

Accountability in International Development Aid

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Contemporary movements for the reform of global institutions have advocated greater transparency, greater democracy, and greater accountability. Of these three, accountability is the master value. Transparency is valuable as means to accountability: more transparent institutions reveal whether officials have performed their duties. Democracy is valuable as a mechanism of accountability: elections enable the people peacefully to remove officials who have not done what it is their responsibility to do. “Accountability,” it has been said, “is the central issue of our time.”¹

The focus of this paper is accountability in international development aid: that range of efforts sponsored by the world’s rich aimed at permanently bettering the conditions of the world’s poor.² We begin by surveying some of the difficulties in international development work that have raised concerns that development agencies are not accountable enough for producing positive results in alleviating poverty. We then examine the concept of

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¹ Coralie Bryant, quoted in “Asking the Do-Gooders to Prove They Do Good,” *The New York Times*, January 3, 2004, p. 9.

² This paper does not discuss international humanitarian (“emergency”) aid. Terry (2002) is an excellent treatment of the issues that have raised concerns about accountability in humanitarian aid agencies. See also the Humanitarian Accountability Partnership – International website (<http://www.hapinternational.org/>).

accountability, and survey the general state of accountability in development agencies. A high-altitude map of the main proposals for greater accountability in international development follows, and the paper concludes by exploring one specific proposal for increasing accountability in development aid.

1. The Challenges of Development Aid

International development projects aim to improve the material conditions and self-sufficiency of the poor in the medium to long term. According to the World Bank, there are currently more than 80,000 development projects underway.³ Typical projects include constructing dams to improve irrigation in Laos, teaching basic reading skills to pastoralists in Kenya, staffing remote health-care clinics in Bangladesh, organizing a farmer's cooperative in Nepal, and running a micro-lending program to help poor women start their own businesses in Mali.

All of these development projects attempt to transform resources drawn from rich individuals into permanent benefits for those living in poverty. Deploying these resources so that they make a positive contribution to the lives of poor is always challenging, with the challenges coming on three levels. First, any single development project will be technically quite complex. Second, projects tend to have spillover effects in the wider environment in which they are executed. Third, the flow of aid money and aid projects into a country can generate negative effects in the aggregate. Following is a catalogue of the main factors on these three levels that can make poverty alleviation difficult.

First, any development project will face technical challenges in design and management.⁴ Most development planners face the dilemma that projects must be sensitive to

³ Fleshman (2004). In this section, and in sections 3 and 4, I draw on Wenar (2003) and (2005).

⁴ Handy (2005); Cracknell (2000).

local skills and customs to ensure participation and so success; yet the success of a project also turns on effecting significant changes in the productive, or political, or reproductive practices of those who are meant to participate. Asia and Africa are speckled with decaying infrastructure projects from earlier eras of development aid whose operation did not fit with the skills and customs of the target populations. Projects intended to resettle communities, or to empower marginalized groups, or to democratize local politics typically disrupt settled practices in ways that some people naturally resist. When a project's success will depend on a change in gender or sexual relations—such as in female literacy or AIDS-prevention projects—these kinds of difficulties are intensified. Moreover, the environment in which a project is being executed can be expected to change during the period when the project is implemented. Project managers will expect to confront economic or environmental shocks, or new directives a local government, or new players who enter trying to capture project resources, or new attitudes toward the project and its staff among the project's intended beneficiaries.

Second, looking at the development context more broadly, the implementation of most projects within poor countries can also be expected to have spillover effects.⁵ The most significant spillover effects arise from the diversionary pressures on the project's resources. Most of these diversionary pressures can be traced to the poor state institutions within poor countries. In most poor countries state institutions are either quite weak, or are strong and self-serving. Indeed most poor people in most poor countries remain poor at least in part because their political institutions are inefficient, or venal, or despotic, or absent altogether.

If a development project is implemented through the ministries of the poor country, project funds and supplies may be diverted at the national, district, or local levels of

⁵ Uphoff (1995); Oakley (1999), pp. 81-83.

governance. If the implementing agency is an international aid NGO, there is also significant potential for resource diversion. Aid NGOs often have to fund the poor-country government directly: either to get permission to carry out their projects, or through paying local taxes. These payments from NGOs to poor governments can support the rule of authoritarian leaders and feed corruption in the bureaucracy. NGOs must sometimes pay corrupt officials or warlords in order to maintain their headquarters in the national capital, and must sometimes pay off or even employ criminals in order to carry out their projects in the field. Those who exercise illegitimate power in a country are often glad to welcome aid agencies in, as having agencies in the country will increase their opportunities for patronage.⁶ And NGOs by definition have no official power of their own, which limits their ability to bargain with governments and criminals.

These potential resource diversions illustrate what might be called the iron law of political economy. In the absence of good institutions, resources tend to flow toward those who have more power. The less powerful people are, the harder it is to get resources to them. A well installed in a remote village will not help the poorest if after the aid agency leaves the well is taken over by a local gang, thus forcing the poorest villagers to travel even farther to get fresh water. The benefits of paying doctors to staff rural health clinics will be limited if, as in Bangladesh, the absentee rate for the doctors is 74%.⁷ Even an enormous poverty-relief program like Mexico's PRONASOL, which spent over one percent of the country's GDP per year for five years, will not relieve poverty if the funds are primarily used by public officials to support the ruling party through electioneering and clientage.⁸

⁶ Rose-Ackerman (2004).

⁷ Chaudhury & Hammer (2003).

⁸ Dresser (1994); Diaz-Cayeros & B. Magaloni (2003); Ackerman (2004), p. 456. Diaz-Cayeros and Magaloni (pp. 2-3) estimate that the PRONASOL funds, if perfectly targeted as monetary transfers, would have

Without the checking mechanisms of good institutions in place, it is very difficult to get resources for development to flow toward those who have the least power. The richer, stronger, healthier, better armed, better fed, better educated and better located people are, the more likely they are to capture benefits from any stream of resources.

The third level of complexity in development work sits on top of the other two, and results from the mass of money or projects that come into a poor country at once. Poor governments that receive a significant percentage of their budgets from aid may become less capable of independent action, may become more responsive to donors than to their own citizens, and may generate a domestic culture of rent-seeking. When multiple donors and ministries fail to coordinate their programs there is also considerable potential for waste, coverage gaps, and policy conflict.⁹ On the non-governmental side, sometimes just the sheer number of NGOs working in a country can undermine their efforts at poverty relief. As a recent UNDP report notes, in Tanzania in the 1980s some 40 donors maintained 2000 different aid projects.¹⁰ The task of joining up these projects into a coherent overall pro-poor strategy would be monumental, even if there were some agency that could take it on.

In sum, the challenges in development work arise from the complex nature of the projects, from the spillover effects from diverted resources, and from the emergent effects of significant aid inflows or of many aid projects being implemented simultaneously. All of these challenges decrease the odds that the resources put into aid will, ultimately, produce net benefits for the poor.

alleviated one third of the severe poverty in Mexico (where 15% of the population was at the time of the program under the \$1 day international poverty line).

⁹ Fleshman (2004); Edwards & Hulme (1995b), p. 190.

¹⁰ UNDP (2003), p. 41.

The past twenty years have seen a greater awareness of these challenges to success in development. This period has also seen a series of discouraging studies on the overall effectiveness of development aid.¹¹ These two factors, along with the increasing public awareness of the moral imperative to reduce severe poverty, have combined to push the topic of accountability to the top of the development agenda.

2. The Concept of Accountability

A familiar legal maxim says: “Justice must be done, and justice must be seen to be done.” A parallel maxim captures the concept of accountability: “Responsibility must be fulfilled, and responsibility must be seen to be fulfilled.”

Accountability is second-order responsibility. When we say that someone is *responsible* for something, we mean that it is up to them to take care of it. When we say that someone is *accountable* for something, we mean that they have an extra responsibility on top of this—a responsibility to be able to show that they have fulfilled their original responsibility. It is up to the accountable agent to be able to show that they have done what it is up to them to do.¹²

Accountability always carries with it the possibility of negative evaluation and sanction.¹³ An accountable agent who fails to show that it has fulfilled its responsibility will be blamed, and subject to warning, reprimand, dismissal, fines, criminal penalties, withholding of future donations, removal from office, and so on. Accountability also of

¹¹ For example, Mosley, Hudson & Horrell (1987); Boone (1996); Burnside & Dollar (2000); Edwards & Fowler (2002), p. 190.

¹² Grant & Keohane (2004).

¹³ Behn (2001), p. 3, Schedler (1999); Oakerson (1989), p. 114; Daniels & Sabin (2002), pp. 45-63.

course carries the possibility of positive evaluation, and so also of praise, promotion, re-election, and so on.¹⁴

An accountable agent is accountable *to* some person or agency. Accountability has a “direction”—it points to those to whom one must give account. For example, the board of a corporation has a duty to the shareholders to be able to show that it is running the company well, and the shareholders have a corresponding right that the board be able to account for its decisions.

Any authority at whom accountability points will have distinguishable powers, even when these powers are all in the hands of a single person. A finer analysis will separate out *standard-setting*, *performance-measuring*, and *sanctioning* powers. The power to set standards is the power to determine what norms the accountable agent must satisfy. The power to judge whether the agent has in fact satisfied the relevant norms is a second type of power. The third type of power is the power to penalize an agent found to have failed to live up to the norms it is bound by. In articulated systems of accountability such as advanced legal systems, these powers may be spread among different agencies. For example, within a legal system it may be that standard-setting powers are held by a legislature, performance-measuring powers are held by grand juries, and sanctioning powers are held by trial judges.

An agent can be responsible without being accountable. Adults are responsible for maintaining their own physical fitness, but they are not accountable to their fellow citizens for this. Similarly, friends are responsible for supporting each other through difficult times, but they are not accountable to outsiders to show that they have been supportive.

¹⁴ Some authors writing on development use the term “accountability” in a looser sense, requiring only that an accountable agent show itself to be responding to the demands of what it is responsible for; or in an “agency” sense, requiring that one actor be acting on behalf of another. See Slim (2002); Manin, Przeworski & Stokes (1999), pp. 8-10; Elster (1999); Fearon (1999); Mulgan (2002); Burall & Neligan (2005).

Why is it important sometimes to make agents not only responsible but accountable? There are, after all, costs to imposing the extra responsibility of accountability.¹⁵ It maybe quite *expensive* to be made accountable. For instance, making an aid NGO accountable may mean that it has to divert funds away from running programs in order to show that its programs are effective. Accountability is also the opposite of trust: making an agent accountable can signal to that agent that outsiders *distrust* the agent to fulfil its responsibilities. Moreover, accountability brings with it a certain *formal or legal structuring* of relationships. The demands of accountability may focus the accountable agent's activities on satisfying certain bureaucratic requirements instead of pursuing its underlying mission. Increasing an agent's accountability can even be *dangerous*, as when greater transparency in an aid agency's effort to empower the poor allows vested interests more easily to identify and threaten those attempting political reform.

Accountability has costs; yet these costs can sometimes be outweighed. The following list suggests some of categories of benefits of accountability:

1. *Incentives to agents.* An agent who knows that its affairs must be capable of withstanding scrutiny will have an *incentive* to respond to the values of those to whom they are accountable. So, commonly, an accountable agent can be expected to put *more effort* into the fulfilling its responsibilities, to be *more efficient*, to maintain *higher ethical standards*, to take *extra care in planning and acting*, and so on. Accountable agents also tend to be more *consistent*, since their actions have set visible precedents and are open to challenge.¹⁶

2. *Assurance to principals.* Typically accountable agents are representatives of others. Aid workers vaccinating children against polio represent those who donated to that aid

¹⁵ Elster (1999); Edwards & Hulme (1995b), p. 196; Ebrahim (2003); Wallace & Chapman (2004); Jordan (2005). For a sensitive and wide-ranging analysis of the costs of accountability, see O'Neill (2002).

¹⁶ Alexander (2000).

organization. Making the aid workers accountable provides *assurance* to the donors that the workers have acted so as to discharge some of their responsibilities towards the children. Moreover, accountability can help to *solve coordination problems* by providing this assurance. An accountable actor can show that it is capable of discharging its responsibilities, and so may become the focal agent of many principals. An NGO with a reputation for accountability may be more effective, because many people converge on directing their resources to it.

3. *Knowledge*. When agents are accountable, their actions are open to scrutiny. This makes it easier to subject their actions to *systematic study*, and may assist the *spread of good practice*.

4. *Transparency*. As just mentioned, the knowledge generated by procedures of accountability can be instrumentally valuable. Some may also think that a more transparent system is *morally better in itself*, or that transparency is constitutive of a system that has some other virtue like *justice*.

5. *Desert*. When agents are held accountable, it is more likely that what they receive will track what they deserve. Mechanisms of accountability also allow those who are evaluating the accountable agent to have more *confidence* in their judgments about what that agent deserves, and it *protects* the accountable agent against undeserved damage to their reputations.

These are some of the values surrounding accountability. Making agents more accountable is not always beneficial. US presidential elections are a mechanism of accountability; yet one could imagine how burdensome it would be were these elections held quarterly instead of quadrennially. Increasing accountability can increase efficiency, and assurance, and honesty, but it can also waste resources, divert attention toward irrelevant

targets, and foster distrust. Only when the benefits of making an agent more accountable outweigh the costs of doing so will it be morally important to increase that agent's accountability.

3. A Survey of Accountability in International Development

Accountability should only be increased when its benefits are worth its costs. That fact would not be worth special mention had accountability not become a sort of philosopher's stone in the recent discourse on development. In the current political environment, it is advantageous for development agencies of all kinds to claim that they are highly accountable, even if they are not, and even if there is no good reason for them to be so. What follows is an overview of the state of accountability in development aid.

One can get an initial sense of the moral and practical issues surrounding accountability in development aid by viewing development from a broad moral perspective. Morally, the fundamental relationship in international development is between the rich individuals who provide resources through taxes or donations and the poor individuals who are the intended beneficiaries of these resources. Within this fundamental relationship responsibility is not matched with accountability: rich individuals are entirely unaccountable to the poor for discharging their responsibilities to aid. If rich individuals fail to provide enough resources to address severe poverty, or fail to direct resources in ways that relieve poverty, they face no sanction whatsoever. The power of any collection of poor people to penalize any collection of rich people for generating insufficient or ineffective development aid is effectively zero. Moreover, there is no practical way of increasing accountability within this relationship. The enforcement of any norms of accountability on rich individuals would impose costs that rich individuals would never accept.

The more specific contemporary concerns about accountability in development have centered on the intermediate institutions that link the rich with the poor. Any development effort will involve a chain of intermediate institutions, which will typically be made of some combination of institutions of the following four types:

1. Governments of rich countries;
2. Governments of poor countries;
3. International financial institutions (such as the World Bank);
4. Aid NGOs.

The main concern is that these institutions may fail to use the resources entrusted to them effectively to relieve poverty. In theory, if these intermediate institutions should be accountable to anyone, they should be accountable either to the poor individuals who are the intended beneficiaries of the development projects, or to the rich individuals who pay the money for the projects, or to both.

However, when we look at these chains of intermediate institutions, we find little power of accountability located at either end. Neither rich nor poor individuals presently have much ability to sanction these intermediate institutions for failing to turn the resources provided into demonstrably effective poverty-relief projects. In the most general terms, this is because the intended beneficiaries—who are well placed to know whether the aid is working—are very poor and so have little power to sanction anyone. Meanwhile the rich individual taxpayers or donors who might sanction the failure of intermediate institutions face very high costs in determining which poverty-relief efforts have been successful.

Moreover, as it stands the institutions intermediate between the rich funders and the intended beneficiaries do not tend to face the pressures that keep other institutions

accountable to their funders and their beneficiaries. Consider, for example, international aid NGOs. Aid NGOs are not run for profit, so are not accountable for providing good projects in the same way that businesses are held accountable for providing good products and services through consumer choice. Nor of course are aid NGOs accountable to any democratic electorate. And the checks that can constrain government agencies, such as media scrutiny and academic study, in fact put quite weak pressure on aid NGOs to ensure effectiveness in aiding the poor. Since NGOs are bringing money into a poor country, the government and the media in the poor country usually do not give NGO effectiveness serious scrutiny. Moreover, the failure of a complex development project in a poor country is not something to which the international media attends. While academics do publish studies of the effectiveness of NGO-implemented projects, there are presently few paths for translating these studies into sanctions for poor performance. And external audits on aid NGOs cover only the basics of financial probity, without touching on the effectiveness of the NGOs' projects.

The intermediate institutions that are the most accountable to both rich and poor individuals are their respective national governments. Rich individuals can in theory put pressure on their countries' aid bureaucracies through elections, lobbying, and public advocacy. Poor individuals can strike, protest, and in some cases vote when international aid resources are not used in ways that they accept. Yet in general rich individuals find it very difficult to determine which of their governments' poverty relief efforts should be sanctioned for poor performance; and the poor mostly find themselves outmanoeuvred or simply outgunned by the authorities within their states.¹⁷ So we do not find much power in either rich or poor individuals to sanction intermediate institutions for the failure of development projects.

¹⁷ Ackerman (2005).

What we do find is some accountability between the connecting links within the chains of intermediate institutions. It is these internal relations of accountability that have been the subject of most recent attention and movements for reform. For example, there have been several proposals to restructure the voting system within the World Bank which aim to make the Bank more accountable to the governments of poor countries.¹⁸ Or again, OECD countries have recently begun to make aid transfers more conditional on good governance in poor countries in an effort to make the governments of poor countries more accountable to the governments of rich ones.¹⁹

In evaluating such proposals for increasing accountability between linking institutions, attention to the costs and the benefits is particularly vital. There is nothing intrinsically valuable about making one institution more accountable to another. Increasing accountability between institutions always involves costs, and these costs should only be born when they are outweighed by the benefits. Reducing severe poverty is by far the most urgent goal of development aid, so increasing accountability between institutions will be important primarily insofar as this leads to more effective poverty relief.

A corollary of this thesis is that mere presence of accountability mechanisms between aid institutions is not sufficient to help reduce poverty. Indeed these mechanisms can impede poverty relief. The accountability mechanisms of the US Agency for International Development (USAID), which is the main ministry that disburses official American aid, are

¹⁸ Woods (2001); Kapur (2002); Rich (2002); Fox (2002).

¹⁹ OECD (2002).

an example of this.²⁰ USAID budgets operate on a yearly cycle; every year both houses of Congress and the State Department negotiate over which programs to fund.²¹ The State Department typically attempts to deploy USAID money to reward or incent the governments of politically strategic allies. Congress, by contrast, responds to pressures of American interest groups, such as farmers and shippers who want to export excess US grain on US ships, or to ethnic groups who want funds channelled to foreign countries where their ethnicity predominates, or to manufacturers who want money given to foreign governments on condition the money be used to buy their manufactured goods.²²

²⁰ USAID controlled \$5.7 billion of the \$12.6 billion US foreign aid budget in 2004. The Millennium Challenge Corporation is now growing rapidly, and its ascendancy will represent a major shift in how US aid is administered. See Tarnoff & Nowels (2004).

²¹ Here I draw on Clements (1996).

²² Schraeder, Hook, & Taylor (1998). The Congressional Research Service reports that: “Most U.S. foreign aid is used for procurement of U.S. goods and services, although amounts of aid coming back to the United States differ by program. No exact figure is available due to difficulties in tracking procurement item by item, but some general estimates are possible for individual programs, though these may differ year to year.... Food assistance commodities are purchased wholly in the United States, and most expenditures for shipping those commodities to recipient countries go entirely to U.S. freight companies. Under current legislation, three-fourths of all food aid must be shipped by U.S. carriers. On this basis, a rough estimate suggests that more than 90% — at least \$1 billion in FY2004 — of food aid expenditures will be spent in the United States.... Most bilateral development assistance and the ESF, NIS and SEED components of economic political and security assistance support programs in developing countries and the new European democracies, respectively. Although a small proportion of funding for these programs results in transfers of U.S. dollars, the services of experts and project management personnel and much of the required equipment is procured from the United States. According to USAID, 81% of total USAID procurement between October 2002 and September 2003 under these programs came from U.S. sources.” Tarnoff and Nowels (2004), pp. 18-19.

USAID accountability mechanisms work primarily to assist these domestic political and economic interests. Because of the competitive nature of the budgeting process, each interest group requires a detailed report from the agency who receives the funding—not primarily to assess whether the poor overseas have been benefited, but rather to lay down a negotiating marker for the next budget cycle. The result of the USAID budgeting process is a system of heavy accountability that hinders poverty relief. The funds that USAID disburses are at best contingently related to long-term pro-poor goals, and the accounting requirements on recipient aid agencies take resources away from their efforts to help the poor. It should be noted that the lack of pro-poor accountability in USAID is not attributable to an idiosyncratic American meanness or ineptitude, but rather to the fact that funds are disbursed by a bureaucracy on which any pressures to help the foreign poor are almost entirely overwhelmed by pressures arising from domestic political and economic interests.²³ Accountability mechanisms are unlikely to further the cause of poverty reduction if they are not specifically designed to do this.

4. The Accountability of Aid NGOs

Of all the links of accountability within development aid, the most discussed recently have been the those involving international aid NGOs such as Oxfam, Care, and Save the Children. NGO accountability is in many ways a more revealing topic than World Bank or IMF accountability, since these international financial institutions are clearly more accountable overall (although perhaps, as many have suggested, not to the right people or in the right ways).²⁴ NGO accountability is also an intriguing topic because it raises the question

²³ Schreder, Hook & Taylor (1998); Alesina & Dollar (2000).

²⁴ Fox & Brown (1998); Dahl (1999); Grant & Keohane (2004). For critical views on these institutions generally see the Bretton Woods Project website (<http://www.brettonwoodsproject.org>).

of whether NGOs—which often aim to hold others to account by, for example, publicizing public corruption or unfairness in trade—are themselves accountable.²⁵ The goal in examining NGO accountability in this section will not be to recommend any particular change in accountability mechanisms, but to survey the current state of accountability and compare two major approaches to reform.

Financial probity is the aspect of NGO accountability that has received the most public attention. Legally most NGOs are accountable to their trustees, who ordinarily provide light oversight concerning fiscal management. NGOs must also typically account for their activities to the governments of the poor countries in which they operate, and sometimes to the government of the country in which they are based; yet this usually amounts to little more than filing some perfunctory reports and being subject to an occasional audit.²⁶ These relatively relaxed standards regarding financial probity seem appropriate, since there is a general consensus that few aid NGOs are dishonest in their finances. The issue of most serious concern is not whether aid NGOs are engaging in defalcation, but whether they are using their resources effectively to benefit the poor—not propriety, but performance.

Regarding performance, no aid NGO is accountable in a significant way for benefiting the poor in the long term. If an aid NGO fails effectively to help the poor, there are virtually no mechanisms in place to sanction it. NGOs do not release (and as we will see often do not even collect) the information about project effectiveness that would enable private donors to hold them accountable for their successes and failures. The fundraising materials that aid NGOs target at the public are not reliable sources of information for

²⁵ Grant & Keohane (2004); Wapner et. al (2002). For a series of papers critical of NGO accountability, see American Enterprise Institute (2003).

²⁶ Edwards & Fowler (2002).

evaluating the agencies' effectiveness.²⁷ And the one financial figure that the public has tended to focus on—the ratio of fund-raising to administrative costs—has no standard meaning and little relevance to program success. Donor countries and multilaterals have recently been increasing their requirements on NGOs to report on project planning, finances, and progress.²⁸ Yet these funders generally do not sanction the NGOs they fund for lack of long-term positive impact on poverty. Moreover, aid agencies tend to abide by a “code of silence,” instead of criticizing each other for failing to mount effective projects.²⁹ And aid NGOs are accountable to the recipients of their aid for long-term impact virtually not at all.

Several theorists have remarked that this lack of accountability in aid NGOs seems extraordinary.³⁰ Organizations which have as their mission to improve the long-term conditions of the poor have virtually no responsibility to be able prove that they are accomplishing this mission. From the perspective developed here, the lack of accountability in aid NGOs is certainly a matter of concern. Yet the lack of NGO accountability should not generate hasty calls for reform. Increasing NGO accountability will only be important when the reforms will be feasible, beneficial, and worth the costs that such mechanisms inevitably generate. Increasing NGO accountability will only be important insofar as this works to reduce poverty.

In contemporary discussions of NGO accountability, there are two main models for reform. One is that NGOs should increase their accountability upward—that is, their

²⁷ Edwards & Fowler 2002, p. 190: “Internal evaluations are rarely released and what *is* released comes closer to propaganda than rigorous assessment.”; Slim (2002).

²⁸ de Conick (2004); Wallace & Chapman (2004).

²⁹ Smillie (1993).

³⁰ Smillie (1993); Edwards & Hulme (1995b); Shiras (2003).

accountability to their trustees, to governments, or to the international financial institutions. The other major model for reform is that NGOs should increase their accountability downward—that is, their accountability to the poor individuals who are the intended beneficiaries of their programs. Each model for reform brings with it characteristic patterns of concerns.

Proposals for increased upward accountability for NGOs are the most common.³¹ Governments and the international financial institutions have under-utilized capacity to sanction poor NGO performance by withholding future funding, and governments in particular have the ability to set legal requirements on NGOs for greater transparency and efficiency. Governments and the international institutions also have a great deal of technical expertise in development, as well as a broader perspective on which kinds of projects are tending to be successful and which not.

However, there are also clear risks in increasing upward accountability for NGOs. As we have seen in the USAID case, there is always the danger of state-NGO relations being driven by political and economic interests within the donor state that have little to do with helping the world's poor. Moreover, procedures for upward accountability tend to be time-consuming and bureaucratic. Standardized reports from the field may not reflect the realities in the field, and writing these reports takes resources away from implementing the projects. Moreover upward accountability tends to be inflexible and only slowly responsive, thus limiting the ability of aid agencies to act quickly to the inevitable changes in circumstances that take place on the ground. There is also the risk that the threat of sanction will dissuade NGOs from attempting innovative strategies for development.³² Upward accountability is

³¹ Ebrahim (2003).

³² Desai & Howes (1995), Shah & Shah (1995); Chambers (1995); Wallace (2004); Jordan (2005).

potentially useful for redirecting development aid based on past performance, but it risks hindering the effectiveness of projects as they are underway.

In recent years there has been considerable enthusiasm for increasing NGO accountability downward, much of which has centered on a set of approaches called participatory development.³³ Participatory development aims to engage the poor in the design, implementation, and evaluation of the development projects which target their poverty. The idea behind participatory development is to involve the poor in projects so that projects become more sensitive to local practices and aspirations, while also encouraging greater participation in the programs by giving the beneficiaries a sense of ownership in them. The obvious advantages of participation are that it draws on the greatest pool of knowledge about local circumstances, while also engaging the poor in projects in ways that can lead to lasting improvements in their conditions.

Involving the poor in the design and implementation of development projects can be an effective technique for improving project outcomes. Yet it is difficult to translate such involvement into mechanisms for accountability.³⁴ It is one thing to listen to poor when designing a project, and another to give the poor the power to penalize what they judge to be bad performance.³⁵ In the terms of the conceptual analysis above, the poor may at best have some limited standard-setting and performance-measuring powers. Yet they always lack the crucial power to sanction.³⁶ Even agencies like ActionAid and Save the Children UK, which are in the vanguard of agencies promoting participation by the poor, do not allow the poor to penalize agency personnel or redirect resources against staff wishes. In these agencies'

³³ Chambers (1997); Kumar (2003); Roche (1999); Wils (1995); for some doubts see Cleaver (2002).

³⁴ Wallace & Chapman (2004).

³⁵ Burall & Neligan (2005).

³⁶ Roche (1999).

projects information flows to and from the poor, but the power over resources remains as always top-down.³⁷ As things stand, this seems almost inevitable. The poor have very little ability to force NGOs to cede power to them, and it is extremely rare for organizations (or, for that matter, for individuals) freely to grant to others the power to discipline them for not fulfilling their responsibilities.³⁸

Thus despite the attractive sound of increased downward accountability, the most feasible proposals for reform are those which make rich actors the agents of accountability. Only power can balance power, and it is in general only the rich and their agents who will be able to hold the rich and their agents to account.

5. A Proposal for Increasing Accountability in Development Aid

There are many ways of construing the direction of mechanisms for accountability besides upward and downward. Recently there have been “hybrid” proposals for “diagonal” and even “transversal” accountability.³⁹ Here I will explore the potential of one mechanism of “horizontal” accountability. In horizontal accountability, agents who are engaged in an

³⁷ Padmavathi (2004); Chapman, David, & Mancini (2004).

³⁸ Uphoff (1995), p. 20. There is anecdotal evidence that in some sub-Saharan African states the saturation of aid agencies on the ground is great enough that community leaders do have some power to choose among the various projects that different agencies offer. This may provide an accountability mechanism analogous to that of consumer choice among for-profit corporations, as community leaders have the power to choose the “service” that will serve them or their community best. One might speculate that this mechanism of accountability might become more important were significantly more aid funds channeled through NGOs. However, as it stands the power of choice mostly goes in the other direction: NGOs can choose which communities to work in, and are less likely to choose to work in communities that have the capacity to sanction them.

³⁹ Ackerman (2004); Goetz & Jenkins (2001), (2002).

activity regulate themselves. Examples of mechanisms of horizontal accountability are ombudsmen, ethics committees, and administrative courts.⁴⁰ The proposal that follows aims to set out a mechanism of horizontal accountability to oversee one of the most important parts of the development cycle: the evaluation of projects. This proposal to increase accountability in the evaluation function is put forward as a plan for a feasible mechanism of accountability whose benefits in terms of poverty relief seem likely to outweigh its costs.⁴¹

The evaluation of a development project is the primary mechanism by which the success of the project is judged. Evaluation is therefore the major mechanism through which it could be known which development agencies are being effective in alleviating poverty, and which types of projects work in different settings.

Development evaluation is its own professional specialization, with university-based training programs, departments within aid agencies and government ministries, a specialized literature, international conferences, and so on. Evaluation is professionalized because development projects are typically very difficult to assess. An evaluator must judge what effects a given intervention (like an AIDS education program or a microlending initiative) has had within an extraordinary complex causal environment, and can only make these judgments by contrasting the current situation with the counterfactual situation in which the intervention was not made. The difficulties in assessing such counterfactuals are significant.⁴² Moreover an evaluator must consider not only the effectiveness of the project in meeting its goals, but also its efficiency in cost terms. An evaluator must in addition try to predict the

⁴⁰ O'Donnell (1999); Ackerman (2005).

⁴¹ I draw here on a proposal for an evaluation association co-authored with Paul Clements. Clements came up with the idea for the association, and is the driving force behind the proposal.

⁴² Roche (1999). The use of randomized evaluation methods to address the problem of counterfactuals is a promising recent development. See Duflo & Kremer (2005).

long-term effects of the project, since these effects are usually the most vital for the project's ultimate success. Because of all of these complexities, there is a great deal of latitude in judging how successful any given project has been and will be.

It is likely that the latitude available to project evaluators, combined with the general lack of accountability in development agencies, has resulted in a serious positive bias in project evaluation. It is likely, that is, that evaluators tend to attribute more success to projects than is warranted.⁴³ We can see why this phenomenon is likely to occur, before going on to the evidence that it does occur and the consequences of its occurrence.

The reasons for the positive bias are simply that all parties (besides the poor) have an interest in projects being evaluated positively, and that there are few mechanisms of accountability in place to check this tendency. Aid agencies have an interest in positive evaluations, since these positive reviews will confirm their self-image of effectiveness and possibly help with fundraising. The governments of funding countries and recipient countries have interests in positive evaluations, since these validate their approval of the projects. And, most importantly, the evaluators themselves have strong reasons to submit positive evaluations. This is obvious for the "self-evaluations" that are done for most smaller development projects, where the group who has implemented the project also judges the success of the project. It is also true of evaluators who are hired as outside consultants for larger projects, since these consultants know that their future employment will often turn on a favorable review of the project of the agency that employs them. Even in-house evaluators, like those who work in the institutionally-insulated evaluation department of the World Bank,

⁴³ Carlsson, Kohlin & Ekbohm (1994); Clements (1999).

know that the way to get ahead is not to file too many reports that their agency's projects have failed.⁴⁴

The positive bias in project evaluation has led to what is known as the “micro-macro gap.” The “micro” evaluations that development agencies and governments commission for their own projects have typically found the great majority of these projects to be quite successful in meeting their poverty-reducing goals.⁴⁵ Yet several macroeconomic studies have found no or at best weak correlation between increased aid and important poverty indicators.⁴⁶ Given that the “micro” projects aim at the kinds of outcomes that the “macro” studies measure, at least one of these conflicting positions concerning project effectiveness must be mistaken.⁴⁷

⁴⁴ Carlsson et. al. (1994) p. 180, report on the related process of project appraisal that: “Even an appraisal system as rigorous as the World Bank’s is in practice continuously being manipulated, because it is subordinated to the individual interests of POs [project officers] (getting projects to the Board) as well as the organization’s own objectives (meeting the disbursement targets). ... Individuals are rational in the sense that they defend their, or their group’s interests.” The authors of this book do not allege that evaluations are positively biased so much as that evaluations are based on such inconsistent assumptions and methodologies as to be practically useless.

⁴⁵ Cassen et. al (1994).

⁴⁶ See the references in footnote 11.

⁴⁷ The qualified affirmative answer that Cassen et. al. give to the question of their book, *Does Aid Work?*, is actually relative to a slightly different question: Do aid efforts work in meeting their own objectives? The authors are candid about the methodological limitations of aid evaluation, and give several suggestions for improvements. They are also explicit that their conclusions do not take into account spillover and aggregative effects of the types mentioned above. Cassen (1994), pp. 86-142, 174-5, 225.

The latest report of the evaluation department of the World Bank (OED) has concluded that the capacity of the Bank to measure the impacts of its efforts on poverty remains weak.⁴⁸ And a major, independent study of NGO effectiveness states that:

A repeated and consistent conclusion drawn across countries and in relation to all clusters of studies is that the data are exceptionally poor. There is a paucity of data and information from which to draw firm conclusions about the impact of projects, about efficiency and effectiveness, about sustainability, the gender and environmental impact of projects and their contribution to strengthening democratic forces, ... and institutional capacity.⁴⁹

As one reviewer concluded, “Multi-country studies raise serious doubts as to whether many NGOs know what they are doing, in the sense of their overall impact on people’s lives.”⁵⁰

The benefits of enhancing the evaluation function are straightforward. The effectiveness of development assistance depends on the capacity of its practitioners to allocate resources in such a way as to maximize development impacts. If project evaluations can routinely make sound estimates of likely project impacts and cost-effectiveness, this will

⁴⁸ World Bank (2005), pp. 51-52.

⁴⁹ Riddell (2001) et.al., p. 99; who also say (p. 24), “If there is one consistent theme to come out of the majority of the country case studies it is that for the sheer numbers of evaluations that have been carried out, there are very few rigorous studies which examine impact: improvements in the lives and livelihoods of the beneficiaries.” Similar conclusions are reached in Oakley (1999), an overview study of Danish development aid.

⁵⁰ Davies (2002), p. 524; see Kruse (2005).

increase both the capacity and the incentive for development professionals to make the judgments upon which the effectiveness of development assistance depends. Since managers will gain from evaluations a more nuanced understanding of the consequences of their investment choices, over time these choices will improve. Since managers will anticipate that the consequences of their choices will be clearly identified in an evaluation, they will be more likely to take corrective action when it is needed. Donors who receive credible assurance about the quality of development programs and projects will be more confident in increasing their aid budgets.

Evaluators are currently employed by those who fund the projects that they evaluate. These funding organizations have strong interests in receiving positive evaluations of their projects' effectiveness. The structural problem that evaluators face in this way parallels the situation of accountants and auditors in publicly traded corporations. The accountants who keep the books and the auditors who check the books are employed by the managers. Yet the interest of corporate managers in using corporate resources for private purposes conflicts with shareholders' interest in managers promoting profits. Accountants and auditors are protected from being "captured" by the private interests of management by the rules of their professions, as codified, for example, in Generally Accepted Accounting Principles (GAAP), and as interpreted by associations of their peers. The aim of the proposed evaluation association is to generate an analogous set of principles and institutional capacities for evaluation professionals in development aid. A professional association of project evaluators would provide a counterweight to the institutional incentives for positive bias, while also improving the techniques of project evaluation.

The evaluation association would have the following structure. It would have a guide book, criteria for membership, a stamp, a standards committee, and a repository database. The guide book would lay out the principles of project evaluation, focusing on likely project

impacts and cost-effectiveness. Any member conducting an evaluation under the association's stamp would be bound to follow the approach laid out in the guide book or risk losing membership. This rule would be the source of the evaluator's independence from project management. The standards committee would be responsible for determining if evaluations comply with the association's standards. Each evaluation completed under the association's stamp would be indexed and included in a database in the repository. The repository would be made accessible to the association's members, to donor agency officials, and to project managers.

In addition to enhancing evaluator independence, the association would through its repository also support methodological advances in evaluation practice. It could be expected that the availability of independent evaluations would create incentives for decentralized improvements in evaluation practice, as evaluators use the repository to identify more effective approaches to impact assessment problems. These improvements will then in turn feed into improvements in project design. In this way the development community would generate through its own efforts a better understanding of what works to reduce poverty.

For the evaluation association to become viable, it would need a critical mass of members (evaluators), and these members will need a market for their services. This presents a "chicken and egg" challenge for the early stages of the association: evaluators may not invest in joining the association without a secure market, and donors may not hire evaluators (possibly at a premium) who limit the donor's influence on the evaluation process. Both evaluators and donors may recognize that an evaluation association is in the interests of the development community; yet they face a collective action problem in getting it off the ground. The best way to address this problem is for prospective stakeholders to be involved in designing the association. The initial challenge for the evaluation association would be to

give the stakeholders a sense of ownership, without compromising the association's independence and so its rationale.

The evaluation association would have moderate monetary startup costs, and continuing costs associated with the operation of a new professional organization. These costs would be relatively minor were the association to become effective in improving the evaluation of development projects. The association would also generate the transaction costs associated with adding any new layer of bureaucracy to a managerial system. These bureaucratic costs seem worth bearing. One general difficulty in development is that there are few cross-institutional mechanisms of accountability whose specific aim is to increase aid effectiveness. The institutional frameworks that links development agencies are weak and unstructured, just as the institutions of governance in many poor countries are weak and unstructured. And evaluation in particular is still in the early stages of evolution.⁵¹ Getting the institutional setting right for evaluation, so that incentives point in the right direction and information flows more freely among aid agencies, has the potential significantly to increase understanding of what aid works.

The proposed evaluation association would be a mechanism of horizontal accountability that makes evaluators more accountable to their peers. In providing this level of horizontal accountability, the association would also generate information about project effectiveness that would increase the vertical accountability of aid agencies to funding bodies, and eventually perhaps even to funding individuals. However, even if the evaluation association did come to be successful, its beneficial effects would be primarily at the level of

⁵¹ Kruse (2005). Cracknell (2000) contains a good introduction to the history of evaluation. One sees in this book how evaluation professionals have within the short span of forty years invented, standardized, and refined some fundamental techniques of project analysis, as well as the basic norms of professionalism. See Roche (1999) on the even more recent evolution of (long-term) impact assessment.

improved design and implementation of projects. The association would leave many of the problems of project spillover and project aggregation unaddressed. Given the generally low starting level of accountability in development aid, and the need for care given the potential risks of reforms, such proposals for modest progress seem the best that can be hoped for.

6. Conclusion

Development aid poses a series of complex challenges. Projects must both fit and revise local skills and customs; the institutional setting within which the projects are undertaken is typically dysfunctional or chaotic; more powerful actors at all levels are constantly attempting to capture the resources intended for the worst off; and the conglomeration of development efforts can generate anti-development effects. It is these difficulties and the uncertain record of aid effectiveness that have spurred movements for greater accountability in development aid.

Morally, the greatest need for accountability would be for the rich to be accountable to the poor for effective and sufficient development aid. But significant accountability of that kind is non-existent and probably impossible. The second most important connection of accountability would be for intermediate institutions to become more accountable for the effectiveness of projects either to the rich individuals who fund them or to the poor individuals who are meant to benefit from them. However, the complexities of development work and the poor's lack of power means that there is currently little significant accountability to either rich or poor individuals.

Where there is some degree of accountability, it is between the intermediate institutions. In some cases like with USAID, the accountability mechanisms in place do not work to reduce poverty. In these cases, there is a strong case for institutional reform. In other cases, as with aid NGOs, accountability for effective poverty relief is almost entirely absent.

This is not in itself an indictment of aid NGOs. Greater accountability is not always good, and when greater accountability in development agencies would be good its value is only instrumental, not intrinsic. The only value that matters when considering reform of aid institutions is what works to reduce poverty. There is a need to be more forthright about the current lack of accountability among development agencies. This would help to shift the focus onto specific proposals for increasing accountability that work toward long-term improvements in the lives of the world's poor.

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