ACCOUNTABILITY FORUM

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NGO Accountability and Performance

AccountAbility Forum is a quarterly journal dedicated to providing the most up-to-date information on the organizational accountability for sustainable development, worldwide. By bringing together contributions from practitioners working in the field, it provides insight through practice, and offers experiences and perspectives in order to demonstrate how accountability drives performance.

AccountAbility Forum provides an essential resource for businesses, NGOs, governments and academia to learn about the most recent and important developments in accountability. Through consultation with AccountAbility's networks and partnerships, each issue focuses on a current development in the area, and in this way ensures that topics are both timely and relevant.

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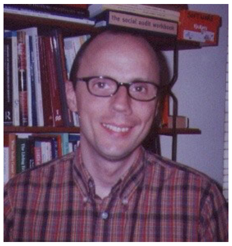

Editor's Note

Peter Raynard

Welcome to the second issue of AccountAbility Forum. The topic of NGO[1] accountability and performance is one that has occupied the minds of many people for a number of years now. However, the debate has either been polarised and/or focused on theory and rhetoric rather than trying understand how accountability can drive the performance of NGOs in order for them to better achieve their objectives in line with their stakeholders.

AccountAbility is about to take part in an exciting new project called ACCESS, which *"aims to increase significantly the quality and quantity of social investment – donations, grants, in-kind support and volunteering -- for sustainable development by and for the world's poor."* I am very pleased therefore that David Bonbright of the Aga Khan Foundation, who has been instrumental in getting ACCESS up and running, in collaboration with a number of others, including AccountAbility's Simon Zadek, is the guest editor for this edition of AccountAbility Forum.

The contributions in this issue come from leaders in the field of NGO development and accountability. They cover the broad spectrum of approaches NGOs have taken to accountability, from regulation to voluntary codes of conduct, approaches that are very familiar to readers from the corporate sector. In fact, I think there are interesting similarities in the way in which non-profits and companies have approached accountability. First of all, they often have started their accountability journey either in a defensive way, generally in response to 'scandals' or as the result of individuals' ethical leadership. Out of this, both have gone down the road of developing codes of conduct (Red Cross NGO code; or Responsible Care for the chemical industry). Or they have used quality management standards such as the European Foundation for Quality Management. Both have used stakeholder engagement, participation, call it what you will, as another accountability factor.

So I often wonder, where are the differences and how can the respective sectors learn from each other? I hope you feel that the following contributions help answer this question.

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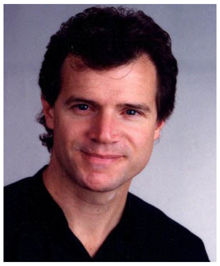
[1] Please note that different terms are used to describe the non-profit sector. This reflects the contributors' preferences and particular circumstance, hence no attempt has been made to 'homogenise' the language.



NGO Accountability and Performance: *Introducing ACCESS*.

Guest Editorial

David Bonbright

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What is the problem?

In September 2000 147 heads of State and Government, and 189 nations in total, acknowledged that progress is based on sustainable economic growth, which must focus on the poor, with human rights at the centre. The objective of their UN Millennium Development Declaration is to promote "a comprehensive approach and a coordinated strategy, tackling many problems simultaneously across a broad front." The Declaration calls for halving by the year 2015 the number of people who live on less than one dollar a day.

At a Millennium summit follow up towards the end 2005, UN Secretary General Kofi Annan will deliver a progress report. It will be anything but a glowing report. This brings us closer to the heart of the problem. At a time when the world has set itself the worthy goal of banishing extreme want, it is failing to close the gap. So why are we not making better progress? The goals are clear. The machinery of government and business and NGOs is all pointed in the same direction. What's wrong?

The culprit almost certainly resides in the least discussed of the MDGs, number 8, the one that came as an afterthought and deals with development aid, debt, access to information technology and essential drugs, and the rules of the international system with respect to trade and finance. To focus on aid, and to leave aside insistent questions about aid effectiveness, it is variously estimated that for a serious intergovernmental attack on the MDGs, current annual levels of aid – at about 57 billion USDs – will need to double. Official development assistance, as the MDG website lamentably reports, is in the other direction.

Looking Elsewhere for Solutions

As Kumi Naidoo describes in the opening article of this issue, over the last fifteen years or so, the world has witnessed what some have called a "global associational revolution" and a "power shift". Everywhere citizen driven organisations are emerging to respond to the wide variety of challenges facing humanity.[2]

One of the defining features of non-profit organisations is that their key resource is an expanding and self-renewing one -- "people power". Paradoxically, however, it is a resource that is hard to tap and sustain. When it comes to raising finance, the state sector can tax and the commercial sector can offer investors a financial return. The situation for the non-profit citizen sector is more complex. Its funds come from three distinct sources: fees and other earned revenues, public sector payments (mostly for contracted services but sometimes as entitlements), and grants and donations.

Grants and donations are particularly important for the citizen organisations working with and for the poor of the developing world. Grants (including private giving and foreign aid) available in the developing world amounts to approximately USD 85 billion a year. United States domestic nonprofits consume over USD 200 billion a year.

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[1] For a comprehensive analysis of the story of the rise of the competitive nonprofit sector, and especially its problem-solving entrepreneurial leading edge, see David Bornstein's "How to Change the World: Social Entrepreneurs and the Power of New Ideas" (OUP, 2004)."

This analysis suggests that we need more efficient and effective ways to channel grants and other forms of social investment to support (and spur on) citizen initiative for public benefit. We should be setting our sites on increasing social investment in the non-profit citizen sector by multiples of five or ten. The resources exist to do this. We have the capability. There are some 20 trillion dollars under professional investment management in the United States alone. What would it take to attract an additional USD 200 billion a year from all corners of the world to support effective citizen-led initiatives in the developing world?

Introducing ACCESS

For the past two years, a group of us from backgrounds ranging from human rights, business, finance, and public policy, are setting out to create the conditions for effective and efficient social investment "marketplaces" or "exchanges" where citizen organisations and social investors can link up efficiently on the basis of the demonstrated capabilities and performance of the investees. Our analysis, which involved consultations and studies ranging across the globe over 18 months, found the critical missing enabler to be a common informational basis for understanding non-profit capabilities and performance. In order to address this need we have set out to establish the ACCESS Reporting Standards Framework for non-profit organisations seeking to produce social, environmental and, increasingly, financial returns.

Which brings us, at last, to our topic, "NGO accountability". Better measuring and reporting is, of course, one aspect of accountability, and it is from this perspective that ACCESS approaches the matter. ACCESS seeks to create a mutually reinforcing relationship between accountability, performance and resourcing through the means of a generally accepted reporting standard.

Through improved reporting, ACCESS aims to contribute to three types of outcomes.

1. ACCESS Reporting will improve internal performance by giving managers better real time feedback. It will become easier to manage by performance rather than by effort.
2. ACCESS Reporting will strengthen accountability to constituents and beneficiaries by encouraging transparency, effective stakeholder engagement and improved reporting.
3. ACCESS Reporting will increase significantly the quality and quantity of social investing – donations, grants, in-kind support, volunteering, loans and equity -- for sustainable development by and for the world's poor.

ACCESS envisions a virtuous cycle in which citizen organisations improve their performance, communicate effectively, and thereby enable better and more social investing. This virtuous cycle is part of a new emerging social investment paradigm that is characterized by greater transparency and more robust measurement practices.

New Paradigm Drivers

This emerging paradigm is driven by a number of key factors, including new actors entering the philanthropy domain from finance and business, new communications tools, advances in metrics, a response from within the civil society sector to accountability pressures, and developing world governments' growing reliance, directly and indirectly, on nonprofits to deliver social services.

Five historical trends are converging in a way that suggests the features of a new social investment model.

First, there are growing numbers of individuals from the business and non-profit worlds who are actively applying lessons drawn from the business world to the domain of non-profit organisations and social change.

Second, new communications technologies offer powerful new tools for communicating and sharing information in the non-profit world. For example, the Internet has generated a growing number of investors who are tailoring web technology to create new social investment marketplaces.

Third, there is an impetus from within the non-profit sector for accountability and improved measurement. This is partly driven by the challenge of attracting more diverse private support, but is also a result of direct challenges to non-profits own legitimacy and whom they represent. As many of the articles in this issue demonstrate, non-profits have been proactive in addressing their own accountability through the development of codes of conduct, certification, as well as self-assessment.

The fourth trend is the emergence of social entrepreneurship and development management *as* a profession. Perhaps most relevant to ACCESS, a growing professionalism in nonprofits has brought with it a maturing of measurement and impact assessment practices. For example, research by the Hewlett Foundation has tracked the 'blended' value creation of diverse approaches to social investment.[3]

The fifth trend is that of growing developing country government reliance on nonprofits to delivery social services. This well-documented trend is most often seen "by default" in the sense that governments are simply acquiescing in the face of private citizen initiatives to redress historic service backlogs.[4]

A number of other features co-evolving around and through the field of social investment are contributing to the emerging paradigm:

- Public funding – international aid as well as government-delivered services – looks increasingly to fund NGOs, and requires better performance accountability measures to do so.
- Indigenous philanthropy is increasing in the developing world. For example, a 1999 household survey on charitable giving and volunteering undertaken by the Aga Khan Development Network in Pakistan discovered that Pakistanis annual charitable giving totalled four times the amount received in international aid grants.
- People living and working outside their homelands are increasingly investing in communities "back home" – the phenomenon of so-called "diaspora philanthropy". East Asian, South Asian and Latin American communities living abroad, in particular, are increasingly well organised to undertake social investing, set up organisations, and engage home governments to create an "enabling environment" for their philanthropy.
- The "business case" for corporations to take on their wider societal responsibility is now well understood, and the pioneers are being overtaken by the pack.

Challenges

At this point, I hope that it is fairly self-evident that a global reporting standard for just and sustainable development would be a good thing. There is a technical challenge in creating appropriate metrics for sustainable development and social justice work, but a manageable one. Of course, we are not starting with a blank sheet. Non-profits themselves have for many years been developing sophisticated reporting and measurement methodologies based on participation with stakeholders. Then there is much to learn from the Global Reporting Initiative, which as many readers of AccountAbility Forum know, has developed a set of guidelines for sustainability reporting.[5]

The major hurdle, believe the ACCESS sponsors, lies mainly in convincing and enabling those seeking and providing social investment to use the standard. And to do that, we believe there are two all-important determinants, legitimacy and benefit. The ACCESS Reporting Standards Framework will have to be trusted deeply by civil society organisations and social investors alike. And they will have to derive immediate tangible benefits from using it.

The reporting standards framework must be developed and demonstrated through a representative, participatory "from the bottom up" process such that those who utilise the standard will own it. This must be done in concert with the provision of new social investment capital and capacity development support to those making the leap to use the standard. This involves engaging the existing providers of social investment and training, as well as encouraging the creation of new ACCESS-dedicated grantmakers and trainers. And there is an important scale dimension to the equation. It is a *common* standard, meaning that an essential element of its value lies in its application across diverse settings and different kinds of work; it is a whole system solution. Accordingly, its demonstration must reasonably approximate systemic diversity.

[2] See www.blendedvalue.org

[3] The annual profiles of Ashoka's social entrepreneur fellows – dating back to the late 1980s – provide a comprehensive overview of this phenomenon (www.ashoka.org).

The Approach

ACCESS planning indicates two inter-dependent tracks. One track involves a multi-stakeholder dialogue concerning the current situation and future needs for accountability and transparency in civil society organisations as a means for enhancing their credibility and to strengthen their resource bases. The other track is to design and demonstrate the ACCESS Reporting Standards Framework through an action research development process. The action research process iterates successive versions of the reporting standards framework with field trials partners, who in developing *their own* custom reporting standards will mould the ACCESS framework.

The method of stakeholder engagement will follow that developed successfully by AccountAbility through its AA1000 series, which is designed to improve accountability and performance by learning through stakeholder engagement. More generally, AccountAbility's proven track record in creating and promoting standards for corporate social reporting forms a vital element in ACCESS' technical capability.

Field trials are clustered in "pilot projects" according to two threshold and four primary criteria. The threshold criteria are commitment and capacity to contribute to the co-evolution of a generally accepted reporting standard framework for civil society organisations worldwide. The first primary criterion looks to real depth on a thematic area or problem (such as HIV/AIDS, human rights, or underemployment). Second, we seek a geographic balancing to demonstrate both global application and enable some economy of logistics and management. Third, we are exploring across different segments of the donor market. Fourth, in the partners working in the pilot projects we are looking for organisations that will be able to help take ACCESS Reporting to global scale after the demonstration phase. Taken as a set, they should inform all of the elements required to demonstrate ACCESS.

Field partner clusters, following these criteria include:

- **Certification and Self-Regulation**. Two developing world governments have delegated responsibility for the determination of tax beneficial nonprofit status to third-party organisations, the Philippines and Pakistan. ACCESS is working with the Philippine Council for NGO Certification (see Fely Soledad, AQ15) and the Pakistan Centre for Philanthropy (see Ahsan Rana's article this issue) to integrate ACCESS Reporting with their respective certification schemes.
- **New Social Investment Marketplaces**. The perspectives and requirements of social investment exchanges are especially important for ACCESS as they represent the leading edge of social investment in the world today. ACCESS is already working with three of the most promising of these actors – GEXSI, India's Give Foundation, and GlobalGiving – to make ACCESS Reporting the primary performance measurement standard for their markets, and we will actively reach out to others that we encounter.
- **Associations of Grantmakers**. Another important medium for spreading ACCESS is the field of "philanthropy support". ACCESS is working with the global resource body in this field – the Worldwide Initiative for Grantmaker Support (WINGS), as well as regional efforts to design ACCESS Reporting trials. These trials would tailor make an ACCESS product that grantmaker support bodies around the world could provide to their members on an ongoing basis.
- **Key Influencers Among Organised Grantmakers**. ACCESS is building understandings with leading grantmaking organisations that would lead to mainstreaming the ACCESS standard into their ordinary operational requirements. The Inter-American Foundation and Nelson Mandela Foundation have been early leaders among the leaders. They and others will form field trials that will contribute an important scale dimension.
- **Diaspora Philanthropy**. These social investors lack mechanisms to identify and track worthy investees. ACCESS is working with diaspora philanthropy support projects, such as the Pakistan Centre for Philanthropy and the Harvard University's Global Equity Initiative, to design an ACCESS diaspora philanthropy pilot project.

[4] www.globalreporting.org

- **Social Entrepreneur/Leadership Networks**. These leading changemakers offer a powerful seedbed for spreading new approaches to investment in sustainable development. ACCESS is working on a pilot basis with four of the leading global networks of this kind: Ashoka: Innovators for the Public, Schwab Foundation Social Entrepreneurship, CIVICUS: World Alliance for Citizen Participation, and LEAD International.

- **Governments, Public Development Agencies and Macro Data**. A more intensive relationship with bilateral and multilateral public development agencies and governments is projected after the ACCESS 36-month design and development phase. ACCESS will actively engage with the likes of the World Bank and UN agencies, to ensure that the ACCESS standard is relevant to their needs and is positioned to benefit from their experience and knowledge.

Lifting the lid…

ACCESS Reporting is in essence a reporting framework that enables the competences of reporting organisations to be tracked, compared (i.e., rated), and aggregated. It captures key factors predictive of future performance, such as outcomes from past work (defined as changes in the behaviour, relationships, activities or actions of the people, groups and other organisations with whom a reporting organisation works directly), organisation structure and systems (including people, governance, commitment, entrepreneurial quality, resource base), and strategies (including ongoing activities and underlying theories of change).

The main features of the ACCESS Reporting standard include:

1. ***Ratcheted reporting***. Individual agency and diversity are the most essential elements of citizen action for public benefit. Measuring and reporting against this irreducible complexity is a central challenge for ACCESS. One important – and highly practical -- design feature of the reporting standard is to take a carefully graduated approach. This will be graduated along two dimensions, organisational stage of development and time.

   Reporting requirements are first of all linked to an organisation's stage of development and size. Small and more informal groups may simply profile who they are and what they do, thus gaining a foothold on the ladder leading to formal accountability and accessing new resources. Larger and more established organisations are required to provide more information. At the same time, in line with the objective of accessing social investing, the standard will actively prompt organisations to provide the information required to meet legal and tax requirements for giving, as well as the most basic concerns that donors have regarding accounting for fund allocation and utilisation. Over time, ACCESS requires all organisations to ratchet up their reporting.

2. ***Open, inclusive and participatory***. As the ratcheted approach implies, ACCESS report production must be and is participatory and developmental rather than top-down and punitive. Indicators, metrics and reporting practices are customised by individual reporting organisations through participatory processes within the organisations. The ACCESS standard provides guidelines and principles to assist organisations in this task, but not checklists or blueprints. The emphasis is on how the ACCESS system can enable organisational learning (create a strong feedback loop) and to provide *access* to tangible benefits – i.e. finance, linkages, and recognition – for the good work that the organisations undertake.

3. ***Capacity development.*** While they have much in common, social investing differs from stock market investing in an instructive way. Investing in stocks is essentially about *picking winners*. Investing in public benefit organisations is about *realising society's potential* to solve longstanding problems. One could say it is about "picking potential winners" and working out how to help ensure that they do in fact win. Social investing must be *developmental* in a way that commercial investing is typically not, but venture capital often is. ACCESS reflects this capacity development imperative of social investing intrinsically and through supplementary support services. In its intrinsic dimension, the ACCESS

Reporting standard provides reporting organisations with guidelines, tools, and systems to improve the ways they understand and track performance.

4. ***Capability-based analysis***. ACCESS is oriented toward predicting future performance rather than measuring past practice. It monitors types of information that inform a robust understanding of organisational competences, including highlighting core competences. A detailed technical discussion of this and other aspects of measurement are included in the ACCESS Inception report at www.accountability.org.uk.

5. ***Graduated external verification***. External and independent verification of reports adds to their credibility and therefore enhances their effectiveness. In designing a system for verification, ACCESS must balance the benefits that derive from increased credibility with questions of financial cost and levels of effort. It contemplates a graduated approach along a spectrum of verification actions. At the basic "entry level", there would be no requirement for external checks. A very low-cost "peer review" approach is projected for most organisations. Larger organisations seeking significant amounts of funding would undergo professional external assurance.

6. ***Flexibility in prioritising rating aspects***. Just as one size does not fit all for measurement, when it comes to serving investor requirements, flexibility and usability are the hallmarks. Investors will be able to set their own ratings based on their own prioritisation of various aspects of the reporting framework. For example, an investor that believes that policy impact is particularly important can boost the value of policy impact data against other factors in order to set her own weightings for rating a particular set of reporting organisations. This allows the investor to sift through large numbers of organisations and hone in on the subset that are most aligned with that investors own strategic priorities. At the same time, by working through the logic and explicit priorities in the ACCESS standard, the investor will encounter a set of considered professional judgements about a particular set of organisations, and about the field in which they work. By creating indexes and other aggregations of reporting organisations, ACCESS will contribute to the ongoing debates about how to best eliminate social deprivations and to advance equity-oriented change.

Conclusion

It is useful to understand the ACCESS Reporting standard as a commitment to a formally structured mode of inquiry into capabilities. From the perspective of the reporting organisation, there is a gradual progression through distinct stages involving self-profiling, tracking and reporting ACCESS-required data, verification, and the comparison and aggregation of data with that of other organisations. ACCESS asks reporting organisations to be accountable first and foremost for learning -- for constructing, strengthening and using feedback loops.

The next three years will be exciting ones for ACCESS and its partners. The learning curve will be Himalayan, if not astronomical! ACCESS will undoubtedly rely significantly on the history and experience of stakeholder engagement and sustainability reporting. We look forward your continuing participation in the ACCESS development process.