

The Emergence of Nonprofit Clubs in Africa and Asia

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Introduction

The growth in scale and scope of nongovernmental organizations (NGOs) in the developing world has been accompanied by growing governance and regulatory challenges for governments, NGOs and donors. In many countries, NGOs now provide large portions of social services to the public through a complex network of contracts, donor support and private initiatives. NGOs have also become increasingly important political actors at the national and transnational levels. Concurrent with this rise in NGO activity, many governments have experienced declines in regulatory capacity that have reduced their oversight capabilities. In many countries, these trends have led to new forms of regulatory governance that rely less on command and control mechanisms than on contracts, networks and other collaborative or contractual arrangements (Brinkerhoff and Brinkerhoff, 2002; Milward and Provan, 2000). These challenges have resulted in two trends: governments increasingly propose stronger centralized regulatory rules for NGOs, but without capacity for enforcement; and NGOs experiment with systems of voluntary regulation clubs as a complement or alternative to government regulation.

The emergence of voluntary clubs in developing countries may not seem surprising, given the large role played by nonprofits in many of these countries, and given the relatively low levels of state regulatory capacity. But the state in many developing countries is often hostile to broad based associational activity outside the state and many associations suffer from severe capacity and resource constraints. How, then, and in what contexts, have nonprofit clubs been able to emerge? Why have states sometimes supported these programs? This chapter explores the factors underlying club emergence (and failure) across twenty countries in sub-Saharan Africa and compares these experiences with those of nine countries in South and Southeast Asia.

The chapter finds that clubs in developing countries fall broadly into two types. First, national or industry level systems have emerged with the goal of setting standards and improving governance across an entire NGO sector or sub-sector (industry). These programs - typically sponsored by national NGO umbrella associations - are inclusive in membership and often aim to cover all organizations in the sector, but their regulatory power can be hampered by several factors: the need to develop broad, inclusive standards; low administrative capacity of sponsoring organizations, and a reluctance by NGOs to police their peers. The second form, a voluntary certification system, is a regulatory form based on in part on the principal of exclusion. Certification clubs tend to set higher standards and screen organizations prior to certification. Voluntary certification clubs can often develop stronger standards and enforcement mechanisms than national clubs, but establishing a certification regime requires creating barriers to entry, leading to much lower organizational coverage. Such regimes may have difficulty in scaling up to a large enough size to produce widespread policy impacts and may not provide an effective alternative to public sector regulation.

Based on the framework laid out in our opening chapter, we would expect club emergence and design to respond to the interests of key principals, which in the developing country context include governments, institutional donors and individual donors. The identity of club sponsors will also shape club emergence and design. In the rest of the chapter, I examine the specific forms of nonprofit clubs that have emerged in 15 countries in sub-Saharan African and South and Southeast Asia and make some preliminary assessment of the relationship of these factors to club design.

The Rationale for Voluntary Programs Among NGOs

Accountability initiatives among NGOs are on the rise. Lloyd (2005) documents 24 different initiatives globally and Sidel (2003) documents 17 country-level efforts at NGO self-regulation in Asia alone. The impetus for self-regulation is the result of several trends, all of which have increased demands for accountability on the part of NGOs. First, donor funding of NGOs increased dramatically from the 1980s onwards; for example, OECD disbursements to NGOs increased from almost zero to over four billion dollars from 1980-2002 (Agg, 2006). The increased availability of funding stimulated rapid growth in the size of the NGO sector in many countries. As NGOs proliferated, so did well-publicized cases of corruption and misuse of funds that began to threaten the reputation and funding of legitimate organizations. Donors found they had very limited information available to assess the quality of NGOs, due to the absence of systematic reporting requirements across organizations (Edwards and Hulme, 1996). This resulted in the funding of many so-called “briefcase” NGOs.¹ The absence of publicly available information on the activities of NGOs created information asymmetries between NGOs and their donors that had the potential to threaten NGO funding streams. If funders have difficulty distinguishing high quality from low-quality NGOs, the result may be lower levels of funding and more onerous reporting requirements for those NGOs that do receive funding (Ebrahim, 2005; Borstein, 2003). These threats to funding gave legitimate NGOs the incentive to develop mechanisms to demonstrate legitimacy and quality to donors.

The increasing participation of NGOs in social service delivery also confronted governments in developing countries with several challenges. On the one hand, many

¹ So-called because they consisted mostly of a person in a suit with a briefcase. Fowler (2000) notes the proliferation of acronyms that have arisen to describe the NGO response to the funding frenzy, including MONGOs (my own NGO) and GONGOs (government-owned NGOs).

governments viewed NGOs as competitors, fearing that funding for NGOs would crowd out funding for public services. At the same time, governments became increasingly reliant on NGOs for public service delivery and needed new ways to manage relationships with these organizations, particularly since many regulatory frameworks dated back to the colonial era and were inappropriate for current conditions. In many developing countries, governments used examples of NGO misconduct as a rationale for new, often repressive, forms of regulation. Many NGOs worried that these new regulations could be used as a political tool to discourage opposition. For example, in Africa over the period 1990-2007, new NGO legislation was proposed in at least 15 sub-Saharan African countries and was highly contested by NGOs and civil society activists in at least nine cases (Gugerty, 2008a).

The result in many countries was that governments often proposed more expansive NGO regulatory frameworks, but without the capacity to implement or enforce them (Batley, 2006). The prospect of additional government oversight combined with the need to signal credibility to donors provided NGOs with strong incentives to develop systems of voluntary regulation to signal legitimacy and quality to both governments and donors. At the same time, the inability of governments to exercise regulatory oversight over NGOs meant that some states were willing to allow or support new private forms of regulation, and voluntary accountability program programs began to emerge as one alternative regulatory form.

Voluntary Regulation Clubs and Collective Action

The term voluntary clubs is used here to refer to a set of institutions in which standards and rules of conduct are set by an industry-level organization, rather than at the governmental or firm level (Gunningham and Rees, 1997). The goal of these institutions is to develop

mechanisms that shape or constrain organizational behavior in order to provide a signal of organizational quality to key stakeholders (Darnall and Carmin, 2005). Voluntary clubs may be fully private, that is, may operate without any authority from or coordination with the state, or may involve some public-private coordination or delegation of authority to non-state actors. Thus voluntary regimes can operate either as a substitute for or a complement to government regulation.

Voluntary clubs typically do not operate with the force of law and so present critical challenges of collective action for participants. At the core of the collective action problem lays the challenge of producing public goods (Olson, 1965). Regulation is a public good typically provided by governments; many benefits of regulation – such as regulations that limit pollution emissions – are shared by all and one person’s use does not diminish use by another. Collective goods are a more limited type of public good produced when a good is public within a particular group or collective. Voluntary regulation can produce a collective good by creating credible information about the quality of participating organizations, typically by showcasing their adherence to specified standards. Such information provides a benefit for participants in the form of a positive reputation (Prakash and Potoski, 2006). These reputational benefits are a collective good for participants since all organizations benefit equally from the signal and one organization’s use of the signal does not reduce the signaling benefit available to other participants. Because all participants benefit equally from the signal, however, each organization faces incentives to ‘free-ride’ on the efforts of others by avoiding full compliance with the rules of the regimes, particularly when compliance is costly.

To create voluntary regulation regimes, NGOs must design institutions that attract participants willing to meet standards beyond those required by law or standard practice and find

ways to credibly commit these participants to adhering to standards once they are admitted. These two attributes, club standards and club enforcement, are the key institutional attributes of voluntary programs. Standards consist of the rules governing entry and the actual content of the regulatory regime. The strength of standards is one critical determinant of the reputational signal created by self-regulation. Standards provide effective signals by separating high and low quality organizations. The higher the standards, the higher the costs of compliance for low quality organizations, who are therefore less likely to join. Strong, specific standards may be difficult to agree upon and may discourage participation, but will create more powerful signals of quality for stakeholders (Darnall and Carmin, 2005). More lenient standards will create a more attractive program for potential participants, but will not be as effective in distinguishing high quality from low-quality NGOs or in regulating organizational behavior. Thus in many cases, establishing a strong voluntary club may imply excluding a large proportion of NGOs.

Where voluntary regulation is a response to the threat of increased government regulation, however, excluding a large proportion of NGOs from a voluntary program may not be an effective approach. In this situation, NGOs would like to demonstrate that they are raising the bar for *all* organizations, not just a few. The system needs to be national in scope and coverage. But this raises an important question: how can an inclusive voluntary regulation program signal the quality of its members? The guild model of professional associations provides some insights.

Guilds are a form of professional self-regulation with a monopoly over entry into a profession or industry. The traditional basis for entry into guilds is extensive professional training and certification that create substantial barriers to entry. This training also facilitates the development of strong professional standards and norms that create legitimacy and a rationale

for professional autonomy that can substitute for outside legal regulation or other forms of monitoring (Page, 2006; Romzek and Dubnick, 1987). Professional training and socialization provide constraints on behavior so that guilds can function with less stringent monitoring systems, relying largely on complaints to identify members who are not in compliance. Thus professional codes of conduct often consist of aspirational goals and process-oriented rules, rather than detailed standards or outcome-oriented measurements (Frankel, 1989). Where governments mandate the participation of all NGOs, government registration requirements become in essence the professional ‘screen’ for NGOs. In most developing countries, such requirements are relatively weak.

In a national NGO ‘guild,’ the goals for the scope of self-regulation are aligned with those of public regulation: the standards developed are intended to apply to all organizations. Such regimes are inclusive in that they are designed to regulate entire jurisdictions. These voluntary regimes face collective action challenges because they must produce a public good (regulation) using private authority. The regulatory power of these regimes is thus highly dependent on the strength of standards developed and the ability of the system to enforce compliance. A critical question facing NGO guilds is whether existing professional norms of NGO conduct and the expressed commitment of NGOs to pursue the public good are sufficient to provide the credibility and professional autonomy that form the basis of guild authority. If they are not, NGO associations will need to develop the administrative capacity and systems to monitor the behavior of members.

When governments seek greater oversight of NGOs, but NGOs wish to pre-empt additional regulation, a national model holds attraction for both sides. Governments can achieve the regulatory coverage they desire and reduce their oversight burden, which is shifted to the

NGO association charged with developing and maintaining NGO standards. For their part, NGOs may be able to assert more control over standard-setting and enforcement mechanisms. Where governments mandate participation in the standards program, however, the sponsoring NGO association loses control over the quality of the screening process for entry. If governments have weak conditions for NGO registration, then participation may carry little information about NGO quality. To engage in effective voluntary regulation, the sponsoring association cannot rely on professional autonomy, but must develop effective oversight and reporting mechanisms. The collective action challenge for national clubs is to either develop substantial barriers to entry through professional accreditation or government registration, or alternatively, to build effective monitoring and oversight capacity.

In contrast, voluntary certification clubs have the potential to develop stronger standards and screening or certification mechanisms that can effectively distinguish high quality from low quality organizations. The signaling power of the club depends directly on the strength of the standards – but strength of standards will be inversely correlated with participation levels, since high standards may make it costly for many organizations to join. Thus from the perspective of governments, clubs are not attractive substitutes for government oversight, although they may be useful complements. For example, governments may use club membership as a requirement for government grants or contracts. Donors, however, may care more about the reputational signals the certification clubs can create. For NGOs, clubs may be an attractive mechanism for creating positive reputations that help to attract greater donor funding; certification clubs may not be sufficient, however, to pre-empt additional government regulation. The collective action challenge for voluntary certification clubs is to develop strong standards and monitoring/enforcement mechanisms that are credible enough so that stakeholders will reward

members for participation. The type of signal desired by donors may also differ among institutional and individual donors.

The framework for this volume conceptualizes voluntary clubs as a mechanism for resolving agency dilemmas between nonprofits and their principals. If this is the case, we might expect clubs that are responding to government concerns about sector regulation to have more inclusive membership policies and be national in scope. Alternatively, when clubs are responding to donor preferences, the focus will be on more exclusive clubs that help to distinguish high quality from low quality organizations. Of course in most developing countries, NGOs feel both these pressures. What kinds of clubs result? We turn to this issue next.

NGO Clubs in Africa and South and Southeast Asia

The introduction described a set of common factors driving the emergence of voluntary programs in Africa and Asia, including rapid growth in the NGO sector, donor preferences for funding NGOs, and reduced government capacity for regulatory oversight. These factors appear to be driving the emergence of a number of clubs across the two regions. This section first presents data on the emergence of voluntary clubs across these areas and examines region-wide patterns in emergence and type.

Data on initiatives during the period 1990-2006 were collected from a combination of key informant interviews, public records, on-line archives of national NGO organizations, and secondary sources. Public data on voluntary programs were available for twenty sub-Saharan countries; operational self-regulation systems or voluntary codes were identified in ten of these

countries.² Public data on voluntary programs in Asia was available for nine countries and voluntary programs were identified in five. These programs are listed in table 1.

In table 1, programs are categorized as either codes or clubs. The designation ‘code’ refers to codes of conduct that are set collectively by NGOs (or governments) but which do not require active or public pledges by NGOs and do not include on-going reporting or monitoring mechanisms. National codes are intended to apply to all NGOs operating in a country; membership codes are intended to apply to members of a particular NGO association. Voluntary clubs are distinguished from codes because they include at minimum: 1) a written, collective code of conduct or other set of standards; 2) public commitments by participants to adhere to the standards or a government mandate requiring participation; and 3) some form of monitoring, with the minimal requirement of an institutionalized complaints mechanism. Membership clubs mandate that all member organizations participate in a code of conduct or standards, and either screen members prior to entry, require some reporting, or have an on-going operational public complaints mechanism.³

Table 1 does not suggest any particularly strong regional patterns in the development of voluntary clubs. Clubs or collective codes are found in about half the countries sampled in each region; most are of fairly recent vintage. National codes appear more prevalent in Africa than in Asia. This may be the result of two factors: governments in Africa have been particularly likely

² In total, there are 47 countries in sub-Saharan Africa that are eligible for World Bank lending. Countries that experienced prolonged governmental collapse or conflict during 1990-2005 were excluded from the sample; this criterion excludes six countries. Very small island nations are also excluded, which excludes an additional four countries. Insufficient data were available to evaluate the 17 remaining countries. Francophone Africa is particularly under-represented. Thus self-regulatory systems, particularly industry codes of conduct, may be more prevalent than this analysis suggests. The data for the Asian countries are drawn largely from the work of the Asia Pacific Philanthropy Consortium and reports generated in 2002, 2004, and 2007 by its PALISA (Philanthropy and Law in South Asia) group.

³ The Kenya case represents an outlier in this typology. The Kenyan code is sponsored by the National Council of NGOs, to which all NGOs in Kenya are required to belong. The Council itself was delegated quasi-judicial enforcement powers by an act of parliament and has instituted a complaints tribunal for hearing disputes or complaints about members. The system does not have any provisions for reporting by members.

to propose new NGO regulation that is perceived by the sector as overly intrusive or restrictive. In addition, they have often been hostile to broad-based associational activity among NGOs, which has often weakened NGO efforts at collective action. The same could be said of Nepal, where NGOs have also struggled to establish a national code. In countries without voluntary clubs or codes, the explanations for non-emergence are mixed. Efforts have been made in Bangladesh, but the large size of the sector and the often overt hostility of the government often led to a fragmentation of NGO effort (PALISA, 2007). Various associations in Indonesia are working to develop codes of conduct, but no codes have emerged that have broad authority or recognition (Sidel, 2003). In Africa, attempts were made to develop national clubs in coordination with the government in Malawi and Tanzania, but frictions among competing NGO associations and abrupt changes in government policy derailed both initiatives.

Among those countries with functioning clubs or codes, detailed data on the institutional structure and membership were available for fourteen initiatives. Table 2 shows these programs and characterizes them by their type, entry mechanisms, standards, monitoring and sponsorship. The final column categorizes the programs according to the typology given in the introduction to the volume. The programs are organized in the table from weakest to strongest, according to the club typology. Several features stand out. First, with the exception of the Philippines, the strongest programs have been formed most recently. Second, many of the stronger certification programs build on earlier efforts, often by the same group of NGOs. This is true for Pakistan, the Philippines, Cambodia, Uganda, and India. Third, the stronger programs tend to be sponsored by independent or semi-independent agencies. Finally, the strongest programs also tend to have the lowest levels of participation, in other words they are the most exclusive. The Philippines program has so far certified 1,000 organizations, by far the largest NGO certification program

globally. The Pakistan program has certified about 180 agencies and the Cambodia program 12. The membership program of the Credibility Alliance in India, which includes a self-certified application for admission, currently numbers about 500 organizations.

Case Studies of Voluntary Programs

Future versions of this chapter will develop brief case studies of the programs in Uganda, the Philippines, Pakistan and Ethiopia. For now, I highlight key features of these cases.

Uganda- From Member Code to Certification Club

Voluntary programs in Uganda have had two phases. In the first phase, parallel initiatives were operated by the country's two main umbrella associations. The first association, DENIVA, was founded in 1988 as a support organization for indigenous NGOs. DENIVA had developed a code of conduct for members, but the code had no monitoring or enforcement mechanisms associated with it. The second association, the NGO Forum, was founded in 1997 to represent both national and international NGOs operating in Uganda and to provide a platform for NGOs to contribute to policy processes in the country. The NGO Forum launched a code of conduct for members in 2001. Like the DENIVA code, however, the NGO Forum code of conduct had no provisions for reporting, monitoring or enforcement, although members had to explicitly sign the code as a condition of membership. In addition, competition between the two associations for membership and influence weakened the incentives of each association for developing compliance and oversight mechanisms.

The need for a system to promote stronger NGO governance in Uganda was subsequently underscored through two events. First, in 2004 the government re-introduced in parliament a

long-dormant bill to amend the Non-governmental Organizations Registration Act. The provisions of the act gave the government more control over the activities of NGOs and narrowly defined the scope of allowable policy and advocacy activities. The reaction among NGOs was swift. Rivalries among networks and associations were laid aside as NGOs formed the Coalition on the NGO Bill (CONOB). A second event underscored the need for some mechanism for screening NGOs in the country. In 2005 the Global Fund on AIDS, Tuberculosis and Malaria suspended Ugandan funding on the grounds of corruption and misuse of funds. Subsequent investigations revealed that Global Fund resources administered by the government had been channeled through bogus NGOs linked to MPs, government ministers and other government officials. The resulting scandal provided legitimate NGOs with a strong rationale for developing screening mechanisms that could separate legitimate from illegitimate organizations.

The combination of government threat, public scandal and a new willingness of previously competitive NGO membership associations to work together gave additional support to on-going efforts to develop a new system for NGO certification. With donor support, the two major umbrella organizations collaborated on the development of the Quality Assurance Mechanism (QuAM) in 2006. The QuAM is a certification system that includes detailed and specific standards for NGO behavior and a clear monitoring and enforcement system. To receive certification, NGOs must complete a detailed application and documentation process which is audited by district 'quality assurance committees' that act as certification bodies.

The QuAM system had its origins in the perceived weaknesses of the old system. It was clear to NGOs that some form of strong standard-setting and accountability was needed. A critical factor in the development of QuAM was the on-going and consistent support for the process by a major international donor. In addition, the perceived strength of the threat gave the

NGO Forum and DENIVA incentives to cooperate and to develop a district-level mechanism, even though the districts had been the site of the most intense competition between the two organizations. Finally, QuAM developers were able to draw on a review of best practices and existing NGO private governance systems world-wide; this type of information had been much less available in earlier periods. Because the QuAM is quite new, it has not yet begun accepting applicants and so the ultimate effectiveness of the system will not be known for some time.

The Voluntary Membership Club – Ethiopia

Ethiopia is the best example of a relatively long-standing membership club system in Africa. The Ethiopian voluntary club consists of a code of conduct developed collaboratively by Ethiopian NGOs but sponsored by the largest NGO association in the country, the Christian Relief and Development Agency (CRDA). The original intent of the code was to establish a nation-wide general assembly of NGOs who would elect a Code Observance Committee charged with monitoring adherence and hearing complaints. In practice, setting up such a separate body appeared to be a strong barrier to implementation, and so the code observance committee was housed at CRDA, as the largest, most representative NGO agency (CRDA Interview, 2004).

The Ethiopian Code of Conduct for NGOs operates as a voluntary club for CRDA members by virtue of the relatively strong screening and entry requirements for admission to CRDA. Currently about 60 percent of the registered NGOs in Ethiopia are CRDA members. Membership in CRDA is highly sought after because of important benefits associated with membership that include access to training programs, donor funding and technical assistance. Currently there is an application waiting list of about 80 organizations. To be considered for membership, NGOs must show proof of registration, by-laws and memoranda of association,

audited financial reports, and letters of support from three current CRDA members. Membership in CRDA therefore creates a clear signal of organizational quality by acting as a credible screen for entry. Indeed, many donors contract with CRDA to develop requests for proposals and fund projects on their behalf. CRDA therefore has an incentive to underwrite the collective action required to maintain private governance since its funding is in part dependent on donor perceptions of member quality. The standards outlined in the code of conduct are relatively strong; the code lays out 40 standards of conduct. Interviews with CRDA managers, however, suggest that the organization is not able to monitor compliance with all codes requirements on an on-going basis.

The strength of the Ethiopian system results from the strength of its sponsoring organization, which has high capacity, a strong funding base and a reasonably strong screen for entry. Membership in CRDA provides a reputational benefit to NGOs because members are clearly distinguished from non-members, providing a signal about NGO quality to donors and to the government. An additional weakness of the Ethiopian system is that although it covers the majority of NGOs in the country, it does not cover them all, and CRDA membership is typically limited to larger NGOs that operate nationally or across large regions of the country. But this is a feature of any club system, which must limit membership in order to provide credible signals about the quality of participants.

Pakistan: from Code of Conduct to Certification

The process of developing collective standards in Pakistan started in 1999 with the development of the Pakistan NGO Forum Code of Conduct which was developed through a process of dialogue and consensus-building among member organizations (Sidel, 2003). But the

code was largely passive. In 2001, the Pakistan Council for Philanthropy was formed as a nonprofit with the mission of promoting the volume and effectiveness of philanthropic giving in Pakistan. In 2003, PCP began its certification program, an idea that had emerged from extensive stakeholder consultations. The government of Pakistan backed this initiative by authorizing PCP as an official nonprofit certification agency, meaning that certified organizations qualify for tax exempt status. In addition to this benefit, PCP connects certified organizations with potential donors.

The PCP certification process is the most comprehensive of any nonprofit regime in the sample. Applicants complete an extensive (30 page) application form that lists detailed supporting documentation required. This application is desk-reviewed by a three-person team (including an independent evaluator) at the PCP. If materials are complete and the organization is a good candidate for certification, a field evaluation is organized in which the team visits the headquarters office and selected field offices to verify the application and give the organization numeric ratings on 83 different standards and practices. The evaluation team then prepares a final report that includes a numeric rating that quantifies the extent of compliance (criteria vary slightly with size of organization). The final report is then presented to an evaluation panel with a recommendation of certification, deferral or rejection. The independent panel consists of three PCP nominees and two government representatives. The panel has the final word on certification, which if issued is valid for three years. To date, the PCP has received 182 applications from nonprofits, of which 121 have received certification. This represents but a small portion of the 10-16,000 NGOs estimated to be operating in Pakistan. The government of Pakistan backed this initiative by authorizing PCP as a official nonprofit certification agency,

meaning that certified organizations qualify for tax exempt status. In addition to this benefit, PCP connects certified organizations with potential donors.

Philippines – from Membership Club to Certification Regime

Voluntary programs have been on the agenda in the Philippines for perhaps the longest time of any country in the sample. The Caucus of Development NGO Networks (CODE-NGO) was formed in 1991 in response to a number of highly public scandals in the Philippine NGO sector, as well as a decline in international funding for NGOs in the country. CODE-NGO established a code of conduct, which over 1000 members subsequently signed and which is still in existence. The code was updated in 2001: guidelines for enforcement were developed and a complaints and sanctioning mechanism developed (Songco, 2006). During the 1990s, however, government-NGO relationships worsened in the Philippines, with the result that Philippine congress attempted on several occasions to enact more restrictive legislation regulating NGOs in exchange for perceived NGO interference in an agrarian law reform process (Songco, 2006). In response, CODE-NGO began to strengthen the standards and enforcement of its existing code and a number of member networks began the discussion about creating an independent certification mechanism.

This effort resulted in the creation of the Philippine Council on NGO Certification (PCNC) in 1999. The council is an independent nonprofit organization formed by six NGO umbrella organizations; certification is its sole mission. The council has received a license from the government to award ‘donee institution’ status to certified organization; corporate donations to donee institutions are tax exempt. The certification process begins with a detailed application that requires documentation of policies in 21 different areas. This application is subsequently

desk-reviewed by PCNC. Organizations that meet the application standards then receive a site visit from an evaluation team appointed by PCNC. The team makes a recommendation to the PCNC board, which makes the final decision. To date the PCNC has certified about 1,000 NGOs, the highest number of any accrediting program in the developing world, but far lower than what the original sponsors had hoped for. Reasons given for the relatively low accreditation rates include the relatively high certification fee (about US \$250), the cumbersome document preparation requirements, and the relatively few NGOs who receive corporate donations and can therefore take advantage of the tax exemption. CODE-NGO, however, is planning to begin using PCNC certification as a requirement of membership, so that by 2014 all CODE NGO members will need to be PCNC certified or they will be removed from the organization.

Discussion

How can these cases inform our understanding of voluntary clubs? I noted earlier the key empirical regularities seen in this admittedly small sample: the strongest clubs are relatively new and tend to be sponsored by independent agencies, rather than NGO associations; many certification clubs are built upon the foundations of (and co-exist with) more inclusive membership codes. In addition, exclusive certification clubs tend to be very exclusive in the developing country context with only a very small fraction of potential NGOs certified.

These empirical regularities and the brief case studies presented suggest that many developing country NGO clubs are initially motivated by the desire to signal credibility and quality to governments, as well as to donors. The on-going attempts to strengthen many initiatives suggest that the most prevalent forms of voluntary programs, national or membership codes of conduct, are not sufficiently credible to address the concerns of both donors and

governments, and are not sufficiently strong to allay the fears of the public that NGOs are not “accountable.” In particular, when scandals threaten the NGO sector, more established NGOs have real incentives to develop more exclusionary systems of voluntary regulation. The result is often parallel systems of voluntary programs – one a wider, inclusive membership or national code, the other a more exclusionary certification system. In Asia, the drive for certification may be driven by donor concerns and by a desire for NGOs to foster domestic and diaspora philanthropy. In this case, donors need a clear, credible, simple signal of NGO quality. In Pakistan, development of certification was driven by a desire to stimulate individual philanthropy. In Philippines, the interests of corporate philanthropy influenced the design of the system. In Africa, international donors play a particularly strong role in NGO funding, and indeed most of the efforts at developing codes of conduct and certification system were underwritten by foreign donors. These funding programs served not only the interests of the specific donors funding them, but were intended to provide a mechanism to allow donors in general to better identify legitimate organizations. It is unclear whether any of these newer mechanisms in Africa can ‘scale-up.’ In Uganda, for example, every attempt has been made to make accreditation accessible to smaller organizations: accreditation committees are located outside the capital in district centers and the certification system has three graduated certification levels (minimum, desirable and ‘best’ practices). This allows smaller organizations to enter and potentially climb up the ladder. The systems in India and Cambodia also incorporate this feature.

Assessing the effectiveness of voluntary clubs depends in part on the policy goals of the system. Certification systems exclude a large number of organizations; if governments and NGOs wish to improve governance and accountability mechanisms for the sector as a whole,

they will need to supplement certification with broader systems. These systems, however, may take a long time to actually effect changes in NGO governance. Securing collective action to build stronger standards and enforcement is much harder among a larger group of NGOs. Governments might play a role by offering benefits – such as access to grants or contracts – that are tied to participation in voluntary programs. Many NGOs, however, will remain concerned about the equity implications of such policies.

This chapter provides some of the first systematic data on NGO clubs in developing countries and examines the emergence and structure of these clubs across a range of domains. Although many NGO clubs remain relatively weak in terms of standards and enforcement, they nonetheless represent serious attempts to create credible forms of voluntary regulation among nonprofit organizations. Agency documents and interviews with key stakeholders confirm that sponsors and participants in voluntary programs have invested significant amounts of time and effort to develop programs. As the introductory chapter notes, nonprofits are subject to less stringent reporting requirements than are for-profit firms; this is even more true for NGOs in developing countries, so these organizations are starting from a less institutionalized and weaker reporting system. Given the increasing importance of NGO activity in social service provision, advocacy and policy-making in developing countries, concerns with NGO legitimacy and performance are not likely to fade. The development of strong norms and shared standards is a long-term process; in the meantime, the immediate challenges facing the sector suggest that incentive-based clubs will remain an important policy tool.

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Table 1 - Types of Voluntary Clubs in Africa and South and South East Asia

Type of System	Asia	Africa
National Mandatory Club		Kenya National Council of NGOs Code of Conduct
National Code	Nepal NGO Forum Code of Conduct	Botswana Council on NGOs (BOCONGO) Code Namibia National NGO Forum (NANGOF) Code Senegal Lesotho Council on NGOs (LECONGO) Code South Africa NGO Council (SANGOCO) Code
Membership Code	Pakistan NGO Forum Code of Conduct	Uganda NGO Forum Code of Conduct
Membership Club	Credibility Alliance India CODE-NGO Ethics Code, Philippines Cooperation Committee of Cambodia Minimum Norms	Christian Relief and Development Association (CRDA) Code - Ethiopia
Certification Club	Credibility Alliance India Pakistan Council on Philanthropy Philippines Council on Nonprofit Accreditation Cooperation Committee of Cambodia Certification	Uganda Quality Assurance Mechanism Ghana Standards Project (in development)
No system	Bangladesh Thailand Sri Lanka Indonesia	Benin Burkina Faso Gambia Mali Malawi (attempted) Rwanda Swaziland Tanzania (attempted) Togo Zimbabwe Zambia
Number of countries	9	20

Table 2: Voluntary Clubs in Africa and South/Southeast Asia

Program	Type of Club	Entry	Type of sponsor Sponsor	Standards	Monitoring	Year initiated	Clubs Typology
Botswana Council of NGOs (BOCONGO) Code of Ethics	National code	Intended to coverall NGOs	NGO association	Weak	Complaints board	2001	Not a club
Uganda NGO Forum Code of Conduct	Membership code	Mandatory for members	NGO Association	Weak	Complaints mechanism	2001	Not a club
Pakistan NGO Forum Code of Conduct	Membership Code	Mandatory for members	NGO Association	Weak-Medium	Minimal	1999	Not a club
Christian Relief and Development Agency, Code of Conduct for Ethiopian NGOs	Membership club	Mandatory for members	NGO Association	Weak-Medium	Complaints board	1999	Minimal club
Kenya National NGO Council Code of Conduct	National mandatory club	Government mandated	Quasi-governmental agency	Weak	Quasi-judicial complaints board	1993	Minimal club
Philippine Caucus of Development NGOs (CODE-NGO) Code of Ethics	Membership club	Mandatory for members	Industry Association	Medium	Complaints	1991	Minimal club
Cooperation Committee of Cambodia: Ethical Principles and Minimum Standards	Membership Club	Voluntary	NGO Association	Medium	Minimal	2004	Self-help club
Credibility Alliance – India, Membership	Membership club	Mandatory for members	NGO Association – independently formed	Medium	Peer review	2004	Self-help club
Ghana Standards Project	Certification	Voluntary	NGO Association (2)	Strong	Peer review	In development	Peer review club
Uganda Quality Assurance Mechanism	Certification	Voluntary	NGO Association (2)	Strong	Peer review	2007	Peer review club
Credibility Alliance – India, Certification	Certification	Voluntary	NGO Association – independently formed	Strong	3 rd party certification	2007	Standard Bearer
Cooperation Committee of Cambodia: Cambodia NGO Good Practice Project	Certification	Voluntary	NGO Association	Strong	Peer review	2007	Standard bearer club
Pakistan Council on Philanthropy Certification Program	Certification	Voluntary	Independent agency	Very strong	3 rd party certification	2003	Standard bearer
Philippine Council for NGO Certification	Certification	Voluntary	Independent agency	Very Strong	3 rd party certification	1999	Standard bearer