Demonstrating NGO performance: problems and possibilities

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Introduction

Recent years have seen development NGOs making significant efforts to show how they are performing, a trend impelled by three factors:

- stricter requirements attached to official aid, which is a fast-growing proportion of NGO funds;
- doubts about NGO claims to be more effective than governments;
- post-Cold War shifts in the role of NGOs, which increase their own needs to know what is being achieved, in order to manage the processes of organisational re-orientation and transformation.

Almost without exception, NGOs are finding it very difficult to come up with sound, cost-effective methods to show the results of their development activities, or even to demonstrate their effectiveness as organisations. These difficulties arise both from key features of the aid system, and from the nature of 'non-profits'.

The first two sections of this article summarise the difficulties in each of these two areas, and consider solutions that are emerging from recent experience. A concluding section explores the link between accountability and performance, and speculates on the range of approaches which NGOs might use in the future to prove that they are valuable and effective agents of development.

Demonstrating development performance

The difficulty in measuring the development performance of NGOs stems from the basic incompatibility between the assumptions on which the aid system is based and the actual process of socio-economic change.

Development: linear versus contingent change

The aid system is founded on the idea that there are deficits — of knowledge, money, skills — in the South that need to be made good by transfers from the North. The typical mechanism used to make such transfers is the development project. Projects are made up of a pre-determined set of resources, activities, and assumptions about cause-and-effect relationships. They also form the basis of links in a chain of organisations which make up the aid system. It is implicitly assumed that each organisation has sufficient control to ensure a coherent translation of Northern resources into Southern benefits.

Put simply, the project approach treats development as a linear production process (see Figure 1). In technical terms, to deliver the goods, projects have to function as closed systems — systems which can be protected from undue external influence. Only if this holds true can performance and accountability be sufficiently assured and measured.

There are three problems with this approach. Firstly, the right ways of doing things cannot all be sufficiently predicted in advance. Secondly, the assumptions seldom hold. And, thirdly, development — in the sense of sustained improvement in the lives and circumstances of people who are poor or marginalised — does not take place in a linear way under the influence of one single intervention (LeCompte, 1986).

As resources move down the aid chain, several things happen which undermine the project approach, and hence limit our ability simply to tie resources and activities to NGO performance in terms of development.

1 The number of interested parties increases, and each brings a different perspective on what is, or should be, going on. Each also has...
self-interests and internal dynamics which affect the ways in which resources are handled. These influences accumulate in disruptive combinations. A common example is the lack of continuity in approaches and opinions when vital members of staff leave during the life cycle of a development project.

2 The numbers of uncontrollable external forces operating on the project accumulate with each link in the chain, and they interact on each other in dynamic and unpredictable ways. An example is the acute financial instability caused when rapid inflation in the South erodes budgets, while simultaneous changes in the policies of Northern donors result in their diverting to Eastern Europe funds previously committed to the South.

3 The time scales over which results can be seen or measured tend to increase when moving from outputs to outcomes and then to impacts. For example, changes in infant mortality rates cannot be detected from the survival of one infant; the necessary measure is an aggregate over time.

4 The many factors which determine human well-being or development status are interrelated, as for example in the effect of the level of women’s education on fertility rates.

5 The further one moves from tangible NGO outputs — wells built, credit provided, trees planted, people trained, buildings constructed and so on — to impacts on people’s lives, the more significant become less tangible factors such as socio-economic divisions, power relationships, human motivation, individual and collective behaviour, cultural values, and local organisational capacity.

In other words, where it matters most, at the end of the aid chain, human development results from a complex mix of non-linear processes which are largely determined by non-project factors. This means that the actual change in people’s lives is contingent: it is an open system, determined by and dependent on many things. NGO projects are only one part of larger processes of change. Projects are not the cause of development: far greater forces are in play.

One response to the gap between the assumptions behind aid and the reality of change has been to ‘tighten up’ projects — to define them more accurately with more detailed data and logical frameworks, better protect them from external influence, and exert greater direct control throughout the aid chain by enforcing more stringent conditions and reporting requirements. In terms of sustainability, this is not a viable path to tread. Apart from being costly, frustrating,
and an administrative nightmare, success in simple project terms actually means failure in terms of creating the preconditions necessary for benefits to be maintained, once external resources are no longer there. Sustainability demands that externally supported processes must become part and parcel of larger economic, political, social, ecological, and other systems. To be effective, projects, far from insulating themselves, must be fully integrated into their surroundings, both contributing to and drawing from them.

Assessing development performance: difficulties and possibilities

This situation creates two critical difficulties in assessing operational performance. Firstly, the measures of development are very complex, containing both tangible or physical elements and intangible factors of human and organisational processes and capacities. Secondly, the possibility of attributing the cause of change to an NGO’s work is very restricted.

At present, two distinct approaches — one ‘scientific’ (such as Carvalho and White 1993), the other ‘interpretative’ (such as Marsden et al. 1994) — are being followed to tackle these areas of difficulty. The former involves a systematic hunt for all sorts of observable indicators, (proxy) measures, and agreed baselines. In this, attributing the cause of change to NGO support relies on comparisons with other (control) groups. The interpretative or contextual approach concentrates on gathering and in some way reconciling the contending perceptions and measures which are specific and meaningful to the diverse actors involved, now increasingly referred to as ‘stakeholders’. To do this, participatory methods are usually adopted, whereby people define what measures are significant to them and later assess the degree to which the NGO’s support has contributed to change.

Each approach has merits and limitations. The question for managers is whether there is a cost-effective way of combining the best of the two — given that the project model for funding is not going to be dropped, while the nature of development as contingent change is not going to alter just because of the way in which aid is allocated.

One way of doing this is to integrate Logical Framework Analysis (LFA, or ‘logframe’) and Objective Oriented Planning (OOP) with ‘multiple stakeholder negotiation’ (INTRAC and South Research, 1994). Here, the linear method of LFA is subjected to the diverse perspectives and experiences of those who would be tied together in the aid chain. Scientific and contextual or interpretative methods become interwoven. Moreover, undertaking an LFA in this way can itself have positive effects. If ‘stakeholders’ take ownership of the initiative, potential conflicts can be identified before instead of afterwards, once people’s behaviour shows that they were not motivated or did not agree. This enhances the scope for interaction, and the mobilisation of local resources.

A major challenge in this approach is to identify the ‘right’ participants: people who can truly represent the interests of those with a legitimate interest in externally supported initiatives. For NGOs, this usually means enabling those who are marginalised to gain a ‘seat at the table’ in the development dialogues from which they are excluded, or in which they are included only as an ‘input’ to other people’s plans. Strengthening the capacity of marginalised groups to engage with the more powerful in processes whereby key decisions are negotiated and control is shared — though difficult and not free of conflict — is an important step in their empowerment.

However, adopting this hybrid methodology often calls for modifications to existing organisational cultures and practices. Some examples follow.

* The need to begin with a guiding vision of the situation that people want in the future, rather than using an analysis of the material
problems they face today as the basis for planning and evaluation.

- Using skills and creating settings through which contending interests become recognised and negotiated, rather than being ignored or assumed away.
- Allocating sufficient time to the process, which can take a year or more.
- Where groups are unable to ensure that their voice is heard in negotiation, postponing the project so that initial effort can be directed towards building their capacity and awareness.
- Using the agreements as the basis of project-cycle management, monitoring, evaluation, and performance assessment.
- Treating regular appraisals of progress involving the major parties as part of project management, and allowing for mutual modification and adaptation to changing circumstances, as opportunities for shared learning. External evaluation becomes less significant and also less of a threat.
- Introducing processes which guard against the self-perpetuation of ‘stakeholder representatives’, possibly by requiring renewal of their mandates.

This method is not without its teething problems. However, it is likely to be fruitful, because it tackles the underlying causes of the problems which NGOs face in demonstrating their development performance.

**Assessing organisational performance**

In addition to showing what they achieve in terms of development projects, NGOs also need to assess their effectiveness as organisations. This section examines problems in assessing the performance of ‘non-profits’, and describes attempts being made by some NGOs to do this.

**What makes an NGO ‘bottom line’?**

Unlike commercial companies, development NGOs do not have the ‘bottom lines’ of market feedback, profitability, and return on financial investment of commercial companies; nor do they receive the judgement of citizens through social unrest or the periodic vote. In other words, consumers and voters are the source of performance standards for business and government — but not for ‘non-profits’. Firstly, then, we must determine the source of criteria against which non-profit organisational performance should be assessed. The second task is to set standards and carry out the assessment.

Measuring the overall performance (or capacity) of development NGOs, rather than of the projects they implement, is relatively new in the arena of international aid. For now, pointers have to be sought by drawing on work done on other types of ‘non-profits’.

In 1979, Rosbeth Moss Kanter reviewed the wide range of conceptual dilemmas, practical difficulties, contending principles, and different methods adopted in attempts to determine non-profit effectiveness, productivity, and performance. She concluded:

- That the measurement of effectiveness must be related to a particular context and life stage of the organisation.
- That rather than seeking universal measures, the need is to identify appropriate questions reflecting multiple criteria.
- That the concept of assessing organisational goals should be replaced with the notion of organisational uses, in recognition of the fact that ‘different constituencies use organisations for different purposes’ (op. cit. 36, emphasis added).

A decade later, organisational guru Peter Drucker (1990) used a different analysis to reach essentially the same conclusions, namely that:

- Performance must be contextually
determined and interpreted.

- Questions should form the basis of the assessment approach.
- Standards must derive from the various constituencies that the organisation serves.
- The process of organisational assessment should be participatory.

A later approach to assessing Northern ‘non-profits’ relates their performance to the ‘contract culture’ which is shaping their role, position, and behaviour (Smith and Lipsky 1993; Hawley 1993), and which is rapidly permeating the aid system (OECD 1993). Here, measurement of performance is linked to quality of service (Lawrie 1993).

These analyses discuss the difficulties of identifying an unambiguous non-profit ‘bottom line’, even when the organisation’s purpose is reasonably straightforward, for example providing a direct welfare service such as running a home for old people, or shelter for homeless people. Development NGOs are faced with an additional obstacle, since the ‘product’ of their endeavours — for instance, sustainable development for poverty alleviation — is not produced by NGOs at all, but by (poor) people themselves (Lewis, et al. 1989).

Yet another complication arises for NGOs because, in the South, the funds they use are normally derived from foreign sources, a phenomenon not known in the North. This separates the political relationship between giver and receiver, and means that there is no recognised system by which the (dis)satisfaction of those served can be fed back to the funder, except via the NGO itself. In other words, an alternative, separately mandated avenue for verifying the development NGO’s own appraisal is not naturally available. In the North, local or national political processes can serve to monitor the overall performance of a ‘non-profit’.

It thus follows that ‘non-profit’ performance must be judged from the perspectives of those who affect or are affected by the organisation’s behaviour. No universal standard can be applied. The NGO bottom line is the effective satisfaction of the rights and interests of legitimate, recognised ‘stakeholders’. It is important to recognise, in stating this, that rights and interests usually have to be negotiated and agreed; they are seldom clear-cut or static.

A significant consequence is that the principle of diverse ‘stakeholder’ involvement in assessing development work must be similarly applied to the definition and evaluation of an NGO’s organisational effectiveness. This calls for some form of social accounting of multiple claims, uses, and interests.

**Drawing an NGO ‘bottom line’**

How can an NGO construct or draw its organisational ‘bottom line’? One method involves carrying out a Social Audit, a process of independent social accounting being developed and tested by a UK NGO, Traidcraft, in association with the New Economics Foundation (Traidcraft 1994). Since 1993, performance criteria have been negotiated with key ‘stakeholders’: producers, staff, consumers, and shareholders. In parallel with the financial audit, a process independent of Traidcraft obtains feedback on stakeholders’ views about the degree to which the organisation has met the standards previously agreed. Each year, together with the financial audit, the social audit is presented to the Annual General Meeting, along with proposals on how to tackle standards that have not been met, and improve on those which have.

In 1994, Oxfam (UK and Ireland) initiated an Assembly of some 250 individuals drawn from diverse ‘stakeholder’ sectors — ‘partners’ (i.e. groups and organisations funded by Oxfam), advisers, associates, volunteers, staff, senior managers, donors, friends, and others — to deliberate and provide advice on strategic issues facing the organisation, such as whether or not to work on poverty-relief programmes in the UK (Oxfam 1994). The Assembly is advisory and not a formal part of Oxfam’s organisation. Yet this step contains a clear moral
imperative to take the Assembly seriously, or risk being publicly derided and written off as a dishonest organisation. The next step for Oxfam would be to use an Assembly to help it to define agreed standards and measures against which its organisational performance would be assessed. Feedback would be made available at each subsequent Assembly.

These are examples where an NGO has acknowledged that it serves a variety of interest groups or users, giving rise to multiple accountabilities, demands, and expectations — which more often than not are in conflict with each other. The usual way in which NGO managers deal with conflicting demands is to internalise the differences, and try to manage the tensions. This is stressful, not effective in the longer term, and turns what could be a not necessarily risk-free6 opportunity for mutual learning between key ‘stakeholders’ into a permanent headache — and potential source of awkward publicity, when expectations are too far apart to be satisfied.

Enabling ‘stakeholders’, who seldom otherwise meet, to come together and listen to the incompatibility of the demands they are placing on an NGO can be a healthy experience for all concerned. And, if located within the right process, such encounters can make a positive difference to the way the NGO functions. This is particularly true for turning North-South NGO relationships into effective partnerships.

In sum, the key to NGO organisational assessment appears to lie in identifying and applying as performance standards the factors and criteria which relevant people are likely to use when making a judgement. This approach to the problem of judging the organisational performance of ‘non-profits’ looks promising, and now needs to be tested with development NGOs.

Cautions and speculative conclusions

What is doubly rewarding about an approach which uses ‘stakeholder performance assessment’ is that it simultaneously resolves most of the difficulties which NGOs face in satisfying demands for functional and strategic accountability (Edwards and Hulme 1994: 18-23). NGOs adopting the strategy should be able to kill two large birds with one stone.

What needs to be borne in mind is that NGO ‘stakeholders’ are not similar, and seldom are they equal. They are commonly characterised by contrasts in their attitude towards, power over, or reliance on the NGO in question. These differences derive in part from basic contradictions inherent in the role of development aid in relation to the functioning of the global politico-economic system, of which poverty and marginalisation are one product. They certainly differ between the perspectives of North and South, and men and women.

To make a success of a ‘stakeholder’ approach requires NGOs to be more explicit about whose views count more or less than others’. While not easy, such choices are made implicitly anyway. The issue is to be open about the ‘trade-offs’ being made, and whom they benefit.

There is little doubt that external pressure and internal concerns will continue to push NGOs to demonstrate their effectiveness, and hence their value as agents of development. And, given the consistent trend to go beyond governments in international development, it is likely that the methods adopted will stretch along a continuum from simple participatory project appraisal, at one end, to full ‘stakeholder’ determination of NGO performance criteria and assessment of its success in meeting these, at the other.

The extensive literature on NGOs and development, and analysis of the few impact-studies which exist (van Dijk 1994), lead me to speculate that by the end of the century many NGOs, if not most, will be found clustering between the ‘people as project-input’ end of the performance-assessment spectrum and a middle point pivoting around the LFA/OOP approach, which itself may have evolved to embrace organisational as well as project performance.
Today’s evidence suggests that not many NGOs will be operating on the basis of performance criteria negotiated with and between their diverse ‘stakeholders’. Yet to be credible, this may well be the standard against which professional NGOs have to be judged in future.

Notes

1 This is a shortened and revised version of a longer paper presented at the IDPM/SCF Conference on NGO Performance and Accountability, held in Manchester, England, in June 1994.

2 Here, Southern countries are those receiving overseas development assistance (ODA) before the collapse of the Soviet Union. The Northern countries are those providing ODA.

3 This two-volume document contains examples of the method in practice, as well as suggestions for improvement.

4 Independent evaluations have proven a poor method for providing such feedback, in terms of both quality and timing.

5 More information can be obtained directly from Traidcraft Exchange, Kingsway, Gateshead, Tyne and Wear, Newcastle NE11 ONE, UK.

6 The (political) risk taken by Oxfam (UK/I) in constituting the Assembly was highlighted when the gathering’s advice to begin work in its home country made front-page headlines in The Guardian, which argued that prevailing government policies had turned the UK into a developing country, in need of Oxfam’s attention.

References

LeCompte, B. J. (1986) Project Aid: Limitations and Alternatives, Paris: OECD Development Centre
Oxfam (UK and Ireland) (1994) ‘Oxfam
The World Bank derogates women's rights: outcomes from Beijing

Michel Chossudovsky

The World Bank claims to have become the defender of women's rights, urging national governments to 'invest more in women in order to reduce gender inequality and boost economic development': 'The Bank is to promote gender equality as a matter of social justice and enhance women's participation in economic development' (World Bank, The Gender Issue as Key to Development, Washington, HCO, 95/01 p. 1). Two more World Bank reports were presented at the 1995 United Nations Fourth Conference on Women in Beijing: Toward Gender Equality: The Role of Public Policy and Advanced Gender Equality: From Concept to Action.

Through its Women In Development Programme (WID), adopted throughout the developing world, the Bank defines the ground rules on gender policy. A 'market oriented' approach is prescribed, with a monetary value attached to gender equality: women's programmes are to be framed in relation to the 'opportunity cost' and 'efficiency' of women's rights. While recognising the possibility of 'market failure' (and consequently the need for State intervention), the Bank contends that 'free markets' broadly support the 'empowerment of women' and the achievement of gender equality: 'It is critical that governments take the lead where markets fail to capture the full benefits to society of investment in women ... Investments in women are vital in achieving economic efficiency and growth.'

The Bank thus determines the concepts, methodological categories, and data base for analysing gender issues. The 'donor community' controls the institutional framework (at the country level), including Women's Bureaux and Ministries of Women's Affairs. Because the Bank constitutes a main source of funding, national women's organisations associated with the seat of political power will often endorse its gender perspective. This seeks to demobilise the wider women's movement, while narrowly supporting the interests of international creditors.

Under the trusteeship of the international financial institutions, women's empowerment is to be achieved through the usual macro-economic recipes: devaluation, budget austerity, the application of user-fees in health and education, the phasing out of State-supported credit, trade liberalisation, the deregulation of grain markets, the elimination of minimum-wage legislation, and so on. In other words, donor support to women's programmes (via WID-funded projects) is conditional upon the prior derogation of women's rights through 'satisfactory compliance' with IMF and Bank conditionalities. For instance, the implementation of token credit schemes earmarked for rural women under the Bank's micro-level credit programmes invariably requires the prior deregulation of financial institutions, dramatic increases in interest rates, and the phasing out of rural credit cooperatives. Similarly, 'anti-poverty programmes' are conditional upon the prior adoption of macro-economic measures which themselves generate mass poverty. The 'anti-poverty