Analysis

In defence of non-profit accountability

Simon Zadek reflects on the upsurge of interest in the accountability of not-for-profit, civil society organisations.

The accountability debate comes in waves, rolling across society's sensibilities, and weaving its way across topics, geography and institutions. Everyone gets their turn to be in the limelight. All it takes is a little patience (your moment will come), using up (usually someone else's) money, having a little bit of influence or power, and rubbing a few people (with even more influence) up the wrong, or the right, way. Last but not least, it often (but not always) requires that you do something really rather bad. The queue of would-be limelighters is considerable. There are those who's karma, and to varying degrees performance, somehow never allows them to move on, like the World Bank, the IMF and the Vatican; newcomers eagerly waiting their turn, like food and financial service companies (please walk this way) and public-private partnerships (see my previous column on this). Then, of course, are the NGOs.

The accountability of NGOs is an issue, largely because of their increased importance (see queuing criteria above). In North America and Western Europe, for example, the 'non-profit sector' is a major economic phenomenon, employing as much as 12 percent of the workforce, and running an annual expenditure making up as much as 15 percent of GDP. And the numbers of them are staggering - a recent article in World Watch, the bi-monthly magazine of the World Watch Institute, suggested that US alone has about 2 million NGOs, 70 per cent of which are less than 30 years old. India has about 1 million grass-roots groups. NGOism is, to say the least, 'big business'.

Size, however, is clearly not the only relevant measure of importance. NGOs, particularly campaigners but also service providers, are the supreme practitioners of 'leverage', using the tools of the age – notably communications – to create change through influence rather than power or conventional control over resources. The issue of NGO accountability arguably came of age when *The Economist* reflected on the failure in Seattle in November 1999 to initiate a new round of trade liberalisation negotiations under the auspices of the World Trade Organisation.

"…citizens groups are increasingly powerful at the corporate, national and international levels. How they have become so, and what this means, are questions that urgently need to be addressed. Are citizens groups, as many of their supporters claim, the first steps towards an international civil society (whatever that might be)? Or do they represent a dangerous shift of power to unelected and unaccountable special-interest groups?"

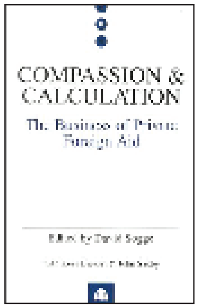
In its presentation of this story, *The Economist* was certainly conservative, perhaps somewhat reactionary, and arguably hypocritical. But never let it be said that *The Economist* does not see an issue that is staring it in the face. The questions it raises are right and proper.

There is a prolific outpouring about NGO accountability at the moment, ranging from progressive-leaning publications like the recent report by SustainAbility *The 21st Century NGO,* through to barely disguised rants from the right, such as the recent ramblings of the American Enterprise Institute. But the topic is far from new, despite the 'I got there first' tendencies of some of today's commentators. Mike Edwards, for example, now with the Ford Foundation, has a long list of publications on the topic going back more than a decade. David Sogge's mid-1990s publication, *Compassion and Calculation*, brings together thoughtful essays relevant to the matter. Indeed, much of the early 'social accounting and auditing' undertaken through the New Economics Foundation, a left-leaning UK think tank, was originally focused on NGO evaluation and accountability before it was transhipped into the field of corporate accountability.

But it has to be said, much of what passes as accountability within the NGO community just doesn't cut the mustard. Accountability to intended beneficiaries tends to be informal, and too-often weakly (mis) specified in law. Accountability to funders is often far too formalised, over-bureaucratic, and generally counter-productive. There are far too many instances of NGOs wrongly claiming that individualised 'values and commitment' are an adequate basis for their accountability. As a civil activist reflected following the street battles that took place around the World Trade Organisation meeting in Seattle in 1999.

"The question that came to my mind while seeing delegates from mainly developing countries excluded from the talks by protestors - and being sporadically assaulted and intimidated by them - while the US and EU negotiated inside - is when does one group's right to free speech out weigh another’s right to free assembly? And when does obstruction of legitimate activity stop being “non-violent”?

“Also what responsibility do the sub-group of NGOs who produce what are basically lies about the WTO take for winding-up naive - and very young - protestors so they go out and get tear-gassed? There was a lot of manipulation going on out there.”



The concerns are far from new

As Michael Edwards commented in a pamphlet published by the UK-based think-tank, the Foreign Policy Centre, “The challenge for NGOs is to show that they can put into practice the [accountability] principles that they campaign for in others”.

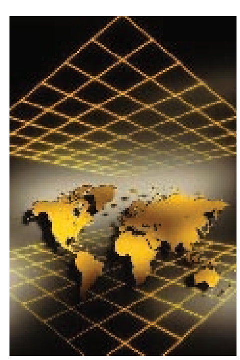
But these facts and concerns do not justify the nonsensical claim that ‘NGOs are unaccountable’, just as it is daft to say the same about the business community. The NGO community, a quaint name for an extraordinarily heterogeneous group of institutions, has a long history of experimenting in many forms of accountability that others have emulated. The business community did not invent stakeholder engagement, after all. Its roots go to the ‘participatory development’ paradigm advocated and practiced by NGOs around the world since the mid-seventies, marked by Robert Chambers’ seminal book, *Farmers First*. Performance indicators developed in conjunction with those who are impacted is a civil invention, since imitated for better and worse by corporate consultants and many others.

My remarks are not intended as a defence of NGOs, or ‘know all’ comments that ‘it has all been said before’. It is just to say, let’s take the question of NGO accountability seriously, rather than launching a simultaneous, semi-literate defence and witch-hunt like the one that we have just spent almost a decade convincing people we should not be running against the business community.

We have a real accountability dilemma. The role of NGOs over the last decade has been extraordinarily important. That does not mean that it has always delivered results, or even been sensible – it would be absurd to suggest otherwise. But there is ample evidence to support the view that the NGO Balance Sheet has been resoundingly positive at a time when the accountability gap of governments and business has never been greater. There are clearly many who would dearly love to neutralise this force, and are happy to use the tools of cynicism to raise doubts about the legitimacy of the NGO community as a whole. Curiously, this would be counterproductive for the business community itself, much of which is increasingly finding that NGOs are powerful performance enablers, in that engaging with, or at least listening and learning from, them can contribute directly to the bottom line. The challenge is to find means of enhancing NGO accountability without undermining their crucial roles in securing civil regulation and catalysing social innovation.

AccountAbility’s accountability

NGOs are reluctant to take a leadership role in arguing for greater accountability, and often contradict their own positions vis-à-vis the business community in arguing for self-regulation (for themselves), and soliciting the unaudited trust of funders and the public. There is no reason why NGOs should not take a lead in showing how to establish appropriate approaches to accountability. A case in point is AccountAbility, which has (not surprisingly given its name) tried hard to innovate in this area. We are of course a non-profit organisation, although we have never really thought of ourselves as ‘an NGO’. We have members who are empowered to vote their representatives onto our Council once every three years, who is made up of business, service providers, academics and civil society members. The Council has the right and responsibility to set strategy and policies, and does so with gusto (let me tell you!). AccountAbility has an Operating Board, which is the legal board with fiduciary duty. The Board is responsible to the Council for overseeing the implementation of strategy, and its directors (currently four non-executive and one executive) have to stand down and seek re-election at each AGM that is attended by members (and is moving to an on-line version to enable greater involvement from non UK-based members. We publish the attendance records at Council and Operating Board, and have time limits on how long an elected Council member can remain in place. The third piece of our governance infrastructure is our Technical Committee, which oversees the development of the AA1000 Series. This Committee is co-Chaired by representatives from the Council and the Operating Board to ensure strategy and fiduciary perspectives are adequately represented in its deliberations and decisions over this core area of our work.


NGOs have an increasingly global scope of operations

We seek to account to our stakeholders for our activities and decisions. We publish our financial accounts, and the minutes of our Council and Operating Board meetings. We have produced ‘AccountAbility Accounts’ for two years (all available on our website). These accounts report on the results of structured dialogue with our Council,

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members, staff and volunteers, partners and funders. Furthermore, it reports targets and performance metrics in relation to each of our four strategic policies and six enablers. The draft accounts are made available to our members and debated at our AGM, before going to the Board and Council for assessment and sign-off.

Although it is a dangerous, fatal thing to say, I do think that we are doing pretty well. What I do not mean is that we have got it right, or that our performance is adequate in either our eyes or those of our stakeholders. I certainly cannot say for certain that we will even survive through the bulk of this decade. What I do mean, however, is that we have been successful in building a framework of accountability that seeks to effectively balance governance structure and process, stakeholder engagement and process, accounting and reporting, and of course performance.

Vision, not fear

Adequate NGO accountability must emerge from vision about, not fear for, the future of civil society. It does not help to scaremonger, accuse, or to run-away. As with the collective endeavours in advancing corporate accountability, what is needed are approaches to accountability for NGOs that make sense of their roles and associated responsibilities. There is no 'one size, fits all', certainly. But equally, there is a need for approaches that can handle the growing numbers of NGOs, their influence, and the scale of resources that they solicit and use. For many NGOs, furthermore, an approach to accountability is needed that can effectively handle their increasingly global scope of operations, communications, and resourcing.

ACCESS is one example of an emerging initiative seeking to address this challenge, focusing on the linkage between performance reporting, resourcing, and capacity development. Core to the initiative is the task of developing the equivalent of the GRI Reporting Guidelines for non-profits. Like the GRI, ACCESS seeks to establish an agreed international reporting standard. Unlike the GRI, however, the strategy is to self-consciously embed ACCESS into the growing number of 'social investment' markets through which NGOs are likely to source an increasing proportion of their finances in the future. Furthermore, the intention is to build some level of assurance and/or certification into the ACCESS approach, therefore providing NGOs with a more credible basis for communicating performance and raising resources.

The ACCESS initiative has been developed by a core set of partners, including AccountAbility, the Aga Khan Development Network, Brugger and Partners, Earth 3000, the Inter-American Foundation, Medley Global Advisors, the Schwab Foundation, and the State of the World Forum. The core partnership, interestingly, combines expertise in corporate reporting, international development and associated evaluation techniques, civil society governance, and social entrepreneurship. Recognising the complexity of the issues, ACCESS aims to provide not only a range of accountability tools for civil society, but also to provide an active forum for debating the challenges of NGO accountability.

ACCESS's contribution remains to be tested, certainly. However, the territory it is describing and to which it is seeking to make a contribution is very real, and needs to be inhabited with new social innovations that secure the effectiveness of future generations of NGOs rather than protecting those generations whose time has past. The ACCESS initiative does, certainly, provide clues as to how to enhance NGO accountability without 'killing the golden goose'. That is, it is making a convincing stab at how best to recognise and validate the importance of the personal and political dimensions of civil accountability, whilst at the same time taking advantage of the potential for codifying some aspects, such as performance accounting and reporting. The founders of ACCESS, and the increasing range of players engaging in its development, recognise the potential for developing accountability approaches that reinforce NGOs' historic roles, rather than undermining them amidst a welter of regressive constraints and bureaucracy.

It is to be hoped that more initiatives like ACCESS will emerge, founded by other progressive coalitions seeing the need, and other opportunities, for building strong civil accountability approaches into, and for, the future. The business community, and more broadly those involved in corporate responsibility, have a crucial role to play in all this. But for this role to be productive requires above all that we learn from our own experience. What contributes most are not the anecdotes of failure or the romantic visions of change. More helpful is a careful examination of the facts, mixing expertise with kicking old habits in stimulating productive innovations, and mobilising energy and support in getting things to change on the ground. ■

Simon Zadek is Chief Executive of AccountAbility. Parts of this article are drawn from the author's book, *The Civil Corporation: the New Economy of Corporate Citizenship* (Earthscan, 2001). Further information about ACCESS can be obtained from David Bonbright at access@accountability.org.uk, and about AccountAbility at www.accountability.org.uk.