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# NGOs, Trust, and the Accountability Agenda

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## Abstract

NGOs are undergoing an alleged crisis of trustworthiness. The past decades have seen an increase in both academic and practitioner skepticism, particularly given the transformations many NGOs have undergone in size, professionalism, and political importance. The accountability agenda, which stresses transparency and external oversight, has gained a significant amount of traction as a means to solve this crisis. But the causal link between the implementation of these recommendations and increased trustworthiness among donors has never been considered. This paper bridges this gap by drawing on theoretical innovations in trust research to put forward three arguments. First, the proponents of the accountability agenda are implicitly working with a rational model of trust. Second, this model does not reflect important social characteristics of trust between donors and NGOs. Third, this mismatch means that the accountability agenda might do more to harm trust in NGOs than to help it.

## Introduction

In 2015, the tragic suicide of a British pensioner who was allegedly overwhelmed with cold calls and requests from charities led to a public outcry in the United Kingdom over NGO fundraising practices (BBC News 2015). Though this tragedy could have generated any number of responses from the public in their expression of disappointment or outrage, the discussions and debate that followed were largely framed in terms of trust and trustworthiness. UK broadsheets argued variously that “there is a great deal to do to win back the trust of the public after this summer of scandals,” (Slawson 2015) that “Charities must themselves shoulder the burden of maintaining public trust,” (2015) or pointed out that “the readiness of the public to believe that charities are behaving badly reflects a serious decline in trust.” (Baggini 2015) In exploring the relationship between NGOs, donors, and the public more widely, trust was front and central.

This focus on a problem of trust was echoed in the UK government, which set up a review team to look into the sector’s fundraising practices. The results were published in a report entitled *Regulating Fundraising for the Future: Trust in Charities, Confidence in Fundraising Regulations* which, as the title suggests, framed the tragedy as a problem of NGO trustworthiness. The report’s conclusion that the regulatory shortcomings of the sector needed to be dealt with ‘swiftly and effectively to restore public trust’ (Sir Stuart Etherington et al. 2015, 4). Under pressure from the

Etherington review, and in the wake of exposed malpractices in the sector, many NGO bodies responded by announcing steps to tighten-up guidance rules “to retain public trust in the sector.” (Meade 2015)

The framing of Mrs. Cooke’s death as a crisis in NGO trustworthiness must be understood within broader trends in government, civil society, and academia. Issues of NGO trustworthiness came into renewed focus in the 1990s with several publications that questioned whether NGOs were the saviors they claimed to be (Edwards and Hulme 1996a; Edwards and Hulme 1996b; Gibelman and Gelman 2001; Smillie 1997; Sogge 1996). This work started an academic debate about the place of NGOs in the wider political system, scrutinizing several dimensions of their organization such as their legitimacy, accountability, representativeness, and trustworthiness (Feldman 2003; Holmén and Jirström 2009; Hudson 2002; Montanaro 2012).

The issue of trust is exceptionally important for NGOs. This is particularly the case in the relationship between NGOs and their donors,<sup>a</sup> since most NGOs are highly dependent on them for labor and financial help. An increase in the public’s perception of NGO untrustworthiness can lead donors to take their resources elsewhere, with potentially devastating consequences. Most of the solutions to this problem have involved the introduction of, or renewed emphasis on, accountability measures – such as those put forward by the Etherington Report. However, the popularity of this accountability agenda among NGOs and government regulators has not been met with a sustained consideration of whether the accountability agenda is likely to increase trustworthiness. At most, the current scholarship implicitly accepts or merely asserts that trustworthiness is a positive outcome of the accountability agenda. This lack of critical engagement is notable given that there is a large multidisciplinary literature on trust that NGO scholars could draw on to consider this issue. Given the importance of maintaining the trusting relationship between NGOs and their donors, and in light of significant implementation costs that come with the accountability agenda, it is important to assess whether accountability is an appropriate strategy for NGOs to maintain public trust.

This paper argues that by examining the accountability agenda through the lens of trust theory, serious questions arise. The accountability agenda makes implicit rationalist assumptions about the nature of trust that, at best, tell only part of the story and, at worst, may be totally out-of-sync with how some donors trust NGOs. Furthermore, there are good reasons to believe that the implementation of the accountability agenda might produce the exact opposite effect than intended – to increase individual donor distrust in NGOs by eroding the social base of trust that NGOs currently benefit from. This could paradoxically create the conditions that make the accountability agenda impossible to eliminate, leaving NGOs with permanent fixed costs that were previously unnecessary. In making this argument, we hope to open up a new strand of theoretically-informed empirical research on NGO trustworthiness that will inform academics and practitioners alike of the complexity of generating and sustaining trusting relationships across multiple donors types; one that we believe has been lacking in the NGO literature to date.

The paper makes this argument in five steps. First, it explains why the accountability agenda exists in the first place to highlight its purpose and goals. Second, it demonstrates how supporters of the accountability agenda operate through an underlying rationalist understanding of trust that stresses transparency to maximize information and the provision of external oversight that can levy penalties for non-compliance. Third, it argues that this rationalist understanding ignores how trust between

donors and NGOs is likely to have a strong social component that requires a consideration of social trust theory. Fourth, using social trust theory and the results of experimental social psychology, it argues that the accountability agenda is likely not as effective as its proponents suggest at sustaining or increasing trust and, at worst, may have the exact opposite effect. Lastly, it considers these results in light of the different types of NGO donors and suggests that although corporate and government donors might be institutionally predisposed to rational models of trust, this is less likely with individual donors. Though certain elements of the accountability agenda might be unavoidable in relationships with corporate and government donors, NGOs should not conflate the demands from specific donors with the needs of all donors – particularly given the potentially negative consequences of the accountability agenda that we identify.

## **The Accountability Agenda and its Critics**

The loss of perceived trustworthiness with donors can be a major problem for NGOs.

Trustworthiness, despite some contestation over its exact definition, revolves around whether one party has positive expectations that another party will fulfil agreements where there is the possibility of a loss to the first party if the second party defects (Coleman 1990; Hoffman 2002, 20; Kydd 2005, 3; Larson 1997, 12). In the case of trustworthy NGOs, donors have positive expectations that their time and money will be used wisely in the service of the NGO's cause. Donors' perceptions of trustworthiness will cut across several distinct domains, based on their expectations about efficiency, commitment to norms, and time and resource management. Perceptions of high NGO trustworthiness will attract donors since they will want to dedicate resources to NGOs that are likely to fulfil these expectations, while perceptions of low trustworthiness will lead donors to take their resources elsewhere. In a competitive environment where donors have multiple options, maintaining positive perceptions of trustworthiness can prove decisive for NGOs, not only for the existence of any individual NGO but also for the sector as a whole.

Given these problems, many scholars and practitioners have argued that the accountability agenda can provide the necessary checks and balances to prevent potential abuse of power or other malfeasance, whether intended or unintended. Many of these frameworks are market driven, based on principal-agent models, and are favored because they are seen as contract based and apolitical (Thrandardottir 2015, 109). Accountability measures under the principal-agent market model focus heavily on measuring how NGOs (the agent) are achieving the goals set out in their contract with the donor (the principal). This often involves managing NGOs' agendas and detecting possible conflicts of interest or misinformation. The accountability criteria used for monitoring and evaluation involve benchmarking and auditing performance, often to respond to issues of supply and demand in relation to service delivery (Frumkin 2002). Although the accountability agenda also relies on other models that are normative or representative in nature to test the legitimacy of NGOs, the market model is by far most common because it facilitates a contractual relationship between donors and NGOs with safeguards to ensure trust.

The recent proposals within the Etherington Report reflect a steady increase in institutionalized versions of the accountability agenda across the English-speaking world, including GuideStar (1994), the Sphere framework (1997), the Charity Navigator (2001), Statements of Recommended Practice (2005), and the Humanitarian Accountability Partnership (2003) and its successor the Core

Humanitarian Standard (2014). There is also an international version of the accountability agenda found in the INGO Accountability Charter (2008). Although these frameworks may differ in their functions and mission – some are focused on helping donors to benchmark charities, some on accountancy practices, or auditing, and others on internal codes of voluntary commitments – most of these schemes present themselves as ways to maintain or increase perceptions of trustworthiness in NGOs.

This emphasis on trust can be seen in the selling of workshops to the sector as “valuable in helping to build trust with your donors,” (The Sphere Project 2015) or, in a sales pitch to donors, arguing that “charities that are accountable and transparent are more likely to act with integrity and learn from their mistakes because they want donors to know that they're trustworthy.” (Charity Navigator 2016) Such references to trust are also visible in policy documents from the International NGO Training and Research Centre, which argues that adopting accountability codes of conduct is a way to gain ‘greater public trust’ (Heap 1997). Similarly, when explaining why organizations should join the INGO Accountability Charter, they argue that joining “improves trust in the organization” because “CSOs demanding high standards of accountability from governments and the corporate sector are only credible if they can evidence compliance with the same standards.” (INGO Accountability Charter 2016) The extent of this assumption, that accountability will help with NGO trustworthiness, is such that in 2009 INTRAC worried that any “coverage of *non-compliance* [with accountability measures] could serve to undermine public confidence in the NGO sector,” (Harris-Curtis 2009) implying that non-complying organizations would likely be seen as *de facto* untrustworthy by donors. “a proactive means of ensuring ... trust.” (Lloyd 2005, 6)

This assumption that accountability leads to perceptions of trustworthiness is also found in practitioner and academic commentary on the issue (Lee 2004, 7; Marschall, 1566; Sloan 2009, 220). For instance, Hugo Slim argues that NGOs need to act positively on potential trust problems through accountability (Slim 2002), an argument echoed by Robert Lloyd who argued that implementing accountability measures are “a proactive means of ensuring ... trust.” (Lloyd 2005, 6) Goddard supports the accountability agenda by arguing that, “governance structures such as regulatory regimes for NGOs work well and are perceived to be legitimate because they are important in sustaining trust among stakeholders. A weak and outdated regulatory regime for NGOs eroded this dimension of trust.” (Goddard and Assad 2005, 393-394) Finally, state regulatory institutions, such as the Charity Commission of England and Wales or the Australian Charities and Not-for-profits Commission, are tasked with inspiring “public trust and confidence in charities”, “[enhancing] the accountability of charities to donors, beneficiaries and the general public” (Frumkin 2002; The Charity Commission 2013, 1), with the ability to use “a number of enforcement tools” (Nehme 2014, 25) should expectations not be met. As a result of this consistent message coming from scholars, practitioners, and organizations, empirical studies suggest that leaders of transnational NGOs have by and large been socialized into the necessity of financial accountability to donors through these measures (Schmitz et al. 2012, 1177).

Though growing in influence, the accountability agenda has not been universally accepted. On the contrary, it has been criticized from a number of different angles. Lisa Jordan argued that with respect to accountability measures that, “ ... in [some] circumstances they are inadequate, they do not address the needs of the NGOs, they are divorced from missions, they do not address moral

obligations, they prioritize some relationships over others, they are quite often punitive and controlling in application, they are built upon some pretty powerful faulty assumptions, and often fail to recognize the context within which NGOs operate.” (Jordan 2007, 153) Accountability schemes increase pressure on NGOs to professionalize and bureaucratize their organizations, which comes at real financial and human resource costs (Courville 2006, 299) and at the expense of flexibility and informality, which is seen by some as a competitive advantage for NGOs (Sikkink 2002, 315). Some scholars have raised concerns about how the accountability agenda might prevent NGOs from reporting freely about the problems they encounter in their work in fear of donor retribution or defunding (Bebbington 2005; Williams 2010). Others have raised concerns about how these schemes tilt the power balance in favor of large donors to the exclusion of other important NGO stakeholders such as members and beneficiaries (Crack 2013, 294; Murtaza 2012). Finally, some scholars worry that the accountability agenda has the potential to co-opt the NGOs’ agendas (Baur and Schmitz 2012, 15-16) through what some scholars have called the “reputation trap,” whereby NGOs focus on the most easily-achievable goals in order to demonstrate a pattern of success that are not consistent with their long-term goals (Gent et al. 2015, 427).

Despite all of these arguments for and against the accountability agenda within the scholarly literature, no scholars or practitioners have explicitly engaged with one of the central claims of the accountability agenda: that it increases perceptions of NGO trustworthiness. This is remarkable given the amount of theoretical and empirical work on trust across several disciplines that can help us to assess why this connection between accountability and trust is being made and, importantly, whether or not it is sensible. The one critique of the accountability agenda that explicitly questions the link between accountability to trustworthiness argues that the ‘audit culture’ of the accountability agenda might ultimately erode trust through the creation of perverse incentives, particularly by leading NGO staff to make either arbitrary or unprofessional choices (Lewis 2007, 145). But outside of this one work, no scholar or practitioner has explicitly considered the link between the accountability agenda and trustworthiness in a sustained and theoretically-informed manner.

By drawing on trust scholarship, we intend to demonstrate that the assumed link is at odds with much of the literature. In order to make this argument, we first will show how supporters of the accountability agenda, who believe it to promote NGO trustworthiness, are working under implicit rational assumptions about the nature of trust between NGOs and donors.

## **Accountability and Rationalist Trust**

This section argues that the central ideas of the accountability agenda fit squarely within a model of rational trust.<sup>b</sup> In a nutshell, the rationalist model puts forward the idea that trusting NGOs, like any other person or institution, is a function of 1) the amount of information that donors have about the character and interests of an NGO and 2) the ability to structure these interests through the threat of external penalties. In other words, the increased availability of information about an NGO increases the likelihood of donors correctly identifying trustworthy NGOs to support or to work with. The existence of external sanctions, should NGOs fail to live up to their obligations, also increases their trustworthiness as a sector, because NGOs will be less likely to defect from their commitments

with the threat of a penalty and donors will take these positive incentives into consideration when assessing trustworthiness.

As with any grouping of scholars, those who study rational trust are not uniform in their thinking. But what sets them apart is their insistence that trust is primarily, if not solely, a calculative exercise involving observations of other actors that yields a prediction about their future behavior. James Coleman, one of the leading proponents of this view, argues that trust must involve a type of risk category, specifically, a decision by one actor to engage in an action where the outcome depends on the performance of another actor (Coleman 1990, 91). Trust, for the actor involved, occurs “if the *chance of winning*, relative to the *chance of losing*, is greater than the *amount that would be lost* (if he loses), relative to the *amount that would be won* (if he wins).” (Coleman 1990, 99)<sup>c</sup> In other words, if placing the bet in the performance of the other actor results in a positive expected value, then trust is conferred. If it results in a negative expected value, then trust is not conferred. Even in other variants of rational trust, to say that an actor trusts another “is to say nothing more than that I know or believe certain things about you - generally things about your incentives or other reasons to live up to my trust” (Hardin 2002, 10). In short, trust is reducible to knowledge of the other.

Under rational trust, donors trust NGOs only through making these estimates of cooperation or defection that feed into a calculation of an expected value. From the perspective of donors, there are 1) particular positive payoffs to the donor associated with the NGO doing what is expected of it, 2) a series of direct and opportunity costs involved in engaging with the NGO, and 3) a probability for the NGO to defect on these expectations leaving the donors in a worse state. The donors will act using the information at hand to place a bet on the future behavior of the NGO to ensure their expected value is positive, given their understanding of the values across these three variables.

But how can donors gain the information that allows them to make these judgements? Since it is important to be as accurate as possible in each category, gathering new information is central to the decision to trust (Coleman 1990, 104). One of the most basic sources of information comes from interacting with the NGO. This raw information gained through interaction is often operationalized through a Bayesian process where actors initially make a rough estimate of the trustworthiness of the potential trustee. As new information comes in, this estimate is then updated and corrected, moving the probability in an upwards or downwards direction (Hardin 2002, 113). While it is always possible to misplace trust in this framework, that is, for donors to misidentify an NGO as trustworthy when they are actually untrustworthy, in the long run “convergence on correct beliefs is more likely than convergence on incorrect beliefs.” (Kydd 2005, 19)

However, there are two problems associated with using iterative interactions to calculate trustworthiness. First, donors might not have sufficient previous experience with an NGO that would allow them to trust a trustworthy NGO. Second, the lack of experience might also lead donors to miscalculate from time to time, trusting an untrustworthy NGO who then defects on their commitments. So what might help donors to identify NGO trustworthiness? Given Hardin’s acknowledgement that “what is sensible for a given individual to expect depends heavily on what that individual knows about both the past and the future of the person or the other party to be trusted,” (Hardin 2002, 130) the first answer is to have other sources of information about the NGO. If information can be gleaned outside of interaction then actors can more easily make decisions over whether the NGO was trustworthy or not, even before interactions take place. The second answer is

to impose costs on NGO defection through external inducements (Hardin 2002, 28-29). The presence of cost-imposing institutions makes it more likely that NGOs that might otherwise defect will meet the expectations set for them. Both strategies, extra information and external inducements, increase the probability that donors will correctly choose to interact with trustworthy NGOs.

We argue this is the fundamental and, up to this point, implicit logic that underpins the claims that the accountability agenda helps to improve trustworthiness. Not only do all forms of the accountability agenda stress the need for transparency and external oversight to create conditions of trustworthiness, but scholars and practitioners writing in support of the accountability agenda directly make this link (Burger and Seabe 2014, 6; Farrell and Knight 2003, 542; Grant and Keohane 2005, 30; Havrda and Kutílek 2010, 165; Phillips 2012, 811-812; Prakash and Gugerty 2010, 24; Prideaux 2015, 385; Sir Stuart Etherington et al. 2015, 35; Steffek and Hahn 2010, 13; Szper and Prakash 2011, 115; Weisband and Ebrahim 2007, 5), without explicitly referring to theories of rational trust. Other scholars have focused on the importance of external sanctioning institutions to support expectations of likely compliance and promote transparency and accountability (Avant et al. 2010, 361; Etzione and Senden 2011; Grant and Keohane 2005, 29; Hyndman and McDonnell 2009, 14; Sir Stuart Etherington et al. 2015, 51; Weisband and Ebrahim 2007, 5), again in line with the rationalist logics of trust.

There is thus an implicit use of a rationalist model of trust in the structure of and support for the accountability agenda. This is evident not only in the particular prescriptions of the accountability agenda, transparency and external oversight, but also in the way that the scholarly and practitioner literatures defend these prescriptions – linking them to increased perceptions of trustworthiness. Accountability enables perceptions of trustworthiness because it 1) provides information about the actor that allows donors and beneficiaries to judge trustworthiness before interacting, and 2) because it provides punishment mechanisms that push NGOs towards compliance, further increasing the expectation of trustworthiness.

This link between rational theories of trust and arguments supporting the accountability agenda has, however, never been suggested in the academic literature. This is important because, having identified a theoretical position that underpins the accountability agenda and the literature supporting it, we can then start to ask whether it is an appropriate model for donor trust in NGOs. The next section therefore takes this as its primary task, arguing that although rational calculation is certainly an element of donor's perceptions of NGO trustworthiness, unto itself the rational model is flawed in this context. In order to understand why this is the case, we argue that a different model of trust, social trust, is needed to fill the gap.

## **Social Trust and NGOs**

Social trust theories start not by dismissing the rational element of trusting relationships, but by pointing out that trust is not simply a mechanism through which we place a bet on the behavior of others when we believe the expected values are positive. In addition to the rational and observational component, trust is a social phenomenon that is affected by other types of social conditions and relations. These social conditions and relations can take many forms and interact with rational prediction (Möllering 2006, 360; Parsons 1969, 336-337). As Lewis and Weigert put it,



“Trusting behavior may be motivated primarily by strong positive affect for the object of trust ... or by “good rational reasons” why the object of trust merits trust ... or, more usually, some combination of both.” (Lewis and Weigert 1985, 972) For example, Mayer et al. note that perceptions of benevolence and integrity are equally as important in imparting trust as are perceptions of ability (Mayer et al. 1995, 717-720), suggesting both rational and social components of trust.

So if trust is based on something more than just expectation of prior experience or public information, what factors might be involved? One of the most relevant causal factors put forward by scholars across disciplines are shared identity and solidarity such as common values, group membership, and the feeling of working towards common goals (Hurley 2011, 30; Luhmann 1984, 179; Parsons 1969, 336-337; Rousseau et al. 1998, 399). Though these factors will vary somewhat across NGO types, most donors will give their resources to NGOs on the basis that they feel a connection with the cause put forward by the NGO, be it for environmental protection, support of disadvantaged groups, or gun rights. These commonalities are important because they generate a familiarity in the trusted actor without direct experience (Luhmann 1979, 19). When we see others as familiar, we believe them more likely to engage in reciprocity (Hurley 2011, 57), which increases our perceptions of their positive intentions and therein, trustworthiness (Rousseau et al. 1998, 400). Instead of needing a great deal of information, as suggested by the rational model, familiarity can be gained in the shorthand form of similar identity and political solidarity. Where donors feel an ideological or solidarity connection with the NGO, they are likely to consider the NGO to be more trustworthy, absent any other information to the contrary, at an earlier stage than would otherwise be expected.

This link between ideology, solidarity, and perceived trustworthiness put forward by social trust theorists could explain why NGOs are consistently seen to be highly trustworthy, sometimes the most trustworthy organizations in society, in survey after survey (Edelman Berland 2015; House of Commons Public Administration and Constitutional Affairs Committee 2016, 10; Logister 2007, 168; Paul 2000; Phillips 2012, 817; SustainAbility 2003, 9, 37; The Charity Commission 2013, 2), even in places where public trust in other institutions is low (Marinova 2011, 161), and despite the lack of full transparency and oversight in the ways the accountability agenda suggests. SustainAbility, for instance, suggested in a report that “While NGOs have no monopoly on values, this dimension of their positioning accounts for much of the public trust in which they are held.” (SustainAbility 2003, 37), reinforcing the link between shared values and perceptions of trustworthiness.

So how do these social factors increase trustworthiness? Luhmann suggests that trust allows us to replace the complicated objective world that we observe with a less-complex cognitive system that draws selectively upon our experiences and, importantly, ‘overdraw[s] on the information which it possesses.’ (Luhmann 1979, 32). So instead of being rationally calculative, trust makes us certain where we should not be because it overemphasizes the positiveness of the little information present. As such, trust cognitively reduces our perceptions of the real risk of defection (Keating and Ruzicka 2014, 755; Luhmann 1979, 15). This allows us to “take for granted the relevant motivations and behaviours of others.” (Anheier and Kendall 2002, 349) At its maximum point, trust can ensure that ‘most of the contingently possible future events are thought of as zero for all practical purposes ... because to trust is to live *as if* certain rationally possible futures will not occur.” (Lewis and

Weigert 1985, 969) In the rational Bayesian model, iterative information gathering can increase the perceived probability of trustworthiness, but this can never reach one hundred percent because uncertainty is inescapable. Social trust, alternatively, theoretically opens the space for risk being habitually conceived as non-existent. While not all relationships will be habitualized such that there is no cognitive expectation of defection, the importance of trust from a social perspective is that it leads us to act as if the possibility of defection were greatly less than it actually is.

There are thus two major differences between rational and social trust theories that have implications for understanding the relationships between donors and NGOs. First, the social trust assumes that common identities and solidarities will provide higher perceptions of trustworthiness, barring blatant contrary evidence, while rational trust presupposes mistrust and assumes only information can affect whether a donor will trust an NGO. Second, whereas trust for rational scholars is a means through which risk and uncertainty are managed, for social scholars trust allows an actor to reduce or escape feelings of risk and/or vulnerability, to the point of habitually ignoring the possibility of defection.

## **Trust and the Accountability Agenda**

So how does our understanding of the accountability agenda differ if we consider it from a social trust perspective rather than a rational trust perspective? First of all, rational and social theories of trust will disagree about purpose of the accountability agenda. From the perspective of rational trust, the focus on transparency and external accountability increases perceptions of NGOs trustworthiness. Transparency ensures that donors can detect an untrustworthy NGO from their prior behavior instead of having to discover this by interacting with them. External accountability provides the stick that adjusts the cost/benefit analysis of potentially defecting NGOs towards cooperation, again increasing perceptions of trustworthiness.

From a social trust perspective, however, the accountability agenda is more problematic. Instead of being indicators of trustworthiness, transparency and external accountability are exactly the opposite – they are indicators of perceived untrustworthiness. This is because both transparency and external accountability are hedges against potential defection - they are costs taken in the present that are meant to mitigate or prevent potential losses of future defection. As hedging strategies, transparency and external accountability are only necessary amidst prevailing distrust. If donors truly trusted NGOs, their perception of potential defection would be greatly reduced, if not zero, and there would be little to no need to implement them (Keating and Ruzicka 2014). So the purpose of the accountability agenda diverges greatly depending on whether you take a rational or social trust perspective. For rational trust theorists, it promotes trustworthiness. For social trust theorists, it is actually an open sign of distrust in NGOs.

Second, rational and social theories of trust disagree about the expected outcomes of the accountability agenda. From a social trust perspective it is possible for trust to become habitual and taken-for-granted. Habitual trusting, however, can be disrupted. One obvious way would be for a defection to occur, which leads to the open assessment of the original habitual beliefs because when it creates a suspicion that this disruption of expectations might become generalized (Zucker 1986, 102). Depending on the case, such a disruption can lead to either renewed trust or a decrease in

perceived trustworthiness. But the habitual nature of social trust can similarly be disrupted by the open questioning of the relationship. As Luhmann argues, this is because:

A very precise articulation of reasons and views ... can quite easily even become a disrupting factor or may, even more, arouse distrust. To offer detailed factual information and specialized arguments is to deny the very function and manner of trust ... the accumulation of arguments betrays an uncertainty which can lead to the withdrawal of trust. (Luhmann 1979, 29-30)

Though speaking to the articulation of why a relationship should be specifically trustworthy, the larger point is that trustworthiness can be disrupted by the open articulation and consideration of the relationship. Through articulation, the habitual is moved into the considered, leading to the introduction of suspicion and doubt that previously did not exist. Luhmann argues that this occurs because questioning the nature of the trusting relationship opens up a 'gulf of unfamiliarity,' pushing the analysis in a rationalist direction (Luhmann 1979, 33). This idea is also reflected in the works of K E Løgstrup, who argued that raising suspicions can destroy trust because it causes us to actively calculate the character and disposition of the other in a way we do not when we trust (Løgstrup 1997, 13). The suspicion moves us from a state where we act with respect to our situation and relationships with others, where trust can be a stable feature, to a state where we "trying to make sense of a particular person or situation by interpreting, analyzing and doubting." (Frederiksen 2016, 54) For both Luhman and Løgstrup, "trust emerges as a spontaneous unguardedness within the present(s) if nothing unsettles the situation and prompts one to consider alternatives and potential regret." (Frederiksen 2016, 59) By constantly focusing on the potential untrustworthiness of NGOs by openly declaring the need for transparency and external punishment for wrongdoers, the accountability agenda can unsettle habitual relationships of trust, opening up a gulf of unfamiliarity that moves the relationship from habitual trust to a considered rational form. In other words, from a social trust perspective the accountability agenda can destroy the very relationships it claims to be building.

This is not simply a theoretical proposition - scholars working with experimental social psychology have suggested that rational trust measures, particularly oversight and institutional checks, do not function to build perceptions of trustworthiness between individuals. In fact, the experimental evidence suggests that where there are external guarantees to cooperative behavior, such as an enforceable contract, parties who cooperate become less trusting of each other in the subsequent round. Alternatively, where cooperation occurs absent these external guarantees, parties become more trusting of each other (Bohnet et al. 2001, 141; Molm et al. 2000, 1422). Some scholars additionally suggest that individuals who cooperate under binding contracts see each other as less trustworthy than individuals with no history of cooperation (Malhorta and Murnighan 2002, 547). This is because even where cooperation has taken place, the parties involved see the external guarantees as the key to success, not the innate trustworthiness of the other party. As Mark Granovetter put it, institutional arrangements "do not produce trust, but instead are a functional substitute for it." (Granovetter 1985, 489)

To make things worse, Alexander Cooley has recently argued that this effect occurs even when contracts are introduced in cooperative relationships previously based on informal ties (Cooley 2010, 246-247), a situation similar to the relationships between many donors and NGOs. Once instituted,

several scholars have argued that these sanctioning systems can create their own dependence, that is, that the introduction of a sanctioning system creates a distrust that then feeds back into the need for the sanctioning system (Mulder et al. 2006, 160; Mulder et al. 2005; Yamagishi 1988). In sum, there is a good deal of evidence from experimental social psychology that reflects many of the theoretical propositions found within social trust theory. External sanctions, like those promoted by the accountability agenda do not promote conceptions of trustworthiness, but instead serve to erode them. These can disrupt relationships where there are already high perceptions of trustworthiness, promoting distrust instead of trust. Finally, once these measures are instituted, they can permanently change the nature of the relationship that then drives their own demand.

This final point needs further consideration, particularly given that the institutionalization of the accountability agenda does not come for free. One of the key benefits of trust is that it prevents actors from hedging against the risk (Keating and Ruzicka 2014), in this case, saving the resources that would otherwise go into implementing these programs. Several authors have previously complained about the cumbersome bureaucratic nature of the accountability agenda that creates costs for NGOs (Bowman 2010, 79; Hudson 2002). Others have attempted to defend the cost by claiming that any regulation should not be greater than is necessary to achieve its aim (Corderly 2013, 834; Hind 2011, 201). However, the costs of the twin hedges of transparency measures and external monitoring are put in an even more problematic position if they have the potential to erode donor trust in NGOs than to increase it. Given both the theoretical and experimental literature, there is cause to worry that, in its institution, the accountability agenda not only creates unnecessary costs for NGOs who enjoy unrecognized social sources of trust, but additionally create the conditions for these sources to be eroded, making costs of the accountability agenda both necessary and permanent.

## **Implications of Social Trust for NGOs**

We have thus far argued that the accountability agenda is implicitly based on rational trust theory, that social trust theory can provide a better explanation of why donors trust NGOs, and finally that the accountability agenda faces serious problems when social trust is introduced to the analysis. But at the same time, social trust theory does not dismiss that there can be a calculative element to perceptions of trustworthiness, only that there are social variables missing from their understanding that better explain why it is that trust is conferred. But where are these social variables most likely to have an effect? Up to this point we have been treating donors as one homogeneous group. However, the picture on the ground is more complex, since NGO funding comes from several sources, such as the government, corporations, and civil society (Bendell and Cox, 109). In our final step, we argue that these actors will have different propensities to engage with NGOs in terms of rational versus social trust, but that pressures from one group should not be conflated with the needs of all groups.

Previous scholars have argued that trusting at an organization or a system level leads to more impersonal and rational forms of trusting judgement, so that predictability and capability are foregrounded and social similarities become less important (Hurley 2011, 33). Where thick interpersonal trust based on familiarity and strong interpersonal ties is unavailable between members of the organizations, and in many donor-NGO interactions we would expect this to be the

case, institutions will move to thin interpersonal trust by using guardians of trust or other intermediaries (Khodyakov 2007, 120-123; Näslund 2016, 89). This is why in interorganizational relationships, many scholars have focused on rational elements, such as monitoring, legal bonds, external accreditation, repetitive transactions, and access to previous feedback, as the primary elements of trust building (Granovetter 1985, 440; Pavlou 2002; Shapiro 1987; Zucker 1986). So organizational donors, or corporate and government donors, are more likely to act in ways suggested by the rational model of trust. This does not completely rule out the possibility of social elements in these relationships, but it does suggest that these effects will be minimized with respect to other types of donors. Consequently, it will be more necessary for NGOs to comply with particular accountability agenda measures to access these funds than with other actors – a result that has been growing in practice (Baur and Schmitz 2012, 9; Jepson 2005, 517-518; O'Dwyer and Unerman 2008, 810; Schmitz et al. 2012, 1175-1176)

The individual donors, on the other hand, are not faced with the same institutional effects and are therefore more likely to be affected by social trust. Individuals give to NGOs that they see as like-minded and, according to social trust theory, they presume trustworthiness through sharing this identity and common purpose without needing a great deal of positive evidence. When approached on the high street for a small donation by a favored NGO, most people do not stop to consider the possibility of defection before putting money in the box. Similarly, most individual donors are happy to continue giving their monthly contribution without consciously thinking every month whether their money will be used appropriately. While the potential habitually of these relationships is a boon to NGOs, these relationships are also those that can be disrupted by the accountability agenda.

NGOs thus face slightly competing models of trustworthiness from different types of donors. Corporate and government donors will tend to behave with respect to the model of rational trust, while individual donors are more likely to behave with respect to social trust. We argue that the primary problem with the accountability agenda is that it conflates the demand for accountability from one source, certain corporate and public donors, with a demand from all donors. As a result of the message that NGOs receive from practitioners and scholars alike, that the accountability agenda will increase trustworthiness overall, NGOs' are increasingly signing up to voluntary accountability agenda measures outside of the requirements of specific corporate or public donors. This, we believe, is not a decision that should be lightly made in light of the theoretical claims put forward in this paper without further scholarly consideration. As we have suggested, this type of self-regulation comes at a cost to NGOs in terms of time and resources, like all hedging behaviors. These measures, furthermore, can also undermine the trusting relationships with a set of donors that, at worst, can create their own demand and leave the NGO with permanent costs where none were previously necessary.

Thus, although there is no escaping accountability measures from certain types of donors due to the systemic organizational effects that pushes them in the direction of rational trust, this research opens serious questions over whether the recent popularity of self-accountability measures should be sustained given its potential effects on the social trust between certain groups of donors and NGOs. While NGOs will need to comply with the regulatory frameworks of certain larger private and public donors, it does not follow that the same frameworks will be necessary for all donors. Indeed,

social trust theory suggests that it may be exactly the opposite. As such, NGOs should proceed down the self-regulation path with caution.

## **Conclusion**

The former chief executive of the Charity Commission for England and Wales, Andrew Hind, in reflecting on his tenure at the organization, argued that:

Charities are not banks, newspapers or utility providers and they should not be regulated as such. ... The hundreds of thousands of people who act as charity trustees do so because they are fired with a passion ... they are there because they want to make the world a better place ... This is too often overlooked in discussions about charity efficiency and effectiveness ... What this meant in practice was that when things went wrong in a charity - and given the nature of charities things go wrong on a regular basis - we assumed it was the result of an honest mistake, unless proved otherwise. Instead of having a fundamental mistrust of the sector we were regulating, which is the implicit stance of some statutory regulators, I was keen that our staff had a fundamental belief in it. (Hind 2011, 202)

These sentiments reflect the underlying advantages of social trust that NGOs possess that go unrecognized by those who push for the accountability agenda. NGOs are not perceived to be the same as other types of non-state institutions. As the social trust scholarship suggests and Hind argues, we are more apt to see them as trustworthy, even when things sometimes go wrong. This is reflected in what we have argued in this paper, which grounds Hind's observation in a theoretical framework that suggests that interactions between donors and NGOs likely involve elements of social trust based on identity and working for a common purpose that help to make donors perceive NGOs as trustworthy.

Though the accountability agenda has been a popular mechanism to increase the perceived trustworthiness in NGOs, we suggest that the implicit rationalist model of trust embedded within it, which does not take these perceptions into account, can lead to serious long-term problems for NGOs and the sector as a whole. We argue that it is not only incorrect in its understanding of why many donors trust NGOs, but tragically might do the opposite of what it intends to do among individual donors. Instead of creating greater donor trust in NGOs, it might create and sustain greater distrust by promoting a gulf of unfamiliarity that will make these costly practices permanent. This is an important argument because, unlike other criticisms of the accountability agenda that examine the side-effects of its implementation, our argument puts into doubt one of its central purposes.

Given the controversies over NGO trustworthiness that have been raised by the government, in the media, and the wider public, this paper serves as red flag to an outright pursuit of accountability measures to solve issues of trustworthiness. This is not to say that they have no place in NGO governance and, certainly, it is likely that it will remain the preferred regulatory tool of large donors and governments. Rather, it means that when these measures are being considered and implemented, they must be considered within a framework that takes into consideration the potential effects of not just rational trust, but also social trust. As we stated from the outset, the

purpose of this paper is to open up a new strand of theoretically-informed empirical research on NGO trustworthiness that puts these complications front and center. The potential for the agenda to have the adverse consequences brought up in this paper and future research must be considered in the construction and implementation of existing and future codes of conduct. This is particularly the case with NGOs, as the actors with the most at stake in the preservation of their trustworthy image among donors, who should carefully consider any decision to promote the accountability agenda themselves.

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<sup>a</sup> Donors can vary greatly, from individuals, corporations or funds, to governmental bodies. Donors, for the purposes of this paper, is anyone who dedicates resources to an NGO without monetary compensation. It thus includes not only financial donors, but also volunteers. We use the term donors to refer collectively to all these groups.

<sup>b</sup> Our categorization of rational and social theories of trust is based off of Ruzicka, J. & Keating, V.C. (2015) 'Going Global: Trust Research and International Relations', *Journal of Trust Research*, 5:1, 8-26.

<sup>c</sup> Other rational trust scholars are in agreement with Coleman's formulation. Gambetta Gambetta, D. (1988), 'Can We Trust Trust?', in D. Gambetta, (ed.), *Trust: Making and Breaking Cooperative Relations*. (Oxford: Basil Blackwell). understands it as a range between 0 (complete distrust) and 1 (complete trust) and Gambetta, D. (1988), 'Can We Trust Trust?', in D. Gambetta, (ed.), *Trust: Making and Breaking Cooperative Relations*. (Oxford: Basil Blackwell). where he links this probability to potential payoffs. Andrew Kydd similarly defines the level of trust as the probability that one actor believes the other to be trustworthy - that they are likely to fulfil the expectation. If this level of trust exceeds a minimum threshold given the payoffs to cooperation and defection then cooperation is possible Kydd, A. (2005), *Trust and Mistrust in International Relations* (Princeton: Princeton University Press).

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