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Accountability In Practice: Mechanisms for NGOs

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Summary. — This paper examines how accountability is practiced by nongovernmental organizations (NGOs). Five broad mechanisms are reviewed: reports and disclosure statements, performance assessments and evaluations, participation, self-regulation, and social audits. Each mechanism, distinguished as either a "tool" or a "process," is analyzed along three dimensions of accountability: upward–downward, internal–external, and functional–strategic. It is observed that accountability in practice has emphasized "upward" and "external" accountability to donors while "downward" and "internal" mechanisms remain comparatively underdeveloped. Moreover, NGOs and funders have focused primarily on short-term "functional" accountability responses at the expense of longer-term "strategic" processes necessary for lasting social and political change. Key policy implications for NGOs and donors are discussed.

Key words — accountability, nongovernmental organizations, reporting, evaluation, self-regulation, social audit

1. INTRODUCTION

Concerns about accountability in nongovernmental organizations (NGOs) [1] have increased over the past two decades, due in part to a series of highly publicized scandals that have eroded public confidence in nonprofit organizations, coupled with a rapid growth in NGOs around the world (Gibelman & Gelman, 2001; Young, Bania, & Bailey, 1996). The growth of NGOs, especially in the South, has been fueled by a belief among donors that NGOs are more cost-effective than governments in providing basic social services, are better able to reach the poor, and are key players in democratization processes—despite a lack of sufficient empirical evidence to support these counts (Edwards & Hulme, 1996b, p. 963; Mackintosh, 1992, p. 80). In some cases, NGOs are themselves responsible for exaggerating their claims to legitimacy, which may be based more on a belief in value-driven organizations than on actual monitoring and assessment of their accomplishments (Riddel, 1999, pp. 223–234). These views, however, are being increasingly challenged by long-time practitioners and scholars in the field who advocate moving beyond seeing NGOs as "magic bullets" to thinking more concretely about issues of accountability (Edwards & Hulme, 1996a; Najam, 1996a, p. 340).

The purpose of this paper is to examine various ways in which accountability is practiced by NGOs. First, I draw upon numerous definitions of accountability in order to develop an integrated perspective. I then explore five key accountability mechanisms used by NGOs in practice: reports and disclosure statements, performance assessments and evaluations, participation, self-regulation, and social audits. Finally, I compare these mechanisms across a series of analytic criteria in order to draw general policy conclusions.

2. AN INTEGRATED PERSPECTIVE ON ACCOUNTABILITY

Numerous definitions of accountability have been offered by scholars and practitioners of development. For example, Edwards and Hulme (1996b, p. 967) define it as "the means by which individuals and organizations report

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to a recognized authority (or authorities) and are held responsible for their actions." In their study of accountability in the World Bank and NGOs, Fox and Brown (1998, p. 12) similarly describe accountability as "the process of holding actors responsible for actions." In a special issue of the *IDS Bulletin* on "Accountability through Participation," Cornwall, Lucas, and Pasteur (2000, p. 3) broaden this perspective by suggesting that accountability is both about being "held responsible" by others and about "taking responsibility" for oneself. As such, accountability has both an *external* dimension in terms of "an obligation to meet prescribed standards of behavior" (Chisolm, 1995, p. 141) and an *internal* one motivated by "felt responsibility" as expressed through individual action and organizational mission (Fry, 1995).

This dual perspective is not unlike that proposed by democratic accountability theorists, even though their focus is on public institutions and representation by elected officials rather than on nonprofit organizations (e.g., Behn, 2001; Dunn, 1999; Przeworski, Stokes, & Manin, 1999; Weber, 1999). For example, Behn suggests a "360-degree model" of accountability that would require public agencies to shift from current adversarial modes of accountability enforcement to an emphasis on cooperative responsibility, while Dunn proposes increased transparency of information from public officials purporting to act in a public interest. More pointedly, James Madison himself warned that in governance "the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself" (51st Federalist Paper, as quoted in Przeworski *et al.*, 1999, p. 1).

The organizational behavior literature has also influenced discussions on accountability, particularly through scholarship on resource dependence and stakeholder theory. While much of the resource dependence literature has focused on private sector firms (e.g., Pfeffer & Salancik, 1974, 1978), it is equally applicable to relationships between NGOs and their funders. Indeed, NGO concerns about accountability to donors have often centered on asymmetries in resources that have resulted in excessive conditionalities or onerous reporting requirements being attached to funding. Accountability mechanisms, such as annual project reports and financial records (discussed in more detail below), are used not only by funders to keep track of NGO spending, but also by NGOs to leverage funds by publicizing their projects and programs. There is thus a resource *interdependence* (albeit often asymmetric) in which NGOs rely on donors for money, and donors rely on NGOs for their reputations in development (Ebrahim, 2002; Hudock, 1999; Perera, 1997). Studies of resource dependence potentially offer much insight on accountability, especially by revealing the kinds of mechanisms used by organizations to leverage responsiveness.

What is missing from much of the debate on accountability is an integrated look at how organizations deal with multiple and sometimes competing accountability demands. Stakeholder perspectives from the organizational behavior literature have only just begun to fill this gap. Much of the early work in this field is credited to Edward Freeman's (1984) writing on a "stakeholder approach" to strategic management in which stakeholders are defined to include not only stockholders but also other individuals and groups who can affect, or are affected by, a particular business. This work has fed into a burgeoning literature on corporate social responsibility, performance, and ethics (e.g., Clarkson, 1995; Hummels, 1998; Jawahar & McLaughlin, 2001; Soule, 2002; Wheeler & Sillanpää, 1997; Wicks, Gilbert, & Freeman, 1994) and has also led to the emergence of various accountability mechanisms such as social auditing (discussed in more detail below), all of which have become only more relevant in the wake of recent accounting scandals featuring such corporate giants as Enron, Arthur Anderson, and WorldComm.

Yet while this literature has promoted a wider view of corporate constituencies, it remains somewhat limited for reflecting on organizations such as NGOs where stockholders are not the primary stakeholders and whose missions often do not include a calculus of profit-making. Arguably, NGOs face the competing demands of multiple stakeholders more acutely and regularly than do private firms. Najam (1996a) has observed that NGOs are accountable to multiple actors: to *patrons*, to *clients*, and to *themselves*. NGO-patron accountability or "upward" accountability (Edwards & Hulme, 1996b, p. 967) usually refers to relationships with donors, foundations, and governments and is often focused on the "spending of designated moneys for designated purposes" (Najam, 1996a, p. 342). NGO accountability to clients refers primarily to relationships with "groups to whom NGOs provide services" although it may also include communities or regions indirectly impacted by NGO programs (Najam, 1996a, p. 345). This has also been termed "downward" accountability (Edwards & Hulme, 1996b, p. 967). The third category of accountability articulated by Najam concerns NGOs themselves. This internal accountability includes an NGO's responsibility to its mission and staff, which includes decision-makers as well as field-level implementers. These multiple and sometimes competing accountabilities can become even more complicated in cases where NGOs enter into contractual relationships foreign donors, local governments, and multinational corporations (Meyer, 1999, pp. 110–115).

Another useful distinction, developed by Avina (1993, as cited in Najam, 1996a, p. 351), concerns *functional accountability* (accounting for resources, resource use, and immediate impacts) and *strategic accountability* (accounting for the impacts that an NGO's activities have on the actions of other organizations and the wider environment). This distinction is similar to that drawn between practical and strategic needs by gender planning theorists (Moser, 1989), and between tactical and strategic organizational responses drawn by public administrators (Kearns, 1996, p. 43), in order to emphasize the difference between efforts that focus on short-term organizational change and longer-term structural change. Najam suggests that while functional accountability of NGOs to patrons, operationalized through reports and accounts, is typically high in practice, functional accountability to clients and NGOs themselves is low. He also contends that strategic accountability is weak on all fronts, implying that current accountability relations among NGOs, patrons, and clients are focused on short-term activities rather than on long-term change.

It is apparent from this brief introduction that accountability is a complex and dynamic concept. It may be defined not only as a means through which individuals and organizations are held responsible for their actions (e.g., through legal obligations and explicit reporting and disclosure requirements), but also as a means by which organizations and individuals take internal responsibility for shaping their organizational mission and values, for opening themselves to public or external scrutiny, and for assessing performance in relation to goals. Accountability operates along multiple dimensions—involving numerous actors (patrons, clients, selves), using various mechanisms and standards of performance (external and internal, explicit and implicit, legal and voluntary), and requiring varying levels of organizational response (functional and strategic). [2]

3. MECHANISMS OF ACCOUNTABILITY

I now turn to a discussion of five broad (but far from comprehensive) categories of accountability mechanisms used by NGOs in practice: reports and disclosure statements, performance assessments and evaluations, participation, self-regulation, social audits. The comparative strengths and weaknesses of each of these mechanisms, as well as their policy implications, are further analyzed in the concluding section of this paper. The following discussion only peripherally examines organizational management elements such as mission or vision statements and governing boards which, while crucial for internal accountability purposes, have been extensively discussed elsewhere (e.g., Carver, 1990; Gibelman & Gelman, 2001; Kearns, 1996). It also does not discuss issues of democratic accountability, such as those concerning NGO claims to legitimacy in representing views of the poor or marginalized, given the fact that most NGOs are neither membership organizations nor elected bodies. This matter would require a separate discussion on representation and legitimacy.

Before discussing the mechanisms, it is helpful to differentiate between those that are "tools" and those that are "processes." [3] In basic terms, accountability tools refer to discrete devices or techniques used to achieve accountability. They are often applied over a limited period of time, can be tangibly documented, and can be repeated. For example, financial reports and disclosures are tools that are applied and repeated quarterly or annually, and are documented as financial statements, ledgers, or reports. Performance evaluations are also often carried out at specific points in time, usually at the end of a specific project, and result in an evaluation report. On the other hand, process mechanisms such as participation and self-regulation are generally more broad and multifaceted than tools, while also being less tangible and time-bound, although each may utilize a set of tools (such as participatory rural appraisal) for achieving accountability. Process mechanisms thus emphasize a course of action rather than a distinct end-result, in which the means are important in and of themselves. There are also some mechanisms, such as social auditing, that straddle the tool-process boundary. These distinctions are discussed in greater detail below.

(a) *Disclosure statements and reports*

Disclosure statements and reports are among the most widely used tools of accountability and are frequently required by federal or state laws in many countries. In the United States, for example, nonprofit organizations that seek federal tax exempt status are subject to the requirements of section 501(c)(3) of the Internal Revenue Code. With some exceptions, nonprofits must provide quite detailed information on finances, organizational structure, and programs through an annual information return known as Form 990. This information is provided to the Internal Revenue Service in order to ensure that the organization is in conformance with tax exemption law, and especially to demonstrate that its activities are primarily for educational, charitable, religious, or scientific purposes and for public, rather than private, benefit. Furthermore, state law provisions also often include registration and reporting statutes that involve annual financial reporting.

Such legal disclosures enable some degree of accountability to donors, clients and members who wish to access these reports. On the other hand, donors and clients of a nonprofit organization in the United States generally have very limited legal standing to challenge an organization for falling short of legal requirements, with primary responsibility falling on the attorney general as the "representative of society at large" or on the Internal Revenue Service for matters of tax exemption (Balda, 1994, p. 72; Chisolm, 1995, p. 147). At the same time, legal requirements can also be abused by governments to keep tabs on organizations, particularly those suspected of subversive activity. India's Foreign Contribution Regulation Act (FCRA) of 1976, for example, was enacted shortly after a state of Emergency was declared by the government of Indira Gandhi. The Act enabled the government to monitor the flow of foreign funds to NGOs, and to scrutinize those critical of the state (Fernandes 1986, as cited in Sen, 1999, p. 338). To this date, all Indian NGOs receiving foreign funds must open special FCRA accounts that enable federal oversight of the use of those funds.

Apart from legally mandated reports, donors require regular reports from organizations that they fund. The nature of these reports varies considerably among funders and projects, and it is subject to some degree of negotiation. For example, the European Commission, which provides bilateral assistance to Southern governments is increasingly funding NGOs, often requiring highly detailed quarterly and annual reports on "physical" achievements resulting from funded projects (e.g., numbers of irrigation systems built, hectares of land afforested, and numbers of village organizations formed) as well as accounts of expenditures based on pre-specified line items. The Norwegian Agency for Development Cooperation (NORAD), on the other hand, which also provides substantial funds to governments and NGOs, requires only very brief annual reports from NGOs and often does not impose any specific format (Ebrahim, 1999). In many cases, NGOs with multiple foreign donors expend considerable care in complying with the auditing system of each funder. Some organizations, such as Fundación Natura in Ecuador, even make available a yearly financial audit by Pricewaterhouse-Coopers (Meyer, 1999, p. 92).

Such reports and legal disclosures are significant *tools* of accountability in that they make available (either to the public or to oversight bodies) basic data on NGO operations. Their distinct and tangible nature makes them easily accessible. Yet, the bulk of this reporting emphasizes upward reporting of financial data, with only limited indication of the quality of NGO work and almost no attention to downward accountability to stakeholders. These are external approaches to accountability, enforced through punitive threats such as the loss of nonprofit status or revocation of funds. While important, these external approaches have only limited potential for encouraging organizations and individuals to take internal responsibility for shaping their organizational mission, values, and performance or for promoting ethical behavior.

(b) *Performance assessment and evaluation*

Another widely used set of tools for facilitating accountability includes various kinds of evaluation, including performance and impact assessments. It is useful to distinguish between external and internal evaluations. Donors commonly conduct external evaluations of NGO work near the end of a grant or program phase, and are increasingly employing mid-term assessments as well. Such evaluations typically aim to assess whether and to what extent program goals and objectives have been achieved and are pivotal in determining future funding to NGOs. These appraisals may focus on short-term results of NGO intervention (i.e., "outputs" or "activities" such as training programs offered and irrigation systems built) or medium- and long-term results (i.e., "impacts" or "outcomes" such as improvements in client income, health, natural resource base, etc.) (Levy, Meltsner, & Wildavsky, 1974; Roche, 1999, p. 22). Internal evaluations are also common, in which NGO staff gauge their own progress, either toward the objectives of externally-funded programs or toward internal goals and missions. Hybrid internal and external evaluations are not uncommon, with NGO staff working jointly with external evaluators.

Both external and internal evaluations run into a series of problems concerning measurement and relevance. First, there are conflicts among NGOs and funders over whether they should be assessing *processes* such as "participation" and "empowerment" or whether they should measure more tangible *products* such as the numbers of schools built, trees planted, and land area irrigated. For the most part, donor appraisals tend to focus on products—they are short-term and emphasize easily measurable and quantifiable results over more ambiguous and less tangible change in social and political processes. An appraisal tool increasingly used by bilateral donor agencies is logical framework analysis (LFA). The logical framework is a matrix in which a project's objectives and expected results are clearly identified, along with a list of indicators that are to be used in measuring and verifying progress toward achieving those objectives and results. While LFA can be productively used as a tool for initially framing a project, and it has been helpful in enabling many NGOs to articulate better their objectives and expected results, the framework's tendency toward simplification and quantification make it inadequate for monitoring complex development interventions. Edwards and Hulme (1996a, p. 968) suggest that the wide use of logical frameworks and their derivatives may "distort accountability by overemphasizing short-term quantitative targets and favoring hierarchical management structures—a tendency to 'accountancy' rather than 'accountability.'"

A second set of problems concerns NGO perspectives on the relevance of evaluation. Riddel (1999) lists several reasons why NGOs are skeptical about the need for and purpose of evaluation. On one side, NGO culture tends to emphasize action over analysis. NGO staff are, by and large, "doers" that gain legitimacy by helping the poor than by conducting time-consuming and costly evaluations. In addition, the tendency of donor evaluations to focus on discrete projects limits their relevance in examining longer-term processes. A reasonable donor response to such skepticism is, of course, that evaluations can help NGO staff become better "doers" by uncovering weaknesses in project planning or by developing more strategic interventions, and that evaluations can be designed to assess longer-term processes and outcomes rather than simply short-term outputs.

It is more difficult, however, to respond to NGO concerns that performance assessments give funders the arsenal to base funding on "successful" projects, thereby rewarding NGOs that stick to discrete and proven product-based approaches to development, while punishing those which attempt to develop and test more innovative and risky process-based approaches (Riddel, 1999, pp. 225–226). An additional crucial concern raised by small NGOs is that their limited staff and resources are stretched too thin by evaluation and reporting requests of funders. Donors sometimes fail to recognize that complex evaluation requirements can overwhelm small organizations (and even large ones at times), and that NGO size and capacity should be key factors in determining the scale of an appraisal. Onerous data requirements can lead NGOs to develop monitoring and evaluation systems that, while satisfying donor needs for information, are viewed as irrelevant for internal NGO decision-making (Ebrahim, 2002).

A third, and more fundamental, skepticism centers on the purpose of evaluation. There is a tendency to equate evaluation with assessment of performance. While it makes sense to conduct evaluations in order to assess progress toward objectives, should this be the sole, or even the primary, purpose of evaluation? Performance assessments tend to focus attention on projects or programs, while overlooking the NGO or organization itself (Fowler, 1996). Evaluations have the potential for facilitating broader organizational change, particularly through capacity building and organizational learning. In his study of a number of donor and NGO experiences with evaluation, Riddel (1999, p. 237) concludes that "donor funds would probably be better spent in helping NGOs develop and experiment with different methods of assessment than in undertaking a large number of impact studies based on methods used to date." This conclusion is particularly important given that in many countries the capacity for fairly basic monitoring and assessment is severely limited (Cornwall *et al.*, 2000, p. 2).

This observation also points to the potential use of evaluation as a tool for learning, rather than simply for impact and performance assessment. Organizations can be seen as learning "by encoding inferences from history into routines that guide behavior" (Levitt & March, 1988, p. 320). Learning, as such, involves generating knowledge by processing information or events and then using that knowledge to cause behavioral change. Evaluations that reward success while punishing failure (e.g., through revocation of funds or additional conditions on funding) seem unlikely to engender organizational learning since they encourage NGOs to exaggerate successes, while discouraging them from revealing and closely scrutinizing their mistakes (Smillie, 1996, p. 189). External evaluators such as donors can thus improve NGO accountability (upward and downward) not merely by assessing performance, but by building NGO capacity to conduct self-evaluations, and by encouraging the analysis of failure as a means of learning. In order for this to occur, however, donors will need to make funding less contingent on simplistic assessments of success, and more closely linked to criteria of capacity-building and learning. Smillie (1996, p. 190) has suggested that many donor countries, including the Netherlands, the United States, and Canada, are far from adopting such an approach and generally use evaluation "more as a control and justification mechanism... than as a tool for learning or for disseminating findings."

(c) *Participation*

As an accountability mechanism, participation is quite distinct from evaluations and reports because it is a *process* rather than a tool, and it is thus part of ongoing routines in an organization. In examining participation, it is helpful to distinguish between different levels or kinds of participation. Drawing from Adnan (1992 as cited in Gardner & Lewis, 1996, p. 111) and Arnstein (1969), I make four general distinctions between types of participation. At one level, participation refers to information about a planned project being made available to the public, and can include public meetings or hearings, surveys, or a formal dialogue on project options. In this form, participation involves consultation with community leaders and members but decision-making power remains with the project planners. A second level of participation includes public involvement in actual project-related activities, and it may be in the form of community contribution toward labor and funds for project implementation, and possibly in the maintenance of services or facilities. At a third level, citizens are able to negotiate and bargain over decisions with NGOs or state agencies, or even hold veto power over decisions. At this level, citizens are able to exercise greater control over local resources and development activities. Finally, at a fourth tier of participation, are people's own initiatives which occur independently of NGO- and state-sponsored projects. Examples of this kind of participation include social movements such as Chipko in the 1970s in which peasants, particularly women, in the Himalayan mountains mobilized against commercial logging (Gardner & Lewis, 1996; Guha, 1989), or actions of local resistance and civil disobedience in India's Narmada River Valley against large dam projects (Khagram, 1998).

The first two forms of participation are commonly espoused by state agencies, donors, and NGOs, and are based on an assumption that poverty can be eliminated by increasing local access to resources and services. At both of these levels, very little decision-making authority is vested in communities or clients, with actual project objectives being determined by NGOs and funders long before any "participation" occurs. This sort of participation is what Najam (1996a, p. 346) has referred to as "a sham ritual" functioning as little more than "a 'feel-good' exercise for both the local community and the NGO." In linking this problem to accountability, he argues that "the sham of participation translates into the sham of accountability" because "[u]nlike donors, [communities] cannot withdraw their funding; unlike governments, they cannot impose conditionalities" (Najam, 1996a, pp. 346–347). The act of participation or the exercise of "voice" (to use Hirschman's term) is largely symbolic in such settings; it is not "political action par excellence" (Hirschman, 1970, p. 16). Rarely, in mainstream development practice, has the notion of participation been extended to forms of politicized activity that directly challenge social and political inequities (levels three and four above), thus creating benefits that might exceed the costs of exercising voice. These more radical versions of participation stress that poverty is based in power structures embedded in social and political relations. As such, without some mechanism for addressing unequal power relations, participation appears unlikely to lead to downwards accountability.

While participatory methods—such as participatory rural appraisal (PRA) and participatory learning and action (PLA)—have been part of the "toolkit" of most development agencies for several years now, the mere use of these tools is inadequate for ensuring downward accountability. [4] For example, Edun's (2000) examination of six health care projects in Nigeria (funded by the World Bank and the bilateral development agencies of the United Kingdom, United States, and Canada) concluded that although each of the projects claimed "community involvement," their various failures showed that they did not adequately consider community needs, strengths, and conditions prior to design and implementation. In addition, Roche's (1999, p. 148) study of several participatory impact assessments observed that "participatory exercises in groups can neglect some people's views (for instance, women's or children's) and, moreover, validate and legitimate the views of dominant groups, thus increasing their power *vis-à-vis* others." He noted that for participatory tools and methods to reflect differences in power and perspective, they must be part of a more deliberate intervention and research strategy.

Two useful examples of how more meaningful participation can be built into large and complex development projects are provided by Howard-Grabman (2000), who reviewed a pair of USAID-funded projects carried out by Save the Children/US and Johns Hopkins University. Both projects aimed to increase community participation in health care in Latin America by building partnerships between service providers and clients. The projects involved communities not only in assessing services but, equally crucially, in developing service goals and objectives in collaboration with service providers. One project, in Bolivia, established a health information system which utilizes simple forms, community maps, and easy-to-understand graphics to assist community members and service providers in jointly making decisions, setting priorities, and monitoring progress. The second project, in Peru, learned from previous findings that "a major barrier to clients' utilization of reproductive health care services is how health care providers treat them." As a result, the project emphasized dialogue between clients and service providers in order to identify priorities and strategies to increase community use and ownership of public health services. While actual citizen control over both of these projects was limited, these examples demonstrate that it is possible to develop collaborative arrangements between NGOs, government agencies, and communities in a manner that gives citizens considerable leverage over development interventions. Part of this leverage is obtained through tools such as participatory appraisal and asset mapping which can, at least in part, reverse or moderate conventional relations of authority and power. Actual sharing of power, however, would require both of these projects to go even further—not only by requiring dialogue and open access to all project-related information, but also by enabling communities to share in programmatic and financial decision-making through voting membership on key decision bodies, and even by recruiting community members into management staff. [5]

Downward accountability can also be enhanced through participatory evaluation. As previously noted, communities are unable to hold NGOs or donors accountable by threatening to withdraw funding or by imposing conditionalities. As such, systematic involvement of communities in evaluating NGOs and funders is a key mechanism that can serve to increase their leverage. Similarly, downward accountability of funders to NGOs requires that evaluations systematically integrate NGO views on the performance of funders with the traditional "top–down and bureaucratic" funder evaluations of NGOs (Roche, 1999, p. 29). In this way, *tools* of evaluation can be combined with *processes* of participation to develop complex downward accountability mechanisms.

(d) *Self-regulation*

The term "self-regulation," as used here, refers specifically to efforts by NGO or nonprofit networks to develop standards or codes of behavior and performance. [6] Partly in an effort to redeem the image of the sector (as a result of public scandals or exaggerated claims of performance), and partly to forestall potentially restrictive government regulation, nonprofits have begun to turn to various forms of self-regulation (Schweitz, 2001). While some degree of external intervention may be appropriate in dealing with this problem of public trust (e.g., government oversight, especially through reporting and disclosure requirements), self-regulation presents a complementary path that allows nonprofits to address directly their own sector-wide problems while retaining some integrity. The focus of this section is on formal, rather than informal, codes of conduct developed by NGOs. While such a focus is somewhat narrow, since there are likely many examples of less formalized self-regulatory networks, it is useful for illustrative purposes since the codes are an articulation of appropriate, or accountable, behavior for an entire sector. Moreover, as the Philippine example below demonstrates, formalized codes sometimes provide a visibility that is helpful in enhancing the reputation of the NGO sector.

The process of developing a code of conduct is, in effect, "an opportunity for self-definition by national NGO networks, as well as for public presentation of their collective mission, principles, values, and methods" (Schweitz, 2001, p. 2). The legitimacy of a code, however, is influenced by the process through which it is established, thus making the code creation process crucial to its eventual adoption. [7] In their study of national and international codes (Schweitz and Kunugi 1999, as cited in Schweitz, 2001) provide examples of self-regulation from Australia, Bulgaria, Canada, Colombia, India, Japan, Lesotho, Nepal, the Philippines, South Africa, and the United States, as well as from transnational organizations such as the Commonwealth Foundation, the International Council for Voluntary Agencies, and the International Red Cross and Red Crescent Movement. The code process in all of these cases involved some degree of participatory negotiation, frequently lasting over two years, with most codes also including some form of compliance assessment or certification. Most of these codes have been adopted within the past 10 years, reflecting not only an effort by NGOs to improve their image, but also an increasing sectoral recognition of the necessity for establishing "common positions, strategic alliances, coordinated action, and proof of accountability" in order to influence effectively national and international policy (Schweitz, 2001, p. 4).

While the content of these codes varies, they essentially agree on key principles and ethics of development (e.g., participatory and people-centered development), and they also provide guidelines on NGO management (Schweitz, 2001, pp. 8–9):

> The most basic requirements of accountability stated in these codes are that the organization have (1) a clearly specified purpose or mission, and (2) a transparent internal management system, free of conflicts of interest, discrimination, favoritism, secrecy, corruption, and all other unethical practices. Some of the codes explicitly require an elected, independent board of directors and specify its responsibilities. Another crucial aspect of accountability is proper, complete, and open financial accounting that... is stressed in all codes but with varying degrees of specificity.

In the United States, for example, a set of standards was developed in 1993 by InterAction, a membership association of US private voluntary organizations (PVOs). These standards lay out, in some detail, requirements concerning governance, organizational integrity, finances, public communication and disclosure, management and hiring practices (including promoting gender equity), programs, and public policy involvement. For instance, the governance standards require that the organization have an independent board of directors and even specify some of the tasks of the board. The integrity standards emphasize truthfulness in conduct and require that each organization develop a written standard of conduct for its directors, employees, and volunteers. In addition, guidelines and requirements for promoting gender equity, diversity, and people with disabilities are found throughout the code. Implementation of these standards is based on self-certification, subject to review by a Standards Committee which is also empowered to investigate complaints about noncompliance (InterAction, 2001). These standards have had impacts beyond the United States, with other consortiums such as the Canadian Council for International Co-operation (CCIC) using them as a basis for developing their own codes. In fact, the CCIC Code of Ethics contains almost identical categories and very similar content to InterAction's code (CCIC, 1995).

While InterAction's standards of ethical conduct emerged from an internal decision by its executive committee, the impetus for developing codes can also emerge from threats by government regulators. In the Philippines, the proliferation of NGOs—estimated at over 60,000—fueled government concern about the formation of nominal NGOs serving as tax shields. This led the Department of Finance to challenge NGOs to create a self-regulatory body "to certify nonstock, nonprofit organizations for tax-efficient donee institution status" (Soledad, 2001, p. 26). In response, the Philippine Council for NGO Certification (PCNC) was established in 1999 by six of the country's largest NGO networks in order to evaluate and certify NGOs on six criteria: vision, mission, and goals; governance; administration; program operations; networking; and, especially, financial management. Unlike InterAction which uses self-certification subject to investigation, the PCNC has trained about 750 NGO officers as volunteer evaluators who, in teams of three, evaluate applicant organizations. Between its launching in February of 1999 and December of 2000, the PCNC evaluated 85 organizations, certifying 75, deferring certification on three, and denying certification to seven organizations. In addition, although the PCNC was initially formed to protect the special tax status enjoyed by NGOs and to legitimate and encourage donations to NGOs, it has also begun to exert policy influence at a national level (Soledad, 2001). Numerous similar umbrella organizations have emerged in other parts of Asia, including the Association of Development Agencies in Bangladesh which has its own code of ethics, and the Voluntary Action Network India which has adopted the "Guidelines for Good Policy and Practice" developed by the UK's Commonwealth Foundation (Commonwealth Foundation & Voluntary Action Network India, 1995; Voluntary Action Network India & International Center for Not-for-Profit Law, 1997). The actual impacts of these various codes remain to be empirically examined.

Each of the above cases demonstrates codes developed by national-level network associations. The formation of NGO codes applicable at an international level is considerably more complex, given the nascent nature of a global governance structure and norms within which to situate and enforce standards. Humanitarian responses to natural disasters and conflict, for example, frequently involve numerous bilateral donor agencies, multilateral organizations, government agencies, and international and local NGOs, all operating in highly turbulent political, physical, and social contexts. The performance of organizations in this environment is often dependent on the performance of others in the system. For example, the UN's World Food Programme, which provides bulk food aid in emergency situations, is dependent not only on the voluntary support of bilateral donors to fund food procurement and shipping, but also on multiple NGOs to distribute food (Borton, 2001). Codes that can enhance coordination and accountability in such settings have the potential to improve the performance of emergency operations.

A number of such codes have begun to emerge over the past decade. For example, eight of the world's largest disaster response agencies developed, in 1994, the Code of Conduct for The International Red Cross and Red Crescent Movement and NGOs in Disaster Relief. [8] It lays down 10 principles of behavior for NGOs, and also provides recommendations on behavior to governments of disaster affected countries, donor governments, and intergovernmental organizations (International Federation of Red Cross & Red Crescent Societies, 1994). Subsequent efforts by European and US NGOs led to the publication, in 2000, of a Humanitarian Charter and Minimum Standards in Disaster Response (the "Sphere Standards"). It provides universal minimum standards in the core areas of water supply and sanitation, nutrition, food aid, shelter and site planning, and health services. In addition, a group of organizations in the United Kingdom, has been exploring possibilities for a humanitarian ombudsman, in response to an international evaluation of emergency assistance to Rwanda (Borton, 2001). This effort, now known as the Humanitarian Accountability Project, aims to "act as an impartial and independent voice for those affected by disaster and conflict" (Ombudsman Project Working Group, 1998, p. 1). In addition to handling the complaints and concerns of local populations, a humanitarian ombudsman could also become a central player in scrutinizing NGO behavior in relation to accepted codes of practice.

In sum, self-regulation presents numerous opportunities for NGOs not only to better their public image, but also to enhance performance. Self-regulation through codes of conduct, ombudsmen, and other avenues not discussed here (such as accreditations), provide important mechanisms through which NGOs can improve accountability to funders, communities, and to themselves. A key challenge, especially at the international level, will lie in the coordination of these emerging standards and accountability mechanisms so that they come to be viewed as legitimate means of improving accountability and humanitarian response, rather than as instruments of control and isomorphism. The adoption and implementation of such codes will depend both on the processes through which they are developed and thus legitimated, as well as on the mechanisms through which they are enforced. Self-regulation as such, and codes of conduct in particular, are not simple tools of accountability but are part of a complex accountability process linked to sectoral identity, legitimacy, and normative views on organizational behavior.

(e) *Social auditing*

Finally, as another mechanism of accountability, social auditing refers to a process through which an organization assesses, reports, and improves upon its social performance and ethical behavior, especially through stakeholder dialogue (Gonella, Pilling, & Zadek, 1998, p. 21; Volunteer Vancouver, 1999, p. 1). It is not simply a kind of evaluation—social auditing is a complex process that integrates elements of many of the accountability mechanisms discussed above, including disclosure statements, evaluations, participation, and standards of behavior. While social auditing has not been widely adopted by NGOs (nor by the private or public sectors for that matter), it merits examination as a distinct accountability mechanism because of its conceptual integration of the accountability tools and processes already discussed.

A variety of models for assessing and improving upon social performance have arisen over the past decade, with significant differences among them. For example, the "Ethical Accounting Statement" developed by Pruzan and Thyssen (1994) in Denmark, focuses largely on stakeholder dialogue and perceptions, with limited use of systematic accounting and external benchmarking. This model was already in use by about 50 organization throughout Scandinavia by 1994 (Mayo, 1996, p. 17). Similarly, "Social Performance Reports" and their variants used by a range of companies such as Ben and Jerry's ice-cream and multinational corporations such as Shell International and British Petroleum, include stakeholder perspectives and a limited degree of external benchmarking and systematic accounting, but without a common standard. The "Social Auditing" processes developed by the Institute of Social and Ethical Accountability (ISEA) in London combines stakeholder dialogue with development of indicators and assessment protocols. The organization developed a formal standard for social auditing in 1999, which it revised in 2002 (ISEA, 1999, 2001). Despite their differences, each of these approaches involves (to varying degrees) five key elements of the process: stakeholder identification, stakeholder dialogue, use of indicators and/or benchmarks, continuous improvement, and public disclosure (Gonella *et al.*, 1998, p. 22).

Proponents of social auditing offer numerous reasons why nonprofit organizations should adopt the process. First it offers internal management advantages in terms of monitoring performance (Pearce, 1996, p. 7 as cited in Volunteer Vancouver, 1999, p. 8). A key component of social auditing is the development of social and environmental information systems. This is particularly useful for NGOs that do not already have systems for analyzing and reporting on their social performance. Second, as a mechanism of accountability, social auditing enables views of stakeholders (such as communities and funders) to be considered in developing or revising organizational values and goals, and in designing indicators for assessing performance (i.e., downward and upward accountability). Third, social auditing can serve as a valuable tool for strategic planning and organizational learning if the information on stakeholder perspectives and social performance is fed back into decision processes (Mayo, 1996, p. 9). Fourth, the external verification of social audits provides a way for NGOs to enhance their public reputations by disclosing information that is based on verified evidence rather than on anecdotes or unsubstantiated claims (Pearce 1996, p. 7 as cited in Volunteer Vancouver, 1999, p. 8). This disclosure and verification function is especially important not only as a response to public fears about the quality and integrity of nonprofit work, but also as a means of tempering exaggerations by nonprofits of their own achievements.

Despite the apparent advantages of social audits, a number of factors have constrained their adoption by nonprofit organizations. Perhaps the most important factor is cost. The social auditing process can impose significant burdens of time and money, especially on small organizations, particularly if external certification is desired. On the other hand, the effort and resources spent are likely to diminish with time as the auditing process is integrated with other related systems such as strategic planning and evaluation, annual reporting, and financial auditing (Dawson, 1998). The potential for social audits to overwhelm NGOs with additional information collection and analysis can be countered by insisting on systems that are simple, clear and built upon the existing capacity of the NGO. For example, a study on the relevance of social auditing for Oxfam Great Britain found that the organization was already following some of the key principles of the process and concluded that, "rather than adopting social audit as a new cycle, a costly and time-consuming exercise, ways should be sought to ensure existing systems live up to its principles" (Dawson, 1998, p. 1457). Similarly, Maderas del Pueblo, a rural development NGO in Mexico, has sought to integrate elements of social auditing with its experience in participatory rural appraisal and developing local community indicators (Raynard, 1998).

An additional concern about social audits is the uncertainty associated with its impact on donors. What if an audit turns up serious problems in the organization or, more likely, it shows that the organization falls short of its rhetoric on participation and poverty alleviation? Are not such findings more likely to deter than attract donors? The ultimate response to such potential findings is dependent on key organizational motivations for undertaking a social audit—whether it was undertaken primarily for purposes of improving performance and accountability, or whether it was seen largely as an exercise for enhancing public standing. Indeed, there is even the potential for social assessments to be overmarketed by organizations for public relations purposes. For example, the Body Shop faced much negative scrutiny upon its announcement that it was undertaking social audits to show that it was an "ethical" company. On the other hand, the Vancouver City Savings and Credit Union received favorable press in advance of its report, and even more following its release in 1998 (Volunteer Vancouver, 1999, pp. 15–16). For Oxfam's managers in the United Kingdom, information disclosure is seen as likely to enhance the NGO's reputation as being trustworthy and honest. They also indicate concern by recommending the release of information in a "carefully controlled manner, to avoid the misuse of information received out of context by those with only a partial view of the whole picture" (Dawson, 1998, p. 1461). For NGOs more generally, the use of social auditing implies a shift from highly circumscribed evaluations of individual projects or programs to a broader assessment of the organization as a whole (Raynard, 1998).

Another key challenge to the adoption of social auditing is the lack of convergence on appropriate and externally verifiable standards. The variety of emergent approaches has led to a proliferation of standards which, while indicative of a growing field, make it difficult to compare performance across organizations. Some of the standards, such as ISEA's AccountAbility (AA) 1000 and the International Standard Organization's (ISO) 14001 Environmental Management Systems standards, are "process-based" in that they specify the "processes that an organization should follow to account for its performance, and not the level of performance the organization should achieve" (ISEA, 1999, p. 13). Such standards aim to assist organizations in institutionalizing processes such as indicator development, information collection and analysis, integration of findings with decision processes and, in the case of AA 1000, stakeholder involvement. These standards do not actually rank the social or environmental performance of an organization in relation to some external benchmark. Performance-based standards, on the other hand, attempt to set common benchmarks that allow for such comparisons. Examples of these include the Global Reporting Initiative's new Sustainability Reporting Guidelines and Social Accountability International's (SAI) 8000 standard for workplace conditions in supply chains. [9]

These standards, along with many others, have been accompanied by a growth in training and auditor certification programs offered by organizations like ISEA and SAI, with accounting giants such as KPMG developing special divisions for "Social, Environmental, and Ethical Performance" directed largely at corporate, rather than nonprofit, organizations. The extent to which these developments will lead to the use of social auditing as a mechanism for enhancing accountability, rather than simply as a public relations and management consulting fad, will depend on the rigor and comprehensiveness of the emerging process and performance standards. Initial analysis of certification programs in the forest-products and apparel industries suggests that market forces and the drive toward standardization may lead firms to adopt the lowest common-denominator standards, unless watchdog groups are active in delegitimizing weak standards (Gereffi, Garcia-Johnson, & Sasser, 2001).

Nonetheless, the integrated nature of social auditing makes it a potentially valuable mechanism for enhancing accountability. It combines a series of *tools* (e.g., use of disclosures and evaluations) with *processes* (e.g., participation of various stakeholders). Given its voluntary and emergent nature, the impact and relevance of this management approach will depend largely on how it is marketed by its key promoters and certification agencies, as well as by how it is used by implementing organizations. A social audit can improve upward and downward accountability only if its users seek systematically to incorporate stakeholders into dialogue, indicator development, and performance assessment. It can increase organizational transparency if information that is collected and analyzed—including evidence of failure—is disclosed to stakeholders or the public. As a mechanism for internal accountability, social auditing offers a coherent framework for integrating organizational values and goals with governance and strategic planning only to the extent that its users are committed to acting on findings.

4. CONCLUSIONS: SUMMARY AND POLICY IMPLICATIONS

Key characteristics of the accountability mechanisms discussed above are summarized in Table 1. The first column lists each of the five mechanisms, and distinguishes among those that are tools and those that are processes. Following Najam's (1996a) framework, the second column responds to the question of "accountability to whom?"—upward to donors, downward to clients and communities, or internally to NGOs themselves. For example, disclosure statements, reports, and evaluations are currently used primarily for upward accountability from NGOs to donors, although evaluations also have tremendous potential for downward accountability—by making NGOs more accountable to communities and by making funders more accountable to NGOs. While funders frequently require NGOs to seek community input in evaluating projects, they rarely seek NGO input in evaluating themselves. Similarly, participation, which is primarily conceived by NGOs as a tool of downward accountability to communities, has received only scant attention as a tool for increasing the responsiveness of funders to NGOs.

There are two key policy implications to these observations. First, while traditional approaches to improving accountability, such as increased oversight through reporting and disclosure requirements, enable a degree of upward accountability, they are of limited use for enhancing downward accountability. A more balanced approach thus requires a greater role for NGOs in evaluating funders and for clients in evaluating NGOs. Yet is it realistic to expect that funders be held accountable to grant recipients, particularly given the asymmetries in resources and power between NGOs and funders? There is some empirical documentation of successful NGO efforts to minimize these asymmetries, either through strategies to reduce vulnerability and sensitivity to a small number of funding sources, or through the use of resources controlled by NGOs (such as information and reputation) to increase their own influence on funders (Ebrahim, 2002; Hudock, 1999, pp. 24–26; Meyer, 1999, p. 81). While these rare efforts to resist donor pressures are not couched in the language of accountability, they may be viewed as an attempt to reduce the abusive potential of too much upward accountability and too little downward accountability. The key point is that downward accountability mechanisms remain comparatively underdeveloped, and that NGOs are thus responding indirectly with efforts to protect themselves from unwanted interference from funders. While few, if any, donors are likely to entertain the possibility of being evaluated by NGOs that they fund, downward accountability will likely prove impossible to attain without serious attention to such mechanisms.

A second policy implication is that improving accountability within NGOs themselves also needs attention to special mechanisms. Social auditing and self-regulation are two possible mechanisms, the former being focused on intraorganizational accountability (and with stakeholders), and the latter emphasizing sector-level concerns.

The third column in Table 1 focuses on the inducements or drivers behind each accountability mechanism. In many cases the inducements are external, such as legal requirements for annual reports (e.g., for retaining nonprofit tax status) or requests by donors for quarterly progress data, backed up by sanctions for noncompliance (such as loss of funding). Ex-

Table 1. *Characteristics of accountability mechanisms*

Accountability mechanism (tool or process)	Accountability to whom? (upward, downward, or to self)	Inducement (internal or external)	Organizational response (functional or strategic)
Disclosures/ reports (tool)	—Upward to funders and oversight agencies —Downward (to a lesser degree) to clients or members who read the reports	—Legal requirement —Tax status —Funding requirement (external threat of loss of funding or tax status)	—Primarily functional, with a focus on short-term results
Performance assessment and evaluation (tool)	—Upward to funders —Significant potential for downward from NGOs to communities and from funders to NGOs	—Funding requirement (external) —Potential to become a learning tool (internal)	—Primarily functional at present, with possibilities for longer-term strategic assessments
Participation (process)	—Downward from NGOs to clients and communities —Internally to NGOs themselves —Significant potential for downward from funders to NGOs.	—Organizational values (internal) —Funding requirement (external)	—Primarily functional if participation is limited to consultation and implementation —Strategic if it involves increasing bargaining power of clients *vis-à-vis* NGOs, and NGOs *vis-à -vis* funders
Self-regulation (process)	—To NGOs themselves, as a sector —Potentially to clients and donors	—Erosion of public confidence due to scandals and exaggeration of accomplishments (external loss of funds; internal loss of reputation)	—Strategic in that it concerns long-term change involving codes of conduct
Social auditing (tool and process)	—To NGOs themselves (by linking values to strategy and performance) —Downward and upward to stakeholders	—Erosion of public confidence (external) —Valuation of social, environmental, and ethical performance on par with economic performance (internal)	—Functional to the extent it affects the behavior of a single organization —Strategic to the extent it affects NGO-stakeholder interaction, promotes longer-term planning, and becomes adopted sector-wide

ternal inducements can also be more subtle, such as the erosion of public confidence in NGOs as a result of scandals or exaggerated claims of achievement. Internal inducements are also common, especially in mission-driven organizations that believe in participation, or in the importance of valuing the environmental, social and ethical dimensions of their activities. Accountability, as such, is not simply about "being held responsible" (i.e., externally driven) but also about "taking responsibility" (i.e., internally driven).

Again, the key policy implication is that external inducements of accountability, such as reporting requirements mandated by law or by conditions of funding, are only part of the accountability equation. While externally driven mechanisms are backed up by threats that can certainly reduce noncompliance, the legitimacy and reputation of the NGO sector need to be buttressed by internally driven mechanisms. For a sector that views itself as largely mission-driven, there is an urgent need to take performance assessment seriously in order to justify activities with substantiated evidence rather than with anecdote or rhetoric. Funders and regulators also bear responsibility in this regard. An emphasis by donors on building the internal capacity of NGOs to develop their own long-term assessment tools, rather than on requiring regular reports of a pre-specified nature, might go a long way toward internalizing performance assessment in NGOs.

The final column in Table 1 characterizes each mechanism in terms of the primary type of organizational response that it generates—functional (i.e., accounts for resource use and short-term results) or strategic (i.e., accounts for longer-term and structural impacts on the wider NGO environment). The key observation here is that the most common mechanisms of accountability, such as disclosure statements, reports, and project evaluations, mainly serve a functional purpose because they tend to focus on accounting for funds and measuring their short-term impacts. The complex nature of development suggests, however, that attention to more strategic processes of accountability are necessary for lasting social and political change. As a result, while reporting requirements and frameworks that are biased in favor of easily measurable and quantitative assessments of progress (e.g., logical framework analysis) might be sufficient for funding and regulatory purposes, they undervalue long-term and qualitative assessments that are essential for understanding the real impacts of development activity. Developing an internal capacity in NGOs for conducting long-term evaluations of their own work is an essential strategic response.

Self-regulation and social auditing are two additional strategic mechanisms. Self-regulation is strategic in the sense that it is targeted toward change at a sector-wide level, not only by establishing codes for NGO behavior, but also by forming NGO umbrella organizations that can engage in national-level policy debates. Social auditing is a strategic response in that it can assist NGOs in forming long-term approaches to addressing social development problems, particularly by better including stakeholders into decision-making and by linking organizational values to plans. For organizations hesitant to engage in a full-scale social audit process due to resource constraints, strategic accountability is also possible through a rethinking of existing practices, such as by modifying short-term performance assessments to focus on longer-term impacts and by moving toward participation models that increase the leverage of weaker stakeholders.

The various mechanisms discussed above demonstrate that accountability is both about being held responsible by external actors and standards, as well as about taking internal responsibility for actions. An integrated perspective on accountability suggests that it operates along multiple dimensions—involving numerous actors (patrons, clients, selves), using various mechanisms and standards of performance (external and internal, legal and voluntary), and requiring differing levels of organizational response (functional and strategic). The current emphasis among NGOs and donors on the upward and external dimensions of accountability is problematic in that it encourages the formation of relationships with highly imbalanced accountabilities. In such cases, patrons can abuse their powers of punishment by threatening NGOs with a loss funds, by imposing conditionalities, or by tarnishing NGO reputations (Hudock, 1999, p. 46; Najam, 1996a, p. 344; Perera, 1997). Similarly, the present emphasis on functional forms of accountability tends to reward NGOs for short-term responses with quick and tangible impacts, while neglecting longer-term strategic responses that address more complex issues of social and political change. The challenge of accountability lies in directly addressing these much neglected components in order to eventually find a balance between external and internal, upward and downward, and functional and strategic approaches.

NOTES

1. The terms nongovernmental organization (NGO), nonprofit organization (NPO), and private voluntary organization (PVO) are all used interchangeably in this paper. For taxonomies of the sector, see Najam (1996b) and Vakil (1997).

2. Kearns (1996, p. 43) proposes a similar integrated framework for conceptualizing accountability organized along three dimensions: "the higher authority to whom organizations and individuals are accountable, the standards of performance—explicit or implicit—for which organizations are held accountable, and the responses to the accountability environment—tactical or strategic—from inside the organization."

3. I am grateful to an anonymous reviewer for alerting me to this distinction.

4. For an overview of PRA and a summary of key evaluation tools and methods, see Chambers (1994) and Roche (1999).

5. The characteristics of such "member-accountable" organizations are discussed in considerable detail by

Smith-Sreen (1995). Her framework for examining NGO accountability to members is divided into three constituent parts: mechanisms for adequately addressing member problems and suggestions, sharing of power, and providing timely support. Although much of Smith–Sreen's analysis focuses on membership organizations, many of her insights apply equally well to nonmembership NGOs.

6. While the terms "sectoral" or "mutual" regulation might be used in place of "self-regulation," I use the latter term because it seems to have more currency in the literature. It also more clearly emphasizes an internal rather than external dimension of accountability, while simultaneously indicating its sectoral significance.

7. Drawing from Scott (1992, p. 305), "legitimacy" may be viewed as "the property of a situation or behavior that is defined by set of social norms as correct or appropriate," or more specifically as "a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws" (Scott, 1995, p. 45). Legitimacy, as such, is a "condition" to be achieved, particularly through a process that is broadly perceived as being socially appropriate.

8. The key sponsers were Caritas Internationalis, Catholic Relief Services, The International Federation of Red Cross and Red Crescent Societies, International Save the Children Alliance, Lutheran World Federation, Oxfam, The World Council of Churches, and The International Committee of the Red Cross.

9. Numerous other standards and guidelines include the Caux Round Table Principles for Business, CERES Principles, European Ecomanagement and Audit Scheme, Ethical Trading Initiative, Forest Stewardship Council, Global Sullivan Principles, ICFTU Basic Code of Labour Practice, ICC Buisiness Charter for Sustainable Development, and Sunshine Corporate Reporting (ISEA, 1999, p. 52–54).

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