

# Ethical Management Systems for Not-for-profit Organizations

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## *Ethische Management Systeme für Not-for-profit-Organisationen*

*Non-governmental organizations (NGOs) have proven to be excellent instruments for promoting a wide range of causes. But they need to adhere to strict ethical principles, that they usually embody in voluntary codes and standards. This paper analyzes one standard, the “Ethics. NGO management system” standard, published by Aenor, a private Spanish organization committed to the development of standardization and certification. The analysis and comments are centered mainly on issues of accountability of NGOs.*

*Keywords: Accountability, Codes of Ethics, Ethical Standards, Non-governmental Organizations, Not-for-profit Organizations*

### 1. Introduction<sup>1</sup>

Non-governmental or ‘third sector’ organizations (NGOs) have grown rapidly in number, size and influence in recent decades. The third sector is made up of “not-for-profit organizations governed by private law and with independent legal status, pursuing programs of general interest for the improvement of society in the fields of social welfare and sustainability: community action, education, healthcare, environmental protection, development cooperation and sustainable development” (Aenor 2004: 1).

NGOs have proven to be excellent instruments for promoting a wide range of causes and contribute to the achievement of important objectives; they have shown themselves to be disinterested and effective; and their organizational flexibility has enabled them to address new tasks. As a result, they are generally held in high public esteem. But recently they have faced a number of challenges. Under the influence of globalization and technological change, the framework in which NGOs operate has changed. People have become more sensitive to the problems (hunger, disease, inequalities, etc.); they also realize that many of these problems could be overcome or alleviated, and their values have evolved. All this has given a new dimension to aid, which is the basis for both the demand and the supply of NGO services.

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In response, the role, number and scale of NGOs have changed. Sometimes they take over the role of governments; other times they are subordinate or complementary to them. In some cases they have replaced or become a channel for individual charity; in others they obtain funds from government or from companies which, by becoming involved in the community have themselves become agents of change. Nowadays, some NGOs are multinationals, substituting or partnering with international bodies and playing a role as economic and political actors on the international stage, where often they set the agenda.

All this has prompted a thorough reconsideration of the principles that govern NGOs, the way they are organized, and how they operate. Precisely because they move significant amounts of resources for what sometimes are important human projects, they are expected to be financially sustainable, effective and efficient. As social and political actors, they must adhere to the rules of ethics, honesty and transparency. They must cultivate their image and reputation, because it affects their legitimacy and, therefore, their survival. And they must strive to be agents of change not only with respect to social outcomes, but also with respect to society's attitudes and values.<sup>2</sup>

In view of the above, it is understandable that NGOs should have been criticized, across the board and in specific cases, for neglect of their original goals, lack of legitimacy, inefficiency, lack of transparency, etc. (Zaidi 1999; Foote 2001; Gibelman/Gelman 2001; 2004; MacDonald et al. 2002). For these reasons, numerous attempts have been made to self-regulate NGOs through codes of conduct or rules of behavior that define what an accepted behavior is, promote high standards of practice, provide benchmarks for self-assessment and establish frameworks for members' conduct and responsibilities.

The next section of this paper explains the role of ethical codes as instruments to control NGOs. The following section discusses the contents of a Spanish standard published in 2004, and the article concludes with some comments on this standard, from the point of view of accountability.

## **2. Codes of ethics for NGOs**

Lloyd (2005) identifies six reasons for self-regulation in the third sector:

- (1) The growth in the number and power of NGOs has made them key players in society, which demands responsibility and accountability.
- (2) NGOs' success in changing national and international policy has led other agents (governments, companies, unions) to question their legitimacy.

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<sup>2</sup> Other reasons are insufficient government oversight, absence of direct stakeholder regulation, increasing media coverage and public scrutiny, shift from government funding toward direct funding, the belief among donors that NGOs are more effective than governments in providing basic social services, that they are better able to reach the poor, and that they are key players in democratizations processes, and the belief of the NGOs members that accountability "is the right thing to do" (Bies 2001; Light 2000).

- (3) Their rapid growth has outpaced the ability of many governments to effectively regulate the areas in which NGOs operate.
- (4) Self-regulation is seen as a way of going beyond the legal minimum to promote higher standards of governance and accountability.
- (5) NGOs need to win society's trust, and to do that they must meet higher standards in their own organization and operations.
- (6) And they need to attract new donors.

Self-regulation can be achieved in many different ways along a continuum between two extremes: codes of conduct, on the one hand, and accreditation and certification systems, on the other. Codes of conduct are self-regulatory mechanisms where groups of organizations agree on standards governing their conduct. Accreditation and certification systems are self-regulatory systems where independent external reviews of an organization's compliance with agreed upon standards and norms are conducted (Shea 2004).

Codes are voluntary and lack enforcement mechanisms, although they can be enforced indirectly through reputation or by making compliance a condition for access to certain sources of finance. Certification mechanisms are subject to external and stricter control (Leader 1999), although they do not always have means of enforcement. Some codes, such as the *Red Cross and Red Crescent Code* or the *World Association of Non-governmental Organizations (Wango) Code of Ethics and Conduct for NGOs*, are global in scope. Others are for individual countries; still others apply to a particular NGO or group of NGOs. Some codes are statements of principle, like the *Red Cross and Red Crescent Code*, the *BOND's Statement of Principles* or the *Caux Principles for NGOs*, while others contain detailed rules of conduct, such as the Wango code mentioned earlier.

In what follows, we shall be considering a particularly instrument: the experimental Spanish standard *Ética. Sistema de gestión de las ONG (Ethics. NGO management system)*, approved in 2005 by Aenor (Spanish Association for Standardization and Certification), a private, independent, not-for-profit organization committed to the development of standardization and certification in all sectors.

### 3. The Spanish standard for ethical NGO management

In 2000, Aenor decided, with the help of a working group of experts and NGOs representatives, to prepare a set of standards for the design of ethical, social and environmental management systems in companies and other organizations. Out of this work came the *Ethics. NGO management system* standard. This is the first standard produced in Spain to define the requirements of an ethical management system in NGOs. Unlike the codes mentioned previously, this standard is not intended as a tool of self-regulation, but as a mechanism of control by the civil society. It is a voluntary standard, so any NGO that wants to, can submit to the certification process and obtain the certificate that proves compliance with the standard. It is neither merely a declaration of principle nor a fully detailed instrument. Every organization that seeks certification must develop its own conception of ethical management, draw up its own code of conduct, acquire commitments, establish mechanisms for continuous assessment

and devise its own indicators. Thus, the standard leaves it to each individual NGO to set its own goals and methods, but demands a certain minimum of ethical content.

In what follows we shall briefly discuss the most noteworthy aspects of the standard, comparing it with other codes and with the literature on ethical issues in NGO management. Our main interest is in the discussion of the accountability issues of NGOs. Accountability is an important subject, because of the influence that NGOs have on the life of numerous people.<sup>3</sup> There is a variety of alternative accountability meanings, from identity accountability (the NGO is answerable to itself and to its members through its values, mission and culture), to accountability to the owners (the activists that control the NGO), to those stakeholders who have the ability to influence the results of the organization, or to all those upon whom the NGO's actions have or may have an impact (Unerman/O'Dwyer 2006).

The standard does not give an explicit definition of NGOs. Instead, it describes them as "not-for-profit organizations governed by private law and with independent legal status, pursuing programs of general interest for the improvement of society in the fields of social welfare and sustainability: community action, education, healthcare, environmental protection, development cooperation and sustainable development" (1)<sup>4</sup>.

There are some ambiguities in this definition. For example, no distinction is made between non-governmental organizations (NGOs), private voluntary organizations (PVO), and not-for-profit organizations (NPO). The distinction between these types of organizations may be legal, economic, financial (source of funding), functional (functions performed) or structural-operational (Vakil 1997). However, any attempt at clarification runs into difficulties. For example, if we emphasize the voluntary nature of NGO work, we ignore the trend toward professionalization, driven by the need to perform their mission satisfactorily. Other important elements of the definition are the non-governmental nature of NGOs (although the increasing tendency for governments to use NGOs to channel state aid puts a question mark over this distinction),<sup>5</sup> their non-profit-seeking nature, their stability and management autonomy, the fact that they are formally constituted (which excludes some informal NGOs, typical of developing countries), and their non-violent methods (Martens 2002).<sup>6</sup>

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<sup>3</sup> "Accountability is generally defined as the means by which individuals and organizations are answerable to others and are held responsible by their actions" (Bies 2001: 52).

<sup>4</sup> Quotations from the standard are given with the paragraph number.

<sup>5</sup> This is apparent in the case of GONGOs (government-organized organizations), created by developing country governments to capture aid funds from developed countries; and, in the advanced countries, QUANGOs (quasi-nongovernmental organizations), financed almost exclusively from public funds. DONGOs (donor-organized organizations), created by donors to channel their donations, lack independent management (Vakil 1997).

<sup>6</sup> Their strong grass-roots support and hence their ability to identify the problems of their constituents and then tailor assistance to meet their needs (Nalinakumari/MacLean 2005) is not a defining trait, but a consequence of their success.

In any case, it seems only natural that the Spanish standard should not address these (and other) debates over terminology or the definition of NGOs,<sup>7</sup> as its purpose is to offer guidance on the ethical management systems of institutions which, in any case, act on different criteria from companies. And yet, the list of activities used to define the purpose of the standard could be expanded to include welfare, development, advocacy, education, networking and research, among other organizations. The standard makes no reference to the level at which NGOs operate (international, regional, national or community-based), although the nature of the problems is likely to be different in each case.

### 3.1 The principles

The list of principles given in the standard is merely indicative and declarative: the intention is not that these and only these principles are relevant, but that NGOs must have “their own values and principles”, which ideally should be “aligned or complementary to those listed here” (3.1). The principles are intended to serve as an ethical guide for the organization, its policies and its actions, and as rules for interpreting the subsequent recommendations. The standard briefly outlines the principles in three blocks, basically corresponding to the three main NGO stakeholder groups (though the term ‘stakeholder’ is not used). Definitions of the principles are not provided.

The principles relating to the individual are: (recognition of) human dignity, defense of the rights of the individual (which it is assumed are synonymous with human rights),<sup>8</sup> and solidarity. The principles relating to society are: trust (NGOs must generate trust), openness (they must have a positive influence on the social environment and be receptive to society’s demands), and cooperation (with other agents). The internal principles, aimed at the organization itself, are: legality, transparency, management effectiveness and efficiency, professionalism, continuous improvement, participation, and decentralization and demarcation of decision making.

Compared to the lists of principles given in other codes, little effort has been made to specify all the principles that are really important for this standard; the distinction between these principles and the requirements discussed later is unclear, as the requirements (transparency and accountability, for example) obviously must be based on the principles. The principles of professionalism and continuous improvement overlap, as professionalism is defined in terms of “constantly improving the ethical and technical knowledge, know-how and judgment of paid and voluntary staff” (3.4), while continuous improvement is defined as “setting goals and identifying opportunities to improve the organization” (3.4).

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<sup>7</sup> The standard defines the third sector as a “set of legally constituted, aid-oriented not-for-profit organizations governed by private law and with independent legal status” (2).

<sup>8</sup> This principle would have been clearer if it had been linked to the Universal Declaration of Human Rights.

### 3.2 Recommendations given in the standard

The standard uses the stakeholder scheme to organize its recommendation. It does not include a section on internal aspects of NGO management (integrity, structure and responsibilities of governing bodies, political independence, financial management, etc.).

#### 3.2.1 Owner-shareholders: members, cooperative members, sponsors, executive committee

In this section, the standard (4.2) borrows the terminology and analysis of corporate social responsibility and business ethics, as exemplified by the use of the term “owner-shareholders”, which is inappropriate. In any case, the generic term “members” refers to “individuals or corporations that exercise sovereignty over the organization” (2). In a company this would be the owners or shareholders; in an NGO, it would include the members (in associations), cooperative members (in cooperatives), patrons or sponsors (in foundations), and members of the executive committees. The duties of an NGO, which are rights of the members, are described as follows.<sup>9</sup>

- (1) Duties inherent in membership: equality of rights and duties, fair treatment, right to be heard and to voice complaints, non-discrimination, participation, equality of opportunity, transparency in electoral processes, etc.
- (2) Duties of disclosure: about members’ rights and duties, the organization’s mission and values, its actions and financial performance, etc. In the case of sponsors and managers, the standard emphasizes the right to information for decision making, and the need for “channels and indicators to directly ascertain the degree of satisfaction and fulfillment of the rights of all interested parties” (4.2.2.c).
- (3) Duties of training, in the case of sponsors and managers.

#### 3.2.2 Contributors of funds

Many of the ethical problems in NGO management have to do with fund raising, because raising and channeling funds is often their primary mission, and also because the continuing trust of the contributors of funds is crucial to NGO survival.<sup>10</sup> The standard establishes, first, that “the organization must seek funds in accordance with its mission” (4.3.1),<sup>11</sup> and secondly, that it “must manage them effectively and effi-

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<sup>9</sup> For an analysis of some of the ethical problems presented here, see Lehr-Lehnart (2005) and Gibelman/Gelman (2004).

<sup>10</sup> On the ethical problems of fundraising in NGOs, see Brown/Kalegaonkar (2002), Fisher (1997), Gibelman/Gelman (2004), Lehr-Lehnart (2005) and Zaidi (1999).

<sup>11</sup> This is an elementary ethical rule that is not always respected. *The Economist* (2000: 25) reported the following exchange: “A young man thrusts his crudely printed calling card at the visitor. After his name are printed three letters: NGO. ‘What do you do?’ the visitor asks. ‘I have formed an NGO.’ ‘Yes, but what does it do?’ ‘Whatever they want. I am waiting for some funds and then I will make a project.’”

ciently for the purpose for which they were given” (4.3.1).<sup>12</sup> Among contributors of funds, the standard (2) includes donors (“individuals or companies that make contributions in cash or in kind to the organization for the pursuit of its activity for nil consideration”), sponsors (“those who contribute financial or material resources to an organization or one of its projects in order that the organization’s values or attributes be associated with the sponsor’s image”), and subsidizers (governments, insofar as they contribute funds to NGOs).

- (1) To attract donations, an NGO must demonstrate its achievements, which may tempt its managers to exaggerate its success. NGOs have a fiduciary obligation towards their donors that may sometimes be enforceable through courts. That is why an NGO’s first duty to its contributors of funds is disclosure and accountability.<sup>13</sup> The standard includes a general duty to disclose information on the organization’s mission, values, governing bodies, programs, etc., not as part of the general duty of disclosure to society, but specifically to the contributors of funds, so as to inform their decision making (including information about negative aspects of the NGO’s management: complaints, claims, inspections, legal disputes and audit results). It also states a duty to inform about the use of funds, not only at the end of the project, but also during the project, and to report on compliance with this standard (4.3.5).
- (2) With respect to donors (4.3.2), the duty of disclosure and accountability includes disclosure of the ratio of fundraising costs and overhead costs to revenues;<sup>14</sup> breach of commitments regarding the use of funds for projects, and the duty to document the follow-up reports on the use of funds. Further on (4.3.5.a), the standard includes what we consider the important principle of donors’ limited liability, stating that donors must not be held “directly liable for specific problems and their solutions”.
- (3) The standard pays particular attention to relations with sponsors, as they lend themselves to actions that may distort the NGO’s values and goals. It demands that sponsors respect “the NGO’s independence of action” (4.3.3.e), in reference to the so-called sponsor-client problem (Zaidi 1999). Hence the duty to make “full and transparent disclosure” (4.3.3.a) of the sponsorship process, probably because of possible conflicts of interest or deviation from the organization’s goals;<sup>15</sup> the duty to establish “criteria and requirements for acceptance

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<sup>12</sup> NGOs must be efficient in two senses: decisions inside the organization must be taken in a rational way, and NGOs must show efficiency to the providers of funds. But both types of efficiencies provide the touchstone for NGOs’ accountability (Wells 2006).

<sup>13</sup> Unlike the owners of a company, who are entitled to the residual profit and control of the business, the contributors of funds have no right to supervise the NGO’s management. What is established here is a right to monitor the use of the resources donated (Glaeser 2002).

<sup>14</sup> The purpose of this is to avoid careless management or management for the benefit of the NGO’s staff, or excessive spending on marketing to attract donations, or putting fund raising before the NGO’s goals.

<sup>15</sup> The standard does not deal specifically with conflicts of interest in NGOs, although they can be serious: an example is the conflict that arises when a member of management has a personal interest in the decision on which project to finance (MacDonald et al. 2002). Other codes address

or rejection of potential sponsors, so as to foster consistency between sponsors' activities and the NGO's mission and values" (4.3.3.b); and the need for a collaboration agreement that prohibits behaviors that may compromise the NGO's mission and values (4.3.3.c). The standard recommends that sponsorship relationships be long-term (4.3.3.d).

- (4) With regard to subsidizers (governments), the standard first establishes a duty of consistency, so that the mere availability of government funds does not justify the acceptance of projects that are incompatible in content, scale or resource requirements with the NGO's mission and management capabilities (4.3.4.b), as this would compromise its effectiveness and efficiency, and even its legitimacy (Fisher 1997). Secondly, it establishes a duty of disclosure (4.3.4.c).

The standard sees the relationship between contributors of funds and NGOs as one of supply and demand. The initiative may come from NGOs, which appeal for donations, or from contributors, who offer funds for specific projects. The standard then establishes the conditions for a correct relationship, supported by NGO accountability to donors. It does not consider the possibility of contributors of funds taking a more active role, catalyzing, encouraging and supporting the NGOs' work, assisting NGO self-regulation and making the public regulatory framework more effective, promoting government collaboration with NGOs, etc., as other initiatives have suggested.<sup>16</sup>

### 3.2.3 Volunteers and paid staff

By the nature of NGO operations, human resources management in NGOs is very important. The standard deals with this issue at some length, although many of its recommendations apply to all kinds of organizations, not just NGOs (4.4.1):<sup>17</sup> appropriate working conditions, a healthy and safe work environment, employees' right to their own ideas and opinions (4.4.1.c), proper treatment of employees, staff motivation, information, and participation.

In the case of paid staff (4.4.2), further recommendations include protection of employees' right to privacy, non-discrimination, hiring of people with disabilities, care to ensure that employees behave ethically in their daily tasks, an appropriate pay policy, transparent, free and competitive hiring, employee training, appropriate promotion criteria, disciplinary action and dismissal, and employee autonomy. Clearly, all these duties are not specific to NGOs, nor, within NGOs, do they apply only to paid staff, but also to voluntary workers.

The standard pays special attention to voluntary workers, who play a particularly important role in many NGOs (4.4.3). Some of the duties mentioned are an attempt to specify rules that will generally apply to all staff, but that are particularly important for volunteers, on account of their motivation and the fact that they cost NGOs almost nothing – which could lead some NGOs to take their efforts and achievements for

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this issue explicitly in various dimensions; for example, Wango (2004) deals with conflicts of interest within NGO governing bodies (IV.E) and among NGO staff (V.B).

<sup>16</sup> For example, USAID (1995), InterAction (2006).

<sup>17</sup> On this type of problems in NGOs, see Foote (2001).



granted. They include: an orientation process for new volunteers; job descriptions; recruitment based on criteria of effectiveness and efficiency; training (to avoid amateurism) and material means; private health, accident and liability insurance in accordance with the risks of the job; reimbursement of expenses incurred in volunteering; clear differentiation between paid jobs and volunteer jobs; limited duration of volunteer commitments, etc.

### 3.2.4 Clients

The standard defines an NGO's clients as the "recipients of the organization's goals and activities" (2). The ethical problems that may arise in relations with clients affect the core of an NGO's mission and activities, because they often are in a state of need.<sup>18</sup> The standard specifies the organization's duties toward its clients as follows (4.5):

- (1) Disclosure about the ethical values and principles on which the ONG operates, the nature of the services it offers, and the client's contributions, rights and duties. Although many of the NGO's in Spain operate in other countries, the standard makes no reference to a problem that is common in NGOs working in other cultures: the sometimes unwitting propagation of western values, especially in humanitarian aid NGOs engaged in promoting the rights of women, children or minorities (The Economist 2000).
- (2) Respect for clients, avoiding "arrogant, paternalistic or hierarchical attitudes" (4.5.b), promoting client participation, safeguarding the confidentiality of client data and privacy, etc. Paternalism is a frequent problem in NGOs, especially when working with marginal groups without resources or expertise, or when the NGO staff are deeply convinced of their ideas or have great respect and admiration for their founder (Brown/Kalegaonkar 2002). Elitism can be a problem (Lehr-Lehnardt 2005) when the staff are highly professional and become detached from the everyday lives and concerns of their clients. Therefore, it is crucial to establish channels of communication between NGO staff and the disadvantaged society in which they work. The standard does not include any prohibition of discrimination on the grounds of race, creed, nationality, political beliefs, etc.
- (3) Transparency: NGOs must avoid misleading promotions and not misuse client data to enhance their own representative status.
- (4) Accountability: the standard recommends that NGOs create mechanisms for assessing their own performance, establish procedures for processing complaints, suggestions and claims and periodically measure client satisfaction, etc.
- (5) Effectiveness and efficiency: the duty to provide the promised level of services, or at least the level that is customary and legitimate.
- (6) Rejection of "payments, gifts or other practices that may constrain the freedom or influence the behavior of either party" (4.5.h).

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<sup>18</sup> On this type of problems, see Lehr-Lehnart (2005), Brown/Kalegaonkar (2002).

### 3.2.5 Suppliers and subcontractors

The rules on relations with suppliers and subcontractors are no different from those included in codes for companies. The guiding principle is to “maintain the maximum level of internal consistency between the mission and overall objectives [of the NGO] and those of its subcontractors and suppliers” (4.6). The standard (4.6) formulates requirements for the selection and engagement of suppliers and subcontractors; the duty to inform them about the ethical management system, policies, principles and anything that may be relevant to the contractual relationship; and the duty to take corrective measures if the conduct of suppliers or subcontractors does not meet the desired ethical standards.

It also imposes an obligation to “take appropriate measures to guarantee that there are no payments, favors, gifts or other practices that might restrict either party’s freedom to act in accordance with its legitimate interests or that might undermine the organization’s principles” (4.6.e). The standard does not explicitly use the terms that define this type of problem (corruption, extortion, bribery, conflict of interests, etc.), but obviously this is what it is referring to in this section.<sup>19</sup>

### 3.2.6 Competing organizations

Under the heading of competing organizations (4.7), the standard includes relations of competition/rivalry or collaboration with other NGOs, public sector entities (but not government bodies, which are dealt with in a later section), and private sector organizations; inter-governmental organizations (IGO) such as United Nations agencies are not included.

The general rule in the relations between NGOs is that competition between services should be limited: “an NGO may only offer services and perform tasks that satisfy otherwise unmet real needs, or that complement or improve on inadequate resources or systems” (4.7.1). The standard therefore excludes “destructive” competition and favors complementary action, though fair, direct competition is permissible when an NGO considers that it can perform a particular role better than another, or when the volume or variety of needs justifies the presence of several NGOs.

The standard considers competition with other NGOs (4.2.7.a) for funds or projects acceptable (though it does not say it is desirable). It encourages NGOs to create their own competitive advantages, but always acting fairly, relying on their own positive qualities and avoiding unjustified criticism and derogatory remarks about competitors: competition must be fair, based on truthful disclosure about the organization’s scale, activities and representativeness.

The standard encourages NGOs to cooperate with other NGOs (4.7.2.b) through networking,<sup>20</sup> exchange of knowledge and experience, respect and equality in mutual

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<sup>19</sup> Gibelman/ Gelman (2004) have investigated the different types of wrongdoing by NGO managers worldwide.

<sup>20</sup> The networking recommendation appears in various places in the standard, probably to draw attention to the problem of the fragmentation of NGO activities. Goodin (2003) emphasizes also

relations, and consensus in action. The standard does not give any specific recommendations for developing and maintaining alliances between organizations.<sup>21</sup>

Competition/rivalry with the private and public sectors (the latter understood as a service provider competing with NGOs) is scarcely touched upon (4.7.3.a). Unfair competition is prohibited, but only in a very limited sense: “engaging in activities or providing services for profit, or contrary to the organization’s mission and values” (4.7.3.a). The standard does not consider the case of NGOs competing with companies or other private institutions by, for example, selling products or services below cost, thanks to their donor financing.<sup>22</sup> The standard accepts that criticism and public holding to account of the private sector are the natural domain of NGOs, but demands that criticism be exercised responsibly and that accusations be well founded.

Lastly, the standard encourages NGOs to work with companies and other institutions to ‘analyze problems, set goals and carry out projects, and also to obtain resources’. It also recommends that they “develop models of cooperation and collaboration” (4.7.3.b). The treatment of relations between NGOs and companies is thus very unambitious. The possible forms of collaboration are omitted, with the result that there is no discussion of the associated ethical problems (Millar et al. 2004). The standard is silent about relations with unions.<sup>23</sup>

### 3.2.7 Government

The standard distinguishes three functions of government in relation to NGOs: as regulator (overseeing NGO operations and the services they offer); as planner, coordinator and administrator of NGO resources and activities; and as financier of their activities or projects (which was dealt with in the section on relations with the contributors of funds) (4.8.1). It seeks to protect NGOs against government interference and to actively support them by “bringing government opinion and action into line with the real needs” (4.8.3.e).

In their relations with regulatory bodies (4.8.2), NGOs are encouraged to show genuine cooperation and avoid taking unfair advantage of situations for their own benefit. The standard does not demand that NGOs obey the law, which is included in the principle of legality, but encourages them to voice their opinion and judgment on existing or proposed regulations, and to publicly denounce “any injustice they may detect, whether perpetrated by government or third parties” (4.8.2.b).

Relations between NGOs and government, as the coordinator of their activities, are to be based on independence (“on the basis of non-subordination to government”: 4.8.3.a), active commitment, resource optimization, participation in joint forums, support, and joint commitments. The standard also points out that NGOs “must pro-

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the role of networking as the way the Third Sector operates, its way of forcing accountability on other actors, and a mechanism by which non-profits are themselves held accountable.

<sup>21</sup> On the problems of alliances between NGOs, see Ritchie (1995).

<sup>22</sup> This problem often arises, for example, in fair trade NGOs, which operate on the boundary between not-for-profit and for-profit enterprises (Lewis 1998).

<sup>23</sup> On this subject, see Egels-Zandén/Hyllman (2006).

mote and participate in raising government awareness of issues they know and have found to be important, bringing government opinion and action into line with the real needs” (4.8.3.e).

### 3.2.8 Society

Society is an important stakeholder of NGOs: they aim to solve large-scale social problems that governments may not be able to tackle; they often present themselves as representatives of society; and they must accept their social responsibility, just like the others agents involved. The standard (4.9) is fairly succinct in its treatment of relations between NGOs and society. It seems rather to lobby in NGOs’ favor. It presents them “to society at large as a driving force for social change to build a better society” (4.9.a), and it calls on them to help “create an image of professionalism, responsibility and commitment in the NGO sector” (4.9.c) and to “make society aware of their real capacity to get things done” (4.9.d).

Specific duties of NGOs to society mentioned in the standard are: to promote citizen participation; “not to use the image of their target group [their clients] to put pressure on citizens or make them feel guilty” (4.9.e); to respect the individuality of the members of each group and avoid stereotypes; to be truthful in their advertising campaigns; to use these campaigns and their own image to support and defend their clients; and to avoid overly pessimistic, idealized, overgeneralized or discriminatory messages.

An important omission in this section is the duty of disclosure and accountability to society. This omission does not concord with the public function of NGOs, their role as representatives of civil society and the requirements established in codes and rules for companies. And it seems unlikely to help build trust in NGOs or strengthen their legitimacy (Lehr-Lehnardt 2005).

## 4. Conclusions: the accountability of NGOs

In the preceding pages we have made abundant comments on the strengths and weaknesses of the standard. Here we shall merely make some general observations, with emphasis on the issues related to the accountability of NGOs.

- (1) The standard is based on a limited, pragmatic concept of disclosure, confined to the contributors of funds, employees, volunteers and regulators. Duties of disclosure to important stakeholders such as society and the beneficiaries of NGOs’ actions are omitted.
- (2) A limited concept of disclosure entails also a limited concept of accountability (Lloyd 2005) and, therefore, a possible “accountability gap” (Salamon et al. 2000). The standard does not devote attention to the principle that NGOs must render account of their activities to all their stakeholders. Rather, again taking a pragmatic approach, it seems to concentrate on members, on contributors of funds and on the authorities: the excessive accountability “upwards” and too little accountability “downwards” that is the “Achilles heel” of NGOs (Smillie 1995). A broader concept of accountability would offer greater scope for reflection and self-criticism, yet this does not appear to be the purpose of the standard.

- (3) The standard leaves much to be desired in regard to stakeholder and client dialogue, participation and involvement in planning NGO projects and at the different stages of implementation, monitoring and reporting.<sup>24</sup> The demands commonly placed on the social responsibility of companies should be all the more applicable to not-for-profit institutions, where some of the business objections to stakeholder participation are less convincing.
- (4) In the stakeholder approach, an NGO must be accountable to a wide range of stakeholders; but that is not easy, as an NGO's responsibilities are naturally varied, complex and diffuse (McDonald 1999) – and the means of enforcing the standard are very weak.
- (5) An NGO must “have some level of formal or semi-formal accountability to those it wishes to see empowered – its constituents” or clients (Kilby 2006; cf. Smith-Sreen 1995). In any case, this accountability must be the result of an internal attitude and, where appropriate, a commitment to an industry code or standard such as the one we are considering here.
- (6) The broad meaning of accountability that we propose asks for the involvement of NGOs' leaders with accountability policy and practices, integrating accountability into strategic planning, employing internally driven forms of self-regulation and integrating learning from accountability evaluations into organizational practices (Bies 2001). The standard is sympathetic to NGOs, in that it avoids the necessity of opening a honest and democratic debate regarding their policies and actions (Unerman/Bennett 2004).
- (7) In the standard, accountability is understood as a disciplinary mechanism, not as a driver of change (Young 2000), ensuring continuous improvement of processes and decisions; or as rule-bound responses of organizations that become important when things go wrong, more than a process that is understood as part of the daily organizations life of the NGO (Fry 1995). Although continuous improvement is emphasized, it is limited to traditional mechanisms, in which stakeholder dialogue (above all with external stakeholders, especially clients and society) plays only a minor role.
- (8) The standard is focused on the environment of Spanish NGOs and pays no attention to the problems resulting from their activities in developing countries.
- (9) The standard seems to be particularly focused on the development of ethical management systems in NGOs, perhaps assuming that this will be sufficient to foster ethical behavior in organizations. While it cannot be expected to set forth the requirements of an ethical management system in detail, not doing so may limit the scope of the ethical management system to mere compliance with a set of administrative requirements.

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<sup>24</sup> Ebrahim (2003) distinguishes four levels of participation of the society or the community in the NGOs' projects: information and consultation about projects, public involvement in project-related activities, negotiation, bargaining and even veto power on decisions, and people's own initiatives.

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