NGO Accountability in the Indian Context
A note by Pushpa Aman Singh, CEO, GuideStar India, Dec 2009

Abstract

India is estimated to have 3.3 million registered not for profit organisations[i], popularly known as NGOs. While the sector is regulated by multiple laws and authorities, its credibility is often questioned by most stakeholder groups due to lack of information (about existence, performance, finances, output and outcome), absence of performance benchmarks, government licenses and permissions not being sufficient indicators of performance or credibility, media reports usually being centred around stories of what went wrong and the general lack of awareness of the common man about the voluntary sector.

Government is the largest source of funds for the voluntary sector in India. While private giving by individuals and corporations is definitely moving up, government envisages a greater role for NGOs in implementing many of the public welfare programmes. Government is taking several steps concerning the voluntary sector, some of them being restrictive in nature. Since the start of this decade, the voluntary sector in India has also taken some positive steps towards self regulation and becoming more transparent and accountable.

This note briefly sketches the context in which the Indian voluntary sector operates, describes a few initiatives taken by the voluntary sector and the consequent ripples of change. The note also outlines some of the positive steps taken by the Indian government to promote accountability of the voluntary sector and touches upon some of the steps that could severely restrict the scope of the voluntary sector in India.

The voluntary sector in India is going through a period of transformation. In the backdrop of: a robust economy that opens new streams of private giving, a telecom revolution penetrating deeply and widely allowing better connect between the donor and recipient, the voluntary sector beginning to embrace technology and attract professional management, the birth of support organisations for social entrepreneurs and the emergence of web-based platforms, there is a strong impetus for NGOs to become more transparent and accountable.

The Indian voluntary sector

Until recently, the Indian voluntary sector was considered to have 1.2 million NGOs based on the PRIA-JHU study in 2001. However, recent findings of the Central Statistical Organisation put the number at 3.3 million (forty-five percent of these organisations were registered in 2001 or later). Who are these organisations, where are they located, what is the difference they make? It is not easy to find answers to these questions because the country has multiple Acts (The Societies Registration Act, 1860, The Indian Trust Act, 1882, The Bombay Public Charitable Trust Act, 1950, section 25 of The Companies Act, 1961) under which organisations are registered as not for profits or NGOs in India. Gujarat and Maharashtra are two states where NGOs registered as Societies also need to be registered as Trusts. The accountability requirements of all these Acts differ, with some of them not requiring any form of annual filings. There is no uniform accounting policy or reporting framework that applies to all NGOs, thus making any study or comparison of accounting statements a futile exercise, leave alone any form of rating NGOs based on financial information.

NGOs are required to register with the Income Tax Department under section 12 A, however the registration is spread across 100+ locations. Moreover, the annual returns of Income Tax filed by NGOs are not subject to public disclosure. NGOs need permission from the Ministry of Home Affairs under the Foreign Contribution regulation Act (FCRA) to receive any form of foreign contribution. These registrations are centralised and require annual filings, however this covers only a very small number (35,972 NGOs as of September 2008).

The scenario described above indicates that the statutory framework does not require NGOs to be accountable directly to the public and in many cases, the administrative authority is not equipped with resources to monitor and penalise those defaulting in making necessary filings.

The other speakers would have addressed questions such as why should NGOs be accountable and who should they be accountable to. In the absence of a statutory framework in India for public accountability, it is even more imperative that the NGO sector take steps towards accountability lest it lead to a crisis and invite restrictive legal measures from the government.

Voluntary sector initiatives in India promoting Accountability

The Indian voluntary sector has seen the birth of interesting initiatives in the last decade. The emergence and success of these initiatives holds great promise for advancements towards greater transparency and accountability of NGOs.

GiveIndia (www.GiveIndia.org), India's first online giving portal was founded in the year 2000. This initiative used the internet as a platform to create a philanthropy marketplace or giving exchange aimed at showcasing the work of NGOs that meet stringent norms of transparency and accountability in the public domain and allowed individuals to choose the end use of their contributions with a guarantee to provide a feedback report within 6 to 8 months. GiveIndia does an annual review of NGOs listed with it, to verify if they continue to meet its criteria. Those who do not meet the criteria are taken off the site until they demonstrate compliance. Over 15,000 feedback reports were emailed to donors in the last

financial year. GiveIndia has channelled US $12 million since the year 2000. The increasing flow of donations has served as a very strong motivator for NGOs to embrace norms that are far more stringent than legal requirements. The site which started off with a handful of NGOs has over 200 NGOs currently and an ever growing list of applications. In a country of 3.3mn NGOs, why is it that just a little over 200 NGOs are listed with GiveIndia? The reasons are many: ability to communicate reasonably well in English (India is a country of many languages and English is the commonly used language to communicate with online donors), access to email, responsiveness, capacity to put in place systems and processes to meet GiveIndia's criteria, the need for projects to be broken into small units, willingness to provide individual feedback reports, etc. Nevertheless, this platform has opened the doors for organisations to access funds from donors who they are not even aware of, simply on the strength of their willingness to be transparent and accountable. The core of the criteria used by GiveIndia to appraise NGOs, consist of the norms put out by the Credibility Alliance, another key initiative of India's voluntary sector.

Credibility Alliance (www.credall.org.in) is a consortium of voluntary organisations committed towards enhancing accountability and transparency in the Indian voluntary sector through good governance. It is an initiative that emerged from within the sector in 2001 and was registered in May 2004 as an independent, not-for-profit organisation after an extensive consultative process over a period of two years involving thousands of voluntary organisations all over India. Credibility Alliance's (CA) mission is to build the credibility of the voluntary sector through creation and promotion of norms of good governance and public disclosure. It is a membership based body with currently over 300 NGOs as its members. The members participate in the process of evolving suitable guidelines based on voluntary disclosure of information and adhere to them. In addition, Credibility Alliance has developed an Accreditation System and Peer Group Review model based on its norms to strengthen and enhance the legitimacy and the credibility of individual organisations in the sector. Over 150 NGOs voluntarily applied for accreditation by CA, of which 50 have already been accredited. The accreditation has 3 years validity and is expected to help organisations garner resources due to the credibility stamp. Capacity building initiatives required to equip voluntary organisations to meet the norms are also carried out by CA. In the last one year, Credibility Alliance has been increasing awareness among foundations and CSR teams in corporations about its norms with a view to encouraging them to direct their resources to NGOs that meet with the norms. Credibility Alliance is represented on the Planning Commission's (nodal government agency for the voluntary sector) committees for reforms in the voluntary sector. It is hoped that CA as the voice of the sector on issues of transparency and accountability will influence any governmental initiative to regulate the sector.

GuideStar India (www.guidestarindia.org), is a soon to be launched online platform for NGOs in India to voluntarily showcase their work, articulate their needs and make their information accessible to donors, policy makers, government, academia, media, foundations, corporations, career seekers, volunteers, NGO leaders, managers & staff and simply anyone who seeks to makes decisions involving NGOs. GuideStar India is an initiative of Civil Society Information Services India (CSIS India www.csisindia.org), a trust set up in 2009 with a mission to educate Indian NGOs to voluntarily share, in the public domain, information that advances transparency, enables better decision making and encourages charitable giving. CSIS India is implementing a 3-pronged strategy:

- **educate NGOs** on what information to provide, how to keep information up to-date, why and how to make information available in the public domain. CSIS India has reached out to 779 NGOs through 12 workshops in the last 8 months.
- **create an electronic NGO database on a web-based platform** that is easy to use and update by NGOs **on their own** so that they can voluntarily provide information and the same can be used by donors and policy makers to make their decisions so that resources reach the most deserving sectors and NGOs. This platform to be called GuideStar India is in collaboration with GuideStar International, the founders of GuideStar in the US (1994) and in the UK (2004). CSIS India partners with GiveIndia, Credibility Alliance and several other networks and Foundations. It has already validated 516 NGO records that would be displayed on www.guidestarindia.org, when the site goes live in early 2010. Users would be able to search for NGO information on the site in a "Google-like" fashion and get to view, pictures, audited accounts, annual reports, registration certificates and other details that NGOs voluntarily share. The site allows NGOs to display as little or as much information as they desire and update it as often as they like. The search results are ranked based on the volume of information and how recently the record was updated, thus nudging organisations to remain perpetually transparent and accountable!
- **connect with government** on mapping the voluntary sector, on classification of NGOs and on training NGOs to meet statutory disclosure requirements so that its efforts are complementary to that of the government. CSIS India has shared its formats and suggestions with the Planning Commission and the Central Statistical Organisation.

Joy of Giving Week (www.joyofgivingweek.org), coordinated by GiveIndia in its first edition from Sep 27 to Oct 3, 2009, witnessed over 300 registered "giving events" in over 40 cities in India, with 1,000+ schools and 100+ colleges registered to participate, millions of individuals engaged in "acts of giving" with the involvement of 200+ GiveIndia listed and 140+ other NGOs registered by GuideStar India. The reason for mentioning this initiative as one that would promote transparency and accountability is because it is an annual platform that is very inclusive, an open ecosystem that virtually allows every NGO willing to commit itself to basic public disclosure, to create its own giving event and become a part of menu of options that the general public can choose to connect with. As the initiative evolves over the years, it is likely to generate tremendous public interest and media coverage which will only heighten awareness about the voluntary sector and reward NGOs that are accountable.

CSO Partners' Outstanding Annual Report Awards (www.annualreportawards.org), is an initiative of CSO Partners in collaboration with like minded organisations to promote transparency and accountability within the sector and promote better standards in financial reporting as well as the preparation and presentation of annual report. Started in 2009, the first edition received more than 200 entries from NGOs of all sizes. In the years to come, recognitions such as these would increase awareness among NGOs and motivate them to use their Annual Report as an effective tool to demonstrate accountability.

Each of the above initiatives has the capacity to be used by thousands of NGOs, yet only a few hundreds have taken advantage of them. Reasons such as lack of internet access, unreliable power supply and language barriers are bottlenecks for NGOs in remote parts of India. However, lowering the entry requirements and providing capacity building opportunities to participate in new platforms would be two hugely liberating factors to bring several thousands of NGOs into the platforms for being transparent and accountable. For

instance, entry into the GuideStar India site only requires an NGO to be registered as a Trust/ Society or a section 25 company and have a verifiable address. Quite often training programmes go waste with low levels of attendance simply because their communication could not reach the relevant NGOs. In many ways, the first baby step to transparency and accountability is to get the correct contact details of the NGO on a searchable public website. That alone would bring the NGO within reach of various resources and expose it to success stories. For example, an NGO registered on GuideStar India attends an IT training workshop, learns about the use of online media and resources, becomes a member of the Credibility Alliance, participates in the Joy of Giving Week, may be a year later gets listed with GiveIndia and realises it has met with most of the Credibility Alliance norms and applies for accreditation and updates all of this information of www.guidestarindia.org. While entering into an online database is simple, the systems and processes it needs, to put in place for getting listed with GiveIndia or for getting accredited by the Credibility Alliance, requires training/ hand holding in the areas of governance, financial reporting, performance tracking, etc. There is a shortage of funding for capacity building of this kind.

All of the initiatives mentioned above are largely platforms for NGOs to be accountable to donors, government, media, other NGOs, NGO networks and the public at large. Currently these platforms are rarely or never accessed by the communities served by NGOs. How do NGOs demonstrate accountability to the communities they serve? One of the Credibility Alliance norms requires NGOs to disclose the methods of dissemination of their Annual report and the number of copies given. Some NGOs do mention reading out the report to the community. Intermediary organisations or those that serve other NGOs, distribute their Annual Reports to member NGOs. Organisations such as GiveIndia, share with NGOs the reasons for the rejection of their applications. There are anecdotal references in case studies about the use of participatory rural appraisal techniques. However, does the conversation between the NGO and the communities served by it reach the donor or other stakeholders? Does the NGO report how it has used the feedback from the community? Does the community know who the donor is, what are the expenses incurred by the NGO, what options the community had to solve a problem? Does the community get to see the report sent by the NGO to the donor? These questions have not received widespread attention. David Bonbright of Keystone (http://www.keystoneaccountability.org) had highlighted these issues in the couple of meetings and workshops he addressed in India. Keystone's methods include the voices of beneficiaries and other constituents at every stage. However, the Indian voluntary sector has not yet systematically implemented some of the tools Keystone has developed.

The decent success of the initiatives described earlier, in the Indian context, indicates the following:

a) **NGOs voluntarily embrace tools of accountability:**
   If they become aware of opportunities
   If the platform is easy to use or there is capacity building support
   If they are trained to submit information
   If they have the access to update themselves
   If it is easy to get started and slowly step up
   and most importantly,
   If it pays to be accountable (resources flow to them as a result of their efforts to be transparent and accountable).

b) **Web based platforms lend themselves well to promote accountability** upwards and sideways but a lot is still left to enable and capture downward accountability.

c) **It is necessary to educate donors and other providers of resources to NGOs** about indicators of credibility and efficiency and making information easily available to them so that their giving decisions are based on facts rather than hearsay, thus maximise their social returns.

d) **Keeping government informed of the voluntary sector's initiatives** to self-regulate, providing constructive inputs and suggestions are effective approaches to get government interested in inviting the sector's representatives for consultations in formulating its initiatives.

Government steps towards the voluntary sector

In India, the Planning Commission is the nodal agency for interface between the Government and the voluntary sector. The Planning Commission put out a National Policy on the Voluntary Sector-2007 (http://planningcommission.gov.in/data/ngo/npvol07.pdf) as the beginning of a process to evolve a new working relationship between the Government and the voluntary sector, without affecting the autonomy and identity of voluntary organisations (VOs).

The specific objectives of the policy as stated in the document are:
> To create an enabling environment for VOs that stimulates their enterprise and effectiveness, and safeguards their autonomy;
> To enable VOs to legitimately mobilise necessary financial resources from India and abroad;
> To identify systems by which the Government may work together with VOs, on the basis of the principles of mutual trust and respect, and with shared responsibility; and,
> **To encourage VOs to adopt transparent and accountable systems of governance and management.**

The policy states the need for an alternate central law for registration of VOs, the setting up of an independent, national level, self-regulatory agency for the voluntary sector, expects the voluntary sector to set its own benchmarks in good governance, talks about bolstering public confidence in the voluntary sector by opening it up to greater public scrutiny, introducing norms for filing basic documents in respect of VOs, which have been receiving funding by Government agencies and placing them in the public domain (with easy access through the internet) in order to inculcate a spirit of public oversight.

The Planning Commission has initiated steps towards implementing the policy. The task forces/ committees, on the framing of an alternate law and on accreditation norms leading to the setting up of the self-regulatory agency, have been formed with representatives from VOs and initial meetings have taken place. The Planning Commission launched in July 2009, the NGO Partnership System (http://ngo.india.gov.in), an online platform for NGOs to put up a brief profile, get a unique identification number, get details of existing VOs / NGOs across India, get details of the schemes of the participating

Ministries/Departments/Government Bodies offering grants to VOs/ NGOs. It allows NGOs to apply online for grants and track the status of applications for grants. The site has attracted 22000 NGOs within 5 months of its launch.

While the National Policy for the Voluntary Sector-2007 emphasises on the need to reduce complexities, for VOs to raise national and international resources and improve incentives for local philanthropy, there have been moves to make the provisions of the FCRA and Income Tax Act more stringent. Hitherto, the permission that NGOs secured to receive international funding under FCRA was a one-time permission without an expiration date. Shortly it would be changed to permission for a limited period subject to renewal. The recent changes to Income Tax provisions discourage NGOs from entering into any kind of income generation activity, which is counter to the objective of NGOs seeking to move towards self-sustainability. The sector is grappling with these changes and there is nervousness about these steps being counter-productive and not being in line with the policy outlined by the Planning Commission. The sector is yet to come up with a strong coordinated and constructive response to these changes. However, the writing on the wall is clear that the only way forward is for NGOs to adopt practices to be transparent and accountable to all stakeholders and be proactive in demonstrating the same in public domain.

Time to look inward
NGOs in India have been successful in bringing about several electoral reforms to make politicians accountable. NGOs played a key role in getting the landmark Right to Information (RTI) Act passed in 2005 to make the government machinery accountable. It is time for NGOs in India to focus their energies at enhancing their own accountability.

[i] A Survey on Non Profit Institutions in India - Some Findings, Central Statistical Organisation, Ministry of Statistics and Programme Implementation, India, September 2009.