

NGO Accountability and Self-Regulation: the Global Picture¹

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Introduction

In the past quarter of a century NGOs have gained an increasingly significant role in society. In many countries they have become providers of essential services, important advocates for marginalised people, and highly regarded advisors on policy issues. However, with this increasing responsibility and influence, has come increased scrutiny both from outwith and within the sector. Questions have been raised about where NGOs derive their legitimacy from to provide such widespread services, and whether they in fact achieve the honourable charitable objectives they set themselves. In turn this has led to pressure on NGOs to improve their accountability and effectiveness. While some are responding to these challenges by developing individual, organisational responses, others are coming together at national, regional and international levels to develop common norms and standards. Sector level forms of cooperation and self-regulation are becoming an important means for Development and Humanitarian NGOs in particular to build public trust and support sector-wide improvement.

This paper provides an overview of the ways in which self-regulatory initiatives worldwide can support and improve the accountability of Development and Humanitarian NGOs. Part one summarises trends and patterns in the self-regulation of NGOs, drawing on findings from the One World Trust's database of Civil Society SRIs. Part two considers the internal and external benefits that membership of an SRI can bring to an NGO. The third part of the paper reviews the different models by which SRIs work to improve the accountability and effectiveness of NGOs. Finally, the fourth part discusses some of the issues that NGOs should bear in mind when considering how to implement self-regulatory initiatives and other accountability models.

¹ This paper draws on two previous Briefing Papers prepared by the One World Trust in association with World Vision : Langan, J.; Cavendar, A.; Lloyd, R. and Gwynne, B. (2009) 'Responding to NGO Development Effectiveness Initiatives' *Briefing Paper Number 122* London: One World Trust and Langan, J.; Cavendar, A.; Palmer, T. and Gwynne, B (2010) 'Responding to Development Effectiveness in the Global South' *Briefing Paper Number 126* London: One World Trust

1. Trends and patterns of NGO accountability

The One World Trust has identified over 350 self-regulatory initiatives amongst CSOs worldwide, which aim to improve the accountability and effectiveness of their members. Drawing on our database of SRIs we have identified some common drivers and principles which underpin the initiatives, as well as the different structures and mechanisms through which SRIs work.

Drivers of NGO accountability initiatives

The rise of the NGO accountability and effectiveness debate in the international development and humanitarian sector can be attributed to several factors. Firstly, a series of scandals over the past two decades has undermined the presumption that NGOs are necessarily doing good. From national level scandals about the misuse of funds by individual NGOs, to reports on international responses to the Rwandan crisis and the 2004 Tsunami, public trust in NGOs has been shaken. Increasingly NGOs are having to find ways to reassure their donors that they will use funds appropriately.

A rise of concerns around the funding of terrorist organisations has also led some governments to increase their scrutiny of NGO's financial activities. Particularly in the Global South, this is being seen as an illegitimate threat to NGOs' operating environments. NGOs are having to answer to government reporting requirements, or are forming their own accountability initiatives to "push back" against the threat of greater regulation.

In recent years the rapid expansion of the NGO sector in combination with donors' budget cuts means that there is greater competition for fewer resources. NGOs are increasingly being asked to demonstrate why their programmes deserve funding over others by reporting on the achievement of project outcomes to demonstrate effectiveness.

The accountability and effectiveness debate is not driven solely by external factors such as those discussed above. Many NGOs strongly believe that the sector needs to improve its accountability to donors and beneficiaries, and are pushing for change within their own organisations, and at a wider sectoral level.

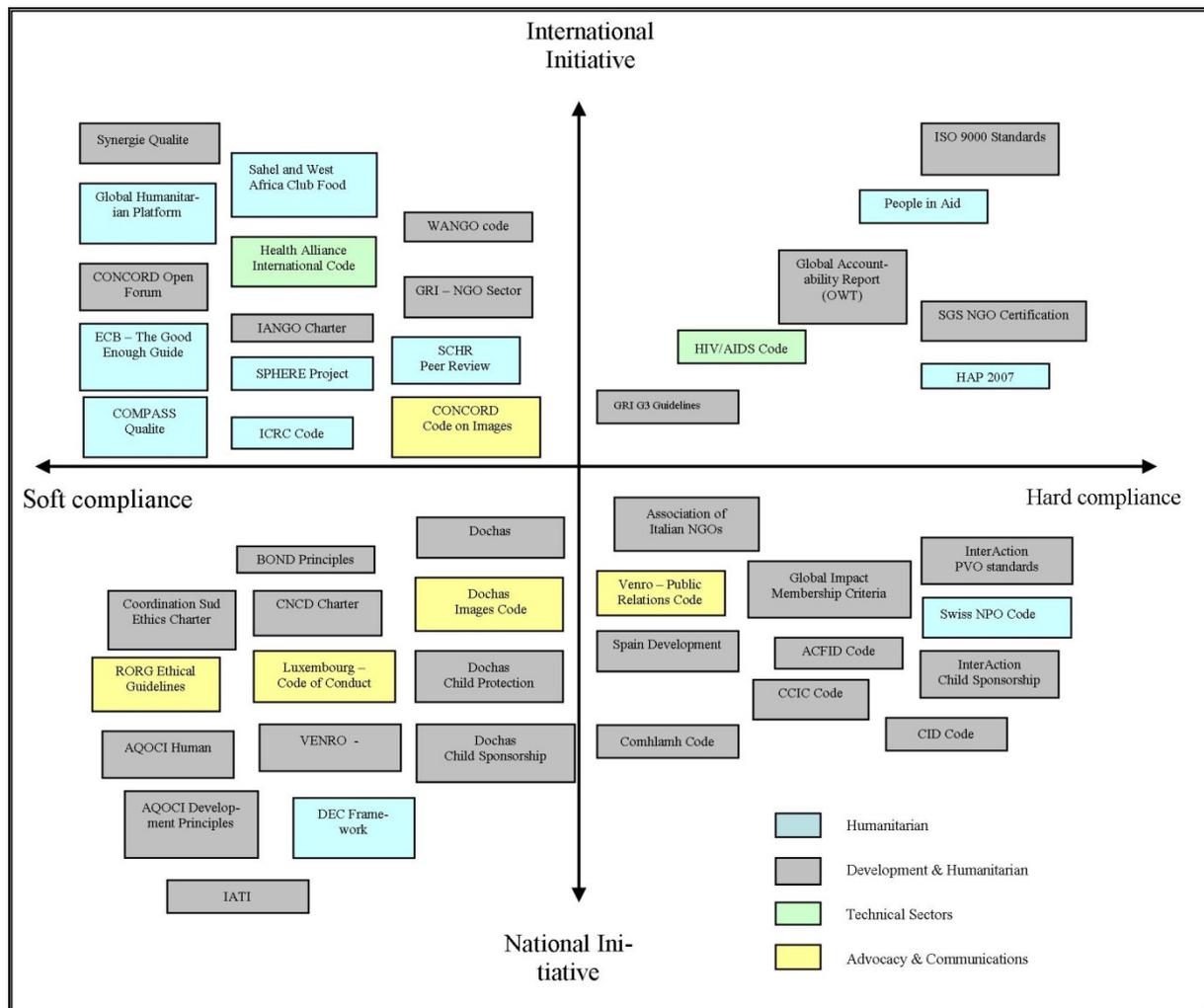
Scope of self-regulatory initiatives

The One World Trust's SRI database includes self-regulatory initiatives which work in a variety of different ways to promote and support NGO accountability. These include Codes of Conduct, Certification Schemes, Awards, Working groups and Information Services. The self-regulatory initiatives can vary from international initiatives with hundreds of participants, such as the Sphere Standards, to small local initiatives which work closely with a few members. Initiatives can cover broad principles of accountability or effectiveness or specific standards relating to a particular technical area (the Code of Good Practice for NGOs responding to HIV/AIDS) or an aspect of NGO work such as Human Resources (People in Aid). Self-regulatory initiatives also use different methods to ensure that their members comply with the principles

or standards they set, from a signature to confirm commitment to a rigorous third-party assessment.

Figure 1 demonstrates how some of the self-regulatory initiatives for Development and Humanitarian NGOs vary in their geographical scale, thematic focus and compliance mechanisms

Figure 1: Scope of SRIs for development and humanitarian NGOs



Common Principles of NGO Accountability and Effectiveness

One World Trust research into CSO self-regulatory initiatives has found that many initiatives in the Global North and South share similar underlying principles of accountability and effectiveness. We have identified six key principles of effectiveness, which in different combinations, have been used by NGOs, NGO coalitions and initiatives within the development sector over the last 15 years.

The first principle is concerned with the **accountability** of organisations towards both internal and external stakeholders. It stresses the multidimensionality of accountability demands – to those people NGOs aim to serve, to their own staff and to their donors and supporters. A second principle addresses **ownership, partnerships and participation**. It emphasises the engagement of local stakeholders in decision making, in development and humanitarian activities, and highlights the commitment to work on an agenda based on the needs and priorities of these local stakeholders. A third principle focuses on **transparency and good governance**. It concerns the disclosure of information about NGO activities, finances and governance arrangements for guaranteeing internal controls and efficiency.

The fourth principle is that of **learning, evaluation and managing for results** which is found in most of the reviewed sources. It encourages organisations to learn from the work they do and develop better strategies based on that learning. Emphasis is on measuring performance and impact and on capacity to learn from experience. Fifth, NGO initiatives emphasise principles of **independence** from political and economic interests. Finally, a sixth principle focuses on the **respect for diversity and human rights** in guiding NGO action².

2. Effect of SRIs: Improving legitimacy and effectiveness

Membership of an SRI can have both internal and external benefits for an NGO. Adherence to an SRI's principles or standards, such as those described above can improve an NGO's legitimacy in the eyes of its donors, its peers and the wider public. The process of working towards an SRI's principles or standards can also drive a process of organisational change within the NGO which increases the effectiveness of its work.

Legitimacy

One principle aspect of self-regulatory initiatives is that they provide a 'signal of quality' about their member NGOs, which increases their legitimacy in the eyes of donors and the public³. Increased legitimacy can be essential when competing for funding or gaining access to populations in complex or dangerous situations. For NGOs engaged in advocacy work, a high level of legitimacy is crucial to ensuring that their message is heard and taken on board⁴.

² For more detail about the common Principles of Effectiveness please see Ligan, J.; Cavendar, A.; Lloyd, R. and Gwynne, B. (2009) 'Responding to NGO Development Effectiveness Initiatives' *Briefing Paper Number 122* London: One World Trust p3

³As discussed by Dr Mary Gugerty in Gugerty, M (2009) 'Signaling Virtue: voluntary accountability programs among non-profit organizations' *Political Science Quarterly* Vol. 42 pp243-273

⁴ Hammer, M., Rooney, C., and Warren, S. (2010) 'Addressing accountability in NGO advocacy: Practice, principles and prospects of self-regulation' *Briefing paper number 125* London: One World Trust

Membership of self-regulatory initiatives can increase the legitimacy of NGOs in a number of ways. The very fact of membership of an SRI can increase the legitimacy of an NGO, as it demonstrates that they are committed to good practise principles. However, this will of course depend on the respect and credibility of the SRI itself as a promoter of accountability and effectiveness. If the SRI has a reputation for strict compliance with its principles, the legitimacy it passes on to its members is likely to be greater. Equally, a self-regulatory initiative with a number of poor performing members is likely to suffer in reputation, and membership of this SRI can even undermine the legitimacy of a member NGO.

More specifically, commitment to some of the particular principles described in the previous section can be seen to directly increase the legitimacy of NGOs.

Firstly, committing to principles of **Transparency, Good Governance** and **Accountability to Donors** increases the legitimacy of an NGO by providing a guarantee that they are being open and honest about their financial procedures. This can help raise them above allegations of corruption or conflicts of interest that are levied against the sector as a whole, and provides reassurance to institutional and private donors that their funds are being used appropriately.

Secondly, legitimacy can be increased by committing to the principle of **Accountability to Beneficiaries**. For some self-regulatory initiatives, this has not been a priority area, and attention has focused on 'upwards' accountability to donors. However, increasingly NGOs and SRIs are recognising that it is important to be accountable to *all* stakeholders. Accountability to beneficiaries has more than a moral value however. By clearly committing to listen to and to respect the people they intend to help, NGOs can increase the legitimacy of their motivation, both in the eyes of the beneficiaries, but also national governments and donors.

Thirdly, in some contexts, a commitment to **Independence** is crucial to ensuring the legitimacy of an NGO. This varies according to the situation in a country: some national SRIs, particularly in the global North, are comfortable working closely with government or the commercial sector. However, in some situations it is important for an NGO to distance themselves from politics or business interests, particularly if there are concerns about corrupt practices. In such cases, an explicit commitment to financial and political independence is needed to show that the NGO is operating according to their own charitable or humanitarian principles, and is not influenced by the interests of other parties.

Effectiveness

Whilst membership of a self-regulatory initiative is valuable for the legitimacy that it brings to an NGO, commitment to principles or standards of accountability can also be an important driver of change within an organisation, which can improve the effectiveness of their work.

Firstly, principles of **Accountability to Beneficiaries** and **Ownership** encourage NGOs to actively involve all stakeholders in processes which affect them. By consulting with local communities, and drawing on local skills and knowledge, NGOs can ensure that project designs are appropriate and best meet local needs; can increase local capacity and skills base, and can increase the commitment of the community to support the project. All of these aspects can be

important in improving the effectiveness of a programme by Development and Humanitarian NGOs.

Secondly, committing to principles of **Learning, Evaluation and Managing for Results** can help to improve the effectiveness of an NGO by encouraging them to implement policies and tools which review the successes and challenges of their work. It can also create a culture of learning from these identified challenges, which will drive a process of continual improvement within an organisation.

Finally, principles of **Accountability** and **Respect** can be important in attracting staff. Potential employees may be more willing to work for an organisation that promotes both their right, and the rights of beneficiaries, and which is open and transparent about the way in which it works. Implementing these principles may also create a more conducive and supportive working environment for existing staff. These principles can therefore increase the effectiveness of an NGO by improving the quality and performance of its staff.

3. What makes an effective SRI?

As discussed above, there are many different models of self-regulatory initiatives. Depending on a variety of factors, these SRIs can have different levels of success in driving change within their members, to increase their legitimacy or improve their effectiveness.

One principle challenge to self-regulatory initiatives is how to help their members meet the principles or standards that they set. As highlighted in a previous section, the legitimacy that an SRI provides to NGOs will be undermined if it has a reputation for poor performing members. Implementing the principles or standards of an SRI can be a resource and time intensive process: without sufficient motivation an NGO may not be able to mobilise the organisational commitment necessary to meet the standards, even though in principle it agrees with them.

In order to be effective, an SRI must both motivate and support its members. Research has not yet reached any comprehensive conclusions about which models of SRIs are more effective than others, however the One World Trust's work suggests that several factors can be important.

Compliance Mechanisms

In order to ensure members are meeting standards, and to encourage new members to work towards the standards, some SRIs implement compliance mechanisms which monitor levels of performance, and enforce sanctions against non-compliant members (see Table 1). Compliance mechanisms can help to increase the legitimacy of an SRI itself, and therefore its members, by providing a guarantee that standards are being observed. The threat of regular monitoring or even sanctions can also motivate NGOs to commit the necessary time and resources to meeting the standards.

Compliance mechanisms can be reactive, such as a complaints procedure where cases of non-compliance can be reported and investigated, or proactive, where the SRI actively reviews to

what extent its members meet its standards. Within proactive approaches there are different types of assessment, ranging from self-assessment, where the organisation reviews whether they feel they are meeting the standards, to Peer Assessment, where the review is carried out by staff from another NGO, to Third Party Assessment, where an external consultant assesses the member NGOs. Sanctions against non-compliant members also vary in their rigour, from

Table 1: Components of a compliance system			
Monitoring function			Sanctioning mechanism
Approach	Method of assessment	Source of assessment data	
Proactive monitoring	Self-assessment	Desk based	Recommendations for corrective action made, but kept confidential
	Peer assessment	Interviews / surveys / field visits	Recommendation for corrective action made and disclosed publicly
	Third party assessment	Both	Financial penalty imposed
Reactive monitoring	Complaints procedure	Depends on nature of complaint	Membership suspension / expulsion
			Expulsion publicised

discreet recommendations for change, to publicised fines or expulsions⁵.

⁵ For more discussion of the role of compliance mechanisms in SRIs please see Lloyd, R., Calvo, V. and Laybourn, C. (2010) 'Ensuring Credibility and effectiveness: Designing compliance systems in CSO self-regulation' *Briefing Paper number 127* London: One World Trust

Strict compliance mechanisms can be a very effective way of ensuring that member NGOs meet the principles or standards of an SRI, however, they are not always the most appropriate means of promoting accountability and effectiveness amongst NGOs. The most rigorous and credible mechanisms, which involve regular third-party assessment, are expensive to implement, and can be a financial burden on the members or the initiative. Although the threat of publicised sanctions may provide the strongest motivation to comply, it may be more productive for an SRI to discreetly engage with a non-compliant member, and find ways of supporting them to improve. Compliance mechanisms can also alienate NGOs in the sector, if they feel they are unnecessary or are too time intensive. Trust can be an important factor for NGOs, and they may be unwilling to engage in a process if they feel they will be under unnecessary scrutiny. The effectiveness of different models of compliance mechanisms therefore closely depends on the context in which the SRI operates: whether there is a strong need to increase the legitimacy of NGOs, through guaranteeing member compliance with the standards, or whether there is an enthusiasm amongst members to be more accountable, with just the need for some support and organisational motivation.

Other key aspects of an effective SRI

Beyond the need for appropriate levels of compliance mechanisms, some other key points can be identified which will help an SRI promote and support the legitimacy and effectiveness of its members.

Firstly, the SRI will be most effective if it responds to the context its members operate in. By consulting with its members, an initiative can find the best ways of meeting their needs, and addressing any barriers they face to compliance.

Secondly, an SRI needs to support its members to achieve its standards or principles, through a range of tools or events. This can be through regular workshops, creating guides to meeting specific standards, or bringing NGOs together so that they can share challenges and learning. An SRI can also support its members by taking consideration of their different needs. By being flexible about the standards or reporting requirements for small or large organisations, or organisations at different stages of meeting the standards, SRIs can encourage those that are struggling, whilst motivating more competent members to keep improving.

Thirdly, an SRI may be most effective in improving the legitimacy and effectiveness of NGOs if membership provides something in return. As discussed above, NGOs may agree in principle with the SRI's standards, but be unable to mobilise the resources needed without more tangible returns. Some SRIs offer access to government funding to their members, such as the Australian Council for International Development Code of Conduct, which is mandatory to access AusAID funding. Providing certification against the standards is another way that SRIs can 'reward' fully compliant members, by providing them with tangible proof of their good practice, which can be displayed to donors and the public.

4. Successfully implementing accountability principles

Whilst in theory an NGO may be fully committed to the principles of accountability and effectiveness promoted by an SRI, successfully implementing the principles can be challenging in practice. These challenges can also be faced when introducing internal accountability tools or guidelines within an organisation. In order to best ensure that models of accountability are successfully adopted throughout the organisation, NGOs need to carefully review whether the model is appropriate to their way of working, and what support and resources they can dedicate to the task.

Each NGO works in a slightly different way, with different thematic interests, geographical focuses, and internal structures. NGOs need to ensure that the SRI or other accountability model that they are engaging with is **appropriate to their needs**. They should consider whether they will be able to meet the reporting requirements of the SRI. For example, will they be able to provide field reports for all projects? They also should consider whether the initiative covers the principle areas in which they work, or if it includes standards which are not relevant to them. If the accountability model does not meet their needs, the NGO may have to consider whether they need to create their own, or develop supplementary standards to work alongside the requirements of the SRI.

In order to successfully meet accountability standards, an NGO must also be able to provide **sufficient organisational commitment** to the task. The support of senior management is crucial in ensuring that the principles are integrated and supported by the organisation. However, it is also important that throughout the organisation staff are on board with the process, including field staff, or implementing partners. In order to effectively integrate the accountability principles into their everyday work, staff need to understand not just what the principles mean, but why they are important. The NGO may need to develop their own tools and guidelines to explain this in terms of their specific organisational processes. Lastly, an NGO needs to be able to provide sufficient resources to support the implementation of the principles. This does not have to be a great financial cost, but dedicated resources are important to ensure that other organisational priorities do not 'squeeze out' the accountability agenda. This may require a separate budget, and/or staff with specific responsibility for promoting and implementing accountability principles throughout the organisation.

Conclusions

Development and Humanitarian NGOs around the world are facing increasing pressure to demonstrate and improve their accountability and effectiveness from donors, the public, and within their own sector. Membership of self-regulatory initiatives is one way in which these NGOs can drive forward organisational change, to help meet these demands. However, as this paper demonstrates, self-regulatory initiatives can differ considerably from one another in their scope, and the ways in which they work to increase NGO effectiveness and legitimacy. In order to effectively improve their accountability, NGOs need to carefully consider which models of self-regulation best suit their needs, and how they can ensure sufficient organisational commitment to meeting the standards.

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