

# **THE AGENCY RELATIONSHIP BETWEEN UNEP AND IT'S IMPLEMENTING PARTNERS**

**BY**

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## DECLARATION

This research project is my original work and has not been presented for degree at the any other University

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## **DEDICATION**

I dedicate this project to my parents, James Mwangi Wanjau and Abigael Njoki Mwangi. Their love for education is beyond measure and their encouragement throughout the learning process has been immense.

God bless you both!

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## LIST OF ABBREVIATION

GEF	Global Environment Facility
IGOs	Inter-Governmental Organizations
IPCC	Intergovernmental Panel on Climate Change
MOU	Memorandum of Understanding
NEMA	National Environment Management Authority
NGOs	Non-Governmental Organizations
SPSS	Statistical Package for Social Sciences
TNCs	Transnational Corporations
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UN Habitat	United Nations Human Settlement Programme
UNICEF	United Nations Children's Fund
IDPs	Internally Displaced Persons
NCBDA	Nairobi Central Business District Association
IGO	Intergovernmental Organizations

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## **ABSTRACT**

Donor agencies mainly continue to view private sector, regional organizations, and Non-Governmental Organizations (NGOs) as alternative institutions and main agents with the ability to provide public services while at the same time exercising some control over governance. In view of the changes in the governance regimes, many of the obstacles for these entities to contribute to policy change have been removed. However, there are some important areas for improvement among these institutions. First and foremost is internal governance. This includes decision-making processes, division of roles between the board and executives, as well as issues related to the establishment of a clear vision, mission, and objectives. The second area to be addressed is accountability. So far, the agents mainly attempt to be accountable to donor agencies in the form of narrative and financial reports on projects which may not be adequate.

UNEP has its own budgetary allocations raised from the UN member states. However, the bulk of its assets are provided on a voluntary basis by governments, private organizations, as well as individuals. The limited size of donor base combined with the voluntary nature of contributions represents a possible cause of instability in the provision of adequate funding. Thus, in this study the question of extent to which agency theory been applied towards the achievement of accountability in implementing UNEP programmes in Nairobi is considered valid and relevant.

A study was set out to examine the extent of the problem between UNEP and its implementing partners and the mechanisms used by UNEP to address the problems, using a census research design where 26 questionnaires were administered to UNEP and agencies in two sets. The study used a descriptive survey design, and collected data from all UNEP implementing partners within Nairobi. UNEP is in partnership with a total of 22 organizations which include 17 Non-Governmental Organizations (NGOs) and 5 government departments. To assess how agency relationship has influenced their accountability, the researcher collected data from each partner as well as UNEP programme managers. The study made use of both secondary and primary data. Secondary data reviewed relevant

documentations such as the UNEP performance charter, agency agreements, strategic plans, press articles and performance appraisals. On the other hand, primary data concentrated on respondents' opinions and appraisals concerning the study variables. The study adopted a questionnaire instrument which was self-administered. The collected data was examined and processed and edited to eliminate inconsistencies. Subsequently, the refined and organized data was coded and analyzed using descriptive statistics.

The findings of the study established that the agency problem is a big challenge to service delivery within UNEP's implementing partners. About 60% agreed that the agency problem is complex and new every time. It is not clear to what extent UNEP is aware of problem. Some of the effects of the agency highlighted includes:- Delay in project implementation and hence high costs at UNEP, Failure to submit the financial reports which hampers the financial closure of the projects and UNEP's image as the leader of the world environment problems has not been very visible in the recent past.

The study indicates that to some extent relationship with development agencies is poorly initiated and sustained. The main problems include, difficulty to apply discipline against programme defaulters, Poor compensation to programme staff and Failure to submit final expenditure statement and final audit report.

UNEP has used the following mechanisms to solve the agency problems.

- a) Participatory approaches which include;
  - i) Use of participatory approach when setting goals.
  - ii) Standardizing all forms of financial and project reporting.
- b) Training of their partners on content of their responsibilities; as a result there has been a drastic improvement.
- c) Giving their partners autonomy to make decisions under the following circumstances:
  - i) If past records indicate that the partner delivers the programme outputs as required, there is a high chance of giving absolute autonomy.
  - ii) In implementing and carrying out activities on behalf of UNEP as long as they stick with the timetable and budget.

iii) In cases of vendor selection and Staff/Expert recruitment.

iv) Implementation of project activities

d) Designing unilaterally standards of financial reporting by the partners and it has been found to be highly effective as observed by 80% of the respondents.

The study recommends that for UNEP to nature partnership with Kenyan implementers there should be;

i) Increased collaboration with the partners.

ii) Continuous capacity building for project implementers

iii) Consultation when planning and budgeting,

iv) Continuous liaison

v) Tailoring projects to local needs

vi) Follow-up after completion and refinancing if required,

vii) Increased budgeting and closer partnership in programme/project implementation (seconding program managers),

viii) The partnership should be based on professionalism and guided by agents mandates and finally;

ix) Regular feedback sessions and flexibility in reporting,

# CHAPTER ONE

## 1.0 INTRODUCTION

### 1.1 Background Information

This sub-section outlines fundamental details regarding agency theory in terms of meaning, origin and varying perspectives from different authors. In addition, it provides an overview on the target population, United Nations Environmental Programme (UNEP), in specific issues on its inception, mandate, implementation strategy and achievement.

In large and multi-lateral organizations, it is customary to choose and rely upon organized units for successful strategy implementation in order to meet expected utility of a wider consumer base. This possibility facilitates separation of ownership and control. However, the separation of ownership and control raises worries since the agents may pursue objectives attractive to them, but which are not necessarily beneficial to the owners. This conflict is known as the agency problem and the overall relationship between the resource-owners and agents constitutes agency theory (Eseinhart, 1989).

The agency theory was first introduced in information economics by Ross and Mitnick (1973) in their treatise entitled *Economic Theory on Agency* as a conceptual model to illustrate the relationship between one party (principal) who delegates work to another party (agent). Later on, it was applied as a theoretical model in the fields of compensation, risk, information systems and general management (Ouchi, 1979). Broadly, the theory focuses on the people within organizations and how they behave in relation to overall and personal goals. Given its basis in economics, Ouchi (1979) extends the view that in agency theory organizational actors are utility maximizers who strive to obtain that which is in their individual best interest and which may not be in the best interest of the organization, thus causing goal conflicts.

According to Eseinhardt (1989), under conditions of incomplete information and uncertainty, two agency problems arise which include a situation under which the principal cannot ascertain if the agent accurately represents his ability to do the work for which payment is

pegged and another where the principal cannot be sure if the agent has put forth maximum effort in achieving the set standards.

Bandura (2001) introduces a more abstract dimension of the agency theory with suggestions that it embodies the endowments, belief systems, self-regulatory capabilities and distributed structures and functions through which personal influence is exercised, rather than residing as a discrete entity in a particular place. The core features of this view is that agency enables people to play a part in their self-development, adaptation, and self-renewal with changing times. In his further argument, Bandura (2001) alludes that people are not just on-looking hosts of internal mechanisms orchestrated by environmental events, but are agents of experiences and means of achievement. This, he recommends, may be achieved through a functional consciousness that involves purposive accessing and deliberative processing of information for selecting, constructing, regulating, and evaluating courses of action.

The United Nations Environment Programme (UNEP) is the voice for the environment in the United Nations system. It is an advocate, educator, catalyst and facilitator, promoting the wise use of the planet's natural assets for sustainable development. The core UNEP's mission is to provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations. Towards fulfilling its call, UNEP's approach revolves around the creation of effective partnerships with a wider array of agencies whose objectives are well aligned with the UN protocol. It combines the values and interests of governments with the strengths of UN agencies, Inter-Governmental Organizations (IGOs), Non-Governmental Organizations (NGOs) and the private sector.

Moreover, the UNEP coordinates United Nations environmental activities, assisting developing countries in implementing environmentally sound policies and encourages sustainable development through sound environmental practices (UNEP Project Manual, 2007).

As a UN appendage, UNEP was founded as a result of the United Nations Conference on the Human Environment in June 1972 and headquartered in Nairobi, Kenya. It also has six regional offices and various country offices for effective coordination. The mandate and objectives of UNEP emanate from United Nations General Assembly resolution 2997 (XXVII) of 15 December 1972 and subsequent amendments adopted in 1992, the Nairobi Declaration on the Role and Mandate of UNEP, adopted at the Nineteenth Session of the UNEP Governing Council, and the Malmö Ministerial Declaration of 31 May 2000. Consistently, its activities cover a wide range of issues regarding the atmosphere, marine and terrestrial ecosystems (UNEP Project Manual, 2007).

To date, UNEP has played a significant role in developing international environmental conventions, promoting environmental science and information and illustrating the way those can work in conjunction with policy, working on the development and implementation of policy with national governments and regional institution and working in conjunction with environmental Non-Governmental Organizations (NGOs). UNEP has also been active in funding and implementing environmentally related development projects. It has aided in the development of guidelines and treaties on issues such as the international trade in potentially harmful chemicals, trans-boundary air pollution, and contamination of international waterways. Through its effort, UNEP saw the establishment of the Intergovernmental Panel on Climate Change (IPCC) in 1988 and still it remains one of several Implementing Agencies for the Global Environment Facility (*Ibid*).

UNEP has its own budgetary allocations raised from the UN member states. However, the bulk of its assets are provided on a voluntary basis by governments, private organizations as well as individuals. The limited size of donor base combined with the voluntary nature of contributions represents a possible cause of instability in the provision of adequate funding. In the quest of establishing a special fund to provide financing for environmental programmes, the UN general assembly launched the Environment Fund in 1972. Altogether 175 countries have made at least one voluntary contribution to the Fund over the period from 1973-2008. However, only 12 countries have maintained their regular annual contributions

over the whole period, thus ensuring continuous support and implementation of UNEP programmes (UNEP Project Manual, 2007).

In addition to the Environment Fund, earmarked funding for specific UNEP activities is provided through Trust Funds and Earmarked contributions. These are given by donors for specific purposes. The general-purpose trust funds provide financial resources for activities supporting the programmes of work of UNEP as well as of conventions and regional seas programmes and the activities of their secretariats. The biggest trust fund is the one for the Multilateral Fund under the Montreal Protocol on substances that deplete the Ozone layer, for which UNEP's role is largely that of treasurer. The Technical Co-operation trust funds are used to facilitate technical assistance to developing countries and also for financing personnel through Junior Professional Officer Programmes (JPOP) and the secondment of staff from donor countries (*Ibid*).

In order to strengthen strategic collaboration between UNEP and the Governments of donor countries, UNEP has initiated development of Partnership Agreements with selected countries. The principal aim of such agreements is to streamline and consolidate funding to UNEP priority activities within the programme approved by the Governing Council. The agreements result in more predictable and stable funding and enable UNEP to better plan ahead while reducing time and resources spent on administration (*Ibid*).

## **1.2 Statement of the Problem**

Donor agencies mainly continue to view private sector, regional organizations and Non-Governmental Organizations (NGOs) as alternative institutions and main agents with the ability to provide public services while at the same time exercising some control over governance. In view of the changes in the governance regimes, many of the obstacles for these entities to contribute to policy change have been removed. However, there are some important areas for improvement among these institutions. First and foremost is internal governance. This includes decision-making processes, division of roles between the board and executives, as well as issues related to the establishment of a clear vision, mission and objectives. The second area to be addressed is accountability. So far, the agents mainly

attempt to be accountable to donor agencies in the form of narrative and financial reports on projects which may not be adequate (McCarthy, 2002).

The United Nations Environment Programme (UNEP) implements its programmes through development partners. In Nairobi, these partners include government departments/institutions and Non-Governmental Organizations (NGOs) (UNEP Prospectus, 2009). Since UNEP gets its funding from countries and donor agencies, it has to account for these funds for ease of audit to determine if funds are constantly utilized as planned. This chain of accountability streams down to ultimate agents who implement the programmes. As is the case today, there is a big question on the accountability of the implementing agencies themselves, and lately, they have been losing their place in the landscape of international development due to their poor performance (Kimani, 2008). This occurs despite the fact that UNEP signs Memorandum of Understanding (MOU) with these implementing partners prior to commitment of funds. In addition, the implementing partners have not fully in the past complied with policies and financial rules issued by UNEP in the implementation of the programmes. An illustration of this state of affairs involves the National Environment Management Authority (NEMA), a key partner with the UNEP, which has benefited from funding for Nairobi River and wetlands management among other initiatives. Despite huge allocations for the tasks, there is minimal achievement as the river still remains heavily polluted and constructions on wetlands unstoppable (Kimani, 2008). This implies dismal performance by UNEP not because of its inability but due to agency constraints.

Even though UNEP implementing partners have a formalized work relationship through existing programmes, there exists information and knowledge gap since - to date - there are no documented Kenyan-based and specific approaches towards ensuring sheer accountability, more especially to the people served by the partners' jurisdictions. Thus, in this study the question of extent to which agency theory been applied towards the achievement of accountability in implementing UNEP programmes in Nairobi is considered valid and relevant. In particular, the research will seek to determine how agency problems, alignment of strategy and implementation challenges influence the partners' ability to be accountable.



### **1.3 Research Objectives**

The broad objective of the study was to assess how the application of agency theory influences accountability in the implementation of UNEP programmes by its implementing partners in Nairobi.

The specific objectives of the study was to:

- i) Examine the extent of the agency problem between UNEP and its implementing partners; and
- ii) Find out the mechanisms used by UNEP to address the problems.

### **1.4 Significance of the study**

The study was designed in a way to generate findings that would potentially be essential to a group of parties including the UNEP management and the programme implementing partners. The UNEP management will access a summary of agents' views concerning the existing application of agency theory and levels of satisfaction in the relationship so that a base is set for modification and improvement. In addition, as a principal, it will benefit by gaining insight on the extent to which the agency theory has contributed to the enhancement of accountability and be a reference point for other principals with interests in Kenya. The resultant actions will subsequently avail a new operational climate for the agencies whose quality of performance will be expected to improve.

Other organizations, such as UNDP, UNICEF and UN Habitat may use the results of this study to initiate similar studies for their implementing partners. The level of compliance may be similar or different depending on agency.

The implementing partners will also have a stake as beneficiaries of the study as they will use the findings as a base of analysis to determine the performance gaps in their partnerships. Other than this, they will utilize the findings to cement relation to all stakeholders in the relationship, including their service-targets, and as a start for innovation and enhanced performance.

Finally, to management researchers the study's findings will help in the consolidation of knowledge in the area of application of this theory. It is expected that the acquired knowledge will inspire further research in related areas hence a further contribution in the field of knowledge.

# CHAPTER TWO

## 2.0 LITERATURE REVIEW

### 2.1 Introduction

This chapter gives a range of documented literature related to the study's proposed problem and to provide a basis of developing understanding and establishing appropriate scope in order to align objectives to existing knowledge. The areas considered important for the review include a general description of agency theory, accountability theories, mechanisms of ensuring accountability in the NGOs, and the empirical review.

### 2.2 Agency Theory

Agency theory explains how to best organize relationships in which one party (the principal) determines the work, which another party (the agent) undertakes. The theory argues that under conditions of incomplete information and uncertainty, which characterize most business settings, two agency problems arise: adverse selection and moral hazard. Adverse selection is the condition under which the principal cannot ascertain if the agent accurately represents his ability to do the work for which he is being paid. Moral hazard is the condition under which the principal cannot be sure if the agent has put forth maximal effort (Eisenhardt, 1989).

The problems of adverse selection and moral hazard mean that fixed contracts are not always the optimal way to organize relationships between principals and agents. A fixed contract system might create an incentive for the agent to shirk since his benefits will be the same regardless of the quality of his work or his effort level (Eisenhardt, 1985). When agents have incentive to shirk, it is often more efficient to replace fixed wages with compensation based on residual claimancy on the profits of the firm. The provision of ownership rights reduces the incentive for agents' adverse selection and moral hazard since it makes their outcomes dependent on their performance (Jensen, 1983).

### **2.3 Accountability Theories**

Accountability requires an account of the extent to which the objectives for which the resources were entrusted have been achieved. This accountability is described as a contract between an agent and a principal and arises from a duty upon the agent and the rights of the principal (Gray, *et al.*, 1987). The principal can be entirely passive and this will not matter to the agent whose duty nevertheless is to account – the passive principal is merely waiving his or her rights to the information (Stewart, 1984). On the other hand, it has been argued by Tricker (1983) that the agent only has a duty to account to principals who demand information and are willing to enforce the contract.

Much of the research on corporate accountability suggests that regulation is the only way to ensure that companies provide complete and comparable reports. Gray *et al.* (1987) suggest a compliance with standards approach, and the proliferation of reporting guidelines mainly on environmental issues. Many academics consider that only mandated, standardized reporting will produce the comprehensive information needed to assess corporations' performance. Support for such a regulated approach is provided by evidence that voluntary disclosure levels are much lower than those for mandated disclosure (Guthrie & Parker, 1990). A more persuasive argument for the use of legislation in making companies more accountable is that social and environmental matters are too complex and crucial to be left entirely in the already over-burdened hands of corporations. Thus, by opening up organizations in order to inform stakeholders, it enables the stakeholders, rather than management of organizations, to express their choices about critical issues. One of the problems associated with reporting against mandatory standards however, is the question of who ensures compliance with those standards and what penalties apply for non-compliance. For implementing agencies it can be argued that accountability should be more focused on accounting for their actions and effects on society, rather than accounting for their financial performance (Bebbington & Gray, 1993).

According to Ebrahim (2003), agency accountability is a dynamic concept and arguably more complex than simply making agents transparent and allowing public scrutiny, which highlights the issue of competing stakeholder interests. Organizations must deal with

competing requirements of various stakeholders, and most often choose to satisfy the needs of their primary stakeholders first and often at the expense of secondary stakeholders' needs as their principle goal is aligned with the needs of these primary stakeholders. Brown & Moore (2001) postulate that since agencies are not coherently aligned with one another they must, like other organizations, also prioritize their stakeholders. This can have dire consequences for their existence as their goals to provide welfare may not always be aligned with the goals of their donors.

The issue of multiple stakeholders, while at best making accountability more complex can be additionally problematic for agents because such competing demands can actually lead to poorer performance – satisfying clients and donors can sometimes be in conflict with the organization's long term goals. While this is in some part true for companies also, for donor dependent agents it is the primary goal that is often subverted (Brown & Moore, 2001). Brown and Moore (2001) suggest that these agents should commit themselves to more accountability to their clients rather than donors. They argue that if they provide assessments of their performance to clients, the clients will only be prepared to talk about problems if donors are not also evaluating the program, for fear of losing future funding if they criticize the program. Ironically however, if they resist the demands for accountability made by funding bodies and donors, they may lose funding anyway.

Slim (2002) in an overview of the agency Accountability literature over a period of ten years, outlines two kinds of accountability for agents: performance accountability and voice accountability. Performance accountability requires agents to be accountable for what they do. This kind of accountability is focused on accountability to donors and clients and is similar to corporate-style accountability that firms have to their primary stakeholders – shareholders and investors – which they discharge via published accounts and other reporting that indicates how much has been spent, what targets were set and whether they have been achieved.

Voice accountability on the other hand, requires agents to be accountable for what they say. That is, they are accountable to an abstract purpose (Brown & Moore, 2001). This form of accountability is similar to what Najam (1996) calls accountability to themselves, where agents are accountable for their goals and aspirations, and for their mission. This requires a different way of thinking about accountability than the corporate-style reporting model that can be applied to performance accountability and a basic conflict appears as demands for greater performance accountability may come at the expense of voice accountability. The task of providing statements of income and expenditure, descriptions of programs, and targets and achievements is less subjective than providing an account of goals and missions.

### **2.3.1 Stakeholders Theory of Accountability**

Creating accountability in public service is extraordinarily complex. There is a complex web of policymakers and providers in such responsibility. The issue of accountability is also complicated by the difficulty in defining and measuring financial outcomes. Extensive research suggests that about two-thirds of the variation in achievement is the product deliberate neglect and slim commitment to account (Ladd, 1996).

The stakeholder theory has been used quite extensively in the management literature since Freeman's landmark book "Strategic Management: A Stakeholder Approach" was published in 1984. He proposes that current approaches to understanding the business environment fail to take account of a wide range of groups who can affect or are affected by the corporation, its stakeholders. He further argues that in order to manage effectively in turbulent times which typifies the dynamic nature of the business environment of today, the stakeholder theory offers a way to address the ever changing demands brought about by different groups having legitimate stakes of varying degrees from the organization (Jensen & Meckling, 1996).

The basic proposition of the stakeholder theory is that the organization's success in the attainment of accountability standards is dependent upon the successful management of all the relationships that it has with its stakeholders. When viewed as such, the conventional view that success is dependent solely upon maximizing shareholders' wealth is not sufficient

because the school entity is a nexus of explicit and implicit contracts. Furthermore, the stakeholder theory assumes that organizations have the ability to influence not just society in general but its various stakeholders in particular. In developing the stakeholder theory, Freeman incorporates the stakeholder concept into categories: planning and policy model; and corporate social responsibility model of stakeholder management (Jensen and Meckling, 1996).

The stakeholder analysis focus on developing and evaluating the approval of the organization's strategic decision by groups whose support is required for continued existence. The stakeholders in this model would include the Government, UNEP, NGOS, target groups and general public. Although these groups are not adversarial in nature, their possibly conflicting behavior is considered a constraint on the strategy developed by management to best match the resources with the environment. In the second model, the corporate planning and analysis extends to include external influences which may be adversarial to the firm. These adversarial groups may include the regulatory, environmentalist and/or special interest groups concerned with social issues. The second model enables organizations to consider a strategic plan that is adaptable to changes in the social demands of nontraditional stakeholder groups (Chan and Kent, 2003).

Due to increased level of awareness there is need for organizations to extend their financial planning, use and reporting to include the non-traditional stakeholders like the regulatory groups in order to adapt to changing demands (O'Donovan, 2002). There is considerable evidence that many organizations need to voluntarily disclose financial information in their periodic/annual reports. However, given that there are substantial costs involved in providing such disclosures and magnified by the fact that reporting is largely unregulated, conventional wisdom suggests that entities would only provide voluntary disclosures when their benefits exceed their cost (Chan and Kent, 2003).

### **2.3.2 Three-Dimensional Framework**

After conducting an extensive analysis of prior accountability studies, Ullmann (1995) indicated that one of the reasons for the inconsistent findings in previous research is the lack

of theory. He argued that accountability models previously developed in prior studies are mis-specified because the relationship between organization strategy and accountability decisions is not included in the empirical tests. He proposed that firms use disclosures as a means to manage their relationships with their stakeholders and the external environment. This is the basic tenet of the stakeholder theory. He then developed a three-dimensional strategic framework consistent with the concept advanced in the stakeholder theory by Freeman.

The three-dimension framework is useful to explain the correlations among disclosures and accountability as well as economic performance. The first dimension, stakeholder power, explains that an institution will be responsive to the intensity of stakeholder demands. For example, when stakeholders control critical resources, the organization is likely to react in a way that satisfies their demands. The second dimension, strategic posture, describes the mode of response the organization is likely to take concerning social demands. Entities employing an active posture try to influence their status by continuously monitoring their position with stakeholders, for example, by initiating social responsibility and accountability programs as well as disclosing their commitment. The third dimension, past and current economic performance, determines the relative weight of a social demand and the attention it receives. This dimension is relevant because it is conceivable that organizations suffering from low accountability may place economic demands ahead of social demands (Chan and Kent, 2003).

### **2.3.3 Role Theory of Accountability**

Role systems theory was originally seen as a way to describe how organizations manage to inculcate or produce reliable behavior on the part of their members (Katz & Kahn, 1998). Moreover, role theory places a great deal of emphasis on interpersonal relationships. Furthermore, it postulates a central role for interpersonal expectations, emphasizes the importance of the consequence of compliance, and links tasks and activities to individuals (Ferris *et al.*, 2000). Besides these striking similarities regarding the structure and functioning of role systems and accountability systems in organizations, the former perspective provides what people feel are important new insights regarding when and where



accountability is produced and the organizational systems that are relevant. This seems to be a deficiency in current views of accountability theory. Thus, people feel that a role systems theory perspective adds value to any treatment of accountability in work settings.

At its essence, accountability in organizations can be viewed as involving elements of role taking and role making as these unfold in the context of a history of role episodes. While accountability refers to the building of self-actions-standards perceptions (Schlenker *et al.*, 2004), role theory also deals with such linkages, but in the form of role expectations. Accountability has tended to focus on opinions, decisions or behaviors related to moral or ethical issues (Dose & Klimoski, 2005) as noted, and role theory also has included these as well as issues of a more mundane sort. Moreover, at its base, accountability implies the anticipation of an accounting, having to report or explain oneself to others in the future. In role theory, the focal worker also anticipates facing an accounting as well, in this case, having to respond in the future to the expectations of role senders, albeit, perhaps on shorter and recurring cycles. In many ways, role theory explicates the essential components and relationships central to accountability.

Accountability has largely been one of explaining reactions to anticipated reviews. Thus, Ferris *et al.* (2000) describe examples of both the cognitive and behavioral consequences of having to face the expectations of another party. This is almost the essence of role theory. Role theory has proven useful for the explanation of organizations because of its consideration of several factors and dimensions in a unified framework. These factors and dimensions have specific applications to accountability which warrant discussion. One is that a role theory approach incorporates a multitude of intrapersonal, interpersonal, and person-organization dynamics which help guide our approach to several issues. The framework developed herein suggests that variables, such as general cognitive ability, social intelligence, conscientiousness, generalized efficacy, trait stress, and self-monitoring, among others, may be of particular interest. These variables have specific implications for how individuals approach their environments, which may set the stage for receiving and interpreting environmental cues. Other variables have specific implications for the interpersonal and person-organization aspects of the proposed framework.

Variables, such as agreeableness, locus of control, and personal and work values, among others, are related to how one interprets and responds to environmental cues, and might help explain and predict behavior related to accountability perceptions (Patten, 2002).

## **2.4 Mechanisms for Accountability**

Brown and Moore (2001) state that there is no single accountability structure that is right for all organizations. The needs of a transparent and standardized reporting and accounting mechanism for large scale service delivery, conflict with the requirements of providing the services and voice to those in need. Edwards and Hulme (1996) describe the need for standardized delivery mechanisms, structures that can handle large amounts of external funding, and systems for speedy – and often hierarchical – decision making but emphasize that effective performance as an agent of democratization rests on organizational independence, closeness to the poor, representative structures, and a willingness to spend large amounts of time in consciousness-raising and dialogue. Moreover, reporting alone is insufficient, as there must also be access to the information (Neligan, 2003).

In view of Ebrahim (2003), NGOs and other agencies already engage in disclosure and reporting by undertaking performance assessment, engaging in community participation and through self-regulation. There are various reporting requirements in law in many countries and these requirements are directed at providing accountability to the public at large and often require quite detailed information about finances, organizational structure and programs. Donors to NGOs also require performance assessments, and often employ experts and impose technical criteria to assess the data collection and analysis for particular programs. The NGOs are in turn accountable respective donors as a matter of prudence, as a matter of law and as a matter of ordinary morality (Brown & Moore, 2001).

Other than reporting, participation with the community is emphasized by NGOs as an important means of accountability (Cronin & O' Regan, 2002). This can include public meetings, surveys, or a formal dialogue on project options or actual involvement of community members in the project. Finally, self regulation, as described by Ebrahim (2003), is the efforts undertaken by NGOs to develop their own standards or codes of conduct. Thus,

many NGOs would suggest that there are already a number of mechanisms in place to assure the public, donors and clients that they are accountable. They might also suggest that their involvement in political engagement itself instills habits of cooperation and public spiritedness within and enhances collaboration and social solidarity outside it (Wapner, 2002).

While NGOs and other agencies might argue existing accountability mechanisms are sufficient, critics could suggest that voluntarism and self-regulation is not effective, and could cite evidence from the corporate world to support this view (Tomaszewski & McCarthy, 2005). Simply having a code does not ensure all organizations will follow the rules. Thus, on the surface, it would appear that some form of mandatory reporting by NGOs forms an ideal measure of accountability. However this too is not without its difficulties. The first problem is the very nature of the reporting. For example, the difficulty in evaluating and measuring what NGOs do given the sometimes very specific nature of work done by particularly smaller organizations (Marschall, 2002). There is no straightforward measure of organizational effectiveness and NGOs have no readily acknowledged bottom line (Fowler, 1996). There are also implicit inclusions of normative principles in setting benchmarks for accountability (Keohane, 2002). Uphoff (1996) suggests that attempts to measure and quantify the work done by NGOs will in fact conflict with the objective of sustainability because is emphasis most often than not put on short-term and measurable benefits, thus overlooking positive externalities, particularly those that will benefit future generations. Similarly, in a report from an aid issues group, it is suggested that NGOs and their projects are treated as closed systems for the sake of analysis yet there may be benefits outside of this closed system (Cronin & O' Regan, 2002).

The second issue is that of enforcement and/or sanctions. Corporations are regulated and, if necessary, penalized by Governments or appointed regulators to report on their activities, both their financial activities via the annual report and accounts, and on other activities via legislation. In addition, social and environmental reporting is mandatory in some countries and even where it is still voluntary, there are many industry codes, charters and other mechanisms that require some reporting. However, regulation by governments of an

organization whose most important role is often to counter the power of those governments presents a paradox that is difficult to resolve, particularly when many NGOs work across national borders. The effect, of making NGOs more accountable, on their ability to contribute to society, particularly as a dissenting voice to counterbalance government and corporate actions, is extremely important (Edwards, 2003).

Regulation of reporting has been abused by governments to control NGOs that they consider to be subversive (Ebrahim, 2003). There is thus a political dilemma faced by NGOs, given their goal of giving voice to those less powerful. Transparency of their actions and performance can only make it easier for vested interests to identify and therefore oppose what they are doing. At worst, it could lead to de-registration and closure of the organization for being subversive (Gray, *et al.*, 1987).

## **2.5 Challenges in Agency Relationship**

The challenge when reporting performance outcomes of shared programs reveals a lack of an effective governance framework that transcends the traditional vertical silos of governance. As a priority, there is a need for frameworks and appropriate reporting mechanisms for shared programs. The British government's "Invest to Save" budget encourages cross-departmental co-operation by providing financial incentives to two or more agencies to jointly deliver services which are more efficient, innovative, "joined-up" and locally responsive (National Audit Office, 2001). The British government has recognized that the existing system of allocating resources and accounting for budgets is a barrier to joined-up government, and as an alternative, it has introduced a model which emphasizes separate funding to "lead agencies" for priority programs. Budgets are pooled, and funds may be managed by a single agency, though accountability is shared by a group of ministers.

The Auditor General of Canada (2000) has also proposed a framework for collaborative arrangements under which the department designated to lead the management of a horizontal program has the critical role of ensuring that issues are managed in a way that meets the partners' objectives and obligations. The lead department needs to have the necessary power to discharge its responsibilities, to ensure that partners are kept informed, that performance is

monitored, and that partners live up to their commitments. Joint initiatives rely on clear expectations, and each of the partners knowing in concrete terms what is expected of them. This requires an up-front framework agreement, and “credible” reporting which depends on the collection and sharing of reliable and compatible data.

In Australia, there is increasing recognition that shared outcomes require broader corporate governance arrangements across government. Barrett (2001) has outlined the concept of “network bureaucracy” or “network governance” as a way to ensure proper integration and co-ordination of joint activities. In his view, a more formal governance framework is required than the traditional bureaucratic model of co-ordination through the establishment of inter-agency task forces or committees. Further, he asserts that if there is no central agency oversight, this can be problematic. There is clearly a growing realization by the Auditor-Generals in these three countries of the benefits of a more collaborative mode of operation. This requires “cultural transformation in government agencies”, and “siloed” organizations need to become more integrated and externally focused. However, as yet, regulators have not moved to incorporate these concerns into their reporting guidelines (Barrett, 2001). Wilkins (2002) canvasses a range of options on how ministers might account to Parliament for “shared” initiatives. One option is for each government department to answer for its own part of the initiative; however, such “siloed” reporting would be fragmented and it would be difficult to obtain any meaningful information on the impact of the whole program.

A second option is for the lead department to take responsibility for reporting. This option may provide integrated reporting, but there is a possibility that the role of partner agencies will be sidelined. A third option is for a non-participating minister to take on a coordinating role, but while this option may provide some impartiality, the minister concerned is made accountable for something for which he/she is not responsible. A fourth option is for the ministers to take collective responsibility. While this may achieve integrated reporting, there is no apparent basis for it, in the Westminster system which emphasizes individual ministerial accountability. A fifth option would be for the premier/treasurer to take responsibility on a whole-of-government basis (Wilkins, 2002).

In summary, it is apparent from the literature on accountability that the tensions which exist between the traditional vertical notions of accountability of governments and new horizontal solutions being sought for program delivery have only begun to be addressed from a theoretical perspective. Moreover, since the reputation of implementing partners is crucial and it is very difficult to restore it once damaged, it is important to establish mechanisms of trust that are beneficial in order to develop and maintain legitimacy and public trust. Hence, all partners need to be self regulating, with a sense of understanding and self awareness as well as capable of building trust between themselves, donors and ultimate service consumers.

## **2.6 Empirical Review**

A number of scholars have shown that the problems of adverse selection and moral hazard exist in the management of diverse outlets. Outlet/agency managers have an incentive to shirk and to misrepresent their abilities since the owner of the firm cannot easily differentiate the effect of manager behavior on outlet performance from the effect of exogenous factors (Brickley and Dark, 1987). Franchising scholars have found that one way that performance of outlets can be enhanced is through the provision of residual claimancy. However, the establishment of a hybrid organizational form does not eliminate all agency costs (LaFontaine and Kauffman, 1994).

Roberts (2002) undertook a study to understand the determinants of corporate social responsibility disclosure using a sample of 80 companies drawn from a population of 100 major companies investigated in 1984, 1985 and 1986 by the Council of Economic Priorities (CEP). Roberts found that his measures of stakeholder power, strategic posture and economic performance are significantly related to levels of corporate social disclosure. The findings contribute to the knowledge on how organizations should manage their stakeholders using disclosures. However, the extent to which such disclosures are related to accountability remains debatable. For example, numerous studies from the 1980s through to 2000s report either no significant or negative relationship between disclosure and accountability (Patten, 2002).

In another related study, Fogarty (1996) examined accountability standard-setting process and found that institutionalization, through the basis of separated procedures and the formal characteristics of assessment, enables the organizations to achieve tolerable decisional freedom. He further noted that the visibility of its processes, and the consequences of its outcomes, contributed to its critical dependence on legitimacy. Further, he analyzed the peer review process of firms as a mechanism utilized by them seeking to legitimize a largely self-regulatory industry.

Studies by the National Audit Office (2001) regarding accountability practices indicated that accountability for joint expenditure requires the roles and responsibilities of partners, how their performance is to be measured and reported, and the accounting and audit arrangements to ensure propriety over public expenditure all need to be clearly set out and understood.

Finally, a report was undertaken in 2003 on the accountability of international NGOs that investigated access to online information and information on member control of governance for NGOs, inter-governmental organizations (IGOs) and transnational corporations (TNCs). Kovach, *et al.*, (2003) did a report which concluded that international NGOs in the sample provide little online information about their activities compared with other organizations. In particular, the section of the report focusing on access to online information measured accountability by looking for the public accessibility of certain attributes in their reporting and found it lacking. This type of accountability mechanism however, is based on the assumption that accountability is the same for all types of organizations.

## **2.7 Conclusion**

Calls are channeled from all stakeholders to ensure that agents are accountable to the population they serve and to the donors who finance their operations. On the other hand, agency costs to monitor and ensure proper governance and accountability are high, and achieving a balance of “separation and control” has increasingly become elusive. Credible and effective accountability is quite simply a pre-condition for agency’s continued historical significance as global and local agents of change. Accountability should thus be seen as a way of upgrading performance and responding to the needs of beneficiaries. However, a major challenge facing partnerships is how to be more accountable to beneficiaries – the

people whom they help and on whose behalf they speak. Further, they are under increasing pressure to observe the same standards of conduct that they demand from the targets of their campaigns.

Indeed, the challenges of creating financial accountability are both those external and internal to the partnerships. Some of the internal and external challenges cannot be changed by the players alone. Among these challenges include low-level experience with efficiency in financial management, resultant passive behavior which reduces the voice of stakeholders, weak management practices pervading the public sector making it difficult for the management of the organizations to improve and poor public budgeting and spending practices producing unpredictable funding. In addition to these challenges, reliable information on financial performance for the NGOs is almost never available other than them lacking an evaluation culture, implying that, neither partners' managers nor government who are charged with accountability roles are evaluated. Indeed, the challenges of creating accountability in public partnerships in developing countries are daunting and unlikely to be overcome quickly. However, there are many opportunities for solving specific challenges and preparing the way for greatly improved accountability. Failure to seize these opportunities will only ensure that accountability never comes easily.

Since the United Nations Environmental Programme is at the forefront in financing development programmes, especially through selected partners, it may find it difficult to monitor its partners towards the attainment of required standards of performance if appropriate mechanisms of accountability are not implemented. This study will seek to determine the existing degree of agency relationship between UNEP (as the principal) and the partners (as agents) as a basis towards improving the whole system.



# CHAPTER THREE

## 3.0 RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter presents the research methodology adopted by the study. It includes a description on research design, target population, sampling techniques, data collection instruments, study reliability and validity, data collection procedures, and data analysis techniques.

### 3.2 Research Design

The study assumed a descriptive survey design. The design helped to describe the characteristics of the population which are of interest to the researcher. Specifically, it enabled the researcher establish the extent and success of application of agency theory by the UNEP implementing partners.

### 3.3 Target Population

The study collected data from all UNEP implementing partners within Nairobi. Currently, UNEP is in partnership with a total of 22 organizations which include 17 Non-Governmental Organizations (NGOs) and 5 government departments (see Appendix V). To assess how agency relationship has influenced their accountability, the researcher collected data from each partner, which was from some these categories: directors/departmental heads, project managers, project administrators and project accountants due to their positions as potential resource persons for the study. As implementers of UNEP programmes, the targets were better placed to disseminate adequate information pertaining the study's objectives. In addition, since UNEP has seven divisions, the study collected data from four UNEP programme managers from four different divisions. The researcher collected data from all the twenty two implementing partners and four programme managers from UNEP.

### 3.4 Data Collection Instruments

The study made use of both secondary and primary data. Secondary data reviewed relevant documentations such as the UNEP performance charter, agency agreements, strategic plans,

press articles and performance appraisals which contain information concerning application of agency theory between UNEP and its implementing partners. On the other hand, primary data concentrated on respondents' opinions and appraisals concerning the study variables. To assist the researcher gather the primary portion of data, the study adopted a questionnaire instrument which was self-administered. Most importantly, the instrument's structure was designed to accommodate all the critical aspects covering forms of agency problems, intent alignment, implementation challenges of the agents, and how they impact on accountability. The semi-structured format of the instrument allowed inclusion of closed-ended question items, which were essential in limiting response details while facilitating timely analysis. Where the study sought detailed and explained responses, open-ended question items were used.

### **3.5 Reliability and Validity of the Instruments**

Prior to the administration of the instruments, the researcher conducted a pre-testing session to determine instrument validity and reliability. This ensured that the research instrument was devoid of question items which would have made respondents feel uncomfortable and to detect any tendency for respondents' interest being lost during completion. The pilot units were equivalent to about one-tenth of the proposed sample size and were obtained from comparable members of the population from which the sample for the full study was taken. According to Mugenda and Mugenda (1993) one tenth of the sample size is sufficient for pilot testing. In addition, the data instrument was designed in such a way as to vary question items to be both in positive and negative formats to discourage respondents from bias as a result of particular orientation.

### **3.6 Data Collection Procedures**

The researcher first sought permission from the UNEP offices and identified government departments in Nairobi through a letter of authority to ensure that the study intent was well understood by respondents and to protect the administration process against any adversity from the field. The copies of the letter were attached to each questionnaire in order to create confidence in case respondents doubted the intent of the assessment. Thereafter, they were hand-delivered by the researcher to various partners from where particular respondents were

identified. The researcher was readily available to provide any guidelines necessary for successful completion during the process.

### **3.7 Data Analysis Techniques**

The collected data was thoroughly examined and processed prior to drawing inferences through a series of operations involving editing to eliminate inconsistencies, classification on the basis of similarity and tabulation to relate variables. Subsequently, the refined and organized data was coded and analyzed using descriptive statistics involving percentages and mean scores to determine varying degrees of response-concentration. Descriptive statistics were invaluable in describing the sample data in such a way as to portray the typical respondent and to reveal the general pattern of responses. The measures of frequencies, means, percentages and standard deviations were employed to analyze the data. Other than the use of descriptive analysis, factor analysis was also used to analyze interrelationships among the study's key variables and to explain them in terms of their common underlying dimensions. According to Hair et al (1992), this statistical approach was essential when finding a way of condensing the information contained in a number of original variables into a smaller set of factors with a minimum loss of information.

The statistics were generated with aid of the computer software, Statistical Package for Social Sciences (SPSS) Version 12.0. Further, the researcher ensured that resulting summaries from the findings were presented in a consolidated and meaningful framework, and thus, the analysis focused on accuracy and reliability in relation to the study's pre-designed objectives. Finally, for the purpose of communicative effectiveness to ultimate users, findings were presented using both tabular and graphical representations. The bar chart was used to magnitude of the main challenges affecting the agent's performance.

# CHAPTER FOUR

## 4.0 DATA ANALYSIS AND FINDINGS

### 4.1 introduction

This chapter presents the findings of the extent of agency problems between UNEP and its implementing partners and the mechanisms used by UNEP to address the problems. As indicated in the research design and methodology, the findings show that, the agents category formed (72%) of the total questionnaire administered. The respondents were varied with 23% being NGOs, 23% being government departments and the remaining 54% were from other organizations including; Intergovernmental organizations (IGO) and Private consulting firms). The respondents designations included; directors/departmental heads (54%), and the rest were project managers who have access to information on agency problems. Their educational level ranged from postgraduate (77%) to graduate levels (23%), of whom (85%) had served in the agent organization between 5 to 10 years. The second category of questionnaire was administered to UNEP officials of whom, 80% of were funds managers and funds officers. The other population (20%) were administrative officers. Of these respondents 80% had over four years of experience at the UNEP. Their responsibilities were wide and complex with 60% of them having over 15 agencies under their supervision.

The agent organizations are engaged by UNEP to perform projects including;

- i. Animal Health programme.
- ii. Development of the regional universities curricula.
- iii. Billion trees planting campaign.
- iv. Training, awareness and sensitization on environment friendly programmes.
- v. Biodiversity conservation and mobilization.
- vi. Satellite Mapping.
- vii. Re-afforestation of the Aberdares.
- viii. Nairobi river basin awareness building.
- ix. Eco- schools, for example, *Mji Wa Huruma* (bio center).
- x. Promoting of renewable energy source for instance; Community cooker (in conjunction with NCBDA),

- xi. Regional solar project including; biomas regional project and,
- xii. Resettlement of IDPs,

## **4.2. Accountability standards**

Although the past abilities of being accountable to UNEP has been varied from one agent to another, with 31% observing that it is constantly high and another 53% noted that it keeps on changing from high to low, the accountability criteria set by UNEP pose impediments to some extent towards fulfilling them. These impediments include; unattainable standard set (20%), lack of involvement of the agents (23%) and inconsistent expectations (46%). Whereas 85% of the agents have competencies equal to the tasks in performing the delegated assignments by UNEP, a substantial population observed that UNEP has never initiated any programme to boost their implementation competence. Due to lack of UNEP initiated programmes for building competencies, the agents have to learn standards outlined by UNEP through, internal arrangements, exchange programmes, use of manuals and from colleagues. However, 46% of the respondent organizations have benefited from UNEP's initiated programmes including, capacity building, proposal writing, and internal governance workshops organized by UNEP. Despite the above challenges, there is compatibility between agent's strategic intents and that of UNEP. Most of the agents and UNEP share values, strategic mission, and mandate. However, the agents note that UNEP standards are not in line with the local existing standards due to the level of economic development, thus making expectations and standards unattainable in terms of environment conservation.

## **4.3 Internal audit**

About 92% of the agent organizations have internal audit units with 39% having been recommended by UNEP, while the agents themselves initiated 61%. The internal audit reports are submitted to UNEP every time they are required.

## 4.4 Implementaion challenges

The agents identified the following as the main challenges that frustrate their performance.

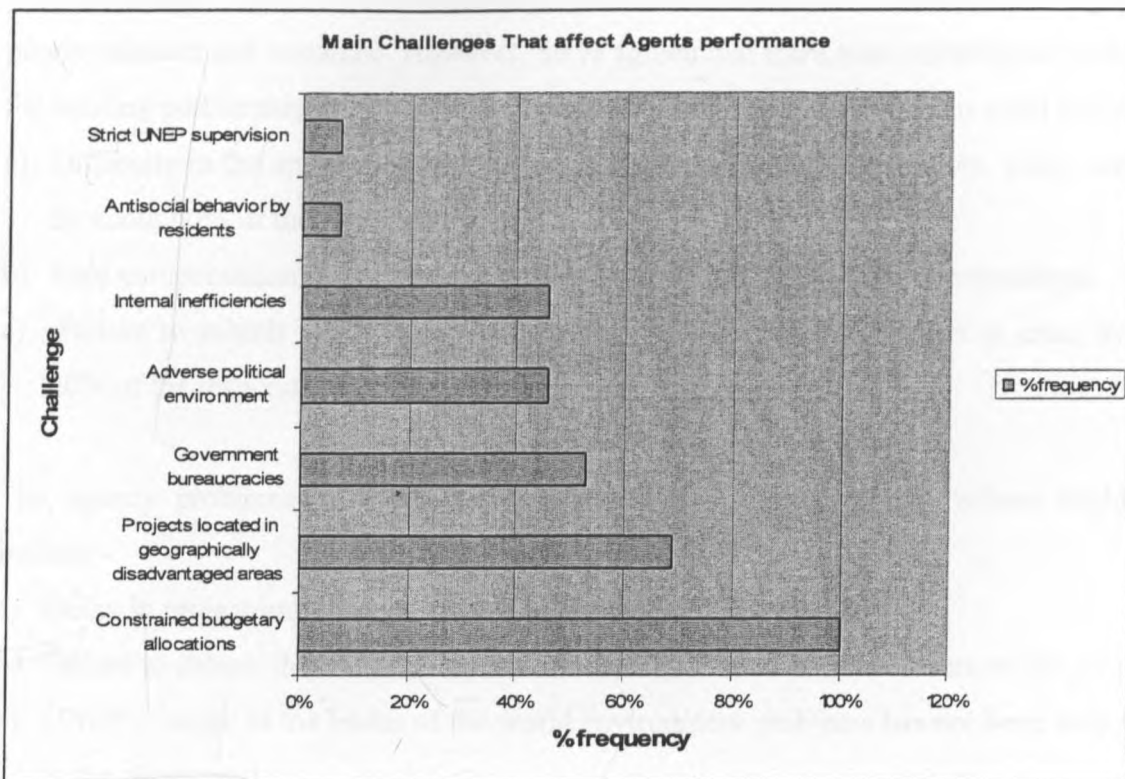


Chart1: challenges affecting performance of agents

## 4.5 The agency problem

Findings indicate that there exists an agency problem which is a big challenge to service delivery as noted by 80% of the respondents. The findings further indicate that 60% of the respondents agreed that the agency problem is complex and new issues come up every time. In addition, over 40% of the respondents agreed that UNEP is aware of extent of problem and a solution is required.

While the relationships have been cordial with UNEP when undertaking projects, 54% of the respondents observed identifiable problems in the partnership. These problems include, poor internal auditing programmes (39%), Poor programme monitoring and evaluation(31%), agents failing to submit periodic reports to UNEP (39%), material information is not

disclosed on the reports (31%), and poor compensation to programme staff (39%) thereby affecting service delivery.

The respondents (about 40%) disagreed that the relationship with development agencies is poorly initiated and sustained. However, 80 % agreed that there exist identifiable problems in the existing partnerships with the implementing agents. The main problems cited include:-

- a) Difficulty in the application of discipline against programme defaulters, which was cited by about 60% of the respondents.
- b) Poor compensation to programme staff as cited by about 20% of the respondents.
- c) Failure to submit final expenditure statements and final audit report as cited by about 20% of the respondents.

The agency problems have affected service delivery. Some of the effects highlighted include:-

- a) Delay in project implementation and hence high costs at UNEP.
- b) Failure to submit the financial reports which affects the financial closure of the projects.
- c) UNEP's image as the leader of the world environment problems has not been very visible in the recent past.

#### **4.6 Agent appraisals**

All the respondents indicted that UNEP sets the standards for performance. Although appraisal is expected to be conducted on implementing agents, only 40% is consistently done. About 20% do it semi-annually while a further 20% conduct it on project completion. In cases where targets are consistently untenable by the partners, there are remedial measures usually adopted by UNEP. Some of the measure used include; withdrawal of funds (40%), conducting staff training (40%) and funds reduction (20%).

Despite the problems, the overall performance of the partners in effort to attain their predetermined objectives was rated as average by 60% of the respondents, while a further 40% rated it as good. They used following parameters in arriving at the conclusions:-

- i. Mid term evaluation reports

- ii. Terminal evaluation,
- iii. Periodicity in project reporting.
- iv. Timely completion of project.
- v. Submission of outputs and expenditures reports.
- vi. Adherence to programme objectives.
- vii. Exit strategies.
- viii. Co-financing of projects

## **4.7 Mitigation measures**

### **4.7.1 Participatory approach**

In the past they have managed to maintain the relationship with their partners in two ways:-

- iii) Use of participatory approach when setting goals.
- iv) Standardizing all forms of financial and project reporting.

The respondents further indicated that they engage wider consultation and participatory decision making in the following areas.

- a) Agreement development
- b) Training needs assessment
- c) Financial accountability
- d) Project implementation and reporting
- e) Fundraising for follow-up activities after project implementation

### **4.7.2 Training**

UNEP has trained most of their partners on content of their responsibilities; as a result there has been a drastic improvement. About 80% of the partners have highly improved, while 20% have not yet been appraised after training.

### **4.7.3 Autonomy and incentives**

The respondents indicated having given the partners autonomy to make decisions under the following circumstances:

1. If past records indicate that the partner delivers the programme outputs as required, there is a high chance of giving absolute autonomy.



2. In implementing and carrying out activities on behalf of UNEP as long as they stick with the timetable and budget.
3. In cases of vendor selection and Staff/Expert recruitment.
4. Implementation of project activities

About 80% of the respondents agreed that absolute autonomy enhances sustainable agency relations while 20% indicated that such acts should only be implemented through guidance of UNEP.

The respondents admitted giving incentives to the best performing partners. About 60% employ less close supervision, 20% employ increased funding and another 20% assign more projects to the best performers.

#### **4.7.4 Reporting:**

Unilaterally designed standards of financial reporting by the partners are highly effective as observed by 80% of the respondents. The findings indicate that, 60% of the respondents have in the past blacklisted either a government department or an NGO due to non-performance. This action has been found to be very effective in influencing goal-attainment by other partners.

To mitigate the above problems, the agents recommend the following tools.

- i. Adherence to objectives and requirements.
- ii. Capacity building for project implementers on staff training, on-line tools, and templates to guide in reporting.
- iii. Continuous liaison, shared initiatives, close co-operation and feed back.
- iv. Emphasis on partnerships both in planning and implementation.
- v. Seconding of experienced staff from UNEP.
- vi. Increased funding, and continuous audit system.

In general the respondents (69%) feel that the challenges faced by agents in meeting deliverables are high but attainable, while a substantial population (31%) is optimistic that the challenges are easy to mitigate.

## CHAPTER FIVE

### 5.0 SUMMARY, RECOMMENDATION, AND CONCLUSION

#### 5.1 Introduction

This chapter introduces the summary recommendations and the conclusion of the research and study. In addition, the chapter explores areas for further research as well as the limitations of the study.

#### 5.1 Summary and conclusion

The study has established that an agency problem was a challenge to service delivery. About 60% of the respondents agreed that the agency problem is complex and new every time. It is not clear to what extent UNEP is aware of problem. Some of the effects of the agency highlighted includes:-

- i. Delay in project implementation and hence high costs at UNEP
- ii. Failure to submit the financial reports which hampers the financial closure of the projects
- iii. UNEP's image as the leader of the world environment problems has not been very visible in the recent past.

The study indicates that to some extent relationship with development agencies is poorly initiated and sustained. Some of the main problems cited include:-

- i. Difficulty to apply discipline against programme defaulters.
- ii. Poor compensation to programme staff.
- iii. Failure to submit final expenditure statement and final audit report.

The study has also established that agents are cooperative in establishing expected standards of deliverables. To ensure that the relationship is enhanced parameters that should be introduced in the evaluation of the agents include:-

- i. Mid term evaluation reports
- ii. Rating in terminal evaluation,
- iii. Periodicity in project reporting.
- iv. Timely completion of project

- v. Submission of outputs and expenditures reports
- vi. Adherence of programme objectives,
- vii. Exit strategies
- viii. Co-financing of projects programmes,

The study further establishes that in order to manage and maintain the relationship with the agents there is need to emphasize:-

- i. Use of participatory approach when setting goals
- ii. Standardizing all forms of financial and project reporting
- iii. training of the agents

Success factors for the implementation of the accountability requirements include;

- i. Accountability requirements
- ii. Clear goals/objectives and reporting requirements
- iii. Clear focus and strategic plan
- iv. Close collaboration
- v. Consistent monitoring and evaluation
- vi. Close follow-up.
- vii. Having the right staff execute the project adequate funding from the principal
- viii. Professionalism
- ix. Sharing systems and full disclosure.
- x. well trained and competent who have same understanding of the goals agent and donor goals
- xi. Strict service level agreements

Failure factors for accountability management include;

- i. Ambiguous conditions
- ii. Bureaucracy and internal inefficiency
- iii. Changing political climate,
- iv. High staff turnover.
- v. Sustainability of projects after the project completion period
- vi. Co- funding from partner institutions government regulations in partner countries

- vii. Differences in reporting requirements to numerous donors
- viii. Insufficient financial support,
- ix. No follow-up after project completion
- x. lack of consultation in budgeting,
- xi. under-budgeting
- xii. Modest internal systems,
- xiii. Poor documentation
- xiv. Long duration between signing of contract and disbursement, which affects project cycle.

## **5.2 Recommendations**

In order for UNEP to nature partnership with Kenyan implementers, the respondents propose the following;

- i. Increased collaboration
- ii. Continuous capacity building for project implementers and flexibility in reporting.
- iii. Clear guidelines, consultation while planning and budgeting.
- iv. Consultations, follow-up, funding after projects are completed.
- v. Continuous liaison, tailoring projects to local needs.
- vi. Follow-up after completion and refinancing if required
- vii. Increased budgeting and closer partnership in programme/project implementation (seconding program managers)
- viii. Increased collaboration, shared planning of projects and consultative budgeting.
- ix. More focus on Kenya because charity begins home projects focus seems to be in other countries
- x. The partnership should be based on professionalism and guided by our Mandates
- xi. Regular feedback sessions (like at beginning of Nairobi river programmes), respecting rights to shelter, Enhanced funding.

## **5.3 Limitations of the study**

This research and study focuses on the extent of the agency problems between UNEP and its implementation partners and the mechanisms used by UNEP addresses the problem. The

study is limited to UNEP agencies in Kenya and the agency problems, the study did not evaluate problems of the UNEP agencies in their organizational context, some of the problems above may be associated with the organization and management structures of the agency and when UNEP begins to use these agencies as the implementing partners.

#### **5.4 Recommendations for further research**

The study recommends the following as areas for further research and study;

- i) Organizational challenges facing donor agents in project management.
- ii) Appraisal systems of donor agencies projects in Kenya.
- iii) The effectiveness of contractual obligations of donor agencies in participatory project planning and implementations.
- iv) The agency relationship between UNEP and all it's implementing partners globally.

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# APPENDIX I

## LETTER OF INTRODUCTION

Dear Respondent,

**REF: REQUEST FOR RESEARCH DATA**

I am a postgraduate student at the University of Nairobi, pursuing a course leading to a Masters degree in Business Administration (MBA). In a partial fulfillment of the requirements of the stated course, I am conducting a Management Research Project to assess the **the agency relationship between UNEP and it's implementing partners.**

To achieve this, your organization is one of those selected to participate in this study. I therefore kindly request you to fill the attached questionnaire to generate data required for this study. This information will be used purely for academic purpose and your name and that of your organization will not be mentioned anywhere in the report. Findings of the study, shall upon request, be availed to you. Your assistance and cooperation will be highly appreciated.

Yours truly

**Washington Wanjau**  
**Researcher/ Student**  
**University of Nairobi**  
**Nairobi**

**H. Ondigo**  
**Supervisor/Lecturer**  
**University of Nairobi**  
**Nairobi**

# APPENDIX II

## QUESTIONNAIRE FOR PARTNERS

Respondent No.:.....

This questionnaire has been designed to assist the researcher collect data concerning the influence of agency theory on accountability between the UNEP and her programme implementing partners. You have been identified as one of the respondents in the study and, therefore, requested to complete the following questionnaire. The given information provided will only be used for the purpose of study and confidentiality is highly assured.

1. Name (Optional):.....
2. Organization category:        NGO [ ]        Government department [ ]
3. Employee category:    NGO director/Departmental Head [ ]    Project Manager [ ]  
Project administrator [ ]    Project accountant [ ]
4. For how long have you worked for your organization?
  - a. Less than 5 years [ ]
  - b. 5 – 10 years [ ]
  - c. 10 – 15 years [ ]
  - d. 15 – 20 years [ ]
  - e. More than 20 years [ ]
4. Kindly indicate your current level of educational qualification:
  - a. Secondary qualifications [ ]
  - b. College qualification [ ]
  - c. University graduate qualifications [ ]
  - d. Post graduate qualifications [ ]
  - e. Any other (Specify):.....
5. What types of environmental projects is the organization engaged by UNEP to perform?  
.....  
.....

6. For how long has your organization worked under the UNEP mandate?
- a. Less than 2 years [ ]
  - b. 2 – 5 years [ ]
  - c. 5 – 8 years [ ]
  - d. More than 8 years [ ]
7. How would you generally describe your relationship with UNEP for the period you have been in partnership?
- Highly Cordial [ ] Moderately cordial [ ] Adverse [ ]
8. Are there any identifiable problems in partnership? Yes [ ] No [ ]
- If Yes, kindly from your experience identify four main agency problems.
- a. Poor internal auditing of programmes [ ]
  - b. Poor programme monitoring & evaluation [ ]
  - c. Failure to submit periodic reports to UNEP [ ]
  - d. Failure to disclose material information in reports [ ]
  - e. Poor compensation to programme staff [ ]
- Others (specify).....
9. If Yes in 8 above, how have these problems affected service delivery?
- Adversely [ ] Moderately [ ] Lowly [ ] No effect [ ]
10. How would you describe your past abilities of being accountable to UNEP regarding your partnership?
- a. Constantly High [ ]
  - b. Changing from high to low [ ]
  - c. Changing from low to high [ ]
  - d. Constantly low [ ]
  - e. No opinion [ ]
11. Do the accountability criteria set by the UNEP pose any impediment towards fulfilling them? Yes [ ] No [ ]

12. If Yes in 11 above, kindly identify these impediments.

- a. Standards are unattainable [ ]
- b. Standards are too low [ ]
- c. They do not involve us in design [ ]
- d. Targets are ambiguous [ ]
- e. Expectations are inconsistent [ ]
- f. Supervision is too close [ ]
- g. Supervision is too loose [ ]

Any other (Specify):.....

13. How do you rate your organization's competence in performing the delegated UNEP assignments?

- a. Equal to the task [ ]
- b. Average [ ]
- c. Far below the task [ ]

14. Has the UNEP, while in partnership, initiated any programme to boost your implementation competence? Yes [ ] No [ ]

15. If Yes in 14 above, which personal development initiatives have UNEP facilitated in the past 5 years?

.....  
.....  
.....

16. If No in 14 above, how have you managed to learn required standards as outlined in the agreements?

- Internal arrangements [ ]
- Exchange programmes [ ]
- Use of manuals and internet [ ]
- Learning from colleagues [ ]

Any other (Specify):.....

17. How would you describe the level of compatibility between your strategic intents and those of UNEP?

- High [ ] Moderate [ ] Low [ ] No compatibility at all [ ]

Kindly identify the key factors that have led to your suggestion above:

.....  
.....

18. Does your organization have an internal audit function? Yes [ ] No [ ]

*If the answer to question 18 above is yes, answer questions 19 to 20. If your answer is No, then move question 21.*

19. Whose recommendation was it to have the internal audit function?

Own decision [ ]

UNEP's recommendation [ ]

Other recommendation [ ]

20. How often does your organization submit internal audit reports to UNEP?

Over one year [ ]

Annually [ ]

Semi-annually [ ]

Monthly [ ]

Every time required [ ]

21. Using a five point likert scale, indicate the extent to which your organization has implemented the following elements in pursuit of accountability in the implementation of UNEP programmes.

Key

a) Very Large VL

b) Large L

c) Moderate M

d) Low LOW

e) Very Low VL

	<b>VL</b>	<b>L</b>	<b>M</b>	<b>LOW</b>	<b>VL</b>
a) Internal auditing	[ ]	[ ]	[ ]	[ ]	[ ]
b) Programme Monitoring & evaluation	[ ]	[ ]	[ ]	[ ]	[ ]
c) Periodic reports to UNEP	[ ]	[ ]	[ ]	[ ]	[ ]
d) Disclosure of all material information	[ ]	[ ]	[ ]	[ ]	[ ]
e) Good compensation to programme staff	[ ]	[ ]	[ ]	[ ]	[ ]
f) Others (specify)	[ ]	[ ]	[ ]	[ ]	[ ]

22. What other tools would you suggest are instrumental in mitigating problems between your organization and UNEP?

.....

.....

.....

23. How would you rate the level of challenges faced by your organization in meeting its deliverables?

- a. Higher than our ability [ ]
- b. High but attainable [ ]
- c. Easy to mitigate [ ]
- d. No challenges [ ]

24. Kindly identify four main challenges that frustrate your performance?

- a. Adverse political environment [ ]
- b. Constrained budgetary allocations [ ]
- c. Projects located in geographically disadvantaged areas [ ]
- d. Internal inefficiency [ ]
- e. Strict UNEP supervision [ ]
- f. Anti-social behavior by residents [ ]
- g. Government bureaucracies [ ]

Any other (Specify):.....

25. In your considered view, has the implementation of agency theory in your organization succeeded? Yes [ ] No [ ]

26. If your response in question 25 above is Yes, to what extent has it succeeded?

- a) Very High [ ]
- b) High [ ]
- c) Moderate [ ]
- d) Low [ ]
- e) Very Low [ ]

27. What factors might have contributed to the success and failure in the implementation of agency theory?

Success

.....

.....

.....

Failure

.....

.....

.....

28. How would the UNEP partnership with the Kenyan implementers be nurtured and improved?

.....

.....

.....

**THANK YOU FOR YOUR TIME AND CO-OPERATION**



## APPENDIX III

### UNEP LETTER OF INTRODUCTION

It is my pleasure to introduce Mr. Washington Wanjau who is conducting a very critical study concerning UNEP's relationship with partners in Kenya. We have identified you as one of our strongest links to the implementation of environmental programmes in the country. I therefore request that you assign someone from your organisation to spend a few minutes with Mr Wanjau so that he can benefit from the information that you provide, which will help orientate our approach to partnership. We realise that Mr Wanjau will use this data for his MBA dissertation and the analysis of the information will be useful for the UNEP-Kenya Country Programme.

I look forward to your cooperation on this.

Best regards.

Henry Ndede  
Coordinator, UNEP-Kenya Country Programme  
Regional Office for Africa  
P.O. Box 30552-00100, Nairobi  
KENYA  
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Fax: +254 20 762 3928  
Mobile: +254 713 600 953  
E-Mail: [Henry.Ndede@unep.org](mailto:Henry.Ndede@unep.org)

## APPENDIX IV

### QUESTIONNAIRE FOR THE UNEP PROGRAMME MANAGERS

Ques. S/No.:...../09/09

Dear Respondent,

This questionnaire has been designed to assist the researcher collect data concerning the agency relationship between the UNEP and its programme implementing partners in Nairobi. You have been identified as one of the respondents in the study and, therefore, requested to complete the following questionnaire. The information provided will only be used for the purpose of study and confidentiality is highly assured.

*Complete question items 1 to 4 by filling in the blank spaces provided.*

1. Which position do you currently hold in the Division?  
.....
2. For how long have you served in the same position?  
.....
3. Kindly provide your two key responsibilities in the division  
.....  
.....
4. How many agencies/implementing partners working with UNEP currently report to you?  
.....
5. The following statements relate to agency problem. To what extent do you agree or disagree with each of them in reference to UNEP and its implementing partners? (1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree)

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Existing agency problem is a big challenge to service delivery	[]	[]	[]	[]	[]
UNEP is aware of extent of problem and the required solution	[]	[]	[]	[]	[]
The agency problem is complex and every time new	[]	[]	[]	[]	[]
Partners are hardly cooperative to establish expected standards	[]	[]	[]	[]	[]
Mitigation tools are adequate to revolve any conflicts	[]	[]	[]	[]	[]
The relationship is poorly initiated and sustained	[]	[]	[]	[]	[]

6. Are there any identifiable problems in the existing partnership with your implementing agents? Yes [ ] No [ ] No idea [ ]

7. If Yes in 6 above, what one main problem bedevils your relationship with partners?

Consistent non-achievement of goals as set by UNEP [ ]

Difficult to apply disciplinary actions against programme defaulters [ ]

Poor internal auditing of programmes [ ]

Poor programme monitoring & evaluation [ ]

Failure to submit periodic reports to UNEP [ ]

Poor compensation to programme staff [ ]

Others (specify).....

8. How have the existing agency problems affected service delivery with your jurisdiction?

Adversely [ ] Moderately [ ] Lowly [ ] No effect [ ]

If either adversely or moderately, kindly state any one particular area most affected by the problems?

.....  
.....  
.....

9. Who sets the standards for performance in the agreement with your partners?

UNEP [ ]

Partners [ ]

Participation [ ]

Experts [ ]

Any other (Specify):.....

(you may select more than one)

10. In case targets are consistently untenable by the partners, what remedial measures do you usually adopt?

Withdrawal of funds [ ]

Staff training [ ]

Resetting of standards [ ]

Reducing funds [ ]

Creating competition [ ]

Any other (specify):.....

11. Do you usually appraise the performance of your partners?

Yes [ ] No [ ]

12. If Yes in 9 above, how often do you carry out the exercise?

Quarterly [ ]

Semi-annually [ ]

Annually [ ]

At project completion [ ]

After a year [ ]

No appraisals [ ]

13. How would you rate the overall performance of your partners in effort to attain their predetermined objectives?

Very poor [ ]

Poor [ ]

Average [ ]

Good [ ]

Very good [ ]

Kindly, provide indicators to support your rating.

.....  
.....  
.....

14. Have you ever severed links with any one implementing partners?

Yes [ ] No [ ]

15. If Yes in 14 above, what reasons informed the decision to severe patronage?

Persistent conflicts [ ]

Lack of accountability [ ]

Internal inefficiency [ ]

Blatant embezzlement of funds [ ]

Change of project under implementation [ ]

Any other (specify):.....

16. How have you managed to maintain the relationship with your partners in the past?

Use of participatory approach when setting goals [ ]

Consistent training package for agents [ ]

Giving agents absolute autonomy in performance [ ]

Use of performance incentives [ ]

Standardizing all forms of financial reporting [ ]

Blacklisting of poor performers [ ]

Any other (specify):.....

17. In what areas do you usually allow wider participation in decision making from the partners?

Agreement development [ ]

Performance appraisal [ ]

Training needs assessment [ ]

Financial accountability [ ]

Any other (Specify):.....

18. Have you ever trained your partners on content of their responsibilities?

Yes [ ] No [ ]

19. If Yes in 18 above, how would you rate performance after the training sessions?

Highly Improved [ ]

Slightly improved [ ]

No significant improvement [ ]

Yet to measure any effects [ ]

20. Under what circumstances do you give your partners absolute autonomy to make decisions?

.....  
.....

21. Does absolute autonomy enhance sustainability of agency relations using your particular case?

Yes [ ] No [ ]

If No, what other best alternatives are at your disposal?

.....  
.....  
.....

22. What incentives do you advance to your best performing partners?

Increased funding [ ]

Less close supervision [ ]

Regional dominance [ ]

Any other

(Specify):.....

23. How would you rate the effectiveness of unilaterally designed standards of financial reporting by your partners?

Highly effective [ ]

Effective [ ]

Ineffective [ ]

Highly ineffective [ ]

24. Have you ever blacklisted any government department or NGO due to non-performance?

Yes [ ] No [ ]

25. If Yes in 24, how effective was the blacklist in influencing goal-attainment by other partners?

Highly effective [ ]

Averagely effective [ ]

Not effective [ ]

THANK YOU FOR YOUR TIME TO COMPLETE THIS QUESTIONNAIRE

# APPENDIX V

## LIST OF UNEP PARTNERS

### Non-Government Organizations

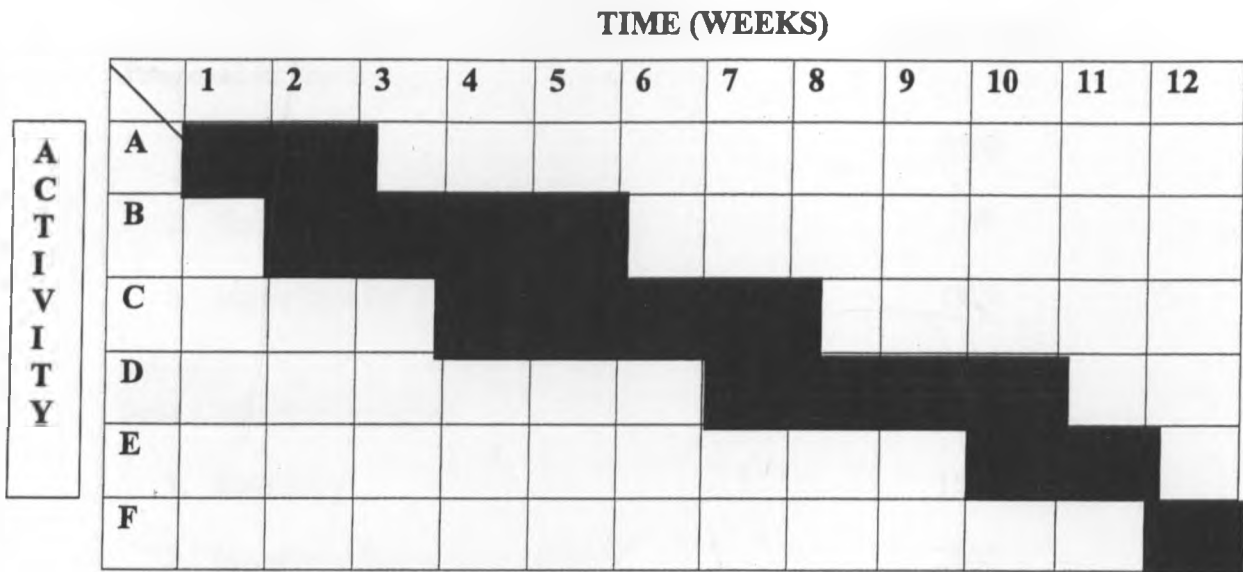
- i) International Centre for Tropical Agriculture (ICTA)
- ii) Tropical Soil Biology and Fertility Institute (TSBFI)
- iii) International Plant Genetic Resources Institute (IPGRI)
- iv) Interafrican Bureau of Animal Resources (IBAR)
- v) Energy for Sustainable Development in Africa (ESDA)
- vi) Africa Collaborative Centre for Earth System Science (ACCESS)
- vii) International Emissions Trading Association (IETA)
- viii) Lewa Wildlife Conservancy (LEWA)
- ix) Kenya Org. of Environment. Education (KOEE)
- x) Kenya Nat. Cleaner Production Centre (KNCPC)
- xi) Umande Trust
- xii) Kenya Red Cross Society
- xiii) Kenya Forests Working Group
- xiv) The Green Belt Movement (GBM)
- xv) East African Tea Trade Association (EATTA)
- xvi) African Centre for Technology Studies (ACTS)
- xvii) Regional Centre for Mapping of Resources for Development (RCMRD)

### Government Departments

- xviii) KENGEN
- xix) Ministry of Environment
- xx) NEMA
- xxi) Kenya Industrial Research Inst. (KIRDI)
- xxii) University of Nairobi

# APPENDIX VI

## TIME SCHEDULE



### KEY

- A:** Pilot Study
- B:** Actual Data Collection
- C:** Data Organization and Presentation
- D:** Data Analysis
- E:** Report Writing
- F:** Editing and Submission



# APPENDIX VII

## BUDGET ESTIMATES

The basic costs of understanding this research will be as follows:

ITEM	COST(KSHS)
<b>Proposal Preparation</b>	
1. Stationery	1500
2. Spiral binding	200
3. Miscellaneous	1000
Sub total	2700
<b>Data Collection/Analysis</b>	
1. Stationery	1500
2. Incentives(during interviews)	2000
3. Allowance for research assistant	5000
4. Miscellaneous	1000
Sub-total	9500
<b>Final Report writing</b>	
1. Stationery	1500
2. Binding	3000
3. Miscellaneous	2000
Sub-total	6500
<b>Grand Total</b>	<b>18700</b>