The Accountability Movement and its Implications to the Governance Practices of the Hungarian Third Sector

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INTRODUCTION

The market environment for civil society organizations has changed significantly over the last decade. Nonprofit organizations are finding themselves competing for societal resources and doing so are becoming serious business-like competitors. Third sector organizations no longer live in a protected environment in which little is expected in exchange for financial support. The funding community, both government and philanthropy demand these nonprofit organizations to demonstrate their impacts on society and their cost-effectiveness, and to justify their support and special benefits in public policy (Light, 2000). Donors claim more say over the allocation of the funds they contributed, and want nonprofits to be accountable and measure their performance and results. Good intentions are no longer sufficient, indeed, numerous scandals of some major nonprofits have spoiled public trust towards civil society as a whole (OECD, 2003). These rising concerns are calling for reforms that transform civil society organizations to measure up to the standards of business, and to move the third sector further in the direction of the market.

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These changes and developments resemble similar movements in the business world. Campaigns calling for socially responsible corporate and public governance, establishment of the “social enterprise”, systematic attention to quality assurance, and accountability for the social impacts of any corporate actions are all good examples of these movements. Simultaneously, important changes are occurring inside the nonprofit world resulting in dramatic revaluation of civil society organisational values and management practices, in order to enhance the deepening engagement and embeddedness of nonprofits in the market environment.

This “nonprofit accountability movement” has also changed the meaning of the term “accountability” from “being held to account” (enforceability) to “giving an account” (answerability) (Bendell, 2004; Ebrahim, 2003). Translating these major changes and challenges into practice resulted in a wave of accountability initiatives. Numerous “codes” and “ethics” have been developed to provide general accounting principles for nonprofit organizations within the context of governance.

The political changes back in the early 1990s, brought about the “rebirth” of the Hungarian nonprofit sector. Since then the sector has faced various challenges in the forms of changing governmental regulations, transformation of the local and global market environment, and changing expectations concerning their operations, management and governance practices. The so-called “nonprofit accountability movement” is a recent phenomenon inside the Hungarian nonprofit world, leaving the actors and organizations of the sector puzzled, nevertheless urging them to get prepared to meet these new challenges.

In our paper, we first offer an overview of accountability by giving a short theoretical exploration of the topic, highlighting the changes in its interpretation. Then we introduce the accountability model or standards we designed for the Hungarian third sector after the critical examination of numerous international accountability guidelines and standards (both nonprofit and for-profit). We believe that those organizations that align their operations and activities with the recommendations of these standards could enhance their legitimacy and reputation, and make them more successful in their communities.
In order to make our accountability model more suitable for the local organizations, we planned a field research that is still underway. The methodology of our research is qualitative. We first examined other, mainly sectoral initiatives aiming to enhance the transparency and accountability of nonprofits, and compared them with our model. Then we selected a small sample of NGOs, and conducted semi-structured interviews with their representatives. The main purpose of these interviews was to test the applicability of our standards, and also to get empirical insights into the “readiness” of these sample organizations to adapt such standards, and explore those areas that need to be further reinforced or even rethought. In this paper, we present the most significant findings up till now, as some of the interviews are still under progress.

A SHORT EXPLORATION OF NONPROFIT ACCOUNTABILITY IN THEORY

Accountability is contradictory in nature, and it is an irony that the term itself has still no clear definition. Edwards and Hulme (1996) define it as ‘the means by which individuals and organizations report to a recognized authority (or authorities) and are held responsible for their actions’. Cornwall, Lucas, and Pasteur (2000) broaden this perspective by defining accountability as both being a reactive response to others holding the organization responsible, and a proactive notion of taking responsibility for oneself. Thus, questions such as accountability for what, by whom, or to whom immediately arise. For some, the concepts of accountability, transparency and trust are inseparable. In general, accountability implies both a measure of answerability and enforceability, and is often used interchangeably with the similar concepts of responsiveness, responsibility and representation. Besides, accountability is linked to a variety of other terms in its practical usage, such as surveillance, monitoring, oversight, control, checks, restraint, public exposure and punishment, all reinforcing the widespread appropriation of the term. In our paper, we align the term accountability with Ebrahim’s (2003) concept. Accountability may thus be defined as ‘the means through which individuals and organizations are held externally to account for their actions, and as the means by which they take internal responsibility for continuously shaping and scrutinizing organizational mission, goals, and performance’.
Accountability in practice can take a number of forms; accountability can be internal or external, formal or informal, vertical or horizontal, bottom-up or top-down. Given its broad usage, the challenges of effective accountability include where to assign and locate responsibility for decisions, how to devise effective mechanisms for answerability and enforcement, and how to prioritise multiple accountabilities. Accountability then, is about the construction of a grammar of conduct and performance and the standards used to assess them (Day and Klein, 1987). This serves to define expectations and order social relations by embedding them within a recognised and accepted framework of application.

Moreover, nonprofit organizations differ from their for-profit counterparts with respect to legally ordained taxes and governance: they are founded for accomplishing public purpose, permitting their donors to make tax-deductible contributions, and their operations preclude private financial gain. Since a nonprofit organization exists to render a public service, its success is generally measured by how well it performs this service and not by its financial performance alone (Anthony, 1977; Conrad and Glenn, 1976; Drucker, 1977; Hansmann, 1987; Wolf, 1984). Thus, the primary standards of accountability and measures of performance for nonprofit organizations need to focus on the mission, and align their factors with the goals and objectives, which typically are non-monetary in nature and sometimes difficult to assess.

NONPROFIT ACCOUNTABILITY STANDARDS – A HUNGARIAN ALTERNATIVE

In this section, we introduce the accountability model or standards we designed for the Hungarian third sector after the critical examination of numerous international accountability guidelines and standards (both nonprofit and for-profit). We believed it was necessary to examine as much of these existing accountability initiatives as possible, in order to design our standards in correspondence with the international guiding principles.

Laws and regulations governing nonprofit organizations and their requirements for information disclosure are the very basic accountability mechanisms intended to ensure a
minimum level of transparency. They enhance the answerability and legitimacy of nonprofit social service organizations with the purpose of ensuring public trust. However, in addition to these basic accountability mechanisms, networks of nonprofit organizations are facing an increasing external and internal demand for developing standards or codes of behavior and performance for themselves. No wonder that numerous standards and codes of conduct have been developed by various nonprofit (membership) organizations over the world.

Beside examining a selection of these nonprofit accountability standards, we also studied corresponding initiatives of the business world, like standards of business and corporate accountability and social responsibility (CSR). Namely, we examined the following accountability practices:

- NONPROFIT accountability standards, codes & ethics, quality tools etc.
  - CIPFA – LANGLAND – The Good Governance Standard for Public Services (Europe)
  - ICFO International Committee on Fundraising Organizations – International Standards (Europe)
  - One World Trust – GAP Global Accountability Project (Europe)
  - InterAction – PVO standards (North America)
  - BBS Wise Giving Alliance - Standards for Charity Accountability (North America)
  - Independent Sector – Accountability Principles & Code of Ethics (North America)
  - Charities Review Council – Accountability Standards (North America)
  - Maryland Association of NPOs – Standards for Excellence (North America)
  - AFP Association of Fundraising Professionals – Code of Ethical Principles and Standards of Professional Practice (North America)
  - American Institute of Philanthropy – Charity Rating Guide (North America)
  - CCIC Canadian Council for International Cooperation – Code of Ethics (North America)
  - Charity Navigator – Rating Charities (North America)
  - ACFID Australian Council for International Development – Code of Conduct (Australia)
- PCNC Philippine Council for NGO Certification - Certification (Asia)
- Bunian II Programme - Good Governance & Code of Conduct (Arab World)

- FOR-PROFIT Social Reporting Standards (CSR – Corporate Governance External Standards)
  - AA1000/AA1000S - AccountAbility 1000 Framework (U.K.)
  - GRI Global Reporting Initiative – Sustainability Reporting Guidelines (The Netherlands)
  - OECD Guidelines – Principles of Corporate Governance
  - Global Sullivan Principles (South Africa)
  - Corporate Governance Forum Principles (Japan)
  - The Business Roundtable Principles of Corporate Governance (U.S.)
  - NACD National Association of Corporate Directors – Several Guidelines (U.S.)
  - CII Council of Institutional Investors – Core Policies and Positions (U.S.)
  - Committee on Corporate Governance – Combined Code (The Turnbull Report, U.K., 2000)
  - SA8000 – Social Accountability 8000 (U.S.)

In designing our model for nonprofit accountability, we studied all these accountability and ethics codes, standards of excellence, accountability and governance principles. Based on our evaluation we designed a model that we believe is suitable for serving as a general accountability framework for the Hungarian NGOs. We defined six main areas of nonprofit accountability and composed principles and guidelines correspondingly. These guiding principles provide benchmarks, and in compliance with them nonprofit organizations may strengthen their operations, thrive for organizational effectiveness, and fulfil their obligations to those who benefit from their programs, to contributors, and to the public.

The framework and the main areas of our nonprofit accountability standards are depicted in Figure 1.
The *principles and guidelines* corresponding the main areas of our nonprofit accountability standards are as follows:

- **Mission & Program – Organizational Integrity**

  Nonprofit organizations are founded for the public good and operate to accomplish a stated purpose through specific program activities. Accordingly, a nonprofit organization should have a *well-defined mission*, and its programs should effectively and efficiently work toward achieving that mission.

  Moreover, nonprofits have an obligation to ensure *program effectiveness* and to devote the resources of the organization to achieving its stated purpose. Therefore, a nonprofit organization should have defined, *cost-effective procedures* for evaluating, both qualitatively and quantitatively, its organization, programs and projects in relation to its mission, and identify ways to address any deficiencies. In rendering its programs or services, a nonprofit should act with the utmost *professionalism* and treat persons served with respect.
Besides, nonprofits should ensure *equity and diversity* by all means, and prevent any sort of discrimination by the organization and its constituents, on the basis of race, colour, national origin, age, religion, handicap, or sex.

**Governance – Governing Board**

The governing board has the ultimate oversight authority for any nonprofit organization. Organizational processes need to ensure that the volunteer board is active, independent, and free of self-dealing. Therefore, nonprofit organizations should meet the following ‘standards’.

*Board Composition:* Nonprofit organizations are governed by an elected, volunteer board of directors that should consist of individuals who are committed to the mission of the organization. The board should have no fewer than five (5) unrelated and independent directors, serving without compensation.

*Board Responsibilities:* An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human resources (volunteer or paid staff) and financial resources (earned income, government contracts and grants, and charitable contributions) are available, and actively monitor the organization's management, financial and program performance.

*Conduct of the Board:* The organization should have written policies that address attendance and participation of board members at board meetings. At a minimum, the board should meet four (4) times a year. A nonprofit organization should have policies in place, and should routinely and systematically implement those policies, to prevent actual, potential, or perceived conflicts of interest.

**Finances – Financial Management**

Nonprofit organizations must practice *sound financial management* and comply with a diverse array of legal and regulatory requirements. A nonprofit organization should operate a *budget* approved by the board, and its financial system should assure that accurate financial records are kept and that the organization's financial resources are used in furtherance of the organization's charitable purposes. Organizations should conduct periodic reviews to address regulatory and liability concerns.
A nonprofit organization should create and maintain *financial reports* on a timely basis that accurately reflect the financial activity of the organization, including annually audited financial statements. An *annual report*, including a statement of the organization's purpose, full or summary financial statement, description of the goals, summary of overall program activities, results of the work of the organization, and information about current board members, should be provided upon written or verbal request.

Nonprofit organizations should have *written financial policies* adequate for the size and complexity of their operations governing: (a) investment of the assets of the organization, (b) internal control procedures, (c) purchasing practices, and (d) unrestricted current net assets. The organization's combined fundraising and administration costs should be kept to the minimum necessary to meet the agency's needs, while at least 65% of the total expenses should be spent on program activities and services to reflect the organization’s purposes.

- **Fundraising**
  Charitable fundraising provides an important source of financial support for the work of most nonprofit organizations. An organization's fundraising program should be maintained on a foundation of truthfulness, accurateness, and responsible stewardship. Its *fundraising policies* should be consistent with its mission, compatible with its organizational capacity, and respectful of the interests of donors and prospective donors. Nonprofit organizations should ensure (1) accurate and truthful fundraising activities, (2) good donor relationship and privacy, (3) policies for acceptance of gifts, and (4) employment policies of fundraising personnel.
  
  As stated above, *fundraising costs* should be limited to a reasonable proportion of the organization’s overall expenditure, and regularly tested for cost-effectiveness.

- **Human Resources – Management Practices**
  A nonprofit organization shall endeavor to follow *best management practices* appropriate to its mission, operations, and governance structure, protecting the rights of its constituents, and assuring fair treatment in all matters at all times.
  
  A nonprofit organization’s relationship to its *employees and volunteers* is fundamental to its ability to achieve its mission. Volunteers occupy a special place in nonprofit organizations,
serving in governance, administrative and program capacities. An organization's *written human resource policies* should address both paid employees and volunteers, and should be fair, establish clear expectations, enhance employee orientation, and provide for meaningful and effective performance evaluation.

- **Public Policy & Affairs – Communications to the Public**

  Nonprofit organizations operate for public purposes with public support. As such, they should be committed to full, honest, and accurate disclosure of relevant information concerning their mission, goals, program activities, finances, and governance, to the public. A nonprofit organization should also be *accessible and responsive* to members of the public who express interest in the affairs of the organization.

  Nonprofits provide an important vehicle through which individuals organize and work together to improve their communities. Nonprofit organizations, therefore, should represent the interests of the people they serve through *public education* and *public policy advocacy*. Accordingly, nonprofit organizations should have clear policies describing the circumstances of involvement in advocacy, public policy, and/or lobbying activities.

**FIELD RESEARCH**

In order to make our accountability standards more suitable for the local organizations, we planned a *field research* that is still underway. As we highlighted in the introduction, the methodology of our research is qualitative. We first examined *other*, mainly sectoral *initiatives* aiming to enhance the transparency and accountability of nonprofits, and compared them with our model. Then we selected a *small sample of NGOs*, and conducted *semi-structured interviews* with their representatives. The main purpose of these interviews was to *test* the applicability of *our standards*, and also to get empirical insights into the “readiness” of these sample organizations to adapt such standards, and explore those areas that need to be further reinforced or even rethought. In this section, we present the most significant findings up till now, as some of the interviews are still under progress.
Testing the Standards – Interviews with NGOs

Based on the recommendations of our standards and the guiding principles, we designed a complex questionnaire aiming to serve as the basic certification tool for the external review process testing the compliance or non-compliance with the accountability standards. The questionnaire is altogether nine pages long, having two pages for gathering general information and seven pages for assessing the compliance with the standards. This part has six sections corresponding to the six main areas of our model. In each section there is around twelve questions in average. Besides the questionnaire, we also compiled a list of open-ended questions to further enhance the effectiveness of our research.

We selected a small sample of NGOs, altogether 35 organizations, their sizes ranging from the very small to the very big, located in various parts of the country. There was no need to have a representative sample, as our purpose was to test the applicability of our standards, evaluate the reactions of the organizations to such an initiative, and to invite ideas and recommendations for further improvements. Deliberately, we included all the most significant INGOs and NGOs of the sector to our research sample, numerically speaking around fifteen organizations, in order to assess the current best practices and the prospective future benchmarks.

We arranged the interviews with the representatives and managing directors of the organizations to ensure that we get the overall picture of the operations, existing accountability mechanisms and the possible biases. The arrangement of the interviews turned out to be a real challenge, meaning that some of the organizations were not very willing to take part in such an assessment, or their representatives were too busy to devote time to our survey, or they were simply afraid of participating in a non-anonymous survey. In spite of all the obstacles, we have managed to convince every organization so far, which we already value as a real success.

Some of the interviews are still under progress (meaning seven out of the total 35), nevertheless in this section we present the major findings of the semi-structured interviews we already conducted. The ultimate outcomes of our research that are expected to be ready by the end of October will be the following:
• An evaluation of our accountability standards and the questionnaire as prospective certification tools (including the modifications that are made owing to the test and the recommendations);

• A compilation of case studies based on the interviews conducted, assessing the “readiness” of the sample organizations to adapt such standards and showing to what extent they are already accountable to their stakeholders;

• Through the interviews and through other channels raise awareness and call attention to the importance of enhancing the accountability of the Hungarian third sector organizations.

The Research Sample

As mentioned above, we selected a small sample of NGOs, altogether 35 organizations. The sizes of the organizations ranged from the very small to the very big, and they were located in different parts of Hungary. Deliberately, we included all the most significant INGOs and NGOs of the sector to our research sample, as we assumed that the extent to which their operations are accountable respond to the top end of the sectoral practice. Therefore our findings may serve as good indicators for assessing the current situation and forming suggestions for future improvements in order to enhance the accountability of our NGOs. The following list is a selection of the organizations in our research sample:

- Amnesty International Hungary
- Greenpeace Hungary
- UnitedWay Hungary
- Habitat for Humanity Hungary
- Hungarian Hospice Foundation
- Caritas Hungary
- Hungarian Red Cross
- WWF Hungary
- Rotary Hungary
- Soros Foundation (Open Society)
- YMCA Hungary
- Hungarian Environmental Partnership Foundation
The Civil Society Development Foundation Hungary (CTF)
- HuMuSz Waste Prevention Alliance
- Children Cancer Foundation
- Pannon Role Model Foundation
- Uwyta Rehabilitation and Employment Public Company
- „Bridge” Association
- Hungarian Economist Association
- Other smaller NGOs.

**Lessons from the Interviews**

Summing up the results of the interviews and questionnaires conducted so far, we think that one of our most important outcomes is that the *reactions of the organizations* to such an initiative are *very positive*. The questions in the questionnaire aiming to assess the compliance with the accountability standards and guidelines, as the representatives of the NGOs put it, are very inspiring and help the organizations to rethink their operations and align them with these best practices.

Also, the *laws and regulations* governing the organizations of the third sector in Hungary are still not serving the roles to be easily understandable and applicable to the everyday operations of any organization. There is still not a single nonprofit law in Hungary, but there are many laws regulating different aspects of third sector operations. Especially the small NGOs are experiencing significant difficulties in this sense, meaning that they are not aware of what is expected from them in many aspects of their operations. Drawing the conclusions of our field research we can state, that *our accountability standards fill a gap* as they set clear expectations compiled into one single framework. They are easily understandable and they refer to unambiguous best practices. As the representatives quoted, it is better to know what are expected from them even if these standards are not easily met, than operating in confusion and ambiguity. We value this as a very good sign, as we believe that pure external accountability standards cannot initiate real change, the willingness has to come from the sector and its organizations within.
So, the reactions to the accountability standards have been absolutely positive, however the compliance with these standards leaves room for improvement. Let us present the most typical deficiencies and problems in “reality”.

- **Mission & Program – Organizational Integrity**
  The smaller organizations lack written mission statements, and even if they have such, they find it difficult to align their activities and all their projects & programs to their original missions. The larger the size the more stable the finances, which results in better alignment between the missions and activities.
  Another typical deficiency is that even in larger organizations some of the contracts and partnership agreements are not written. Especially those partnerships and co-operations are not backed by mutually acceptable signed agreements, where there are no financial operations involved. However, due to misconduct and bad experience with unwritten co-operations, this course of action is changing.

- **Governance – Governing Board**
  Assessing board composition, we may find too less or too many members in a significant number of organizations. In either case, the efficiency of the board is not guaranteed.
  Also, a typical deficiency is the lack of conflict of interest policies. In some organizations it cannot even be a question as certain organizations serve on friendship bases.
  There are problems with the compensation of board members also. At some organization members of the board get salaries and make their living out of their positions, however this is not common and most organizations have written policies forbidding this kind of conduct.
  Also, at many organizations the meetings of the boards are infrequent, and the purposes of these meetings are rather formal and not very constructive.

- **Finances – Financial Management & Fundraising**
  Regarding the finances and fundraising operations of the NGOs, we may say that due to the strict laws and regulations governing this aspect of nonprofit operations, compliance with the accountability standards is the most easily assured.
We found problems only with the *administration and fundraising costs*, meaning that most of the organizations do not have any policies limiting these costs to a certain percentage of total expenditures. So, at some organizations these costs are *very high* compared to the overall expenses, which mean that a significant amount of the funds is taken away from the programs and activities.

There is an interesting phenomenon in this aspect of nonprofit organizational life. The organizations claim that there is *too much bureaucracy in reporting* and in the management of funds. The organizations see it as a great problem as it takes a lot of time away from the real activities and programs.

- **Human Resources – Management Practices**

  Probably this accountability standard and the relevant principles and guidelines are the most difficult to be met by the Hungarian third sector organizations. One of the reasons behind it is that many organizations find it very hard to “survive”: meet all the regulations, provide appropriate services, and secure proper financial resources. Therefore, they have no time or energy to deal with their human resources properly, even though they absolutely value their employees and volunteers.

  So, we have found *lack of written human resource policies* at most of the organizations, but commitment to frame one as soon as possible.

  A very serious problem is the *lack of any performance evaluation* at the majority of the organizations. Performance expectations are not quite clear, and even if they are there’s a lack of any meaningful and effective performance evaluation.

  In addition to all these, we found *lack of policies addressing the volunteers*. We consider it as a major problem, as volunteers occupy a special place in nonprofit organizations, serving in governance, administrative and program capacities.

- **Public Policy & Affairs – Communications to the Public**

  *Communication processes*, both internal and external, *require improvements* in many organizations. *Information disclosure*, even on their homepages - if there’s any -, is not satisfactory many times. Especially with respect to information disclosed about the organization itself and not just about its programs.
We found that the majority of the organizations have no policies to regulate involvement in advocacy, public policy, and/or lobbying activities. Most of the NGOs make no clear distinction between advocacy and lobbying activities. Many organizations do not even know the difference between these two activities, or they only know that they are not the same, but do not know what the difference is. Nevertheless, they get engaged in advocacy and lobbying activities.

Summing up the lessons from our interviews and the testing of our accountability standards as prospective assessment tools, we may say that the questionnaire itself is not enough, it cannot be filled out by the organizations themselves. It is required to have interviewers and evaluators visiting the organizations in person, and also to have open-ended questions directed to the representatives to enhance the effectiveness of the assessment. This way we may filter and prevent insincerity, and assure better reliability of the appraisal.

Certainly, after finishing all the interviews and the evaluation of them, our next step should be developing the levels of congruity referring to the extent of compliance with the accountability standards.

STANDARDS AND CERTIFICATION – IMPORTANCE VERSUS DILEMMAS

We believe that those organizations that align their operations and activities with the recommendations of our accountability standards can build up their long-term credibility and be effective in their operations. The integration of accountability techniques into the everyday lives of nonprofits allow these organizations to proactively and self-critically meet the different demands of ‘upward’ and ‘downward’ accountability, and take responsibility for their organizational structures, operations, policies, and activities (Naidoo, 2003). Applying and meeting these standards ensures and strengthens public confidence in the integrity, quality, and effectiveness of nonprofit organizations and their programs, as these high and objective standards define financial, operational, and ethical codes of conduct.
More specifically, the importance of accountability standards and certification is supported by the following outcomes of enhanced accountability mechanisms:

- **Increased Public Credibility & Improved Relationships with Stakeholders**: Showing a willingness to provide accessible, verifiable and credible information can ensure increased trust among stakeholders. The public welcomes the increased disclosure that comes with nonprofit accountability.

- **Better Financial Performance & Lower Costs**: It is still difficult to determine a direct relationship between enhanced accountability and financial performance, we believe that such a link exists. More active independent boards, improved reporting and monitoring activities, for instance, can help identify the effectiveness of organizational programs and activities. This leads to improved operating efficiencies and reduced costs, as well as enabling the organizations to achieve better impacts with their available resources.

- **Better Overall Management & Increased Overall Effectiveness**: We believe that those organizations that introduce clear performance and accountability systems will experience an improvement in their management practices overall. Increased accountability and enhanced management systems can change the cultures of the organizations and impact performance in many areas of their operations. Also, the process of self-assessment and evaluation that is part of improving accountability can help coordinate and maximize efficiencies and collaborations, and share the learnings throughout the organization.

- **Reduced Risk of Adverse Publicity**: It is more likely that accountable organizations can be better prepared to address the concerns of their stakeholders, who might otherwise take negative actions on certain issues.

Many argue, however, that the major problem with the standardization and certification movement is that there can be no universal approach and no magic framework, or set of mechanisms, that can be used by all nonprofit organizations to ensure the highest standards of accountability (see for example Naidoo, 2003; Brown, 2004). Indeed, the diversity of the sector makes this difficult. The various accountability demands on nonprofit organizations depend on many factors, including the type of organisation (local, national, global, single organisation, association), the sector in which the organisation works (needing to meet sector-specific accountability requirements), the number and type of stakeholders involved (founders,
constituents, partners etc.) also their positions, and the contextual factors, the environment in which the nonprofit organization operates (social-technological-economic-political environment, relevant legislation etc.) (Naidoo, 2003). However, the nature of the changes in the nonprofit world, their ever so great visibility and public participation, and the calls for greater responsiveness, accountability, and transparency all created an urge in the sector as a whole to set up benchmark standards and therefore hold the institutions accountable for their commitments.

Accordingly, many national and international nonprofit networks in a dozen countries have undergone thorough participatory processes to articulate standards of excellence and codes of conduct expected of nonprofit organizations, such as transparent governance, open and regular communication (newsletters, updates, briefs, also channels for public access to information), disclosure and public reporting (annual reports, organisational or project evaluations external assessment of strategic plans), hiring practices, meaningful involvement of diverse constituencies in the organization’s work, and so on (Owen, 2006). The idea behind such self-regulation and accountability mechanisms is that the sector itself should be actively engaged in promoting certain set of values and norms as part of maintaining a public reputation for professionalism and high ethical behaviour, and therefore ensures public trust.

CONCLUSION

The challenge of the nonprofit world is to move from accountability as a spectacle, as it is practised in most events, useful as they are, to accountability as a norm (Newell and Bellour, 2002). Accountability starts with being aware of the laws and regulations governing third sector organizations, and carrying out the activities in accordance with these regulations. Based on our field research we may state, that in respect the situation of the Hungarian NGOs is very promising. Moreover, many organizations, mainly the big ones though, not just meet the legal requirements, but also try to do more. It means that for example, when it is not required from them by law to have external audits, in spite of that they do so.
Nevertheless, there’s a major problem within the sector that affects many aspects of organizational operations. That is the lack of financial resources. Therefore, many organizations are forced to apply for governmental and other funds promoting specific projects and programs, even if these projects are not relating to their missions. They have to do so in order to “survive”. There is lack of funding supporting operations and building capacities, and the donating culture in Hungary is not yet strong. Another interesting phenomenon in connection with gathering financial resources is that many NGOs try to get engaged in “entrepreneurial” activities and provide services e.g. education, training etc. to members of the communities in exchange for money. This strategy is a solution for resolving financial problems; however it raises the problem of preserving the civil nature of these organizations. It is not easy to find the way out of this maze.

Still, as one of the most important outcomes of our research we shall highlight that the way how our NGOs view accountability is very promising. They consider it not just a financial term, but view it as a much broader indicator, similarly to our accountability standards. As Drucker put it (1974, 1990), leaders of nonprofit organizations should concentrate on the mission – it comes first. Focus on the mission leads to performance through planning, involvement in the organization, and clear accountability for the organization.
REFERENCES


