

**ActionAid CE's Response to INGO Accountability Charter**  
**Independent Panel Feedback**

July, 30<sup>th</sup> 2015

Dear members of the independent review panel,

I would like to thank you for your time and effort devoted to producing the feedback on ActionAid International's annual report (2013) to INGO Accountability Charter.

We highly value the comments of the Independent Panel on our reports and will continue to incorporate them in our future work towards improving our accountability.

As a federation, we constantly challenge ourselves to improve our accountability primarily to people living in poverty. This means constant revision of our current practices through taking into consideration what this accountability actually manifests – whether it is about our own organizational confidence in achieved results endorsed by the people and reported to the outside world, or it is about ensuring our contribution to people's confidence in defending their rights by challenging others (including ourselves) involved in development process; or both.

We also take note of the contextual differences affecting our work in different countries. This is why by striving to achieve consistency of federation-level accountability practices we mean steadiness of accountability as our value, rather than uniformity of our actions. We thank you and Berlin Civil Society Centre for your continuous support through this process.

With warm regards,



Adriano Campolina  
Chief Executive

## **ActionAid International response to specific feedback**

**Note to the Independent Panel:** we have chosen to only respond to some of the main points that we would like to draw the Independent Panel's attention to; however, I would like to assure you that we will make every effort to address all feedback points in our next annual report to INGO Accountability Charter.

### **Review Panel identified:**

"Do you have clear understanding of the overlaps and gaps between the various codes and accountability initiatives and how to best compile information once to feed into the various sources?." P.2

### **ActionAid responds:**

We do believe that there is a considerable overlap between various codes and accountability initiatives adding different degree of value to our accountability and practices. We are now in the process of reviewing all the accountability commitments and also designing the integrated Global reporting process, which will align both internal and external reporting requirements.

### **Review Panel identified:**

"How AAI ensures the report is read and used internally for promoting accountability". P.3.

### **ActionAid responds:**

Charter report is made available on ActionAid international website along with our annual report, which it is based on. Internally, Charter report-writing is a joint work of the countries as well as heads of functions of the International Secretariat. Most information for the Charter report is collected through the Global annual reporting process in the accountability section. In the next two quarters we plan to systematically share the Charter report to our Country Directors team as we build even stronger internal focus to accountability.

### **Review Panel identified:**

"Panel wants to hear about systematic risk analysis on where AAI work could be exposed to corruption, bribery, fraud and conflicts of interest. Panel also wonders why the policy on anti-corruption is included in the financial management framework since systematically

assessing corruption and bribery risks and mitigating their negative effects is a task well beyond financial management.”

**ActionAid responds:**

Fraud and Corruption ultimately lead to financial loss which is why the policy still sits within the Finance function. In terms of resourcing to increase awareness, the expertise currently sits within the Finance and Internal Audit functions. We continue however to push for management ownership of anti-corruption policies and approaches at country and International Secretariat level through various risks management initiatives that are monitored periodically by other relevant directorates.

**Review Panel identified:**

“Examples of corruption (if any) and the responses to be included in the report. P. 2”

**ActionAid responds:**

Internal Audit tracks and monitors all issues of fraud/corruption. Over the past 5 years, 12 incidents have been identified mostly related to AAI partners and in some cases also staff. We list 1 incident per year as illustrative of nature and organisational action taken:

<b>Major Fraud cases at AA from 2010-2015</b>					
<b>S.no</b>	<b>Country</b>	<b>Amount Involved £</b>	<b>Perpetrator</b>	<b>Methodology of Fraud/Loss</b>	<b>Action Taken by Management</b>
<b>2010</b>					
<b>3</b>	Nigeria	£11,539	AA Finance staff	Falsification of documents and manipulation of figures in the Sun system	Fraud confirmed by investigation team. Staff dismissed and full recovery made.
<b>2013</b>					
<b>9</b>	Zimbabwe	£15,769.23	Partner	Partner used unspent AAZ 2011 funds for non-ActionAid activities.	Full refund being pursued by management. Only 50% recovered so far
<b>2014</b>					
<b>11</b>	Myanmar	£10,688	Admin & Logistic Associate	Fake documents, fake signatures	The staff is terminated. Strengthen internal control system. Internal audit manager is recruited.

**Review Panel identified:**

**PR6** “Do complaints from Italy, UK, Greece concern fundraising approaches? Are donors, child sponsors and others contributing to AAI's decision on how income is used (for overheads, fundraising, etc.) as well as for the programme?”. P.4

**ActionAid responds:**

We analyse and respond to the complaints concerning fundraising individually. Please kindly find below the table regarding the complaints from Greece, Italy and the UK:

	Existing fundraising and marketing polices	Number of complaints for breaches of fundraising regulations and actions taken	Number of complaints concerning fundraising approaches	How and when supporters are informed about how their donations are used (admin costs, programme work etc)
<b>UK</b>	Institute of Fundraising code of conduct and member of Fundraising Regulatory Standards Board	18 complaints. Complaint investigated (complaint category defined as mistakes made when fundraising e.g. call/contact supporters who has opted out, lost the supporter letter, took too long to reply etc.), problem addressed and outcome shared with supporter.	181 complaints (34% of total complaints)	Website, Annual Report
<b>Italy</b>	1. Guidelines on child sponsorship (Linee guida del sostegno a distanza) 2. Code of self-regulation of advertising industry (Codice di autoregolamentazione dell'industria pubblicitaria) in particular the chapter about “the use of children' images”. 3. Document of good practices for F2F (document di buone prassi del F2F)	None	Small number on cost of advertising, particularly media spend for DRTV and few complaints on approach of F2F fundraisers.	Sign up - split of donation included in Enquiry Pack. Regular updates about use of money: CS 2 reports/year; AA magazine 4/year and financial budget in June edition of AA mag and on website
<b>Greece</b>	None	None	None	Enquiry pack, Welcome pack, website, Annual Report (digital and print) and Community Reports for Child Sponsors

**Review Panel identified:**

**NGO4** – “More information about general policies addressing diversity in a broader sense, i.e. people potentially excluded from AAI work due to disability, ethnic minority, illiteracy, etc. would be welcome in next report; Has AAI set targets in this regard?”

**ActionAid responds:**

The federation wide Global HR reporting tracks gender indices across AA countries (individual and regionally clustered geographies) on a bi-annual basis. This includes gender ratios, women in senior leadership roles, staff promotions, training et al. The International Secretariat carries out a diversity survey every three years which tracks key matrices on race, colour, ethnicity, age, disabilities. AAI also subscribes to an affirmative action policy for women, in our recruitment practice; this affirmative action policy runs concurrent with our Global Strategy period (2012 – 2017).

AAI does not do an aggregation of the diversity statistics across the federation given different national standards and definitions. However member countries conduct regular context specific surveys to track specific diversity indices. For example in South Africa diversity is tracked due to legal requirements through the Employment Equity strategic plan, with a five year target on race representation in workplace. Similarly, India will have a diversity survey capturing caste as a key index.

**Review Panel identified:**

**NGO7** – “The Panel flags that a total staff 2982 for an NGO whose income is 226 million EUR in 2013 seems rather high (i.e. 76,000 EUR/core staff-member). On unrestricted fund income (totalling Euro 77 Million) the fundraising and governance costs over 40 Million EUR, which also seems comparably high. Overall, fundraising accounted for 22% of total expenditure in 2013, compared to 20% in 2012. Over the last 3 years income has been steady but programme spending has reduced quite steeply as other costs have risen.”

**ActionAid responds:**

We recognize that head count as compared to income level is high. This was one of the reasons for restructuring the International Secretariat (IS) in 2014, followed by many of our members. We also introduced new ways of working encouraging members to perform federation level roles in delivering specific programmes or activities. This, we believe, will contribute to reducing some of the current IS staff requirements.

In addition, more staff head count is associated with time-bound institutional donor-funded programmes/countries. Countries/members that experience increase of institutional funding normally recruit more (non-permanent) staff, as compared to those countries mostly dependent on sources of income (regular giving) that provide unrestricted funding. In ActionAid institutional funding had been rising significantly for last couple of years, therefore, it resulted in increased head count during the respective years.

### **Head count as compared to level of income and other INGOs**

<b>Head Count split by nature of work</b>				
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
			<b>% of Total</b>	<b>% of total</b>
Programme	1,395	1,394	48%	48%
Support	1,016	1,054	35%	36%
Fundraising	445	417	15%	14%
Governance	39	37	1%	1%
	<b>2,895</b>	<b>2,902</b>	<b>100%</b>	<b>100%</b>

### **Programme expenditure trends**

					<b>Year on Year programme costs %</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2014 Vs 2013</b>	<b>2013 Vs 2012</b>	<b>2012 Vs 2011</b>
	<b>€'m</b>	<b>€'m</b>	<b>€'m</b>	<b>€'m</b>			
Total Income	228.8	225.2	217.8	224	2%	3%	-3%
Programme Expenditure	175.5	165.2	181.1	177.7	<b>6%</b>	<b>-9%</b>	<b>2%</b>
<b>Programme costs as % Income</b>	<b>77%</b>	<b>73%</b>	<b>83%</b>	<b>79%</b>			

We believe that programme expenditure was fluctuating, rather than declining in past several years, especially, if we include year of 2014 in the analysis. There are several reasons to explain this trend:

- Major spike in emergencies such as Haiti earthquake, Kenya drought response resulted in an increase in expenditure during 2012. Completion of emergency responses resulted in year on year reduction in programme expenditure during 2013 as compared to 2012.
- Income from institutional donors varies from year to year. During 2013, funding from major projects came to completion in a couple of large countries and was not immediately replaced with new income, which resulted in reduction in programme activities, thus expenditure.
- Accounting for income from donor funded projects – timing difference between recognizing income and expenditure – AAI recognizes income on an accruals basis when it is receivable or earned but only recognizes expenditure when it is incurred. As a result of this, expenditure relating to income received in one year may not be

recorded in the same year especially if this income is received late in the year mainly during Q4 and the corresponding expenditure is reported in the following year. This is illustrated clearly when you compare 2012 vs 2011 programme expenditure vs income – during 2012 income declined by 3%, on the contrary, programme expenditure increased by 2%.

**Fundraising costs**

Fundraising costs as a % of Total costs			
	2013	2012	2011
Fundraising costs	45.5	45.5	44.6
Total costs	213.4	229.9	225.3
% of Fundraising costs	21%	20%	20%

**Different charities calculate and account for their fundraising costs in different ways, which means that comparing statistics is very difficult.**

- The Total fundraising costs of **€45,547** comprise of direct costs of raising voluntary & official income of **€37,100** other fundraising costs relating to the cost of raising investments & trading income worth **€190** and the indirect costs (support costs) of **€8,257**. Therefore as a % the direct cost of raising voluntary and official income was **17%**.

- On page 19 row 7, you will notice that we allocated Indirect costs or support costs which relate to other costs incurred by other units to support our fundraising activities worth **€ 8,257k**. We allocate the indirect (support) costs (note 5 on p. 23) to fundraising, programme and governance costs.

- Different charities calculate fundraising costs differently. There is no standard way in which fundraising costs are accounted for across the sector. However, we are in the process of examining how other INGOs account for costs so that we can adopt best practices after a detailed benchmarking exercise is done.

- We raise funds in more than ten different countries including developed nations like the United States and Denmark, and in emerging nations like Brazil and India where fundraising for international development is a pioneering concept. This means we operate in very varied fundraising markets with very different demands.

### **Unrestricted income proportions**

	2013	2012	2011
Unrestricted Income	77.3	70.4	71.2
	<b>77.3</b>	<b>70.4</b>	<b>71.2</b>
Total Income	225.2	217.8	224
% of total	<b>34%</b>	<b>32%</b>	<b>32%</b>

The amount of unrestricted income as a % of total income is high because:

- AAI has set a target to increase unrestricted income in order to align the income to our Theory of Change, which gives us more flexibility in being responsive to bottom-up programming: this enables us to undertake both national and Global campaign and policy work to achieve this objective. AAI manages different fundraising products including products with high proportions of unrestricted income.

#### **Review Panel identified:**

**NGO5** – “ActionAid describes a very systematic and inclusive process on how it arrives at campaigns and policy positions. Annual review and reflection through steering groups involving both international and national staff identify if adaptations become necessary at any point.

But does the organisation adhere to this in practice, as flagged by a recent media controversy? The major UK newspaper, The Independent, carried an article on 23 March on AA Uganda’s campaign against GM crops. The article says that AA Uganda has been telling farmers that such GM crops can cause cancer and quotes various scientists who repudiate such a claim and state that negative health effects are not substantiated by any research. It went on to say that AA UK responded to the newspaper that AA Uganda was in the wrong in making this case, that all AA chapters have been explicitly instructed not to claim ill health effects from GM crops, that AA Uganda has apologized and withdrawn its claims.

This calls into question whether the rigorous clearance process described by AAI regarding its advocacy positions is reflected in practice, or are AA chapters free in practice to campaign on what they like without any consequences as to counterclaims. Would AA UK (or International Secretariat) have taken any action had it not been for the prominent article? Is there any international monitoring of the advocacy and campaigning of Associates/Affiliates? Has AA UK or International asked AA Uganda to reach out to the farmers and others who it reached initially with messages about the health dangers of eating GM crops with a retraction stating that AAU now recognizes there is no scientific evidence to substantiate the claim? Moreover, there is a considered retraction on AA UK’s website, but no reference to the issue in AA International’s website and, most significantly,



a rather defiant message on AA Uganda’s website – where the most important stakeholders reside. This issue will be followed up on by the Panel in subsequent bilateral conversations with ActionAid.”

**ActionAid responds:**

The description we provided of ActionAid’s process of agreeing on federation policy positions is accurate. Of course, in an organization of our size, and with the autonomy of affiliates, we do not aspire to unanimity or absolute consensus. But we do agree on the importance of being able to take federation-wide positions, and of holding to those in practice. Any sanctions would be applied by the International Board of ActionAid. None were needed in this case.

The situation in this case is not a situation of contrary positions. AA Uganda was not “instructed by AAUK”. AA Uganda agreed that AA staff need to refrain from communicating on health impacts. As both AAUK and AA Uganda have noted, we do not have an international campaign on GMOs. Our common position on GMOs has been widely and openly discussed over the years. In 2014 we facilitated a detailed discussion in which we concluded that ActionAid is not competent to judge the health impacts of GMOs, and consequently would refrain from commenting on the health impacts. Our concerns about the economic implications of the use of GMOs form a part of our overall critique of the economic impact on vulnerable farming communities of high-input agriculture and our support for agro-ecology and climate-resilient sustainable agriculture.

We have been frank that we should have communicated this more clearly and thank the panel for highlighting the importance of ensuring such clarity.

**Review Panel identified:**

**NGO6** – How does AAI ensure partners meet high standards of accountability?

**ActionAid responds:**

ActionAid’s Partnership Policy stresses on importance and primacy of AAI accountability to people living in poverty. As noted in the report 2013, the Partnership Policy is under revision, with the aim of further strengthening the accountability focus.

Normally, ActionAid members employ contextualized approach to ensuring accountability of partners. Below are some examples from Uganda, Ghana and Kenya.

**Uganda:**

- AAU has a strict selection process for partners in which gaps in policy and practice are identified and filled before signing the partnership agreement.
- In 2013 AAU conducted a Partners self -assessment in which the partners were categorized at different levels of organizational development. This has informed

capacity building plans and capacity of different partner staff and board have been enhanced to cater for improved governance and accountability.

- We annually make sure all partners share their plans and budgets with the Districts and communities where they work.
- We made a provision for transparency boards at all district offices where they display this information in addition to their own transparency boards. Bi-annually they undertake PRRPs (participatory review and reflection processes - as per ALPS requirements), starting at community level for feedback and re-planning processes with community input.
- Through the Whistle blowing policy, we encourage the community or district leadership to report any cases of fraud by the partners. There are cases we have had reported through these channels, investigated and action taken.
- We annually sign memorandum of understanding with clear TORs for AAU and the partner as well as clauses that relate to accountability, termination and quality delivery of programs.
- AAU Staff undertake quarterly visits to the partners to support on program quality, institutional strengthening and accountability checks. The MOU provides for these visits as mandatory.
- Lastly all partners are audited annually by internal and external audit as a requirement for next disbursements but also to have a clear bill of accounts for the financial year.

## **Ghana**

- Supporting partners to establish a general assembly with representatives of communities. Of course, encouraging partners to have community members as members of their Board of Trustees.
- Representative of communities and right holders participate in partners review meeting. This affords right holders and their communities to engage and challenge partners on the activities they have implemented during the reporting period. Community representatives also confirm whether the activities implemented by the partners are really implemented.
- Partners also embark on Social Audit as part of their PRRPs to create opportunity for communities to assess the extent to which they achieve objectives of working with communities.
- Use of accountability notice boards where partners display amount of money received from AAG and activities to be implemented. The notice boards are mounted in partners' offices and selected communities. The community level notice boards help communities to generate discussions around the information provided.
- Our quarterly expenditure verification exercises and routine internal and external audits are other means of holding partners accountable.

## **Kenya**

ActionAid Kenya is conscious of the fact that having a well-managed and efficient mechanism for addressing external complaints can improve the quality of their work, increases the trust and confidence of stakeholders. We do have a complaints and response mechanism that stakeholders, who work with partners, can constructively use to

get feedback and complaints from the people they work with. We proactively promote our partners to enhance their accountability by applying the same mechanisms and standards as is discussed during assessments, monitoring and reporting visits.

**Review Panel identified:**

**LA12** – Is there a systematic assessment of AAI future needs in regard to personnel capacity and capability globally? How do you ensure to have the right people with the right capabilities in place at all times to optimally drive AAI impact? How strategy translates into staff performance indicators?

**ActionAid responds:**

The Global Strategy for the federation is normally on a five year strategy cycle. Since strategy informs structure, the organisational structure is unpacked through a thorough mapping exercise of key change promises, strategic objectives and capability and skill set required to deliver on the strategy's arrival points / measures of success. A majority of these exercises are deployed through a change management initiative where the International Secretariat and Member Countries have this included in their OD Plans. At the IS level the OD plan is informed by our Leadership Competency Framework which addresses elements of systems, structure, skills, staffing et al. The annual review of our performance on the Global strategy further helps inform proactive course correction and realignment of key drivers.

The Global HR standards ensure that the federation adheres to the minimum HR operating standards, however there are pre-set measures and targets to help navigate our work progress on the people's agenda, some of these are:

- The bi-annual Global (Federation) HR Reports (tracks all elements of employee lifecycle matrices & indices across 45 countries)
- The Global Engagement Survey (GES) for the federation, tracks engagement quotient scores and key attributes for GES action planning vis-à-vis best in class Global benchmark scores
- Attrition analysis for all voluntary leavers, and focussed survey for all women voluntary leavers across the federation – action plans and interventions emanating from the analysis
- Global HR Audits across the federation help in assessing organisational risks and capability gaps.
- Membership Development Plans diligence and milestones as part of the affiliate development process (managed by the Institutional Development directorate in collaboration with Governance Unit and Countries/Members)

As a part of AAI's Organisation and Talent Review process, currently the talent and succession planning initiative is being piloted in five countries. The intention of the talent and succession planning pilot is to have an institutionalised talent and succession planning framework within the federation over a period of time, with the focus on internally

developing middle management leadership and creating a robust succession pipeline for critical positions. The AAI Leadership Competency Framework informs performance indicators.

The global strategy outlines key strategic objectives and measures of success, the strategic objectives / choices and measures of success are unpacked into directorate wise strategic objectives, leading into unit level objectives and in return grounded to individual level performance objectives / indicators. The on-line performance management system tracks progress of the individual performance objectives through two light touch review dialogues, followed through with the annual goal assessment dialogue. In addition to the annual goal assessments (achievement), a leadership competency based 360° feedback process is deployed for all Grade D (Professional) level positions and above to assess potential, the final performance segmentation is based on an 80:20 score split between annual goals achievement and the 360 degrees assessment respectively. The on-line performance management system helps in ensuring mutual accountability and in building a performance driven culture.

*Ends*