

NGOs: A Primer on the Evolution of the Organizations That Are Setting the Next Generation of “Regulations”

Nongovernmental organizations (NGOs) have been around for more than 150 years. Over the last decade, however, there has been a subtle but steady shift in the nature of their influence over business.

In essence, NGOs are beginning to act increasingly like governmental regulatory agencies, issuing a new generation of *de facto* “regulations” in the form of standards, guidelines, and certifications. Once gadflies and outsiders, NGOs increasingly are shifting to market-based approaches in order to effect change and gain a prominent place at the table in stakeholder negotiations.

What are NGOs, and how did these organizations evolve? What types of NGOs exist, and how are they classified? How do they operate and wield their power? And what are the critical issues they face if they want to expand their influence?

This article offers a literature review of published information on NGOs. It is a primer for environmental, health, safety, and social

***Nongovernmental organizations
exercise a growing influence
over business***

responsibility (EHS&SR) professionals who are spending more and more of their time on “nonregulatory” issues driven by NGOs.

Background: NGOs as *De Facto* Rulemakers

The current dynamics between NGOs and the business world have been described in an article that we published in *Corporate Environmental Strategy*.¹ In summary, that article presented the case that, until recently, it has been governments that have defined corporate responsibility; companies have tracked the environmental, health, safety, and social responsibility metrics dictated by those government-defined laws and regulations. Not surprisingly, business executives have responded to EHS&SR issues narrowly, viewing

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them as government-regulatory or public relations problems, respectively.

In the future, however, NGOs increasingly will define a new generation of metrics, certify the results, rank relative performance, and set the minimum thresholds that stakeholders will see as representing responsible corporate behavior. This will be a world where corporations can have either limited or significant influence, depending on their business strategies.

About This Article

In this article, we provide a detailed analysis of NGOs themselves. The article is heavily anno-

tated since the material also is intended to serve as a reference source for a wide spectrum of supporting literature on NGOs.

The article begins with a primer on the basics of NGOs—what

they are, how they evolved, and so on. We then describe the growing influence of NGOs on business, government (illustrated by their involvement in the United Nations), and the financial community (illustrated by their involvement with the World Bank).

Finally, the article considers the key issue of accountability. We examine the various principles of accountability as applied to NGOs, examples of NGOs' accountability failures, and ongoing efforts to make NGOs more accountable.

Accountability is the issue that will define the influence of NGOs in the future, and it is a concern that cuts both ways. NGOs have become leading stewards in defining proper corporate and government behavior. Yet as their power and influence grows, they too are being challenged on their own practices. It is the classic question of "who checks the checkers?"

NGO Basics

Definitions and Acronyms

"NGO" is a broad term encompassing a wide array of diverse organizations. NGOs can be private agencies that support international development, or indigenous or religious groups organized nationally or regionally. They can be citizen groups that raise awareness among the public and influence government policy. Various charitable and religious associations that mobilize private funds and use them for the development of society also are considered NGOs.

According to the World Bank, the diversity of NGOs "strains any simple definition."² We have listed a number of the more common definitions in **Exhibit 1**.

At the United Nations, private bodies that do not have any of the following fundamental features are recognized as NGOs:³

- commercial organizations;
- organizations that engage in violence or advocate violence as a political tactic;
- organizations that have the stated goal of replacing existing governments; and
- organizations that are under the direct control of any government.

There are acronyms for several types of NGOs, based mainly on their organizational and operational frameworks. These acronyms are listed in **Exhibit 2**. There are also a number of "NGO pretenders" that may even be registered legitimately as NGOs, but that serve none of the intended purposes (see **Exhibit 3**).

Although many of the acronyms are amusing, the fact remains that some NGO pretenders have been created for questionable or illegal reasons (e.g., money laundering or tax evasion). Scrutiny of such organizations, at least in the United

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Exhibit 1. Example Definitions of NGOs

World Bank definition:

Private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community services.

World Bank. (1995). Working with NGOs: A Practical guide to operational collaboration between the World Bank and non-governmental organizations. Operations Policy Department, World Bank, pp 7–9.

NGO Workshop definition:

- A nonprofit-making, voluntary, service-oriented/development-oriented organization either for the benefit of its members or for other members of the population.
- An organization composed of private individuals who believe in certain basic social principles and who structure their activities to bring about development to communities that they are servicing.
- An independent, democratic, nonsectarian people's organization working for the empowerment of economic and/or socially marginalized groups.
- Organizations established by and for the community, with or without intervention from the government; they include not only charity organizations, but those that work on socio-economic-cultural activities.

Workshop Notes: NGO Workshop Organized at the Asian Institute of Technology, Bangkok, October 17–21, 1988, www.gdrc.org/ngo/wb-define.html.

Vakil definition:

A self-governing, private, not-for-profit organization geared toward improving the quality of life for disadvantaged people.

Vakil, A. C. (1997). Confronting the classification problem: Toward a taxonomy of NGOs. *World Development*, 25(12), 2057–2070, at 2060.

States, has increased dramatically since the terrorist attacks of September 11, 2001.

Evolution and Growth of NGOs

The first structured NGO that we have found referenced in the literature was the British and Foreign Anti-Slavery Society. Its formation in the early 1800s led a movement in the nineteenth century to ban slavery in the British Empire.⁴

By 1849, four NGOs had been established.⁵ The World Alliance of YMCAs, founded in 1855, was the first international NGO to appear on the scene.⁶

Other prominent nineteenth-century NGOs included the International Committee of the Red Cross, formed in 1863 in Geneva; the U.S. Sierra Club, founded in 1892 to protest proposed reductions in the boundaries of Yosemite National Park; and the Royal Society for the Protection of Birds, founded in 1889 to campaign against the Victorian trade in wild bird plumage.

In 1910, 132 international NGOs decided to cooperate with one another under the label of the Union of International Associations (UIA).⁷ This was the first instance of cooperation among vari-

ous NGOs on an international level. After World War I, the League of Nations was formed and the UIA was marginalized.

After formation of the League of Nations, international NGOs began to organize themselves by broad subject areas.⁸ For example, some 30 peace and disarmament organizations formed an

Exhibit 2. Acronyms for NGO Types*

BINGO	Big international nongovernmental organization
CBO	Community-based organization
CB-NGO	Community-based, nongovernmental organization
DO	Development organization
DONGO	Donor nongovernmental organization
GRO	Grass-roots organization
GRSO	Grass-roots support organization
IDCI	International development cooperation institution
INGO	International nongovernmental organization
NGDO	Nongovernmental development organization
NNGO	Northern nongovernmental organization
PO	People's organization
PSC	Public service contractor
SCO	Social change organization
SNGO	Support nongovernmental organization
WCO	Welfare church organization

* Vakil, A. C. (1997). Confronting the classification problem: Toward a taxonomy of NGOs. *World Development*, 25(12), 2057–2070, at 2060.

Exhibit 3. Acronyms for NGO Pretenders*

BRINGO	Briefcase NGO	An NGO that is just a briefcase carrying a well-written proposal
ComeN'GO	Come & Go NGO	An NGO that appears spasmodically; only used by the owners when the NGO pasture looks greener
CONGO	Commercial NGO	An NGO that sets up businesses in order to participate in bids, help win contracts, and reduce taxation
CRINGO	Criminal NGO	An NGO established for illegal purposes, especially import-export (i.e., smuggling); common in transition economies
GONGO	Government-Owned NGO	Type of GRINGO used to capture or redirect nonprofit funds allocated by officials and the system
GRINGO	Government-Run and Initiated NGO	Variation of a QUANGO, but with the function of countering the actions of real NGDOs; common in Africa
MANGO	Mafia NGO	A criminal NGO providing the services of money laundering, enforcement, and protection; prevalent in Eastern Europe
QUANGO	Quasi-Autonomous Nongovernment Organization	An organization created by government officials, or working in concert with government activities, without being formally a part of government

* Flower, A. (1997). Striking a balance: A Guide to enhancing the effectiveness of non-governmental organizations in international development. London: Earthscan.

International Consultative Group that promoted regular consultation, cooperation, and coordination of policies among its members.

The Federation of International Institutions was established in 1929, with 42 international NGO members by 1938. The formal recognition of NGOs by the League of Nations was limited to a few specific purposes such as improvement of global health, prevention of disease, and mitigation of suffering.⁹

The term *nongovernmental organization* was not in general currency until the UN was formed in 1945. In the UN Charter, the term was used to differentiate the participation rights of intergovernmental specialized agencies from those of international private organizations.

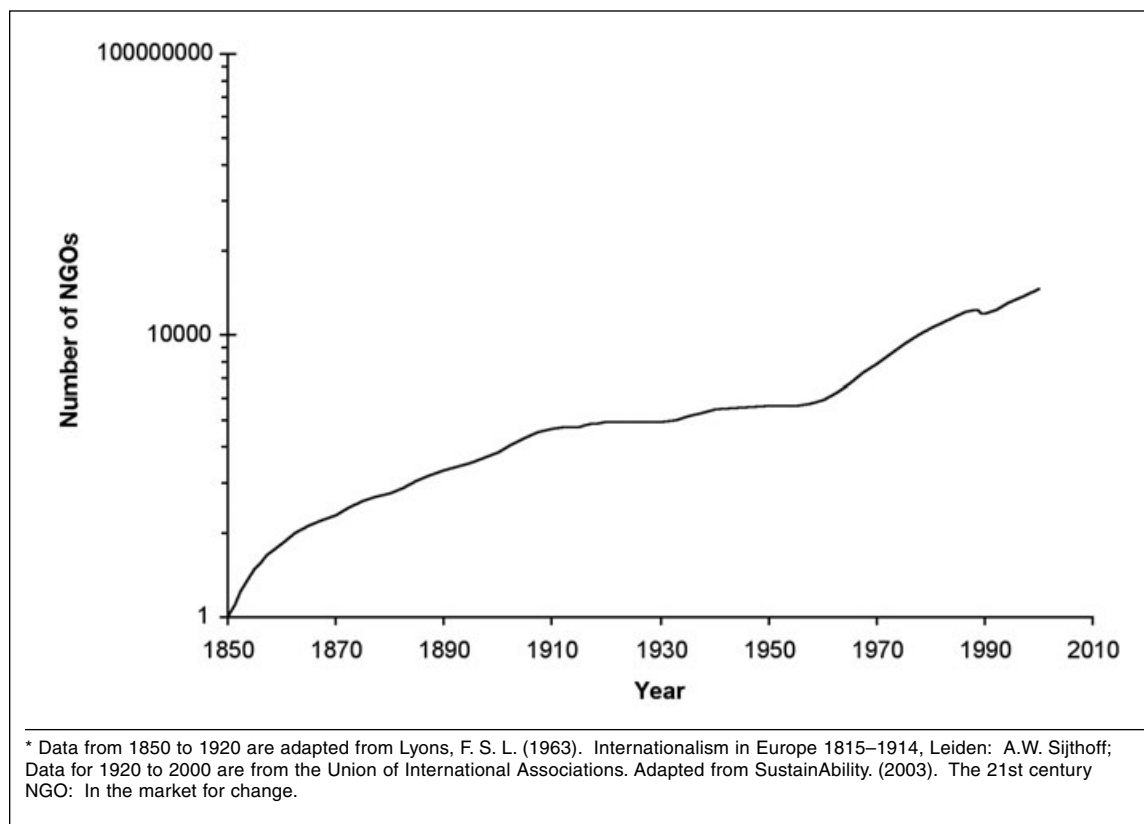
The 1960s and 1970s saw the emergence of an increasingly activist wave of NGOs. This included the founding of the World Wildlife Fund (WWF) and Amnesty International in 1961; the Natural Resources Defense Council in 1968; Survival International and Friends of the Earth in 1969; Greenpeace in 1971; ActionAid in 1972; and Human Rights Watch in 1978.

Exhibit 4 shows the growth of international NGOs from 1850 to 2000. It clearly illustrates the exponential increase (note the logarithmic scale used) of NGOs after 1980: from 12,500 during the 1980s to over 45,000 by 2000.

This recent rapid increase in the number of NGOs can be attributed primarily to five factors:¹⁰

- Of paramount importance was the spread of democracy and free markets around the world. For example, immediately after the collapse of Communism in Europe, approximately 180 new environmental groups were formed to address key environmental issues.¹¹ The total number of environmental NGOs in Central and Eastern European countries increased to 3,000 in 2001 from about 800 in 1992.¹² There was a 340 percent increase in the membership of international NGOs in Central and Eastern European countries, while the increase was only about 60 percent throughout the world.¹³ A similar phenomenon is going on in Iraq today.¹⁴

Exhibit 4. Growth of International NGOs from 1850 to 2000*



- Second, the communications revolution of the past decade has allowed various NGOs to link with and empower individuals and groups worldwide. (NGO networking is discussed in greater detail later in this article.)
- Third, governments, strapped for cash, reduced funding for many social service areas. NGOs moved in to fill the void and started taking the role of government in providing for basic necessities.
- Fourth, mistrust in traditional institutions (such as government, religious institutions, and business) grew at unprecedented rates. NGOs traditionally have ranked high in public surveys of trust, and they leveraged this strength.
- Finally, some problems appeared to be worsening—such as ongoing social inequality and continued environmental degradation. This

motivated volunteers and donors to try to remedy these problems through nontraditional (i.e., nongovernmental) solutions.

Classification Systems for NGOs

“Northern” and “Southern”

The main classification categories for NGOs cited in the literature are “Northern” and “Southern” NGOs. Northern NGOs work in industrialized and developed markets, while Southern NGOs work in third-world countries. The terminology was originally derived from the north/south global hemispheres, but these geographical regions have less relevance today.

There is extensive literature on the functioning of Northern NGOs, while relatively little has been published about Southern NGOs. In general, Northern NGOs have more experienced

Do NGO Classifications Really Matter?

For an NGO wishing to participate in UN negotiations, they matter a lot. But for business, the article's lengthy and somewhat tedious description of classification systems for NGOs illustrates one essential point: NGOs are not a simple monolith of external stakeholders, and they certainly do not work toward a common purpose or objective. Even the experts are challenged when trying to sort them into orderly file folders.

Business management may, however, be under the mistaken impression that NGOs are all similar, if not the same—and thus businesses may be led to apply the same strategies (usually public relations and philanthropy) in dealing with all of them. This is not only simplistic, it ultimately may prove risky. The challenge, of course, is to develop thoughtful strategies for each group of NGOs and not apply cookie-cutter approaches.

staff, more funds, and more political backing compared to their Southern counterparts.¹⁵

It is estimated that 85 percent of NGOs with consultative status in the Economic and Social Council (ECOSOC) are from the North.¹⁶ (A description of NGOs' relationship with ECOSOC is provided later in this article.) In 1999, the World Trade Organization (WTO) ministerial conference was attended by 738 accredited NGOs, of which 87 percent were Northern NGOs.¹⁷

Southern NGOs are beginning to take a more active role in world conferences as they grow in number and capacity.¹⁸ For example, the number of Southern NGOs that participated in negotiations at the Convention to Combat Desertification in the early 1990s was greater than the number of Northern NGOs.¹⁹ Also, thousands of Southern NGOs attended the World Summit on Sustainable Development (WSSD) held in Johannesburg in 2002.

World Bank Classifications

The World Bank classifies NGOs into two categories:

- Operational NGOs design and implement development-related projects.
- Advocacy NGOs defend or promote specific causes and influence policies and practices.

Large NGOs like CARE are operational NGOs. Greenpeace is an example of an advocacy NGO.

Some NGOs have both operational and advocacy components. Oxfam is a typical example of an NGO that combines operational and advocacy activities; it provides aid as well as advocacy for health, education, and other social issues.

Operational and advocacy NGOs are classified by the World Bank into three main groups, which are further broken down by region:

- Community-based NGOs serve a specific population in a narrow geographic area.
- National NGOs operate in developing countries.
- International NGOs have headquarters in developed countries and carry out operations in more than one developing country.

Until the 1990s, the World Bank collaborated mostly with international NGOs. However, this trend changed in the 1990s as the World Bank started dealing with more national and community-based organizations.

Additional Classification Systems

Another form of classification is based on NGO orientation, as follows:²⁰

- charitable orientation—works for the poor and undertakes relief activities during calamities and man-made disasters
- service orientation—works on health, family planning, or educational services

- participatory orientation—local people are involved, particularly in the implementation of projects, by contributing resources such as cash, tools, land, materials, and labor
- empowering orientation—helps underprivileged people develop a better understanding of the various factors affecting their lives

Several additional classification systems for NGOs have been offered:

- Esman and Uphoff²¹ (1984) classified NGOs as local development associations, cooperatives, and interest associations.
- Fowler²² (1985) classified NGOs based on accountability and resource control characteristics.
- Bratton²³ (1989) classified NGOs as indigenous and international.
- Brown²⁴ (1991) classified NGOs into four types of organizations: people organizations, which are community-based; developmental NGOs, which operate at the national level; international voluntary agencies; and bridging organizations, which act as mediatory institutions performing a range of functions, including building associations, networking, and forming partnerships and coalitions among organizations.
- Salamon and Anheier²⁵ (1992) proposed an International Classification of Nonprofit Organizations (ICNPO) that places nonprofit organizations into 12 major groups based on their primary economic activity.
- Vakil²⁶ (1997) argued that NGOs might be categorized by two descriptors—essential and contingent. The “essential” descriptor refers to orientation and level of operation; orientation is further divided into welfare, development, advocacy, development education, networking, and research. The “contingent” descriptor includes a sector focus (such as

health, housing, and agriculture), as well as other evaluative factors, including accountability, participation, and gender equality.

Organizational Classification

Anheier and Themundo²⁷ (2002) have suggested three basic organizational forms for NGOs: unitary (U-form), multidivisional (M-form), and network (N-form). This classification was adopted by SustainAbility²⁸ (2003) to classify NGOs.

According to this classification, “U-form organizations” are hierarchical, stable, predictable, and centralized. This category includes NGOs like the Red Cross, traditional unions, and the Catholic Church.

“M-form organizations” are extremely challenging to define. Examples include NGOs like Greenpeace and Human Rights Watch.

The primary characteristic of “N-form organizations” is networking. This category includes global public policy networks like the World Commission on Dams, Friends of the Earth International, and Reclaim the Streets.

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Strengths and Weaknesses of NGOs

The rapid increase in NGOs over the past decade is probably the clearest indicator of the advantages inherent in this type of organization. The NGO sector is vast and diverse, and there is no short list of all their advantages and disadvantages. Probably their most significant characteristic is their strong grass-roots support—and hence their ability to identify the problems of their constituents and then tailor assistance to meet their needs.

NGOs work in the field, adapting to local situations, and are able to develop integrated proj-

ects based on local needs. They have increasingly sophisticated skills in mobilizing public opinion using various communication channels such as newspapers, television, radio, and especially the Internet. They usually adopt a process-oriented approach toward development for which they use participatory methodologies and tools.

Innovation is also a hallmark of NGOs. Compared to most government agencies, they are more willing to take on risk and promote new ideas. NGOs also are affected less by bureaucratic constraints, compared to governments or even large

corporations. NGOs recruit and terminate staff with few restrictions, while government and corporate organizations are more constrained. This independence can contribute to improved ef-

iciency and help NGOs create staffs of highly motivated experts.

Among the main limitations NGOs face is that most are at the mercy of donors for funding. Donors can be either private parties or government agencies. NGOs generally do not make any distinction between government funding (a significant source) and other funding.

The “self-sustainability” level of NGOs tends to be low. Most, especially Southern NGOs, have limited financial and management expertise. As a result, they are restricted in the way they can approach problems.

Many NGOs also lack interorganizational communication and coordination. Hence, some tackle their chosen causes without a clear understanding of the broader social and economic context.

NGO Networking through the Internet

Describing communication among NGOs, Kelly Currah, senior policy advisor of global rela-

tions at World Vision International, stated, “[A]s the invention of the printing press in the 15th century gave momentum to the Reformation, the internet is fuelling another reformation of civil society.”²⁹ This statement sums up the critical role of networking via the Internet in the functioning of NGOs. It is an incredibly efficient (and inexpensive) way for NGOs to mobilize support for a cause.

NGOs appear to be more proficient at leveraging this relatively new technology than are either governments or businesses.³⁰ They use the Internet for advocacy, awareness building, consultancy, identifying resources, impact analysis, education, and so on.³¹ In a typical week, an environmental NGO like Friends of the Earth International gets about 7,200 hits. Their Web site provides information in detail about the organization’s various activities. In fact, NGOs pride themselves on their well-maintained Web sites.

NGOs are particularly adept at linking people worldwide using Internet-based campaigns. For example, in 1997–1998, an Internet-based coalition of NGOs, consumer groups, and trade unions from 67 countries came together to defeat the Multilateral Agreement on Investment (MAI), which had been strongly supported by multinationals and industrialized countries.³² The draft of the MAI text was posted on the Web by an NGO, allowing hundreds of organizations to mobilize against it.

The NGOs were opposed to the secrecy of the MAI negotiations and the lack of environmental safeguards in the agreement (as well as many other shortcomings).³³ These NGOs used Web sites and e-mail to analyze the MAI draft, develop strategies against it, mobilize people, and coordinate activities around the world. The Internet-based campaign made it harder for officials at the Organization for Economic Cooperation and Development (OECD) to dismiss NGO positions as fringe.³⁴

Another example of online coalition building involved the events surrounding the 1999 WTO conference in Seattle. Michael Bond, writing in

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Prospect magazine, succinctly summarized the significance of the Internet in this instance, stating “groups can link up across the world without moving from their desks—as the demonstrations in Seattle showed.”³⁵

Yet another illustration: About 1,500 NGOs signed an anti-WTO protest declaration set up online by Public Citizen, a consumer-rights group.

A RAND study³⁶ dubbed this phenomenon—an amorphous group descending on a target—as an “NGO swarm.” It is difficult for any government or corporation to deal with such groups. According to RAND researchers, an NGO swarm has no “central leadership or command structure; it is multi-headed, impossible to decapitate.”

A swarm can be intimidating to a corporation, but even a single Internet-based organization, such as CorpWatch, can be relentless in organizing campaigns and mobilizing people against perceived company malfeasance.³⁷

Another effect of the communications revolution has been the creation of new partnerships between Northern and Southern NGOs.³⁸ Northern NGOs can attack the corporate community more effectively if they are armed with proof of illegal labor practices or environmental degradation from Southern NGOs. This kind of information sharing is possible only through the Internet, as it is prohibitively expensive to share information or build links among many different organizations using telephone, fax, or mail.

Another type of networking is coalition formation, which effectively channels energy and magnifies group effectiveness.³⁹ By working together, NGOs can achieve more significant outcomes.

For example, from 1996 to 1998, government representatives met to draft a treaty called the Aarhus Convention on the public’s right to environmental information.⁴⁰ ECO-FORUM, an alliance of more than 200 European environmental organizations, enjoyed full negotiating power at this meeting.

This was the first time in history that NGOs were able to sit side-by-side with governments with equal status during the drafting of an international treaty. After the Aarhus Convention came into existence, ECO-FORUM became involved in the implementation process, and continues to contribute its opinion on how to interpret and refine the treaty.

In summary, networking allows NGOs to learn from others, share knowledge, voice concerns among colleagues, and bring together people with similar interests from around the world, united by a common platform. Not surprisingly, the Global Forum (a parallel NGO summit that took place simultaneously with the Rio Earth Summit) issued the Communication, Information, Media and Networking Treaty, which declared communication to be a basic human right.⁴¹

Today, fast and effective collection and communication of large volumes of information are no longer monopolies of government and business. Low-cost communication has made a huge difference, the full significance and implications of which only now are being widely recognized outside the NGO world.

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The Transition to Influence

NGO-Corporate Relationships

The NGO-corporate relationship is undergoing a sea change.⁴² In the past, NGOs operated by challenging the system; present-day NGOs often operate as part of the system via mechanisms such as strategic alliances with business. Earlier NGOs generated funds by fuelling public anger or guilt; some present-day NGOs promote fund-raising by presenting a picture of their role in creating partnerships to promote sustainable development.

The NGOs and the business world have diverse perspectives; a partnership between them results in greater creativity and innovation.

There are numerous examples of successful environmental NGO-business partnerships (see **Exhibit 5**). For example, in 1997, the World Wildlife Fund joined with Unilever, the consumer products group, to create the Marine Stewardship Council system for regulating responsible fishing.⁴³

The World Resources Institute (WRI) works with corporations to create a market for “green power”—the power generated from renewable sources.⁴⁴ Since 2001, member companies of the WRI’s Green Power Development Group have purchased over 50 mW of green power from more than 200 U.S. facilities.

Some partnerships can be very creative. For example, The Nature Conservancy loaned \$50 million to Great North Paper, which, in return, turned over 200,000 acres of land in the state of Maine for conservation, recreation, and sustainable timber harvesting.⁴⁵

Other partnerships have been created, in part, as a positioning mechanism. For example, Nike, in 1999, gave \$7.7 million to the International Youth Foundation⁴⁶ to set up the Global Alliance for Workers and Communities, which monitors the factories of global companies’ subcontractors. This was part of Nike’s effort to address the charges leveled at it by anti-sweatshop campaigners. Similarly, oil giant ExxonMobil started working with NGOs to avoid the social unrest its actions had triggered in the past.⁴⁷

Some partnerships have created unusual and unexpected alliances. For example, in 1992, Greenpeace helped Foron develop a refrigerant that replaced the ozone-damaging coolant Freon™ with a hydrocarbon called “Green-

freeze.”⁴⁸ At the Earth Summit in Johannesburg, NGOs (including Greenpeace) joined with the World Business Council for Sustainable Development (WBCSD), an association of multinational corporations, to support the Kyoto Protocol on climate change.⁴⁹

In 2003, increased pressure from NGOs led ten of the leading world banks to embrace standards (developed by the World Bank’s International Finance Corporation) requiring them to adhere to a range of international environmental and social-impact principles aimed at saving the environment. These came to be known as the Equator Principles.⁵⁰ As of June 2004, 25 banks had signed onto the Principles.

The Global Compact represents another international initiative that brings companies together with UN agencies, labor representatives, and civil societies to support ten principles in the area of human rights, labor, the environment, and anticorruption. As of September 2004, 1,500 companies had become participants in the Global Compact.⁵¹

These NGO/business partnerships help build brand equity and reputation. The NGOs and the business world have diverse perspectives; a partnership between them results in greater creativity and innovation. Partnerships also can reduce human rights-related risks. They can help in developing and expanding markets.⁵²

To gain these benefits, it is imperative that the NGO involved is not perceived as the “puppet” of those supplying the money. The essential rules that NGOs should consider before agreeing to a partnership are as follows:⁵³

- The company must be serious about its relationship with the NGO and should be willing to take action on suggestions offered by the NGO.
- The NGO should enter into a partnership with the private sector only after getting approval from its own stakeholders.

Exhibit 5. Examples of Environmental NGO-Business Collaboration*

Name	Key Participants	Locations	Principal Time Frame	Description
Fresh Water Work**	WWF, HSBC	Brazil, China, Mexico, USA, UK	2002–ongoing	Protecting global fresh water systems
Ricelands Habitat Partnership (RHP)	The Nature Conservancy, Ducks Unlimited, California Waterfowl Association, California Rice Industry Association, Sacramento Valley Rice Farmers	Sacramento Valley, California, USA	1990–2000	Post-harvest winter field flooding program to create temporary waterfowl habitat and facilitate rice stubble decomposition
The Nature Conservancy/Georgia Pacific Roanoke River Project	The Nature Conservancy, Georgia Pacific	North Carolina, USA	1994 to date	Biodiversity protection and timber production using ecosystem management principles
The Nature Conservancy/The Home Depot Partnership***	The Nature Conservancy, Home Depot	Indonesia	2002 to date	Home Depot donated \$1 million over five years to help The Nature Conservancy combat illegal logging and promote sustainable timber harvesting in Indonesia
The Conservation International/McDonald's Corporation Partnership	The Conservation International, McDonald's	USA	2004	Integrating conservation into the purchasing operations of the world's largest food service retailer
Clean Air Renewable Energy Coalition****	Main players include AIM PowerGen Corporation, BP Canada Energy Company, Benign Energy Canada Inc, Canadian Hydro Developers, Friends of the Earth, International Institute for Sustainable Development, Pollution Probe, Shell Canada Limited	Canada	2000 to date	This group of corporate, environmental nongovernmental organizations (ENGOs) and municipal governments was launched to accelerate the development of Canada's renewable energy industry
The CARE Coalition	Suncor Energy and The Pembina Institute for Appropriate Development, which has support from about 20 companies and NGOs, including Friends of the Earth, Shell Canada, TransAlta, the Toronto Environmental Alliance, and the International Institute for Sustainable Development	Canada	2000 to date	This coalition was formed to lobby the federal government to adopt two tax measures that would promote the development of renewable energy technologies, including wind, solar, and geothermal
Better Banana Project	Rainforest Alliance, Chiquita Brands International, and a network of NGOs	Costa Rica, Ecuador, Colombia, Panama, Guatemala, Honduras	1992 to date	Largest eco-labeling initiative in the world, certifying coffee, citrus fruits, and bananas. Described in detail in the book <i>Smart Alliance</i> *****
The New Directions Group	Eight NGOs (including Pembina Institute for Appropriate Development, Pollution Probe, Environmental Defense, and Friends of the Earth) and six corporations (Alcan, Noranda, Suncor, Inco, Shell, and TransAlta)	Canada	2002 to date	Set up to debate and share information on environmental policy issues between NGOs and corporations—mainly the precautionary principle, biotechnology, ecological services, and regulatory compliance

* Stafford, E. R., Polonsky, M. J., & Hartman, C. L. (2000). Environmental NGO-business collaboration and strategic bridging: A case analysis of the Greenpeace-Foron alliance. *Business Strategy and the Environment*, 9(2), 122–135, at 124.

** http://www.panda.org/about_wwf/how_we_work/partnerships/cp_hsbc.cfm.

*** <http://nature.org/joinanddonate/corporatepartnerships/about/homedepot.html>.

**** <http://cleanairrenewableenergycoalition.com/member.htm>.

***** Taylor, J. G., & Scharlin, P. J. (2004). *Smart alliance—How a global corporation and environmental activists transformed a tarnished brand*. New Haven, CT: Yale University Press.

- The company should be well placed in its area of expertise and across the business community.
- The NGO should not cave in to pressure from the private sector and should maintain its independence.

Influencing Governments

Historically, NGOs have been active in influencing government policy, either directly (for example, by commenting on laws and regulations) or indirectly (e.g., by setting the standard for social services).

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What is different now is that NGOs have grown so much in power and influence that they literally have a place at the table along with govern-

ment representatives.

This influence is best illustrated by the evolution of NGOs' interaction with the United Nations, one of the key negotiating bodies for all countries.

The first significant step in this transition was the Dumbarton Oaks Conference in 1944, which put forward a proposal for an intergovernmental organization that could coordinate and control, to some extent, the various nongovernmental organizations. This proposal formed the basis of discussion for the United Nations Conference on International Organizations (held the following year), which in turn led to the development of a UN charter for the formation of the Economic and Social Council.⁵⁴

Because of pressure from various NGOs, Article 71 was added to the charter, providing consultative status to international NGOs working with ECOSOC. In other words, NGOs found a mechanism to influence global decision making

along with government organizations. NGOs were divided into three categories:⁵⁵

- General Status—NGOs that have a “basic interest in most of the activities in the council” (formerly Category A and then Category I)
- Special Status—specialist organizations in their field of activities (formerly Category B and then Category II)
- Roster—organizations primarily concerned “with the development of public opinion and with the dissemination of information” (formerly Category C and then Register)

Today, UN consultative status is not just the realm of international NGOs; even national NGOs may be listed.⁵⁶ Forty-one NGOs were granted consultative status in 1948. This number increased to 377 by 1968, and to 2,236 by 2002.

NGOs also are involved in the UN Department of Public Information (DPI). The NGOs accredited to DPI have special access to information about UN activities and, therefore, are in a better position to promote and discuss UN policies. The number of NGOs accredited with DPI was 200 in 1968, and had increased to 1,407 by the end of 2003.

NGO speakers have addressed the UN General Assembly. They also have presented testimony to the Security Council on various issues, including children in armed conflict, on the basis of the “Arria formula.”⁵⁷ Many UN bodies now consider alternate reports from NGOs along with official reports from governments.

The interaction between NGOs and the UN intensified with the UN Conference on Human Environment (UNCHE) held in Stockholm in 1972. The watershed event, however, was the UN Conference on Environment and Development (UNCED), held in Rio de Janeiro in 1992, with approximately 650 NGOs in attendance. At this conference, for the first time, NGOs moved from a

spectator gallery to a decision-making table where they could provide input and perspective. However, they still do not have policy decision-making authority (i.e., a vote), since this remains the responsibility of governments.

The rapid increase of NGO participation in the works of the UN led UN Secretary General Kofi Annan to establish a Panel of Eminent Persons on UN Relations with Civil Society. This panel, set up in February 2003, consisted of 12 members, led by former Brazilian President Fernando Cardoso.

The panel submitted its report in June 2004, with the major recommendation of forging stronger links between local and global players to help overcome deficits in global governance.⁵⁸ The panel also recommended that the General Assembly, rather than ECOSOC, become the NGOs' entry point to the UN. Additionally, the report called for reducing the gap between Northern and Southern NGOs, including setting up a fund to assist Southern NGOs attend UN activities.

The close relationship between the UN and NGOs has benefited both equally. From the UN point of view, the benefits include the following:⁵⁹

- NGOs are expert in their fields of activity and provide specialized knowledge and advice to the decision-making bodies of the UN and to the Secretariat that implements UN decisions.
- National delegations may not be able to present the views of important constituents whose perspective is presented by NGOs.
- NGOs have a good framework for dissemination of information to organization members and the public. This helps fill the "knowledge gap" left by inadequate media coverage of UN developments.
- NGOs generate more public support for UN programs by providing better awareness about these programs at the grass-roots level.

Influencing Financial Organizations

By the early 1980s, NGOs from both developing and industrialized nations had launched a coordinated effort to stimulate policy, operations, and lending reforms in international financial institutions like the World Bank.⁶⁰ Fifty of the 222 projects approved by the World Bank's executive directors in financial year 1990 had NGO involvement; that was 30 more than in financial year 1988.⁶¹

A World Bank operational directive requires an environmental assessment (EA) for all projects that may have significant negative impacts on the environment.⁶² This directive, which was vastly strengthened and reissued in October 1991, mandates the type and timing of NGO participation in the EA process. According to the directive, the World Bank expects the borrower to take the views of affected groups and local NGOs fully into account in project design and implementation and, in particular, in the preparation of EAs.⁶³ The degree of NGO participation must be moderate or high during the identification, preparation, and appraisal stage; participation is low during the negotiation, implementation, and evaluation stage.

Projects funded by the World Bank are divided into three categories:

- Category A includes those projects that require full EAs due to their comprehensive, broad, and sectorwide impact on society (e.g., dam and reservoir construction).
- Category B consists of those projects that require some environment analysis (e.g., small-scale agro industries, rural electrification, and rural water supply and sanitation).

A World Bank operational directive requires an environmental assessment (EA) for all projects that may have significant negative impacts on the environment.

- Category C consists of projects that do not require any EA analysis (e.g., education, family planning, health, and nutrition projects).

The Operations Policy Department of the World Bank⁶⁴ provides guidelines for collaboration between the World Bank and NGOs. They answer such questions as why and how the World Bank works with NGOs, as well as what the key issues are in working with NGOs (e.g., identifying an appropriate NGO partner; procurement and disbursement issues; and NGO-government relations).

Like the World Bank, other financial institutions work closely with NGOs.⁶⁵ For example, NGOs and the Asian Development Bank (ADB) work closely in sectors that include agriculture, social infrastructure, urban development, water supply and sanitation, health, and population issues. Most NGOs have direct contact with local communities and, thus, are in a better position to identify, prepare, monitor, and evaluate development projects, policies, and programs.

For those businesses that engage in major infrastructure and resource projects, NGO activities have a direct impact. In addition, most businesses today are feeling the indirect pressure of NGOs through the increasing attention that the financial community is paying to NGO-driven shareholder

initiatives. These include campaigns to reduce greenhouse gases, reform labor practices, and support other corporate social responsibility issues.

NGO Accountability

The Need for Accountability

NGO accountability covers issues such as answerability, responsibility, liability, dependability, conscientiousness, reliability, trustworthiness, legitimacy, and transparency.⁶⁶ These in turn depend on factors such as NGO type, the sector in which the organization works, the number and type of stakeholders involved, and the context in which the NGO operates. Kumi Naidoo summarizes why accountability is becoming a key issue among NGOs:⁶⁷

- The drastic increase in the number of NGOs in the last two decades has led to various questions about the accountability of NGOs.
- Scandals involving some well-known NGOs have come to light, resulting in a loss of credibility for NGOs.
- Some NGOs have grown increasingly more political. NGOs are being challenged by established political actors who suddenly find themselves as targets of popular unrest.

What Is the Significance to Business of NGO Accountability?

With respect to NGO accountability, there are obvious considerations such as the ability of businesses to better understand external stakeholders. There is also the question of fairness: Business is expected to meet certain standards of accountability, and so too should its sometime antagonists.

But a more subtle issue is also important here. The NGO world is often a developer of new concepts, and a good leading indicator of trends. The techniques that NGOs use to conduct, disclose, and verify their own activities may be an excellent source of new ideas for improving a company's credibility within its community, and indeed among all stakeholders.

Another important consideration is that if companies are using NGOs as vehicles to demonstrate their own credibility via certifications or attestations, they need to be absolutely certain that these organizations have sufficiently robust governance practices themselves. Failure in this regard resulted in "meltdown" in the case of Arthur Andersen, the now-defunct accounting firm, where auditors were too closely aligned with clients.

The pressure is on, but there is neither a universal approach to the issue of NGO accountability nor a set of mechanisms that can be used to ensure a high standard of accountability by NGOs.

NGO Accountability Characteristics

NGO accountability can be characterized in a number of ways.⁶⁸ The accountability can be:

- Upward—responsive to funders, donors, government, or any external actors, often in the context of accounting for resources or the fulfillment of particular service targets
- Downward—responsive to the beneficiaries of its activities
- Horizontal—accountability among NGOs themselves
- Reflexive—focused either externally (striving to meet some established standards of conduct) or internally (self-motivated efforts working toward an organizational mission and values to attain the prescribed goals)
- Functional⁶⁹—measured in terms of expended resources and immediate accomplishments
- Strategic—measured based on the long-term impact of an organization's work upon the larger environment

Another type of accountability for NGOs is “voice accountability,” meaning they are accountable for the “veracity” of what they say and the “authority” with which they speak.⁷⁰

Accountability Mechanisms and Principles

Authors such as Alnoor Ebrahim provide details on the various mechanisms and key characteristics of NGOs (e.g., membership, service, and network), how they interact with their own stakeholders, and what they do (i.e., the tools and processes they use).⁷¹ Overall, the subject has been covered extensively in the literature—again, testimony to the attention the subject is receiving

among NGOs. In summary, there are four principles that an NGO should follow to make itself more accountable:⁷²

- Responsibility and authority have to be clearly specified. The person who is assigned the work should know without a doubt what has to be done to obtain optimum results.
- Proper guidance and support should be provided to the responsible person. The person should be trained properly and supplied with relevant information to make the project successful.
- The organization must monitor and assess. Once the work is entrusted, there should be a mechanism to evaluate the results.
- The organization must take appropriate action based on its evaluation of results. This might include, for example, showing appreciation to those involved if the work is done properly, and/or firing those who were careless or ignorant.

The person who is assigned the work should know without a doubt what has to be done to obtain optimum results.

Accountability Failures

The preceding discussion on accountability principles and mechanisms represents how things should function in an ideal world. The reality can be quite different at times.

In the recent past, significant accountability issues have been reported with respect to well-known NGOs in the United States.⁷³ These NGO accountability failures have included distinguished “brand” NGOs such as the United Way of America,⁷⁴ Goodwill Industries,⁷⁵ Head Start,⁷⁶ the American Cancer Society,⁷⁷ and the American Red Cross.⁷⁸

Such problems—along with the possibility that certain organizations could be used to channel funds for terrorist activities—have made the accountability of NGOs a serious issue in this decade. Other major concerns about how NGOs function include high executive compensation; commercialization; high administrative, operational, and fund-raising costs; inability to reach the poor; and wealth accumulation.⁷⁹

Although financial issues (such as those that occurred at the Red Cross) are most typical, there are other types of accountability problems

as well. Some NGOs fail to maintain their independence and ability to speak freely, often due to a fear that they may lose funding from corporate and wealthy private benefactors.

Efforts to make NGOs more accountable are based mainly on increasing their transparency.

NGOs sometimes align themselves closely with special economic or political interests. For example, People for the USA (previously People for the West, an organization mainly funded by mining companies) advocates broader access to land for mining.⁸⁰ The Greening Earth Society argues that global warming is good because it enhances vegetation growth; this NGO is heavily funded by the coal industry in the United States.⁸¹

According to a report released by the Center for Science in the Public Interest (CSPI),⁸² corporations sometimes create NGOs as a front for promoting their agenda. They may have beneficent-sounding names and seemingly objective programs, but they work mainly to advance their sponsor's interests.

Among the NGOs noted in the report were the Foundation for Clean Air Progress (which is funded by petroleum, trucking, and chemical companies), the Coalition for Animal Health

(funded by cattle and agribusiness concerns), and the Center for Consumer Freedom (originally funded by Philip Morris, but now funded by chain restaurants and bars whose main focus is to downplay obesity-related health concerns).⁸³

The CSPI also highlighted a \$1 million gift made to the American Academy of Pediatric Dentistry (AAPD) by Coca Cola in 2003. Before this gift, the AAPD had stated that sugary drinks and dental diseases were interrelated. Afterward, the AAPD president commented that "scientific evidence is certainly not clear" about the interrelationship between soft drinks and dental diseases.

According to the report, other NGOs with questionable ties included the American Dietetic Association, the International Society for Regulatory Toxicology and Pharmacology (ISRTP), and the Society for Women's Health Research.

NGOs sometimes use unrealistic information and alarming tactics in vying for media attention and donor funding. For example, in 1995, Greenpeace had to admit that its claim about Royal Dutch Shell's planned disposal of the Brent Spar offshore drilling rig in the North Atlantic was inaccurate. Greenpeace had greatly overestimated the amount of waste oil remaining in the rig.

Efforts to Make NGOs More Accountable

Efforts to make NGOs more accountable are based mainly on increasing their transparency. For example, *Worth* magazine provides an annual list of the top 100 NGOs based on an analysis of their investments and effectiveness.

The One World Trust, itself an NGO, studied the accountability mechanisms of NGOs, international businesses, and intergovernmental organizations.⁸⁴ The study found that intergovernmental organizations such as the World Trade Organization and World Bank scored highly with respect to online information shar-

ing, while NGOs like the World Wide Fund for Nature and CARE got much lower marks. The study also revealed that many NGOs fail to furnish relevant information that is useful to stakeholders.

SustainAbility⁸⁵ conducted a similar assessment of accountability, surveying 200 NGOs and opinion-formers. The study rated three main spheres of influence for NGOs—organizational mission, purpose, and basic design; internal operations; and impact and effectiveness of the organization's programs.

Based on the study criteria, the Coalition for Environmentally Responsible Economics (CERES) scored highest with 45 percent, followed by Oxfam with 42 percent, the World Wildlife Fund with 41 percent, and Save the Children in the U.K. with 38 percent. By contrast, Friends of the Earth (U.K.) and One World Trust scored 18 percent and 9 percent, respectively, which means that they have a long way to go in terms of accountability.

In order to improve organizational accountability, it is essential that NGOs provide access to relevant and timely information on issues such as what the organization is doing, how they spend donor money, and how well they achieve their stated aims.

NGOs themselves have become more aware of the need for improving their own transparency. For example, InterAction (an association for U.S. NGOs working in international humanitarian efforts) has set standards for its members in areas such as governance, finance, communication with the U.S. public, and management practices.⁸⁶ They also have set standards for comparable groups in Canada, Asia, and Central and Eastern Europe.

Some NGOs, such as CERES and WWF, issue sophisticated reports that examine their own environmental management and performance. Oxfam GB assesses accountability by issuing re-

ports on how stakeholders view their operations and effectiveness.

In the U.K., the five largest international NGOs, under the umbrella of the British Overseas Aid Group (BOAG), developed a quality model for NGOs' development work.⁸⁷ In their report, they recommend ten key organizational standards to improve the functioning of NGOs. Similarly, World Vision International has ten "ministry standards" for its 65 member agencies.⁸⁸

Another avenue for scrutinizing the functioning of NGOs is the creation of NGO-watch Web sites. These sites offer background details, such as information on NGO finances, supporters, and programs.

For example, the American Enterprise Institute (AEI), which is perceived as being close to the Bush administration, along with the Federalist Society for Law and Public Policy Studies, has developed a Web site (<http://www.ngowatch.org/>) that examines NGO accountability.

Some claim that such efforts are politically motivated, and conservative-leaning.⁸⁹ For example, Ralph Nader, who has always demanded accountability from corporations and governments, vehemently opposed the demand for accountability by NGOs. Nader called ngowatch.org a politically motivated effort "to go after liberal or progressive NGOs."⁹⁰

Problems with Accountability

Strict accountability is generally regarded as good, but if the underlying motivation is to restrict or punish otherwise legitimate NGO activities, it can be damaging. Alnoor Ebrahim⁹¹ has pointed out two main concerns that can result from overly strict accountability:

Some NGOs, such as CERES and WWF, issue sophisticated reports that examine their own environmental management and performance.

- threats to cut funding, impose restrictions, or tarnish the NGO's reputation for not delivering quick (or politically acceptable) results; and
- less experimentation and innovation by threatened NGOs.

As an example, the Australian government hired the Melbourne-based Institute of Public Affairs (IPA) to investigate the functioning of various NGOs within the country.⁹² This was done in the wake of a complaint from the Indonesian govern-

ment that some Australian NGOs were actively supporting a pro-independence movement in the provinces of Aceh and Papua. The resulting report called for establishment of a protocol between the Australian

government and all NGOs with whom the government deals. There is widespread fear that this will result in loss of government funding to NGOs.

Conclusions

Companies need to develop new approaches to working with NGO stakeholders—methods far more advanced than the NGO “partnerships” that are so common today. Business organizations certainly will have to respond much more quickly to NGOs, and at speeds that may make some executives very uncomfortable. Working the issues through a trade association may result in a response that is too little and too late.

Like recent political campaigns that have been blindsided by the rise of a new generation of Internet-driven communicators (“bloggers”), companies will be forced to play defense endlessly if they do not change their approach to dealing with NGOs.

Not only should communication strategies be reconsidered, but EHS and social responsibility audits also need to be reconfigured to take into account the issues emerging with respect to NGOs. Audits are still synonymous with regulatory compliance in most companies. But this is not about government regulation; this is about issues driven by highly networked NGOs. This situation requires a different form of governance—indeed, a different form of thinking beyond the regulatory and public relations mind-set that has dominated business thinking.

A decisive competitive advantage is possible for savvy companies that:

- understand NGOs;
- develop innovative strategies;
- keep ahead of the emerging dynamics; and
- master the next generation of communication tools.

The stakes are high. Business executives dread the thought of an “NGO swarm” attacking a brand, challenging a construction permit, or boycotting a product or service.

But companies can succeed if they seek ways to overcome the image of NGOs as spoilers and gadflies. NGOs increasingly are willing to work within the system to bring about positive change. Ultimately, however, it is up to companies to take the initiative if they want better control over the outcome.

As lengthy as this article is, we recognize that it may have raised more questions than it answers. For example, what should corporations do to deal more positively with NGOs? And how, specifically, do NGOs wield their influence? To these questions, we must respond that our research at the Center for Environmental Innovation is ongoing. We hope to offer information covering these subjects in future journal articles.

Companies need to develop new approaches to working with NGO stakeholders—methods far more advanced than the NGO “partnerships” that are so common today.

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