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Effective Accountability?

The drivers, benefits and mechanisms of CSO self-regulation

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Self-regulation amongst civil society organisations (CSOs) is driven by the idea that the successful setting and observation of common rules has a positive impact on organisational functioning. Despite the proliferation of self-regulatory initiatives in civil society over the past decade, this underlying idea has yet to be empirically tested. In the current debate on funding and accountability of not-for-profit organisations, which prizes organisational effectiveness, the absence of supporting evidence for the positive impact of CSO self-regulation can threaten the future of such initiatives. Potential donors, as well as governing bodies and management of CSOs themselves, may question whether self-regulatory initiatives are worth the resources required to sustain them, and other stakeholders may begin to doubt whether participation in a self-regulatory initiative tells them anything about the quality or integrity of an organisation.

This report critically reviews the current literature and available data on the effectiveness of civil society self-regulation. To support future research, this report identifies four key questions that an evaluation of SRI effectiveness must answer, and provides a broad blueprint for assessing SRI effectiveness based on potential answers to these questions. This blueprint remains available to an iterative process of revision and modification on the basis of future empirical findings which, it is hoped, will shed further light on the valuable role of self-regulation in the not-for-profit sector.

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Effective Accountability?: The drivers, benefits and mechanisms of CSO self-regulation

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Executive Summary

Self-regulation amongst civil society organisations (CSOs) is driven by the idea that the successful setting of shared norms and standards has a positive impact on the accountability and effectiveness of CSOs. Yet, despite the proliferation of self-regulatory initiatives in civil society over the past decade, this underlying idea has yet to find support from a strong body of evidence. The current debate over the funding and accountability of not-for-profit organisations prizes the use of evidence to guide priority-setting and programming. In such an environment, the absence of empirical evidence for the effectiveness of self-regulation can threaten its future. Without knowledge of whether SRIs are effective, potential donors, as well as CSOs themselves, may question whether codes of conduct, award and certification schemes, CSO working groups or information services are worth the resources required to sustain them. Other stakeholders may also begin to doubt whether participation in an SRI tells them anything about the quality or integrity of an organisation.

This report critically reviews the current literature and available data on the effectiveness of civil society self-regulation. It finds that further empirical research is needed to test current assumptions and support cogent, policy-relevant generalisations regarding the impact of regulatory structure and institutional context on the effectiveness of civil society self-regulation.

In support of future research and in order to aid CSOs in their attempts to weigh the costs and benefits of joining a self-regulatory initiative, this report identifies four key questions for exploring SRI effectiveness:

- Drivers: Why does third sector self-regulation occur?
- Benefits: What does it mean for an SRI to be effective?
- Mechanisms: What factors influence the function, or effectiveness, of an SRI?
- Measurement: How can we measure effectiveness?

A blueprint for assessing SRI effectiveness is provided through a review of potential answers to these questions.

Key findings, organised according to each question, are as follows:

Drivers

Expectations of what CSO self-regulation should accomplish are based on what drivers self-regulation is responding to and what motivates CSOs to participate in self-regulation. On an **economic approach**, self-regulation arises to constrain opportunism and/or deliver a signal to external stakeholders about the quality and integrity of participating CSOs. **Institutional approaches** explain self-regulation as a response to shifts in the expectations or values in CSOs' surrounding environment arising from the recognition of these expectations as defining rightful CSO practice. Three practical drivers for CSO self-regulation are: **low stakeholder trust, restrictive state regulation** and **need for capacity building and learning**.

Benefits

Self-regulation can provide many benefits. It is therefore important that evaluators and researchers clearly define what SRI effectiveness means within their assessment. Approaches to assessing SRI effectiveness can choose across three distinct understandings of effectiveness: **successful signalling** (changes in the perceptions of stakeholders), **authenticity** (changes in the organisation relative to the standards set by self-regulation), and **improved quality** (changes in the organisation, its relationships, or its programmatic effectiveness, outside of the standards set by self-regulation).

Mechanisms

Assessing the effectiveness of CSO self-regulation is useful primarily if it helps us understand how self-regulation is efficacious: what do self-regulatory initiatives do to shape CSO behaviour and stakeholder perceptions or relationships? Based on a review of the literature and the One World Trust's original research into CSO SRIs, this Report suggests two main causal mechanisms for SRI effectiveness: **regulatory structure** and **operational context.** It proposes a new SRI typology based on regulatory structure, distinguishing between **Passive, Engaged** and **Extractive** types of self-regulation, and based on operational context, distinguishing between **Hostile, Contested** and **Supportive** types of context in which self-regulation occurs.

Measurement

Identifying the unique role of a self-regulatory initiative within a network of causes can be difficult, especially when attempting to link an SRI to longer-term impacts. Two key steps in measurement are: **the articulation of self-regulation's projected theory of change for effectiveness** and **an identification of indicators**. This Report presents options for researchers and evaluators to consider while undertaking these two steps.

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Introduction

Over the past ten years, civil society organisations[1] have increasingly sought to establish shared principles and standards in order to improve their performance and their reputation. In some cases, this collective move towards greater accountability and performance is a response to a decline in public trust. In other cases, establishing shared standards is a strategy for meeting common donor expectations, such as accountability good practice, or, more recently, the demonstration of cost-effectiveness or impact.

In hostile political environments, codes of conduct and certification schemes have emerged as an attempt to undermine the state's efforts to limit the political and civil rights of CSOs (Gugerty 2008). The goal of self-regulation in these contexts is to establish a system of rules that will ensure compliance and project a sense of credibility without placing limits on the ability of well-functioning CSOs to advocate and provide services. In more stable and receptive political environments, codes of conduct, information services and other similar initiatives provide a platform for CSOs to identify best practice with respect to a shared area of work and to impart learning.

The drivers for setting shared standards amongst CSOs and the structure that these initiatives adopt can vary widely. Yet they are connected through a common idea: When civil society organisations successfully regulate themselves, this has a positive impact on how those organisations are able to fulfil their missions, whether this occurs through changes in the organisations themselves, through changes in how other stakeholders and parties interact with the organisations, or a combination of both. In short: self-regulatory initiatives (SRIs) bring about positive improvements in the functioning of the CSOs that participate in them.

Despite the proliferation of CSO SRIs over the past decade, this common idea that motivates self-regulation in the third sector has yet to be empirically tested. From 2008-2010, the One World Trust conducted extensive research into the frequency and structure of self-regulation within civil society, publishing profiles of over 350 initiatives in a Civil Society Self-Regulatory Initiative database.[2] A series of briefing papers carried out a comparative analysis of initiatives according to region, content, and the structure and strength of compliance mechanisms.[3] With the scope of the field now well-established, there is a need to move forward with empirical research into the impacts of self-regulation on the functioning of participating CSOs. To date, no systematic study has been undertaken to understand the effects, either short- or long-term, of self-regulatory initiatives in the third sector.[4]

1. Here, the terms 'civil society', 'not-for-profit sector' and 'third sector' are used interchangeably to refer to the same category of organisation that operates outside the corporate, public administration, and political sectors. This is consistent with the terminology used in the diverse literature on self-regulation in civil society. See also: Warren & Lloyd (2009).
2. This database is available online at: http://www.oneworldtrust.org/csoproject/
3. See, in particular: Warren & Lloyd (2009), Warren, Lloyd & Laybourn (2010); Lingán, et al. (2010); Obrecht, et al. (2012).
4. Major contributions to the study of SRI effectiveness are Gugerty & Prakash (2010), Gugerty (2008, 2009), Bekkers (2003), and Ortmann et al. (2005), however in all cases authors emphasise the need for more extensive empirical research into the effects of programme design and institutional context, as well as into underlying framework assumptions.

This research gap threatens to undermine the push for stronger and better self-regulation amongst CSOs. In the current not-for-profit environment, which prizes results based management and the use of evidence to guide the spending of organisational resources, the absence of supporting evidence for the effectiveness of self-regulation can throw the future of such initiatives into question. Without knowledge of whether SRIs are effective, potential donors, as well as CSOs themselves, may question whether collective standard-setting exercises are worth the resources required to sustain them, and other stakeholders may begin to doubt whether participation in an SRI tells them anything about the quality or integrity of an organisation.

The basis for this report is the recognition that, in order to answer the question, "Is self-regulation in the third sector effective?", CSOs and their stakeholders require a clearer view of the concepts and considerations involved in assessing SRI effectiveness. This report aims to provide this clarification by identifying a broad blueprint for SRI evaluation. In brush strokes, this blueprint outlines the key questions that a particular research programme must answer in order to assess the effectiveness of a self-regulatory initiative, and identifies options for answering those questions. It proposes a new typology based on those features and a set of theories of change as the basis for developing an empirical research programme to measure the effectiveness of CSO SRIs.

Section 1 Evaluating CSO Self-regulation: key concepts and questions introduces key concepts and four questions that an evaluation of CSO SRI effectiveness must answer. The next four sections each address one of these core questions. Section 2 provides an overview of approaches to the question, "Why does self-regulation in the third sector occur?" Section 3 argues that it is currently not clear what it means for an SRI to be "effective," and identifies three types of benefits that self-regulation can provide. Section 4 discusses the relevance of regulatory structure and operational context as causal mechanisms that shape SRI effectiveness and outlines a revised typology of self-regulation that brings these features into consideration. Section 5 addresses the topic of measurement, offering a set of indicator types for each definition of effectiveness and two ideal-typical theories of change for SRI effectiveness. The product of Sections 2-5, the proposed blueprint for assessing SRI effectiveness, is then presented in the Conclusion.

1. Evaluating CSO Self-regulation: key concepts and questions

1.1. Key concepts

In the One World Trust's work on CSO self-regulation, self-regulation has been defined as the development and administration of common norms and standards of behaviour by and for CSOs that is not fully mandated by government regulation. Other research on CSO self-regulation has defined it more narrowly as schemes or initiatives in which participation is fully voluntary (Gugerty and Prakash 2010). This rules out regulation by third-party 'watchdog' organisations within the third sector, which may give a ranking or assessment of a CSO without their cooperation. The One World Trust's database aims at capturing the fullest extent of self-regulatory activity occurring within the sector and therefore does not exclude third-party initiatives.[5] However, a distinction between the two types of initiative—self-driven and third-party-driven—may be of significance for further research, as it affects the regulatory structure of an initiative. This is discussed in greater detail in Section 4.

The term civil society organisation is also considerably broad, capturing forms of collective organisation that occur outside the government and private business sectors as traditionally defined. CSOs, referred to also as the third sector, or not-for-profit sector, include development and aid NGOs, domestic charities, community-based organisations (CBOs), religious organisations, unions, museums, universities, foundations and clubs. However, most civil society self-regulatory activitity occurs amongst NGOs or charities engaged in direct social service provision.

1.2. Four questions for evaluating SRI effectiveness

As of yet, there has been no systematic, in-depth empirical study examining the effects of membership in an SRI for the organisations who participate in them, or on the comparative effects of initiatives based on differences in program design or institutional context.[6] In large part, the current literature on the effects of CSO self-regulation remains focused on developing a sufficiently robust framework to generate hypotheses and guide future empirical work (Gugerty 2009, 245). Such a framework should, at minimum, provide supportable answers to the four questions listed below. These questions are each addressed by the next four sections. The answers are collated and presented in the general blueprint for evaluating the effectiveness of CSO SRIs in the Conclusion.

1) Why does third sector self-regulation occur?

This question targets the explanatory story used to motivate the existence of an SRI. The way in which a research programme understands the drivers for self-regulation will inform its account of how differences in SRI programme design emerge, as well as its understanding of what constitutes a strong or effective SRI. Similarly, the founders of a self-regulatory initiative will have an idea of the problems that self-regulation is going to help

5. The database also includes initiatives that are developed for and applied across sectors other than the not-for-profit sector. For instance, it includes alongside the GRI NGO supplement the GRI G3 guidelines, which are largely used by the corporate sector. However, it excludes regulatory activity mandated by government, even if sector specific and informed through CSO consultation or oversight involvement, such as in the case of the UK Charity Commission.

6. For studies that have looked at the effects of a single initiative within a single country, see: Bekkers (2003), Bies

them meet and how. Answers to question (1) lay the foundation for a theory of change which explains how self-regulation is expected to influence stakeholder perceptions and CSO behaviour and performance.

2) What does it mean for an SRI to be effective?

Self-regulation can have many effects on the organisations that participate and on their surrounding environment. The benefits which pertain to the main driver of an SRI (identified by answers to question (1)) will often have the greatest salience in an assessment. If, for example, self-regulation is established in order to pre-empt restrictive regulation by the state, then the effectiveness of an SRI can be understood as the extent to which the state accepts the initiative as a signal of credibility or ceases its aggressive activity.

While answers to question (2) will tend to follow naturally from (1), it is plausible that an SRI can be effective at achieving ends not directly examined or identified as possible effects by a research programme. Effects that do not respond directly to the driver for self-regulation can also have significant implications for CSOs. For example, an SRI could contribute to an increase in self-regulation in other sectors within the same national or regional area, which in turn alters how stakeholders perceive the rigour of CSO standard-setting. In cases where the desired effect is difficult to measure, other positive (or negative) outcomes or impacts can be identified to assess the value of participation for member organisations.

3) What factors influence the function, or effectiveness, of an SRI?

Successful self-regulation rests on several factors, many of which may be quite broad (e.g. traditional public attitudes towards civil society) or ill-defined (e.g. quality of state-CSO relationship). An assessment of the effectiveness of an initiative should attempt some initial identification of factors relevant to the successful operation of an SRI. Exploring these factors helps to identify the causal mechanisms for effectiveness and to test a theory of change that can explain how self-regulation is effective and can guide the successful design of future initiatives. As discussed in Section 3, the mechanisms that shape the effectiveness of an SRI also provide the best basis for a typology of different forms of self-regulation, in which SRIs can be classified in order of their effectiveness, based on structure and operational context.

4) How can we measure effectiveness?

Finally, a systematic empirical study must be able to operationalize effectiveness in terms of measurable variables. This presents a number of challenges due to the complex nature of self-regulation, which is claimed to create impact through wide-scale effects which are difficult to measure, such as changes in perceptions, relationships and/or organisational capacity. Suppose that the purpose of an initiative is to improve the working environment for CSOs by demonstrating to the state that restrictive regulation of the sector is unnecessary. How might expansions or reductions in the restrictive legal environment be measured, particularly given the long life cycles for government policy and legislative change? In order to capture the effects of an SRI over time, researchers and evaluators may need to identify indicators that measure the smaller shifts in a given environment or relationship that precede the broader, impact-level changes that are significantly more difficult to causally map to specific interventions or events.

2. Why does third sector self-regulation occur?

Expectations of what CSO self-regulation should accomplish are based on the problems that self-regulation is responding to and on the motivations of the CSOs that participate in SRIs. Broadly, there are two main theoretical approaches to explaining why self-regulation occurs in the third sector: an economic approach and an institutional, or norm-focused, approach. In practice, the creation of a self-regulatory initiative may come about for reasons that incorporate both approaches, with a view to at least three drivers: aggressive state regulation, low public trust, and the desire to strengthen the CSO sector.

2.1. Approaches to understanding SRI effectiveness

2.1.1. An economic approach

Current research on CSO self-regulation largely uses an economic approach to the third sector, in particular approaches which combine club theory with trust-related (Hansmann 1980) and public good (Weisbrod 1975) explanations for the existence of not-for-profit organisations.[7]

According to the "trust hypothesis", not-for-profit organisations emerge within a market economy to provide goods and services for which there is an information asymmetry preventing consumers from assessing the quality of the good or service before purchase. These are sometimes referred to as "experience goods" (Ortmann 1996, 471). For example, an individual may wish to send her children to a good day care facility, or improve the well-being of the homeless in her community. In the first case, ascertaining the quality of the day care programme before purchase may be difficult, as most day-care facilities require up-front payment. In the second case the individual may never experience the service delivery and will therefore be unable to assess its quality. The "trust hypothesis" posits that such information asymmetries are what generates the existence of not-for-profit organisations. The Non-income-Distributing Constraint (hereafter NDC) that defines such organisations induces trust: because not-for-profits do not distribute profits to their employees, consumers can trust them to refrain from opportunistic behaviour and to deliver a good or service of reliable quality.

On the economic approach, self-regulatory initiatives are motivated by the idea that the NDC is ultimately not sufficient to maintain trust in not-for-profit organisations over time. As the responsibility to deliver public goods increases for not-for-profit organisations, and as the sector becomes more crowded, the NDC is no longer regarded as providing a disincentive powerful enough to prevent CSOs from acting opportunistically (Gugerty 2008, p. 246). Self-regulatory initiatives arise as a solution to this problem by allowing not-for-profit organisations to create a reputational signal of quality-or "virtue" -to prospective donors, government officials, and other stakeholders.

7. The trust hypothesis was originally posed as an alternative to the public goods explanation of the third sector offered by Weisbrod (1975, 1988), which posits that non-profit organisations correct failures in the market and public sector to provide goods and services for which there is a demand. More recently, however, the two have been treated as complementary approaches applying to different types of CSOs (Ben-Nur and Gui 2003, p. 4).

According to the economic approach, the primary function of an SRI is to provide such a constraint, thereby at the same time providing a signal of credibility or quality to relevant stakeholders.[8]

To understand issues of design and the relationship dynamics that shape an SRI, several researchers have drawn on club theory, likening CSO self-regulation to the creation of a voluntary "club" of not-for-profit organisations that creates an exclusive benefit for its members. The exclusive benefit offered to members of an SRI is reputation, or, a signal of virtue (Gugerty 2009). Much of the research surrounding club theory is concerned with how such clubs can be structured so as to prevent or minimise "free-riding": members enjoying the benefits of club membership (enhanced reputation) without paying the required costs (adherence to the standards or principles). While this literature has traditionally focused on clubs in the corporate sector, the same assumptions concerning organisational motivation and the need to protect against free riding[9] have been applied to the analysis of SRIs used by civil society organisations. A central prediction of this literature is that SRI effectiveness can be increased through two main features of programme design: by increasing the cost of membership and by strengthening compliance mechanisms to exclude free riders (Gugerty 2009).

For CSO practitioners that are considering how to develop and design a self-regulatory initiative, the economic approach indicates that programme design is essential to unlocking the proposed benefits of self-regulation. Poorly designed SRIs with weak compliance mechanisms, or an insufficient attention to cultivating an active and involved membership, may prove more costly than beneficial.

2.1.2. The role of shared norms and objectives

While its underlying theories are well-developed and have been tested extensively in the corporate sector, the economic approach in some instances may not provide the most accurate model of the motivations of not-for-profit organisations. In particular, it is unclear the extent to which a principal-agent framework, common to understanding relationships and motivations in the corporate sector, is in every case appropriate or informative for the research of not-for-profit organisations (Ebrahim 2007).

One of the primary dividing lines between the economic approach and its alternatives is what might be called the assumption of altruism: the claim that the motivations of those working in the not-for-profit sector are significantly more altruistic or other-regarding than the motivations of those working in firms. This higher prevalence of altruism supposedly contributes to an increased tendency for not-for-profit organisations to collaborate on shared goals and issues instead of competing. There is currently insufficient empirical data on the comparative motivations and altruistic tendencies between employees of for-profit firms and those of not-for-profit organisations, or, for that matter, on how motivation may vary according to different political and

8. Signalling theory was initially articulated by Spence's (1973) analysis of the motivation to pursue a college degree. College diplomas provide a signal of quality to prospective employers, Spence argued, because the costs for a low-quality individual acquiring such a degree are significantly higher, meaning the chances that a low-quality individual would possess a diploma are deemed to be quite low.

9. See the comprehensive collection edited by Gugerty & Prakash (2009).

institutional contexts (Ortmann & Schlesinger 2002; Gugerty 2008, 2010).[10]

Several contemporary approaches to the motivations and dynamics driving third sector activity suggest that self-regulatory initiatives are formed for a more diverse set of reasons, such as to share best practice, defend a joint space for political action, or improve the performance or professionalism of the sector as a whole. Institutional theory is often cited as an example of such an approach, and can serve as an alternative to the economic perspective on CSO motivation.[11]

Institutional theory, particularly influential in early sociological work on the not-for-profit sector, emphasises organisational structure and institutional context as primary determinants of CSO motivations and behaviour (DiMaggio and Anheier 1990; Salamon & Anheier 1992). More importantly, since an economic approach can also make room for considerations of institutional environment, an institutional perspective is characterised by the particular attention it pays to the social pressures, norms and rules extant in a given institutional environment. On this view, these social norms and pressures are the primary drivers for CSO self-regulation, which in turn is understood as a mimetic or normative social process in which organisations seek to conform to the norms and actions of those around them (Galaskiewicz & Wasserman 1989; DiMaggio & Powell 1983; Bies 2010). The economic approach views CSO activity as motivated by a "logic of consequence" (Goldman 2004), i.e. a concern for their autonomous organisational preferences and interests. In contrast, under the institutional approach, an SRI brings about organisational change through "a logic of appropriateness" (Keck & Sikkink 2000; Jordan & van Tuijl 2000), i.e. a concern for shared norms and expectations.

Once again, there are lessons within this approach for CSO practitioners considering to develop a new SRI. While an institutional perspective has not yet been applied to self-regulation in the not-for-profit sector, its account of CSO behaviour indicates that consensus building and an attention to the specific values and norms that govern the institutional environment in which CSOs operate are key contributors to the success of an SRI.

2.2. From framework to function

While these theoretical approaches give us an account of the organisational motivation that can guide CSOs when they engage in self-regulation, CSO SRI practice provides us with three concrete drivers for self-regulation, that is, common problems which initiatives are designed to meet. These are: restrictive state activity, low stakeholder trust, and a need for capacity building or learning (see Figure 1).[12]

Low stakeholder trust refers to events or trends in which CSOs experience a decline in their perceived credibility and authenticity

10. Ortmann & Schlesinger (2003) also question the validity of Hansmann's trust hypothesis itself as an underlying explanation for the emergence of the third sector.

11. Bies (2010) discusses three theoretical perspectives that shape an understanding of CSO self-regulation: Agency theory, Resource Dependency theory, and Institutional theory. While Agency and Resource Dependency approaches feature important differences, both share the economic approach's assumption that CSOs are motivated to self-regulate out of a concern for their own resources and the need to mitigate the perception of opportunism in the sector. The discussion in this Report, therefore, does not distinguish between the two.

12. For a more detailed discussion of these, see: Lloyd, Calvo & Laybourn (2010).

Figure 1: Why do SRIs exist? The drivers of self-regulation

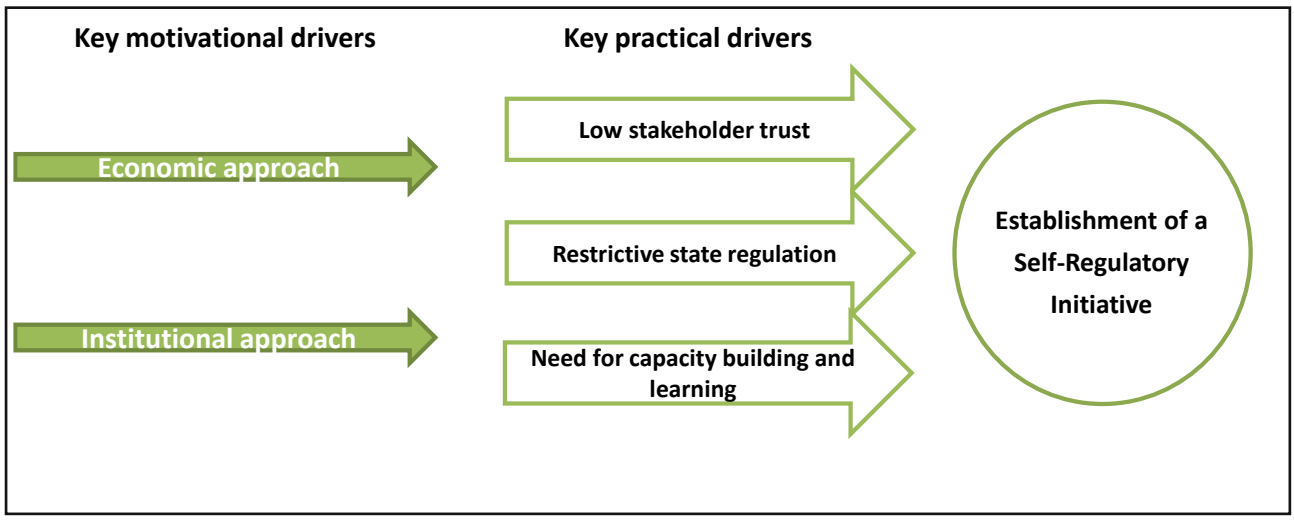
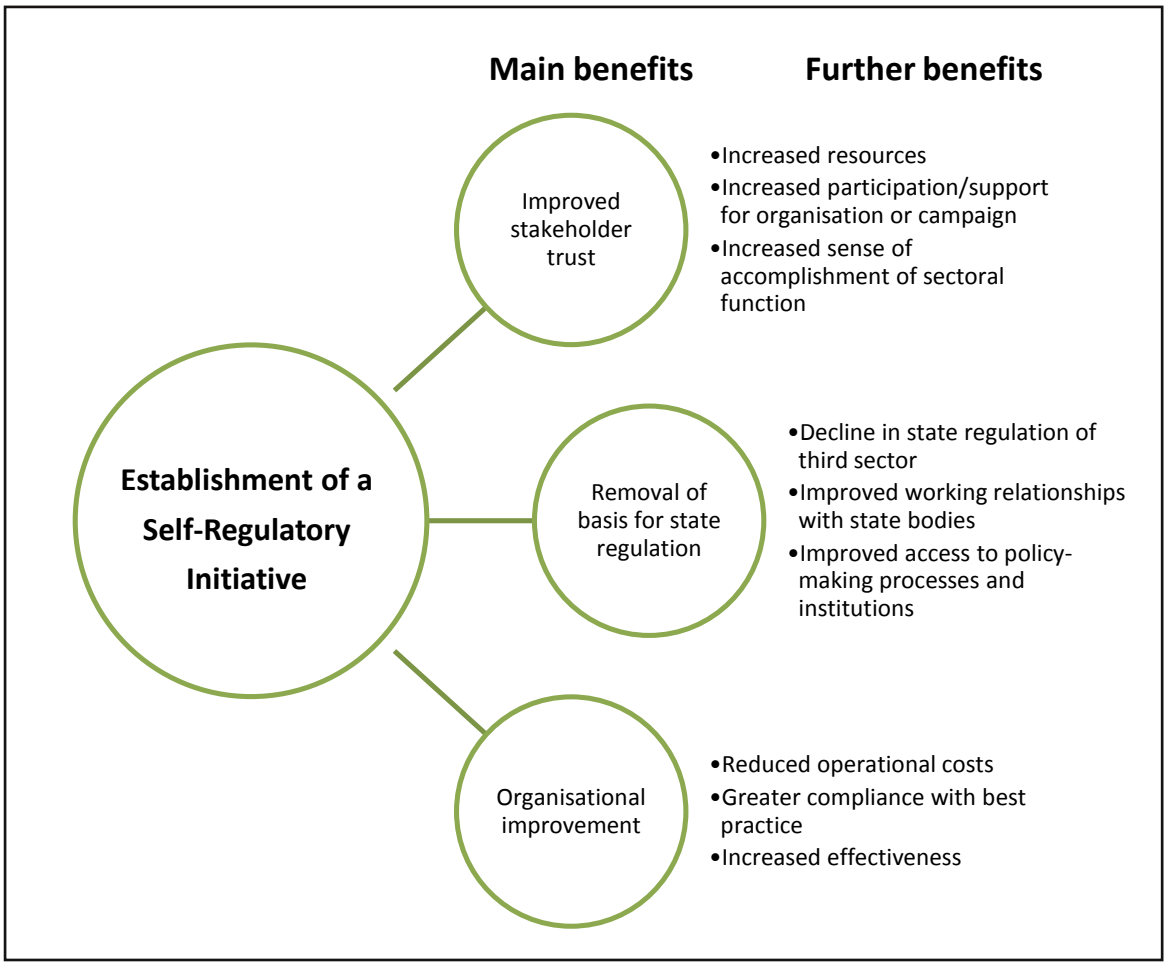


Figure 2: The intended benefits of self-regulation



amongst key stakeholders. For example, donor and/or public trust in CSOs can decline in response to public scandals that highlight an abuse of funds. Those whom CSOs intend to serve may also lose trust in organisations in the face of disappointing service delivery or the sense that CSOs are not being receptive to their needs. In many of these cases, CSOs have been pushed to create self-regulatory initiatives in order to cultivate credibility.

Restrictive state regulation remains a significant trigger for self-regulatory activity amongst CSOs in developing and transitional countries. In many countries, there is no sector-wide programme for demonstrating CSO quality and accountability. This creates a vacuum in which state officials, perceiving an active civil society as a threat to their power, can introduce aggressive and arbitrary NGO laws under the guise of ensuring CSOs are effective and accountable. Strong self-regulatory initiatives provide an alternative to filling the CSO regulatory vacuum, and are therefore one strategy CSOs can use to combat the rise of restrictive NGO legislation around the globe.

Finally, many CSOs worldwide continue to seek to build capacity in areas where their systems and practices are weak, share knowledge and ways of working, and create meaningful opportunities for learning around a shared topic or area of activity. This remains a particularly strong driver for self-regulatory initiatives in both developing and developed countries, indicating that the impetus to improve on past experience and draw on collective strengths to address new problems is universally shared across CSOs.

3. Defining "effectiveness"

The effectiveness of an SRI is defined in terms of how well it achieves its anticipated benefits. These benefits, in turn, are often defined by the drivers viewed as instigating the self-regulatory activity. As indicated in Figure 2, there are three main benefits often attributed to CSO self-regulation, which in turn are valued for their instrumental role in achieving further, more concrete, benefits for CSOs.

The economic and institutional approaches to CSO motivation emphasise different outcomes, or benefits, and visualise the causal relationship between those outcomes in a different manner, reflecting different theories of change to explain how self-regulation achieves its end goal of enabling CSOs to better perform their mission. For example, when the main outcome, or benefit, of an SRI is "Improved public trust", this benefit may be desired because it is expected to lead to an increase in donations, and thus the further benefit of "Increased resources for CSOs" participating in the SRI. Anticipation of this further benefit of increased resources is referred to in the economic approach to explain why CSOs have an incentive to participate in an SRI, as well as why there will be an incentive for free riding unless membership costs and compliance mechanisms are not properly designed. Alternatively, an institutional perspective might focus on how an SRI's successful functioning to improve public trust leads to the further benefit, an "Increased sense of accomplishment of sectoral function" amongst CSOs. These benefits are presented in greater detail in the form of a theory of change, in Section 5.

Table 1: Conceptualising SRI effectiveness according to means for successful function

Main benefit	How benefit is achieved	Conception of Effectiveness
• Improved public trust • Removal of basis for state regulation	Stakeholder perceptions of CSOs are improved	➢ **Successful signalling**
• Organisational improvement	Principles and standards are complied with	➢ **Authenticity**
• Organisational improvement	Quality of CSO systems, practices or relationships is improved	➢ **Improving quality**

Drivers point the way to benefits, which in turn serve as the basis for different understandings of SRI "effectiveness." An initiative may perform well at improving public trust, for example, while having no effect on the quality of the organisations that participate in it. With respect to one benefit, the initiative is effective; with respect to another, it is ineffective. In order to lend clarity to the question "Is self-regulation in the third sector effective?", it is therefore important to identify and distinguish between definitions of effectiveness.[13]

To clarify what is meant by effectiveness, we can begin by taking the three main benefits attributed to SRIs and identify broadly how these benefits are achieved. An SRI is then effective to the extent that it accomplishes the "how", or, the means for successful achievement of the benefits of self-regulation.

3.1. Effectiveness as successful signalling

As Table 1 indicates, two of the above-mentioned functions, improved public trust and removal of basis for state regulation, rely on the same general means for achievement: the improvement of stakeholder perceptions of CSOs, where stakeholders can be comprised of the public or the state (or another party entirely, for example, beneficiaries). When SRI function is conceived of in this way, its effectiveness can be conceptualised as **successful signalling**. On this conception, effectiveness is understood strictly in terms of the opinions of stakeholders and the degree to which their resulting behaviour (e.g. donation) provides a benefit to participating CSOs. Improvements in donor or the government's perceptions of CSOs through successful signalling are posited as being a key motivating outcome for SRIs.

Understanding effectiveness as successful signalling is also compatible with an institutional approach. CSOs may seek to signal to stakeholders that they are performing according to expected best practice and

13. A similar challenge arises for assessing the effectiveness of broader good governance mechanisms outside of civil society (Earle & Scott 2010; McGee & Gaventa 2010).

shared standards. On an institutional approach, a broader set of resulting benefits from stakeholders might be identified, such as increased vocal support, volunteering, or credence given to a CSO's advocacy points.

3.2. Effectiveness as authenticity

Importantly, successful signalling does not address whether such opinions or supportive behaviours are in fact warranted; that is, it does not address the question of whether an SRI is successful at changing the behaviours of its participating CSOs. This outcome is captured by the authenticity conception of effectiveness. An SRI is effective under the **authenticity** conception if signalling is true: the organisations that participate are actually in compliance with the defining principles and are not free riding.

The conception of effectiveness as authenticity stems from the third function, organisational improvement. An SRI can improve an organisation by motivating it to adhere to a given set of standards or practices (this, of course, assumes that the standards are such that meeting them is a better state of affairs than not meeting them). In order to achieve this function, an SRI must ensure compliance with its identified standards across the participating organisations. When it successfully does so, it produces authenticity.

3.3. Effectiveness as quality

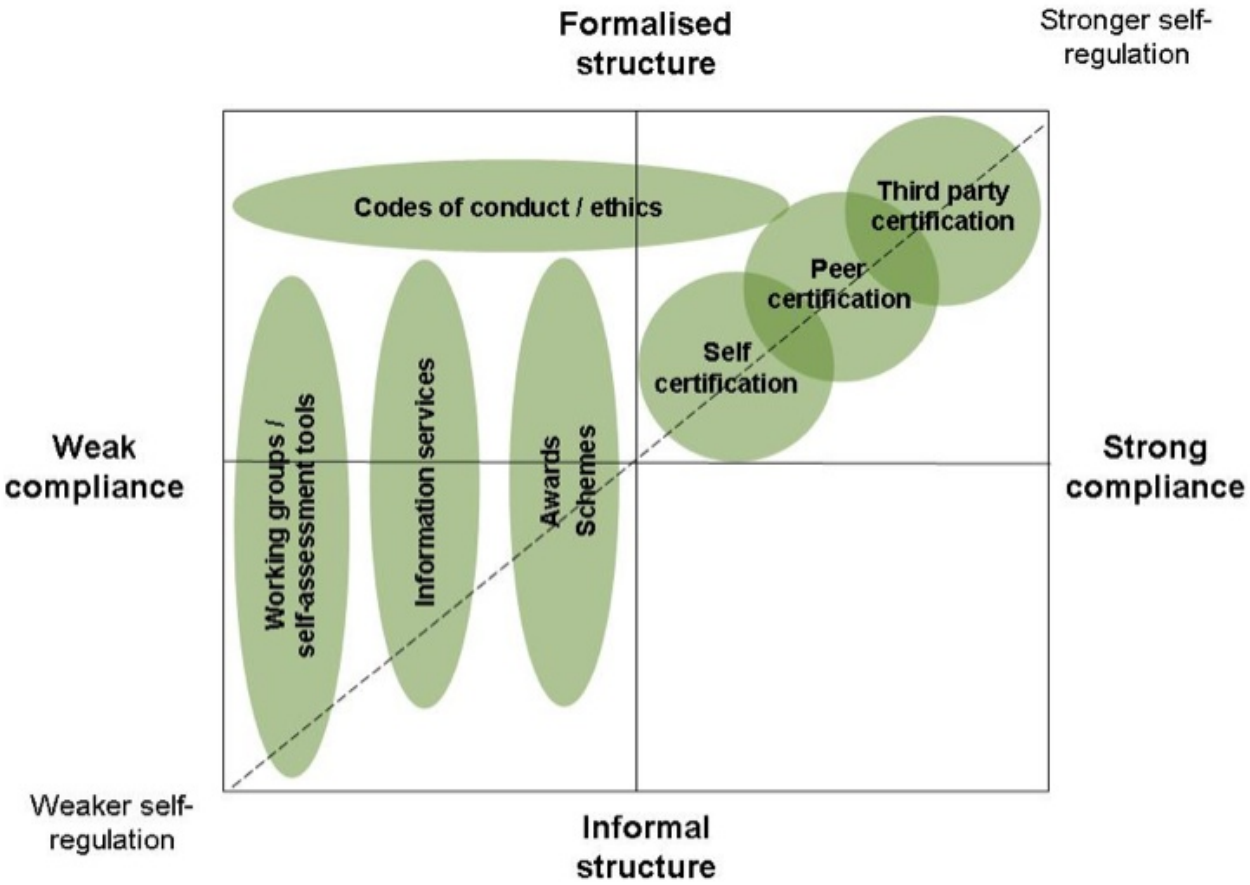
SRIs can also benefit organisations more broadly, by **improving the quality of** an organisation or some aspect of its relationships outside of any issues or processes targeted by its defining principles and standards. This is the third conception of effectiveness. A member organisation of a transparency-themed SRI might struggle to fully comply with the SRI's core principles, yet find that its work towards compliance has led to tangible improvements in the way it shares information with stakeholders. In this case, the SRI has low effectiveness in terms of achieving authenticity, or compliance with its standards, but high effectiveness in improving the overall quality of the participating organisations.

It is important not to confuse the improvement of quality with the so-called "unintended" effects an SRI may produce. One of the motivations for self-regulation is the claim that such initiatives contribute indirectly to improved services and greater programmatic effectiveness for participating organisations. Improved quality, while it can be external to the behaviour and goals targeted by an initiative, is still an effect that responds to the driver for an SRI, when that driver is the expectation that greater self-regulation leads to better service delivery and / or more credible advocacy.

It is important to recognise that an initiative may produce further effects that do not respond directly to the driver, that is, it may produce effects that do not fall under successful signalling, authenticity, or improved quality. These effects may indeed prove to be the most important, by adding value to initiatives that do not satisfy their expected function, or by illustrating the real costs of an initiative that succeeds by one or more conceptions of effectiveness.

Assessments of the effectiveness of an SRI should take care to specify which of the three definitions will be used in order to guide the identification of appropriate indicators. This comprises Stage 2 of the Blueprint for assessing CSO SRI effectiveness;

Figure 3: 2009 Typology of CSO self-regulatory initiatives (Warren & Lloyd 2009, p. 6)



suggestions for corresponding indicators are outlined in the discussion of measurement, in Section 5.

4. Shaping effectiveness

When developing its CSO SRI Database, the One World Trust aimed to collate information from SRIs involving a wide range of organisational types, topics and geographic locations in order to achieve a first-of-its-kind comprehensive, sector-wide portrait. This research yielded a structural typology of self-regulation initiatives amongst CSOs consisting of five main types: codes of conduct, certification schemes, information services, working groups and awards schemes. Seven types of initiative (certification schemes were divided into three further sub-types) were compared according to the strength of their regulation, which was predicted to be afunction of the strength of compliance mechanisms and the formality of an initiative's structure (Warren & Lloyd, 2009, pp. 5-6).

In the original typology (see Figure 3), **information services, working groups** and **awards schemes** were presented as tending towards lower regulatory strength, on the basis that they were more likely to be informal, lacking an institutionalised management system or compliance mechanism. In contrast, it was found that **codes of conduct or ethics** and **certification schemes** tended towards greater regulatory strength, as they were the only form of self-regulation to include compliance mechanisms, and in general operated as more formalised

collaborations (Warren & Lloyd 2009, p. 5).

In the interests of moving research on SRI design and effectiveness forward, it may be useful to revise and expand the Trust's original innovative typology. The previous typology was supported by the assumption that regulatory strength, including strength of compliance mechanism, contributed directly to the effectiveness of an initiative. However, since little is currently known as to what contributes to the effectiveness, or, strength of an initiative, it may be preferable to focus instead on describing the different structures that regulation can take. This would allow for a more descriptive typology onto which findings from empirical research on effectiveness could be mapped.

A new typology should be built on the identification of factors that are likely to impact how effective an initiative can be in achieving successful signalling, authenticity or improved quality. In other words, it should be sensitive to the potential causal mechanisms that shape the impact of an SRI. This section identifies two key factors that are likely to shape effectiveness and proposes a new typology based on their incorporation. These two factors will replace 'formality of structure' and 'compliance strength' as the main axes for SRI analysis.

Since the development of the typology, it has become more apparent that the notion of 'formality' does not yield firm distinctions between the main types of SRIs. Information systems, such as Givewell, Guidestar or Charity Navigator, can operate as full-bodied organisations with their own mission statements, board and permanent staff, while many codes of conduct operate as little more than a webpage or single document. It is therefore not clear that levels of formality can be generalised across an entire grouping of initiative, such as a code of conduct or an awards scheme.

More importantly, research by the One World Trust since 2009 has indicated that, with respect to regulatory strength, administrative structure is not as influential as other structural features of an SRI, namely, its compliance mechanism and its transparency. While paid staff or a formal management system will support the implementation of reporting requirements or a disclosure policy, it is ultimately the presence of these regulatory mechanisms themselves that shape the practices of participating CSOs.

One factor that is likely to affect the effectiveness of an initiative is its design or, more specifically, the design of its regulatory structure. The regulatory structure of an SRI refers to the key features of an initiative that regulate participating CSOs' behaviour, namely,

- the type of compliance mechanism employed,
- the level of transparency provided to stakeholders,
- and the extent to which the initiative is internally or externally sponsored.

Because it includes the type of compliance mechanism employed, regulatory structure replaces both axes from the previous typology, as it provides a substitution for formality of structure, while encompassing compliance strength.

The second axis for SRI analysis in the new typology is the operational context in which

an SRI exists.[14] Research on SRIs has overwhelmingly pointed to the significance of the particular institutional context in which self-regulation occurs. Context affects the design and thus the regulatory structure of an SRI: stakeholder interests and values can play a key role in developing the structure and content of an initiative, as CSOs seek to create a signal that speaks to those interests. If CSOs are aiming to expand the space in which they can act, for example, then pressures and dynamics within state institutions may be relevant to how CSOs design the monitoring and compliance mechanisms of an SRI.

Context can also bear more directly on the effectiveness of an SRI: that is, on the ability of an initiative, once designed and established, to successfully fulfil its function. Understanding the role of context is therefore vital, as it allows us to identify the full range of factors that are at work when an initiative brings about a long-term effect in a given environment. Four main areas of institutional or sectoral context can be identified:

- Political context
- Intra-sectoral relations
- Media independence
- Donor interest

4.1. Regulatory structure

4.1.1. Compliance system[15]

A compliance system is the set of mechanisms, processes and practices that provide assurance that signatories are meeting the set of principles and standards set by an SRI.

A defining feature of an initiative's regulatory structure is where it places its compliance system in the chronology of its membership. Entry compliance mechanisms occur at the initial stage of membership when an organisation applies to join an initiative or is reviewed for listing by an information service. Some SRIs require a detailed report and audit of an organisation as part of their membership application. Other initiatives, including the Philippine Council for Nonprofit Certification and the Pakistan Certification Model, carry out field visits to prospective members as part of their assessment of eligibility. Strong Entry compliance mechanisms such as these ensure that, at the time of joining, all members are compliant with the initiative's set of standards. However, in order to ensure ongoing compliance, oftentimes a sanction mechanism is viewed as necessary. Sanction mechanisms sit on the other end of the membership life cycle as a means for censuring or removing a non-compliant member. Sanction mechanisms which rely on some form of ongoing monitoring and/or reporting system demand a more significant and longer-term administrative presence from an SRI than Entry mechanisms.

Previous research by the One World Trust has identified two main approaches to monitoring compliance with a sanction mechanism in NGO accountability initiatives: Proactive and Reactive.[16] In a proactive approach, members are expected to actively monitor and report on their compliance with an initiative's standards. Many certification schemes, such as the certification scheme sponsored by the Humanitarian Accountability Partnership (HAP), require their members to undergo re-certification within a proscribed time frame.

14. Bies (2010); Lingan, et al. (2009); Lloyd & Warren (2009).
15. This follows the discussion of compliance mechanisms featured in Obrecht, et al. (2012).
16. Lloyd, Calvo & Laybourn (2010), p. 5.

Failure to meet the criteria for re-certification results in the loss of the certificate. Proactive compliance mechanisms are also present in codes of conduct, such as the INGO Accountability Charter, where member organisations are required to submit annual reports and pay a fee in order to maintain membership.

In contrast, reactive approaches to compliance monitor their members in the form of a complaints mechanism, in which stakeholders or other members may report a member for non-compliance. Removal from the initiative then occurs if the complaint is found to be valid. The Code of Conduct for NGOs in Ethiopia, one of the oldest CSO self-regulatory initiatives in Africa, uses a reactive, complaints-based sanction mechanism that is overseen by their Code Observance Committee. The Committee has the powers to sanction or fully expel a non-compliant member based on verification of a complaint. While there is no empirical evidence available on the comparative strength of these two approaches, it is hypothesised that proactive monitoring and sanction offers a stronger form of compliance than reactive monitoring, as it relies on the member organisations to continually demonstrate they are meeting the minimum required standards.

4.1.2. Transparency

While one of the important functions of CSO self-regulation is the improvement of public trust, initiatives can take different approaches to the amount of information they choose to make publically available. It is common for SRIs to publicise their set of standards or principles, as well as a list of members. However, public disclosure of monitoring materials or the outcomes of a sanctioning mechanism remains highly sensitive, as indicated by the low number of SRIs worldwide that publish their members' regular assessments or publicise suspension or removal of a non-compliant member.[17] Exceptions to this general trend include the aforementioned HAP certification scheme and the INGO Accountability Charter, both of which publish summary versions of their audits or full versions of their members' self-assessments on their websites.[18]

Depending on the purpose of self-regulation, effectiveness can be either improved or worsened by increased transparency of an initiative's monitoring or sanctioning mechanisms. For initiatives in which the purpose is to share learning and improve performance, the publication of reports or self-assessments may undermine CSOs' willingness to engage in the kind of honest criticism and self-reflection that can be valuable for learning. In contrast, initiatives that attempt to meet stakeholder concerns about CSO performance and accountability may be less effective if they do not publish their members' reports or provide details about their sanctioning mechanism. Decisions on how to design the transparency of an SRI will depend largely on the demand from external stakeholders and the nature of the relationship amongst the participating CSOs. The impact of the level of transparency on SRI effectiveness may therefore be seen as a function of the operational context (intra-sectoral relationships, donor-CSO and state-CSO relations) in which the SRI is established, as discussed below in 4.2.

17. Lloyd, Calvo & Laybourn (2010), p. 10.
18. http://www.ingoaccountabilitycharter.org/reporting-monitoring-compliance/
http://www.hapinternational.org/projects/certification/certified-agency-register.aspx

4.1.3. Form of sponsorship

The regulatory strength of an initiative can also be expected to vary depending on the type of actor that initiates, or sponsors, it. Given our broad working definition of self-regulation as merely regulation of the third sector that is not mandated by the state, an SRI can be sponsored, or initiated, by at least two different types of party: by the organisations whom the initiative is intended to regulate (self-sponsored), or by a third party civil society organisation **(third party-sponsored).**[19]

One might question the extent to which third-party-sponsored initiatives should constitute self-regulation, given that the organisation that initiates the programme (and often acts as regulator) is external to the CSOs targeted by the regulation. GiveWell, for example, is an American third sector organisation that evaluates CSOs on their demonstrated effectiveness and publishes a scoring of organisations. In the case of GiveWell and other initiatives sponsored by third party organisations (typically under the title of 'watch dog'), CSOs may opt out of participating in a scoring, but Givewell still lists them on their website as organisations that have declined to submit for scoring.[20] Therefore, third-party regulation, while not state-mandated, is still an example of regulation of the third sector that is imposed in some form by a party or organisation external to those subject to regulation. Indeed, some researchers have excluded such cases as a form of self-regulation, on the basis that the organisations that undergo assessment are not participating voluntarily (Gugerty 2009, p. 253; Gugerty and Prakash 2010).

Rather than exclude third-party-sponsored SRIs from study, it seems that comparing the effectiveness of this form of regulation against self-sponsored SRIs could be highly instructive.[21] Previous work by Angela Bies (2010) has supported the hypothesis that sponsorship plays a significant role in shaping the design of an initiative, and thus also the ways in which organisations react to it and the resulting effectiveness. Bies' study compared two regulatory initiatives, or clubs, in the state of Minnesota, one of which would be classified under the above typology as self-sponsored, and the other as third-party sponsored. She finds that the presence of the third-party sponsored SRI led the self-sponsored SRI to strengthen its standards, contributing to a significantly more regulated environment in Minnesota's not-for-profit sector. As well, Bies identifies several significant discrepancies between the two initiatives, leading her to conclude that "the identity of club organizers, or sponsors, and the individual club's institutional context will shape the way in which club design reflects accountability claims, even in the same geographic and non-profit context" (p. 203). Sponsorship therefore appears to be a primary factor in understanding the regulatory structure and effectiveness of an initiative.

19. This excludes regulatory or 'watchdog' schemes imposed on CSOs by private sector groups. While the One World Trust Database includes a 'state-sponsored' category, the difference between state-mandated regulation and state-sponsored regulation is often negligible, as state-sponsored self-regulation often carries with it key benefits that operate as a form of regulation (e.g. tax-free status).

20. See: http://www.givewell.org/charities

21. This means that a certification scheme that uses self-certification may feature increased regulatory strength if it is sponsored by a third-party, or by the state, as opposed to certification schemes that are both self-sponsored and use self-certification to monitor compliance.

4.2. Institutional and sector context

The institutional and sectoral context in which an SRI is established can vary enormously, feasibly impacting how self-regulation achieves (or fails to achieve) successful signalling, the creation of authenticity, or improvement of quality. In particular, four features of institutional or sectoral context are identified in the literature as relevant: the political context, intra-sectoral relations, media independence and donor interest.

4.2.1. Political context

One of the key drivers for CSO self-regulation, particularly for CSOs operating in Africa, is the threat of restrictive state regulation. This driver is particularly influential in African countries, where SRIs must be well-designed in order to serve the purpose of providing a credible substitute for state regulation. Political context therefore has a strong impact on SRI design, pushing SRI sponsors towards programmatic features that will contribute to effectiveness, namely, national regulatory jurisdiction and strong compliance mechanisms Gugerty (2010, 2008). In contrast, self-regulatory initiatives in more liberalised states, such as the BOND network of UK-based international development organisations, may not require strong compliance mechanisms because participating members identify immediate benefits in complying with SRI standards.[22]

To illustrate that further work is needed to understand the interaction of SRIs with restrictive state action and levels of public trust in CSOs, Table 2 presents data for a handful of countries for which there was available information on all three of the following variables: the existence of an SRI, the extent of state restrictions on political and civil freedoms, and some measurement of public perception of not-for-profit organisations. Data on country-level SRIs came from the One World Trust's CSO SRI database, data on political restrictiveness was gathered from the Freedom House's Freedom in the World 2011; scores reflecting public perceptions were taken from the Edelman Trust Barometer 2011 and CIVICUS' Civil Society Index 2008-2011.

The United States receives the best possible scoring on the protection of political freedoms, and also has by far the highest number of self-regulatory initiatives. Yet public trust in not-for-profit organisations in the U.S. ranks lower than the level of trust reported by highly-educated members of the public in China, which is rated as a highly restrictive state in Freedom in the World 2011 and where there is very limited self-regulation in the not-for-profit sector. The discrepancy in public opinion of not-for-profits in China and Russia is also of interest: despite similar levels of state restrictiveness, and more self-regulatory activity amongst Russian CSOs, there is considerably lower trust and perception of CSO impact reported by the Russian public.

Comparing countries with moderately restrictive governments, the Philippines reports a similar level of public perception of CSO impact as Zambia, despite significant differences in SRIs in the two countries. The Zambian NGO consortium, INSAKA, began the development of a code of conduct in 2009

22. Bond members are required to sign the Bond Statement of Principles, however there is currently no compliance mechanism used to review membership on a continuous basis (Laybourn 2012, OWT internal document).

Table 2: SRIs, perceptions of CSOs and state repression

Country	SRI Type	Sanctions?	Political Restrictiveness[23]	Edelman Trust of CSOs[24]	Perception of Impact[25]
USA	58 SRIs	all	Low (1)	55	ND
South Korea	Code of Conduct; Information Service	ND	Low (1)	ND	46.66
Brazil	Code of Conduct; Certification scheme	Commitment only; Third Party assessment	Low (2)	80	ND
Philippines	Certification; Code of Conduct	Third party assessment; Complaints based	Moderate (3.0)	ND	62
Zambia	Code of Conduct	none	Moderate (3.5)	ND	61.73
Venezuela	None	none	Moderate (5.0)	ND	46.53
Russia	Code of Conduct (3)	Commitment only (2); Complaints Based (1)	High (5.5)	29	34.41
China	Information Service	Third party	High (6.5)	63	ND

in cooperation with the German agency for international development cooperation, the Gesellschaft für Internationale Zusammenarbeit (GIZ). The operating status of this code of conduct, and its visibility within Zambian society, are not well-known. In contrast, the Philippines Council for NGO Certification is a highly active SRI with strong compliance mechanisms that is well-known both internationally and within the Philippines. Similar perceptions of CSO impact in both countries indicates that factors other than programme design have some influence on public perception of participating CSOs.

These surprises show that more detailed and in-depth research is required to understand the causal mechanisms for effective

23. Political restrictiveness scores are taken from the composite scores for each country listed by Freedom House. The Freedom House measurement of political and civil freedom is based on a scale of 1 (free) to 7 (not free). See: http://freedomhouse.org/report/freedom-world/freedom-world-2011

24. Edelman scores trust levels of different sectors on a 100-point scale. For more information on their methodology see: http://www.edelman.com/trust/2011/

25. Civicus' Civil Society Index ranks perception of CSO impact, among other issues, on a 100-point scale, based on 29 individual country surveys. See: https://www.civicus.org/new/media/CSI_Methodology_and_conceptual_framework.pdf

self-regulation of CSOs in the context of moderately and highly repressive states. The Edelman barometer and CIVICUS research examined only public perceptions of CSOs and did not explore to what extent those surveyed were aware of different country- or sector-level SRIs. Therefore, as indicated by the contrasts between the United States and China, for example, these current figures suggest that the relationship between public perceptions of CSOs, the level of state restrictiveness, and the presence of an SRI are complex and demand further exploration.

4.2.2. Intra-sectoral relations

Depending on the environment, CSOs can be inclined to collaborate around shared values, or they can be more engaged in a competition for resources and access to power in a manner similar to corporate firms.[26] More recent work in the anthropology of development indicates that relationships amongst CSOs are highly localised and influenced by the particular histories and relationships amongst the individuals who work in the sector (Hilhorst 2003; Mosse 2011). In all cases, the relationships amongst CSOs in a given sub-sector (e.g. health care providers, development aid organisations, local service providing charities) matter far more than the overall level of cooperation and support across the entire third sector. The tenor of relations amongst CSOs in a shared sub-sector can impact strongly on the design of an initiative: for example, a more collaborative and trusting CSO environment may lower the need for strong compliance mechanisms. Once design is established, these relationships may also determine how effective such a programme can be. A more competitive CSO sub-sector may increase SRI effectiveness in terms of successful signalling and authenticity, as competitive CSOs will not allow one another to avoid sanctions when they fail to comply with their shared standards. But competition may lead to a decline in SRI effectiveness in terms of improved quality, as CSOs use the initiative's standards as a means for controlling and limiting the advantages of competing organisations instead of improving organisational learning and collaborating on shared interests.

4.2.3. Independence of media

The strength and capacities of other sectors within a given national or international environment may also have an impact on the effectiveness of an SRI. In a study that aimed at explaining differences in public perceptions of NGOs across post-communist countries, Lee, et al. (2010) identified the independence of media groups as a significant causal factor in predicting levels of public trust in NGOs. Combining this insight with Bekkers' (2003) finding that publicising an NGO accreditation system significantly increased public awareness of it, it is possible that an independent media can impinge on at least two types of SRI effectiveness. If effectiveness is understood as changing stakeholder perceptions of CSOs (successful signalling), media coverage can enhance the strengths or weaknesses already present within the design of an initiative. For example, if an initiative fails to create a separating equilibrium, increasing public awareness of this through media coverage (perhaps with particular attention paid to its failings) will drive its effectiveness further downward. If we understand effectiveness as authenticity, or the actual change in organisational behaviour to meet a set of principles, then media coverage can provide an additional monitoring mechanism that increases SRI effectiveness.

26. For the former, see Keck & Sikkink (2000). For support of the latter claim, see Ortmann and Schlesinger (2003).

4.2.4. Donor interest

Other studies (e.g. Bies 2010) have also indicated the causal importance of donor characteristics and attitudes for the effectiveness of CSO self-regulation. For example, Bekkers (2003) found that, in the Netherlands, an individual's level of general social trust had an interactive effect with her awareness of an SRI, creating an impact on how much that individual was likely to donate to CSOs. Amongst those with a low level of social trust, knowledge of the SRI made no difference to their rate of donation; amongst those with a high level of social trust, those who knew of the accreditation system donated on average more than twice the amount than those who were unaware of it (pp. 608-9).

As African CSOs adopt self-regulation in reaction to repressive states, they are at the same time orienting themselves towards a largely international donor base, which has had repercussions on the content and structure of their self-regulation (Gugerty 2010). This could feasibly impact the ability of an SRI to effectively signal credibility to members of public within African countries.

4.3 A new typology

An informative typology of CSO self-regulatory initiatives will require input from empirical research that indicates the contributions of both internal dynamics (regulatory structure) and external dynamics (operational context) to overall SRI effectiveness. Drawing on the features of regulatory structure and operational context discussed above, we can identify three general types of regulatory structure and three general types of operational context.

4.3.1. Three types of regulatory structure

Table 3 outlines three broad types of regulatory structure comprised by the interaction between **type of compliance** and **type of sponsorship**. As discussed above, the role of **transparency** in increasing or decreasing effectiveness will depend on the intra-sectoral and stakeholder relationships that shape the establishment and operation of an initiative. For this reason, only sponsorship and compliance type are used to characterise the types of regulatory structure.

Reactive and **Proactive** compliance types establish an initial point of contrast across SRIs. Proactive compliance mechanisms demand ongoing and active engagement from participating CSOs in order to ensure their membership. Reactive mechanisms shift this engagement to external stakeholders, replacing CSO reporting or renewal of membership with a complaints mechanism that stakeholders can use to report non-compliant CSOs. When they enter an initiative that uses a reactive compliance mechanism, participating CSOs are only required to engage once with a set of standards; if they wish, they are then able to remain **passive** for the tenure of their membership. The Code of Conduct for NGOs in Ethiopia, discussed previously, is an example of an SRI with a passive regulatory structure. Other examples include the GuideStar information service and many smaller, thematic SRIs, such as the Catholic Charities USA Code of Ethics.

Amongst initiatives using proactive compliance mechanisms, a second point of contrast is provided by the type of sponsorship. Self-sponsored initiatives that incorporate proactive compliance mechanisms indicate that the participating CSOs sponsoring their own initiative expect one another to remain **engaged** with the shared set of standards and with monitoring the progress of their

performance against those standards. The Philippine Council for NGO Certification is self-sponsored and utilises a proactive compliance mechanism; re-certification is required every 3-5 years and includes an assessment stage in which each organisation is visited by an evaluation team comprised of representatives from other certified organisations.

While participating CSOs may show a similar level of continuous commitment to an SRI that uses proactive compliance and is sponsored by an outside organisation, this commitment is extracted from them by the third party standard-setter. The NPO Certification Model in Pakistan and the AusAID Accreditation for Non-Governmental Organizations are two examples of **extractive** certification schemes. The first is a rigorous scheme requiring re-certification through external audit every 3 years and is sponsored and run by the Pakistan Centre for Philanthropy, an independent civil society organisation promoting voluntary activity and philanthropic giving in Pakistan. The AusAID scheme, which requires re-certification every 5 years, is sponsored by the overseas aid programme of the Australian government and offers accredited NGOs the benefit of being eligible to receive overseas development funding through the AusAID-NGO Cooperation Program.

Combining these two points of contrast provides us with three types of regulatory structure:

i. Passive
Self-regulatory initiatives with reactive compliance mechanisms do not require ongoing engagement with their members. SRIs that do not employ regular reporting requirements or assessments leave members to apply standards and principles as they find suitable, creating a passive relationship between the participating organisations and the standards or principles that define the inititiave. This is true even when the SRI is administered by a third party.

ii. Engaged
Self-sponsored SRIs with proactive mechanisms, such as re-certification or regular reporting, indicate that members are engaged in meeting the standards set by an initiative. In SRIs with the engaged type of regulatory structure, member organisations have eschewed a reactive compliance mechanism, choosing instead to make a continuous commitment to the standards set out by an initiative in order to maintain the benefits of membership.

iii. Extractive
Third-party sponsored SRIs with proactive mechanisms also require a continuous commitment from member organisations. However, this commitment does not originate from the regulated organisations themselves. The desired practices or obligations are extracted from member organisations by a third party sponsor.

Table 3: Three types of regulatory structure

	Reactive Compliance	Proactive Compliance
Self-sponsored	Passive	Engaged
Third-party sponsored	Passive	Extractive

4.3.2. Three types of operational context

The above discussion identified at least four dimensions of context that can influence the design and effectiveness of an SRI: political context, intra-sectoral relations, media independence, and donor interest. Each of these can vary along a spectrum according to how conducive that dimension of context is to the flourishing of CSO activity in a given country. Since the basic aim of all CSO self-regulation is to in some way contribute positively to the ability of CSOs to fulfil their missions, this spectrum can be used as the basis for identifying three broad types of operational context relevant to the effectiveness of an SRI, as presented in Table 4.

For any self-regulatory initiative, the environment in which it is established can feature a political context that ranges from being enabling of CSO activity, to antagonistic towards CSOs; intra-sectoral relations that range from cooperative, to uncooperative; a media sector that ranges from free and independent, to restricted by the state; and donor interest that ranges from trusting, to critical. These characteristics sit on opposite ends of a spectrum, from highly conducive to CSO activity to highly detrimental, and it is expected that the contexts in which many SRIs operate sit in the middle of the spectrum with respect to some dimensions, such as donor interest or intra-sectoral relations.

The three broad types of operational context are identified by the proportion of conducive characteristics to detrimental characteristics in the SRI's overall operational context:

i. Hostile

If only one or no area of operational context is conducive to CSO activity, then the operational context is classified as hostile. Russia may be an example of a hostile operational context for CSO activity: the government has taken steps to restrict NGO activity within the country (Elder 2012), there are high rates of domestic donor scepticism towards the integrity and value of NGOs (Mersiyanova & Yakobson 2010), and media independence is greatly restricted.[27] While intra-sectoral relations may be cooperative, the presence of an antagonistic government, critical donor audience and restricted media is sufficient to classify the Russian CSO operational environment as hostile. Another

27. In the 2011/12 Press Freedom Rankings, Russia ranked 172 out of 197: http://www.freedomhouse.org/sites/default/file

Table 4: Three types of operational context

	Political context	Intra-sectoral relations	Media independence	Donor interest	How many characteristics satisfied by the SRI's operating context?
Characteristics conducive to CSO activity	Enabling	Cooperative	Independent	Trusting	4 = Supportive 2-3 = Contested 0-1 = Hostile
Characteristics detrimental to CSO activity	Antagonistic	Uncooperative	Restricted	Critical	3-4 = Hostile 1-2 = Contested 0 = Supportive

example of a hostile operational context is Sri Lanka, where a trusting donor audience is off-set by competitive intra-sectoral relations, an antagonistic government, and low media independence (Mirza & Obrecht forthcoming 2012).

ii. Contested

If 2-3 of the areas of operational context are conducive to CSO activity, the space in which CSOs operate can be considered contested. This indicates that CSOs are receiving support in several key relationships, but not all. It is likely that SRIs created in contested contexts will seek to draw on the advantages provided by the relationships that are conducive to their work, while answering the challenges or threats that arise from whichever audience or stakeholder that is currently undermining their activity. Several African countries could be described as offering a contested operational environment for CSO activity. In Ethiopia or Uganda, for example, an antagonistic state and restricted media is balanced by a cooperative sector and trusting (though usually international) donor audience. In such contexts, SRIs often draw on the benefits of these supportive sector and donor dimensions while seeking to offset the antagonism of the state.

iii. Supportive

In some instances, all four areas of operational context may meet the characteristics that are conducive to CSO activity. In these cases, the operational context for an SRI can be described as supportive. Examples of this type of context may include the U.S. and U.K., though it could be claimed that in these cases donor interest is only 'trusting' relative to more critical donor attitudes elsewhere.

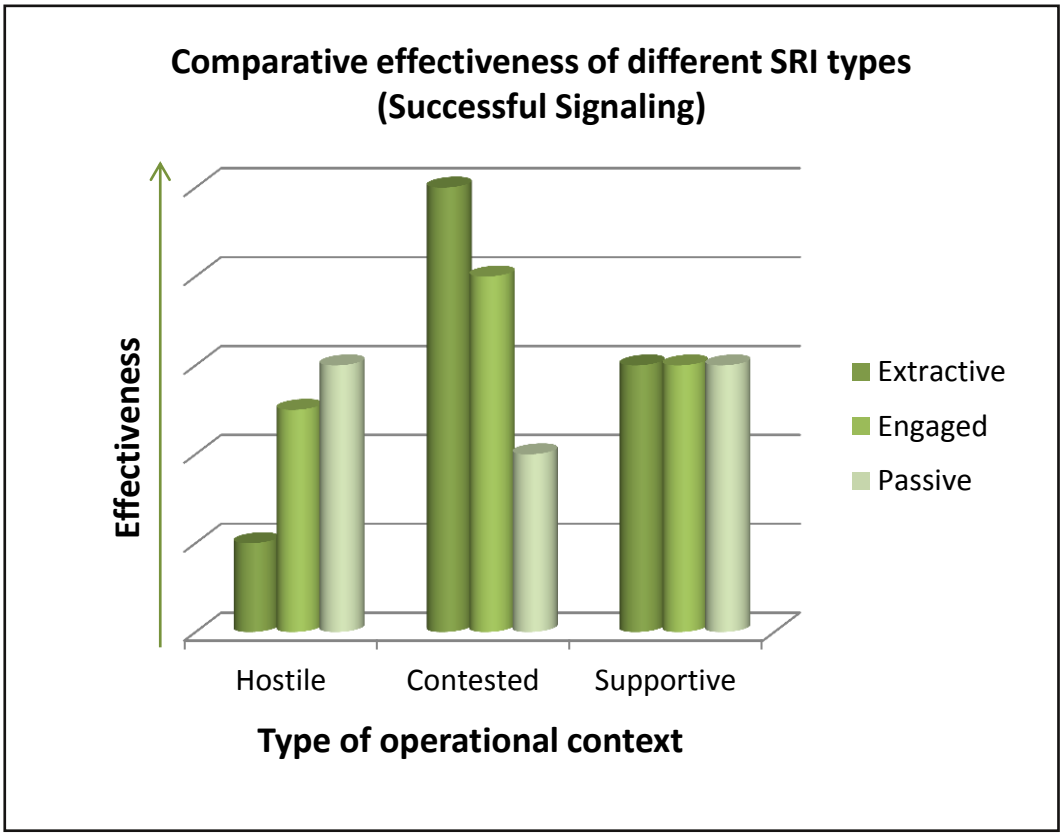
4.3.3. Using the new typology to compare SRI effectiveness

Figure 4 shows how the operational context and regulatory structure typologies can be brought together to offer a view on SRI effectiveness. Successful signalling is used as the conception of effectiveness for this example. The data points are hypothetical, since there is no current empirical data to draw on for comparing SRI effectiveness across different types of regulatory structure and operational context.

It is hypothesised that in **Hostile** operational contexts, SRIs using **Passive** regulatory structures will be most effective at creating a signal of legitimacy for participating CSOs. SRIs with proactive compliance mechanisms (**Engaged** and **Extractive**) may demand too many resources in an environment where CSOs are already finding it difficult to operate, and may also make participating organisations more vulnerable to oversight from an antagonistic state apparatus or critical donors. This hypothesis is supported by the current efforts to establish working SRIs in Russia and Sri Lanka which focus on creating safe platforms for collaboration and exchange than on the creation of stringent reporting requirements.

When effectiveness is conceived of as successful signalling, the **Contested** operational context is presumed to be that in which self-regulation is most effective. This is because in a Contested context, some parts of the operational environment are supportive for the establishment and operation of an SRI, while the areas of the environment detrimental to CSO activity provide the target audience at which the signalling is directed. **Extractive** SRIs may be most effective in a Contested environment, such as a Western European country that features an enabling political context, cooperative civil society, and

Figure 4: Effectiveness as a function of operational context and regulatory structure, based on hypothesis



independent media, but a critical donor audience. In such a scenario, an SRI with third-party sponsorship, such as the Deutsches Zentralinstitut für soziale Fragen (DZI)'s Donation Seal may lend additional credentialsin the eyes of donors, thereby achieving a greater increase in donor trust than a self-sponsored SRI. In a Contested environment in which donors are trusting but intra-sectoral relationships are uncooperative, **Extractive** SRIs may once again prove to be more effective: a third party is better able to present itself as a neutral actor monitoring the quality of competing CSOs, increasing the credibility and signalling powers of the SRI to both external stakeholders and to participating CSOs.

In a **Supportive** environment, it is hypothesised that there will be little difference across the three types of regulatory structure. It is important to note that this hypothesis only applies when effectiveness is understood as successful signalling, instead of authenticity or improving quality. In a Supportive environment, such as the United States or the United Kingdom, **Engaged** SRIs may be most effective at improving the quality of participating CSOs. But in a Supportive environment, in which all four areas of operational context are conducive to CSO activity, it is not immediately clear what would motivate signalling, since CSOs enjoy support from all dimensions. It is therefore currently hypothesised that there will be a negligible difference between the three regulatory types in a Supportive operational context when successful signalling is the type of effectiveness being measured.

Clearly, further research is needed to understand the interaction of these factors and their combined impact on the effectiveness of SRIs. This research has direct implications for estimating the value of self-regulation in certain contexts. If a form of regulatory structure is unable to achieve desired results in a given institutional setting, it is important for CSOs to be armed with this knowledge so they can avoid investing time and resources into an initiative that does not elicit a pathway to greater accountability or performance.

5. Measuring effectiveness

Assessing the value of self-regulatory initiatives for CSOs requires evaluators and researchers alike to understand the causal story that links an SRI to a particular set of effects on CSOs and their surrounding environment. However, there are significant challenges to identifying and explaining these links, due to the nature of self-regulation and the kind of long-term results it is intended to achieve. Self-regulation is thought to improve the ability of CSOs to function and flourish, by creating a more supportive space in which to act (through improving stakeholder perceptions and trust of CSOs) and by improving the capacity and quality of participating organisations (through the setting and enforcement of best practice principles or standards). In any given context, changes in the space for CSO activity or in organisational capacity are brought about through a mixture of interlinking causes. Identifying the unique role of a self-regulatory initiative within that network of causes can be difficult, especially when attempting to link an SRI to longer-term impacts.

These challenges do not mean that assessments of SRI effectiveness should be abandoned. Rather, they point researchers and evaluators to the importance of identifying clearly not only what they expect self-regulation to achieve (which itself is no easy task, given the different ways in which effectiveness can be defined), but how they expect a self-regulatory initiative to create change in an environment and what types of measurement are best suited for indicating whether these changes have occurred as predicted.

Detailed answers to these questions can only be provided in specific SRI contexts—how the NGO Quality Assurance Mechanism (QuAM) impacts CSO space and quality in Uganda will differ from how Charity Navigator impacts CSO space and quality in the U.S. This section provides the final component in a blueprint for approaches to evaluating SRI effectiveness by outlining the ideal typical theories of change for SRI effectiveness and identifying broad types of indicators for each definition of effectiveness. These can serve as a template for developing context-specific theories of change and indicators in the study of particular SRIs.

In the evaluation of not-for-profit performance, a theory of change approach is increasingly used to identify the causal story of change that underlies a planned project and to structure the monitoring and evaluation of outcomes. Theories of change can be built using a variety of methods and can accommodate both linear and non-linear causal pathways in planning how a project will contribute to a desired outcome.

Figure 5 and Figure 6 present two ideal-typical theories of change for SRI effectiveness, using the two main theoretical approaches to CSO self-regulation and the key outcomes of self-regulation and definitions of SRI effectiveness identified in Sections 1 and 2. These theories are ideal-typical because they identify the

Figure 5: institutional theory of change for SRI effectiveness

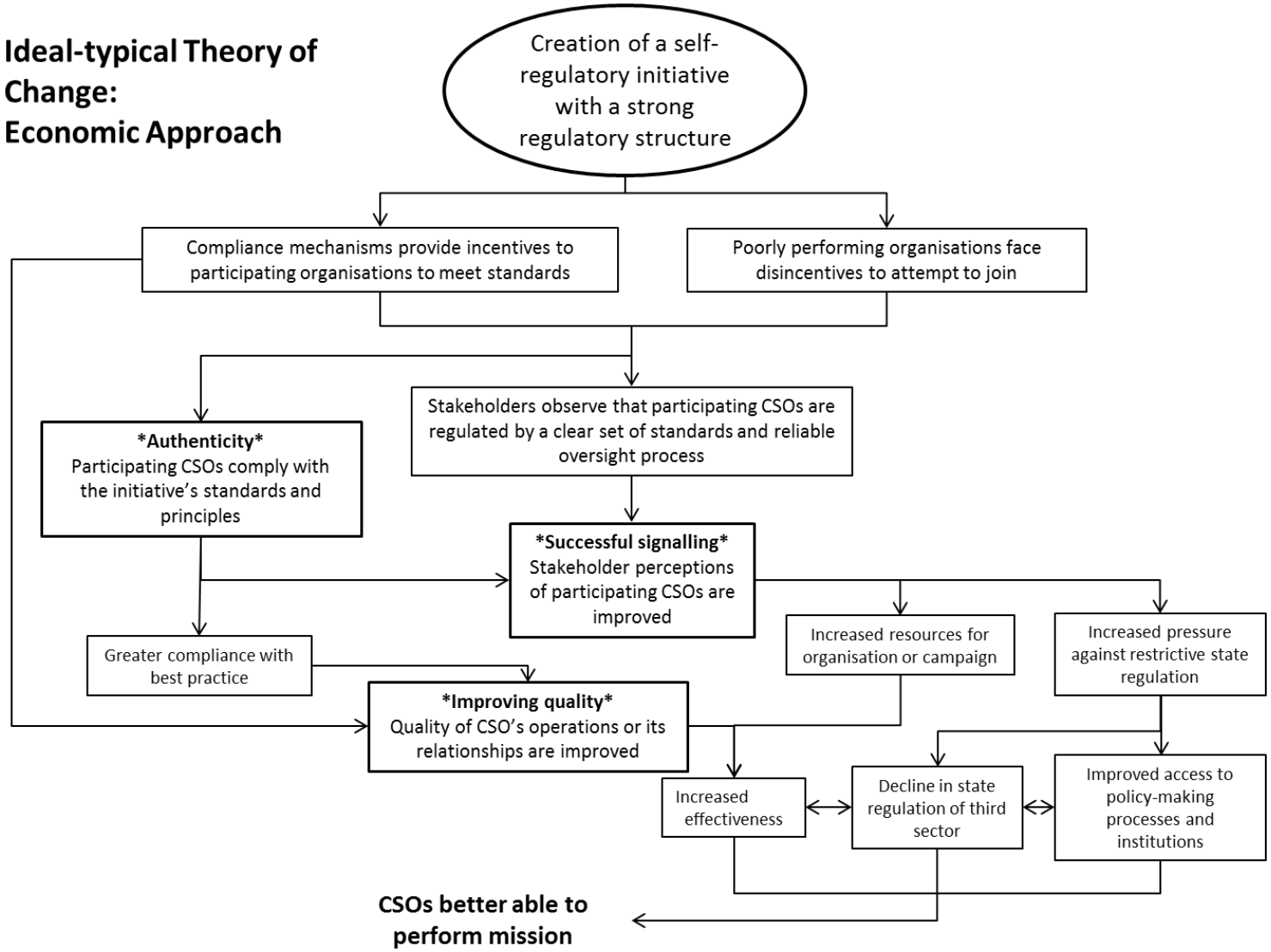
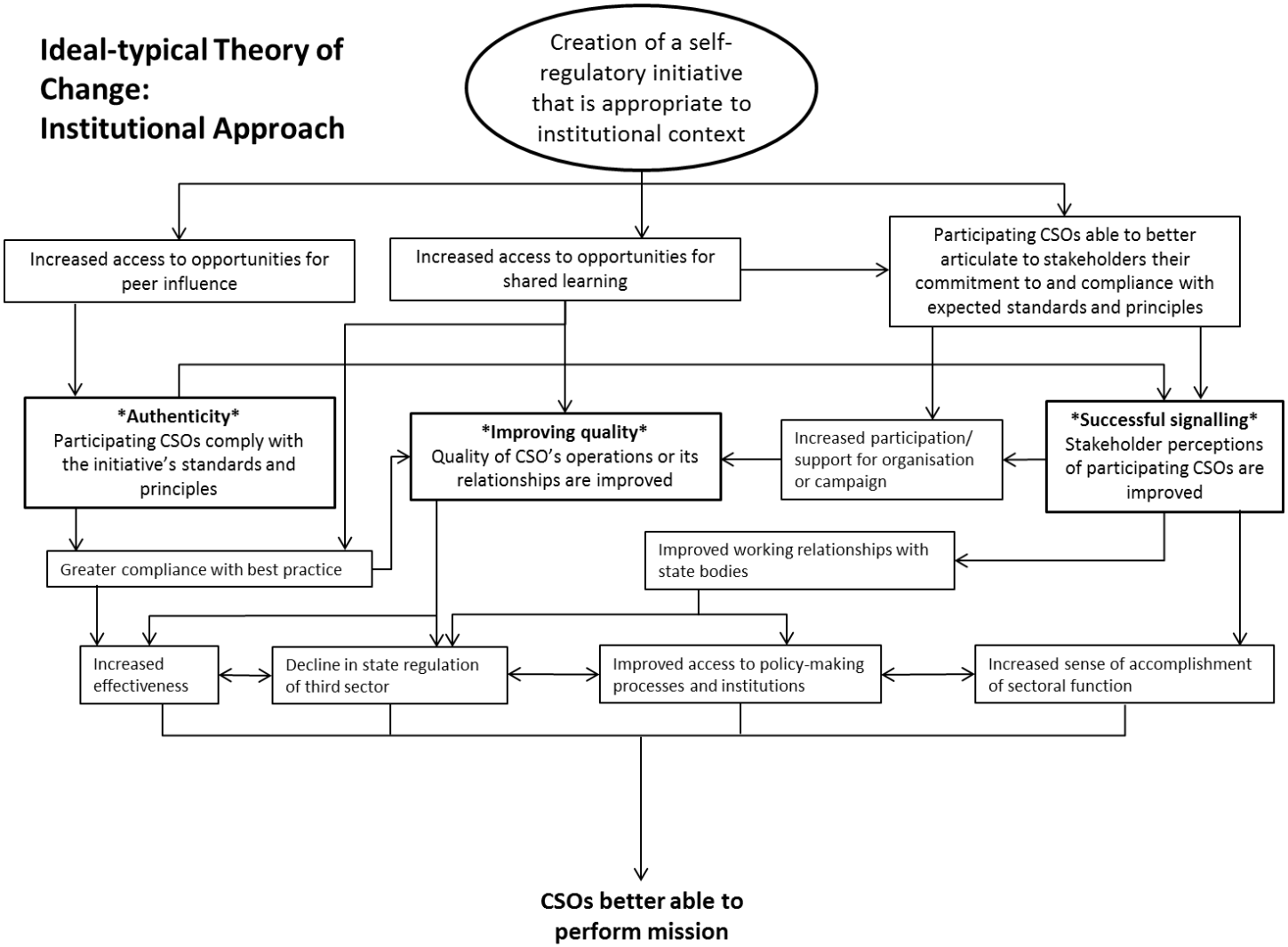


Figure 6: Economic theory of change for SRI effectiveness



broad categories of outputs, outcomes and causal relationships that would be highlighted by an institutional or economic approach. These will require modification when applied to a particular regulatory context in order to capture the potentially non-linear causal pathways through which an SRI achieves its effects in that given environment.

In both figures, arrows indicate a causal influence from one outcome or output to another. The boxes along the top row indicate the direct outputs from the establishment of an SRI that a theoretical framework views as necessary for achieving the three key outcomes that comprise the definitions of SRI effectiveness: compliance with standards (Authenticity), increase in organisational quality (Improved quality), or improved stakeholder perceptions (Successful signalling).

The two figures illustrate a clear contrast in the two approaches. For example, an Institutional theory of change predicts the achievement of Authenticity through an increased access to opportunities for peers to influence one another's behaviour through the sharing of norms and expectations of appropriate conduct. The Economic theory of change for SRI effectiveness predicts Authenticity as an outcome of an SRI creating incentives for compliance amongst participating organisations and disincentives for attempted membership and free riding by poorly-performing CSOs.

The three main outcomes contribute to the overall aim of self-regulation via a range of subsidiary effects. Both theoretical perspectives support a theory of change that envisions the ultimate purpose of self-regulation as enabling CSOs to better fulfil their missions.

Measuring effectiveness also requires operationalization of the three definitions of effectiveness: successful signalling, authenticity, and improved quality. Exactly how these will be measured depends upon the particular design and limitations of a given research programme. Table 5 provides an overview of the types of indicators that correspond to each definition of effectiveness.

Potential approaches to assessing successful signalling include public surveys, as used by

Table 5: Types of indicators for measuring SRI effectiveness

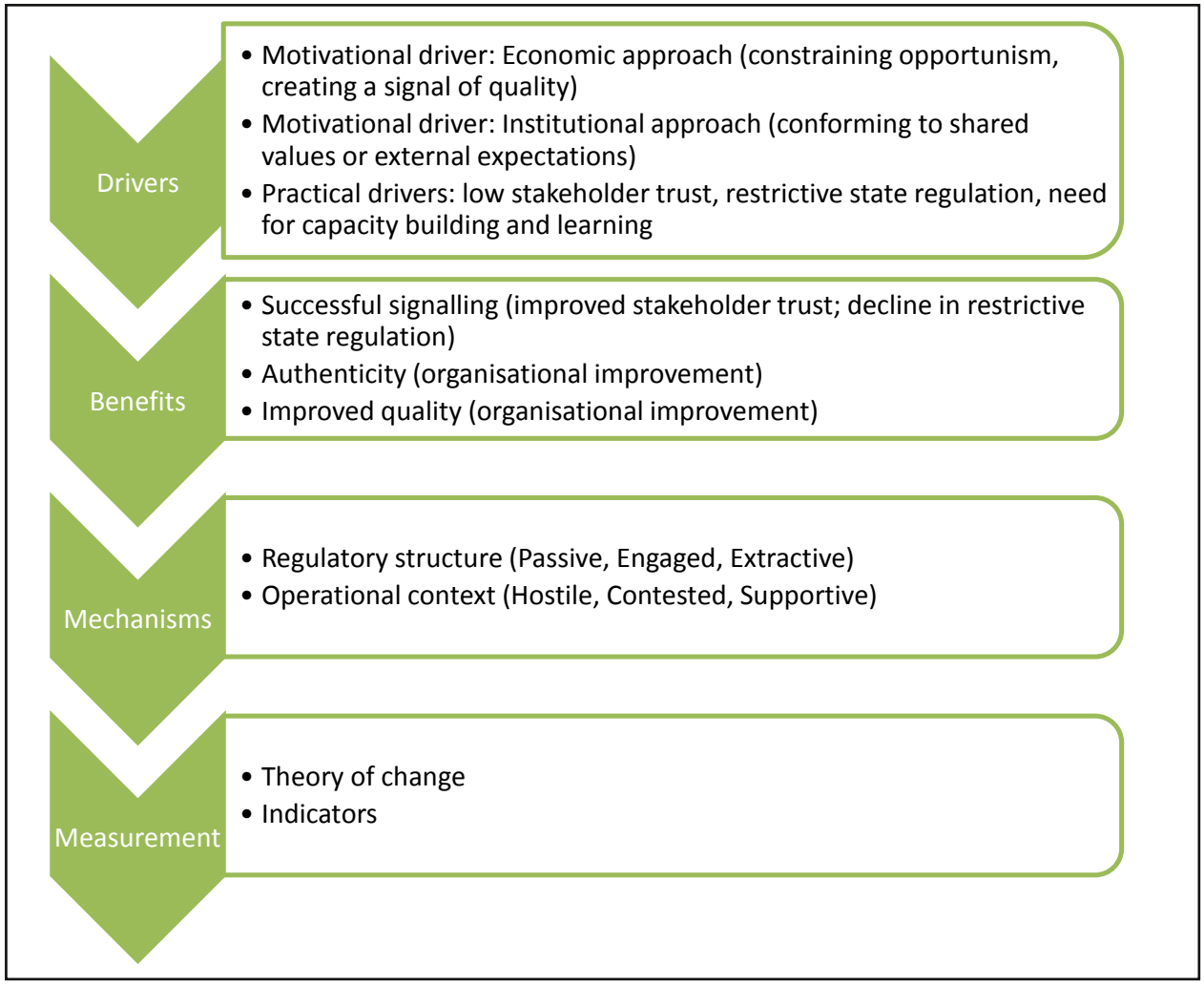
Definition of effectiveness	What an indicator should measure
Successful Signalling	Stakeholder awareness of initiative; Stakeholder attitudes towards participating and non-participating CSOs; Rate of interaction between CSOs and stakeholders (e.g. meetings with government officials, campaign support or volunteering from members of public); Rate of donation; Frequency and quantity of laws/bills/policies introduced in government that either support CSOs or remove barriers to CSO functioning.
Authenticity	Increased capacity to meet the standards/principles identified by the SRI; Performance outcomes based on the standards/principles identified by the SRI; Percentage of participating CSOs that meet the initiative's reporting requirements, where applicable; Percentage of participating CSOs that have been the subject of a complaint, where applicable.
Improved Quality	*(Quality is a broad category, therefore this list provides only a few examples of what indicators could be used to assess whether participation in an SRI leads to improved quality in a CSO)*
	CSO accountability processes (process indicators based on accountability best practice); Number of beneficiaries participating meaningfully in programming or evaluation; Number of beneficiaries reporting satisfaction with quality of service or good provided; Capacity of CSO quality management systems; Rate of external stakeholder use or awareness of CSO advocacy research or publications.

Bekkers (2003), comparing changes in rate of donation, or semi-structured interviews with multiple stakeholders. In cases where an initiative has a sophisticated monitoring system, authenticity can be measured by independently applying the evaluative approach already used by the SRI, to verify results, or can rely indirectly on the initiative's own data on rate of compliance. This, however, will rarely be the case, given the limited resource capacity of many SRIs. Authenticity can alternatively be measured by developing a set of indicators based on the principles and standards set out by the SRI under study. Improved quality provides the broadest range of measurement options, as an SRI could potentially impact quality in several areas of organisational capacity and performance. Beneficiary accountability and effective achievement of programme goals are two significant areas where membership in an SRI could increase quality, providing strong support for the value of self-regulation amongst CSOs.

Conclusion: A blueprint for assessing SRI effectiveness

Having examined the four key questions for evaluating the effectiveness of CSO self-regulation, a general blueprint for assessing CSO SRI effectiveness can be presented (Figure 7.).

Figure 7: Blueprint for approaches to assessing the effectiveness of CSO SRIs



It is important for evaluators and researchers to articulate their view on **the drivers for self-regulation: that is,** why the self-regulatory initiative under examination has been established. These answers guide the selection of the benefits the research will measure as well as the theory of change used as the basis for measurement. This answer need not choose between the institutional and economic approaches, but could encompass elements of both. In the next stage of the framework, evaluators and researchers identify **what** the SRI will be assessed for, that is, which **benefits** or definition of effectiveness will have focus in the evaluation. Examining multiple types of effectiveness is fruitful, but would require a more complex and resource-intensive study. The third stage asks how the SRI is expected to be effective. What **causal mechanisms** in the initiative itself or in its external environment are expected to contribute to its effectiveness? The revised typology based on regulatory structure and operational context, outlined in Section 4, is suggested as a starting point for future research, and can be revised to reflect new empirical findings on the causal mechanisms of SRI effectiveness. In the final stage, answers to all three questions are unified under an approach to **measurement** that includes a theory of expected change for the particular SRI's effectiveness and a set of detailed indicators.

As outlined in this report, further research is needed to examine the influence of regulatory structure and operational context on the ability of an initiative to improve CSO performance and their relationships with stakeholders. The importance of building evidence-based explanations of the dynamics of CSO self-regulation has never been greater. The rise of impact assessment and results-based management in the third sector indicates that self-regulatory initiatives, if effective, may be integral to supporting CSOs as they strive to meet new performance and accountability best practices. However, the value of self-regulation may itself be questioned by key stakeholders if there is little evidence that self-regulatory initiatives are having a positive impact on the CSOs that participate in them. Empirical research into the effects of self-regulation amongst civil society organisations is therefore vital to the future development and support of SRIs in the sector. The blueprint for evaluation offered in this report provides a starting point for such research. It remains available to an iterative process of revision and modification on the basis of future empirical findings which, it is hoped, will shed further light on the valuable role of self-regulation in the not-for-profit sector.

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