Strengthening the Accountability of International Non-Governmental Organizations:

An Analytic Framework and Implementation Guidelines

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Table of Contents

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Executive Summary

As international non-governmental organizations (INGOs) have become more important actors in the international political economy, demand that they become more accountable has increased from external stakeholders, such as donors, clients and beneficiaries, partners and co-producers, and targets of advocacy campaigns. At the same time, INGO leaders have been pressed the think about internal accountability, both to gain information to meet external accountability demands and to enhance the performance of their agencies.

This paper develops an analytic framework that can help strengthen accountability of INGOs in the interest if improving their performance and enhancing their legitimacy. This framework can be helpful to INGO stakeholders who affect or are affected by its performance, to INGO leaders and managers charged with accomplishing its mission, and to society as a whole.

We begin with the abstract concept of accountability to see if there is a simple, common-sensical, widely accepted agreement about to whom, for what, and how INGO's should be accountable. We examine accountability as a relationship characterized by expectations of one another and shaped by the power of the parties to demand compliance with those expectations. The initial assumption is that there is a reasonably well-established, clear understanding of how INGO accountability should to structured—which we call *the objective social ideal view of accountability*. In searching for this "objective social ideal," however, we discover that the idea of INGO accountability includes a great many unresolved conflicts, and that society as a whole has not yet settled how to structure it.

We then describe and contrast three forms of accountability: the relatively well-established hierarchical idea of "principal/agent accountability," the arms-length negotiated agreements of contract accountability, and the emergent more collaborative idea of "mutual accountability." These three forms have quite different implications for the relations among the parties, the nature of their responsibilities, the sanctions for noncompliance, and the flexibility of the relationship in novel and uncertain circumstances. We argue that in many ways, "mutual accountability" might turn out to be the more useful starting point for thinking about INGO accountability.

Given the problems with the social ideal view of accountability, we develop a different way of thinking about accountability for INGOs. We assume that INGO leaders and managers will enjoy some discretion in structuring their accountabilities, and they can, with some important moral, legal, and practical consequences, decide how to make themselves accountable. Their challenge is to use this discretion to advance the overall strategic objectives of the INGO—the *strategic choice view of accountability*.

We also note that there can be an important dialogue between the strategic choice and objective social ideal views of accountability. The more established an objective social ideal view of accountability, the less room for strategic maneuver by particular organizations. On the other

hand, when no objective ideal exists, more room for diverse strategic choices exists. Over time, strategic experimentation by many organizations may move toward a consensus within a particular domain of activity about standards of accountability, which we call the *"objective domain view of accountability*. "

We discuss some of the implications of this view for INGOs that adopt different missions and strategies. The key stakeholders and prioritizations among them vary for service delivery, capacity building, and political advocacy INGOs. We argue that the "strategic triangle" concept offers a useful way to focus attention on key challenges and stakeholders. We also examine how performance management can be integrated with strategic thinking to respond to the challenges and stakeholders.

Then we focus on assessing the multiple accountabilities of INGOs, and how they can be understood within a "public value framework." An initial task in using the framework is to recognize the value to be created by INGOs. This entails articulating its vision and mission, specifying its strategies and strategic goals, and defining outputs that lead to desirable outcomes. A second major task is to gauge legitimacy and support for the INGO and its mission. This requires focusing on and developing sources of revenue, mobilizing volunteer energy and commitment, building legitimacy with the general public or the media, dealing with government regulators, and managing relations with other INGOs and civil society actors. The third task is to measure operational capacity and organizational activities. This involves assessing the operational resources of partners as well as the INGO itself, focusing on capacity as both a stock and flow, articulating output measures, producing measures of efficiency and financial integrity, assessing staff and partner morale and capacity, and assessing learning and innovation. The public value framework integrates these ideas of creating public value, expanding legitimacy and support, and building operational capacity.

Finally, we turn to the challenges of constructing and implementing INGO accountability systems on the basis of this analysis. We focus on several elements of this process:

- Negotiating stakeholder accountability expectations, depending on the forms of accountability current in the relationship and the nature of the INGOs mission;
- Creating performance measurement systems that recognize the potential contribution, so measures of processes, outputs, outcomes and impacts;
- Communicating results and rewarding performance, so that relevant stakeholders have access to the information they need to sanction high and low levels of performance; and,
- Using accountability systems to enhance performance management, organizational learning and organizational legitimacy.

In summary, the paper argues that accountability is increasingly important for INGOs, and that strategic accountability is more important in the international development arena than objective social ideal or even domain objective ideals. So, we have focused on the analyses and processes involved in articulating strategic accountabilities for various kinds of INGOs. While accountability is seen by many INGO leaders as "something to avoid," we have also argued that strategic accountability can align stakeholder demands with INGO missions, and so enhance internal performance, external legitimacy, and rapid organizational learning that is essential in a rapidly changing and globalizing world.

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I. Introduction

As International Non-Governmental Organizations have become increasingly important players in the international political economy, demands that they become "more accountable" have become more widespread and more urgent.[1] Mostly the demands come from those *outside* the INGOs. Those who donate resources to INGOs, or contract with them to achieve important political and economic development goals demand accountability in part because they think they are entitled to it. After all, it is their money that the INGOs are spending, and they want to be sure that the money is used well. But they also think that demanding increased accountability will be practically useful. They think that increased accountability will spur improved operational performance. They also judge that increased accountability will create a climate of trust and confidence that will draw additional resources from both private donors and governments to important political and economic development work. Demands for increased accountability also come a different kind of outsider: those who find themselves the targets of INGO political campaigns. Those targeted want to know whom the INGOs represent and on what basis the INGOs claim substantive expertise.

Some evidence for the claim that INGOs are facing more widespread and more insistent demands for accountability comes from the fact that when six existing INGOs (three based in Japan, and three based in America) were asked to describe those who demanded accountability from them, they quickly generated long lists. Their specific responses clustered in several different categories.

All reported, for example, that *Donors* to INGOs demand increased accountability. This was especially true for large institutional donors, but also for smaller, individual donors. All donors wanted to be sure that the money and material they contributed reached the intended beneficiaries with as little diversion and as much impact as possible. All also noted that they felt accountable to the *Home Governments* in whose territory they were chartered. Those home governments demanded that the INGOs behave in accord with the laws governing the activities of such organizations. Those that operated in other countries also felt accountable to *Host Governments*. The host governments demanded accountability to local laws, to competent political authorities, and to national cultural sensitivities. Those that operated government supported development projects noted that *International Development Agencies* demanded accountability to ensure that INGOs achieved the relief and development objectives they contracted to perform. They felt accountable to these actors largely because these actors

[1] See, for example, the editorial "Holding Civic Groups Accountable" in NY Times Editorial / Op-Ed Section, July 21, 2003, and the website created by the American Enterprise Institute, www.ngowatch.org.

provided either the funds they needed to operate, or the authorization to act in particular political jurisdictions, or some combination of the two.

But the INGOs felt accountable not only to those who provided resources and authorized action, they also felt accountable to those they sought to help and benefit. Those INGOs that were particularly focused on developing the capacity of groups and individuals in the countries in which they worked felt strongly accountable to their *clients* and *beneficiaries.* They felt bound by the justness of the notion that INGOs that claim to be operating in their interests of particular clients and beneficiaries will, in fact, consult with them about what their needs might be.

Those INGOs that rallied other INGOs to join them in political campaigns, or that joined with other INGOs to provide coordinated services felt accountable to their *partners* and *co-producers* for living up to the agreements they have made about how they would act together to meet shared objectives.

And finally, as noted above, even those organizations that become *targets* of INGO influence – international institutions, national governments, multi-national corporations – demand that INGOs give an account of what qualifies them to become an influential voice in a given policy arena.

The most obvious and intrusive demands for INGO accountability tended to come from those outside the INGOs -- those external stakeholders who contribute resources to the INGO, authorize the INGOs to exist and operate, work with the INGO to accomplish collaborative projects, benefit from the INGOs efforts, or become the focus of INGO advocacy efforts. It is these external actors who demand increased accountability – ideally increased accountability to them and their purposes. Those who lead and manage INGOs talk less about the importance of increasing their own accountability to these external actors. Indeed, many of the leaders from both American-based and Japanese-based INGOs whom we consulted worried that responding to increased demands for accountability might actually degrade rather than improve their organizations' performance. They tended to think that the problem was to hold off the external demands for accountability in the interest of maintaining their professional autonomy and a sharp focus on their established mission.

This view was held particularly strongly by those who led Japanese INGOs. The organizations they led were typically both smaller and newer than those based in the United States. For both reasons, they had not yet had the experience of having to respond to urgent external demands for accountability. They also thought that the particular cultural traditions of Japan, which emphasize accountability to the collective through informal rather than formal means also lessened the importance of developing the kinds of specific accountability systems that were being developed by American INGOs. In their view, they had enough trust and accountability to run their organizations without needing the more specific, and more formal mechanisms. Yet even those who lead and manage INGOs are beginning to think more seriously about how to structure their accountability.

Their most urgent concern is to consider how to respond to growing external demands for accountability. After all, ignoring reasonable demands for accountability (and the transparency of operations that is often necessary to provide accountability) can erode their organizations' moral and political legitimacy as well as their financial support. The wider public can grow suspicious of an organization that refuses to account for its purposes, its activities, and its finances. Donors can refuse to give money, or give money only with "more strings attached." Home governments that are resisted when they request information about an INGOs purposes and activities can increase their investigative efforts, and further constrain and burden the operations of the INGO. Host governments can begin to view the organizations as threats to their capacity to govern. Clients can publicly criticize the organization for failing to meet their needs. Any of these actions can make it harder for the INGO to raise resources for their work, and to act with energy and conviction in the pursuit of their mission.

Yet, *meeting* all the varied demands for accountability also creates difficulties for INGOs.[2] It takes time and scarce managerial attention to meet demands for accountability. Meeting those demands can divert scarce resources from delivering value to clients to accounting for what the INGO has accomplished. Further, to the degree that demands for accountability require managers to obtain permission prior to taking action, strong demands for external accountability can blunt the initiative of the organization. And, insofar as exacting demands for accountability suggest a lack of trust, the demands for accountability can erode morale. Finally, too close an embrace of external accountability can, in important and subtle ways, skew the focus of the INGOs' operations from the purposes and ideals that once constituted the *raison d'etre* of the organization to the task of satisfying those who oversee the organization and hold it accountable.

While concerns about the *external* accountability of INGOs loom largest in the minds of INGO leaders, they increasingly think about creating *internal* demands for accountability as well. Indeed, among our six INGOs, it would be fair to say that the issues of internal accountability loomed large for all the organizations. Thinking through the issues of internal accountability seemed important for at least two different reasons. First, to the extent that meeting the demands for external accountability depends on having accurate information about the activities of the organization, the leaders of the organization have to ask those within the organization to account for their activities and accomplishments. They are the sources of the information that goes into the reports that meet the external demands for accountability.

Second, creating systems of *internal* accountability can help the organization achieve its purposes by clarifying and measuring objectives, by recognizing excellent performance, and by giving the organization information for continued experimentation and learning. For these reasons, INGO leaders and managers have to be interested in developing the administrative systems that will produce internal accountability. They have to think about how to measure the overall performance and impacts. They have to think about how they can hold mid-level managers accountable for performance. And they have to think about how their internal systems of accountability promote (or limit) innovation and learning within the organization. These questions captured the interest of several INGOs in this project. Indeed, some focused more intensively on these questions than on how to respond to demands for external accountability.

[2] On the price of excessive accountability, see Moore, M. H. & Gates, M. J. (1986) *Inspectors-General: Junkyard Dogs or Man's Best Friend?* New York: Russell Sage Foundation.

The fundamental purpose of this paper is to develop an analytic framework that can help strengthen the accountability of INGOs in the interest of both improving their performance and enhancing their legitimacy. The analytic framework we seek to develop can ideally be helpful to those who occupy three somewhat different social positions vis-à-vis INGOs.

The first group consists of those who could generally be described as *INGO stakeholders*. Some of the stakeholders (such as donors, home governments, host governments, or clients and beneficiaries) are external to the organization and its operations; others (such as paid and volunteer staff) are internal. Some of these stakeholders have an interest in what the INGO does by virtue of the fact that they have contributed something of value to the organization. That contribution -- whether it is money, time, political support, or some kind of official authorization – entitles those who made the contribution to demand some kind of accountability. Other important stakeholders are those who work with the INGO in shared enterprises and have an interest by virtue of their dependence on one another in achieving shared goals. Still other stakeholders are those intended beneficiaries or others affected by the organization.

INGO stakeholders have to think about the issue of INGO accountability for at least the following reasons. First, to the extent that they want to be able to exercise effective and legitimate influence over INGO operations, they have to *establish* their claim to demand accountability from the INGO. They have to establish this claim in competition with many others who would also like to demand accountability from the INGO. Second, they have to consider how they can take an established right to demand accountability and make it work concretely with respect to their objectives. This, too, requires them to think through the nature of the demands they make on the INGO, and how their demands align or conflict with the demands of other stakeholders. It also requires them to consider how their demands for reporting will affect the performance of the organization, both overall and with respect to their particular objectives. In short, INGO stakeholders have to see themselves not only as particular groups that can demand accountability, but also as parts of an *accountability system* that includes many different external stakeholders, each with their own substantive demands for accountability and for monitoring and sanctioning performance.

The second group consists of *INGO leaders and managers*. They have to think through the issues of accountability for the reasons noted above. The embrace of external accountability can help or hurt them in the achievement of their mission. To ensure that accountability helps them achieve their mission, they have to be selective in how they respond to external demands, and skillful in how they construct internal demands. While there may be many insistent demands for external accountability, we think there is still a great deal of room for leaders and managers to make conscious, strategic decisions about how they will structure their own systems of accountability; that is, to negotiate not only the ways in which they will be accountable, but even to whom and for what they will be held accountable.

The third group consists of *society as a whole*, or those who represent the interests of the society as a whole. Society is interested in INGO accountability simply because the performance of INGOs has real consequences for the quality of social and individual lives, and the way in which accountability is structured will have important effects on what INGOs do. We imagine that society as a whole is interested in INGO accountability partly as an *intrinsic* good; that is, society as a whole has an idea about "right relationships," and that the system of accountability helps to ensure that organizational stakeholders exist in a right relationship with that organization. We also imagine that society is interested because INGO accountability has an *instrumental* effect on its behavior; that is, accountability makes it more likely that an INGO will be not only guided towards the proper social purposes, but will also pursue those purposes more efficiently and effectively.

We begin our discussion with a discussion of the abstract concept of accountability, and the more particular idea of the accountability of INGOs. The aim is to see if there is a simple, common-sensical, widely accepted agreement about to whom INGOs should be accountable, for what they should be accountable, and through what means they should be held accountable. The initial assumption is that "increased INGO accountability" is, both intrinsically and instrumentally, a good thing, and that there is a reasonably well established, clear understanding of how INGO accountability should to structured. We call this the *"objective" view of accountability*.

In searching for this "objective view," however, we discover that the general idea of INGO accountability seems to include a great many unresolved conflicts, and that society as a whole has not yet come to a settled agreement about how to structure that accountability. We then describe and contrast two quite different views of the "right" way to understand and structure INGO accountability: the relatively well-established and familiar hierarchical idea of "principal/agent accountability," and the emergent more collaborative idea of "mutual accountability." We argue that in many ways, the image of "mutual responsibility" might turn out to be a more useful starting point for thinking about INGO accountability than "principal/agent accountability."

Having discovered that there is no generally accepted idea about how to structure the accountability of INGOs, but recognizing that INGOs must nonetheless respond in some way to the increasing demands for external and the increasing advantages of demanding internal accountability, we develop a different way of thinking about the accountability of INGOs. In this conception, we take for granted that INGO leaders and managers will enjoy a significant amount of discretion in how they structure their external and internal accountability. In the absence of a societal agreement about the structure of accountability, INGO leaders can, with some important moral, legal, and practical consequences, decide for themselves whether and how to make themselves accountable. Their task, then, is to use this discretion in ways that advance the overall strategic objectives of the INGO they lead. Call this the *strategic view of accountability*.

We then take some time to develop this strategic view of accountability by identifying the sorts of observations and calculations that an INGO manager should make in structuring the accountability of his organization, recognizing that the choices about accountability might differ significantly across different types of INGOs. Finally, we lay out practical ways INGO managers can structure their accountability.

One final introductory note—While we want to distinguish between the "objective view of accountability" on one hand, from the "strategic view of accountability" on the other, we must recognize that an important dialogue goes on between them. That is, to the extent that a relatively well defined, objective idea of accountability has been established for a particular kind of organization, operating in a particular sector, and in a particular industry, there will be a great deal of pressure on any given organization to embrace that objective ideal. There are real prices to be paid by organizations that set up their systems of accountability differently from their peers. (Though there are also sometimes some benefits to be gained as well.) The more well established the objective idea of accountability, the less room for strategic maneuvering by any given organization in creating its own accountability. Conversely, to the extent that no shared system has been created for a particular domain of activity, INGO stakeholders and leaders will have the room to develop and experiment with alternative systems of accountability that seem to work for their strategic purposes. This experimentation, guided by the "strategic view of accountability," may, over time, produce a consensus among certain kinds of organizations in a particular domain about standards of accountability. Call this the "*objective domain view of accountability.*"

Indeed, it was just such a process that can be observed in one of the cases developed for this project. Several large child sponsorship INGOs recognized that media challenges to their programs could threaten their donor bases. They worked together to articulate clear standards of organizational and program accountability. While the INGOs varied in their commitment to creating shared standards, they all recognized the importance of participating in articulating the standards. Thus, strategic choices by several organizations led to the creation of an objective standard of substantive accountability for the domain of child sponsorship programs. It is easy to imagine that the best way to develop some kind of objective, uniform accountability for organizations within a particular domain might well be to learn from the strategic choices and program experience of key actors in the domain. Viewed from this perspective, an important goal of our work might be to help organizations get better at making strategic choices about accountability so that we can more quickly build the experience base for articulating objective domain standards.

II. Accountability as an Objective, Social Ideal

<u>Accountability as a "Relationship with Expectations"</u>

The concept of accountability describes a relationship that exists between two or more parties. Key to this relationship is that the parties in the relationship have expectations of one another; they think they can rely on or trust the other party to behave in particular ways.

Those expectations could have arisen in many different ways. For example, a certain kind of accountability relationship is established among individuals through the general cultural traditions and laws of a society. The customs and laws allow even strangers who have never seen one another before and do not imagine seeing one another again to have expectations of one another. By defining what constitutes proper behavior towards one another, and what constitutes an offense, the customs and general laws give to individuals some limited rights to have expectations of others. They also provide for both an informal and formal sanctioning system that gives those expectations some significant behavioral force in promoting or guaranteeing compliance with the generally established expectations.

At the other end of the continuum, the expectations among the parties could have been specifically constructed through explicit negotiations in which each party made specific promises. Those promises could be specific and instrumental with one party promising to perform a duty for a second party in exchange for a specific material return. This is what we would ordinarily think of as an economic "contract." Contracts cover not only agreements between sellers and buyers of commodities, but also between employers and employees. Alternatively, the promises could have focused on pledges to do whatever each could to help one another achieve a common goal. This, too, can be seen as a kind of agreement. But the basis of the agreement is a shared social purpose rather than an exchange (mutually rewarding). Ordinarily, the terms of such agreements are typically broader and less specific than those in an economic contract. We could think of this as a "compact" rather than a "contract" to indicate that what binds the parties together is some combination of mutual regard and a shared purpose rather than mere gains from trade, and that the agreements that bind such collaborations together are typically looser and less specific than a contract. While there are important differences between standard forms of economic "contracts" on one hand and social "compacts" on the other, they both differ from the first kind of accountability described above in which general customs and laws allow individuals to have and enforce expectations of one another. They differ from this kind of accountability because they go beyond the general expectations to recognize and create a more specific relationship of rights and responsibilities among a particular group of actors who have constructed specific understandings about their relationship.

For the most part in this analysis we will be interested in accountability relationships that are specially constructed among specific individuals and relationships rather than those that exist generally in the society. Yet, it is important to understand that this is not the only way in which accountability relationships can arise, or the only form that accountability relationships could take. Indeed, in societies (such as Japan) that have relatively thick normative codes regulating relationships among individuals; between individuals and organizations; and, among individuals, organizations, the society, and the state; it may be that the more special forms of accountability are less important in structuring accountability relationships than these general forms. The important social work required to support convenient exchanges, successful collaborations, and the aggregation of individual effort into larger enterprises is all accomplished with nothing more than the general expectations of the society. No more specific or explicit contract is necessary. This is what is meant, we think, by having a "trust society" in which all members of a society are effectively bound to one another by highly reliable norms which require individuals to look to the welfare of others and take responsibility for achieving common goals. Arguably, in such societies, more particular structures of accountability are unnecessary and therefore inefficient. Indeed, to the extent the more specific forms of accountability are introduced in such a society, they may erode the informal bases of trust by suggesting that those are no longer strong enough to sustain honest exchanges or effective working relationships. They may diminish the relationship in the same way that a "pre-nuptial agreement" casts doubt on the confidence that a couple is marrying for love rather than money.

Regardless of whether the accountability relationship was established through general laws and expectations, or more specific understandings among the parties, key to the idea that accountability exists in a relationship is the idea that the parties have expectations about each other's conduct and performance. Further, that they can reasonably hope for those expectations to be realized. Still further, they believe that if their reasonable expectations of performance are disappointed, that they would be justified in calling the other party to "account" for their failure to live up to the expectations. And finally, they believe that sanctions could fairly be applied if the "account" given could not explain the failure to perform. This capacity to be disappointed by the failure to live up to reasonable expectations (and conversely, to be delighted by a more than competent performance in living up to one's duties) is what we mean by an accountability relationship.

Accountability and Power

What this implies, of course, is that one of the important results of entering into an accountability relationship is that the parties simultaneously *gain some power over* others in the relationship (through their ability to "demand" performance from the other party in accord with their expectations), and *give up some power* over their own conduct (through the power of the other party to demand performance from them). Again, it is worth noting, that in a society where general moral obligations are very strong, individuals do not gain or lose power in entering into more specific relationships. Both the power they have over others, and the power that others have over them has already been constructed by the general rules.

The power that is *gained over* another, and the power that is *sacrificed to* another when one enters into a relationship of accountability are not absolute, of course. It is limited in *scope* by the character of the expectations or promises of performance that create the relationship. Promising to work for thirty minutes on someone's lawn in exchange for $5.00 creates a far different kind of accountability than promising with a "band of brothers" to pledge "our fortunes, our lives, and our sacred honor to advance the cause of justice." The first presumably takes a much smaller bite out of one's life than the second, and gives the person to whom one made such a promise much less potential influence over one's resources and actions than the second.

The power transfer is also limited in *practical effect* by the ease with which sanctions can be applied for failures to live up to one's promises, and the magnitude of those sanctions. Even though the liability created by the promise of lawn care seems smaller in scope than the promise created by the promise of becoming a faithful comrade in a political cause, it is quite possible that the first is more compelling primarily because it is more specific and easier to enforce.

And, the power that is gained and lost in entering into an accountability relationship may be less than absolute insofar as each side may *retain a right to further discussion about implied responsibilities,* including the right to argue that they have in fact lived up to their responsibilities even when it appears to the other party that they have not.

Principal / Agent Accountability

The fact that power is a feature of accountability relationships raises the important question about the process that created the relationship (specifically, about whether that process was unilaterally imposed or mutually negotiated), and how fairly the benefits and burdens of the relationship are distributed. It is important, we think, to note that much of the academic theorizing about accountability relationships has focused on what has been called "*principal/agent accountability*".[3] In this conception, the parties to the relationship are not viewed as social equals. One is called a "principal," the other is called an "agent." To no small degree, these words have normative as well as analytic significance. The "principal" has the interest (and the right) to have his interests and preferences served in the relationship. The "agent's" moral responsibility is to be helpful in accomplishing the goals of the "principal." This is what it means for the agent to have a moral and legal fiduciary responsibility to the principal. The problem that is addressed by the concept of principal/agent accountability is that the agent might be tempted to depart from faithful service to the goals of the principal when his interests are not identical to the principal's. The problem in structuring the accountability relationship, then, (at least from the principal's point of view, which is the one usually embraced in this analysis) is to construct some kind of monitoring and sanctioning system that gives the agent the strongest possible incentives to serve the interests of the principal.

While this concept can be understood as nothing more than a neutral analytic concept, it has an insidious way of making a broader claim on our imaginations. One insidious implication is that control over resources allows principals to exert control over agents as a consequence. The principal controls funds and (according to the basic principles of private property) has a right to use those funds for any (legal) purpose. The agent offers to help the principal achieve results using his time, labor, expertise and so on. The moral and legal (if not economic) implication of this relationship is that the agent becomes duty bound to achieve the goals of the principal. In short, "those with the gold get to make the rules," and it is the duty of agents who take the gold to help principals accomplish their goals.

A second important implication of this principal/agent idea is that principals cannot really rely on trust in the moral and legal duties oft an agent to achieve the principals' goals. Indeed, what economics brings to the analysis of this particular social relationship is not the moral and legal idea that the principal is entitled to faithful duty from the agent. That is already embedded in the concept of a "principal" on one hand, and the "agent" on the other. What economics brings to the analysis of this relationship is an expectation that the agent will try to cheat the principal of what he is morally and legally entitled to, and therefore, that the principal has to find a way to protect his interests beyond what he might expect from a morally and legally conscientious agent. Thus, the principal/agent conception encourages us at least to anticipate (and therefore at least partially to accept) the idea that agents will not, in fact, live up to their duties on their own; that the principal will have to find some ways to keep the agent from cheating him of his just deserts. The means suggested are the usual ones; first, requiring transparency on the actions of the agent ; second, conditioning the economic rewards paid to the agent on the degree to which the agent meets the objectives of the principal; third, creating a legal right and a legal mechanism that will allow the principal to invoke the powers of the state to demand that the agent meet the principal's interests.

[3] Pratt, J. W. & Zeckhauser, R. J. (Eds.) (1991) *Principals and Agents: The Structure of Business.* Cambridge, MA: Harvard Business School Press.
Moore, M. H. & Gates, M. J. (1986) *Inspectors-General: Junkyard Dogs or Man's Best Friend?* New York: Russell Sage Foundation.

Thus, the idea of "principal/agent" accountability invokes a frame for thinking about accountability that is distinctly unilateral, and somewhat cynical. It is the principal whose interest in achieving a purpose that creates the occasion for the relationship to arise. It is the principal's interests and preferences that are given moral and legal preference in the relationship. It is the principal who is morally and legally entitled (as well as prudentially advised) to create an explicit structure of accountability that is designed to ensure that the agent will be accountable to his purposes in the doing of his work. Ensuring that this occurs is the central problem to be solved in principal/agent theory, and is key to ensuring that such relationships will be consistent with the production of economic efficiency overall.

The form that such a structure of accountability should take is one in which the principal negotiates very explicit terms of accountability that align his interests with the economic interests of the agent, and that give him the power to sanction the agent (both legally and economically) if the agent strays from his fiduciary duty. At the outset, the agent may have some power to structure the terms of accountability in ways that are favorable to his interests, but that power is limited by the fact that the principal may always shop for other agents, and by the legal and moral position of the agent, which constrains him to serve the interests of the principal.[4] Once the accountability is structured in a specific understanding, however, the agent may lose any chance to re-negotiate the deal. Further, he may be disadvantaged in any public relations or court involved proceeding by the general expectation that it is his duty to serve the principal and the widespread suspicion that he is likely to cheat. In all these ways, then, the idea of principal/agent accountability seems to give most of the power to the principal in the relationship.

Contract Accountability

Now, an economic analyst could contest the idea that the principal has most of the power in a principal/agent relationship. True, the principal is distinguished from the agent by a moral or legal concept that gives his desires and preferences greater standing in the relationship than the agent's purposes. The agent is supposed to subordinate any idea he has about what is desirable to the desires of the principal). And in that sense, the agent is seen as less powerful than the principal. But, as a practical matter, the agent retains a great deal of power in the relationship. Because the principal's monitoring of the agent's activity cannot be complete, the agent will always enjoy a *de facto* discretion in what he chooses to do with the assets entrusted to him by the principal. As a practical matter, he can use that discretion to advance either his own narrow economic interests, or his own ideas about what the principal should want, or even his own ideas about what would be good for society as a whole independent of the principal's or his own desires. Moreover, the agent always has the right to refuse to enter into a relationship with a principal if the terms of service are too onerous or too offensive.

[4] Note: agents may have some protection insofar as their principals have to compete for their services. Presumably there is some market level of indignity and suspicion to which agents would not yield. But, one can also easily imagine that this is a pretty low standard, particularly since agents have not yet formed into unions to bargain collectively with principals not only for wages, but for tolerable levels of trust!

Viewed from this perspective, much of the apparent power of the principal in the principal agent relationship is drained away. The relationship begins to look more like an ordinary contractual relationship in which we assume that all the parties are more or less free to enter into the contract. To a degree, then, we could understand an accountability relationship as roughly equivalent to a contractual one in which each party makes a specific contract with the others to undertake particular actions or share burdens in the accomplishment of a common goal. Indeed, many important accountability relationships can be understood in precisely these terms: one party has contracted with another to perform certain duties in exchange for remuneration or other consideration. We can call this *"contract accountability."*

Unlike principal/agent accountability, no one party in the relationship is socially privileged relative to the other party. It is assumed that all parties have their own interests and purposes, and that they seek to advance these purposes by making an agreement with others that would allow them to achieve more than they could without the benefit of the agreement. Otherwise, they would presumably not have entered into the contractual relationship. And it is this character – that each is free to have his or her own purposes, and that each can agree or not agree to enter into the contract – that gives contractual accountability a certain kind of mutuality. It seems that no one can be coerced to enter into the contract, and that no one will accept terms of the contract that injure his status or interests.

Yet, it is clear, we think, that under some circumstances contractual accountability can also be created unilaterally rather than through mutual agreement, particularly when the relative "bargaining strength" of the various parties is unequal. By bargaining strength, we mean the differences among the parties in the importance of reaching a successful deal. Some parties have many alternatives to this particular deal, so making the deal is not particularly important to them. Because they have other options, they can press for a particularly favorable deal. For other parties with fewer alternatives, this deal may be very important. Because they have fewer options, they are in a weaker bargaining position. So, not all contracts are fully mutual; the parties may be very unequal in their ability to bargain given their economic or social or political circumstances.

Parties in strong bargaining positions can drive hard bargains, and claim for themselves more of the benefits of the contract. They can make many more specific claims against the second, impose more conditions, and demand more transparency by the other party. The asymmetric terms of the accountability relationship can be seen in the distribution of rights and responsibilities among the various parties. What appears to be a contract negotiated to the mutual advantage of the parties can become a great deal like principal/agent accountability in which the stronger party is able to unilaterally establish the terms of the contract rather than negotiate from positions of equal strength.

Mutual Accountability

This discussion leads us to a third idea of accountability in which the power among the parties to the negotiation is more equal at the outset, and where that equality of power leads to terms of agreement that are "fairer" in the structuring of the terms of the accountability. Let's call this idea *"mutual accountability."* Note that a certain kind of "mutual accountability" can be created within contract accountability if the parties to a negotiation have similar bargaining strength, if they communicate reasonably well about their goals, objectives and interests, and if they get something that is important to the satisfaction of their interests or the achievement of their goals.

There is a different, more limited idea of mutual accountability that is also worth noting, however. Some key features of this more limited idea of mutual accountability is that the parties to a negotiation:

- Share goals and objectives,

- Believe they can help one another achieve those goals and objectives not only through explicit exchanges guided by a contract, but also by voluntary actions taken on their own initiative without expectation of exchange; and,

- Value the relationship with one another as something important quite apart from the instrumental value of the relationship in achieving limited material purposes.

In this kind of relationship, the room for the parties to reach agreements (what is technically called the zone of possible agreements) goes up significantly.[5] This happens simply because independent actions taken by party A to achieve A's goals produce effects that are immediately valued by party B. Party B's gratitude for the actions of party A, as well as the delight that comes from finding someone who shares one's goals makes Party B happier beyond the satisfaction he gets from the fact that he now has to do less to accomplish his goals, or he can achieve even more. The relationship becomes important in itself, and satisfaction is derived from the pleasure of working in common purpose, as well as from being able to produce more of what each wanted through the combination of resources. In short, one has the satisfaction of working in an effective team towards a common purpose.

In this kind of relationship the terms of the agreements among the parties and their expectations of one another can be more tacit, more general, and more open to continuous negotiation than in a principal agent or contractual relationship. The reason has to do with levels of trust. If trust is high, the parties have less need for specific, legally enforceable agreements. They can count on high levels of performance from one another, because they understand that their purposes are the same and they have had enough experience with one another to have confidence that each will meet the other's expectations. They also have a variety of informal but powerful sanctions (threatening to end the relationship which has acquired both instrumental and consumption value to the parties) if the trust is violated, and the expectation that the other will act in good faith so there will be reasons beyond self interest for failures to live up to some specific expectations.

[5] For a definition of the Zone of possible agreement, see Raffia, H. (1982) *The Art and Science of Negotiation*. Cambridge, MA: Harvard University Press, Belknap Press. For the implications of how the zone of possible agreement changes when parties care about the relationship itself, or have shared objectives, see Lax, D. A. & Sebenius, J. K. (1986) *The Manager as Negotiator: Bargaining for Cooperation and Competitive Gain*. New York: Simon & Schuster / The Free Press. Throughout this analysis, we are relying on the general theory of negotiation that is being developed by Raiffa and his colleagues.

Of course, this rosy world may be difficult to construct. It takes a lot of experience with one another to find out whether purposes are really shared, whether one's partner is really committed to those purposes and competent in pursuing them, and whether they really value the partnership over many other things. Moreover, this world can quickly unwind as a result of either real or imagined failures and betrayals. Indeed, it can fall apart very quickly if one person feels strongly that he or she has been betrayed by someone in whom the person reposed a great deal of trust. But when such relationships exist, they can be particularly effective in structuring a kind of accountability that is not only effective in co-coordinating work, but also pleasurable rather than onerous. To a degree, it is this kind of accountability that many INGOs might aspire to, simply because it is more consistent with their "voluntary" culture and style than the kinds of accountability one might find in business and government. This preference for relationships among trusted equals, where the relationship is valued in itself and goals are shared, can make people from the civil society sector particularly suspicious of the principal/agent schema, where all of these assumptions are reversed. Whether INGOs can achieve this kind of accountability in some or all of their relations with stakeholders, however, is an important question. There is no particular reason to imagine that all INGO stakeholders want mutual rather than contract or principal/agent accountability with the INGOs in whose operations they have a stake.

Understanding the Forms of Accountability

While it is possible to distinguish these different forms of accountability – principal/agent, contract, and mutual accountability – one should also by now recognize that one could see these different ideas of accountability as varying on several dimensions:

- The moral and legal status of the parties in the accountability relationship
- The relative bargaining strength of the parties in the accountability relationship
- The fairness with which the benefits and burdens of co-operation are divided among those in the accountability relationship
- The explicitness of the terms of accountability are among the parties
- Whether the terms of accountability emphasize specific tasks that each must perform, or whether they focus on achieving broader goals and results
- The symmetry of the obligations of reporting and rights of investigation that exist as a part of the terms of accountability
- The devices that are created to notice and sanction failures of performance
- The scope of the opportunity that is created for the re-negotiation of rights and responsibilities within the accountability relationship.

Table 1 presents the three different ideas of accountability relationships and shows the ways in which the ideas are similar and different across these many different dimensions.

Table 1:

Different Forms of Accountability Relationships

	Principal/Agent	**Contractual**	**Mutual**
Status of Parties	Principal Important	Equally Important	Equally Important
Bargaining Strength	Principal Powerful	Assumed Equal	Actually Equal
Fair Distribution	Principal Benefits	Both Benefit	Both Benefit
Specificity of Terms	Specific	Specific	More General
Acts or Results	Depends	Acts	Results
Transparency	Principal Looks	Both Can Look	Both Can Look
Sanctions	Formal, 3rd Party	Formal, 3rd Party	Informal, Peer
Scope for Revision	Broad for Principal	Narrow for Both	Broad for Both

Organizational Accountability

So far, we have been talking about the idea of accountability in general, and using the image of individuals constructing working relationships as the concrete examples. It doesn't take too great a conceptual leap to imagine that we could also be talking about the forms that accountability could take among independent organizations. That is, we can imagine organizations structuring their relationship to one another in terms of principal agent relationships, contract relationships, or mutual accountability relationships. Thus, for example, we can imagine one organization setting up a second organization as a subsidiary to help achieve the first organization's goal, and relating to the second organization as a principal. Similarly, one can imagine one organization contracting with another organization in ways that help both achieve their objectives. Finally, one can imagine organization's banding together informally to help one another achieve a shared objective. So, it seems that we could proceed without difficulty from an idea of accountability among persons to an idea of accountability among organizations.

Yet, it seems to us that there is an important difference between thinking about the accountability relationships an organization might have with other organizations on one hand, and the kind of accountability relationships an organization has with its myriad "stakeholders" on the other. As demonstrated above, it is relatively easy to list the stakeholders of a typical INGO. These would include home governments, host governments, donors, government contractors, volunteers, suppliers, partners, staff, clients and beneficiaries. By definition, all of these stakeholders have interests in what the organization does. Those interests may move from the status of mere hopes to more specific expectations, and those expectations, in turn, may have become the terms in which the stakeholders would like to hold the organization accountable. The central question in thinking about organizational accountability is to what degree the organization should think and act as though it were accountable to these different stakeholders.

To many, the idea of *organizational accountability* stands as an unquestionable, desirable social ideal. In this conception, just as individuals have to be accountable both to other individuals and to society as a whole for their actions, so organizations have to be accountable both to the individuals whose welfare they affect, and to the broader society that authorizes them to exist. In this conception, accountability is viewed as both: 1) a moral and legal imperative that exists as a necessary condition of constructing right relationships in a society, independent of its practical consequences for the performance of the organization; and 2) as something that is instrumentally valuable in guiding and motivating organizations to perform well. As a moral and legal matter, it is impossible to think of an organization as existing outside some structure of accountability both to its particular stakeholders and to the wider society. And, as a practical matter, it is impossible to think of an organization as performing efficiently and effectively without the pressures of external and internal accountability to animate and guide its efforts to create value. So, in general, we think accountability is a good thing – it sustains a proper relationship between an organization, its stakeholders, and the wider society, and it ensures the INGOs effective performance.

Problems arise, however, when we try to make the concept of accountability a bit more concrete. As Professor Watanabe reminds us in a paper prepared for this project, to talk concretely about the idea of accountability, we have to talk more specifically about "who is held accountable, to whom, for what, and how."[6] Once this analysis begins, however, we quickly discover (as Professor Watanabe observes) that organizations face "multiple accountabilities," not just a single "accountability."[7]

In responding to Professor Watanabe's challenge, it is not too hard answer his first question: namely, *who* is accountable.[8] For the purposes of this paper, we are interested in a

[6]Watanabe, T. (2003) *Accountability of the NGO/NPO Sector.* Working Paper, Tokyo University of Economics. (Prepared for "US/Japan Workshop II on Accountability and International NGOs" held in Cambridge, MA January 21-24, 2003.), p. 2. See also, Moore, M. H. & Gates, M. J. (1986) *Inspectors-General: Junkyard Dogs or Man's Best Friend?* New York: Russell Sage Foundation, Appendix A--The Concept of Accountability. These issues are also discussed in much of the literature on accountability, such as Cutt, J. and V. Murray (2000). Accountability and Effectiveness Evaluation in Non-profit Organizations. London: Routledge; or, Behn, R. (2001). Rethinking Democratic Accountability. Washington, DC: Brookings Institution.

[7] Ibid

[8] Actually, answering this question turned out to be harder than we initially thought. The reason is that so much INGO activity involves networks of organizations, not just single organizations. There is a rather deep question about who is accountable when the unit of analysis shifts from a legally defined organization to a functionally defined network. Organizations can enter into working relationships with other organizations through agreements of many different kinds. Some are formal contracts; others informal agreements. The agreements whether formal or not could have been approved at the top of the organization, or may have been made among mid-level managers without top-level approval. An important question is what standing these cross-organizational agreements has relative to the agreements that each organization has with its own group of stakeholders. In one view, the controlling structure of accountability is the one that each organization has with its own stakeholders. Consequently, if, in their view, a contract with another organization violates their understanding of the organization's accountability, they can demand that the organization sacrifice its agreement with the other organization in the interest of protecting the organization's accountability to its own stakeholders. A different view is that that the agreement with the other organization is as important as any other stakeholder relationship,

class of organizations described as INGOs. We imagine that the "who" that is both *held* accountable, and (ideally) *feels* accountable, are those who have taken the legal responsibility for the guidance of the organization, and take on themselves the practical task of finding the most valuable use of the assets and resources of the organization. For most practical purposes, this means some combination of the Board and the Executive Director of the INGO.[9]

When we try to answer Professor Watanabe' next two questions ("to whom" and "for what") however, the real trouble begins. It is at this point that we find the desire for a simple coherent idea of "accountability" collides with the reality of "multiple accountabilities." The multiple accountabilities emerge from two somewhat different sources that correspond to the questions of "to whom," and "for what."

On one hand, when we ask the question of *to whom* organizations are or should be accountable, we find that INGOs have many different stakeholders, each of whom has both an interest, and some moral, legal, or practical claim to be entitled to demand accountability from the organization. The stakeholders include government funders and private donors who provide the money and material resources the INGOs need to sustain their operations: the governments of countries in which INGOs are based or operate who are asked to tolerate or give protection and support to the INGOs; the employees (both volunteer and paid) who contribute their time and energy to the accomplishment of the INGOs goals in exchange for some combination of financial reward and sense of contribution to shared values; the clients and beneficiaries of the organization's activities whose enhanced welfare is often viewed as the most important object of the INGOs efforts, and so on. So, there are many "who's" to whom organizations are either morally, legally, or practically beholden and accountable. (For a more complete characterization of the relevant stakeholders and their likely interests, see Appendix 1.)

On the other hand, with respect to the question of "for what," there are also many different dimensions of performance that might be relevant for evaluating the performance of the organization. Society as a whole might be interested, for example, in how efficiently and effectively the INGO used resources and assets entrusted to its care to achieve its desired results. It might be particularly interested in trying to ensure that resources were not stolen or appropriated for personal use. And, society might want to be sure that the INGO remained true to its fundamental declared mission, and did not divert resources to activities that were unrelated to the stated purpose. (We could think of these values as being fiscal integrity and mission integrity respectively.) Society as a whole could also be interested in trying to ensure the efficiency and effectiveness of the organization as well as its financial and mission

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and that an organization that makes an agreement with a second organization is bound by that agreement even if the first organization's stakeholders would prefer not to meet those duties.

[9] (It is worth noting that there may well be an important distinction between the idea of legal responsibility for the actions of the organization on one hand, and effective influence over the actions of the organization on the other. Some Boards take on a great deal of legal responsibility but have little effective influence; while the Executive Directors take on little legal responsibility and have a great deal of effective influence. In some other organizations, neither Boards nor Executive Directors may have much effective influence over organizational actions, and the real influence may lie with the employees and the history and culture that have built up within the organization over time.

integrity.[10] Alternatively, society as a whole might be interested in knowing the extent to which the INGO succeeded in helping the clients who were the supposed beneficiaries of its efforts, and the degree to which the INGO was responsive to the clients' interests and aspirations rather than the aspirations the INGO had for the clients. Or, society might be interested in recognizing the degree to which INGO activities had been effective in building the capacity of the organizations with which they worked, judging that investments made in capacity building would produce more sustained, longer run benefits than those that could be produced by the INGO simply delivering products and services itself.

These ideas represent alternative substantive answers to the "for what" question that is part of any structure of accountability. They focus attention on the idea that the organizations should not only be good stewards of resources provided, but also efficient and effective users of those resources to produce results. They also point to slightly different ideas about the ultimate purposes of the organization: the achievement of the organization's declared mission, or the satisfaction of some clients, or the building of some capacity, or some combination of all of these things.

It is important to recognize, we think, that the different substantive ideas about the value for which INGOs should be held accountable are presented abstractly as though a coherent social ideal existed to establish well-known dimensions of performance . In fact, a social ideal of INGO accountability may not exist independently of the stakeholders that have an interest in what the organization does. As a practical matter, general ideas of INGO accountability may have little force in the world unless someone can actually insist that they meet these demands .A good practical starting point in defining INGO accountabilities then might be a concrete exploration of what their stakeholders expect and demand. A good first step in trying to answer the question of "accountability for what" is to return to the question of "accountability to whom," and then to ask what those stakeholders wanted and expected from the organization to which they made some kind of commitment, and/or over which they had some claim of accountability.

As Professor Watanabe observes, however, an important problem arises when we try to answer the "for what" question by turning to the "to whom" question. To the extent that the stakeholders have commitments to different substantive dimensions of organizational performance (i.e. donors might be focused more on inputs and more on the achievement of social results, while clients might be more focused on organizational outputs and the satisfaction of their particular needs), a question arises as to which stakeholders' aspirations or desires should be given greater weight in defining organizational accountabilities.

One answer is that donors and governments have no right to interfere with and demand accountability from INGOs, because the INGOs are essentially independent organizations. But that is the same as saying that INGOs are accountable to no one but themselves. Given the idea that accountability is good in itself and that it is valuable instrumentally as well, it is easy to see

[10] (While these concepts are related, they are not identical. One could have an organization in which no money was stolen, and none was diverted to purposes other than those announced by the organization, but where the methods used to try to achieve the desired purposes were very inefficient or very ineffective.

that this is neither ethically, nor legally, nor practically a satisfactory answer. All organizations in a society have to be accountable to someone or to some thing.

The tough issue here is how society as a whole and / or leaders of INGOs are to form judgments about the weighting of stakeholders and purposes in creating a system of accountability. Should INGOs feel or act particularly accountable to those who contribute funds to the enterprise, as might be suggested by the principal / agent idea of accountability? Or, should INGOs feel more accountable to the social purposes and individuals they set out to aid when they established their mission? On what basis could one decide or defend a commitment to some stakeholders over others?

Our project revealed important differences not only between American and Japanese INGOs on these important questions, but also important differences within these groups. The Japanese organizations in particular thought it was a novel idea to have an explicit discussion about the various stakeholders in their environment, to consider the possibility that they had different interests, and to ask which of these interests had the greater moral, legal, or practical claim on the organization.

It is worth noting that the issue of how stakeholder claims on an organization should be prioritized has, to no small degree, been answered for private corporations in the United States. For them, legal obligations establish an ordering that privileges the claims of owners and shareholders over those of customers, employees, suppliers, or local communities. That is broadly consistent with the idea of hierarchical principal agent accountability in which “those who have the gold make the rules.”

But the legal obligations of INGOs are much less well defined. The bases on which ideas of accountability should be constructed remain unclear, let alone what the right idea is. For example, one might imagine that *moral principles* would prescribe the most important accountability relationship. Thus, one might say that organizations should be accountable on moral grounds to those who have contributed assets, or to those groups they are trying to help, or to their original mission as a matter of integrity and moral obligation. Yet, one might equally well imagine that *legal principles* and *statutes* answer the question of accountability. Thus, for example, one could say that the law requires the INGO to give an accurate account of the use of their funds to those who contributed money, or that the law requires INGOs to be accountable to the states in which they operate, or that the law requires that INGOs live up to contracts written with contractors, suppliers and employees. Or, one could also imagine that *prudence and practical consideration*s answer the question of accountability. If the INGO wants to continue to operate, it will have to meet the demands for accountability from donors who provide vital resources, from regulators who authorize operations in a particular country, or from clients who make use of their services. And so on.

But as these alternative imaginings suggest, it is not immediately obvious how any one of these ways of making the calculation – moral, legal, or prudential – will produce a hierarchy of accountabilities that will be easily accepted by either the INGO or all its stakeholders. Indeed, one would expect any particular stakeholder whose claim on the organization was disadvantaged in some way by a proposed ordering would complain bitterly about the validity of a structure the ignored or undervalued their claims. Since INGOs must in reality deal with all three dimensions, an acceptable ordering must make sense in terms of the interaction of moral, legal, and prudential matters; it cannot be based only on one of these ideas.

III. Accountability as a Strategic Choice

In a world where a model of INGO accountability has not yet been established, an alternative way to think about the idea of accountability is not to see it as an *objective ideal* established clearly by society, but instead as a *strategic choice* to be made by INGO leaders. In making choices about priorities among the "multiple accountabilities" (created by multiple stakeholders with varied interests), INGO leaders could be guided by moral and ethical ideas, by legal rights and obligations, and by practical and prudential concerns. But ultimately, for INGO leaders the decision about the hierarchy of accountabilities is a strategic choice, not an established social ideal.

Of course, INGO managers and leaders do not have complete discretion about this choice. They are, in fact, surrounded by expectations about who can reasonably demand accountability from them and what form it should take. Their stakeholders will be guided to some degree by moral and legal ideas about accountability that they share with INGO leaders. And it is through this mechanism that some more or less objective social ideal guides the construction of a shared understanding of the system of accountability in which the INGO works. But to the degree that the shared understanding of the system of accountability is underdeveloped or contested, each individual stakeholder may be guided by their own interests in structuring the accountability of the INGO, and develop their own ideas of what the accountability system should be. And, they can extract a price from the INGO if it decides not to respond to their demands. Donors can stop giving money. Clients can reject the INGOs services. Partners can find other allies. This means that INGO leaders will have to pay a price set by others to construct a particular system of accountability. But, in a world where there is no strong, objective social ideal of accountability, INGO leaders and managers have some degrees of freedom in deciding to whom and how they will be accountable, and in developing the system of accountability in which they operate.

Note also, that the issue of accountability is a matter of culture and psychology as well as a matter of real concrete transactions. An INGO can "feel" accountable to some stakeholders as a matter of organizational culture. For example, INGOs that began as political movements often feel more strongly accountable to one another and to their cause than to external donors or even to their clients and beneficiaries. INGOs that began as charitable responses to disasters find themselves psychologically committed to the victims who need help.

An organization can also "act" as though it were more accountable to some stakeholders than others. It can give more attention and deference to some stakeholders in making important decisions. It can consult with some stakeholders prior to a decision and report to others only after it has been made. It can report on organizational performance in terms that are meaningful to some stakeholders and not to others. It may be easier to provide understandable reports on some issues (e.g., accounting for donor financial resources) than others (e.g., demonstrating the impacts of political advocacy to clients). These actions can be hardwired into the policies and procedures and reporting practices of an organization as well as emerge from *ad hoc* decisions. So, it would be possible to observe explicit and implicit choices about accountability to different stakeholders noting how often the INGO consulted and reported to them, and how it responded to their views.

At any given moment, then, we could say that an INGO operates with some kind of system of accountability in place: it is hearing and responding (more or less enthusiastically) to demands from stakeholders; it is measuring and making transparent certain aspects of its operations; it is filing reports and using information to motivate external support and guide internal operations. Moreover, this system of consulting and reporting operates alongside organizational attitudes and commitments about the stakeholders to whom the INGO owes primary accountability. The operating accountability system – attention, consultation, measurement, reporting – can be closely aligned with the organization's values and informal commitments. Or the operating system may be a kind of shell that satisfies the demands of some stakeholders while the organization really feels accountable to others.

In any case, an important question facing many INGO leaders is the adjustment or re-construction of the objective and cultural accountability systems now at work in their organization. They may be guided in this partly by moral and ethical ideas, by legal obligations, or by prudential concerns. They may be guided by psychological and cultural commitments of which they are at least partly unaware.

Strategic Accountability in Different Kinds of INGOs

The issue of accountability is seen quite differently depending on the sort of INGO one is considering.[11] Among the INGOs who collaborated with us in this preliminary examination, we found it useful to distinguish among three different INGO types:

- INGOs that *deliver services* to specific clients, such as providing disaster relief to flood victims or health services to children;[12]

- INGOs that *build capacities* of their clients, such as creating village self-help groups or strengthening civil society organizations;[13] and

- INGOs that *mobilize campaigns or advocate policies* to enable grassroots voice with institutions and policies that affect their lives.[14]

Of course, the lines among these different sorts of INGOs are not entirely clear, and many NGO activities have multiple effects. Moreover, many INGOs are self-consciously engaged in activities designed to achieve more than one result. Still, many INGOs seem to fit primarily into one or another of these categories.

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[11] See prior paper on the Accountability of INGO's, Brown, L. D. & Moore, M. H. (2001). "Accountability, Strategy and International Nongovernmental Organizations." *Nonprofit and Voluntary Sector Quarterly*, 30(3), 569-587.
[12] Service delivery organizations in our group included the Campaign for the Children of Palestine, Japan Organization for International Cooperation on Family Planning, Childreach / PLAN, and perhaps OISCA International.
[13] Capacity building INGO's in our group included World Education, PACT, and maybe OISCA
[14] Advocacy Groups included Oxfam America and Mekong Watch

The issue of accountability appears quite different from the perspective of these different INGOs. Different functions and purposes imply different stakeholders and potentially different ways to think about accountability.

Service delivery INGOs provide services to their beneficiaries, like many private companies. Private sector theories of accountability suggest that primary accountability is owed to those who provide the resources that make possible the delivery of those services – foundations, private donors, and government agencies. Unlike private companies, however, service delivery INGOs get financial support for their activities from third parties whose interests are sometimes similar to and sometimes different from those of their beneficiaries. The fact that the organization is supported by financial contributions from third party payers rather than those who receive the services raises an important problem: Does attention to donors dilute the right of beneficiaries to demand that the INGO be accountable to *them* rather than the *funders*? The organization may find itself *acting* more accountable to donors and funders, even when it is *feeling* more accountable to beneficiaries. This seemed to be true of the service delivery organizations in our group who found themselves acting more accountable to their Northern "donors" than their Southern "beneficiaries." The motive for creating domain accountability standards for the child sponsorship organizations, for example, was to deal with donors more than with beneficiaries of their services.

Of course, there need not be any conflict here. The donors and funders may insist that their goals are to help the beneficiaries, and support the client demands for accountability from the INGO. But there could be important differences between the goals of funders and beneficiaries. To the degree this is true, the INGO would face an important strategic issue: namely, whose preferences and interests ought to be the final arbiter of value. INGOs can have their own moral and legal views, but they may also be influenced by prudential concerns about "keeping donors happy."

Capacity building INGOs are animated by an interest in enhancing the abilities of their clients to solve problems by themselves. Experience has demonstrated that at least some kinds of capacity-building programs are much more effective when clients participate in defining program goals and methods in terms that adapt to local preferences and problems. Effective capacity building requires that the client have a substantial voice in shaping the character and quality of INGO activities, and that the resulting program is co-produced by INGO and client. There is a subtle but important distinction here between two important different ideas. One is the idea that the INGO should be accountable to clients because they know what they want and need, and so are good arbiters of the value produced by the INGO. The second is that the INGO should be accountable to the clients because they are essential participants in the program of building organizational or community capacity. Without active, energetic participation of the clients in the work of the development project, the project cannot deliver the results that would count as success. There is an important difference between the roles of a beneficiary who receives a service in a service delivery organization on one hand, and a client whose development and action becomes a necessary part of producing the desired result. In this sense, a capacity building INGO may owe greater accountability to its clients than service delivery INGOs owe to their beneficiaries.

So far, ideas of accountability systems have not been strained too much from a traditional private sector model in which accountability is owed to funders/owners on one hand and clients/customers on the other. For *political advocacy INGOs*, however, the situation changes more dramatically. At the heart of their activity is the challenge of influencing other actors – government agencies, business firms, international agencies – whose activities affect their constituencies. They may seek to influence the formation of new policies, or the creation of new institutional arrangements, or the enforcement of existing policies. Much of the work of these INGOs involves demand that target actors be accountable to their commitments, missions or policies. It also commonly involves the mobilization of other organizations who share the INGO's objectives to strengthen the coalition that is demanding action. A common response from their targets is to raise questions about the accountability and legitimacy of the INGOs who are bringing pressure to bear.

Probably the most precious asset of advocacy INGOs is their *political weight and legitimacy*, rather than the financial, technical or physical resources they bring to their programs. The political legitimacy of INGOs can be founded on at least four different bases: (1) they can use *existing law* by exposing violations and pressing for more reliable enforcement of laws that have already been passed; (2) they can appeal *a transcendent moral value* that is held in the hearts and minds of many individuals; (3) they can *represent* the views of a large constituency that matters to decision-makers, and (4) they speak on the basis of *recognized competence and expertise* on the issue at hand.[15] Most advocacy INGOs now rely on bases from the law, a transcendent moral idea, or technical expertise, or some combination of the three. These bases fit well together and do not require a mass base, which is difficult to create, sustain, and reliably represent. Moreover, in some important respects, these bases of legitimacy often seem cleaner and more objective than a political base.

Yet advocacy INGOs are often exposed to strong counterattacks precisely on the grounds of their legitimacy and accountability. Targets challenged by INGOs on moral values can dispute the applicability of the value or raise other values threatened by INGO positions; targets challenged in terms of expertise can respond with other experts; targets pressed to live up to existing laws and policies can claim mitigating circumstances. For many issues, mobilizing constituencies seen as powerful by key decision-makers to support advocacy claims is critical to success. Advocacy INGOs that mobilize potent political forces often develop their own memberships and accountability as representatives of powerful constituencies, or become moral, legal, or expert resources to campaigns that mobilize constituents with substantial political clout.

These expectations were born out in our discussions with the INGOs we consulted. We found that the political advocacy organizations (Oxfam America and Mekong Watch) were particularly focused on their accountability to their political allies rather than their donors or clients. Those that were focused on service delivery felt particularly accountable to their donors and beneficiaries, and relied on those interests being closely aligned.

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[15] For a discussion of these bases of legitimacy and their application to advocacy INGOs, see Brown, L. D. (2001). "Civil Society Legitimacy: A Discussion Guide." In L. D. Brown (Ed.), *Practice-Research Engagement and Civil Society in a Globalizing World.* Washington DC: CIVICUS and Cambridge, MA: Hauser Center for Nonprofit Organizations, 63-80.

The Strategic Use of Accountability and Performance Measurement

The burden of the argument so far is that while one can think that the idea of accountability is an objective thing that allows certain stakeholders to make demands on organizations and obliges organizations to meet those demands, one can also think of accountability as a strategic choice to be made by an INGO. An INGO can decide how it wants to be accountable (recognizing that there are prices to be paid for choosing to be accountable to different degrees and in different ways). It can also decide how it wants to use both external and internal demands for accountability to help it achieve its strategic goals. It can do this unilaterally simply by deciding to whom it will be accountable, making judgments along the way about the price that will have to be paid if they go one way rather than another. Or it can arrange a process of consultation with stakeholders to help construct a mutually understood and shared system of accountability. Ultimately, however, the INGO will have to design a framework to guide decisions about how it will be accountable to others and demand accountability of itself.

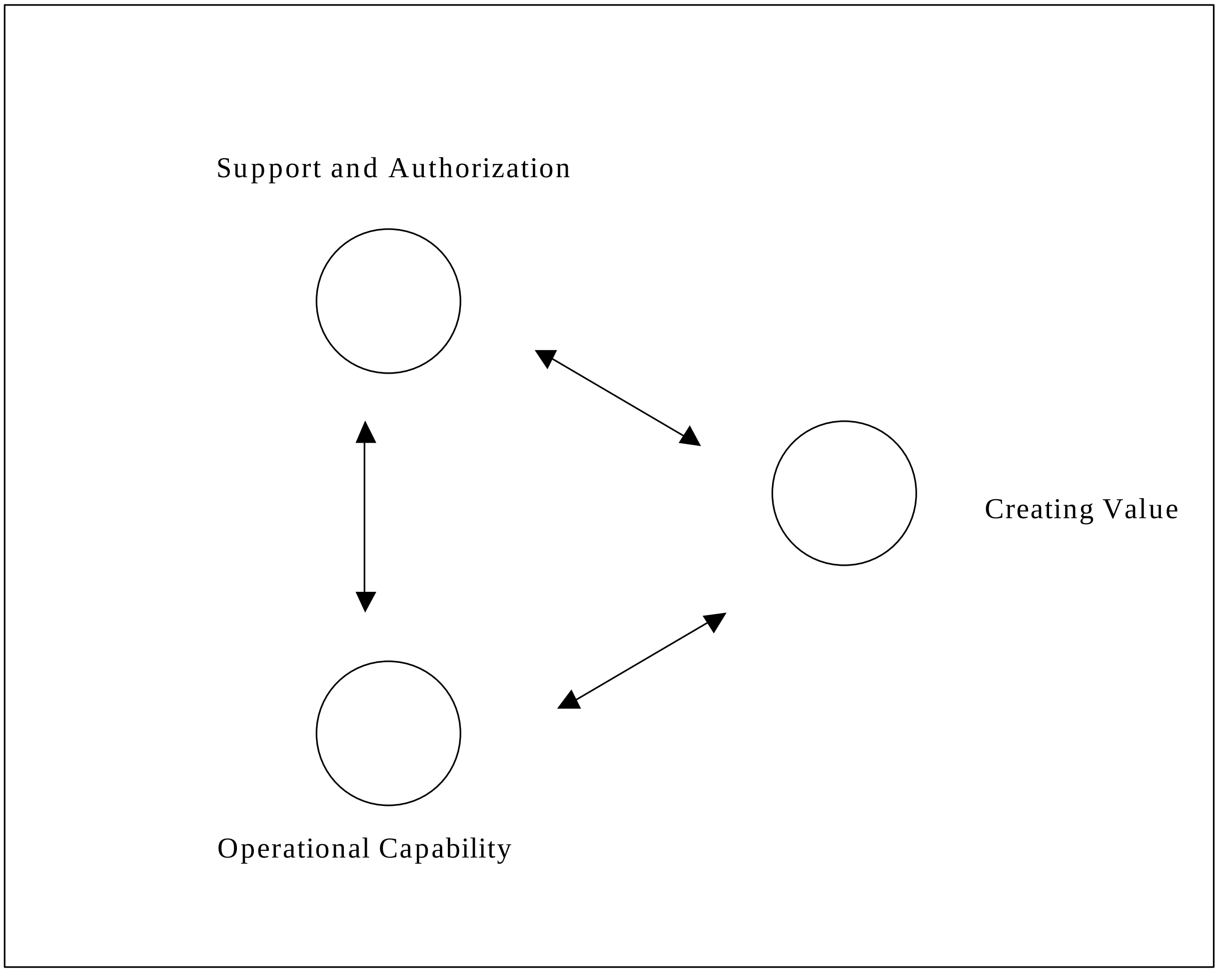
We have found a simple analytic idea to be quite helpful in thinking about strategic issues with public and nonprofit leaders.[16] The idea is captured by the image of a strategic triangle, as illustrated in Figure 1. The strategic triangle is intended to focus managerial attention on three crucial issues as they think about positioning their organizations in the environments in which they are operating.

The *value* circle of the triangle focuses attention on the value purposes and goals that an organization seeks to achieve -- the set of results that provide the organization with its *raison d'etre.* For example, a service delivery INGO might seek to prevent starvation among a famine-stricken population or to immunize a vulnerable group against the threat of small pox. A capacity building INGO might focus on creating agricultural co-operatives to increase crop output and reduce environmental damage. An advocacy INGO might seek to pass legislation that would guarantee fair wages and safe working conditions in manufacturing.

The *legitimacy and support* circle focuses attention on sources of legitimacy and support on which the INGO can draw. This circle focuses attention on sources of money to carry out programs and sources of political authorization and legitimacy. The relative importance of money versus political legitimacy and support may vary across different kinds of INGOs. Service delivery INGOs might be focused primarily on raising enough money to meet the overwhelming needs of the people they are trying to help. Political advocacy INGOs, on the other hand, might be concerned with building political legitimacy that can be brought to bear on powerful institutions. Capacity building organizations might need a mixture of money and legitimacy as well as support from their clients.

[16] Moore, M. H. (1995) *Creating Public Value: Strategic Management in Government,* Cambridge: Harvard University Press.

Figure 1: The Strategic Triangle



The *operational capacity* circle focuses attention on organizational, programmatic and technical means to achieve the desired results. It is one thing to have attractive goals, another to have fungible resources and political support for carrying them out, but quite another to be able to transform those resources into productive activities that actually achieve the desired results. For a service delivery INGO the capability to receive and distribute food – embodied in a network of warehouses, trucks, and the ability to recruit a large workforce on short notice – might be the critical operational capacity. For a capacity building INGO, the operational capacity might consist of a core staff that can combine community organizing with improving agricultural productivity. For an advocacy INGO, operational capacity could consist of a large mailing list, close links to media organizations, expertise in policy analysis and development, and a network of allies who can join in sustained campaigns.

The basic idea associated with the strategic triangle is a simple one. It says that in order for an organizational strategy to be successful, it has to be valuable, fundable and authorizeable, and administratively and programmatically doable. What could be more obvious than that?

What is challenging about the idea, however, is that organizational leaders have to be able to touch all three of these bases. They have to have a plausible story about the important value to be created. They have to mobilize enough money and legitimacy to actually sustain the enterprise and achieve its goals. They have to organize the operational capacity to achieve the desired results. If any of these links is missing, the enterprise as a whole is jeopardized.

<u>Accountability and Performance Measurement in the Strategic Triangle</u>

The strategic triangle affords a simple way to think strategically about how an INGO positions itself in its environment, and about the feasibility of particular projects. It also clarifies why it is important to think strategically about accountability and performance measurement. Consider how such accountability systems are nestled within the strategic triangle.

First, meeting the demands for external accountability is the single most important way that INGO leaders maintain "legitimacy and support" with external stakeholders. A service delivery INGO must be able to sustain support from its donors to continue to serve its clients, and they often do so by offering evidence that the money is being used for the intended purposes. A capacity building INGO has to maintain legitimacy and support with donors and also with its clients, whose investment in its programs is essential to success. (Note: clients enter here as part of both the legitimacy and support circle and the operational capacity circle.) An advocacy INGO gains support and legitimacy by defining goals and objectives in terms that encourage expanding membership or widening coalitions. Thus the creation of concrete goals and measures of progress by which an INGO can be held accountable is also an important way to build legitimacy and support with key external constituents.

Second, developing performance measures is also key to clarifying the value to be achieved. It is easy to embrace large and lofty goals; it is more difficult be specific and concrete about how to measure the degree to which the INGO has accomplished its goals or achieved a desirable social objective. Defining the "public value" achieved by an INGO is both a philosophical and a technical challenge. It has to be able to defend its idea about what constitutes public value in normative, philosophical terms. And, it has to be able to construct a set of measures that provides accurate empirical information about whether and to what degree it is achieving the desired goals. Thus, the need to develop performance measures that can meet external demands for accountability will also force the organization to be clear and specific about the value it is trying to create.

Third, developing performance measures also helps to guide the development and animate the effective use of an organization's operational capacity. Once measures that reliably reflect INGO aims and aspirations are defined, they can be used in management accountability and control systems to guide operations.

Finally, performance measures can be used to foster organizational learning. They can be critical ingredients for operational learning that improves programs and processes in the implementation of the INGO's strategy. They can also be vital inputs to strategic learning, in which the INGO assesses outcomes and impacts of its programs to see if its strategy in fact contributes to achieving its mission, and develops new strategies in response to shifting contexts or new conceptions of how best to accomplish its purposes.

Thus, viewed from the vantage point of the strategic triangle, performance measurement plays a key role as part of the accountability system that builds the INGOs external legitimacy and support, helps it recognize the value it creates, and animates and improves its operational and strategic capacities.

Because external accountability, performance measurement, and internal accountability tie the strategic triangle together, it is important to align these systems with the overall strategy of the organization. If the accountability system is not constructed to sustain legitimacy and support from important stakeholders, it will not be of much strategic use. If the performance measurement system does not accurately define value that the organization is trying to produce, it will become a strategic liability rather than a strategic asset. If the internal accountability system demands outputs that are neither particularly valuable nor important to the external overseers, then it will drive the INGO away from rather than towards sustained value creation.

IV. Toward a Public Value Framework for INGOs

If the success of an INGO depends on keeping the three points of the triangle in some kind of rough alignment, then a useful framework for accountability and performance measurement would keep track of the organization's status with respect to each point on the triangle. Consider what such a system might be.

Recognizing the Value Created by INGOs

The value created by INGOs can be assessed in terms of a pyramid of values and visions, strategic goals, and immediate objectives that allow the organization to recognize (in an accounting sense) the value of its organizational output. A first step in measuring value is, of course, *articulating the vision and mission* of the INGO in relatively clear terms. Often the statements that result from this process are relatively abstract and general ideas about why the INGO exists and what it seeks to accomplish.

A second step in building the pyramid is specifying *the strategies and strategic goals* whose accomplishment will contribute to the success of its mission. This requires describing the INGOs theory of how its activities and outputs can produce outcomes in the longer term that will make a difference. The strategies of service organizations suggest how their services will improve the lives of beneficiaries; the strategies of capacity building INGOs suggest how increased client capacities will lead to better problem-solving and more effective action; the strategies of advocacy organizations indicate how their activities will encourage target agencies to change their behaviors and policies.

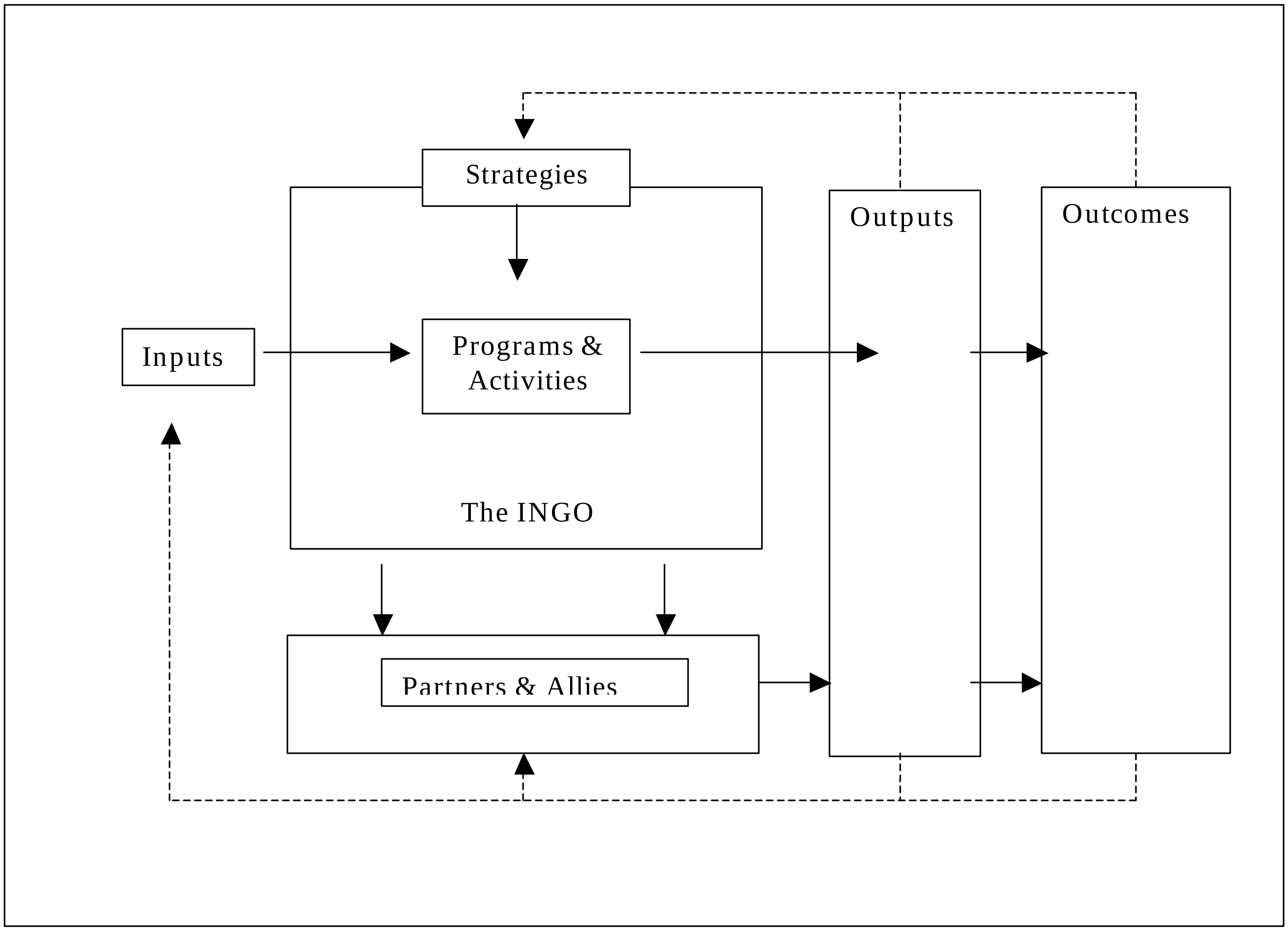
More specifically, measures of how INGOs create value will include descriptions of how they will use activities and programs to convert inputs of resources and staff activities to produce *outputs that lead to desirable outcomes*. Figure 2 describes a kind of "value chain" by which an organization transforms inputs into outputs, which in turn are expected to lead in the longer term to outcomes. Thus an INGO delivering health services might convert funds and medical staff time into immunization programs whose outputs are inoculations that in the longer term lead to outcomes like reduced mortality from common childhood diseases. Note that it is relatively simple to measure organizational outputs, like number of children vaccinated, and more complicated to unambiguously measure and assess the causality of outcomes, like lower childhood mortality five years later. Outcomes are more distant in time and causation than outputs, and so are more problematic as a basis for assessing performance even though they are closer to the results envisioned by the INGOs mission.

Obviously, there is much to be said about efforts to construct the pyramids of missions, goals, objectives and activities that conceptualize the value to be produced by INGOs and identify performance measures that show the extent to which that value is being achieved. For example, it is now the conventional wisdom that good performance measurement systems in the public sector focus attention on a small number of outcome measures. There are at least two reasons to doubt the wisdom of that advice.

First, restricting the focus to only a few measures ignores the fact that many public organizations produce large number of important effects -- some good, some bad. For strategic management purposes it seems important to be alert to many possible effects, including those that are unintended. Otherwise, we risk optimizing performance on a narrow set of objectives and producing losses along dimensions that were not measured.

Second, we should be wary of focusing entirely on *outcomes*. While it is extremely valuable to have information about outcomes, systems designed to capture information about outcomes are usually not helpful in managing organizations in the short run. Efforts to measure outcomes are too expensive and too slow to provide the comprehensive, fast feedback about organizational performance that is needed by managers charged with improving that performance. Performance with respect to outcomes is important, of course, for how else could an organization know if it was achieving its ultimate goals. But focusing performance measurement on outcomes will deprive INGO leaders of the information they need to hold the organization accountable on a real time basis. INGOs need a mix of outcome, output, process and input measures to recognize the value of their work and to find ways to improve their performance.

Figure 2: Elements in the INGO Value Chain



Gauging Legitimacy and Support for INGOs and Their Mission

The second circle of the "strategic triangle" focuses on legitimacy and support for the INGO. The implicit claim is that INGO leaders need measures that focus their attention on their relationships with financial supporters and political authorizers. Thus, a public value framework must focus attention not only on value production and mission achievement, but also on the strength of the relationships and the flow of resources coming from legitimacy and support stakeholders.

For some purposes, it is useful to keep the ideas of legitimacy and support together. The more legitimacy an organization has in the eyes of the world, the better its chances of raising money, attracting volunteers, and enjoying the deference and trust that will allow it to operate relatively autonomously. It is important to keep in mind that the legitimacy and support often come from many stakeholders, not just clients or donors. Yet, for purposes of constructing a public value framework, it is useful to break this big idea into smaller pieces that can be more easily measured.

For example, it is obviously important for INGOs to focus on *sources of revenue* and the state of their relationships with revenue providers. Many INGOs have multiple sources of revenue – charitable donors, members, government financial supporters, and sometimes paying customers for some of their operations. Some organizations have endowment income or income generated from investments. In principle, performance measures could monitor how well the organization is raising revenues from different sources and maintaining relationships with funders. The accounts with each funder could be monitored and developed, and the portfolio could be assessed in terms of growth and diversification and alignment with organizational goals.

For many INGOs, *volunteer energy and commitment* are also an important kind of support and an important demonstration of organizational legitimacy as well. Most INGOs depend on volunteer Boards of Directors for governance and for links to powerful external constituencies. Many also use volunteer support as key labor inputs for carrying out programmatic activities. Keeping accounts of volunteer involvement and support is another element of the strategic framework.

In addition to financial contributions, the framework should focus attention on flow of authorizations or political legitimation to INGOs. These resources enable INGOs to operate or to influence key external actors. The relative importance of this kind of support varies across different kinds of INGOs. For service delivery organizations, political authorization and support matter less than for political advocacy organizations. But even service delivery organizations need state authorizations to raise funds or to operate in their territories. They might have considerably more freedom in operations if narrow governmental authorizations are backed by public enthusiasm for what they are doing. Political advocacy organizations, in contrast, are crucially dependent on political bases that provide the clout they need to influence or demand accountability from other organizations.

The construction of a performance measurement system for political authorization and legalization might also begin with creating a set of accounts for political resources. These accounts might include the political resources contributed by sources of funds, since INGOs inevitably take on some of the political coloration and characteristics of its donors. But other accounts affect the INGOs formal or informal authorizations to act and their overall *legitimacy with the general public.* Reputation with the general public can contribute substantially to the INGOs viability in times of political and economic challenge. By the same token *relations with the media* can have significant impacts on INGO reputations and public visibility.

Government regulating and taxing authorities are also important to building or eroding the INGOs overall legitimacy in the context of the government regulations of the countries in which it operates. Related to this is the extent to which the INGO is careful about complying with relevant regulations in those countries.

Finally, contributors to the INGOs overall legitimacy may include *other INGOs and civil society actors*, who are often close observers of INGO activities even if they are not engaged in joint projects. The important questions here focus on the current contributions from these political observers and authorizers and the state of the INGOs relationships with them.

Measuring Operational Capacity and Organizational Activities

The third component of the strategic triangle directs a manager's attention to the operational capacity that the INGO uses to convert fungible resources and political support into activities that deliver services, build capacity, or influence other actors. In discussing "operational capacity" as an important construct to be measured, two important things must be kept in mind.

First, the idea of "operational capacity" is a larger idea that "organizational capacity." The operational capacity of an INGO begins with the organization itself: the bundle of assets it controls, the quality of the people it employs, the set of operating procedures and technologies it has at its command, and so on. But many INGOs depend on alliances with external actors to achieve their goals. Sometimes these partners are other INGOs or local civil society organizations with whom the INGO co-operates to deliver services, or build capacities, or influence other actors. At other times (particularly for capacity building INGOs), they co-produce results in cooperation with the clients themselves. In still other situations, INGOs cooperate with government agencies or with private sector firms to carry out programs that none of the partners could deliver by themselves. So, in measuring operational capacity we have to attend to the capacities of partners and co-producers as well as the INGO, and assess relationships with external actors whose capabilities are central to INGO missions.

Second, operational capacity is simultaneously a "stock" and a "flow." We can think of operational capacity as a stock of resources that is available to an organization for use in several different ways, and we can also think of that capacity as a flow of activities that uses its resources in particular ways. Just as we can talk about how much money an organization has and how it is expending it, we can talk about the general capabilities that an organization has and the way it is deploying these capabilities in particular activities.

More concretely, the measurement of operational capacity and organizational activity begins with *organizational output measures.* Often, these measures are related to the earlier discussion of recognizing value. When the INGO identifies valued ends and concrete means and sets them in particular timeframes, it will be able to identify a set of measures of outputs that are expected to be critical links in the chain of ends and means that result in creating long term outcomes and impacts.

These organizational output measures should be complemented by a set of *productivity* or *efficiency measures.* These measures check the relationship between the quantity and quality of output on one hand, and the costs of producing those outputs on the other. These can be supplemented by measures that focus on overhead or direct operating costs to offer assurances that the organization is operating in a lean way, and delivering a large fraction of its value to its clients. (This is particularly important for aid organizations that are often evaluated on this number.)

INGOs often also need produce measures of *financial integrity*. Such measures provide estimates of how much (if any) money was lost to fraud, waste, or abuse in the operation. For most INGOs there is a great deal of pressure to deliver resources through the value chain without having too much of the resources leak out the sides or into unexpected overhead costs. Since INGOs often depend on reputations for probity and lean operation, challenges to financial integrity can be particularly destructive to their future ability to operate effectively.

Another critical component of INGO operational capacity is *staff morale, capacity and development*. The overall capacity of the INGO depends critically on the continuing commitment of its staff, particularly when the organization depends on staff quasi-volunteering to provide high quality work for comparatively low wages. Since INGOs frequently depend on creativity and innovation to expand their development impacts, the initial capacities and the ongoing development of staff can have great impacts on the organization's viability and effectiveness. Measures of morale, capacity, and development offer ways to create strengths and identify problems within the operational capacity of the INGO.

Since much of the operational capacity of many INGOs depends on their ability to mobilize effective coalitions and alliances, measures of *partner morale, capacity, and relationships* may also be centrally important to building and maintaining operational capacity. These measures may have to be calibrated in terms of partner missions and interests, if they are to provide accurate pictures of the relationship and its likely future, so once again the INGO must pay attention to external attitudes and perspectives.

Finally, measures of operational capacity should also include accounts of *learning and innovation* in the organization. Over the long run, the performance of the INGO will depend on the rate at which it can learn to improve its operations as well as continue to carry them out more effectively and efficiently. Learning may also focus at the strategic level, as the INGO recognizes changes in the context or in its own capacities, and adapts its strategy and tactics to develop new strategies and programs or event to alter its mission.

<u>The Public Value Framework for Accountability and Performance Management</u>

If we put these three sets of ideas -- creating public value, expanding legitimacy and support, and building operational capacity – together, we have the ingredients for what we will call the "public value framework." This framework in essence is a tool for assessing an organization's performance with respect to the problems posed by the strategic triangle. Figure 3 summarizes the elements of the public value framework and their interaction with each other.

This framework could be compared to the variety of tools that have been emerging over the last several years for assessing the performance of nonprofits and for illuminating the "balanced scorecard" ass it has been applied to nonprofit organizations, or Sawhill's "capacity, activities, impact" framework for assessing the activities of the Nature Conservancy. [17]

For our immediate needs, however, it is more useful to focus on some of the steps involved in creating accountability systems from the perspective of the public value framework, and how they can be used for external accountability and internal performance management purposes that will enhance INGO abilities to carry out their strategies and missions.

V. Constructing and Implementing Accountability Systems

We have suggested that defining INGO accountabilities and the priorities accorded to different stakeholders is at least in part a strategic choice for INGO leaders. Within some limits, leaders can organize accountability systems to align with the mission and strategic goals of the INGO. Accountability systems are organizational arrangements for defining and answering obligations to various stakeholders. Studies of development NGOs have suggested that in practice accountability has tended to emphasize "upward" and "external" accountability to donors over "downward" and "inward" accountability to clients and staff, and identified five major mechanisms for accountability: reports and disclosure statements, performance assessments and evaluations, participation, self-regulation, and social audits.[18] Accountability systems may be formally and explicitly defined, as in the case of explicit systems to guide how the INGO will be accountable for particular activities to specific stakeholders, or they may be more informally or tacitly organized. Initial steps for building accountability systems involve the kind of assessment described in the prior section: defining INGO missions and strategies, mapping stakeholders, describing value creation chains, and prioritizing stakeholder accountability claims. These elements are critical precursors to the construction of accountability systems. In addition to these elements, three other tasks are required to construct effective accountability systems: negotiating expectations with key stakeholders, creating performance measurement systems, and organizing performance communications and recognition. Once such a system is in place, the results it produces can be used for a variety of purposes beyond meeting accountability demands, from performance management to organizational learning to strengthening INGO legitimacy.

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[17] Sawhill, J. (2001). *Mission Impossible: Measuring Success in Nonprofit Organizations*. Cambridge: Harvard Business School.
Kaplan, R. S. (1999) *Strategic Performance Measurement in Nonprofit and Governmental Organizations.* Boston: Harvard Business School.
Moore, Mark H. (2002) "*The Public Value Scorecard: A Rejoinder and an Alternative to 'Strategic Performance Measurement and Management in Nonprofit Organizations' by Robert Kaplan.*" Hauser Center for Nonprofit Organizations Working Paper. Cambridge: Harvard University.
[18] See Ebrahim, A. (2003). Accountability in Practice: Mechanisms for NGO's. *World Development*, 31(3), 813-829.

Negotiating Stakeholder Accountability Expectations

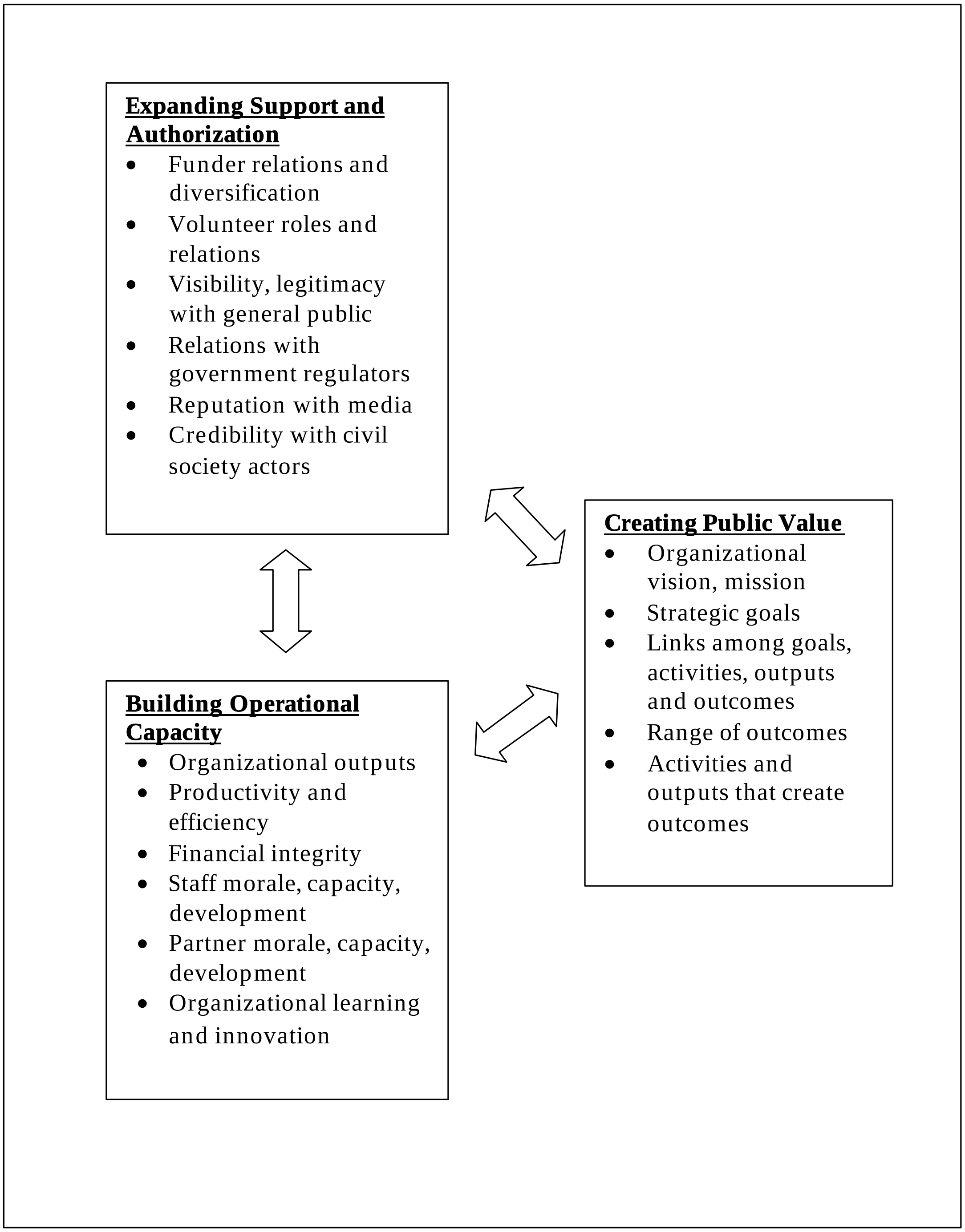
We have discussed the challenges posed by the accountability demands of diverse stakeholders—donors, regulators, beneficiaries, publics, partners, staffs, and so on. Negotiating expectations early in the relationship has several advantages. INGOs that face accountability claims from diverse stakeholders may reduce the likelihood of misunderstanding and conflict later on by setting realistic expectations early in the relationship. Involving stakeholders in defining indicators of performance and preparing for ambiguous results can shape their participation in joint work, which is particularly important when results are co-produced with stakeholders. Negotiating expectations clarify to all stakeholders the variety of claims on the INGO, and so reduce expectations that the INGO can realistically respond fully to all of them.

Negotiating expectations without a clear map of stakeholders and their relations to the INGO's mission can seriously distort the links between accountabilities and that mission. Stakeholders often vary considerably in their abilities to negotiate accountability expectations: Donor agencies may have clear standards and considerable capacity to impose them, while clients may have little experience or capacity to protect their interests. It s not surprising that many INGO activities are perceived as "donor-driven," since donor voices are often the main ones heard in negotiating accountability expectations.

The patterns of negotiation will also depend on the underlying forms of accountability relationship that are appropriate to different stakeholders. For many INGOs, the mutual accountability form may be preferable for relationships with some stakeholders, like partners in advocacy campaigns or capacity building initiatives. In other cases some stakeholders may want principal-agent relations, as in donors who seek to use INGOs as agents for carrying out their own programs. Most INGOs will prefer to convert such support into contractual relationships that are less asymmetrically structured, though resource scarcities and lack of alternative sources of support can create large differences in bargaining power between INGOs and large government donors on one hand and between INGOs and national NGO partners on the other. An important aspect of negotiating expectations is the question of how the relationship can be expected to evolve over time – will initially asymmetrical bargaining relations become more symmetrical over time, or move from arms-length contracting to more mutual influence based on the development of trust?

Systematic accountability negotiations with all stakeholders are potentially a huge task. As in the assessment of priorities, negotiations should begin with high priority stakeholders, particularly those whose expectations have not been clearly voiced in the past. Donors often negotiate for results as a matter of course; clients or staff may be less involved in such discussions, even though they are greatly affected by the ways INGOs define and measure accountabilities. Negotiating expectations with stakeholders who perceive themselves to be less powerful or knowledgeable than the INGO is often particularly challenging, and may require

Figure 3: Public Value Framework for Accountability and Management



special sensitivities or skills from INGO representatives to enable two-way communication and shared decision-making. Not all negotiations end in agreements, of course, but even articulating areas of disagreement about expectations can be the grounds for joint learning and mutual accountability in the future.

Relationships with key stakeholders may be particularly important for INGOs that face rapidly changing contexts and the need to take on new strategies that have different implications for accountability. Many INGOs are grappling with the move from service delivery to capacity-building strategies, and this strategic shift potentially alters the balance of priorities between donors and clients. Many INGOs are also contemplating larger investments in advocacy and political influence strategies – which will require even more dramatic reorganization and redefinition of their accountability relationships and expectations.

Creating Performance Measurement Systems

Performance measurement is not merely an abstract notion. It involves the actual creation, development, and use of performance data to inform institutional strategy formulation and decision-making. The development of the system itself requires systematic collection of accurate and timely organizational performance data and an infrastructure to produce timely and useable performance reports for appropriate stakeholders.

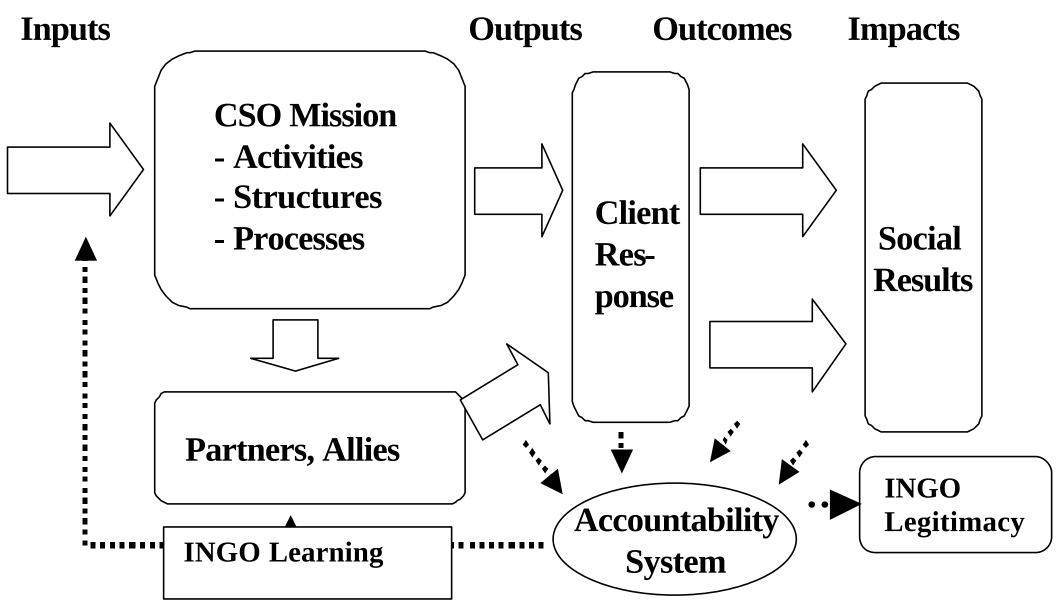
In many instances, the organization does not regularly collect and produce the data it actually needs for a performance measurement effort. In such cases, the starting point for building a performance measurement system might be taking an inventory of what data is actually collected and produced by the organization and identifying gaps in data collection and analysis. From here, the organization can begin to improve its data gathering and reporting efforts. From an operational standpoint, it might also be important for the organization to assess its information technology resources to ensure that appropriate assets for data collection, analysis, and reporting are in place.

Note that the results of INGO work may be particularly difficult to assess: Impacts like improved services, enhanced capacity, or policy reform are often difficult to measure in themselves, sufficiently distant in time to be little use for immediate organizational guidance, and subject to a variety of influences other than the INGO's work. So performance measurement for INGOs is often inherently more ambiguous than performance measurement by criteria like profitability for business organizations.

Nonetheless, it is feasible to develop indicators that enable performance measurement in INGOs. Figure 4 adds a performance measurement system to the value chain of Figure 2. Dotted arrows suggest areas from which performance indicators might be drawn, including organizational processes (e.g., accounting systems, human resource decisions), organizational outputs (e.g., number of people trained, immunizations delivered), client reactions (satisfaction of clients, reputation with policy-makers), outcomes in the sense of client changes of behavior (e.g., changed health practices, expanded businesses), and social impacts (e.g., improve health, growing incomes). Dotted arrows also indicate the use of information for performance management, organizational learning and legitimacy strengthening by the INGO.

While many analysts have argued for focusing more on outcome analysis of results to the far right of Figure 4, results like social impacts are often sufficiently distant in time and cause from INGO activity to be less useful for shaping future performance than more organizationally proximate indicators like outputs and processes. Ideally, studies of long-term outcomes can strengthen the evidence for connections among elements of the INGOs' value chain and so bolster the argument that INGO processes, outputs are in fact linked to client outcomes and intended long-term impacts. Thus INGOs might find from research studies that outputs like certain levels of literacy at the end of a women's literacy program (output) are associated over time with better business practices and changed health practices (outcomes) that in turn lead to impacts like increased incomes and smaller family sizes. This finding would reinforce measuring performance by the output indicator of post-program literacy as a predictor of quality-of-life impacts in the longer term.

Figure 4. Value Chain and Accountability System



The nature of indicators, the data collection methods, and the analysis and interpretation of results for a performance measurement system must be tailored to specific INGO strategies, programs and stakeholders. Negotiating expectations can engage stakeholders in identifying relevant and accessible indicators. There are large literatures on program evaluation, assessing nonprofit accountability and performance, and measuring development outcomes.[19] For our purposes, constructing a system that produces performance indicators that are seen as relevant and credible by key stakeholders is centrally important to enhancing accountability to those stakeholders as well as building performance management systems, fostering organizational learning, and building legitimacy with internal and external constituencies.

Communicating Results and Rewarding Performance

Accountability systems also require arrangements for communicating the results of performance measurement and recognizing those results in ways that encourage performance improvement. How will stakeholders learn about indicators of performance, and what options do stakeholders have to recognize good performance and sanction failures to perform?

Communications systems provide stakeholders with information about INGO performance, from reports and evaluations of specific programs (often require by donors) to annual reports and audits of the INGO as a whole (sometimes offered to Boards, staff, or home country regulators). Existing systems for communicating performance results are often closely tied to stakeholders who have the political voice and will to demand information about performance. But INGOs can create communications systems to generate and share information about organizational activities with a wide range of stakeholders, from learning conferences with staff and allies to reflect on program delivery to workshops with clients or beneficiaries to assess and improve program performance. When INGOs become widely visible as consumers of public or voluntary resources, then in some countries media attention may challenge the ways in which those resources are allocated. Many relief and development INGOs in the US and Europe, for example, have been the subject of media exposes about controversial use of taxpayer or charitable donations.

An important dimension of performance measurement systems relates to the extent to which the system actually includes consequences for individual and organizational behaviors. More specifically, it is important to know whether a performance measurement system includes

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[19] For work on program evaluation see for example:
Fetterman, D. M., Kaftarian, S.J. & Wandersman, A. (Eds.). (1996). *Empowerment Evaluation: Knowledge and Tools for Self-Assessment and Accountability*. Thousand Oaks, CA: Sage.
Wadsworth, Y. (1991). *Everyday Evaluation on the Run*. Melbourne: Action Research Issues Association.
Reviews of much of the work on assessing nonprofit accountability and performance are in:
Cutt, J. & Murray, V. (2000). *Accountability and Effectiveness Evaluation in Non Profit Organizations*. London: Routledge.
Approaches to assessing development outcomes in can be found in:
Earl, S., Carden, F., & Smutylo, T. (2001). *Outcome Mapping: Building Learning and Reflection into Development Programs*. Ottawa: International Development Research Centre.
Estrella, M. (2000). *Learning from Change: Issues and Experiences in Participatory Monitoring and Evaluation.* London: Intermediate Technology Publications.

incentives and disincentives which reward and/or sanction performance (or lack thereof). These issues lie at the heart of performance measurement. The questions that arise here might include:

- What does the organization and its employees gain or lose as a consequence of performance?

- What are the incentives for high levels of performance?

- What are the consequences of sub-standard organizational performance?

An effective performance measurement system will create a set of appropriate incentives for high levels of both organizational and individual performance and will also include sanctions and disincentives for sub-optimal performance, both individual and organizational. Absent actual incentives and disincentives and visible consequences, a performance measurement system becomes an irrelevant add-on activity that no one in the organization takes seriously or believes is an asset to helping the organization achieve it mission and/or produce improved organizational results.

Recognition, rewards and sanctions for INGO performance are not easily arranged for some stakeholders. Marginalized villagers in developing countries, for example, cannot easily challenge an international NGO. On the other hand, antagonistic media attention can significantly harm the public image and fundraising capacities of INGOs that are seen to violate their performance promises. More generally, INGOs who have wielded considerable clout by "naming and shaming" deviations from good policy and practice by business and government actors are themselves highly vulnerable to similar attacks on their credibility and accountability. INGOs have benefited greatly from their reputations for altruism and commitment to the interests of others, and challenges from marginalized stakeholders to their credibility can be serious threats to their reputation and legitimacy. Thus when targets of policy influence campaigns, like the World Bank, can substantiate charges that INGOs do not in fact speak in the interest of grassroots groups they claim to represent, the credibility of the INGOs can be impaired with larger publics as well as with the Bank[20]. But such risks can also help INGOs resist pressures from powerful stakeholders. When INGOs can argue that they must have space to use participatory approaches to build local capacities, they may be able to reduce donor controls over project activities that would otherwise make flexibility in response to local concerns much more difficult. So, creating communication and recognition systems that strengthen accountability pressures from program clients and allies may help to balance pressures that might otherwise distort programs away from the needs of marginalized constituents.

When it comes to performance measurement, commitment and direction must come from the top. Leaders need to signal the importance of creating a performance measurement system and must follow through on implementation and use of such a system over a sustained period of time.

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[20] Fox, J. & Brown, L. D. (1998). *The Struggle for Accountability: NGOs, Social Movements, and the World Bank.* Cambridge, MA: MIT Press.

If leaders do not exhibit a commitment to performance measurement systems and initiatives, external stakeholders such as funders, and internal constituents such as employees and staff may interpret this ambivalence as a lack of belief that such an effort will actually help the organization improve its work. More specifically, senior management teams (and boards of trustees/directors) must make an explicit and lasting commitment to performance measurement if it is to be effective. This commitment includes devoting organizational resources (financial, human, and political) to such an effort and a willingness to commit a fair amount of the organization's time and resources to pursue such efforts. Sustaining a performance measurement effort is a key responsibility of leaders – it takes a combination of courage, persistence, and drive to carry out such work.

Using Accountability Systems: Performance, Learning and Legitimacy

Accountability systems constructed to generate information about INGO performance offer a number of opportunities to enhance the organization's work. We will briefly consider three such opportunities: creating performance management systems to focus and reward the efforts of staff and allies on critical operational matters; enabling organizational learning by expanding awareness of present impacts and strategic opportunities; and, enhancing organizational legitimacy with key internal and external audiences by articulating and living up to mission- and strategy-based standards.

Performance management systems use understanding of value creation chains to create reward and incentive systems that foster improvements in operational performance. Defining strategic goals, identifying and negotiating expectations with key stakeholders, and creating performance measurement systems can be bases on which to design organizational roles, structures and systems to enhance performance of key tasks.

Clarifying accountabilities may have implications for the fundamental organizational architecture that shape INGO designs, cultures and systems. When an INGO long involved in fostering local self-help projects reframed its strategy to emphasize global policy campaigns, it recognized its increasing accountability to global allies as well as local partners – and expanded its organizational arrangements to include campaign task forces—composed across regions, levels, and departments—to press staff to be responsive and accountable to international allies and coalitions. So changing strategic accountabilities may call for changing organizational architectures.

The more common form of performance management is the development of processes and structures that encourage high performance from individuals and groups. Accountability systems that provide ongoing performance assessments for external stakeholders can also be useful in managing internal performance. International allies' satisfaction with information sharing, quality of policy research, and effectiveness in joint decision-making may be critical to the success of transnational coalitions for policy influence. INGO staff members who demonstrate capacities for effective work with external allies can be rewarded, and those with less skill can be given incentives to develop them. The more the INGO recognizes elements critical to producing strategic results, the more organizational and leadership resources can focus on encouraging their production. As INGOs find themselves under pressure to do more with less and to engage in unfamiliar arenas, their ability to create systems that foster and support high performance will become increasingly critical.[21]

Organizational learning is an area of intense interest to for-profit organizations facing highly uncertain environments.[22] Not surprisingly, it is also a critical for INGOs involved in social change and development.[23] Organizational learning can focus at several levels—operational learning can enhance the delivery of programs and core activities, while strategic learning can reshape how the organization frames its mission and strategy for action. The INGO that added global campaigns to its local development projects was responding to organizational learning that indicated that some fundamental causes of poverty in developing countries are rooted in the terms of international trade—and that those problems that cannot be solved by action at the grassroots.

Organizational accountability systems can provide both opportunity and motive for organizational learning. Performance measurement indicators provide opportunity by indicating how much program activity in fact accomplishes elements of their expected value creation chain. While it is possible to learn from success, it is often particularly useful to learn from errors and deviations from expected results – and such learning requires that INGOs invest the resources necessary to get and learn from good data.[24] When accountability systems provide opportunities to engage key stakeholders in discussing past experience and negotiating future expectations, the INGO can benefit from diverse perspectives on its work and impacts.

Accountability systems can also provide motivation for learning in that stakeholder assessments have moral, legal, or prudential consequences. Dissatisfied clients may seek other sources of INGO services or challenge its reputation for quality; dissatisfied partners and staff may leave the INGO or reduce their investment in its programs; dissatisfied donors may withdraw their support and decide against funding future initiatives. If the INGO cannot learn from feedback, revise its own and others expectations, or otherwise respond to issues raised, it may suffer serious consequences in stakeholder relations.

Accountability systems can also produce ingredients for *strengthening INGO legitimacy* in their complex contexts. As INGOs become more visible and influential with governments, multinational corporations, intergovernmental organizations and other large-scale institutional actors, they are increasingly asked "To whom are you accountable?" This question is often a prelude to questions about their legitimacy as a voice on the issue is at hand.

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[21] Lindenberg, M. & Bryant, C. (2001). *Going Global: Transforming Relief and Development NGOs.* Bloomfield, CT: Kumarian Press.
[22] Senge, P. (1990) *The fifth discipline: The art and practice of the learning organization.* New York: Doubleday. Argyris, C. & Schon, D. (1978). *Organizational Learning: A Theory of Action Perspective*. Reading, MA: Addison-Wesley Publishing.
[23] For example: Korten, D. C. (1980). Rural Organization and Rural Development: A Learning Process Approach. *Public Administration Review*, 40, 480-511; Uphoff, N., Esman, M., & Krishna, A. (1998). *Reasons for Success: Learning from Instructive Experiences in Rural Development.* West Hartford, CT: Kumarian Press; Smillie, I., & Hailey, J. (2001). *Managing for Change: Leadership, Strategy and Management in Asian NGOs.* London: Earthscan.
[24] Smillie and Hailey (2001), op cit.

One advantage of having grappled with the questions considered in this paper is that INGOs will have at least a preliminary response to the question. They will be prepared to discuss the complexity of the issue and their accountabilities to multiple rather than single principals. Accountability systems can be displayed as evidence of good faith efforts to articulate and respond to accountability questions, even in contexts where unequivocal and unambiguous answers are not available.

Perhaps more important, work on accountability systems may enable INGOs to take proactive stands on their own accountability, rather than waiting passively for others to frame the issue in hostile terms. Strategic choices about accountabilities enable INGOs to explain their priorities and why they are appropriate to their missions and strategies. In fields where the histories of practice have begun to identify "best practices" and standards of effectiveness, INGOs may come together to jointly define domain standards rather than waiting for antagonistic outsiders to hold them accountable to inappropriate tests. Engaging with diverse stakeholders to articulate expectations may also contribute to defining domain expectations. In short, explicit engagements with stakeholders and other INGOs on the matter of accountabilities can help INGOs in particular and civil society actors in general to build understanding of the sector and its societal contributions to the societies in which it is embedded.

VI. Summary and Conclusion

We have argued that accountability is an increasingly important issue for international NGOs as they take on more important roles in national and international arenas. But our analysis suggests that no agreed "objective social ideal" exists to define accountability for INGOs, and that the demands of many interested stakeholders create considerable ambiguity about what standards INGOs should meet. We also explored alternative forms of accountability relationship—from principal/agent to contract to mutual accountability—that may create quite different patterns of engagement among INGOs and their stakeholders. One implication of this analysis is that defining accountability for INGOs is much more complicated than many INGO critics assume.

We have suggested that in such ambiguous and conflicted circumstances, strategic choices by INGO leaders may be the most appropriate way to define INGO accountabilities. While those choices will be subject to moral, legal and prudential considerations that faced the INGO, their leaders may be in a better position than anyone else to articulate accountabilities that are aligned with organizational missions and values. Experience suggests that as a domain develops better understanding of its core problems, inter-organizational negotiations may establish shared standards to operate as social ideals of accountability for the domain.

This framing of the issues places a high premium on strategy choices by INGOs in evolving domains. So we have focused on the challenges of assessing accountabilities to stakeholders associated with INGO value creation, legitimacy and support, and operational capacity to construct a public value framework that can guide the assessment of organizational performance. This framework provides an alternative to many other performance measurement tools that are less grounded in the realities of the civil society sector. Those realities require, for example, more attention to the demands of legitimacy and support and the challenges of relations with other actors to mobilize operational capacity than is common to many performance measurement frameworks.

Finally we have provided an overview of the issues involved in constructing accountability systems that enable INGOs to create sustainable relations with key stakeholders. These systems require that INGOs clarify their missions and strategies, identify and prioritize stakeholders, negotiate performance expectations with key stakeholders, create performance measurement systems, and communicate results in contexts that permit recognition and sanctions for performance by those stakeholders. Such accountability systems provide the base for performance management systems to focus organizational activity, improving organizational capacity for operational and strategic learning, and enhancing organizational internal and external legitimacy through clear commitment to assessing and improving mission-driven results.

The issue of accountability is often seen by INGO leaders as something to avoid, since the experience of "being held accountable" more often feels like punishment than reward, and encourages risk-aversion and conformity rather than innovation. The strategic accountability envisioned in this analysis seeks to align stakeholder pressures with INGO missions in a domain where innovation and development are central. At the level of particular organizations, this alignment can enable improved internal management, better external legitimacy, and more effective organizational learning. At the level of the domain of development work of various kinds, strategic accountability by individual organizations can provide the basis for setting and improving domain-wide standards of good practice, contributing building better understanding of domain problems and solutions. INGOs need to pay attention to strategic accountability in order to deal with challenges from state and market institutions to their roles in national and international governance – and they may also enhance their capacity to solve the development problems for which they were created in the process.

Appendix 1:

Different Stakeholders, Their Basis for Demanding Accountability, and the Substantive Dimensions of Performance that tend to Interest Them

A. Types of Organizational Stakeholders

It is difficult to describe the stakeholder environment of INGOs in general with any precision. It is possible, however, to characterize some common *types* of actors that show up in the environments of most INGOs. Indeed, the leaders of INGOs can use this list to identify active stakeholders in their environments and potential stakeholders who could become active.

1. Funders

First, there are those actors and organizations that provide funds to the INGO, such as charitable donors, government agencies, purchasers of services, and so on. For many INGOs, sources of funds are often in industrialized countries while the clients served the INGOs activities are in the developing world. Charitable donors may include foundations, large individual philanthropists, or masses of individual donors who believe in the INGO's work. Government agencies can give money in the form of grants or contracts, usually to provide services to populations who might otherwise go without. Some INGOs also utilize funds from private financial actors, such as banks who extend loans, or customers who pay for some portion of the services they are offered. Most INGOs depend to some extent on external sources of funds, though the level of that dependence may vary substantially across INGO goals and strategies.

2. Authorizers and Legitimators

Other stakeholders provide a kind of political support and authorization that allows the INGO to exist at all, establishes its political and social legitimacy, shields it and its assets from attack, and gives it moral encouragement to continue its work. The most obvious such organizations are the national governments in whose territories INGOs are based, raise funds, or carry out operations. Note that authorization and moral encouragement is different from funding, but it is a no less crucial form of support.

INGOs also depend on other sources of political support. Recognition by the general public in the countries where they operate can be important sources of legitimacy when state or other actors challenge them. The support of international institutions, such as the United Nations or the World Bank, may be critical in preserving their independence and legitimacy in some circumstances. They may be sheltered to some degree by international conventions and treaties, and they can be helped or hurt by the existence of agreements among nations that provide an authorizing context for their work. Political legitimacy and moral encouragement can support initiatives and remove obstacles that hinder INGO operations.

3. Volunteers

The time and energy of volunteers may be as important as contributions of funds. Insofar as an INGO enlists volunteers to carry out important functions, volunteers become an important stakeholder. For example, most INGOs rely on volunteer Boards of Directors. The members of the Boards take on the legal responsibility for the acts of the INGO. Their individual and collective prestige also often provides a certain amount of political legitimacy and protection to the organization. And they provide technical advice and support that would otherwise be expensive or unavailable. In exchange for these contributions, and as part of their office, they naturally think that the INGO and its leaders should be accountable to them. Some INGOs also rely on volunteers as workers in their day-to-day operations, particularly when their work involves mobilizing large groups to solve short-term problems on an intermittent basis.

Since (as the expression goes) time is money, the distinction between those who contribute time to the INGO and those who contribute money may not seem all that important. And, indeed, when one is doing an economic or financial accounting for the flow of resources that sustain an INGO it is important to remember that many INGO activities are essentially capitalized and sustained by the “sweat donation” made by unpaid, or poorly paid staff members, and that that flow complements and sometimes dwarfs the flow of donations into the organization.

Yet, there are several crucial differences between those that contribute money and those that contribute labor that affects the kind of accountability that is created between the organization and its volunteers. One crucial difference may be that the contribution of time and effort often feels more important to those who contribute. They feel more a part of the organization, and even more identified with the purposes of the organization than those who give money. A second crucial difference is that the volunteers, whether in the Board Room or in the field delivering goods and services, are often in a better position than a donor to see what is going on in the organization, and to have confident views about how the organization is performing. One important consequence is that volunteers may be even more determined and better able to demand that the organization remain aligned with their vision of the organization’s purposes than those who contribute money.

4. Employees

The line between volunteers and employees may also be quite blurred. Many INGO staff members work for the mission as much as the paycheck. They have often given up chances to earn higher wages elsewhere to work for the INGO because they believe in the mission. Or, they are willing to work harder than their paycheck requires because they like the mission. In this respect, many INGO staff can be viewed as "quasi-volunteers," and their interest and capacity to demand accountability similar to that of other volunteers.

Employees are important stakeholders even if they are not quasi-volunteers. They want the organization to treat them well not only in economic terms, but also in human dignity terms. They would like the organization's purposes and actions to reflect well on them as employees, and to increase rather than decrease their status with their friends and neighbors. If they are long-term quasi-volunteers, they may feel entitled to be consulted when the organization introduces important changes in mission or in operations. Many feel that their commitment to the organization earns them some kind of governance rights over its purposes and methods.

5. Partners and Allies

Partners and allies are external to the INGO but critical actors in accomplishing the INGO's goals. Some of these actors are contractually based: They are paid for their equipment, for their knowledge, or for their work. These working relationships can be well established and routine; or constructed to deal with particular problems. Some contractual arrangements persist over long periods of time to the benefit of both parties.

Other external actors work with the INGO from a sense of common cause and partnership. Such alliances are particularly common when the parties recognize that they need each other's capacities to carry out some important initiative, such as expanding a program to cover a wider range of populations or services. Alliances may also be required to accomplish political objectives that require coalitions of organizations with shared interests. Collaborations in political expressions and activities are less likely to involve money and contracts. But often there are important promises and commitments made in explicit political efforts, and these can create as many important claims on an INGO's activities and assets as the contracts they sign in economic activities.

6. Clients, Beneficiaries and Targets

Last but not least, there are the stakeholders who are the focus of INGO strategies and activities. These "external actors" are important because the INGO can only achieve their objectives in interaction with them as beneficiaries of health programs, or clients of capacity-building initiatives, or as targets of policy influence activities. Enhancing their welfare, strengthening their capabilities, or influencing their decisions is the point of INGO efforts.

INGOs are interested in satisfying the needs of clients and beneficiaries, of course. But in many cases their interests in their clients and beneficiaries goes beyond their satisfaction to recruiting them as "co-producers" of the larger social outcomes that the INGO seeks – such as better public health or enhanced local capacity for problem solving. In short, clients and beneficiaries become a means to a social ends as well as an end in themselves. So it would be a mistake to assume that the only goal of an INGO is to please their clients and beneficiaries. It is important to please those stakeholders, but INGOs have purposes beyond the satisfaction of clients, as those clients now understand their interests.

When INGOs act as political advocates by pressing claims against other actors, they are often not trying to improve the welfare of those targets but rather trying to influence their activities to improve the lot of other stakeholders. Stakeholders who are targets of political influence activities may also demand that the INGO demonstrate its accountability as a precondition for influence. Government agencies, corporations, and international agencies often ask advocacy INGOs about those whom they represent or the basis for claimed expertise on the issue.