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978-0-521-76314-1 - Voluntary Regulation of NGOs and Nonprofits: An Accountability Club Framework

Edited by Mary Kay Gugerty and Aseem Prakash

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## Voluntary Regulation of NGOs and Nonprofits

How can nonprofit organizations and NGOs demonstrate accountability to stakeholders and show that they are using funds appropriately and delivering on their promises? Many nonprofit stakeholders, including funders and regulators, have few opportunities to observe nonprofit internal management and policies. Such information deficits make it difficult for “principals” to differentiate credible nonprofits from less credible ones. This volume examines a key instrument employed by nonprofits to respond to these challenges: voluntary accountability clubs. These clubs are voluntary, rule-based governance systems created and sponsored by nongovernmental actors. By participating in accountability clubs, nonprofits agree to abide by certain rules regarding internal governance in order to send a signal of quality to key principals. Nonprofit voluntary programs are relatively new but are spreading rapidly across the globe. This book investigates how the emergence, design, and success of such initiatives vary across a range of sectors and institutional contexts in the United States, the Netherlands, Africa, and Central Europe.

MARY KAY GUGERTY is Associate Professor in the Daniel J. Evans School of Public Affairs at the University of Washington, Seattle.

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# Voluntary Regulation of NGOs and Nonprofits

*An Accountability Club Framework*

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*Edited by*

Mary Kay Gugerty

*and*

Aseem Prakash



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*For Dan and Aidan*

M. K. G.

*For Nives and Alexander*

A. P.

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## Preface

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The growth in the scale and scope of the nonprofit sector has been accompanied by numerous accountability challenges. Nonprofits have responded to these demands for increased accountability in a variety of ways. This volume focuses on a key accountability instrument employed by nonprofits: voluntary programs or codes, or voluntary clubs as we term them. Voluntary clubs seek to create institutional incentives for participating actors to adopt specific codes of conduct and practices beyond what is legally required of them. If accountability issues can be viewed as “agency problems,” voluntary clubs provide an opportunity for nonprofits (as agents) to signal to their resource providers and authorizers (as principals) that they are governing as agreed and delivering as promised. By virtue of their membership in such accountability clubs, nonprofits expect that the resource providers will reward them with more resources and less onerous governance costs.

Voluntary clubs are complex institutional structures. To explore their institutional design issues, we draw on the club approach which is well established in political economy. We bring in the principal–agent perspective to explore agents’ motivations for establishing and joining voluntary clubs, and the principals’ responses to them. The empirical chapters explore three core themes: (1) the emergence of voluntary accountability clubs, (2) club sponsorship, and (3) club design and effectiveness.

This volume makes two key contributions. Theoretically, it outlines an accessible yet robust framework for studying voluntary programs in the nonprofit sector. The book expands on club theory to account for variations in the emergence, recruitment, and efficacy of voluntary programs. Empirically, this book provides careful application of the club perspective across a range of voluntary programs and contexts. These programs vary by sector type, sponsor type, and target participant type. This is the first book we know of that examines a wide range of voluntary programs in the nonprofit sector by employing a single theoretical perspective.

We began working on this project in the summer of 2007. We developed an introductory concept chapter and carefully identified scholars

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doing interesting work on nonprofit accountability. Thanks to generous financial support from the Office of the Dean, Daniel J. Evans School of Public Affairs and the Marc Lindenberg Center, both at the University of Washington, we organized a workshop for the authors at University of Washington in April 2008. At this workshop, the contributors presented the first drafts of their chapters. They received valuable feedback from one another and from University of Washington graduate students and faculty who served as discussants. After the workshop, we provided detailed feedback on every chapter; our feedback also reflected the comments offered by Cambridge University Press reviewers. The chapters were revised in summer 2008 and again in spring 2009. The result is a series of very strong, coherent chapters that respond to the theoretical framework outlined in the introductory chapter. Our theoretical framework also draws on our article “Trust but Verify? Voluntary Regulation Programs in the Nonprofit Sector” published in *Regulation and Governance* 4(1) (2010): 22–47.

This project has received valuable support, input, and feedback from the following individuals: Leigh Anderson, Sandra Archibald, Sara Curran, Stephan Hamberg, Christopher Heurlin, Sanjeev Khagram, Andrea Lairson, Stephen Page, and Christi Siver. Our sincere gratitude goes to John Haslam, the Commissioning Editor, for his support and encouragement. Most of all, we want to thank our families, who supported us and tolerated the long hours we put in to bring this project to fruition. We dedicate this volume to them.