrate how effectively an organisation is achieving key business objectives. Organisations utilise KPIs to evaluate their success at reaching targets. NGOs, like any other organisations, are required to have KPIs (2.5) so that funders will be enlightened on the activities of the NGOs towards meeting their agreed goals. Performance indicators need to be specific, measurable, attainable, realistic and timely (ACCA, 2019).

The funders and NGOs should agree on the performance indicators before these are introduced to the NGOs to avoid misunderstandings in future. In phase 1 of the study (as depicted in Tables 7.2 to 7.8), it was revealed that mission reports of NGOs lack detailed information on the suggested performance indicators. In most cases, these are not mentioned at all. GRI (2014) emphasises the need for reporting on the agreed performance indicators, and cautions that at least 10 performance indicators covering social, economic and human capital categories should be reported by NGOs. The conceptual framework that was developed suggests that the full mission report should reflect the mission and vision statement, goals and KPIs.

### **9.3.3 The social-related dimension (3)**

Whereas the economic and financial dimensions centre on the evaluation of effectiveness in the management of NGOs, the social-related dimension refers to the relational attitude of accountability in accordance with the way in which NGOs need to adopt in purposeful discussions that include all the shareholders. Moreover, the social-related aspect pertains to adaptive and effective accountability, which in essence requires the NGOs to be responsible to themselves whilst following their stated social objectives (O'Dwyer & Boomsma, 2015). Furthermore, the social-related aspect reflects on the outside method to accountability (imposed accountability) (see O'Dwyer & Boomsma, 2015). This method is chiefly grounded in the presence of an implied social contract between NGOs and their various stakeholders (see Fitzgerald & Shepherd, 2018). As an illustration, both private and public sponsors require NGOs to be answerable for the effectiveness as well as the influences of the societal amenities

they have sponsored. In addition, the recipients demand that NGOs should be answerable for the growth of their social welfare and for delivery of social services. On the other hand, the workforce also has an expectation that NGOs need to assure them of their employment whilst at the same time they must maintain the quality of the job. More so, those providing volunteer services expect to be involved in the design of the project while gaining specialised growth prospects (Andreas & Costa, 2014). In other words, different shareholders urge that NGOs need to justify their actions, and this creates several accountability challenges for the NGOs. NGOs need to consider the material requirements of all those that are part of their activities to satiate the expectancies as well as claims. The provision of such information enables NGOs to uphold their acceptability within their environment of action (Sinclair & Bolt, 2013). Such a reflection implies that accountability to all the various entities does not signify the rationale for the existence of the NGO – which is the creation of social value (Sinclair & Bolt, 2013). Instead, accountability is a necessary restriction for the consolidation of the connection with investors. Therefore, it stands for an essential but lacking condition that is critical for long-term effectiveness, since without legitimacy from all stakeholders, NGOs risk the danger of a declining capability to attain the mission statement, which is, by definition, socially oriented (Andreas & Costa, 2014).

As per the conceptual framework, the social-related dimension should be extended through an account of the internal systems and processes (3.2, 3.3 and 3.4). The NGO should be encouraged to provide information on human capital, organisational capital, relational capital and organisational learning (Andreas & Costa, 2014).

**Human capital** (3.2) can be regarded as comprising employees and volunteer expertise, capabilities, skills and expertise. A social accounting that centres on the expansion of human capital has several advantages. First, it aids in the making of sound decisions that are connected to the dimension of human resources, thereby leading to greater levels of engagement as well as reduced turnover of both the volunteers and paid employees (Mook, 2014). Second, this enables the possibility for cost–benefit analysis of human resource development (e.g., training and volunteer management (Mook, 2014). Linked to such is the fact that social accounting can inspire the executives to consider human resources as assets that have to be promoted and not necessarily as expenses that have to be reduced (Mook, 2014).

**Organisational capital** (3.3) comprises organisational culture, management philosophy, copyrights, patents and systems for conducting the tasks within which the organisation is involved. These are aspects that distinguish one entity from the other and could be acknowledged as something that is valuable with the social accounting element (Mook, 2014).

**Relational capital** (3.4) pertains to associations with recipients, suppliers and local community (Mook, 2014).

Accountability to beneficiaries brings important practical advantages with it, such as increasing the chances that the activities of an NGO meet the real needs of beneficiaries and the sense of ownership that beneficiaries feel towards the work of an NGO, which improves the possibility of long-term effects. Being accountable to beneficiaries takes time and needs the support of managers. It can slow down the operations of an NGO and it can be difficult to put into practice while also meeting all the demands of different stakeholders, such as funders, government officials and other NGO managers. At the same time, it can radically increase the effect and influence an NGO has. The importance of beneficiary reports was confirmed as per the interview results depicted in Annexure 4. The participants confirmed that feedback from beneficiaries is crucial information that should be reflected in the annual reports of NGOs.

Paying due regard to the construction of relationships and preservation is one of the important dimensions indicated in the conceptual framework. Whereas relational work is important within the framework of NGO work, accounts of such work is not available (Benjamin, 2013; Dewi et al., 2019).

**Learning and Innovation** (3.5) is also included in the framework since it is important to go beyond short-term accountability to long-term functioning (Ebrahim, 2010). Learning and Innovation seeks to cover the concerns relating to the following: what can the organisation learn from itself and its stakeholders in order to improve its effect and sustainability.

Based on the views of the stakeholders interviewed and the results depicted in Annexure 4, it was apparent that most stakeholders indicated that accountability to various stakeholders should be considered through holistic accountability. Although holistic accountability is deemed beneficial by stakeholders (see Yates, Gebreiter &



Lowe, 2019), it creates multiple and hybrid logics that need to co-exist in the NGO sector so that accountability will be possible. For example, the results from the interviews (Annexure 4) showed that local regulations and funder logics are competing logics, as to uphold legitimacy, NGOs are required to follow local regulations such as national GAAP and NGO law, and at the same time, the NGOs need to satisfy the funder requirements. Additionally, the preparers and users seek comparable reports while funders – through dominance logic – still require NGOs to use pre-determined templates. In order to report effectively, NGOs should attempt to report on the three dimensions mentioned above (see 9.3.1, 9.3.2 and 9.3.3); however, these dimensions cannot be covered using only one accountability mechanism. This is where the need for hybridity in reporting becomes necessary. For example, preparers of the mission report could consider applying felt accountability as they might feel that they have personal responsibility to meet their agreed missions and promises to the beneficiaries. In the same vein, funders would demand certain information from the mission reports, such as how the agreed performance indicators were met by NGOs, requiring preparers to adhere to the imposed accountability mechanism. In order to meet the two accountabilities, hybrid reporting could be appropriate so that the accountability expectations of both the funder and NGOs will be met through hybrid logics of accountability. It is therefore theorised that, in order to meet the information needs of major stakeholders, organisations should embrace integrated reporting as they prepare their annual reports.

#### **9.3.4 Specific user reports (4)**

Since NGOs are faced with multiple accountabilities demands exerted by different stakeholders, it is paramount to give room to the stakeholders to suggest reports that could be useful to their decision-making. Besides the mandatory reports required by regulatory bodies and for general reporting, NGOs could be asked by their stakeholders to provide extra reports, especially powerful stakeholders, such as the government and funders. This dimension provides the NGOs with the flexibility to meet the information needs of such stakeholders. Some of the specific user reports are discussed below.

#### **9.3.4.1 Beneficiary accountability report (4.1)**

As already mentioned in the preceding chapter (see 8.3.2), accountability to beneficiaries brings important practical advantages, such as increasing the possibility that the activities of an NGO meet the real needs of beneficiaries, and the sense of ownership that beneficiaries feel towards the work of an NGO, which improves the possibilities of long-term effect. Being accountable to beneficiaries takes time and needs the support of managers. It can slow down the operations of an NGO and it can be difficult to put into practice while also meeting all the demands of different stakeholders, such as funders, government officials and other NGO managers. At the same time, it can radically increase the influence of an NGO. The importance of beneficiary reports was confirmed as per interview results. The participants confirmed that feedback from beneficiaries is crucial information that requires to be reflected in the annual reports of NGOs. Additionally, it was revealed by interviewees that both downward and upward accountability logics are present in the NGO sector. As a result, both logics need to be embraced in the preparation of the annual reports.

In order to be accountable to beneficiaries, the following information should be considered.

#### **9.3.5 Representing the vulnerable**

According to MANGO (2010:5), the following information should be reported by NGOs:

- a record of a meeting that identified the most vulnerable and marginalised groups of people in the beneficiary community.
- a record of a meeting that identified powerful interest groups and discussed whether they adequately represent the interests of vulnerable groups.
- a record of a meeting that identified specific individuals as being legitimate representatives of the most vulnerable and marginalised people and who have the time and ability to work with NGO staff.
- evidence that NGO activities take place in a location, time and language that make it easy for representatives of a low-status group to get involved, and whether a facilitator is used who is not threatening to local people; and

- evidence that the activities of the NGO help marginalised people to strengthen their influence in local decision-making processes, and to hold power to make NGOs account for their activities.

### **9.3.6 Making decisions**

MANGO (2010: 6) highlights that information on decision-making should include the following:

- assessing people's initial needs, including deciding which areas to assess.
- setting the programme goals, including setting specific targets for each specific goal.
- designing specific activities – e.g., deciding on targeting, locations, purchasing decisions, contents of aid packages, designs of shelters.
- regularly reviewing the performance of programme activities to date, identifying lessons for the future (e.g., at monthly or quarterly meetings).
- regularly deciding how to adapt activities in the light of lesson learned; and
- periodically reviewing the initial assessment and deciding how to adapt programme goals and/or activities if necessary.

### **9.3.7 Complaints procedures**

MANGO (2010: 9) states that NGOs should keep a record of the following information:

- a written complaints policy for receiving and handling complaints, and all NGO staff know how it works.
- a named member of staff is responsible for receiving and handling complaints (not a member of staff who works with beneficiaries).
- evidence that all complaints are investigated in a fair, impartial and timely manner involving local people, keeping the person making the complaint informed of progress.
- an appeal mechanism so that people can appeal against the results of an investigation into a complaint; and
- the NGO maintains a register of complaints, including details such as the person making the complaint, the type of complaint, the start and end date of investigations, the findings and details of redress.

**9.3.7.1 Performance assessments and evaluation reports (4.2)**

Performance assessments and evaluations are other mechanisms that can be used to improve accountability and reporting among NGOs. This mechanism aims to assess the level at which both programme goals and objectives have been met to help funders determine whether there is a need to release additional funds to the organisation (Ebrahim, 2010). Funders agree on the objectives and targets to be achieved and the measurement criteria in determining whether the set objectives are being achieved (Ebrahim, 2010). If any deviations or unfavourable outcomes are detected, they should be investigated and corrected (Ebrahim, 2010). Performance assessment should lead to improvements in NGO operations as NGOs are expected to learn from the mistakes that resulted from their assessments.

**9.3.7.2 Internal and external reports and social audit (4.3)**

To ensure that their resources are put to good use, funders could, for example, demand for internal and external audit reports and social audits. Internal and external audits ensure compliance within the reporting systems and helps funders decide which NGOs they will trust with their resources. NGOs with unqualified audit reports are usually guaranteed a steady flow of funds compared to NGOs whose financial reports are always questionable (see Keating & Thrandardottir, 2017)). Additionally, there is a need for reconciliation of funds between principal recipients and sub-recipients through internal audit and external audit reports. In this way, satisfactory internal financial audits by principal recipient agents of donated funds would enhance the trust that funders place in NGOs.

As indicated in Chapter 3, proponents of social auditing offer numerous reasons as to why NGOs should report on their social impact (see 3.3.1). Firstly, social auditing offers internal management guidance in terms of monitoring performance (Ebrahim, 2010). Secondly, as a mechanism of accountability, social auditing enables views of disadvantaged stakeholders to be taken into consideration when setting organisational objectives and in designing performance indicators. Thirdly, the feedback derived from the disadvantaged stakeholders can be used to formulate strategic plans and organisational learning, and fourthly, the social audits can be used as a way of proving to society that their operations are legitimate, which will lead to a better public image of the organisation.

### **9.3.7.3 Strategic management reports (4.4)**

Strategic management reports help NGOs to decide on the strategies that should be put in place for them to survive. An NGO with a strategic plan will likely foresee going concern problems and this could assist such NGO to think of other survival strategies. For example, NGOs that have seen funds diminishing from their resource providers would think of adapting hybrid logics to incorporate commercial activities to boost their income (Falk & Sandwall, 2015) A strategic management report would be required in that instance to guide NGOs make informed decisions (Falk & Sandwall, 2015). Therefore, it is theorised that financial and non-financial information is crucial and interlinked. In preparation of annual reports, both financial and non-financial information should be included to provide users with a holistic picture of the operations of the organisation.

## **9.4 SUMMARY OF THE CONTENTS OF THE DEVELOPED FRAMEWORK**

The first phase of the study, document analysis (see 7.5.1) has highlighted the fact that in most cases (see Table 7.5), NGOs, do not disclose much information apart from their budgets and work plans. The required information, such as stakeholder engagement, governance and beneficiary accountability, is missing in their annual reports, rendering these reports to lack decision-useful information. Phase 1 of the study also revealed that NGO annual reports usually display financial information at the expense of non-financial information, which is also crucial in reporting the activities of the organisation. It was also confirmed by interviewees in phase 2 of the study that the financial and non-financial logics of reporting received majority support as it emerged as the new logic in the NGO sector. Emerging logics are characterised by loosely defined “institutional arrangements, unclear institutional rules, ambiguous and highly permeable boundaries and sharp contestation between logics” (Vican & Pernell-Gallagher, 2013:240). Such characteristics end up in further complexity as well as enhanced carefulness on the part of organisations. To that effect, the conceptual framework is the guiding framework to minimise the reporting complexities of NGOs.

The developed framework, therefore, guides preparers of annual reports how to include both financial and non-financial information and how to report on stakeholders’ engagement, such as listing all stakeholders and explaining how these stakeholders

have been identified. In addition, the framework emphasises the need for beneficiary accountability. It is vital to report on how the recipients of the interventions feel about the services they receive so that unsatisfactory services and tendencies can be corrected. While reporting to all stakeholders bring institutional complex logics, if left unchecked, these may result in grave implications for organisations and individuals, and consequently will require appropriate responses, such as the development of an all-inclusive conceptual framework (Battilana et al., 2015).

Even though the annual reports of the participating NGOs included financial information in their statements of financial positions and income statements, the disclosures overlooked the need to show clearly the conditions attached to the resources given. Funders are interested to know whether their stipulated conditions are being adhered to, and therefore NGOs are asked to show the elements of all the restrictions.

The developed framework guides the preparers to consider separating the funds between 'restricted' and 'unrestricted' funds in their financial statements (statement of financial position, statement of income and retained funds, and statement of cash flows). Disclosing information in this way fulfils the wishes of the funders (Rossouw, 2013). In phase 2 of the study, it was established that funders and local regulations are likely to influence the reports of NGOs, and disclosing these funder restrictions in the financial reports, will be beneficial to both the NGOs and their resource providers.

It was also established in the study that most NGOs do not have agreed KPIs to measure and monitor their targets. Performance indicators should be agreed on and reported so that stakeholders may know whether NGOs are meeting their targets in serving the beneficiary. The prevailing logics were that NGOs did not show any KPIs in their annual reports. The framework depicted in Figure 9.1 outlines some of the indicators that are deemed crucial in the NGO sector. However, the indicators can vary to suit the operations of the organisation as long as these indicators cover economic, environmental and social bottom lines.

## **9.5 VERIFICATION OF THE CONCEPTUAL FRAMEWORK**

A conceptual framework was developed to assist the preparers of NGO annual reports so that their reports will be understandable. The framework that was developed serves as a guide to preparers of NGO annual reports.

To confirm that the conceptual framework would serve its intended purpose, it was distributed to a sample of experts to explore whether it could assist the stakeholders to determine whether the information produced could enhance their decision-making process. The respondents to the conceptual framework were also required to assess whether the framework was considered useful and user-friendly.

The feedback received from the respondents (Annexure 7) was considered and applied to enhance the usefulness reliability of the framework to assist preparers of NGO annual reports to produce comparable and decision-enhancing financial statements.

## **9.6 PURPOSIVELY SELECTED RESPONDENTS**

The developed conceptual framework on NGO accountability was shared with six purposively selected individuals to obtain their assessment and inputs. This was done to ensure that information produced by preparers of annual reports meets the qualitative characteristics of good information (trustworthiness, relevance, comparability, timely reporting, and faithfulness), which provide decision-useful reports. To comply with the ethics approval guidelines from Unisa, the purposively selected respondents of the conceptual framework were among the interviewees in phase 2 of the study. No new individuals were brought in to verify the framework, since this stage of the research was not intended to provide additional data for the study but intended to lay the basis for the recommendations for applied practice and future research.

- The conceptual framework was structured to:
- address the users' expectations; (5.4.1).
- guide compilers on how to incorporate both financial and non-financial information; (8.3.5).
- guide reporting about beneficiaries; (9.3.4.1).

- guide separating unrestricted and restricted funds to accommodate funder logic; (9.3.1) and
- guide incorporation of KPIs in the annual reports (9.3.2).

Annexure 7 details the individual assessments received from the conceptual framework reviewers, who were all regarded as possessing vast experience in their respective fields. From the participant listed for interviews, participants (2, 6, 8, 9, 15 and 16) were selected.

Upon assessing the inputs received from the six framework respondents, followed by an amendment to the developed conceptual framework, it could be concluded that the developed conceptual framework for NGO accountability is an effective, reliable and user-friendly document that could be applied to assist the NGO sector to prepare comparable and decision useful annual reports, as it:

- excludes unnecessary information that does not add value to the annual reports (8.3.).
- helps preparers to account for both financial and non-financial information covering economic, mission-related and social-related dimensions (see 8.3.5) . and
- helps users understand on which key performance areas NGOs should be evaluated (9.3.2).

## **9.7 HOW THE DEVELOPED FRAMEWORK EXTENDS THEORY.**

As mentioned in 1. 5 and 8.6, this study makes a modest contribution to theory by extending the institutional logics theory, particularly the institutional orders.

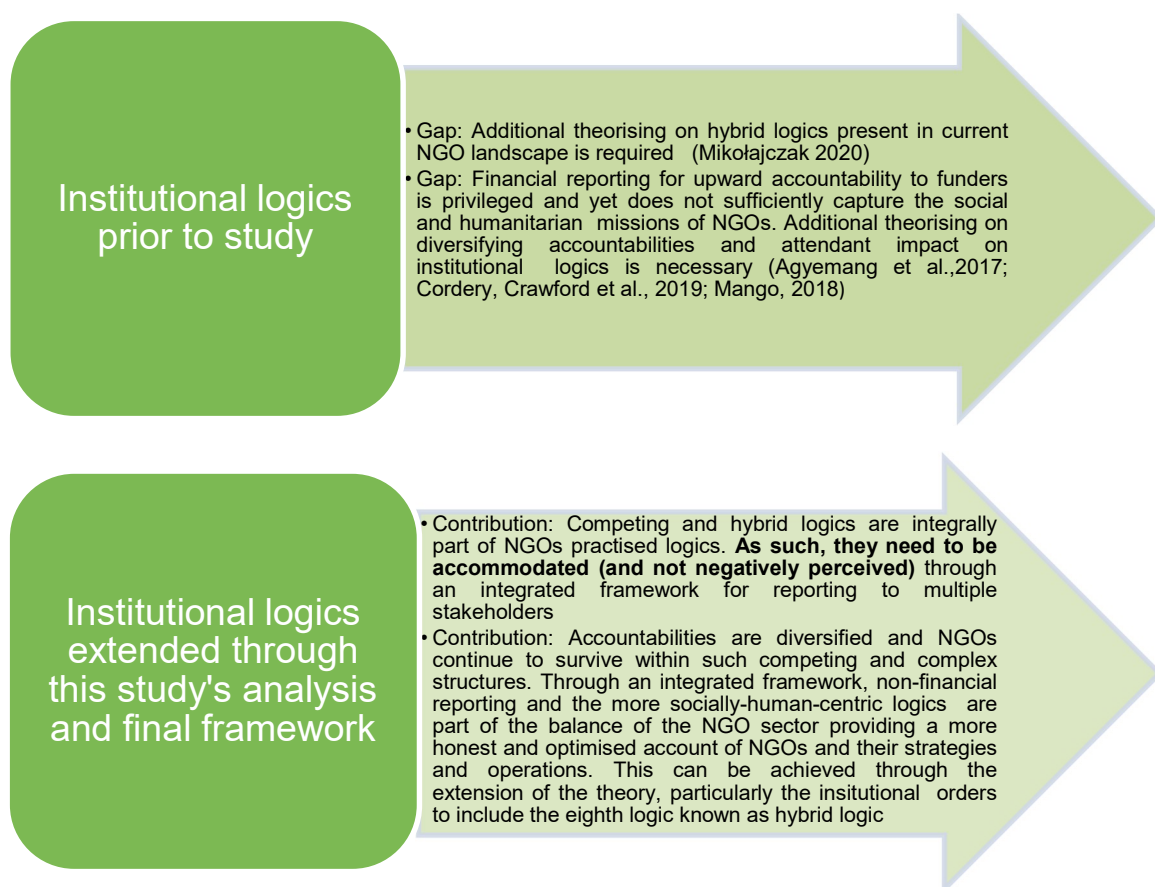
Thornton et al. (2012) suggest that the behaviour of an organisation is guided by the institutional environments within which they operate. Thornton et al. (2012) indicates in their work that seven institutional orders (see Chapter 4 section 4.5) could influence the way organisations operate for them to survive. However, this study found that some organisations – especially NGOs – are not able to adapt specifically to the logics that are associated with the seven institutional orders. Therefore, it is important to include the eighth logic, to be known as hybrid logic. This new institutional order will cater for organisations that operate in complex environments, such as NGOs. As discussed in



Chapter 8, for some NGOs to survive, they need to embrace hybridity in their operations and reporting.

The conceptual framework that was developed extends the institutional logics theory in that it suggests how NGOs can combine financial, adaptive and imposed accountability to produce information that would be decision-useful to major stakeholders. For example, funders are not only interested in knowing how their funds have been utilised; they are also interested in knowing whether the NGOs are able to uphold their mission and meet all obligations and goals. Additionally, NGOs are required to report to regulators and beneficiaries too. All these accountability demands cannot be achieved through one logic, and therefore, through hybrid logics, this approach to accountability and reporting can yield results.

Figure 9.2 provides the summative contribution to the institutional logics theory and it is discussed for its implications in Chapter 10.



**Figure 9.2: Summative contribution to theory**

Source: Researcher's compilation.

## **9.8 CHAPTER SUMMARY**

The conceptual framework was developed to assist the NGO sector to prepare effective annual reports. The conceptual framework was shared with purposively selected individuals to explore its usefulness and reliability. Recommended changes were incorporated in the conceptual framework to enhance the framework on reporting. The framework will be considered as a guide to NGOs to improve their reporting to their major stakeholders.

The final chapter of the study follows. This last chapter presents the study conclusion. The chapter also presents the summary of the research findings as well as the discussion of the contribution of the research to knowledge and policy. Finally, the limitations of the study as well as some suggestions for future research are discussed.

## **CHAPTER 10**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **10.1 INTRODUCTION**

This chapter presents the major conclusions, the study limitations and finally the proposed direction for future researchers. The chapter comprises six sections. The opening section presents an overview of the study relative to the research goals as well as the research questions. The second section discusses research strategies that were used, while the third section presents the main findings of the study. The fourth section presents the literature as well as the contribution of the study to existing knowledge. The chapter closes with a discussion of the limitations of the study and recommendations for future research in section 10.6.

##### **10.1.1 Overview of the study**

The purpose of this study was to advance the body of applied knowledge to provide a conceptual framework on accountability of HIV and AIDS-related NGOs taking into consideration the various institutional logics, such as local regulations, financial and non-financial and integrated reporting logics present in the sector at the time. The study used 13 NGOs in Namibia and 16 stakeholders of NGOs within the country were interviewed. As a way of assisting the researcher accomplish the research objectives as well as for the reader to follow the arguments proffered, precise research questions were asked (see 1.3.1). Specifically, a qualitative methodology as well as an illustrative case study approach was adopted (Gustafsson, 2017; Yin, 2014). Moreover, empirical data was collected, and the study results were interpreted through the lens of institutional theory, specifically the institutional logics theory (Thornton et al., 2012).

#### **10.2 OVERVIEW OF THE RESEARCH STRATEGIES**

The study applied the illustrative case study approach. This was done because this approach is able to satiate the three main suitability tenets of qualitative research, namely describing, understanding and exploring or illustrating issues (Gustafsson, 2017; Silverman, 2013; Yin, 2015). A case study acknowledges the complexity of the real world and it examines phenomena in a natural setting as per interviews conducted

and documented. It was aimed at understanding NGO accountability measures and institutional logics that occur in a natural organisation context within a bounded sector.

The methodology warranted comprehensiveness in the observation and analysis of the socially constructed nature of NGO accountability from the perspective of various stakeholders (actors) within their natural setting. Moreover, it gave the researcher the chance to explore and comprehend the accountability logics within the NGO sector by using document analysis (see Chapter 7) and interviews (Chapter 8) (Gray, 2013; Silverman, 2013; Yin, 2014).

The research made use of institutional logics theory to understand the effects of the institutional forces on NGO accountability and reporting (Thornton et al., 2012). The concept of institutional logics provided a useful framework for understanding how NGOs manage the multiple accountabilities discussed earlier in Chapter 3 (i.e. the literature review). These accountabilities place conflicting demands by stakeholders, and adaptation of these demands is mediated through beliefs and values. Logics provide a means for organisations to simplify this complexity, incorporating both beliefs and behaviours.

### **10.3 MAJOR RESEARCH FINDINGS**

The aim of this research was to develop a conceptual framework for accountability by NGOs (incorporating theoretical extensions to the institutional logics theory as well as existing practices) that may provide relevant, reliable, comparable, uniform and credible information for effective NGO stakeholder decision-making and for disciplinary knowledge. This section summarises the main findings of the study. For easy reading and understanding, the major findings are structured along the same lines as the research questions (see section 1.4) and discussed below.

#### **10.3.1 What is the nature of accountability disclosures of the studied NGOs?**

It materialised from the research that the accountability disclosures found in the annual reports of NGOs are not adequate to meet information needs of some major stakeholders (annexure 4). This finding agrees with the findings from the existing literature that affirms the dominance of disclosures meant for one group of stakeholders (funders) through a mechanism of upward accountability (Agyemang et al., 2017; Goncharenko, 2019; Werekoh, 2014).

## *Chapter 10: Summary, conclusion and recommendations*

In their disclosures to stakeholders, NGOs are encouraged to report on key performance areas covering social, economic and environmental bottom lines (GRI, 2014). The three bottom lines could cover financial health, programme and service delivery, human capital, fundraising and development, risk management and governance, marketing and communication, and advocacy and outreach (explained in Chapter 7).

Financial health information is important because it enlightens stakeholders on whether the NGO has sufficient and flexible resources to support its mission. NGOs are supposed to disclose their liquid, unrestricted net assets, net asset composition (restricted and non-restricted), days or months cash on hand, operating surplus deficit, budget and work plans and negative cash flows (ACCA, 2015).

It was observed that the majority of the participating NGOs did not disclose most of the required financial information (see 7.5.1) in their annual reports apart from disclosures on budgets and work plans, and this information favours funders alone. As a result, funders provide NGOs with predetermined budgets and work plan templates to be used in their reporting mechanisms. In addition, narrative information explaining some of the financial disclosures was missing in the sampled reports (see 7.5.1).

NGOs are also asked to report on their programme and service delivery to their beneficiaries. These disclosures allow NGOs to specify their mechanisms on how to measure the effectiveness of their programmes concerning their stated mission and objectives. NGOs are expected to report, for example, the number of beneficiaries served, the number of beneficiaries reached per age group, beneficiaries' satisfaction rate, volunteer hours served per period, and programme attendance. This study found that most of the participating NGOs did not disclose the required information under the programme and service delivery category. Those NGOs that attempted to provide some disclosures did not fully disclose all as per the guidelines of King IV code or the GRI. None of the NGOs was able to disclose the number of beneficiaries served, the beneficiary satisfaction rate, programme attendance and enrolments, cost per service unit, and volunteer hours served per period. This information is important as it guides the stakeholders, such as funders, who need to know whether interventions and resources applied reach the intended beneficiaries.

## *Chapter 10: Summary, conclusion and recommendations*

In relation to human capital reporting, only a few of the participating NGOs positioned their annual reports as reflecting their commitment to human capital disclosures. In contrast, the research found that annual reports produced by most of the NGOs did not – or in some instances, abstrusely – disclosed human capital information.

Regarding fundraising and development, the study found fundraising and development to be crucial to NGOs, and this time, more NGOs – including small ones – reflected this information in their annual reports. The study argues that these findings support the shift that is evident from the literature that there is a move from financial to integrated reporting incorporating narrative reporting (see Bedenik & Barišić, 2019). However, it should be realised that this evidence is abstrusely disclosed in most annual reports.

In terms of risk management and governance disclosures, the study concluded that the annual reports of only a few participating NGOs reflected a high level of disclosure in this area. These few annual reports gave insights into risk and opportunities posed by the economic, social and environmental contexts that could affect the achievements of the stated mission of the NGO, its strategic objectives and its ability to create value in a sustainable manner.

In addition, the study found that annual reports from many of the participating NGOs did not disclose any information on marketing and communication. The structure of the annual reports did not support the recommended approach by the GRI and King IV report.

Outreach and advocacy are important indicators that show how participating NGOs were able to meet the beneficiaries' needs in terms of services provided to them. The study observed that all the annual reports sampled (D1–D13) did not disclose this information clearly. Only a few reports abstrusely disclosed this information. This signifies the need for inclusion of advocacy and outreach activities in future annual reports.

The reality is that the annual reports of the participating NGOs, did not have adequate information to meet the needs of major stakeholders, and therefore the developed conceptual framework by the researcher will be useful in guiding NGOs on how to incorporate the required information.

### 10.3.2 What are the relevant institutional logics shaping accountability and reporting practices of NGOs?

Through the lens of Thornton et al. (2012), the study identified two main institutional logics that are relevant in shaping accountability and reporting practices of NGOs, namely funder logic and local regulations logic.

**Funder logic** requires NGOs to prepare annual reports that are dictated by the provider of finances, as it is believed that NGOs only need to account to their funders or resource providers (Abouassi & Trent, 2016). Funder logic culminates in upward accountability, and through upward accountability, the extent and level of NGOs' obligation to funders is illustrated through, inter alia, disclosures and reports, review meetings, external monitoring and auditing.

This research found that NGOs use budgets and work plan templates that are designed by the funders and NGOs are forced to conform to funder prescriptions because of concern over funding withdrawal. The possibility through which this might change, relates to whether the NGO could limit its reliance on funders for money and institutional support by embracing hybrid logics (i.e., incorporating both business-like and non-profit characteristics) (see 5.4.1) as suggested by (Nicholls & Huybrechts, 2016).

Besides funder logic, the study concluded that **local regulation**, such as national GAAP, NGO guidelines and regulatory requirements also influences accountability and reporting in the NGO sector. Mostly the local regulation approach is favoured to the global one because preparers of financial statements do not see the need to follow the demanding international reporting standards that are dictated by the IASB (Cordery & Sim, 2018). The study observed that preparers and users of annual reports prefer to adhere to the local regulation approach since it is cheaper than the global approach and easy to be adapted by the preparers of the annual reports.

In addition, this study found that other logics, such as comparability, accruals and non-financial logics, could also play some roles in influencing accountability. With regard to comparability logics, the research found some consistency with the guidelines of the conceptual framework for financial reporting, which state that "comparability is the qualitative characteristic that allows users to detect and appreciate the similarities in and differences among items" (IFRS, 2018:36). This study argues that comparability

demands constancy in the recognition, measurement and presentation of information in both form and content of reporting over time within a reporting entity or in a single period across entities as guided by IFRS (2018). Therefore, information needs to be provided for a single year only and must be contrasted with comparable data for the preceding years to enable the user to compare performance and access trends.

This research observed contested logics regarding the basis of financial reporting. The prevailing practice (the material carrier of logic) prioritises cash accounting with most NGOs noting its use and only a few noting accruals accounting. Auditors and local fund agents are more likely to be involved in accrual accounting, while preparers, users and the regulator (ACCA) are more likely to be in favour of cash accounting. The study concludes and argues that the basis of reporting should be flexible. NGOs that are able to apply the accruals concepts can adopt the accruals method while other NGOs, especially the smaller ones, are at liberty to use cash accounting. This corresponds with earlier conclusions (Cordery, Crawford et al., 2019; Werekoh, 2014).

With reference to the financial and non-financial logic, the findings from the study are consistent with prior literature that supports that non-financial measures can be better indicators of future financial performance (see Bedenik & Barišić, 2019). Even when the goal is maximising financial performance, current financial measures may not capture future incidences affecting the sustainability of the organisation. Furthermore, non-financial information provides forward-looking information on accounting (Kuzmina & Lindemane, 2017). In addition, the proposed FASB NGO financial reporting mentions that, to provide financial statement users with an understanding of the exposure of an entity to risks, as well as how the entity manages its risks, such entity should disclose financial and non-financial information about liquidity and the time horizon it uses to manage its liquidity (PwC, 2015).

In summary, this study concludes that funder logic and local regulation logic are the main influences of accountability and reporting in the NGO sector. However, other stakeholder needs could be met through the application of the elements of the conceptual framework covering economic, social and environmental dimensions.



### **10.3.3 What are the (mis)conceptions in terms of institutional logics relating to accountability in the NGO sector?**

It is believed that reporting and accountability by NGOs are influenced by the resource providers who are able to dictate how accountability should be practised. In this regard, there is a misconception that NGOs should tailor their accountabilities to the resource providers' prescriptions at the expense of other stakeholders, such as beneficiaries (Abouassi & Trent, 2016).

The concept of accountability should be understood as accountability to all stakeholders affected by the activities of the organisation (Miles, 2017). Given the specificity of mandates and operations of NGOs, this might include a wide variety of stakeholders with different agendas, making the issue of NGO accountability extremely complex and challenging. Accountability relationships are complicated by the fact that NGOs are expected to be accountable to multiple stakeholders: upward to their funders, downward to beneficiaries and internally to themselves and their missions (Wellens & Jegers, 2014).

The findings of this study are in line with literature studies that have indicated the funder logic misconception regarding accountability and reporting (Cordery, Belal et al., 2019; Werekoh, 2014). The research found that funders influence the reporting frameworks of NGOs and could be influential in the adoption of a conceptual framework. However, the study also concluded that, without reporting on the beneficiaries' feedback, the funders will not be able to know whether the resources reach the intended targets. While funder logic seems to be a dominant logic in the NGO sector, this research found that other logics, such as comparability, financial and non-financial logic, accrual logic and downward accountability logic are also present and crucial in improving the quality of annual reports to ensure that the disclosed information is useful to all the major stakeholders.

### **10.3.4 How can the institutional logics theory as well as existing practices be applied to develop a conceptual framework for NGO accountability?**

The theoretical and historical delineation of institutional logics is discussed by Friedland and Alford (1991). Institutional logics is defined as a set of practices, as well as the taken-for-granted rules, beliefs and social norms that provide meaning to social reality. Institutional logics theory was instrumental in assisting with the development of

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the conceptual framework for NGOs as the NGO sector and transnational funders expect NGOs to ensure that accountability reports meet the practices, beliefs and values of the major stakeholders. Funders rely on these reports to support good decision-making in the use of their resources. Preparers of these reports need to be guided by a sound conceptual framework, such as the one suggested by the researcher.

Accordingly, the study highlighted prevailing and competing logics, which might have influenced the development and success of the conceptual framework. Using institutional logics theory, the researcher found that funders and local regulators exert dominant logics in the accountability practices of NGOs and therefore, the developed conceptual framework accommodates their information needs. The developed conceptual framework also takes into consideration the competing logics and emerging logics. The researcher observed competing logics on the basis of the preparation of annual reports. Preparers and users favour cash accounting and auditors prefer the accrual basis.

In the development of the conceptual framework, the researcher was also guided by good reporting practices in the NGO sector suggested by both King IV report and the GRI.

Although the King IV code is technically applicable to corporate organisations, it may be used as a tool by NGOs (IoDSA, 2016). The code can be used as a point of reference in assessing the governance processes against best practice in the NGO sector. Furthermore, adhering to the principles of King IV report could help NGOs assess potential risks as well as assure funders that governance principles have been considered and implemented where appropriate (IoDSA, 2016). Other benefits of implementing King IV report by NGOs are that the relationship with funders will be enhanced and greater accountability to all stakeholders will be upheld, which will resultantly promote transparency, fairness and reliability in the reporting mechanisms of NGOs. Being able to demonstrate good governance also attracts quality members of staff willing to be part of the NGO's governing body (IoDSA, 2016).

NGOs should also refer to the principles of King IV report in terms of performance, risk management and sustainability. King IV requires NGOs to contextualise financial performance by explaining in their reporting frameworks how they have performed with

regard to social and environmental issues. Additionally, NGOs should demonstrate how they have managed to mitigate the risks associated with their operations, such as funder confidence and reputational risk, changes in regulatory environment, financial sustainability, crisis readiness, the disaster recovery plan and people management of risk (IoDSA, 2016). The King IV report encourages NGOs to maintain healthy stakeholder relationships by ensuring that their needs are met in terms of benefits and information disclosures.

King IV report crucially recommends that, in the same way corporate organisations are requested to produce an integrated report, NGOs should also aspire to have integrated information in their formal reporting to stakeholders. Financial and non-financial information should be integrated to give a holistic picture of the organisation so that all stakeholders will benefit in terms of their decision-making. These findings are in agreement with the results of the study showing that financial and non-financial disclosures are sought by users of NGO annual reports and NGOs should incorporate this information as it gives a true picture of the activities of the firm.

The GRI provided guidelines to be followed by organisations across the world in preparing their sustainability reports regardless of size, sector or location (see Leszczynska, 2012). Their disclosures are meant to be uniform with regard to social, environmental and economic performance (ACCA, 2012; Fonseca, 2010; GRI, 2014). The GRI Guidelines are widely recognised and acknowledged by many corporations, and they serve as the first framework for providing guidance about the disclosure of sustainability performance (Leszczynska, 2012).

As mentioned earlier in Chapter 3 (see 3.4.2) the GRI Guidelines apply to any organisation regardless of its sector, and therefore NGOs are not exempted from reporting to their various stakeholders about their environmental, social and economic issues. To emphasise this requirement, the GRI produced a separate disclosure supplement for NGOs as a guide for them to follow when preparing their annual reports (see GRI, 2014). The contents of the supplement have been reorganised and streamlined to fit the G4 guidelines contents, structure, and requirements. It should be noted here that the NGO sector disclosures should not be used in isolation but should be applied in tandem with the G4 guidelines to produce a reporting framework for the NGOs (see Leszczynska, 2012). The G4 guidelines and the NGO sector disclosures are intended to make NGOs demonstrate that they can meet the same standards of

“transparency and accountability” that organisations in other sectors are asked to do (GRI, 2014:8).

## **10.4 CONTRIBUTION TO BODY OF KNOWLEDGE**

It was established that the study contributes to the body of knowledge, specifically with regard to context and literature gap as well as practice as presented below.

Based on the weight of the arguments expressed in this study, the researcher summarises the contribution to knowledge as presented by this study.

### **10.4.1 Context and literature gap**

The review of the literature identified a contextual and a literature gap. Regarding the contextual gap, the available literature indicated that there is limited empirical studies that give guidance to NGOs in terms of their reporting to their stakeholders (IASB, 2018; MANGO, 2018; Ryan et al., 2014). Usually, NGOs adapt frameworks for the public or profit-making organisations, which do not suit their reporting needs.

In terms of the literature gap, prior literature on institutional logics confirmed that logics have been modestly defined in the literature, and there has been insufficient attention to how these logics have become hybrid or complexified, a distinct gap in the body of knowledge in terms of NGOs and development sectors.

In line with the identified gap, Nicholls and Huybrechts (2016) and Mikołajczak (2020) suggest that NGOs practice hybrid logics. They indicate that hybrid logics suffer from a lack of attention and therefore advocate that more research would provide promising direction in theorising the debates.

Phase 1 of the study revealed that currently, the annual reports of sampled NGOs do not disclose sufficient information to guide users in making informed decisions about the operations of NGOs. Mostly non-financial information was missing in their reports. Additionally, to date, the IASB has not developed a conceptual framework for accountability of NGOs even though these organisations are crucial in assisting governments in serving areas where they cannot deliver a service.

This study addressed this gap by developing an all-inclusive conceptual framework for accountability by NGOs. The framework considers the need to integrate areas for which NGOs are supposed to be accountable. As indicated by Ebrahim (2010:27),

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NGOs are required to show accountability towards “manifold purposes, finances, governance, performances and missions”. However, such accountability expectations may not be treated distinctly as they demand integration as well as positioning throughout the organisation. The framework takes a four-dimensional approach and integrates financial, mission social reports and specific user reports to give a full spectrum of NGO accountability expectations to their major stakeholders.

In addition, the study found that NGO reporting is influenced by various logics, such as comparability, cash or accrual, funders, and financial or non-financial and local regulations logics. These multiple logics could be in conflict or could be compensating each other. Anesi-Pessina and Cantù (2016) state that tensions that stem from the interplay of multiple logics are reshaping accounting systems, and the answer to this tension is to generate hybrid solutions.

This study makes a modest contribution to literature in this area by theorising that, besides the known accountability logics (comparability, accrual or cash and funder logic), local regulations as well as financial or non-financial logics have emerged in the sector. This foregrounds hybridisation of logics. Additionally, the sector is trying to adopt integrated reporting logic (Anesi-Pessina & Cantù, 2016).

The study therefore further applied the hybrid logics of accountability by combining felt, imposed and adapted accountabilities to develop the conceptual framework as explained earlier in Chapter 9. This therefore specifically theorised around institutional logics, as was graphically represented in Figure 9.2.

Thornton et al. (2012) proposed an institutional logics framework showing the seven institutional logics as discussed in Chapter 4 section 4.5. However, a recent study by Mikołajczak (2020) suggests that NGOs practice hybrid logics and, he (Mikołajczak) indicates that hybrid logics suffer from a lack of attention. Mikołajczak (2020) therefore believe that more research will provide promising direction in theorising the debates on hybridisation and institutional logics. To respond to the call for more research on hybrid logics, the institutional logics theory extended through this study’s analysis and final framework suggests another logic (hybrid logic) as a new and recognised logic that assist NGOs meet their accountability demands to major stakeholders.

Additionally, Agyemang et al. (2017) and MANGO (2018) indicated that to date NGOs lack a tailored conceptual framework to guide them as their prepare reports to their

stakeholders. The developed conceptual framework suggests the integration of all accountability mechanisms so that reporting to stakeholders can accommodate the information needs of major stakeholders.

#### **10.4.2 Contribution to practice**

The value of this study on the development of a conceptual framework for NGO accountability cannot be overemphasised as far as the major stakeholders are concerned.

Despite the fact that NGOs have, according to some scholars, been singled out as instrumental, focussed, efficient and result-oriented organisations (Ebrahim 2010; O'Dwyer & Unerman, 2010), some of them have experienced serious problems to the extent that they either have closed down or curtailed their operations. Other scholars have indicated that funders and/or partners have withdrawn their support citing various reasons (Habib & Taylor, 1999; Hohnen, 2012).

Namibia is also experiencing challenges to its NGO sector. Over the recent years, the Namibian NGO sector has experienced a decline in funding and in size. NGOs in Namibia also been subjected to more stringent conditions of reporting and evaluation (Melber, 2018; Mwetulundila, 2019). Organisations previously seen as watchdogs, such as the human rights advocacy and democracy training organisations, suffered from drastic erosion of funds and, in recent years, have shrunk considerably (Mwetulundila, 2019).

Accordingly, this research contributes to practice because the researcher provides some discussions of the findings of the study with some of the personnel of the sampled NGOs indicating that they would endeavour to make some improvements on their specific accountability processes, essentially with regard to beneficiaries. Furthermore, the executives of the NGOs under study also expressed agreement with the idea of sharing the findings of the study with fellows of the numerous coalitions to which they are associates.

For verification and norming purposes, the conceptual framework was distributed to six experts to explore whether it could help the stakeholders to determine whether the information produced could boost their decision-making process. The respondents to the conceptual framework were also required to assess whether the framework was considered suitable and easy to use.

In addition, the executives of the umbrella body of Namibian NGOs were briefed about the study findings, specifically with regard to the requirement to make efforts concerning the shared sensitisation of its members towards improving beneficiary accountability within the sector. Thus, the research highlighted the value of creating a conceptual framework on accountability of NGOs, which is rooted in better participation of service recipients in order to warrant effective project delivery. Moreover, since beneficiaries are the ultimate targets of most funder-led interventions, their authentic participation in accountability matters could assist to decrease project doubling as well as wastage. This is in support of the results of previous researchers (Andrews, 2014; Burger & Seabe, 2014)

The extension to theory may be taken up in practice in the following ways. (workshopping the framework, understanding it, applying it and using advocacy with funders to argue for the accommodation of hybrid logics and the necessity for non-financial reporting as an equal partner to financial and more prescriptive logics and accountabilities).

## **10.5 LIMITATIONS OF THE RESEARCH**

Limitations of the study included the potential for researcher bias, the use of a small sample, and reliance on the accuracy and honesty of the participants' responses. Researcher bias potentially limited the confirmability of the findings. To be a more reflective researcher, the researcher engaged in an ongoing process of identifying preconceptions related to the study population and the phenomenon of interest. To reinforce this process of reflection, a notebook was kept with realised preconceptions, their potential effects in the study and the means used to minimise or suspend them from being recorded so that the data could be foregrounded alongside the researcher's interpretive lens.

The small sample size may also limit transferability of the findings. To assist future researchers in determining transferability, a detailed description of the study population has been provided. Additionally, quotations from interview transcripts were provided as evidence of the findings to provide future researchers with a rich description of participants' perceptions and voices.

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Reliance on participants' honesty might potentially have limited the credibility of the findings because dishonest responses would not have represented the reality they were supposed to describe accurately. To encourage participants' honesty, all reasonable precautions have been taken to ensure that participants' identities remained confidential. Furthermore, participants' responses might have been influenced by temporary conditions or misconceptions unrelated to the phenomenon of interest. These conditions might not be replicable at a different time.

The illustrative case study design of the study was consistent with reliance on participants' subjective perceptions, but to increase the possibility that participants would report perceptions and options that were stable over time, a member checking procedure was used, as recommended by (Maxwell, 2012). Member checking enabled participants to review their transcribed responses after a small lapse of time and to modify them if they considered this appropriate. Modification of responses would have caused the researcher to mark the altered data as potentially undependable, given that it has changed overtime (see Maxwell, 2012). However, no modifications were requested.

Another limitation to the study stems from the use of one theory to inform the study. There are a number of theories associated with accountability and disclosure, such as the agency theory, signalling theory, accountability theory, legitimacy theory, stakeholder theory, stewardship theory, resource dependency theory and contingent theory (An et al., 2011; Kelton & Yang, 2008; Sharma, 2013; Van Puyvelde et al., 2012). These theories could be applied in isolation or could be applied in tandem to achieve the objective of applying reporting and disclosure requirements in annual reports. This study, however, placed a limitation on the use of theory by adopting and providing modest extensions on only one theory (the institutional logics theory) to explain NGO accountability frameworks.

The participating NGOs were all located within the boundaries of Namibia and their way of operating cannot be compared to NGOs in other developed economies because of limited resources that Namibian NGOs encounter.

However, the limitations placed on this study did not affect the relevance or reliability of the development of the accountability conceptual framework for facilitating effective accountability among NGOs because this framework was verified by experts.



## **10.6 SUGGESTIONS FOR FUTURE RESEARCH**

In order to overcome the limitations that were identified in this study, the following is suggested.

The research findings regarding the development of a conceptual framework for NGOs focussed on a small sample; hence, generalisation of the findings is not considered appropriate, as the small sample size might have influenced the validity of the findings. Consequently, it is recommended that future studies may consider the replication of this study in other nations and/or settings and with a bigger sample as a way of substantiating the current results to enable possible generalisation.

The developed conceptual framework was assessed by selected respondents to ascertain its suitability to NGOs. This verification exercise was done specifically to inform this recommendation. There is thus a need for further research to test the framework on NGOs to see how well the conceptual framework can be applied in an NGO setting.

The attention to detail and implementation of the integrated framework in practice will further advance the theorising arising from this study. Therefore, empirical studies on how the integrated framework influences institutional logics and accountability measures and vice versa are important areas for additional research.

Moreover, there is a possible financial cost to NGOs if they must deliver this expanded level of accountability. In instances where it is simply an issue of better and comprehensive disclosure of existing practice, this does not necessarily need to be a significant shortcoming. In instances where it will need supplementary systems of accounting and reporting, especially in situations where volunteers are required, it is certain that some related expenses would be incurred. Considering the accountability benefits as well as the practical advantages of introducing improved volunteering management systems, for example, against the cost of providing such systems would be a significant stream for upcoming studies.

Another area worthy of further investigation comprises the reasons why funders and some stakeholders are disinclined to back accountability wholly to beneficiaries despite the declarations that such implementation might enhance the aid as well as other deliveries for the disadvantaged and ostracised people in society. This is especially true in some parts of Africa and other developing countries.

NGOs lack institutional mechanisms of accountability (McDonnell & Rutherford, 2019). According to Trivunovic (2011), NGOs are not immune to fraud and corruption. Therefore, there is an urgent need for developing reporting and whistle-blowing mechanisms in each organisation. No matter how well the NGOs function, mechanism for reporting suspected corruption or fraud becomes vital. In the past and in recent times, NGOs have abused even government funds through fraud and corruption (McDonnell & Rutherford, 2019).

As a matter of urgency there is also great need to research on the impact of the COVID 19 pandemic in relation to NGO operations and reporting. Specifically, it would be of interest to know what kind of specific user reports should be produced to cover the information needs of major stakeholders.

## **10.7 CONCLUSION**

The study presented a conceptual framework for accountability of Namibian NGOs. This was done through information gathered from document analysis, interviews and insights from the preliminary conceptual framework, which guided the study. The study also inspired limited, yet important theoretical implications, through addressing gaps in the research puzzle. It is anticipated that, in practice, these novel elements of institutional logics, namely financial and non-financial, local regulations and integrated logics will continue in practice, but with more mindful insights in terms of their potential to theorise in other sectors and organisations. The conceptual framework developed by the researcher could unlock the potential of NGO reporting to include financial, non-financial and narrative information in an integrated way. This could contribute to the illustration of wider entity accountability by NGOs and ultimately to the improvement of the role of this sector in society. The study therefore provided a springboard for further research and testing of the developed conceptual framework.

The researcher concludes with the following quote.

“Don’t ignore your potential. You can achieve anything once you put your mind to it and fully commit yourself. Stand in your power and choose today to begin your newest chapter. The opportunities presented to you are infinite, the possibilities are endless. Choose wisely” (The law of attraction).

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# ANNEXURE 1:

## INTERVIEW GUIDE

### **INTRODUCTION**

In this project am looking at mechanisms that NGOs use to ensure that accountability to their stakeholders is achieved. I also want to find out what institutional pressures (if any) that may influence or direct the way accountability to major stakeholders is practiced.

*Accountability – the means through which power is used responsibly. It is a process of taking account of and being held accountable by different stakeholders and primarily those who are affected by the exercise of power.*

Framework on accountability- is a document that specifies what stakeholders can hold an organisation accountable for.

You will be asked to provide some demographic information in section one. Section 2 comprises of interview questions.

### **Section 1: Demographic information**

1. Which of the following best describes your involvement with NGO annual reports?

(If you have several roles, please select the most relevant) [Choose one]

|  |  |
|--|--|
| I work for an NGO and have involvement in its annual reports   |  |
| I am a board member or Trustee of an NGO and have involvement in its annual reports  |  |
| I am a professional accountant working in practice and involved in preparation of NGO annual reports                       |  |
| I am a professional accountant working in practice and involved in the audit or external examination of NGO annual reports |  |
| I am in practice supporting the preparation or examination of NGO annual reports but am not a professional accountant      |  |
| I represent a professional body for accountants  |  |
| I represent a regulator of organisations operating in the NGO sector   |  |
| I am directly involved in the development of accounting standards  |  |
| I am a funder of NGOs  |  |
| I am an academic or researcher who studies the annual reports of NGOs  |  |
| I am a user of NGO annual reports in other ways  |  |

**INTERVIEWS**

In this section, the researcher wants to establish the beliefs underpinning prevailing logics of NGO accountability and reporting.

| Theme  | Questions   |
|--|---|
| Briefing   | <p>The research explains about recording, consent, anonymity and confidentiality and introduces the research.</p> <p>Do you have any concerns or doubts?</p>  |
| Prevailing regulation and stakeholder beliefs on local vs global reporting | <ul style="list-style-type: none"> <li>• Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared? (IFRS, Local requirements, funder requirements, local regulation etc)</li> <li>• What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports)</li> <li>• At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonise reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? <i>Please elaborate</i></li> </ul> |
| Stakeholder beliefs on comparability and uniformity of NGOs annual reports | <ul style="list-style-type: none"> <li>• If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? <i>Please give reasons to your answers.</i></li> <li>• From the point of view of the users of NGO annual reports, do you feel it is important that the reports</li> </ul>   |

*Annexures*

| Theme  | Questions   |
|--|---|
|  | <p>produced should allow comparability between NGOs in a given country and in different countries? <i>Please justify your answer.</i></p>   |
| <p>Prevailing practice and stakeholder beliefs on influences on NGO reporting</p>                                  | <ul style="list-style-type: none"> <li>• Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?</li> <li>• What do you think are the main influences on NGO reporting in Namibia? (the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints)</li> <li>• Do you consider that there are any other significant influences on NGO reporting in Namibia?</li> <li>• To what extent do you consider that those preparing annual reports should be for NGOs need to be professionally qualified?</li> </ul> |
| <p>Prevailing practice and stakeholder beliefs on downward accountability vs upward accountability</p>             | <ul style="list-style-type: none"> <li>• Which group of stakeholders do you think NGOs should be accountable to and why?</li> <li>• Do you think it is important that feedback from beneficiaries should be reflected in the annual reports of NGOs? Please briefly explain</li> </ul>  |
| <p>Prevailing practice and stakeholder beliefs on narrative reporting (financial and non-financial disclosures</p> | <ul style="list-style-type: none"> <li>• It has been suggested that the conceptual framework for NGOs should encourage the inclusion of financial and non- financial information. Do you think it could be beneficial to do that?</li> <li>• Apart from financial information, what other information should NGOs disclose in the annual reports?</li> </ul>  |

*Annexures*

| <b>Theme</b>  | <b>Questions</b>  |
|---|---|
| Stakeholder beliefs about what drives reporting practices | <ul style="list-style-type: none"><li>• Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?</li><li>• What do you think are the main influences on NGO reporting in Namibia? (Requirements of professional bodies, the views of the preparers, legislation, cost constraints, demands of the regulators, the size of the NGO)</li><li>• Do you have any further comments on the need for a conceptual framework for NGO accountability?</li><li>• What are some of the issues that you feel the conceptual framework for NGOs need to address?</li></ul> |

**ANNEXURE 2:**

**CONSENT TO PARTICIPATE IN THIS STUDY**

I, \_\_\_\_\_ (participant name), confirm that the person asking my consent to take part in this research has told me about the nature, procedure, potential benefits and anticipated inconvenience of participation.

I have read (or had explained to me) and understood the study as explained in the information sheet.

I have had sufficient opportunity to ask questions and am prepared to participate in the study.

I understand that my participation is voluntary and that I am free to withdraw at any time without penalty (if applicable).

I am aware that the findings of this study will be processed into a research report, journal publications and/or conference proceedings, but that my participation will be kept confidential unless otherwise specified.

I agree to the recording of the face-to-face interview.

I have received a signed copy of the informed consent agreement.

Participant Name and Surname .....  
(Please print)

.....  
Participant Signature Date

Researcher's Name and Surname .....  
(Please print)

.....  
Researcher's signature Date

**ANNEXURE 3:**  
**ETHICS APPROVAL FORM**



**UNISA COLLEGE OF ACCOUNTING SCIENCES ETHICS  
REVIEW COMMITTEE**

Date 2019-08-15

Dear Mr, A Simasiku,

ERC reference:  
2019 CAS 029  
Name: A Simasiku  
Student/ Staff 57661421

Decision: Ethics Approval from  
2019-08-14 to 2022-08-13

Researcher: A Simasiku  
asimasiku@nust.na

Working title of research:

**Developing a conceptual framework for accountability in Namibian NGOs.**

Qualification: PhD in Accounting Sciences

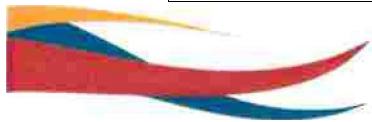
Thank you for the application for research ethics clearance by the Unisa College of Accounting Sciences Research Ethics Review Committee. Ethics approval is granted for the period indicated above.

## Annexures

The application was reviewed by the College of Accounting Sciences Research Ethics Review Committee on 14 August 2019 in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment, and approval.

The proposed research may now commence with the provisions that:

1. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
2. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the College of Accounting Sciences Research Ethics Review Committee.
3. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
4. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of



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Participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.

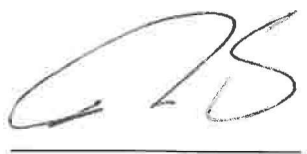
5. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
6. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data requires additional ethics clearance.
7. No field work activities may continue after the expiry date of this certificate.

Note:

The reference number of this certificate should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.

Yours sincerely,

*Annexures*



Prof L J Erasmus

Chair of CAS RE-RC  
E-mail: [erasmljl@unisa.ac.za](mailto:erasmljl@unisa.ac.za)  
Tel: 012 429 8844



Prof L Ntsalaze

Prof L Ntsalaze

Acting Executive Dean CAS



Decision template (V2) - Approve

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## SUPPLEMENTARY ANNEXURES

### ANNEXURE 4: INTERVIEW TRANSCRIPTIONS

#### PARTICIPANT 1 - USER

*Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared? (IFRS, Local requirements, donor requirements, local regulation etc.)*

*What I have seen is mostly donor requirements, usually some form of a cash basis of recording is used and then in terms of the reporting I know that for example some of these specific donor funds have their own specific format in which the financial records should be reported at the end of the financial year.*

*What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports.)*

*in terms of the strengths they are reporting what is required to receive the funds if they have the funding requirements may have some certain criteria attached to it you have to admit your quarterly reports you have to for example give us an update on what is your actually expenditure versus what you have budgeted and things like that so in terms of that to secure the funding that is obviously a strength of this type of reporting but in terms of limitations it would obviously then be very user specific so if there is one main user like the donor then for their purposes it serves very well but maybe for some of the other users like the employees or the broader community that they serve if they are interested in those reports then obviously may not necessarily meet their reports and requirements so it could be lacking in some respect because its more tailored to what the donor wants.*

*At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonise reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate.*

*I think it would be very useful because it would obviously it would make it the process a little bit more streamlined in terms of efficiencies and in terms of getting the preparers of the reports up to date on what is required if they move from one NGO to the other at least the standards would be the same so they can both experience in terms of that I think it would be useful if there is one standardized framework with respect to reporting.*

*If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? Please give reasons to your answers.*

*I would say only above a certain threshold in terms of the funds that they receive in terms of the spending that they have because reporting generally they are cost involves with reporting and compliance is obviously a little bit costly or I think the threshold would be a good idea.*

*From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.*

*Yes, that will make it so much easier to compare the activities across different jurisdictions if you have different projects happening in different countries and different parts of a country then obviously to have it standardized would make it much easier to compare.*

*Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?*

*Mostly cash based I have seen from my experience mostly cash based.*

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*What do you think are the main influences on NGO reporting in Namibia? (the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints).*

*Influences on the NGO reporting like we said it is mostly based on donor requirements and then obviously I think cost consideration do play a role because they will not report more than what is required by the donors, they would rather just give the minimum in order to be compliant to what the requirements state so mostly the cost come into play there.*

*To what extent do you consider that those preparing annual reports should be for NGOs need to be professionally qualified?*

*I think it is important to because they are accountable for a lot of funding and spending there on so if the reports are being used to determine whether funding will be received next quarter in the next year then I think it is very important for them to be professionally qualified so that they have the expertise to know what to report on and to follow the requirements and be compliant.*

*Which group of stakeholders do you think NGOs should be accountable to and why?*

*NGOs serve a lot of stakeholders and they should try and be accountable not only to their funders but also to other group of stakeholders for instance beneficiaries and the like.*

*Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain.*

*Yes, indeed because they are the recipients of the interventions and they should give feedback to see if the monies meant for their projects is used accordingly.*

*It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?*

*Yes, indeed because reporting encompasses not only financial information, but narrative reporting can also help to enhance accountability and enable users to understand the full operations of the business.*

*Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?*

*Yes, definitely I think so we do have the skills and the capability so it's definitely an option.*

*What are some of the issues that you feel the conceptual framework for NGOs need to address?*

*As mentioned above, a conceptual framework for NGOs should try to incorporate both financial and non- financial information to enhance accountability.*

*Do you have any further comments on the need for a conceptual framework for NGO accountability?*

*Well we do have the public sector accounting so something that is a little bit tailored towards public accountability because remember NGOs are there for basically not for profit so for accountability in terms of what they mean to sociality is quite high so I would expected a lot of more disclosures on even the impact they have on the community if they are for example involved in the distribution of condoms then I would like to see how may condoms have been distribution for the quarter across different things like that so what I would like to see is a little bit more in terms of non-financial information as well.*

## **PARTICIPANT 2 – USER**

*Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared? (IFRS, Local requirements, donor requirements, local regulation etc.)*

*I think most of these NGO annual reports are influenced by IFRS because their accountants are trained based on IFRS and usually when they work for these NGOs, they will tend to lean towards IFRS than any other framework.*

*What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports.)*

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The advantage of IFRS will be of course quality. IFRS would have higher quality than any other framework or local or anything. But the problem within IFRS is that they are not necessarily prepared for NGOs, so they need to be caution when one is preparing the financial statements. Applying IFRS are not necessarily prepared for NGOs and then one need to look at the needs of the particular users when they are preparing those reports.

*At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonise reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate.*

Definitely, it would be useful to harmonize those reports than to have them prepared in disparity ways. The harmonization will then help different users because most of these NGOs will find that they got the same donors so it would help those donors, help those communities to see if they could harmonies the reporting.

*If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? Please give reasons to your answers.*

It may be difficult, some of the NGOs are too small and may not have expertise but there are some NGO which are established and heavily funded and those are required to use a particular framework.

*From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.*

Definitely, comparability is always important if we need to measure performance. Of course, performance of NGOs will be different from those of private companies but there is still need comparability measurement for those of NGOs. So yes, I feel that it is important that comparability be taken care of in a conceptual framework.

*Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?*

They are largely cash based, most of them are cash based although you have NGOs, which have fund accounts, and they are prepared using accruals basis.

*What do you think are the main influences on NGO reporting in Namibia? (the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints).*

I think in Namibia mostly it would be professional bodies such as ICAN. Mostly those accountants belong to one of the professional bodies. So, I think those professional bodies influence their members how they should prepare financial reports.

*To what extent do you consider that those preparing annual reports should be for NGOs need to be professionally qualified?*

To a greater extent, they should be professionally qualified. Those are some of the problems happening in Namibia because some of the people preparing the reports of NGOs. Maybe also NGOs might not afford professional qualified, but my feeling is that they should be professional qualified.

*Which group of stakeholders do you think NGOs should be accountable to and why?*

All groups of stakeholders should be considered because that is what accountability is all about in the end. Even if donors could be favoured, NGOs still need to be accountable to other beneficiaries.

*Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain.*

In accountability, feedback is so important so that the stakeholders know how their resources are accounted for.

*It has been suggested that the conceptual framework for NGOs should encourage the inclusion of Both financial and non-financial information. Do you think it could be beneficial to do that?*

Financial information alone cannot give a true picture of an organisation in terms of accountability. Yes, it is very important that both financial and non-financial information make up the annual reports of NGOs.

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*Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?*

*Am not very sure whether Namibia is that big enough to influence an international framework but through ICAN we may have a voice and through SIACA we can have some little influence.*

*What are some of the issues that you feel the conceptual framework for NGOs need to address?*

*What should be in those reports is first to consider the donor community, what are their needs, and their needs to be analysed properly. I cannot say this moment because I haven't done that much thinking but what are the needs of the donor community firstly in the future. Then we consider the needs of the beneficiaries of these reports. The framework should now be drawn to address those needs and I think this is not done and we don't know for what purpose the current reports are drawn.*

*Do you have any further comments on the need for a conceptual framework for NGO accountability?*

*There is an urgent need for the development of a conceptual framework for NGOs in Namibia so that they are guided in the reporting to their stakeholders, and this will improve their accountability.*

### **PARTICIPANT 3- USER 3**

*Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared? (IFRS, Local requirements, donor requirements, local regulation etc.)*

*I think from the report I am aware of, most of them will be driven by two factors. The donor requirements and the way they want their reports structured and the local regulation could also be governed by local requirements but is the law that governs what people in the locality would be interested in.*

*What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports).*

*I think one of the, of course, the strength or advantage is that donors are the key people who are funding, and they are the key stakeholders, and they get what they want. Unfortunately, you know an NGO affect many more stakeholders. So unfortunately, these the reports prepared in that way will only address only the requirements of a specific stakeholder and ignore majority of other stakeholders.*

*At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonize reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate.*

*I think it would be good, but it would be generic. You know if you want to have a standard that caters for everybody and every NGO can do then the result, which is a report, would have to be very generic. Yes, it would have to cater for a variety of needs of various stakeholders and I think then it would also promote standardization and comparison across the report, but the thing is the key stakeholders would have to abandon some of their key requirements to accept. Maybe they would be able to get that report from management reports. Sometimes the donors want specific things in their reports maybe that can be added as an additional report but the general one will not be able to cater for specific requirements of the donors.*

*If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? Please give reasons to your answers.*

*I think a conceptual framework is generic, so it should be applicable to everybody, it should give guidance, some of the issues, items would not be applicable to smaller ones but ideally the framework should be applicable to all NGOs.*

*From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.*

## Annexures

Yes, I think so; I think comparability would make them more useful to the stakeholders. Without comparability, you cannot be able to compare even from one year to another. So, it is important that the reports are prepared in a common way and that they are comparable.

*Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?*

Most of the reports I have seen are cash based. It is what is received, it is what is spent is basically the Income and expenditure statement but sometimes they have the assets which is the balance sheet, but they are interested in the receipts and expenditure.

*What do you think are the main influences on NGO reporting in Namibia? (the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints).*

I think the influence is more of the donors. Donors would determine how the reports are prepared. I don't think they are more concerned about financial reporting standards and of course legislation is key because people want to be in compliance with legislation.

*Do you consider that there are any other significant influences on NGO reporting in Namibia?*

Apart from donors, NGO annual reports will also be influenced by cost constraints because donors would rather ensure that their money is mainly for projects and not reporting expenses.

*To what extent do you consider that those preparing annual reports should be for NGOs need to be professionally qualified?*

I think so, I think anything to do with accounting to be able to prepare accounting, to summarise, classify and to make the accounting information useful, then I think people need to have the competencies that are required to be able to interpret because of the judgement that is needed in accounting so professional qualifications would be critical.

*Which group of stakeholders do you think NGOs should be accountable to and why?*

NGOs should be accountable firstly to their donors but that does not mean they should not be accountable to other beneficiaries. This is where upward and downward accountability should be considered.

*Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain.*

Yes, I think so. This will allow donor to know if their objectives are met since beneficiaries are the recipients of goods and services from the donors.

*It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?*

Yes, it will be beneficial, narrative reporting is encouraged in financial reporting.

*Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?*

I don't think so, Namibia is a very small country. The participation of NGOs within the economy is very limited and the fact that it is small in nature. I don't think it would really influence elsewhere but I think it can copy from others. If they have good practice can be----- if they can develop best practices, then it is possible that other countries can follow suit.

*What are some of the issues that you feel the conceptual framework for NGOs need to address?*

I think the NGO conceptual framework should be much wider and should not be based on the IFRS because IFRS is really a capitalistic framework for commercial enterprise that are out there to make profit. NGOs fall within the social spectrum of society and I think a framework that would maybe cater for social gains or outputs would be more significant if it could be able to measure and report on the outcomes or the intended outcomes of NGOs that would be more appropriate. However, the measurement would be tricky because some of those social gains are not measurable in money terms. For example, you want to reduce on the level of HIV Infection, how do you quantify that, how do you measure that. That is the aim of NGOs, it is more of a social benefit and they are difficult to measure. However, I think it would be much wider and complicated than the commercial IFRS.



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*Do you have any further comments on the need for a conceptual framework for NGO accountability?*

*Indeed, there is need to develop a separate conceptual framework for NGO reporting and accountability.*

### **PARTICIPANT 4: USER 4**

*Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared? (IFRS, Local requirements, donor requirements, local regulation etc).*

*Well, I think basically from academic's point of view which we normally teach NGOs would have fallen within the non-profit-making organisation and so what the reporting generally is to do with the income and expenditure account for their financial reporting and I think majority it is normally driven towards donors' requirements and perhaps to some extent, much of local requirements or even local regulation.*

*What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports).*

*Well, the strength will be that they meet the requirements of the donor and if the donors are happy, they will continue to benefit from donors for instance. I think the limitation will more or less outweigh the strength for instance because if we are just looking at donor point of view, then we have issues that we have to do with how those money is perhaps managed. You understand. They are not well reported in terms of and there could be issues of earnings management. Most times you speak to NGO people and they will tell you they have so much money and they are even looking at where to spend it and so the reporting is not holistic and the whole lot of misappropriation may be taking place that could not have been discovered without a proper framework to cover them. So, I think is a serious and major limitation.*

*At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonize reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate.*

*Well certainly because like currently we have even IFRS for instance which is still about harmonization. But again, there is no one stop shop financial framework for NGOs given the nature of the service and how they source their funds, but they be some standard that can be applied generally while those that are developed can be tailored towards the sector.*

*Overall, it will make sense to have a uniform framework but like I said, the framework has to be developed such that it speaks of individuality of the nature of the service they provide in terms of what sector they belong to. They will be that that is general and there will be that that will be applied on judgement and discretion.*

*If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? Please give reasons to your answers.*

*Well, like I said, even the main IFRS, you have those that are for normal. They are still size based because we have those that apply generally, and we have those for SMEs. So, size will certainly be of essence because you don't expect an NGO that does have little or no operation to go through the rigour of implementing the financial reporting framework because of the costs that are involved in training and perhaps now to compulsory employ the financial experts to all that which have not been there before.*

*From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.*

*Yes, I think so, compatibility will also enhance the scope and funding and if we have NGO in same sector doing the same similar service and we cannot compare their activities in terms of performance or whether they are delivering on objectives or goals then it would be a bit difficult for those providing funds to be able to determine whether or not where they are putting their money is the right place.*

*Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?*

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Well, the nature of NGOs I think they are Largely cash based and they run more or less closely to a system of public sector accounting.

*What do you think are the main influences on NGO reporting in Namibia? (the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints).*

Well as for Namibia I am not quite familiar with how they do there reporting but I think it in general it would be obvious that the preparers and of course the nature of the accounting bodies they belong to because they are certainly going to be preparing financial statements based on the guiding principles of their accounting bodies.

*To what extent do you consider that those preparing annual reports should be for NGOs need to be professionally qualified?*

Yes, depending, it is skill based on size. You have NGOs like catholic relief for instance there are big NGOs that certainly require withdraw and funds they manage, require well qualified, professional accountants and that cannot be compared to having a small NGO that is managing less than 50,000 dollars. So, the level of transaction would determine the level of requirement that is required for financial reporting.

*Which group of stakeholders do you think NGOs should be accountable to and why?*

Stakeholders, well they have to be accountable to the donors as a major stakeholder. Then they should also be accountable to the governments where they are situated in terms of their activities and how it affects the citizens of such countries. Their accountability should also go to of course their employees as well as the target audience.

*Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain.*

Certainly, certainly, that goes a long way to assess how well; they are performing so it should from part of the extended financial reporting in terms of notes and all that stuff.

*It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?*

Yes, even the non-financial information would be more beneficial. Obviously, the financial information is okay but those that are interested in the financial information will be less than those that are interested in the non-financial information and you would agree with me that non-financial reports provide more information than even financial reports.

*Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?*

Yes, I believe so because there are enough professionals and professional bodies to facilitate everything.

*What are some of the issues that you feel the conceptual framework for NGOs need to address?*

Just like I said, there is financial reporting which basically will be targeted. The need to be able to address issues of revenue recognition, issues of cost recognition and incorporating issues of accruals basis of accounting. That in itself is what enables consistency and comparability of financial statements.

*Do you have any further comments on the need for a conceptual framework for NGO accountability?*

Well, we cannot over emphasize the need for accountability in every sphere of human endeavour in terms of ensuring that everyone is doing what they need to do in terms of ensuring that everyone is doing what they need to do in term of trying to stem corruption because all of this is all about whether people are supposed to do what they need to do.

We can never over-emphasize the need for accountability and the need for a conceptual framework is obviously well overdue.

### **PARTICIPANT 5: REPRESENTATIVE OF PROFESSIONAL BODY (ICAN)**

## Annexures

*Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared. (IFRS, Local requirements, donor requirements, local regulation etc.)*

*The donor requirements most NGOs to provide feedback on the stewardship of the funds.*

*What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports).*

*The strengths I would say is the provision of the information on how they distributed the funds. It promotes stewardship of the funds and it promotes transparency of what was done with the funds. However, the limitations are it goes towards a cash-based accounting, so you do not have any assets or liabilities recorded its just based on income and expenses.*

*At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonize reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate.*

*Definitely.*

*If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? Please give reasons to your answers.*

*It does depend in normal companies we have IFRS for SME's and IFR's for bigger companies based on public interest scores so maybe a set standard like that can also be applied because you do not want to overwhelm small NGOs with massive reporting requirements. You can't use the same measuring rad for a small NGO with a big NGO. Therefore, I would rather have it to be above a certain threshold.*

*From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.*

*Both. So, if you have the same NGO's spread across different countries you would need that comparability you would need amongst each other in the same jurisdictions.*

*Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?*

*I think I have alluded to this earlier, so definitely cash based receipts and payments accounts.*

*What do you think are the main influences on NGO reporting in Namibia? (the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints).*

*I wouldn't say there is a specific influence I would say it's a mixture. The views of the preparers definitely would influence the reporting as well as a certain legislation and cost constraints. Those 3 are my understanding with the main influences on NGO reporting.*

*To what extent do you consider that those preparing annual reports should be for NGOs need to be professionally qualified?*

*In order to sign off those reports you would need to be professionally qualified. Nevertheless, in the preparations of those reports you need the relevant experience as well as the basic qualifications such as metric or a bachelor.*

*Which group of stakeholders do you think NGOs should be accountable to and why?*

*NGOs should be accountable firstly to their funders because that is where they get their resources from, thereafter accountability should be extended to other stakeholders too.*

*Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain.*

*Indeed, because in order to know if the intended goals of the donors are met, NGOs should facilitate feedback from beneficiaries so that if there are any corrections to be done then they corrections will be based on beneficiaries' feedback.*



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*It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?*

*Definitely yes. Earlier in the tick boxes, they need to be a mixture between financial and non-financial information. The world is moving towards integrated reporting, so NGOs also have the responsibility to provide the other capitals within their reporting's. So definitely the human capital element, the natural capital element, the financial capital element. The rest as well will have equal weighting that is what we like to see coming through.*

*Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?*

*I don't think so. I think we are too small to have a voice. I am not sure.*

*What are some of the issues that you feel the conceptual framework for NGOs need to address?*

*Mostly financial and non-financial disclosure should be considered so that a holistic kind of reporting should be encouraged.*

*Do you have any further comments on the need for a conceptual framework for NGO accountability?*

*Definitely yes. It would actually help on improving accountability and it will be a guide for the NGOs so that reporting would be uniform.*

### **PARTICIPANT 6: REPRESENTATIVE OF PROFESSIONAL BODY (ACCA)**

*Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared. (IFRS, Local requirements, donor requirements, local regulation etc.)*

*I think when it comes to NGOs it depends on if it is local NGOs for the most part it ends up being determined by the knowledge of the person who is preparing the financial statement and what they know. So, for the most part if it were someone with a degree from university, it would most likely be something linked to IFRS.*

*What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports).*

*If its local requirements the strengths would be the fact that it would consider the situation on the ground. It would be more suited to the activities of the NGOs and the activities with the account they are dealing with. However, NGOs operate across borders. They operate in different locations, different jurisdictions and therefore it becomes a limitation so the same organisations if it operates in multiple counties it ends up producing financial statements in different ways. Which I think is a problem.*

*At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonize reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate.*

*Yes, I think in the same way we have developed IPSAS for public sectors entities NGOs also need to have their own reporting framework. Of course, it will make it easier in terms of preparing the financial statement the presentation of information to users, but it will also help in terms of training. Providing training where different preparers of financial statements can learn from other people in other countries and so on.*

*If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? Please give reasons to your answers.*

*Due to financial constraints, it might not be possible to ask some of the smallest NGOs to also use this standard to prepare their financial statements. However, I think maybe having a clause which allows them to use the conceptual framework as the main guiding tool and maybe to explain where they are unable to apply due to certain limitations that would be more reasonable. But I think overall I can see how the smallest of NGOs can benefit from this framework once the framework is developed.*

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*From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.*

*Definitely, I think comparability is important. I think by being able to compare across jurisdictions we can even see if resources are being used efficiently, effectively and so on. Because for example we can compare with the same NGOs and how it's performing in different countries or we compare even the performance an NGO in Namibia to one that is in Malawi. If they are given the same amount of money for example to see how many people, they are reaching and how they are using this money to meet their objectives.*

*Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?*

*I think for the most part most NGOs tend to lean towards the cash-based receipts. Another challenge with NGOs is the lack of finance professionals who are familiar with the accruals concept. So, for the most part they end up relying more on the cash-based approach but apart from that as well the nature of NGOs is such that for the most part, they find themselves in situations where they are unable to get loans where they are going to pay back. They are even not allowed to lend money to anyone the way other businesses do. So, nature NGOs I think tends to favour the cash-based approach more than the accruals approach.*

*What do you think are the main influences on NGO reporting in Namibia? (The requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints).*

*I think for the most part because NGOs do not pay tax for the most part, they end up relying on people who care about what is happening with NGOs and tend to be the beneficiaries those who are benefiting and the donors who are providing the funds. So those are the people who dictate what happens with NGOs basically but ultimately it comes down to the knowledge of the preparers basically and what the preparer thinks is the right way to prepare because in the absence of strong legislations or strong control from either from state actors or anyone else. I think it is left to those individuals who are involved with NGOs on a day-to-day basis whether it is the managers that talk and what they require or whether it is the preparer who might be a professional accountant or something like that.*

*To what extent do you consider that those preparing annual reports should be for NGOs need to be professionally qualified?*

*I think in an ideal world that is what we would like to see so that the person who is doing it is someone who knows how to prepare financial statements who understand the importance of what type of information should be provided like financial or non-financial and so on. However, the challenges we are having in Africa first of all in terms finding suitable people, the challenge of NGOs when it comes to paying people the amount they need to be paid. There is also cost constrains and lack of people that are qualified means that for a lot of the time you have to settle for what you have. Although it is an ideal requirement, it might eliminate people who are able to help but not suitably qualified. But of course, if they are qualified professionals who are willing to volunteer and do this free of charge for NGOs, I think that might help that might be a good idea. However, the cost of a qualified professional accounting can also be too high for some NGOs.*

*Which group of stakeholders do you think NGOs should be accountable to and why?*

*NGOs owe accountability to a variety of stakeholders and this goes beyond reporting to the funders. Other stakeholders such as employees, regulatory bodies, the press, the public need to know how NGOs in their locality are performing.*

*Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain.*

*Yes indeed, this could be a guide to the donors to know how their money is being used and areas that require much attention will be identified.*

*It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?*

*Holistic accountability in terms of integrated reporting is the new reporting horizon for companies. This does not mean NGOs should report like private companies, but their disclosure should cover both financial and non-financial information as it encourages accountability.*

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*Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?*

*I think Namibia is a small country so in terms of having a large impact on the global scale I think it's unlikely however Namibia has played a major role in SADC on a number of fronts, and I think through SADC Namibia, if a framework is adapted in Namibia it can be practiced across the SADC region.*

*What are some of the issues that you feel the conceptual framework for NGOs need to address?*

*NGOs are supposed to do a lot of good for society so maybe coming up with a scale that looks at the performances of NGOs and maybe the 3 E's looking at the economic efficiency and so on and also maybe looking at the footprint of the NGOs by looking at the 3P's. The people the planet and finally since they are not seeking to make profit maybe there, we can look at the usage of economic resources basically. I think those are the requirements that could form part of the NGOs basically.*

*Do you have any further comments on the need for a conceptual framework for NGO accountability?*

*I think the whole idea of having a framework for NGOs it is a brilliant idea. I think in the absence of such a framework I think we can end up in situations where some NGOs will disclose some information other NGOs will not disclose some information. For the benefit for the users there should be certain disclosure requirements in terms of how much NGOs are receiving, where they are getting their funds from, how those funds are being used, what portion of their funds are being used to benefit their ultimate users and what portion ends up being salaries and vehicles which you know will not benefit the end users directly. In addition, maybe deciding whether the NGOs should use the cash based or accruals concept it is harmonized across NGOs, so I think it is a good idea.*

### **PARTICIPANT 7: PREPARER 1**

*Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared? (IFRS, Local requirements, donor requirements, local regulation etc.)*

*Okay, we use donor requirements but sometimes we also add the local requirements because we do financial reporting on many projects running and you know that this specific project is funded by a donor and they have their own requirements, and we follow that. and sometimes, it's just that general reporting for the organisation and we will follow local regulation.*

*What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports).*

*I think there is a lot of strength in reporting in that way because it provides regulation, standards and guidelines on how you do it. There is a lot of strength because with regulation it helps with transparency and doing things according to the book.*

*At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonise reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate.*

*Yes, I think it is very important to have international standards for NGOs because looking at their different types of donors, it is not one donor to say. It is a universal donor we have Global Fund; we also have USAID which will have their certain requirements. So, if we can have an international framework it will be very good.*

*If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? Please give reasons to your answers.*

*I think it would be good to be used by all NGOs incorporating all sizes and as long as it is passed by law to say this is the framework we are using, it is mandated, yes then it will work for all sizes. They can just specify that from this size to this size, this is the rule and if you go above this then it is here. Yes, I think it will be good to have an overall framework for all NGOs in Namibia.*

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*From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.*

*No, I do not think it is important because you get funding from different donors like those that I explained previously, also the funding is different with different aims of using the funding. So why are we trying to have a comparison. I do not think it is important.*

*Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?*

*I think it comprises of all because these are accounting guidelines. Some transactions will be done using cash basis while others will be on the accrual's basis.*

*What do you think are the main influences on NGO reporting in Namibia? (the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints)*

*I think the main influences would be the professional bodies and then national financial reporting standards. I think these are the main ones.*

*Do you consider that there are any other significant influences on NGO reporting in Namibia?*

*I think yes/no but when I say yes I am referring to the type of activity that an NGO is running.*

*To what extent do you consider that those preparing annual reports should be for NGOs need to be professionally qualified?*

*I think they really need to be qualified because financial reporting has certain standards that you should meet. There are certain rules that you need to follow and there are certain systems and software that you need to use and for this you need to be a professional.*

*Which group of stakeholders do you think NGOs should be accountable to and why?*

*They should be accountable to the government; they should be accountable to the international donors that give them funds.*

*Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain.*

*I think it is important because the more the stakeholders know about this information the more they know how better to even increase funding and they know in what areas they need to put in more money.*

*It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?*

*Yes, like I just mentioned, if we give feedback from beneficiaries it will include both financial and non-financial information.*

### **PARTICIPANT 8: PREPARER 2**

*Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared? (IFRS, Local requirements, donor requirements, local regulation etc.)*

*For ours, most of them are donor requirements. Starting with the monthly ones, they would give us the template that they want and then we would report according to the template.*

*What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports.)*

*One of the things I see is that it is not easy for another person to either interpret the report or use it as a supporting document when they want to do another proposal. They always have to change the report to be in line with the specific donor.*

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At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonise reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate.

*Yes, I do. Most of our donors are international, so for you to be able to be ranked by the international donor, it would be best if all the reporting had an international standard.*

If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? Please give reasons to your answers.

*I would say all NGO's because even if you are a small size, you might be growing. Then what is the use of you starting with a new framework and then trying to adapt to the international one again. So, it doesn't matter what size it is, all NGOs should be using the same framework.*

From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.

*Comparability in a given country I would say because, different countries have different drivers. So, if it is in a given country then yes.*

Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?

*The cash based, because most of our donors will advance us money, so we need to report on what was advanced and then what funds are available. Therefore, it is cash based.*

What do you think are the main influences on NGO reporting in Namibia? (the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints).

*The way that I understand it, I would say donors. However, we do still adhere to the national laws, be it the submission of our tax returns, our payers on our reports, so we do still adhere to that side of the law. So, the legislation also plays a role.*

To what extent do you consider that those preparing annual reports should be for NGOs need to be professionally qualified?

*I think that they should be professionally qualified because if you only have the basic knowledge, there might be certain areas that you are not covering. In addition, that would mean that you would only do what the donor requires. However, if you are professionally qualified, you know that apart from this donor, there are certain reports that you need to prepare. For example, for your board so that they can make certain decisions.*

Which group of stakeholders do you think NGOs should be accountable to and why?

*I think they should be accountable to the donors because they are getting the money from them. I also believe that they should be accountable to the government due to the fact that most of the time the donors will work with the government. Some of the donors will even require the government to put in a certain portion.*

Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain.

*Yes, it should be because that also gives the donors information about what was planned and what they are putting the money into is actually going to the beneficiaries.*

It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?

*Yes, it is beneficial, because financial can just give you the figures but at the end of the day if you don't have the reports that includes the achievements, where things fall short, where any improvements can be done, if that information is not there it will not help. Even if you just invest money.*

Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?

*Yes, I do.*



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What are some of the issues that you feel the conceptual framework for NGOs need to address?

*Not available.*

Do you have any further comments on the need for a conceptual framework for NGO accountability?

*I think that it is needed because now, there are a lot of NGO's coming up but then they do not have any guidance on what they are supposed to have in place. Therefore, if, for example you want to bid for any proposals, these are things you need to have in place. This will make it easier for the NGO's to be prepared.*

### **PARTICIPANT 9: PREPARER 3**

Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared? (IFRS, Local requirements, donor requirements, local regulation etc.)

*Now, we use a local regulation. The specific one is Accounting for Small Medium Enterprises (SME's), because if you compare companies with high turnovers, they use IFRS and sometimes IFRS is not applicable to the way we do the accounting here.*

What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports.)

*There are limitations in that you are not really required to disclose everything. The strength of using such a method is that it makes it more user friendly, but I think it would be better if there were a guideline that is developed to indicate exactly what must be reported and how it should be reported. The current ones are not applicable.*

At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonise reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate.

*Yes, I think it would be useful because in Africa, specifically in Namibia, the funding for NGO's comes from international countries. The funding for NANASO, the funding comes from Geneva, Switzerland from the global fund. The global fund consists of a group of countries that donates and then uses the money on countries such as Namibia. It is useful to have it at international levels because the companies that give us the money are international.*

If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? Please give reasons to your answers.

*I think that for this one, certain practices will be applicable to certain NGO's. For example, if you are a large NGO and you have funds that are donated or received are at a certain amount, like N\$10 000 000, you can have certain requirements compared to if you are receiving N\$500 000. It should have levels, just as if it has levels on payments when you are operating your company. If the NGO is big with a certain amount, they should follow all the guidelines. If it is a smaller one, it can be limited.*

From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.

*I do believe that it is important to do comparisons, just like in a corporate environment where you would do comparisons of companies that are in a similar industry to know where you stand. So, I believe that it is important for you to be able to compare, for example, by using NGOs in the same country.*

Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?

*Specifically, for NANASO we use the cash-based form of accounting because the type of things that we have do not really allow for accrual. We have a system where let us say a training has to take place, you pay for a venue; you pay volunteers that are needed to attend and transport. Therefore, we end up using the cash-based method, as with accruals it is not applicable.*

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What do you think are the main influences on NGO reporting in Namibia? (*The requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints.*)

*The cost constraint is one because usually the donors are not really looking to spend too much money on reporting. This is because the main purpose of their funds is to reach down to the beneficiaries. Cost constraints can be an issue. The international bodies are not really too involved because we don't really follow those types of standards.*

Do you consider that there are any other significant influences of NGO reporting in Namibia apart from the one you mentioned?

*I believe the donors do influence on how they want their money reported on. Therefore, I think that donor influence is another one.*

To what extent do you consider that those preparing annual reports should be for NGOs need to be professionally qualified?

*I believe that the ones preparing reports should at least have the basic accounting knowledge, maybe a degree. They should obviously have experience and should be able to follow the requirements of the donors, which are usually specified in grant agreements.*

Which group of stakeholders do you think NGOs should be accountable to and why?

*First of all, they should be accountable to the donors that are giving out the funds. NGOs are primarily donor funded as we don't do activities to generate income. The second one is the relevant ministry that the NGO is falling under. For example, NANASO is falling under the ministry of health because we are focusing on health issues. Perhaps the beneficiaries should be accountable just for them to see if the money was really used as intended.*

Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain.

*Yes, I think it is very important. Beneficiaries should be disclosed because it will then demonstrate whether we have reached the goal that we wanted to reach.*

It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?

*Yes, I think it is important to include non-financial. Maybe just a summary of what the program is, what was done, what were the challenges, so that it can assist in NGO's possibly generating more funding.*

Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?

*Namibia has bodies like the Public Accountants and Auditors Board, who can give comments and assistance in developing these. Namibia is recognised internationally so I think it would be able to influence the development of a framework for NGO's.*

What are some of the issues that you feel the conceptual framework for NGOs need to address?

*I believe that they just need to address how the funding is used as well as whether it has reached the objective and whether the donor or the funding/project was successful. Just like any other report should report whether there have been any other issues such as fraud or mismanagement. Those should be highlighted so that they can be reported.*

Do you have any further comments on the need for a conceptual framework for NGO accountability?

*I feel it's needed because sometimes NGOs are just in between. They don't have a clear guideline. Something that should be specific for them, and more specific for cash accounting. Therefore, I believe it is definitely needed to highlight on how things should be accounted for.*

### **PARTICIPANT 10: AUDITOR 1:**

Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared? (IFRS, Local requirements, donor requirements, local regulation.)

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NACOOOL, operations of the NGO, needs of the users of the financial statements.

What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports.)

As NGOs are mostly different, there is no set answer possible improvement. Showing funds received for a specific cause, project, and charity vs the allocation of these funds. Each different cause project should have its own summary.

At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonise reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate.

Due to the substantial variance, one set framework will not be enough. If separate frameworks were prepared for separate types of NGOs, it would be more effective, but might still be unable to cover the vast variances.

If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? Please give reasons to your answers.

Only those over a certain size as smaller NGOs survive on limited resources and volunteers. If too much expense is incurred or demands are made from them, they feel demotivated to continue the NGO operations.

From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.

This would require access to NGO records which could be seen as a confidentiality breach. It is impracticable as each NGO has different operations, interest, and environment. It is like comparing apples and oranges

Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?

Accrual concept for larger NGOs and cash based for smaller ones. (However, cash-based leads to possible misstatements and may be raised as a concern.

What do you think are the main influences on NGO reporting in Namibia? (The requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints.)

The users of the financial statements and their interests. As well as laws and regulations applicable to that particular NGO.

Do you consider that there are any other significant influences of NGO reporting in Namibia apart from the one you mentioned?

Needs of prospective donors and supporters.

To what extent do you consider that those preparing annual reports should be for NGOs need to be professionally qualified?

Depends on the size and operations of the NGO as well as the type of and level of transactions entered into.

Which group of stakeholders do you think NGOs should be accountable to and why?

Accountability should be based on and allocated to responsibility with records to fraud or neglect. Where accountability needs to be allocated in regard to human error or unforeseen and controllable circumstances it should be limited.

Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain.

Yes, it is important, as this will be used by funders to decide if there will be need for further resources to be released.



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It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?

A full set of accountability reports should have both financial and narrative disclosures. It is extremely important to do so.

Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?

No.

What are some of the issues that you feel the conceptual framework for NGOs need to address?

Mostly narrative information which seems to be missing in most of the annual reports that I have audited.

Do you have any further comments on the need for a conceptual framework for NGO accountability?

A set framework is impracticable and would need to be extremely broad to be effective.

### **PARTICIPANT 11: AUDITOR 2**

Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared? (IFRS, Local requirements, donor requirements, local regulation.)

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What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports)

No motivation to work harder as they entirely depend on donations and do not care about how they use it. They do not disclose how donations are used.

At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonise reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate

Yes because of size and nature of different NGOs, they tend not to make use of the same standards. They tend not to disclose what is being disclosed by other NGOs

If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? *Please give reasons to your answers.*

It would be best to use the same standard to make it easier for the users of the annual reports and to ensure that standards and requirements are met so as far as for reportable issues

From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? *Please justify your answer.*

Not advisable because standards differ from country to country. Nature and size also differ, economic status of countries may also differ. Comparison is unnecessary

Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?

They are prepared on an accruals concept

What do you think are the main influences on NGO reporting in Namibia? *(the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints)*

The main influences are the public at large and the standard setters in which NGOs ought to comply with

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To what extent do you consider that those preparing annual reports should be for NGOs need to be professionally qualified?

A person with a qualification can prepares annual reports. In case of a big NGO, it requires a person with a degree

Which group of stakeholders do you think NGOs should be accountable to and why?

NGOs obviously need to know how to report to all groups of stakeholders because they are all very instrumental in the operations of an NGO. They should be accountable to an extent of other groups of stakeholders. This should not be limited in any way because it is a non –profit and will be of public use

Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain

Yes indeed. Beneficiaries need to communicate to the donors and appreciate that the resources given to them are being used properly. They are the end users and so, yes, it is very important

It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?

Indeed, non- financial information combined with financial information gives a bigger picture of the organisation's operations

Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?

No

What are some of the issues that you feel the conceptual framework for NGOs need to address?

How NGOs use donations, how many people have been helped, fraud, risk and other disclosures such as human capital disclosures, non-financial information, number of donors, and so on

Do you have any further comments on the need for a conceptual framework for NGO accountability?

No comment

### **PARTICIPANT 12: AUDITOR 3**

Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared? (IFRS, Local requirements, donor requirements, local regulation etc.)

*They use IFRS to prepare their financial statements*

What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports.

*Staff skills and knowledge of IFRSs*

At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonise reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? *Please elaborate*

*Accounting principles should not differ based on sector, hence the same standards should be applicable to everyone*

If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? *Please give reasons to your answers.*

*A CF specifically for NGO may be difficult to monitor unless if the entity is subjected to audit*

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From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? *Please justify your answer.*

*Yes, comparability is very important*

Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?

*Accruals concept is used*

What do you think are the main influences on NGO reporting in Namibia? (the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints)

*NGO reporting is mainly influenced by professional bodies in Namibia*

To what extent do you consider that those preparing annual reports for NGOs need to be professionally qualified?

*Significantly*

Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?

*I do not think so*

Do you have any further comments on the need for a conceptual framework for NGO accountability?

*They should apply full IFRS or IFRS for SME*

### **PARTICIPANT 13: AUDITOR 4**

Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared? (IFRS, Local requirements, donor requirements, local regulation etc.)

*Most NGOs are prepared using the local requirements but where necessary, guidance is used from IFRS and IFRS for SME's*

What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports)

*The local requirement is considered to be enough, if more detailed info is needed, then guidance is used from IFRS for SME's.*

At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonise reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? *Please elaborate*

*Of course, an international framework of reporting would be best, in order to make the reporting more uniform. However, this may not be very practical to develop a separate framework just for the reporting. It would be more beneficial to add on to for instance IFRS. Here one can make a section as for SME's. As with IFRS for SME's, one can make the exceptions for NGOs to accommodate them into the framework as well.*

If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? *Please give reasons to your answers.*

*If implemented, it should be in a way that the transition from one framework to another, is not too different, making the transition easier. it should be applicable for all NGO's not just from a different size.*

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*The NGO should rather be able to choose if it wants to be audited or not, from a turnover below a certain amount per year.*

*From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.*

*The current way of preparation works for Namibian NGO's. if such an international framework were to be implemented then yet it would help and make it more comparable. However, one also has to consider that in each country the requirements/ environment the NGO operates in, differs. Thus, making comparability difficult. For instance, here in Namibia you have the Vulture rest, which aims to help save the Vultures from extinction. It would be difficult to compare this NGO, to one in America for saving their Condor. The work and aim may be the same; however, the environmental and legislation requirements differ hugely.*

*Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?*

*Most NGOs are prepared on the cash-based receipts. However, some use a combination of cash receipts and accrual.*

*What do you think are the main influences on NGO reporting in Namibia? (the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints)*

*Cost constraints, the view of the preparer, legislation and other body requirements. => cost is the main driver of how and what work is put into the reporting. Legislation etc are also considered, however cost of the Auditor/ Accountant to prepare the financials is one of the main drivers. Same for the preparer, who is not able to charge the proper fee they have to as most are Pro Bono cases.*

*Do you consider that there are any other significant influences on NGO reporting in Namibia?*

*The personal gain members of an NGO which to gain from it. This resulting in too high salaries drawn for work rendered in the NGO resulting in too little funds being available for the actual cause.*

*To what extent do you consider that those preparing annual reports for NGOs need to be professionally qualified?*

*To have a qualified person prepare the annual report for an NGO, definitely gives it more credibility at the end for all stakeholders. However as mentioned above, it may be reasonable to consider whether it is feasible to implement a legislation for NGO's receiving donations over a certain amount per year, need to be audited.*

*Which group of stakeholders do you think NGOs should be accountable to and why?*

*Depends on the aim of the NGO. If it in line with nature conservation and trying to stop illegal deforestation by Chinese in the northern parts of Namibia, then it should be held accountable to the Namibian public at a whole, making the annual report available in a way such as a listed company. In matter of fact this may be considered for all NGOs to have a web site on which the info is disclosed on.*

*Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain*

*It may be considered to be added by the NGO, such as with an audit report, for other information. It may be disclosed for more information, however, should not influence the preparer when preparing the report. It should however not include a full report on what was done in the year. This may be disclosed separately when making available the annual report.*

*It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?*

*Yes, it should however not include a full report on what was done in the year. This may be disclosed separately when making available the annual report.*

*Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?*

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*No, Namibia is just too small a country for this. Possibly together with SA or a larger country such as England, who is more established in the financial sector, but not alone.*

**What are some of the issues that you feel the conceptual framework for NGOs need to address?**

*None for now.*

**Do you have any further comments on the need for a conceptual framework for NGO accountability?**

*Possibly to be more transparent with what is done with the funds received. Allot of people in Europe are donating money for food etc. in Africa; however, it is not best disclosed what is done with this money.*

### **PARTICIPANT 14: LOCAL FUNDS AGENT**

**Thinking about the form of NGO annual reports with which you are familiar with, which financial reporting framework determine how these reports are prepared? (IFRS, Local requirements, donor requirements, local regulation.)**

For auditing purposes, most of the NGOs need to be audited. They need to have some sort of accountability and follow accounting standards. Most of them follow IFRS. But the donors themselves also have their own requirements. When NGOs report directly to their donors. These donors will send them their templates and the formats they should use.

**What do you see as the strengths or limitations of preparing NGO annual reports in that way? (We are particularly interested in any issues where you feel the existing accounting framework – gives clear and helpful guidance on how to account for NGO specific issues OR gives insufficient guidance on issues which need to be considered in NGO annual reports)**

The weakness is that these donors might have their own requirements which might not be in line with IFRS which is an international requirement for companies including NGOs.

**At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonise reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate**

Yes, definitely I think so. It will be useful, but donors must also buy the idea

**If a conceptual framework was developed, do you feel it should be required to be used by all NGOs in Namibia or only those above a certain size? Please give reasons to your answers.**

I think by all because it is a matter of complying. If you are an NGO and you fall in that sector, then you should have to comply with the requirements of the conceptual framework.

**From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.**

Yes, I think so especially if the template used is the same, then comparability is important

**Thinking about the form of NGO reports which you are familiar with, are the reports normally prepared using the accruals concept or cash-based receipts and payments accounts?**

Most of the smaller NGOs use cash basis but they do not do that 100%. They use some aspects of the accrual basis. Some of the bigger NGOs when they have donor funded projects really now try to apply the accrual basis where they try to set up suppliers' ledgers, it's a mixture of the two really but mostly it is the cash basis.

**What do you think are the main influences on NGO reporting in Namibia? (the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints)**

I think mostly it is the professionals like the auditors because auditors want things done in a certain way. So, when they would mostly try to comply with the regulations for the auditors. But also cost constraints because they are certain accounting programs that they can use but that is not in their budget

**To what extent do you consider that those preparing annual reports should be for NGOs need to be professionally qualified?**

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Well NGO reports simple, they don't have those complex requirements like IFRS. So, I think the basic degree at least. I cannot appoint someone as a finance manager for my NGO without a degree because it is not just reporting. There is also budgeting and managing the funds and disburse money. Now you also have to consider the aspects of fraud, reconciliations and all that. That's why I think they need some sort of professional qualification

**Which group of stakeholders do you think NGOs should be accountable to and why?**

Obviously, the donors, they need to be accountable to the donor as well as other parties. NGOs should also report to the beneficiaries because the people do not see the big picture as how the money is being used. I think it would be good to at least have some sort of summarised reports for donors.

**Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain**

Yes, I think so especially the feedback meant for the donor because currently that is just put in the report that goes to the donor and the donor will give a comment like you didn't achieve this and so on but that is not included in the main report. It would also help users to see if NGOs are on track with their mandates

**It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?**

I think so yes because this will definitely give more or better understanding of the whole program. Many times, it is its only financial information you see how much they spend but they do not explain why they spent that money. Inclusion of financial and non-financial information will give a more holistic view of the programs

**Do you think Namibia would be able to influence the development of an internationally converged conceptual framework for NGOs?**

Yes, I think so

**What are some of the issues that you feel the conceptual framework for NGOs need to address?**

May be the breakdown of the budget because the donors are interested in meeting the budgets. The milestones in the projects

**Do you have any further comments on the need for a conceptual framework for NGO accountability?**

I think it would be very good because it will take away a lot of frustrations because many NGOs are not aware of how to do it, they are just doing it, and so if there is that framework then they will need to comply. The need is there indeed

### **PARTICIPANT 15: DONOR REPRESENTATIVE**

**As a donor representative, how do you ensure that partner NGOs practice accountability?**

We do quarterly verifications and base on the outcome we recommend training where we bring everyone together for a capacity building.

**At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonise reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate**

Yes, the international standard is not a challenge per say, but I think there must be provisions made for basis of accrual/cash basis for NGO. The challenge is mostly on the asset's depreciation.

**If a conceptual framework was developed, do you feel it should be required to be used by all NGOs or only those above a certain size? Please give reasons to your answers.**

The practice can apply to all sizes it's just to minimise the risk purpose

**From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.**



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The reporting should be based on the country or otherwise proper capacity building should be done to prepare this report.

*What do you think are the main influences on NGO reporting? (the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints)*

I think is more for more funding requirements and also monitor any risk like funds mismanagement.

*To what extent do you consider that those preparing annual reports NGOs need to be professionally qualified?*

They need to be qualified to keep up with the defined standards that are in place. At least a degree for the managers and a certificate for other lower ranks

*How do you ensure that NGOs are accountable to beneficiaries of the project?*

Provide timely verifications and continued capacity building with refresher in between

*Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain*

Yes, it must be transparent process so that other donors can see where there is a lack of funding or where each donor can focus on funding.

*It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?*

Yes, the annual reports should actually include both financial and non-financial information so that it can speak to the target

*What are some of the issues that you feel the conceptual framework for NGOs need to address?*

I am not sure, but I would love to see an annual report that explains to the readers the way the funds were utilized and what targets were met including any issues that will be of interest to the users and beneficiaries

*Do you have any further comments on the need for a conceptual framework for NGO accountability?*

I think they should be a conceptual framework for accountability. And this could minimise the risks such as fraud and mismanagement

### **PARTICIPANT 16: DONOR REPRESENTATIVE**

*As a donor, how do you ensure that partner NGOs practice accountability?*

We guide them in accountability by providing them with guidelines that they need to follow when they report to us and we then check on the NGOs to see if they are in line with our requirements

*At present the practices of NGOs vary substantially from one NGO to another, it has been suggested that it might be useful to harmonise reporting across the sector by developing a conceptual framework for NGO accounting, do you think it would be useful to have international standards for NGOs? Please elaborate*

Well international standards could be in place, but this will actually depend on whether the NGO can adhere to the standards.

*If a conceptual framework was developed, do you feel it should be required to be used by all NGOs or only those above a certain size? Please give reasons to your answers.*

I am sure bigger NGO would benefit from the use of the conceptual framework unlike smaller ones. However, it could be better to have a universal conceptual framework because even the little NGOs will at the latter stage become big or receive more funds and they should be able to adhere to the needs of reporting at that stage

*From the point of view of the users of NGO annual reports, do you feel it is important that the reports produced should allow comparability between NGOs in a given country and in different countries? Please justify your answer.*

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Comparability could be reasonable especially if the NGOs are funded by one donor. However, it should be encouraged that even NGOs sponsored by different donors could also be comparable in some sort of way.

*What do you think are the main influences on NGO reporting? (the requirements of professional bodies, the views of the preparers, national financial reporting standards, legislation or cost constraints)*

It could be local requirements, costs constraints but mostly the reporting is influenced by the funders.

*To what extent do you consider that those preparing annual reports NGOs need to be professionally qualified?*

Large NGOs will obviously attract qualified personnel and small ones could struggle because of the limitation on funds.

*How do you ensure that NGOs are accountable to beneficiaries of the project?*

We try and encourage them to develop mechanisms for beneficiary accountability and in some cases, guidelines will also be given to them.

*Do you think it is important that feedback from beneficiaries should be disclosed in the annual reports of NGOs? Please briefly explain.*

Yes indeed. However, this is given as internal reports to the donors and this could be summarised in the annual reports of NGOs to show the impact of the interventions.

*It has been suggested that the conceptual framework for NGOs should encourage the inclusion of both financial and non-financial information. Do you think it could be beneficial to do that?*

For the complete picture, it is advisable to include both financial and non-financial information.

*What are some of the issues that you feel the conceptual framework for NGOs need to address?*

Mostly non-financial information is missing in annual reports, variances, burn rates etc.

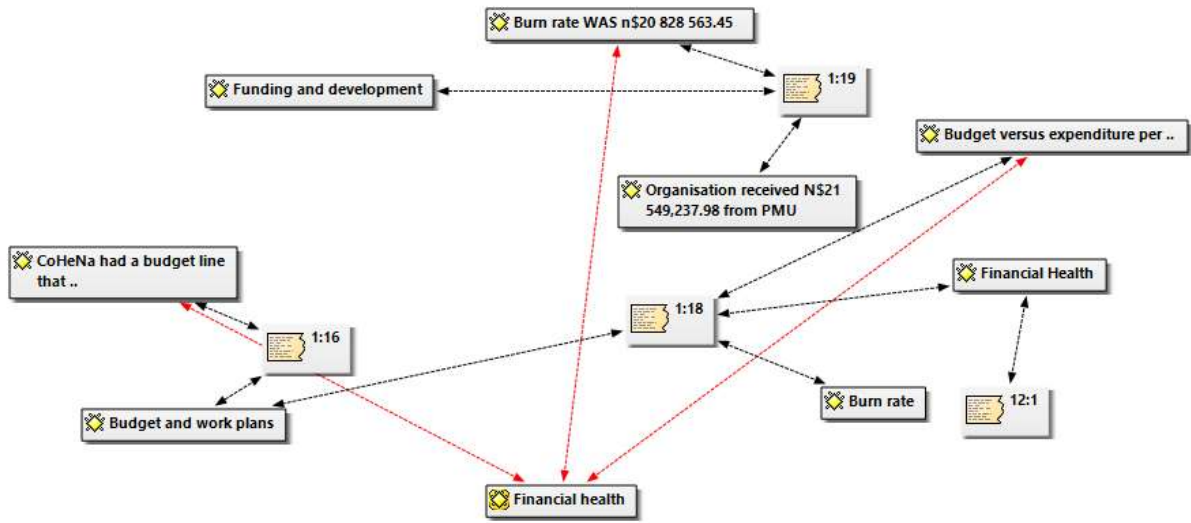
*Do you have any further comments on the need for a conceptual framework for NGO accountability?*

The need is definitely there because we have heard of some NGOs that do not even produce annual reports for years and this need guidance urgently.

**END OF TRANSCRIPTION OF INTERVIEWS**

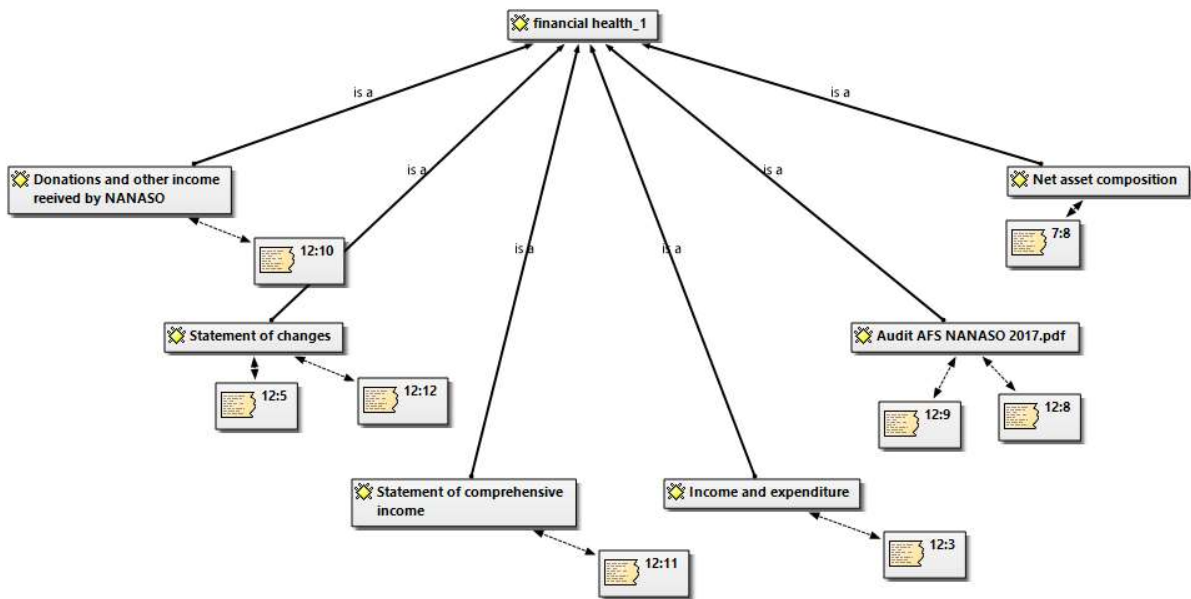


## ANNEXURE 5: NETWORK VIEWS FROM DOCUMENT ANALYSIS



**Network view: financial health for NGO 3**

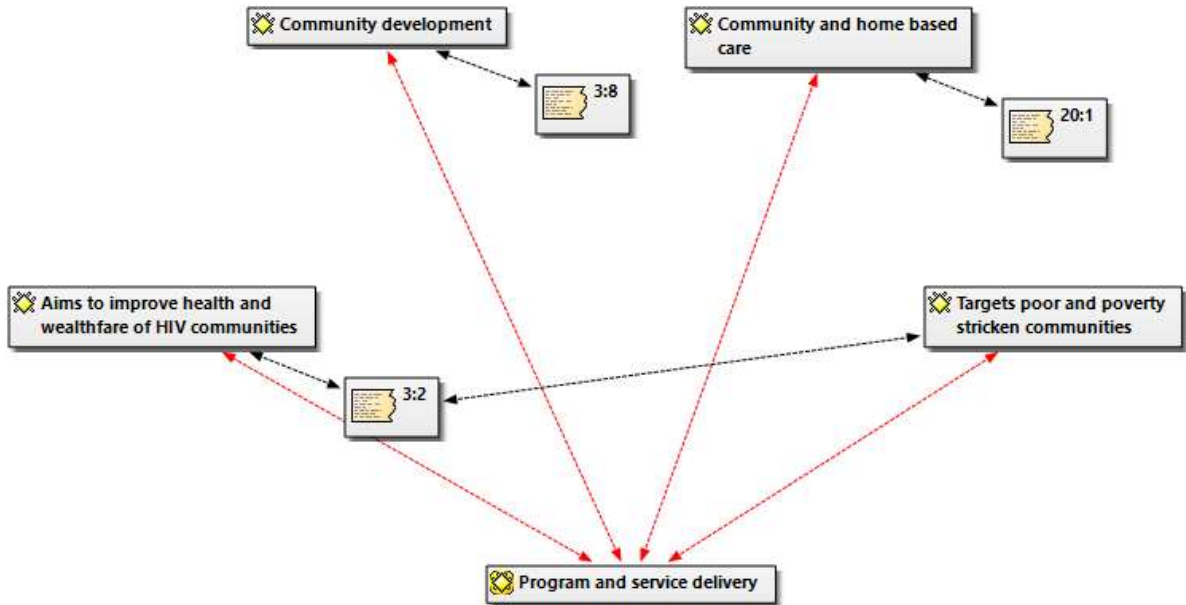
Source: Research results



**Network view: Financial health for NGO 5**

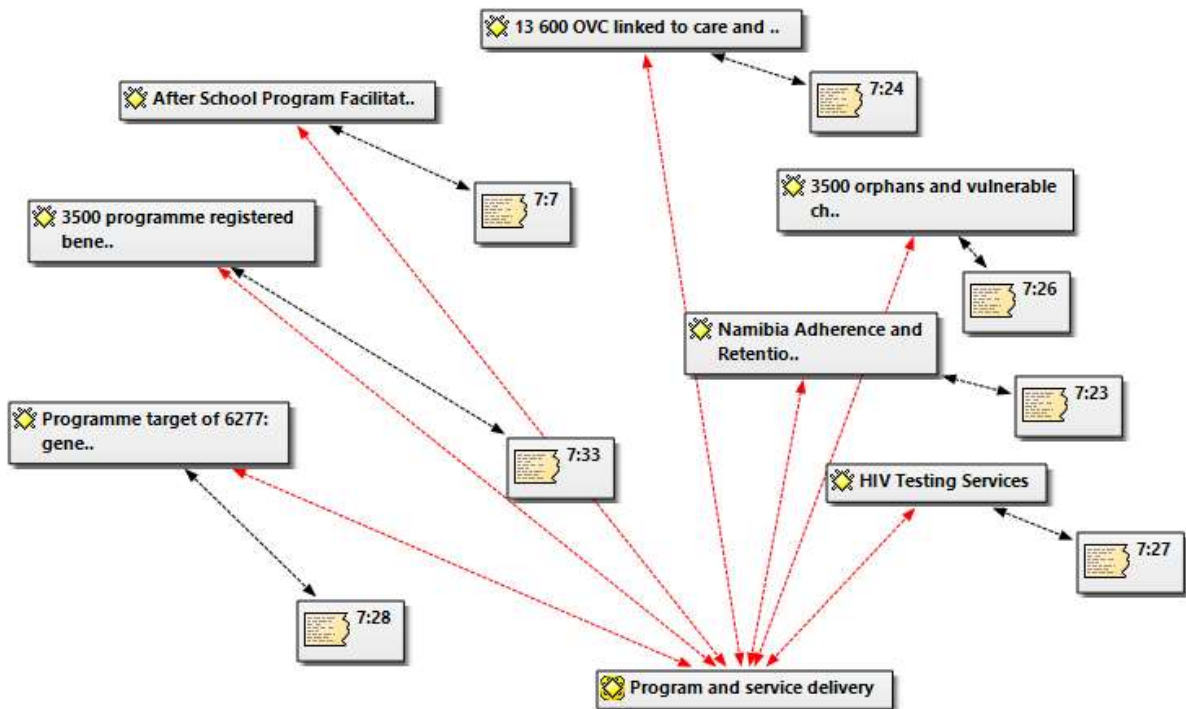
Source: Research results

## Annexures



**Network view: Program and service delivery for NGO 11**

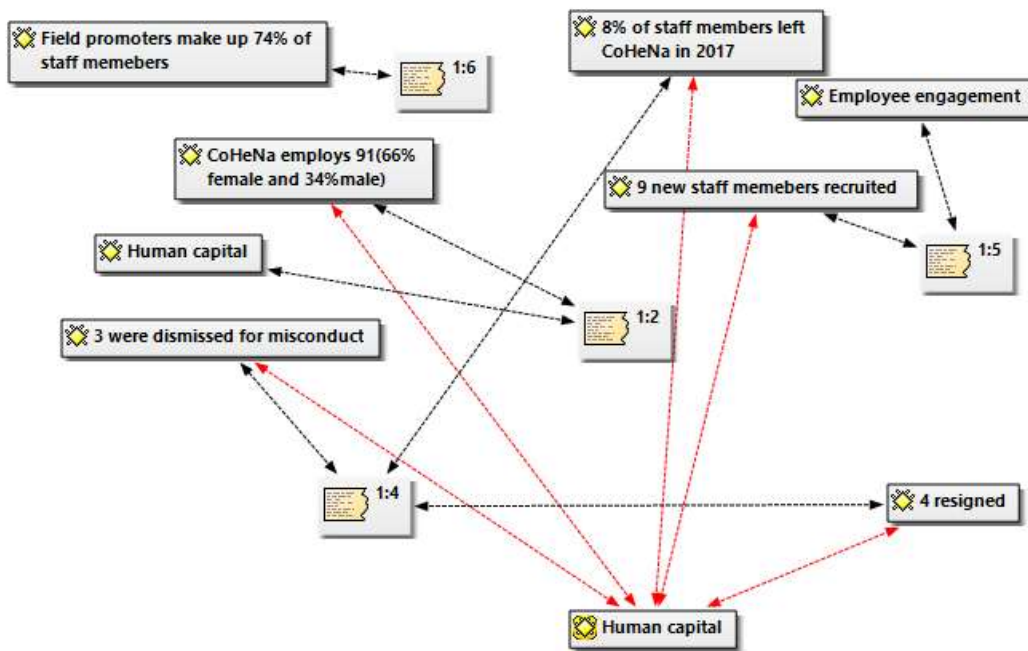
Source: Research results



**Network view: Program and service delivery disclosures for NGO 2**

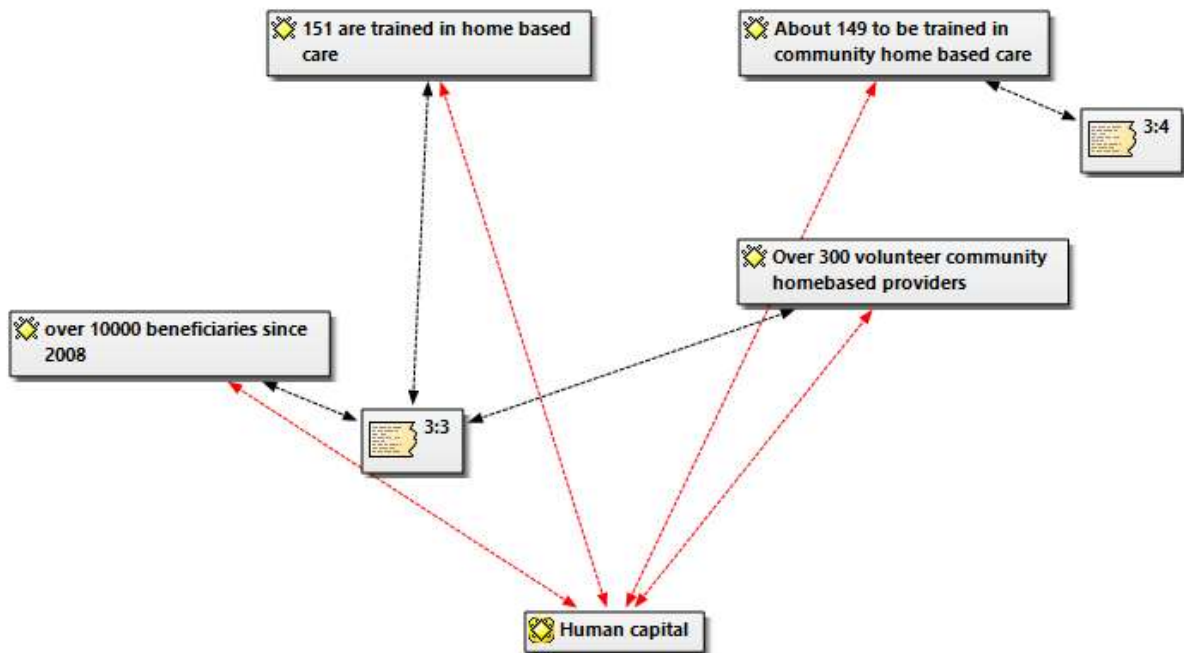
Source: Research results

Annexures



**Network view: Human capital disclosures for NGO 3**

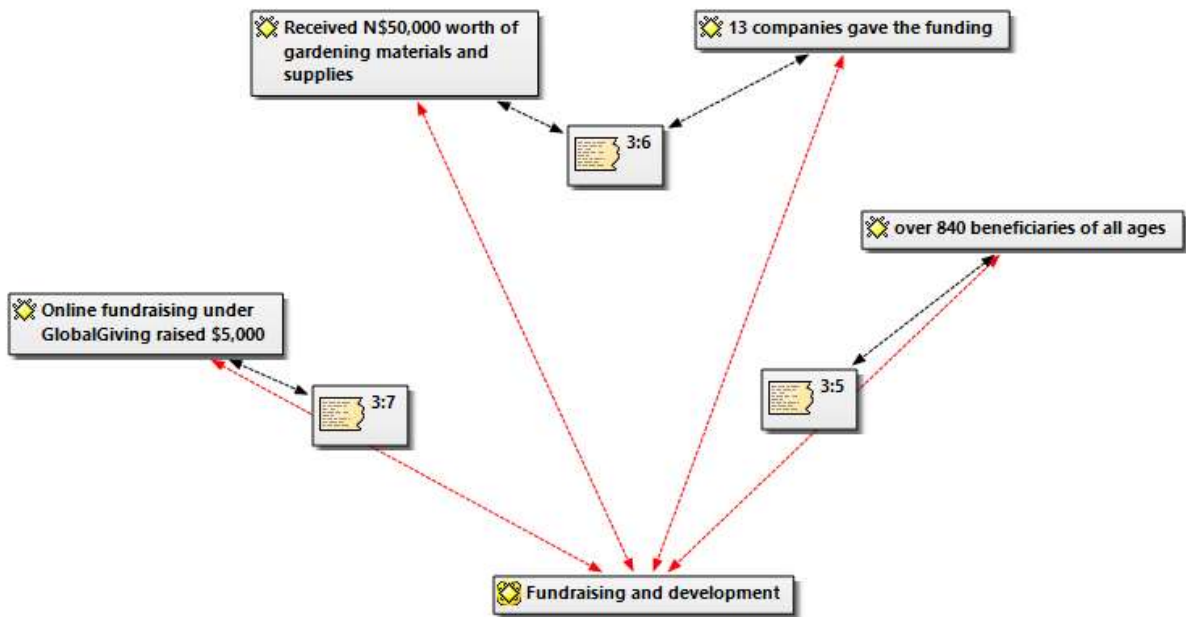
Source: Research results



**Network view: Human capital disclosures for NGO 11**

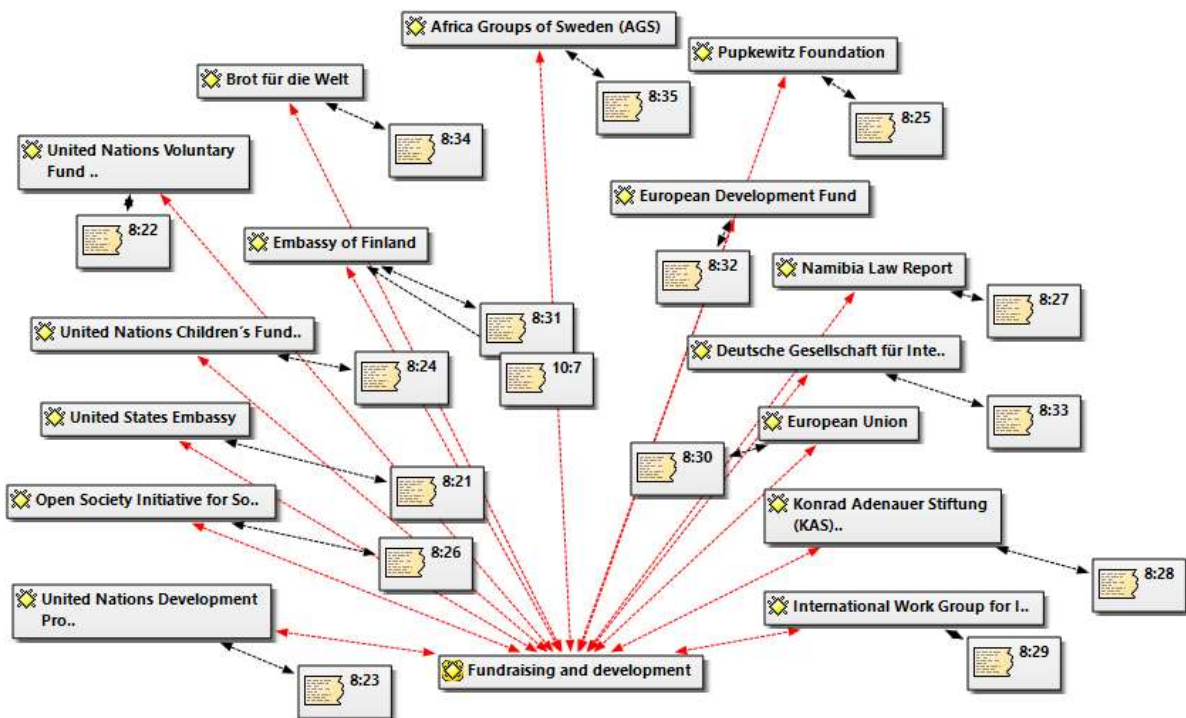
Source: Research results

## Annexures



### Network view: Fundraising and development disclosures for NGO 11

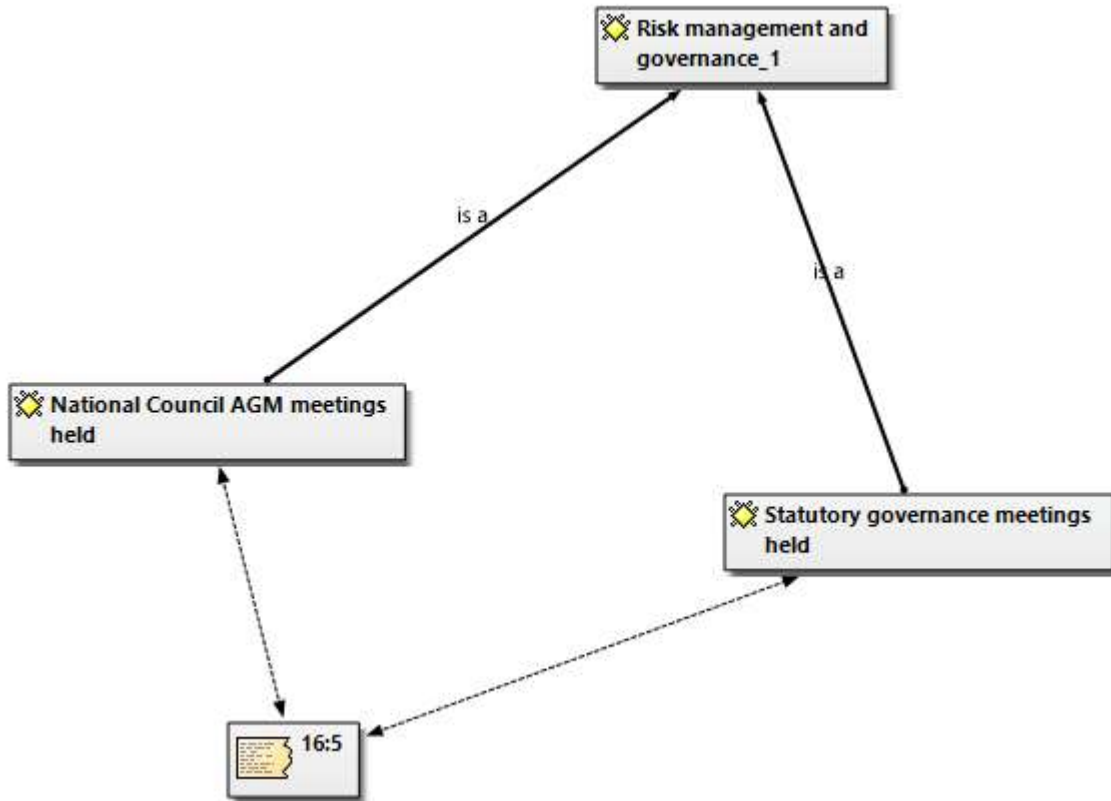
Source: Research results



### Network view: Fundraising and development disclosures for NGO 1

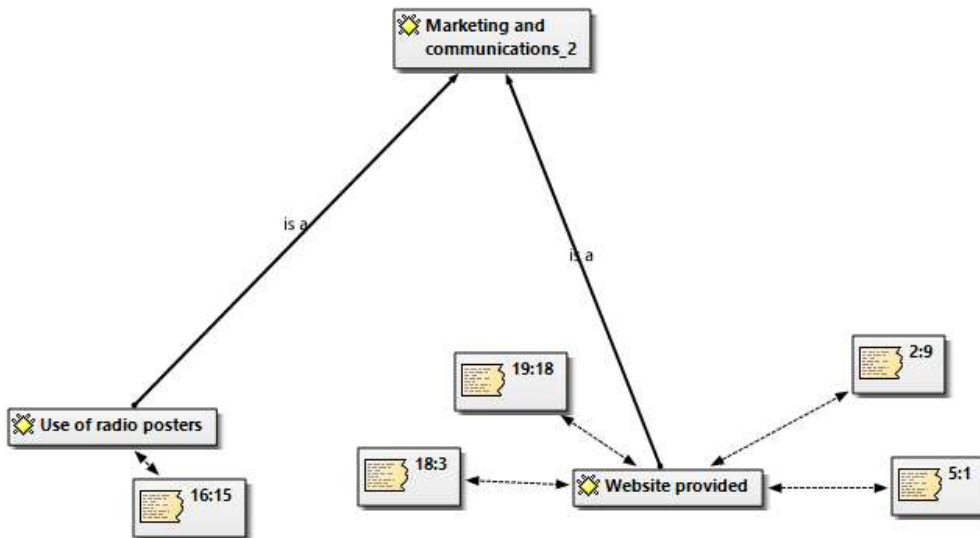
Source: Research results

Annexures



**Network view: Risk management and governance disclosures**

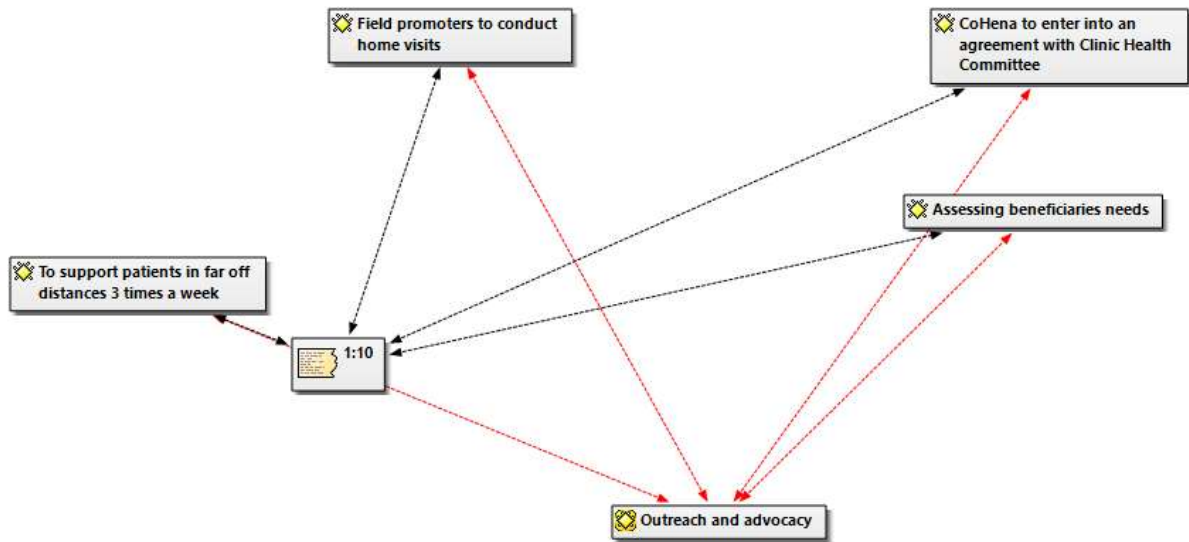
Source: Research results



**Network view: Marketing and communication disclosures**

Source: Research results

## Annexures

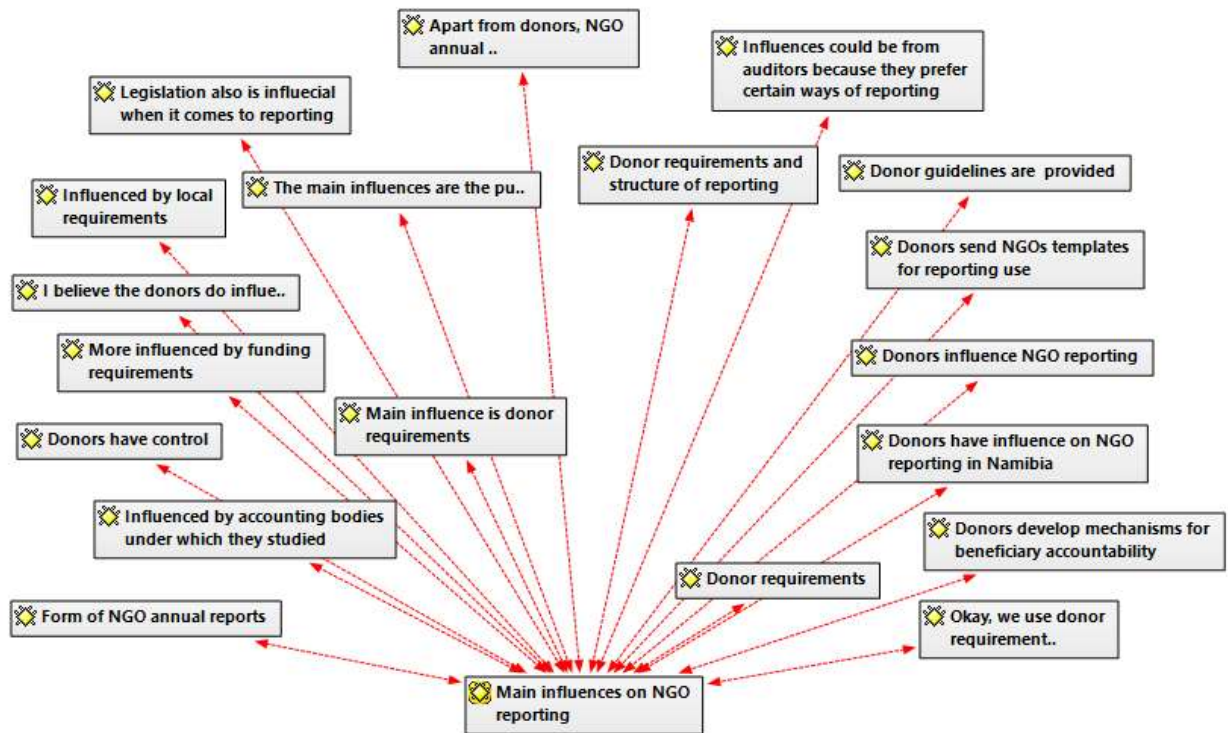


### **Network view: outreach and advocacy disclosures for NGO 3**

Source: Research results

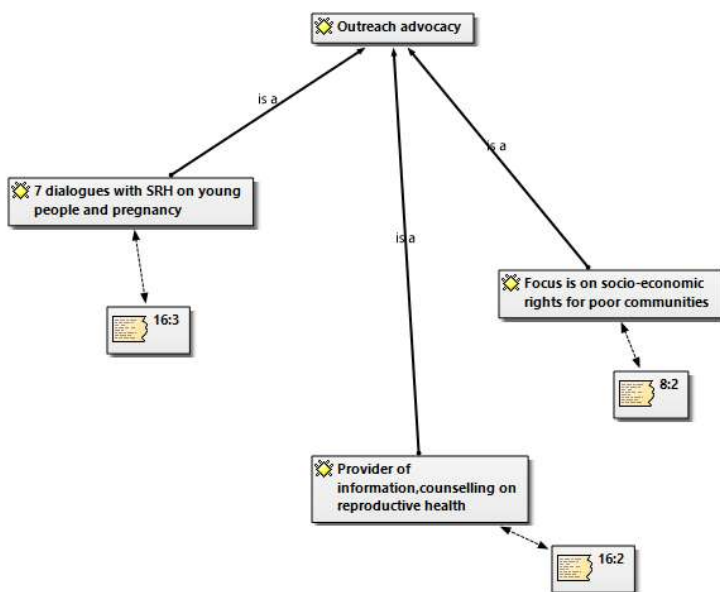


## ANNEXURE 6: NETWORK VIEWS FROM INTERVIEWS



**Network view: Main influences on NGO reporting**

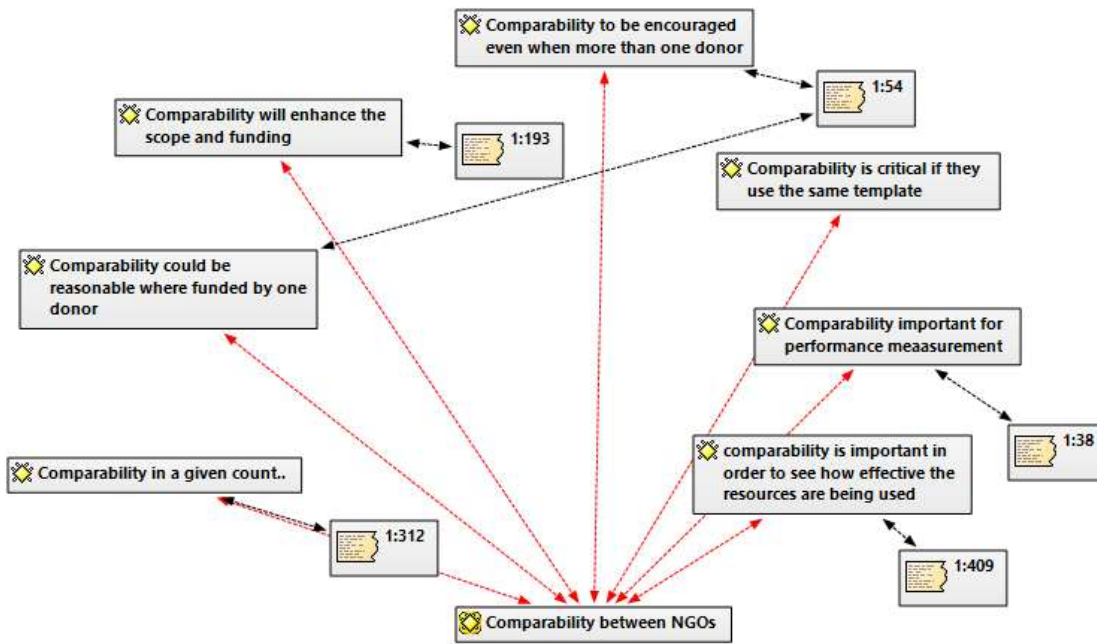
Source: Research results



**Network view: Global vs Local**

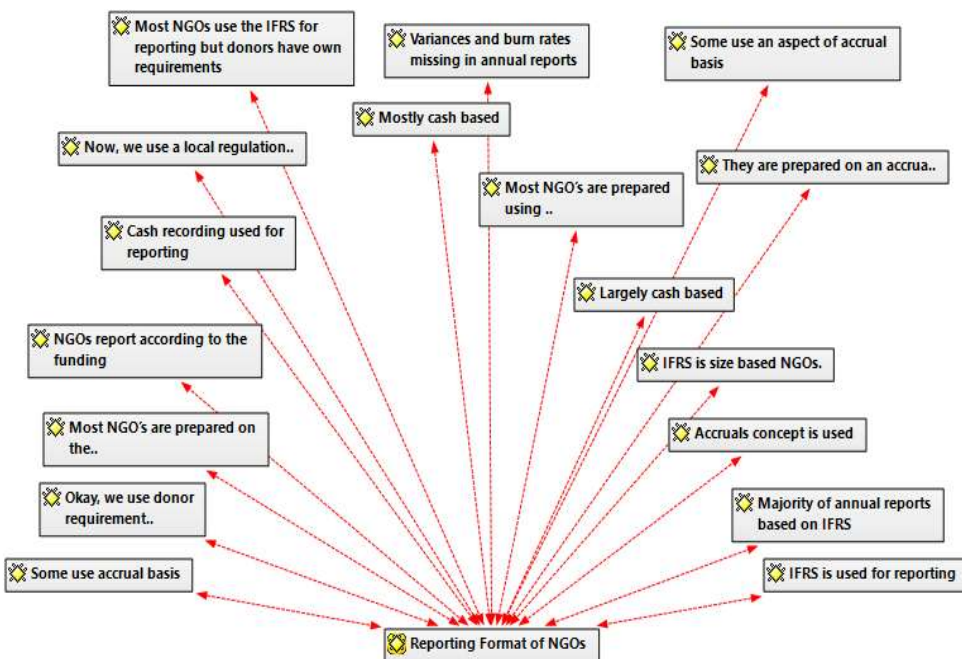
Source: Research results

## Annexures



### Network view of reporting basis for NGOs

Source: Research results

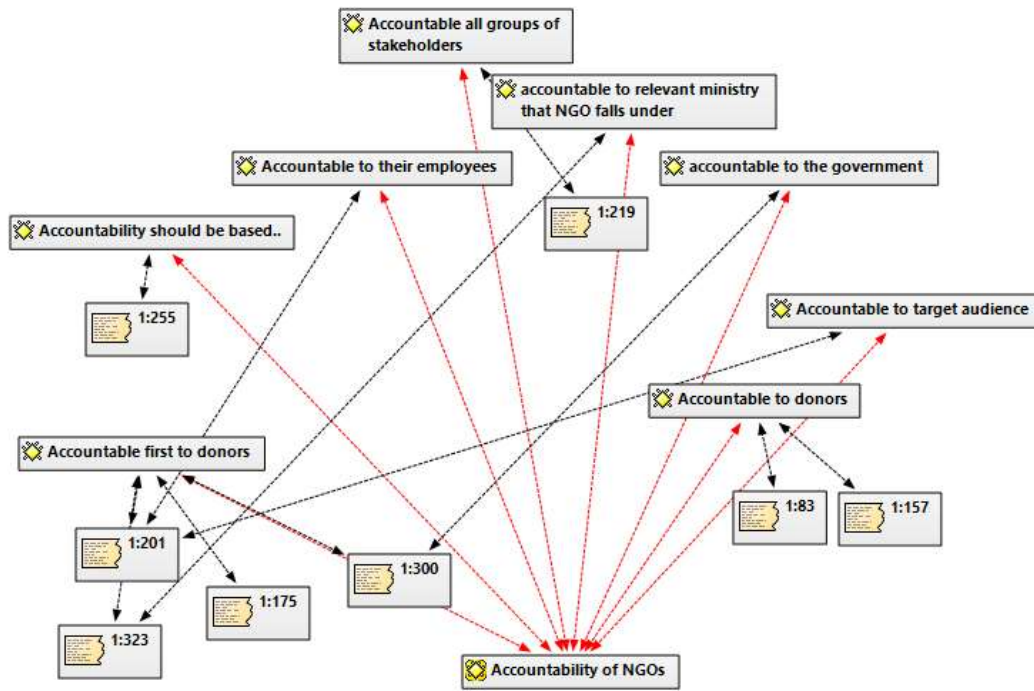


### Network view: reporting basis of NGOs

Source: research results

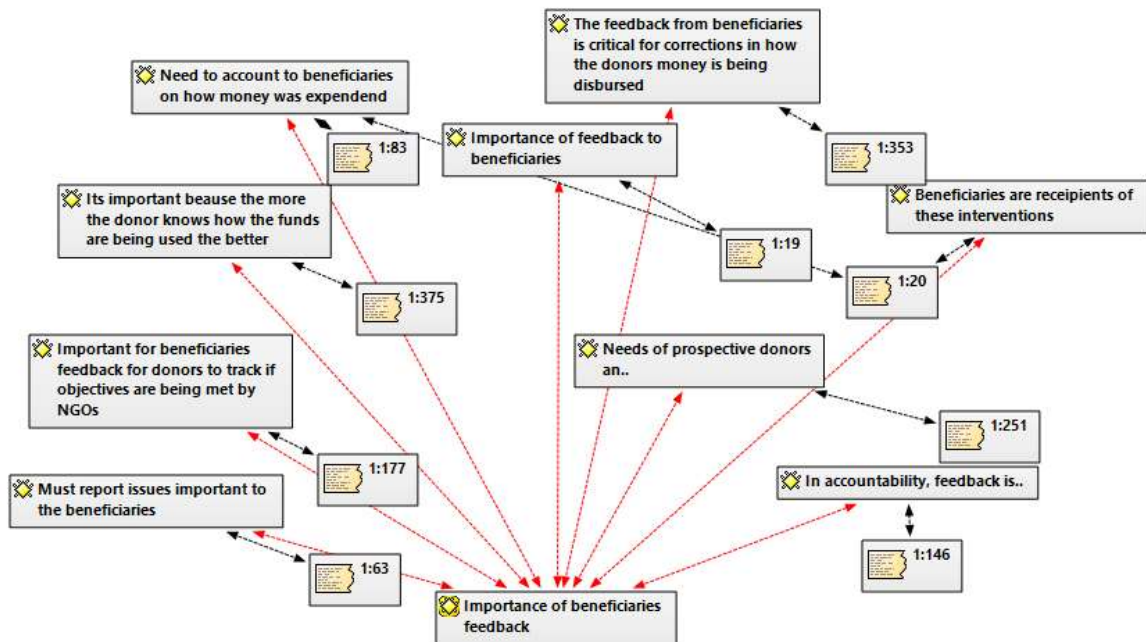


## Annexures



### Network view: Upward Vs downward accountability logics

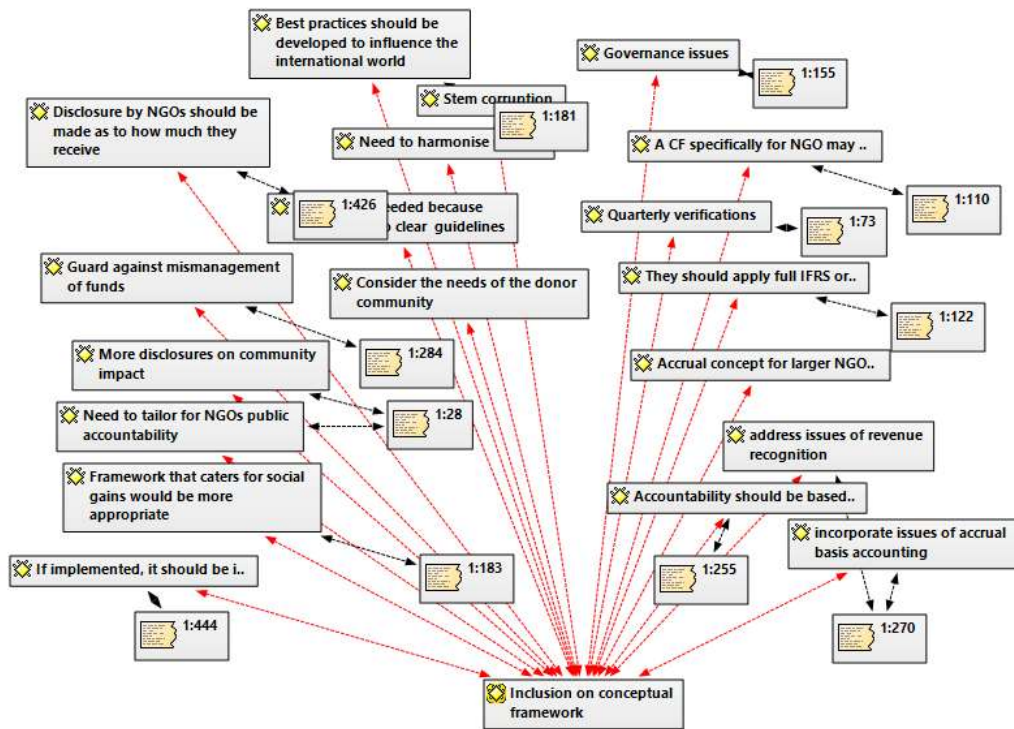
Source: Research results



### Network view: importance of beneficiaries' feedback

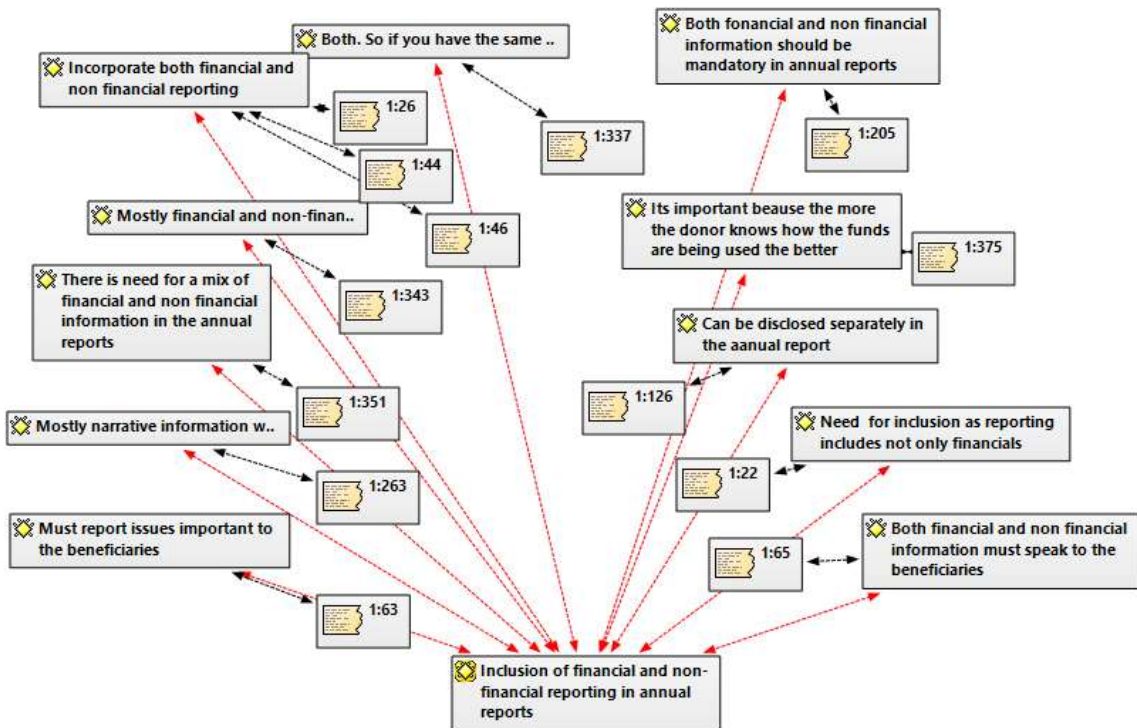
Source: research results

## Annexures



**Network view: views on contents of framework**

Source: research results



**Network view: Financial and non-financial information**

Source: research results

## ANNEXURE 7: FEEDBACK FROM RESPONDENTS

|                            |  |
|----------------------------|--|
| <p><b>Respondent 1</b></p> | <p>I have gone through the work and I can say a great work here has been done capable of making an original contribution. The framework is quite comprehensive given the information available to me.</p> <p>However, I highlight the following issues that you can also ponder on in enhancing the framework where applicable</p> <ul style="list-style-type: none"> <li>• Applicable reporting standards play a big role in reporting credibility, consider how this can be captured in the framework</li> <li>• Should there not be need for a mitigating framework such as internal control system that ensure compliance within the accounting and reporting framework?</li> <li>• Should the framework not address validations of NGOs accountability like external audit, should this be compulsory or not and what levels/size of NGOs.</li> </ul>   |
| <p><b>Respondent 2</b></p> | <p>I had a look at the framework. In one place towards the end of the document, you seem to mention that relational capital and beneficiary accountability to be your focus. Please make this stand out in the framework. Perhaps more attention on beneficiary accountability would be useful given that they are the reason for existence of NGOs.</p>   |
| <p><b>Respondent 3</b></p> | <p>I went through the document. I can say it is an excellent conceptual framework. However, there is need to point out the reality on the ground. The fact that the financial dimension overshadows all other aspects. The funders, the board of trustees and other stakeholders focus on the finance status. The state of the audited financial statements dictates the decisions to make and the direction to take as far as the key goals and internal audit matters are concerned. Some kind of balance is needed. The preparers of the annual reports can always adapt to the framework but what about the users of the reports?</p>  |
| <p><b>Respondent 4</b></p> | <p>I think there is need to bring in agency and stewardship theories and link them together. or is it based on research results or literature review.</p> <p>Another thing the Environmental Social Safeguards are now part of the financial reporting. Look in Environmental Social Governance (ESG) for Not for profits. Also check the International Finance Corporate' Environmental Social Safeguards' Standards. Standard 1 on Governance will help with the integration.</p> <p>The key issues on accountability reporting cannot be complete without the financial management software, so there is need to include or use that framework. Check out the Project Management Modules of computer management system for NGO finances. This is a key issue in NGOs as they need to not only report on what was spend but they need to provide and track the project progress.</p> <p>Another issue facing NGO accountability is which financial reporting standard to follow especially with regards to the</p> |

## Annexures

|                            |  |
|----------------------------|--|
|                            | <p>contentious issue of accrual vs cash-based reporting. Or the different variants of this. The IFRS framework has limitations for NGOs in the regard, will the US Not for profit and public finance accountability can offer pointers.</p>  |
| <p><b>Respondent 5</b></p> | <p>Your framework is covering everything in the NGO sector. Just a few additions that I think would be useful.</p> <ul style="list-style-type: none"> <li>• Funders are interested in the audit report and the enhanced Financial Report which is basically a cumulative report for the year in question.</li> <li>• Audit report is always a challenge when it comes to selecting what international accounting standards should be applied. One biggest challenge with our reports is that we use both cash and accrual accounting basis and the auditors highlighted so many errors in our report because of that approach.</li> <li>• Internal audit reports are required and should be included in the conceptual framework. Our funders rather opt to pay for an external audit and neglect the internal controls elements.</li> </ul>   |
| <p><b>Respondent 6</b></p> | <p>Your framework is reasonable but please consider the following</p> <ul style="list-style-type: none"> <li>• Stakeholders – these have different roles/relationships with the NGO, some legal, some moral, some for legitimacy. O’Dwyer and Unerman bring out the moral aspect with their ideas of ‘holistic accountability’ which as you note O’Dwyer (with Boomsma) re-termed as ‘felt accountability’ drawing on earlier work by Fry. So, my question here is why should an NGO report to certain stakeholders? I think you could add some reflection on this. (You will no doubt be aware of work around the Mitchell Agle Wood framework and trading off stakeholders.)</li> <li>• Imposed accountability – again some of this is from agency relationships (around contracts) and others, as you note, for regulation. Will your assumptions hold for both?</li> <li>• Recognise that there is emerging literature on beneficiary accountability, so the academic commentary is moving on from just prioritizing funders</li> <li>• Ensure you are clear about adapted and emerging logics – it looks like you are – is this the focus of the study?</li> <li>• With the reporting, are you talking only about annual reports? It would be important in describing this (general purpose) reporting as opposed to special purpose reporting.</li> </ul> <p>Interesting study and I hope you are doing well. You might be interested in seeing the work on IFR4NPO <a href="https://www.ifr4npo.org/">https://www.ifr4npo.org/</a> which will be looking for feedback early next year and beyond.</p> |

Source: Researcher’s compilation.

**ANNEXURE 8:  
REQUEST FOR PERMISSION TO CONDUCT INTERVIEWS  
TEMPLATE**

**Request for permission to conduct research at <>**

“A CONCEPTUAL FRAMEWORK FOR ACCOUNTABILITY IN NAMIBIAN NGOs”

1<sup>st</sup> August 2019

Financial Director

Society for Family health

Windhoek

Namibia

Dear Sir

I am doing research with Professor Deon Scott and Dr Williamson, in the Department of Accounting sciences towards a PhD in accounting sciences at the University of South Africa. We are inviting you to participate in a study entitled “a conceptual framework for accountability in Namibian NGOs “

The aim of the study is to develop a conceptual framework on accountability institutional logics of NGOs and in relation to their development partners. The conceptual framework will modestly inform future NGO and development partnership scholarship and it is posited a level of evidence-based practice so as to assist NGOs in Namibia to recognise their current practices in accountability to their major stakeholders and make any necessary changes to result in more effective reporting.

Your company has been selected because it has demonstrated standards of good organisational governance, has appropriate procedures for financial/administrative management, monitoring and reporting and has a diverse group of beneficiaries across all the nine regions in the country.

The study will entail holding face to face interviews with selected staff members from your organisation and these interviews will be held at times convenient to the participants. The researcher will also request to analyse some of the documents used

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by the company in the process of accountability to the major stakeholders such as project reports and annual financial reports.

The benefit of this study is that the data collected from the interviews and other documents analysed will help the researcher to develop a suitable accountability assessment tool that will guide NGOs so that their accountability reports will contain information that will cater the needs of major stakeholders. This will result into ensuring that the objectives of the funders are met, and beneficiaries will as well be satisfied with the outcomes of the projects. In this way the rampant closure of NGOs in Namibia could be minimised since sound accountability systems generally attract funds from funders without reservations

There are no potential risks identified in this study and issues of confidentiality will be strictly guaranteed by the researcher.

Academic researchers rely upon the co-operation of practitioners in completing these types of studies to advance knowledge. In return for your support, we intend to provide you a summary of our findings. Your contribution is vital to the success of this study and is greatly appreciated

I am looking forward to hearing from you soon!

Yours sincerely

  
Andrew Simasiku

PhD candidate in accounting sciences

University of South Africa

## **ANNEXURE 9: PARTICIPANT INFORMATION SHEET**

Ethics clearance reference number: 2019 CAS 029

Research permission reference number:

1<sup>st</sup> August 2019

Title: **A conceptual framework for accountability in Namibian NGOs**

### **Dear Prospective Participant**

My name is Andrew Simasiku, and I am doing research under the supervision of Professor D. Scott and Dr C. Williamson, in the Department of Accounting sciences, towards a PhD in accounting sciences at the University of South Africa. We are inviting you to participate in a study entitled “A conceptual framework for accountability in Namibian NGOs”.

### **What is the purpose of the study?**

This study is expected to collect important information that could assist in developing a conceptual framework on accountability logics of NGOs. This conceptual framework will be a guide to the NGOs for them to determine key information needs of their major stakeholders with the purpose to facilitate the longer-term viability of NGOs in Namibia

### **Why am I being invited to participate?**

In order to achieve the wider picture possible, selected managers and employees from 4 local NGOs were asked to take part and to be observed in their daily routine. To individual interviews participants have been chosen according to their role in the organization and their availability. In total 26 people will be interviewed across the 4 selected NGOs.

### **What is the nature of my participation in this study?**

The study involves audio taping and face to face interviews. You may also be invited to an hour-long interview to answer some questions and share stories about your experience working at your institution and at other organizations. This may include, for example, your role in the organization, how long you have been working for your organisation, and how it is to work for the NGO, among others similar questions.

### **Can I withdraw from this study even after having agreed to participate?**

Participating in this study is voluntary and you are under no obligation to consent to participation. If you do decide to take part, you will be given this information sheet to

## *Annexures*

keep and be asked to sign a written consent form. You are free to withdraw at any time and without giving a reason.

### **What are the potential benefits of taking part in this study?**

Through participation in this project your institution will contribute to the development of our understanding about accountability logics in NGOs and therefore assist other organizations in this sector cope with institutional pressures present in their environments.

Specifically, the principal researcher will contribute to NGOs by providing useful overall, anonymised feedback to the organization which will have been gained by a neutral academic researcher. Additional contributions, such as reports and/or participation as volunteer in activities, can be discussed as appropriate.

### **Are there any negative consequences for me if i participate in the research project?**

So far there are no negative consequences recorded and confidentiality is guaranteed.

### **Will the information that I convey to the researcher and my identity be kept confidential?**

Your name will not be recorded anywhere, and no one will be able to connect you to the answers you give Your answers will be given a code number or a pseudonym and you will be referred to in this way in the data, any publications, or other research reporting methods such as conference proceedings.

The information provided will be analysed and used as input (eventually adding quotes as examples) to different research documents, such as, the researcher's doctoral thesis, book chapters, peer reviewed publications, conference papers and presentations and case studies.

### **How will the researcher(s) protect the security of data?**

Hard copies of your answers will be stored by the researcher for a period of five years in a locked cupboard/filing cabinet at the researcher's office for future research or academic purposes; electronic information will be stored on a password protected computer. Future use of the stored data will be subject to further Research Ethics Review and approval if applicable.

After the 5-year period, hard copies will be shredded and/or electronic copies will be permanently deleted from the hard drive of the computer through the use of a relevant software programme.



## Annexures

### **Will I receive payment or any incentives for participating in this study?**

Any costs incurred by the participant should be explained and justified in adherence with the principle of fair procedures.

### **Has the study received ethics approval?**

This study has received written approval from the Research Ethics Review Committee of the Accounting sciences Department, Unisa. A copy of the approval letter can be obtained from the researcher if you so wish.

### **How will I be informed of the findings/results of the research?**

If you would like to be informed of the final research findings, or should you require any further information or want to contact the researcher about any aspect of this study, please contact Mr. Andrew Simasiku telephone number 264-814271552 or email to [asimasiku@nust.na](mailto:asimasiku@nust.na)

Should you have concerns about the way in which the research has been conducted, you may contact Prof D Scott, Telephone number 0124294450/0824868602 or email to [scottd@unisa.ac.za](mailto:scottd@unisa.ac.za). Contact the research ethics chairperson of the CAS Research Ethics Review Committee, Professor L Erasmus, Telephone number 0124298844 or email to [erasmlj@unisa.ac.za](mailto:erasmlj@unisa.ac.za), if you have any ethical concerns.

Thank you for taking time to read this information sheet and for participating in this study.

Yours sincerely,



Andrew Simasiku

Ph.D. candidate in accounting sciences

University of South Africa

**ANNEXURE 10:  
ILLUSTRATIVE STATEMENT OF FINANCIAL POSITION**

|  | Total funds | Prior year funds |
|--|-------------|------------------|
|  | Unit        | Unit             |
| <b>Assets</b>                            |             |                  |
| <b>Current assets</b>                    |             |                  |
| Inventories                              |             |                  |
| Trade and other receivables              |             |                  |
| Legacies, gifts and grants receivable    |             |                  |
| <b>Sub- total current funds</b>          |             |                  |
| <b>Non- current assets</b>               |             |                  |
| Property, plant and equipment            |             |                  |
| Intangible assets                        |             |                  |
| Financial assets: investments            |             |                  |
| <b>Subtotal non-current assets</b>       |             |                  |
| <b>Total assets</b>                      |             |                  |
|  |             |                  |
| <b>Liabilities</b>                       |             |                  |
| <b>Current liabilities</b>               |             |                  |
| Bank overdraft                           |             |                  |
| Trade payables                           |             |                  |
| Interest payable                         |             |                  |
| Provision for grants payable             |             |                  |
| <b>Subtotal current liabilities</b>      |             |                  |
|  |             |                  |
| <b>Non-current liabilities</b>           |             |                  |
| Bank loans                               |             |                  |
| Long term employee benefits obligations  |             |                  |
| Provisions for multi-year grants payable |             |                  |
| <b>Subtotal non- current liabilities</b> |             |                  |
| <b>Total liabilities</b>                 |             |                  |
|  |             |                  |
| <b>Total net assets or liabilities</b>   |             |                  |
|  |             |                  |
| Retained funds or equity                 |             |                  |
| Restricted funds                         |             |                  |
| Unrestricted funds                       |             |                  |
| Share capital                            |             |                  |
| <b>Total retained funds and equity</b>   |             |                  |

Source: ACCA (2015)

**ANNEXURE 11:  
ILLUSTRATIVE STATEMENT OF INCOME AND RETAINED FUNDS**

|   | Unrestricted funds | Restricted funds | Total funds | Prior year unrestricted | Prior year restricted funds | Prior year total funds |
|---|--------------------|------------------|-------------|-------------------------|-----------------------------|------------------------|
|   | Unit               | Unit             | Unit        | Unit                    | Unit                        | Unit                   |
| Income and restricted gifts from:                   |                    |                  |             |                         |                             |                        |
| Donations and legacies                              |                    |                  |             |                         |                             |                        |
| Social trading purposes                             |                    |                  |             |                         |                             |                        |
| Other trading activities                            |                    |                  |             |                         |                             |                        |
| Investments   |                    |                  |             |                         |                             |                        |
| Other   |                    |                  |             |                         |                             |                        |
| <b>Total</b>  |                    |                  |             |                         |                             |                        |
| Expenditure on:                                     |                    |                  |             |                         |                             |                        |
| Raising funds and other trading activities          |                    |                  |             |                         |                             |                        |
| Social purpose activities                           |                    |                  |             |                         |                             |                        |
| Other   |                    |                  |             |                         |                             |                        |
| <b>Total</b>  |                    |                  |             |                         |                             |                        |
| Net gains/(losses) on investments                   |                    |                  |             |                         |                             |                        |
| Net income ( expenditure)                           |                    |                  |             |                         |                             |                        |
| Other recognised gains /(losses)                    |                    |                  |             |                         |                             |                        |
| Other gains /(losses)                               |                    |                  |             |                         |                             |                        |
| <b>Net movement in funds</b>                        |                    |                  |             |                         |                             |                        |
| <b>Reconciliation retained funds:</b>               |                    |                  |             |                         |                             |                        |
| Retained funds brought forward                      |                    |                  |             |                         |                             |                        |
| Transfers between restricted and unrestricted funds |                    |                  |             |                         |                             |                        |
| Retained funds carried forward                      |                    |                  |             |                         |                             |                        |

Source: ACCA (2015)

**ANNEXURE 12:  
ILLUSTRATIVE STATEMENT OF CASH FLOWS**

|  | Total<br>funds<br>(unit) | Prior year<br>funds<br>(unit) |
|--|--------------------------|-------------------------------|
| <b>Cash flows from operating activities</b>                                |                          |                               |
| Net cash provided by(used in) operations                                   |                          |                               |
| <b>Cash flow from investing activities</b>                                 |                          |                               |
| Dividend, interest and rent from activities                                |                          |                               |
| Proceeds from the sale of PPE  |                          |                               |
| Purchases of PPE   |                          |                               |
| Proceeds from sale of investments  |                          |                               |
| Purchase of investments  |                          |                               |
| Net cash provided by (used in/ investing activities)                       |                          |                               |
| <b>Cash flows from financing activities</b>                                |                          |                               |
| Repayments of borrowing  |                          |                               |
| Cash inflow from new borrowings  |                          |                               |
| Receipt of restricted funds subject to conditions                          |                          |                               |
| Net cash provided by (used in) financing activities                        |                          |                               |
| Cash and cash equivalents at the beginning of the reporting period         |                          |                               |
| Changes in cash and cash equivalent due to changes in forex rate movements |                          |                               |
| Cash and cash equivalent at the end of the reporting period                |                          |                               |

Source: ACCA (2015)

**END OF ANNEXURES**