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# Is community accountability being overlooked as a result of government-third sector partnering in New Zealand?

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## **Abstract**

In recent years 'third way' style governments have sought to partner with third sector organisations in 'joined up' government. The neo-liberal basis for the third way model has sought to make government's community collaborators more professional in their approach. This has been achieved by influencing third sector organisations to adopt quasi-business models of organisational practice and accountability.

While the rationale for promoting these practices has resulted from a desire to afford third sector organisations a level of social efficacy similar to that of the professions, an increasing number of researchers (Aimers & Walker, 2008; Mulgan, 2006; Barr, 2005; Craig, 2004; Walker, 2002) have argued that business or quasi-business models are not always appropriate measures of success for the work of the third sector.

We argue that with the growing emphasis on government and third sector partnerships, the relationship between the third sector and its communities is at risk of being overlooked due to the lack of insistence that such organisation should seek direction setting from local communities. One of the core characteristics of the third sector has been its embeddedness within its community. If organisations become more focused on their relationship with the state, at the expense of their community relationships, they risk overlooking a core part of their identity and purpose. We believe that community-based directional accountability provides a basis from which effective community relationships can grow.

In this article we discuss how partnering with government has put community relationships of third sector community organisations at risk and offer three models of community accountability derived from real-life examples, which such organisations could use to help retain and strengthen their community embeddedness.

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## **Introduction**

The traditional strength of community third sector organisations has been their embeddedness within their local communities. We believe this relationship is in danger of being over-

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looked, and therefore eroded, by joining up with government to meet governmental rather than community priorities. If this occurs, not only are community third sector organisations at risk of losing their self-determination, but government funders are also in danger of losing the very thing that makes the community third sector so effective at delivering community services, namely their embeddedness within their communities.

In this article we consider the complexities of the third phase of neo-liberalism with its emphasis on joining up with government and how that desire has changed the environment surrounding third sector community organisations in ways that may put at risk their relationship with their communities.

We believe that the first step to ensuring that communities remain the primary focus of the third sector is for these organisations to ensure that they retain and build community accountability mechanisms to cement their legitimacy within local communities. Over the past decade, contracted organisations have become so focused on accountability to their funders that perhaps it is inevitable that their accountability relationships with their communities has been overlooked. Some organisations, however, have continued to retain their community accountability relationships despite the pressure from, or as an alternative to, funding compliance accountability. There is much discussion in the literature (Alford and Hughes, 2007; Mulgan, 2006; Stoker, 2006) as to the nature of accountability relationships between government and contracted organisations, but little practical discussion as to how community accountability relationships can be formed and strengthened. To overcome this gap we offer three models of community accountability that we have observed operating in New Zealand organisations, offering these models as a practical adjunct for organisations wishing to retain their relationship with their communities in this complex new environment.

## **Background**

### **Neo-liberalism in NZ**

New Zealand has had a long history of collaborative working in the community and social service arena by community third sector agencies. However, during the late 1980s - early 1990s the New Zealand government's adoption of neo-liberalism saw a dismantling of much of this collaborative work via the adoption of a competitive contracting environment (Larner & Craig, 2005). The dissatisfaction of community third sector organisations with the resultant contracting process has been well documented (Cribb, 2005, Larner & Craig, 2005, Shannon & Walker, 2006). Larner and Craig (2005, p. 410) note that '...the high cost and destructiveness of competition (for social service agencies) was obvious'.

By the late 1990s, New Zealand had entered what Larner & Craig (2005, p. 407) describe as the 'third phase of neo-liberalism' (the first phase being the withdrawal of the state from economic production in the 1980s, and the second phase being the extension of marketisation and the introduction of neo-conservative social policy in the early 1990s). This third phase is characterised by a partnering ethos and social investment that 'sit[s] awkwardly alongside more obviously neoliberal elements such as economic globalisation, market activation and contractualism' (Larner & Craig, 2005, p. 407) The siloed nature of government that created different eligibility criteria for the same community programme and the imposition of 'set in stone' contracts on organisations rather than the contracting process being a two-way

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agreement negotiated between both parties. One of the first initiatives to address the complex reporting requirements of state funding agencies under the first two phases was the New Zealand government-sponsored Community and Voluntary Sector Working Party in its report in 2001 (Pomeroy, 2007).

In an attempt to re-engage with third sector organisations, the state promoted a new partnering ethos. This was seen by the state as the best way to counter the fragmentation of social services that occurred during the earlier competition-driven phases of neo-liberal reforms. In addition, these partnerships have embraced outcome-based accountability in preference to the output-based accountability introduced under the second phase. The partnering phase has been described by theorists (Kelsey, 2002, in Larner & Craig, 2005) as a local variant of 'Third Wayism'.

As a result, partnerships between government agencies and community third sector organisations are becoming a mandatory activity for the third sector. This partnering strategy has been referred to as 'neo-communitarianism' because the notion of partnership suggests a communitarian approach. However, using the term 'partnership' seems to deliberately ignore the obvious power imbalance between the government agencies and third sector organisations, with the latter always being seen as the junior partner. Larner and Butler (2005) argue that the boundaries between state and community are being re-configured with the help of 'social entrepreneurs' or 'strategic brokers' – community-based actors who 'empower, mentor and facilitate' state-community collaboration. While legitimised by the state, these social entrepreneurs are often affiliated to community third sector organisations within a community context, thus blurring the boundaries and distinctions between the third sector and state.

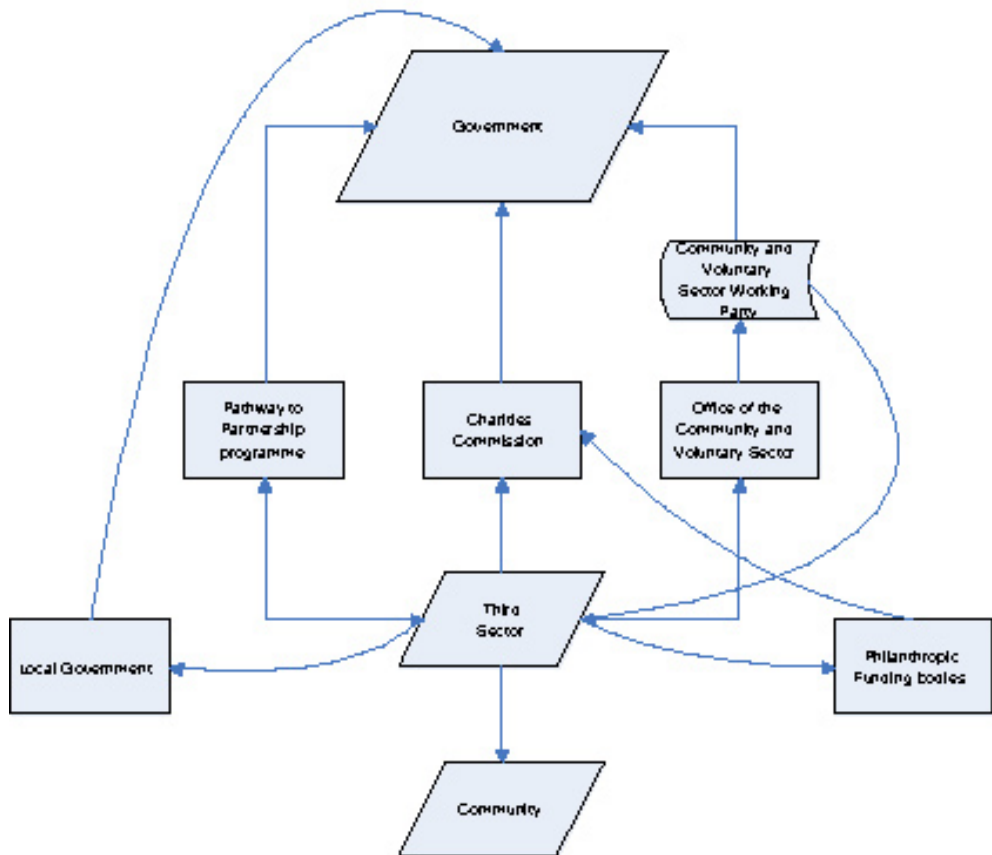
The New Zealand government's new Pathway to Partnership programme shares many of the characteristics of neo-communitarianism, including the use of strategic brokers. This strategy was introduced in 2007 to 'build stronger, sustainable and more effective community-based social services for families, children and young people' (Ministry of Social Development, 2008). The strategy details how the government intends to work with community groups to deliver 'high quality' services and early support to families, children and young people. The members of the Pathway to Partnership steering group were recruited from a limited range of medium-sized to large third sector social service organisations (excluding smaller community-based organisations) and thus legitimising these community third sector representatives as strategic brokers for the development and implementation of government funding policies and priorities. Figure 1 shows the matrix of new environmental relationships that community third sector organisations are now expected to engage with when joined up to, or partnered with, government. Note the complex nature of the matrix with government-sponsored bodies compared to the simplicity of the relationship with the community in which the community third sector organisation is located. It is this relationship that we wish to explore in this article.

## **Defining accountability**

As we often use the word *accountability* in this article it is useful to offer a definition. Accountability is a multifaceted and multidimensional concept located within macro theoretical paradigms (Walker, 2002). It is an easy concept to call for but one that is difficult to apply in

**Figure one.** New Zealand government/community third sector accountability.

(The direction of the arrows indicate which organisation has an accountability relationship with another. NB: These relationships are subject to individual funding arrangements.)



practice. For the sake of this article we focus on two main forms of accountability, financial and directional (agenda setting). Financial or fiscal accountability tends to dominate thinking on accountability discussions (Stoker, 2006). This is accounting for funding received to ensure public funds for service delivery by third sector organisations are spent in an appropriate manner, rendering an account, providing accurate information, etc. Directional accountability is how the organisation achieves their desired outcomes. This requires the involvement of multiple stakeholders including service users and communities in which third sector organisations are located. As Stoker notes this form of accountability ‘comes through more extended citizen involvement’ (Stoker, 2006, p. 53)

### **How has the current environment affected accountability mechanisms?**

One of the key features of the Pathway to Partnership strategy is a new funding model for community third sector organisations that provides ‘essential services’ to vulnerable families.

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Under this funding model the government will introduce an outcomes-based partnership model of contracting that will fully fund essential contracted services to 100% of their service costs. The funding or fiscal accountability aspect of this project, Funding for Outcomes (FFO), is a re-configuring of contract processes and financial accountability in an attempt to reduce compliance costs, offer a 'holistic' service under bilateral contract arrangements and report programme achievements outside of contracted services (Pomeroy, 2007). Accountability for funding will be based on measuring service outcomes and the government will work more closely with community third sector organisations to build workforce capacity and reduce duplication (Ministry of Social Development, 2008).

FFO highlights the blurring of boundaries between the state and its third sector partners by proposing a broadening of partnership arrangements so that 'sometimes government agencies that do not fund the service will, nevertheless, become party to the contract by providing non-financial resources (such as data, or personnel who work alongside the provider)' (Pomeroy, 2007, p. 163). In addition, this process is not necessarily imposed from above as the FFO project notes that providers will be involved in the development of the contract, 'the process of integrating contracts is shifting ... to a client-focused relational approach built on trust' (Pomeroy, 2007, p. 168). This provides further evidence of an intention to use community third sector partners as strategic brokers to implement the FFO process.

The move to a 'neo-communitarian approach' has also seen a narrowing of government funding priorities to only fund those services that meet government priorities (Fyfe, 2005). In New Zealand this has resulted in the demise or re-structuring of a number of support and funding schemes that were focused on supporting communities to define their own priorities and programmes. The Community Employment Group (CEG) was the most significant casualty of the move to contracting and re-focusing of funding priorities. The role of CEG had been to act as a facilitator for disadvantaged groups to develop community-based solutions to create employment. The group was the subject of significant reviews and restructuring from 1999-2000 and was finally disestablished in 2004. Despite the review's findings that the group had maturity as an organisation, good accountability systems and had delivered good outcomes for the communities it engaged with, the review of its operation found that the outcomes achieved did not meet those required by the government at that time (Hunn, 2000).

Around the same time a review of the Department of Internal Affairs community-managed funding scheme, the Community Organisations Grants Scheme (COGS) introduced changes that ensured that the scheme was operated more consistently across the country. Prior to this change the scheme's accountability mechanism was unique in that funding was allocated by local people according to local priorities. Of particular interest was the accountability mechanism that required groups to attend a community accountability meeting where the applicant groups made presentations to members of their wider community and to each other and were available to answer questions from that community. This unique form of accountability was removed after the 2003 review. In its place, meetings were held to discuss community priorities, election of committee members and reporting of funding decisions, thus shifting the focus to a committee making the decisions rather than the groups themselves and the wider community (Community Organisation Grants Scheme Profile 2003 - 2004, 2004). Recipients are now required to complete accountability forms with the addition of random audits in place of attendance at community accountability meetings.

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The notion of evaluating third sector organisations as a result of their outcomes is not unique to New Zealand. A 'relational contract' between the state and community third sector organisations has also been developed in other countries with third-way-style governments. A number of theorists (Maden, 2007; Shaw, 2005; Boyle, 2002) are critical of the relational contracting processes and outcomes-based accountability measures that have been adopted in the UK and Ireland, particularly for organisations engaged in community development or wishing to retain their independence from the state.

## Measuring outcomes

It should be noted that the practice of accountability for outcomes is problematic as outcomes are notoriously difficult to measure (Stoker, 2006).

Maden (2007) argues that outcome measurement is difficult to apply to community development organisations (CDO) for two major reasons. Firstly, it is difficult to demonstrate an immediate impact when the intended effects may not be apparent for a number of years. Related to this is that the macro-level focus of community development work makes causality difficult to attribute with any surety to the programme concerned. Secondly, context is critically important in community development, therefore the use of comparisons between communities as a control mechanism is problematic. Maden notes:

It is not easy for a CDO to demonstrate it is making an impact, especially when indicators are still trending downward ... it is already challenging to bring about changes that will show up in definite trends, but many additional variables can also contribute to any change that does occur ... (Maden, 2007, p. 15).

Boyle (2002), Maden (2007) and Stoker (2006) also comment on the effect of outcome accountability on service delivery. They argue that organisations that work with long-term goals find it difficult to prove the impact that their work is having in the short or medium term. As a consequence, CDOs are steered away from undertaking long-term strategic activities to focus on those activities where they can show a more instant impact to satisfy state funders. Similarly, to meet the state-imposed organisational accountability measures, such organisations can discourage marginalised clients from participating in programmes if positive outcomes are not immediately forthcoming.

Maden (2007), Baulderstone (2006), Shaw (2005) and Boyle (2002) all argue that relational contracts and the implementation of outcomes-based accountability has been detrimental to mission-led organisations by only funding those organisations that are willing to address government priorities. They all see this as an issue of power. Shaw (2005, p. 4) challenges the participatory process by noting 'whatever else has been decentralised, the power to define what is (or is not) on the agenda has certainly not been.' Shaw describes this implementation, as 'centralist localism' which she argues is a result of third-way-style government where responsibility is decentralised but power is centralised and concentrated. To shift this state dominance, community-based third sector organisations need to access power resources to challenge the power resources available to the government funder. Accumulating these power resources would give such organisations leverage to counter the power of the funders and (re)establish their own legitimacy. Effective leverage requires sources of power or advantage to accomplish a purpose or an increase in power of action or influence.

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## Constructing a pluralistic approach to accountability

From our earlier and current (yet to be published) research programme (Aimers and Walker, 2003, 2008), it appears that those most affected by the government funding changes are generally supportive of any initiative that will give them greater funding security. Theorists have commented on this phenomenon as part and parcel of the joining up process. Jenkins (2005, p. 216) writes '...the neo-liberal paradigm has incorporated voices of dissent to the extent that there are no alternative spaces from which to challenge it.' This is part of what Larner and Craig (2005) term the neo-liberal space, where:

...subjectivities are not simply imposed from above, nor is 'resistance' simply a bottom-up political response to macro-level structural processes. Rather, new governmental spaces and subjects are emerging out of multiple and contested discourses and practices (Larner and Craig, 2005, p. 421).

Note that in order to resist this complex new environment organisations must engage in 're-embedding contests in diverse and local ways'.

To meet this challenge, we have identified three models for community accountability that were developed from observing the practices of real-life organisations. These practices are in addition to basic requirements for community representation on governance bodies and user participation in policy direction and service provision. They highlight a desire to create a community discourse (Ife, 1997) where organisations seek community accountability direct from their community. While in some cases notional, these examples provide signposts for similar organisations seeking alternative ways of proving the quality and legitimacy of their service.

### **Model one: Dual accountability**

This model requires the community third sector organisation to independently establish a system of dual accountability, to the funding body and to the community. This allows organisations to engage with their community to establish community development goals in addition to meeting government priorities. Dual accountability requires the community organisation to undertake additional work that may not be fundable or encouraged by their core funders. However, it allows the community third sector organisation to (re)embed themselves in their local community and places them in a strong position to articulate community concerns and issues to their funders.

While the funder may encourage community engagement by virtue of community representation at the governance level this model goes a step further. This is achieved by holding regular 'community accountability open days' to invite members of the public (including service users) and representatives from other third sector and government agencies to view their services and meet staff and governance members. The community is asked to make input into the range and style of services offered.

These forums build and reinforce relationships and generate goodwill. In addition they allow the third sector organisation to listen to and prioritise community wishes within their organisation and solidify links and networks with other organisations and community members. In addition, the process presents the third sector organisation as a transparent and approachable organisation.

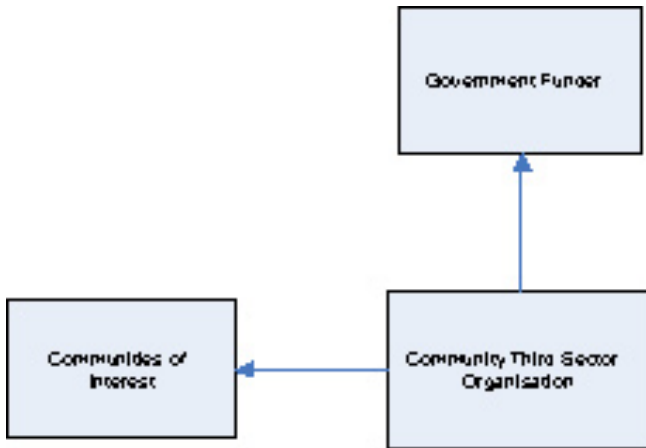
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This model includes networking with other community third sector and government service delivery organisations thus creating and maintaining valuable relationships in the task environment. It also ensures that the community third sector organisation is a legitimate, open and transparent community service actively seeking direction and input from the service users, other third sector and government agencies and the wider community.

**Figure two.** Dual accountability.

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(The direction of the arrows indicates which organisation has an accountability relationship with another.)



**Model two: Third party accountability**

This model is similar to model one – dual accountability, however, instead of seeking long-term community development goals from the community the organisation includes accountability both financial and directional to a legitimate third party (Iwi, territorial local authority, etc). This arrangement ensures that the needs and direction of the state funders and the needs and input from a third party are represented in the provision of services offered by community third sector organisations.

This is especially important for kaupapa Maori organisations that understand that they also had a tikanga obligation to seek support and approval and direction from the local iwi/hapu (Walker, 2004). This new accountability structure would include the two present players – the third sector organisation and the state funders but be extended to also include the local iwi or Territorial Local Authority (TLA).

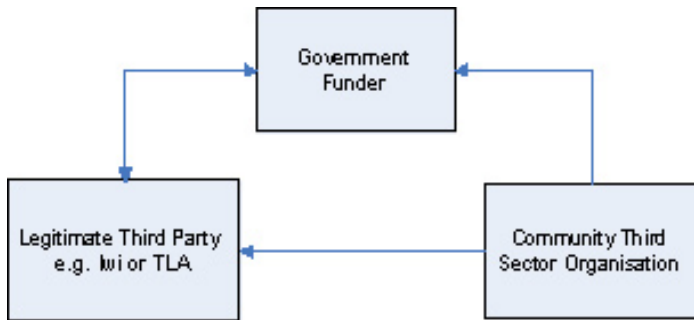
Including indigenous or local forms of authority is a strategy that equalises power so that the funder cannot dominate the third sector community organisation. This three-way relationship ensures that assessments and direction setting of the third sector organisation meet both the needs of the state funder and the obligations to the iwi or localised relationships with the TLA. These forms can operate alongside those of the state agencies but only if there is a will to expand state understandings of respect and trust at a local level.



Power is shared, creating an arena where issues are conceptualised and made concrete by three independent but linked organisations. The inclusion of a third party in the accountability relationships changes the dynamic to mitigate the power of the state funders.

**Figure three.** Third party accountability.

(The direction of the arrows indicates which organisation has an accountability relationship with another.)



**Model three: Self funding**

By retaining distinctive knowledge and relational capacity that enables the development of deliberative governance at a local level, organisations can resist the partnering ethos of government and remain independent of the state funder’s associated financial accountabilities. Such organisations do, however, limit their available funding pool and inevitably remain dependent on volunteers and local fundraising but, due to their embeddedness in the community, they strengthen their directional accountability from the community.

Small third sector organisations provide a number of community development activities for their members and the local community. Such voluntary organisations, usually without paid workers, have struggled to attract government funding as their activities do not match government priorities and they do not necessarily have the organisational infrastructure necessary to manage contracts. As a result these organisations opt out of the government funding processes altogether by remaining embedded in their communities and their commitment to local community development work. As such, they resist the joining-up process. While such organisations remain independent they also have limited financial resources and are heavily dependent on volunteers.

**Figure four.** Self funding.

(The direction of the arrow indicates which organisation has an accountability relationship with another.)



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Each of these models seeks extended community and service user involvement to create richer and more active forms of localised participatory democracy. Such a desire for more community control of social policy has been called for, by among others, the Community Sector Taskforce (2007). This community-based taskforce has held a series of community forums throughout New Zealand seeking alternatives to government models and preparing a manifesto of community concerns.

If it is seriously the wish of community third sector organisations to strengthen their relationships with their communities then they must engage in strategies to involve all their interest groups (stakeholders) to a larger extent, both in their structure, day-to-day practice and in supporting their approaches to their funders. These strategies create leverage to move the power base within the discursive fields surrounding community third sector organisations, establishing or aligning themselves with a coherent alternative structure and securing an independent, or community-dependent source of funds and attempting to pick up on calls to 'return to the community' (Ife, 1997) as a political force.

## Conclusion

The models outlined in this paper tentatively suggests that there are at least three methods of seeking alternative community spaces by which third sector organisations can seek localised direction-setting accountability relationships. The first two of these do not shy away from seeking state funding but instead seek to broaden their accountability relationships to actively include the local community in a tangible and meaningful way.

While the old adage 'he who pays the piper calls the tune' is still present, the models highlighted attempt to split the two focuses of accountability, financial and directional (agenda setting), that are inevitably combined in the process of outcome accountability. In attempting to broaden and decentralise the agenda set by government funders for community third sector organisations, the models outlined in this paper seek localised power resources that challenge the balance of power held by the funder. While the funder may still call some of the tunes, by expanding their repertoire to include local priorities and alternative spaces third sector community organisations (the piper) retain their connection to their community and are able to reflect community priorities.

In conclusion, we argue that all three of these models have a role in countering centralist localism by shifting power or re-embedding contests in ways that are appropriate to community third sector organisations and their communities. The models we offer are based on practical measures that such organisations have taken to retain their community embeddedness. These are not just theoretical models inaccessible to community third sector organisations but offer instead practical achievable methods of re-embedding community direction setting. It is our belief that these measures can be adopted and extended in other contexts to reclaim community direction setting for community third sector organisations and prevent them losing their legitimacy by overlooking the accountability relationships to the communities they serve.

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