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CHALLENGES IN ESTABLISHING VOLUNTARY COMPLIANCES & DISCLOSURES AND ITS SUSTENANCE

NEED FOR CREDIBILITY FRAMEWORK

- ✘ Who are VOs accountable to ?
- ✘ Govt. / Donors / Beneficiaries / Community / Press
- ✘ Frameworks available in case of Govt. accountability.
- ✘ Large donors stipulate accountability frameworks which VOs are required to comply with
- ✘ In case of individual sponsors / donors / community / public at large rather than Accountability Framework, Credibility Framework needs to be developed
- ✘ Lack of this framework is hampering proper development of Giving by individuals
- ✘ Increasing Visibility & Increasing involvement in the Governance affairs opens VOs to further criticism
- ✘ Voluntary organisations face flak from press / opinion makers

AREAS WHICH HELP ESTABLISH CREDIBILITY

- ✘ Governance of organizations,
- ✘ Ways in which funds are utilised,
- ✘ Are reports & representations truthful, and
- ✘ Willing to disclose basic information to the public.

GOVERNANCE

× Overarching principle

Does Board provides adequate oversight over VO's operations ?

× Specific policies

- Approval of VO's annual budget by Board
- Approves all major fund-raising plans
- Establishes Conflict of Interest Policy (covering Relationship among Board members & between Board members and Operative Management (CEO))
- Establishes Accountability & Transparency Framework
- Appraises CEO
- Establishes policies which enhance HR capacities and their effectiveness
- Policy on assessment of VO's effectiveness
- Regular meetings (say minimum three)

SPENDING

- ✘ Overarching principle

Does VO uses its funds in an effective manner?

- ✘ Specific policies

- Funds used on admin. / project implementation are reasonable
- In case of fund-raising, expenses on fund raising are reasonable
- Funds rec'd are being used within a reasonable period
- There is an acceptable financial management framework for ensuring that all funds are spent in an authorised, transparent and an efficient manner. It should also cover monitoring mechanisms and internal checks.
- There is a transparent system of accounting in place, which ensures that all expenditures incurred are accounted correctly.
- There are controls in place to ensure that all assets of VO are safeguarded and correctly accounted for.

REPORTING

- × Overarching principle

All reports by VO represent its authoritative and authentic view.

- × Specific policies

- Financial statements are prepared on the basis of sound principles and are duly authorised.
- Financial statements published by VO are independently audited before its publication.

TRANSPARENCY

- × Overarching principle

All important information is disclosed on a suo moto basis by the VO.

- × Specific policies

- Financial statements / Annual audited Statements are disclosed on web-site.
- Audit reports are disclosed on the web-site.
- Information is provided on a timely basis.

TYPE OF FRAMEWORKS FOR ASSESSING CREDIBILITY

- ✘ Voluntary Codes of Conduct (as agreed between the participating agencies)
- ✘ Rating Agencies
- ✘ Information Agencies (Provides information without ratings)
- ✘ Compliance framework as established by Govt. (more to comply with tax legislation)
- ✘ Compliance framework as prescribed by donor agencies (generally specific to each donor)

ACCREDITATION VIS-À-VIS ASSESSMENT

- ✘ Two approaches for developing Credibility Frameworks depending upon the need.
- ✘ Accreditation
 - large volumes
 - low costs
 - process uses benchmarking approach
 - to help individuals decide on personal donations.
- ✘ Assessment
 - specific CSOs
 - relatively higher costs
 - uses assessment approach
 - generally to be done by the donors who are likely to have higher exposure over longer periods.

INCENTIVES FOR COMPLIANCE WITH CREDIBILITY FRAMEWORKS

- ✘ Compliance can help VOs in generating funds from funding agencies
- ✘ Rating can provide basis for receipt of donations from individual donors
- ✘ Helps comply with Govt. regulations
- ✘ Certification by certain agencies qualifies for tax exemptions
- ✘ To be associated with a Network which helps in enhancing image of a VO or provides other intangibles.

PRACTICES ACROSS GLOBE

(BASED ON ICNL STUDY INDICATED IN THE BIBLIOGRAPHY)

- ✘ Certification Program with Govt. Recognition
 - AusAid Accreditation Scheme (2 levels),
 - Philippine Council for NGO Certification (Tax exemption),
 - Pakistan Centre for Philanthropy (Tax exemption)
- ✘ Self-Certification Programs
 - Code of Ethics of the Canadian Council for International Cooperation (Compliance verified)
 - Code of Conduct of the Lesotho Council of NGOs (Committee acts on the basis of complaints)
 - Code of Association of Children's Organizations in the Republic of Macedonia (members in breach are disclaimed)
- ✘ Certification by organisations running the Program
 - La Charte de deontologie (Committee of organisations formed for compliance with professional conduct - France) – Peer Review
 - The DZI Donation Seal (A German organisation which has issued since 1896 a directory of social organisations. Awards Seal to organisations which meet with its standards.
 - Give India, Credibility Alliance
 - Code of Ethics & Conduct for NGOs by World Association of NGOs,
 - International NGOs Accountability Charter by Berlin Civil Society Centre

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WAY FORWARD

For sustenance VOs need to be incentivised to obtain Credibility Alliance's certification.

× Possible Ways

- Popularise CA certification among donors
- Find ways to make assessment process more efficient
- Minimum could be based on desk review of certain standards, and higher ratings could involve certain amount of assessment
- Work with Govt. to make CA certification acceptable to its various agencies
- Enter into agreements with funding agencies
- Modify assessments in such a manner that it helps donors decide on which VOs to support and with what budgets
- Work with like-minded agencies to enhance the environment of giving by individuals to VOs
- Work with Govt. to identify methodologies on determining policies for identification of VOs which are truly non-profit
- Align with like-minded organisations to create a positive outlook towards VOs

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