



# Transparency and Accountability in the NGO Sector

Michael H. Rea, CSR Consultant, SustainabilityServices.co.za

**In a time of unmitigated global financial crisis, the pool of resources available to assist the NGO sector has sprung a leak of unrivalled compare. Even in a country where companies are expected to invest one per cent of their net profit after tax – as per the DTI's Codes of Good Practice – in socio-economic development projects, the pool is shrinking to wading proportions. As such, the need for increased transparency and accountability has created a situation where well-run, well-governed and efficient non-governmental organisations (NGOs) must compete amongst themselves for scarce resources.**

The corporate sector has become relatively proficient at demonstrating their ability to meet stakeholder expectations through non-financial, or 'sustainability', reporting. The King Code of Corporate Governance highlights the need for companies to provide concrete and meaningful disclosures about each listed company's ability to govern itself in a complex socio-political environment. It requires disclosures on impacts in the communities in which companies operate. It requires disclosures on environmental impacts and energy efficiency strategies. In short, it recommends that companies produce Sustainability Reports, either as part of their Annual Financial Report or as a stand-alone document, building on the already successful adoption of international best practices in this regard.

In a review of the most recent list of the Global Reporting Initiative (GRI) based sustainability reports, South Africa is currently tied for fifth place in terms of the greatest number of Reports that adhere to the GRI's guidelines: 58, tied with Australia. Of the 56 countries represented on the list of reporting entities, only Japan (120 reports), Spain (114), USA (109) and the UK (92) have more reports than South Africa: noting that in relative terms South Africa has a higher proportion of reports relative to the number of listed entities in the country (58 reports relative to just over 400 listed entities). However, it appears that the trend towards international best practice in reporting has not necessarily filtered down to the NGOs that SA companies continue to support. Of the 58 known reporting entities, only two are from the NGO sector.

A group of more than 300 delegates at Trialogue's 'Making CSI Matter' conference (Indaba, March 2

to 4) overwhelmingly suggested that the time has come for improved access to the GRI's G3 Guidelines, including capacity building with respect to performance monitoring and reporting. A number of delegates indicated a desire to participate in the development of an NGO-specific G3 Sector Supplement to assist in the drafting of Reports that could offer proof that South African NGOs are ready, willing and able to provide donors with significant returns on their corporate social investments. The problem, however, appears to be cost: both in terms of time and financial expense.

Even an organisation of Cotlands' size (NGO) finds it difficult to muster the spare time required to collect, collate and analyse the data required to inform their stakeholders of their ability to manage their most material sustainability issues. However, the likes of Cotlands – in much the same way as PUMA South Africa's three SMME suppliers who reported for the first time last year – has commented that while the time is difficult to find, the rewards for reporting far outweigh the costs.

In her presentation at the Trialogue conference, Jackie Schoeman, CEO of Cotlands, indicated that the process of reporting is not necessarily about the final product – the Report – but rather about being able to identify and improve weaknesses in management systems while demonstrating to donors, government entities and other stakeholders that the organisation is governed according to the highest standards of transparency and accountability. The greatest output from the process is the identification of useful data trends and anomalies that can help inform future management strategies. Schoeman concluded that NGOs need to be capacitated in the art of sustainability reporting: particularly in preparation for the world's attention on South Africa in the run up to 2010. The benefits of monitoring, controlling and reporting on sustainability elements outweigh any objection to it, says Q. Simpson Head of ACCA South Africa.

**Should you require additional information about ACCA SA's Annual Sustainability Awards, or the Sustainability Workshops, please contact Melanie Williams on: 011 459 1900 or email: [mwilliams@acca.org.za](mailto:mwilliams@acca.org.za)**