

Who counts? Financial reporting to beneficiaries: improving quality by improving participation

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Humanitarians are their own worst critics. Evaluations particularly show how much we struggle to achieve community participation. Our standards recognise its central importance. Our models recognise that, without it, emergency relief aid (as in Darfur) can be high-quality, but longer-term reconstruction or rehabilitation support (as after the Indian Ocean tsunami) is likely to be unsustainable, or irrelevant. But evidence shows that it is difficult to achieve in practice.

This situation is partly due to the humanitarian imperative: in the face of life-threatening need, some standards are likely to be jettisoned. But our funding and organisational arrangements make the problem worse. They focus attention on upwards accountability, and provide no hard incentives for downwards accountability. Given that field staff are normally overwhelmed with existing priorities, and given that participation is difficult, time-consuming and complicates field work, what can be done to create incentives for participation, and increase the impact of rehabilitation?

This article describes one practical response: the Who Counts? Campaign (www.whocounts.org), launched by Mango in April 2005. Mango is a UK NGO that specialises in financial management capacity-building. The campaign encourages NGOs to provide financial reports to their beneficiaries. Evidence shows that this can substantially improve the quality of participation. Using this information, beneficiaries can see how funds are being used, which creates a positive pressure in favour of dialogue between beneficiaries and agency staff. It is a move in the right direction, which brings its own risks, rather than a complete solution to the issue of participation. It must also be sensitively adapted to different circumstances. But the principle is clear: information is power; informed beneficiaries are in a position to work with agency staff to make sure that funds are spent on their real priorities. The risk of fraud is reduced, as is the risk that funds are spent on inappropriate activities.

Reducing corruption and improving education

This case study is drawn from the development literature. It has direct relevance for humanitarian agencies' longer-

Downwards accountability and participation in theory

Red Cross Code Principle 7: 'Ways shall be found to involve programme beneficiaries in the management of relief aid ... We will strive to achieve full community participation in our relief and rehabilitation programmes.'

Red Cross Code Principle 9: 'We hold ourselves accountable to both those we seek to assist and those from whom we accept resources.'

Sphere Humanitarian Charter: 'We acknowledge that our fundamental accountability must be to those we seek to assist.'

Sphere Common Standard 1: 'Participation: The disaster-affected population actively participates in the assessment, design, implementation, monitoring and evaluation of the assistance programme.'

HAP International: 'The mission of HAP International is to make humanitarian action accountable to its intended beneficiaries ... The members of HAP-I are committed to listening to the intended beneficiaries of humanitarian action so that the quality and effectiveness of their humanitarian work is improved.'

Good Humanitarian Donorship Principle 7: 'Request implementing humanitarian organisations to ensure, to the greatest possible extent, adequate involvement of beneficiaries in the design, implementation, monitoring and evaluation of humanitarian response.'

Downwards accountability and participation in practice

The annual reviews produced by ALNAP (the Active Learning Network for Accountability and Performance in Humanitarian Action) synthesise the findings of approximately 50 independent evaluation reports from humanitarian agencies every year. The conclusions of the 2002 and 2003 reviews include:

'Individual NGO and other evaluations conclude that interventions were generally successful in meeting short-term objectives.'

'In terms of consultation with and participation of primary stakeholders, this year's reports echo the disturbing story of the past two years: the limited ability of agencies to promote participation beyond implementation activities.'

'there is a dearth of good practice in involving the affected population in the delivery of humanitarian aid'.

'reports are littered with images of hospitals built but partly used; food-for-work schemes providing little lasting benefit; and hand pumps unused for lack of spare parts and maintenance'.

'there is overwhelming evidence from a large number of evaluations that agency policy and practice is out of keeping with local culture'.

Sources: ALNAP, *Annual Review 2003* (reviewing humanitarian action in 2002) and *Annual Review of Humanitarian Action in 2003*, both available at www.alnap.org.

term rehabilitation work (such as that financed by the unprecedented funds available after the tsunami).

In 1995, a survey showed that the average primary school in Uganda received only 24% of certain funds it was entitled to from the central government. The rest appeared to leak away through local corruption. The government responded by launching a newspaper campaign to explain how school funding was calculated, and publishing information about financial transfers. This provided schools and parents with information they could use to monitor local officials' work.

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A repeat survey showed that, subsequently, the average primary school received 82% of its entitlement: an extraordinary improvement, with substantial implications for the quality of education. An additional study showed that the percentage of money a school received was related to how close the school was to the nearest newspaper outlet, providing evidence of a direct link between the press campaign and improvements in funding. In this case, financial transparency drove major improvements in service provision.

Putting downwards accountability first

Outside its offices in the Western Region of Kenya, ActionAid Kenya has put up public information boards that display budgets, the funds available for each area and a monthly update of expenditure. The simple white-boards are mounted on a frame, and covered by a small roof.

ActionAid Kenya has experimented with a range of ways of providing financial information to partner organisations and beneficiaries. Staff commented that, as a result, 'local people were able to ask why certain decisions were reached, and to express their frustration when expenditure did not address their priority needs'. As part of its response to the Gujarat earthquake in 2001, ActionAid India published financial statements of its activities in Gujarati newspapers.

The evaluations by the UK's Disasters Emergency Committee (DEC) of Gujarat 2001 and Southern Africa 2003 found that ActionAid was the only DEC agency that provided financial reports to beneficiaries during these responses. This is a direct result of its revolutionary Accountability Learning and Planning System (ALPS), an attempt to redesign the basic organisational architecture of a major NGO, moving away from a hierarchical and project-based structure, and put downwards accountability at the heart of their systems.

Reporting to beneficiaries in practice

The Who Counts? Campaign provides initial guidance on how to provide financial reports to beneficiaries in practice. Like all financial reports, they have to present information that is useful to their readers, in a way that is easy to understand. For instance, public whiteboards or photocopied summaries at health centres, community meetings or local offices can do the trick. Reports should be presented in local language and local currency, and contain no more than 15 lines of information. Simple graphical presentation can be particularly powerful. Reports should be presented regularly, every month. This is crucial for on-going monitoring, and to encourage feedback on current activities so that they can be adapted in the light of experience.

It is not always easy to decide what information to include in reports. It is often most useful to compare expenditure against the budget. But salary information is always sensitive, and transport costs can be higher than the value of relief goods being distributed. There is no right answer to the amount of information to publish. But some is generally better than none. Cultural norms and social pressures will influence what information is appropriate. But, as funds are given by donors for beneficiaries rather than agencies, beneficiaries have as much right as anyone to question how funds are used.

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Financial reporting to beneficiaries also provides a much-needed opportunity to involve finance staff in programme activities, and strengthen the links between finance and programme staff. This can reduce tension between team members, and be motivating for finance staff, contributing to a shared sense of purpose and the smooth running of teams operating under pressure.

Risks and a note of caution

There are risks associated with financial transparency. In conflict situations, it can make beneficiaries and agencies more of a target. It can create tension between team members, between agencies, government, and other interest groups – and among all of these stakeholders and beneficiaries. It may be manipulated for political gain. These risks are likely to be particularly acute during a first-phase emergency response.

This initiative is not a panacea: it aims to set out a general principle, which can help to encourage more good practice. It will always need to be sensitively adapted to local circumstances. But these risks must be balanced against the risks of continuing as we are: building more unused hospitals, installing more water pumps to rust away, wasting more funds, and leaving more long-term needs unmet.

A personal challenge

If this argument makes sense to you, then why not start pushing to provide financial reports to beneficiaries yourself? Just as much good practice is achieved through the decisions of individuals as through organisational commitments. If you are personally committed to improving the quality of work in the sector and recognise the arguments outlined above, then why not discuss this idea with your colleagues, and start considering how much information you could publish to beneficiaries straight away?

Alternatively, as funds are given on behalf of beneficiaries, it is always reasonable to ask why your agency or programme should *not* make this information available.

Conclusion

Financial reporting to beneficiaries can encourage a

step-change in the quality of participation. Once beneficiaries understand an agency's financial position, they are empowered to ask more about what is being done on their behalf, and to push agency staff to recognise their real needs. This should be welcome – if demanding – pressure. It can transform the relationship between beneficiary and agency. It is widely recognised that participation is necessary for high-quality rehabilitation work. But it also makes life complicated for field staff. By making financial information freely available, we can create real pressure for good practice – and that must be good for all stakeholders: beneficiaries, donors and agencies alike.

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References and further reading

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Interpreting and using mortality data in humanitarian emergencies: a primer

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Suffering is everywhere, but some populations experience extraordinary crises due to natural disasters, war, political repression, displacement, hunger and epidemics. The common denominator of these public health emergencies is the spiritual and physical harm they inflict on individual human beings. The former is difficult to detect and quantify. As for the latter, in humanitarian emergencies its most extreme form – death – takes on rudimentary mathematical connotations as an increase in mortality from levels considered 'normal' in non-crisis times. Information on mortality offers an immediately comprehensible, overarching view of the physical experience of affected populations over a given time interval. It is to a population in distress what vital signs are to a patient.

This paper argues that properly collected, properly interpreted and properly used mortality data have much to contribute to the appropriateness and effectiveness of humanitarian action in emergencies, and to advocacy on behalf of populations in crises. Written from the standpoint of the end-user of mortality data, it presents key indicators used to express these data, different options for how to measure mortality rates, and suggestions for how to assess, interpret and use mortality reports. It also includes a discussion on the politics of mortality figures. The paper aims to enable readers to critically interpret mortality studies, and to understand how these are used (or misused) to formulate policy. The intended audience is therefore all humanitarian actors, policy-makers, the media and members of affected communities, regardless of their technical background.

Copies of this Network Paper available on the HPN website at <http://www.odihpn.org/documents/networkpaper052.pdf>.