

Code of Governance for NGOs



Celebrating the 60th Year of Excellence



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

Code of Governance for NGOs



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
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Foreword

With increasing globalization, liberalization and de-regulation, the international forces have influenced the economic and social forces at the national and local levels thus resulting in an increasing development and powerlessness of the people particularly, among the poor and marginalized sections of the society. Here comes in the role of Non-Governmental Organizations (NGOs), to emerge as a viable institutional framework generally recognized as voluntary sector, to serve as catalyst for development and change. The voluntary sector has evolved as a viable “third-sector” in the third world next to the government and private sectors and the NGOs with their participatory approach, people’s mobilizing capacity, closeness to grass roots and better insights into the needs of the people have emerged as alternative development agents rather that sector has become an effective means of the process of empowerment.

As the economy becomes global and market oriented, the state has been shrinking in the functions and resources and unable to meet the growing social/welfare and developmental challenges. On the other hand, the profit motivated private enterprises, though expanding rapidly, however is little concerned with the social developmental considerations and rural development. Therefore, neither the state-led nor the market-led model of development is adequate in achieving the developmental goals. Hence, the role of the third sector, i.e., the voluntary sector, assumes special significance and it gains wide recognition nationally and internationally.

However, the growing national and international level recognition and increasing dimension of funding has been leading to mushrooming growth of voluntary organizations. In fact, such galloping growth has again been leading to diminishing faster their strength and eroding away the virtues and qualities of voluntary actions. Moreover, NGOs have now changed their focus from the traditional relief, rehabilitation, charity and welfare activities to move towards developmental endeavours. To be specific, the overdependence of NGOs on the government for financial and technical assistance has greatly affected the transparency and autonomy of those organizations and that's why need for existence and effectiveness of governance mechanism in the form of a system of checks and balances to monitor and manage the functioning and performance of the NGOs has been seriously felt now. Since, effective governance is the key towards achieving the objective of building strong and sustainable social sector and truly, an organization with effective governance will be like a rubber band elastic to its circumstances and needs, and an organization without an effective governance is like a balloon as it will burst as it gets more resources.

I congratulate the Chairman and all members of the Committee on Corporate Governance (CCG) for conceptualization of the project and take this opportunity to thank Prof. Asish Kumar Bhattacharyya of Centre for Corporate Governance, Indian Institute of Management (IIMC) Kolkata for his creative contribution in preparing the basic draft of this contemporary publication "*Code of Governance for NGOs*". I am sure, this literature would be of immense help to all those associated with the activities of the voluntary sector and wish CCG every success on their endeavour in bringing out more of such typical publications.

New Delhi
19th January, 2009

CA. Ved Jain
President

Preface

Governance is all about fairness, accountability, transparency, equity and ethics. And the function of governance is to rule, lead, create and maintain structures and systems and monitor performance. In fact, how people govern depends upon their values and beliefs, their ability to make decisions, as well as their capacity to ensure effective implementation of decisions. An organization is a collection of individuals who come together to achieve a purpose. Their power to use resources and share the benefit of the performance of the organization depends on their relative bargaining power. Governance, in a simpler term, refers to a management system that protects the interest of those who have weak bargaining position.

India has a long history and tradition of voluntary action. Voluntarism in the country has gained momentum with the advancement of the society. In the contemporary time, the role of voluntary organizations, commonly known as NGOs, has been recognized as indispensable in the process of development. Besides, the state-led government sector and market-led private sector, the voluntary sector has evolved as a viable third sector. In India, NGOs have now a days, been a positive influence in the areas of health, education, human rights, environment protection with different degrees of funding from various sources.

Even NGOs are now involved in the policy making decisions of International organizations like United Nations (U.N.), World Bank etc. To be specific, since 1994, the Government of India as a policy has decided to extensively involve voluntary organizations in the development of the social sector. Even the policy document issued by the Planning Commission of India has emphasized on

independence of the voluntary organizations while strengthening the governance system to address the current debate on their transparency and accountability.

With a view to help NGOs ensure greater transparency and better internal control, we, at the Committee level, felt the need in bringing out a bench mark document that may hopefully be used by the voluntary organizations, government and regulators as a ready reckoner. It is worth mentioning here the encouragement that I got from my colleagues at the Committee on Corporate Governance (CCG) to bring that dream into reality.

I'd be failing in my duties if the name of Prof. Asish Kumar Bhattacharyya of Indian Institute of Management (IIMC), Kolkata is not stated specifically who took the pain to pen this publication and needless to mention that addition of two case studies made its content more appealing and the very purpose meaningful.

I firmly believe, this would be one of the finest publications that we have so far had in the stated sector and benefit the readers at large.

New Delhi
19th January, 2009

CA. S. Santhanakrishnan
Chairman,
Committee on Corporate Governance

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Part I : The Context

Governance is all about transparency, accountability, equity and ethics. Most discourses address issues in state governance and corporate governance.

This part presents the concept of state governance and corporate governance as a background to governance.

THE ESSENCE OF GOVERNANCE

1.1 The concept of good governance

The term ~~g~~overnance+ is used in connection with several contemporary social sciences, especially economics and political science. In economics and corporate finance, it is used in the context of corporate governance, and in political science it is used in the context of state governance.

Governance is the process of decision making and implementation of decisions.

Referring to the exercise of power overall, the term ~~g~~overnance+, in both corporate and State contexts, embraces action by executive bodies, assemblies (e.g. national parliaments) and judicial bodies (e.g. national courts and tribunals).

1.2 State Governance

In the context of State governance, in democracy good governance implies use of political and economic power of the State to carry out constitutional obligations without destroying the modern modes of dissent and articulation of people's discontent and disenchantment.

The term ~~g~~ood governance+ came into circulation, after the end of cold war. It signified prescriptions by donor agencies for carrying

out economic and political reforms by recipient countries. These prescriptions were presented by international donor agencies like World Bank and the IMF as *conditionality* and were expected to be met with compliance. The World Bank defines governance in terms of economic role for the state, a set of *policy reforms* and other non-economic aspects such as transparency, accountability, participation and responsiveness in the process of government. World Bank's *policy reform* emphasis is on economic growth through government investment in education, health care and nutrition; greater competition in domestic markets; greater integration of the domestic economy with global economy; and creation of a stable macro-economic environment. World Bank's near uniform prescription for all recipient countries and a limited view on the role of the State attracted a lot of criticism.

In their recent publications the World Bank has broadened its definition of good governance.

One of the World Bank documents¹ differentiates between good and poor governance as follows:

Good governance is epitomized by predictable, open and enlightened policy-making, a bureaucracy imbued with professional ethos acting in furtherance of the public good, the rule of law, transparent processes, and a strong civil society participating in public affairs. Poor governance (on the other hand) is characterized by arbitrary policy making, unaccountable bureaucracies, unenforced or unjust legal systems, the abuse of executive power, a civil society unengaged in public life, and widespread corruption.+

United Nations Economic and Social Commission for Asia and the Pacific have identified the following eight major characteristics of good governance²:

¹ World Bank: World Bank in Governance: *'The World Banks Experience'*. (2004).

² United Nations Economic and Social Commission for Asia and the Pacific. *'What is good governance'*. <http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp> (accessed on 06/01/2008).

It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

Although certain general principles of good governance can be laid down, it is difficult to clearly define attributes of good governance that can be applied uniformly in all situations. The emphasis given to different aspects of good governance will vary in different situations because societies value outcome differently. For example, while some cultures may put great emphasis on efficiency, in some other cultures harmony and consensus may override this value. Similarly, some cultures will give primacy to individual rights while in some others more stress will be given to community obligations.

1.3 Kautilya's Governance System

For the happiness of his subject lies the king's happiness; in their welfare his welfare. He shall not consider as good only that which pleases him but treat as beneficial to him whatever pleases his subject.+(*Arthashastra* 1.19.34)³

Indian culture has always emphasized that *sukhasya mulam dharma* and *dharmasya mulam artha* be taken together . wealth does not lead directly to happiness. Happiness for self and others results through ethical behavior: wealth or resources make ethical behavior possible. This also means that one must strive to generate wealth . resources, money . share it equitably to create happiness for oneself and others. Such generation of wealth must also be through

³ Quoted in: Rangarajan, LN. *Kautilya, the Arthashastra*. Penguin Books India (P) Limited. Delhi (1992) pp x.

ethical means, which alone would lead to overall happiness (Garde, 2003)⁴.

Kautilya's *Arthashastra*⁵ could prove to be of immense help in understanding the concept of good governance in the ancient context of governance.

Rangarajan⁶ says:

The *Arthashastra* is essentially a treatise on the art of government and is by nature instructional. It seeks to instruct all kings, and is meant to be useful at all times wherever *dharma* (Righteousness) is held to be pre-eminent.

Sihag⁷ has summarised the lessons from the *Arthashastra* as follows:

Kautilya essentially used the logic of backward induction. He started with a strong justification for achieving rapid economic growth. He argued for economic prosperity of the inhabitants, as a means to the survival of the king and also an end in itself since enriching the public was the moral duty of the king. He then explored the prerequisites and sources of economic growth. He identified accumulation of physical and human capital, human exertion and land as sources of economic prosperity and explained the importance of good governance and the need to remove all obstructions to economic growth. He considered establishment of rule of law, protection of private property rights and creation of an

⁴ Garde, A.R. *Canakya's Aphorisms on Management*, Ahmedabad Management Association, Ahmedabad. 2003

⁵ *Arthashastra* is a treatise on political economy written by Kautilya during the fourth century BCE. Kautilya was the Prime Minister in the kingdom of Chandra Gupta Mouriya in India. Chandra Gupta Mouriya considered him as mentor.

⁶ Rangarajan, L.N. *Kautilya, the Arthashastra*. Penguin Books India (P) Limited. Delhi (1992) pp33

⁷ Sihag, Balbir S. *Kautilya on institutions, governance*. Humanomics Vol. 23 Issue. 1, 2007 pp. 5-28 (available at www.emeraldinsight.com/0828-8666.htm)

efficient bureaucracy as prerequisites to prosperity. According to him, a king should increase the productive capacity of the economy so that his subjects could enjoy a higher standard of living and the king in return won their support and collected a larger amount of tax revenue, which helped in expanding the productive capacity further, and thus the virtuous cycle continued.

Kautilya's principles of governance have relevance even today, and there is significant similarity between these principles and the principles of good governance stipulated by the World Bank and the UNDP.

1.4 Governance of Individual Organisations

Governance in the context of individual organisations (e.g. limited liability companies) should be understood in a limited sense. An organisation is a collection of individuals who come together to achieve a purpose. Their power to use resources and share the benefit of the performance of the organisation depends on their relative bargaining power. Governance refers to a management system that protects the interests of those who have weak bargaining position.

1.5 Views from Institutional Economics

Every organisation is in essence a nexus of long-term relationship between diverse entities and individuals. They include providers of funds, employees, the local community, vendors and customers. Each of these entities becomes associated with the organisation with certain expectations which may or may not be conflicting. An organisation can flourish only when it can attract the right stakeholders. On their part, potential stakeholders would become associated with a particular organisation only when they are reasonably sure that their expectations would be fulfilled. Very often, this assurance cannot take the form of a legally binding

contract because the expectations may not be fully articulated or foreseen, or because enforcement of a legal contract is too onerous. In the place of legal enforcement a successful organisation therefore requires a set of institutions and practices which reassure potential stakeholders regarding the protection of their interests.

This is particularly so for organisations of significant size where the authority to exercise ownership right must be delegated to a small set of stakeholders. Let us call them the ~~managers~~ who therefore have powers that much exceed their own stake. The manager enjoys overwhelming control on resources while she may not be the sole beneficiary of the efficient performance of the organisation. For example, in a business organisation funded by dispersed shareholders, the manager enjoys most of the control over resources while her share in the cash flow generated by the operation of the firm is much less than hundred percent. In such a situation managers have the temptation to use resources (assets and people) to enrich themselves while ignoring the interests of other stakeholders. Expropriation of wealth may take many forms, such as unduly high compensation, allocation of resources for empire building, and management fraud.

A governance system is this set of institutions and practices that arbitrates between the conflicting claims of different stakeholders and protects the interests of non-controlling stakeholders. For a given organisation it is possible to conceive of different possible governance structures depending, among other things, on which stakeholders' claims are given higher priority. For example, one opinion holds that the governance structure of a business corporation should first and foremost protect the interests of shareholders. For a non-profit organisation, a straightforward criterion like this cannot be specified beforehand. Therefore it becomes even more necessary for such an organization to have vision and mission statements that clearly articulate their goals to current and potential stakeholders. These goals in turn provide the framework for formulating a good governance structure for the organisation.

The following are the dimensions of good governance:

(a) Efficient monitoring and supervision of the manager

Usually, the stakeholders nominate members to a body (e.g. board of directors in a limited liability company and board of trustees in a non-government organisation) that is responsible for monitoring and supervising the work of the manager. The primary responsibility of the board is to provide direction to the manager, to appoint and remove the manager if required, and to decide on incentives to reduce the conflict between the interests of the manager and that of the primary stakeholders, and to ensure that an adequate and effective internal control system is in place. In addition, the board addresses the grievances of stakeholders.

(b) Accountability

Accountability implies that an individual or a body of individuals is obliged to inform some others about their (past or future) actions and decisions, to justify them, and to suffer punishment in the case of eventual misconduct. In the case of an organisation managed by a manager, the manager is accountable to the board and, in turn, the board is accountable to other constituents. For example, in the case of a limited liability company, the manager is responsible to the board of directors and the board is accountable to share holders and other stakeholders.

Accountability requires transparency, that is, flow of sound information. There should be transparency in reporting by the manager to the board, and in reporting by the board to other stakeholders. A good governance system ensures transparency at all levels.

(c) The ethical dimension

A good governance system fosters ethical behaviour within the organisation by establishing a code of conduct for the manager and the members of the board and monitoring compliance of the

same. It also ensures that the organisation maintains a high ethical standard while transacting with other entities and that it demonstrates socially responsible behaviour in all its actions. For example, a good governance system ensures compliance with the law of the land and that it is sensitive to the expectations of the society in general and the local community in particular, and penalises corrupt practices. Social investment by companies is often quoted as an example of how companies address the expectations of the local community.

(d) Enterprise

A good governance system drives enterprise. The emphasis should be on ~~enterprise~~ rather than on control. Supervision and monitoring should not impede the spirit of innovation and enterprise; rather it should encourage the same. Compliance with law and regulation is only one part of the governance. Perhaps, more important is the productivity of resources in achieving the vision and missions set out by the organisation. For example, corporate governance has evolved into ~~enterprise governance~~

CORPORATE GOVERNANCE

2.1 Corporate Governance – Agency Problem Perspective

In 1932, Berle and Means wrote a path breaking book⁸ documenting the separation of ownership and control in the United States. They showed that share holder dispersion creates substantial managerial discretion which can be abused. This was the starting point for subsequent academic thinking on corporate governance. The underlying premise of modern corporate governance is that corporate insiders (the manager) may not act in the best interests of providers of fund.

Tirole⁹ explains the standard definition of corporate governance as follows:

THE STANDARD DEFINITION of corporate governance among economists and legal scholars refers to the defence of shareholders' interests. Classical economists, from Adam Smith to Berle and Means, were concerned with the separation of ownership and control, that is with the agency relationship between a ~~principal~~ (investors, outsiders) and an ~~agent~~ (manager, entrepreneur, insider). There is now widespread awareness that managers, say, may take actions that hurt

⁸ Adolf A. Berle and Gardiner C. Means, *The Modern Corporation and Private Property* (New York: Harcourt, Brace & World, [1932] 1968).

⁹ Tirole, Jean. *Corporate Governance*. *Econometrica*, Vol. 69, No. 1 (January, 2001), 1_35

shareholders. They exert insufficient effort when over committing themselves to external activities, when finding it convenient to accept overstaffing, or when overlooking internal control. They may collect private benefits by building empires, enjoying perks, or even stealing from the firm by raiding its pension fund, by paying inflated transfer prices to affiliated entities, or by engaging in insider trading. Last, they may entrench themselves by investing in mature or declining industries that they are good at running, by taking risk that is either excessive (as when their position is endangered) or insufficient (as when it is secure), or by bending over backwards to resist a takeover.

This basic agency problem suggests a possible definition of corporate governance as addressing both an adverse selection and a moral hazard problem. A good governance structure is then one that selects the most able managers and makes them accountable to investors.

Agency problem arises irrespective of whether the manager is a promoter-manager or a professional manager. The promoter-manager enjoys hundred percent control on assets while her share in the cash flows that those assets generate, is less than hundred percent. This gives rise to the agency problem. The current discourse on corporate governance from this perspective is to search for such a structure, which can ensure eradication of the principal agent problem. Two important tools that are being used by economists and managers are incentives to the manager (CEO and her team) and monitoring.

2.1.1 Incentive

Explicit and implicit incentives are expected to align the interests of the manager with that of shareholders. Examples of explicit incentives are employee stock ownership plan (ESOP) such as stock options and bonus. Empirical studies have shown that it is difficult to formulate the right incentive structure and even complex incentive structures have not produced desired result. Those lead

to dysfunctional effects like short-termism and accounting manipulation, which hurts the interest of shareholders.

Implicit incentive arises from the concern of the manager about his/her future. Poor performance may induce the board to remove the manager, either voluntarily or due to pressure from shareholders. Poor performance may also lead to takeover or a proxy fight. However, empirical evidence shows that even implicit incentive may not be effective on many occasions because of poor contracting, complacent board, absence of an efficient and deep corporate control market or absence of shareholder activism. Empirical evidence based on studies in USA shows that the sensitivity of the CEO removal to performance is higher for companies with more outside directors and smaller in companies run by founders.

2.1.2 Monitoring

Monitoring can be active monitoring or speculative monitoring.¹⁰

Active monitoring consists in interfering with management in order to increase the value of the investors' claim. An active monitor collects information that some policy proposed or followed by management (e.g., the refusal to sell a firm to a high bidder or to divest some non core assets) is value decreasing, and intervenes to prevent or correct this policy. Active monitoring is forward looking. It uses information to improve the company's prospects. Active monitoring is linked to control rights. Typical active monitors are the board of directors, auditor, a large investor (who may find a place on the board), and an institutional investor who takes a long-term view (e.g. pension fund).

Speculative monitoring is backward looking. The speculative monitors take stock of the previous and current management's accomplishment and adjust their position in the firm (invest further,

¹⁰ Tirole, Jean. *The theory of corporate governance*. Princeton University Press. New Jersey. 2006. Pp 27

stay put, or disengage). They may also recommend or discourage investment in the company. Speculative monitoring is not linked to control rights. The typical speculative speculators are the stock market analysts, financial institutions (which may decide against the rollover of a loan) and rating agencies. Speculative monitoring (often called passive monitoring) disciplines the management provided; transparency in corporate communication and its timeliness are, thus, ensured by the regulator.

2.2 The Board of Directors

Empirical studies provide evidence that most active monitors, other than a Private Equity Fund (PE), intervenes in the management when the product/service market or the stock market signals poor performance of the management. Therefore, their intervention proves to be too late.

The prime responsibility for direct monitoring is that of the board of directors. The board of directors stands in a fiduciary relationship with shareholders and is expected to protect their interests. In law, shareholders appoint directors. But in practice, the incumbent management appoints directors. Therefore, a system should be developed to ensure selection of right individuals as directors, which is crucial to make the board efficient and effective.

Except in Germany, all over the globe, the system of unitary board exists. In Germany, there is a system of two tier board . supervisory board and executive board. In a system of unitary board, it functions like a supervisory board. The responsibility of the board of directors is to provide direction to the executive management and oversee its functioning. In particular, the board:

- (i) Defines, or, more often approves, major business decisions and corporate strategy;
- (ii) Approves disposal of assets, investments or acquisitions, and tender offers made by acquirers;

- (iii) Ensures that the internal control system is adequate and effective;
- (iv) Oversees the risk management and audit;
- (v) Approves executive compensation; and
- (vi) Offers advice and connection to management

2.2.1 The effective board

Literature on corporate governance suggests that the effectiveness of the board depends on the following factors:

- (i) **Separation of the position of the Chairman and the CEO:** The Chairman leads the board, while the CEO leads the executive team. Therefore, governance is likely to be affected adversely if an individual holds both the positions. However, empirical research fails to provide strong evidence in support of the above argument.
- (ii) **Composition of the board:** Presence of non-executive directors, particularly independent directors who do not have any significant pecuniary interest in the company, improves the performance of board. In India, the Corporate Governance Code¹¹ requires that the number of non-executive directors should be at least half of the board size; and that the number of independent directors should be at least half of the board size if the chairman is an executive director; and it should be one-third of the board size if the chairman is a non-executive director. It is expected that independent directors will bring varied relevant experience and will evaluate the executive management more objectively as they will not be subservient to the CEO like executive directors.

¹¹ Clause 49 of the listing agreement for getting securities listed in Indian stock exchanges (SEBI circular number SEBI/CFD/DIL/CG/1/2004/12/10 dated October 29,2004)

In Japan, corporate auditors play the role of independent directors.

- (iii) **The size of the board:** Literature on behavior science suggests that a small group takes better decisions. Therefore, the trend is to work with a small board. It is suggested that ideally the size of the board should be between ten and fifteen members. The Indian Companies Act stipulates that the size of the board should not exceed 15 members. However, it is difficult to conclude whether the board size really matters, because before the flow of foreign capital to Japan, the board of leading companies used to be as large as 40 members. However, more recently, Japan is moving towards smaller board.
- (iv) **The board process:** The effectiveness of the board depends on the timely flow of adequate information to the board of directors. In India clause 49 lists out the items to be placed before the board.

2.2.2 Functioning through committees

It is a global trend that a board functions through committees like the audit committee, remuneration committee, shareholders grievance committee and nomination committee. Majority of members in each of these committees are independent directors.

The Audit Committee ensures that financial statements provide a true and fair view by:

- (a) Formulating/approving the appropriate accounting policy;
- (b) Protecting the independence of both the internal auditor and the external auditor; and
- (c) Reviewing audit comments issued by both the internal auditor and the external auditor for taking remedial action.

The Remuneration Committee recommends compensation to the CEO and other top executives. The Shareholders' Grievance Committee ensures timely redressal of shareholders' grievances. The Nomination Committee identifies right people for the board membership and recommends their appointment to the board.

2.2.3 Effectiveness of the independent directors

Failure of corporate governance in different companies (e.g., Enron and WorldCom in USA and Satyam Computers in India) has raised important questions on the effectiveness of independent directors in the board room. The effectiveness of an individual independent director depends on the effectiveness of all other independent directors. An independent director cannot by herself stop a wrong decision without the support of other independent directors, even if she is independent in the true sense, and efficient and watchful. At best she can resign from the board signaling to the market that there is something wrong in the company. The strength of the signal depends on her personal stature. She cannot blow the whistle because board proceedings are considered to be confidential. To remedy such a situation many companies facilitate meeting of independent directors separately to formulate a common view on various issues on the agenda of the board meeting.

The effectiveness of independent directors also depends on their understanding of the business models and management issues, motivation to contribute, and ability to spend adequate time to perform board responsibilities. In the absence of a formal training system, it is difficult for independent directors to understand complex business models. Therefore, it is imperative for a company to invest on the training of directors. However, most companies do not spend any significant amount of resources on the training of directors because the CEO prefers friendly directors of high reputation and not an effective board.

Motivation is an issue that is difficult to address. Independent directors, by definition, have no financial stake in the company. The incentive to perform flows from the concern for the personal

reputation and not so much from the monetary compensation. However, it is seldom that investors blame individual independent directors for the poor performance of the company, or even for a fraud perpetrated by the management. Therefore, the incentive to perform is almost absent for independent directors. It is only the conscientious directors who can spend time for board responsibilities and can contribute significantly to the governance of the company.

2.2.4 Accountability

Accountability implies that an individual or a body of individuals is obliged to inform some others about its (past or future) actions and decisions, to justify them, and to suffer punishment in the case of eventual misconduct. Enforcement of accountability demands timely flow of full information to those to whom the individual or the group is accountable. In other words it demands full disclosure. Therefore, good governance demands transparency in corporate communication.

In the present governance structure of companies, the executive management is accountable to the board and the board is accountable to shareholders and other stakeholders. Transparency reinforces accountability. Therefore, regulators are striving for improving transparency at all levels. The board process stipulated in the corporate governance code (clause 49 of the Listing Agreement), audit committee's access to the internal audit report and to the comments of the external auditors facilitate increased transparency between the executive management and the board.

In recent times, disclosures requirements in the Generally Accepted Accounting Principles (GAAP) and annual reports have increased manifold. Similarly, requirements for the issue of quarterly condensed financial statements and submission of strategic information to the stock exchange on real time basis are steps towards improving transparency and consequently improving enforcement of accountability of the board of directors. Other important steps towards enforcing accountability are the

requirements to publish directors' responsibility statement¹² in the board report and certification by the CEO/CFO¹³ Clause 49 of the Listing Agreement.

Regulations, howsoever stringent they might be, cannot enforce accountability very effectively. It is the board which has to undertake the responsibility of enforcing accountability voluntarily. Independent directors have to play an important role in this respect.

2.3 Stakeholder Theory and Corporate Social Responsibility

Although most of the discourses on corporate governance focus on shareholder value, some believe that the corporate governance system should take care of the interests of all stakeholders (e.g., employees, vendors, customers, and the local community). According to the stakeholder society perspective of corporate governance, while taking decisions, the manager should balance the interests of all stakeholders, which may be conflicting. For example, under the stakeholder society perspective, a company should not lay off employees when it is making sizeable profits; it should not close down a plant in distressed economic area; and it should protect environment even if it results in reduction in profit.

Following are the objections against the stakeholder society perspective:

- (a) Giving control rights to stakeholders other than the providers of finance capital may discourage financing.
- (b) Giving control rights to all stakeholders may create inefficiencies in decision making because interests of different stakeholders are in conflict.

¹² Indian Companies Act 1956, Section 217 (2AA)

¹³ Clause 49 of the Listing Agreement

- (c) In the absence of a well-defined objective, it dilutes managerial accountability and may result in self-serving behavior.
- (d) It de facto imposes a tax on business without adequate political control on its proceeds.

In view of the above, the stakeholder society theory has not received wide acceptance. However, it has created the awareness that a firm cannot continue to create shareholder value by ignoring interests of other stakeholders for long. The stakeholder society was also useful in giving a push to the corporate social responsibility (CSR).

2.3.1 Corporate Social Responsibility

Corporate social responsibility (CSR) arises from the societal expectations that companies which enjoy command over huge resources (e.g., finance, technology and people) should assume responsibility for sustainable development¹⁴ of the society. The society not only expects companies to behave responsibly, but also to contribute to sustainable social development. The growing awareness in the society that companies cannot create negative externalities as is evident from growing activism for sustainable development, has led to social investment by companies. Social investment by companies definitely contributes positively towards social development and environment protection. Companies use CSR as a means to build relationship with the society.

Although, by definition CSR is philanthropic in nature, companies usually invest in social projects which are relevant to their respective business strategies. For example, a company engaged in steel production invests in development of the township and the surrounding village where its employees stay. This helps to keep their morale high and to keep them healthy, to create a strong

¹⁴ Three pillars of sustainable development are economic development, social development and environment protection.

corporate brand and to create a strong input (people) market. Similarly, a company that is engaged in the software business invests in educating kids in computer use and to make the community computer literate. Usually companies select projects of national and international importance and collaborate with NGOs in executing the projects.

CSR helps to strengthen corporate brand, to attract and retain talent, to make the environment conducive for functioning of the company, to minimize chances of litigation and to create markets for inputs and outputs.

Social accounting is an integral component of CSR. Social accounting requires the company to communicate social and environmental effects of its economic actions to particular interest groups within society and society at large. Social accounting is known as triple bottom line (TBL) reporting. People, Planet and Profit is used to succinctly describe the triple bottom lines and the goal of sustainability. People pertains to fair and beneficial business practices towards employees and the community and region in which the company conducts its business. Planet refers to sustainable environment practices. A TBL company endeavours to protect the environment as much as possible or at least not to harm it, and to minimize environmental impact. Profit is the lasting economic impact the company has on its economic environment.

2.4 Ethical Aspect in Governance

Two components of socially responsible behavior of companies are care for sustainable development and ethical behavior. Ethics goes beyond respect for law. A company should necessarily comply with law. It should honour its commitment and should enforce the rights of all stakeholders arising from either operation of law or from contracts. A company which is legally compliant may not necessarily pursue ethical practices. Ethical practice refers to practices that respect the moral structure of the society. Ethics often demands equity or fairness. For example, equal pay for

equal work demands equal pay to all employees engaged in similar jobs. Therefore, employees engaged temporarily should not be paid lower than permanent employees, even though employees engaged temporarily do not have strong bargaining power and the company can settle for a lower wage.

Ethical behavior demands respect for the culture of the community in which the company operates or the community which is affected by the operation of the company. The culture (not superstition) of the community differentiates between good practice and bad practice. For example, poaching of employees of a competitor may be considered bad in a territory, while it is not so considered in another territory.

Usually CSR is linked to the ethical corporate practices. The reason is that a company is not expected to create negative externalities. In other words, a company should not pass on any cost (e.g. resulting from damage to the environment) of its operations to the society for the benefit of stakeholders who have direct interest in the company. Ethical behavior is a component of CSR.

When an organization is set up, apart from the basic rules, there are certain ethical values which the participants of the organization must comply with. The relation between the managers and the stakeholders must correspond to certain ethical norms. The manner in which the managers behave with the stakeholders will portray how well the organization has been able to maintain its ethical values. When investors and other stakeholders (e.g., customers and vendors) find out that an organization pursues unethical practices, they retreat from the organization and, ultimately, the stability and growth of the company is adversely affected. Therefore, a good corporate governance system should ensure that managers follow ethical practices.

2.5 Information Technology Governance

The IT sector is an important part of the corporate world and its

governance system cannot be ignored. In the information technology governance system, all the participants of the system contribute equally to the decision making process. As a result, all the participants are equally responsible for either any profit acquired or any loss incurred. The information technology of every organization demands proper management and it is one of the major objectives of information technology governance to pay more attention to the relation between greater concentration on business and information technology management of a corporation. Information Technology Governance is highly needed in any organization as it will look into the IT related issues of the organization and it would also provide some certainty regarding the use of investments in IT. In other words, it would guarantee proper use of investments to bring forth gains in the organization. Secondly, there might be several risks connected with IT. The job of IT governance would be to remove or lighten these risks.

Part II : Understanding of NGOs

Although there are well accepted general principles of corporate governance, governance structure of a particular form of organisation should be tailored to address governance issues peculiar to that form of organisation.

NGOs play an important role and get the legitimacy of operation and support from the society and government because they primarily create positive externalities. Understanding of NGOsq functioning is important for understanding the corporate governance issues concerning the NGO sector.

3

NGO – THE CONCEPT

3.1 Introduction

A non-government organization (NGO) is *a group of persons or of societies, freely created by private initiative, that pursue an interest in matters that cross or transcend national borders and are not profit seeking*.¹⁵

Although the above definition implies that an NGO always pursues an interest in matters that cross or transcend national borders it is not a necessary characteristic of an NGO. An NGO may confine its activities within the territory of a country or even within a specific group in a local community. But to grow and to serve its purpose effectively, usually, every NGO joins a global network of NGOs which pursue similar goals. Moreover, there are large NGOs which operate across the globe and pursue issues that have global significance. Those NGOs influence decisions of international institutions significantly, in order to protect interests of their target groups or to achieve the desired results, such as sustainable development or the protection of human rights.

Some political scientists very often term NGOs as *pressure groups* or *lobby groups*. However, this view overlooks the actual function of the NGOs and their global appearance. In 1980s, some scholars termed NGOs as *civil society*, but it failed to capture the original essence of a NGO. Hence the term NGO became popular. Some

¹⁵ This definition draws from Article 2 of Professor Suzanne Bastide's resolution cited infra note 58, which sought to establish an international status of association.

economists sometimes term NGOs and the wider, non-profit section of the economy as the 'Third Sector', to differentiate NGOs from Private Corporation and Government. In some of the nations (e.g. USA), this sector is a source of jobs to millions of unemployed.

In the area of international relations, scholars define NGOs as 'non-state actors' (which includes transnational corporations). It suggests growing importance of NGOs in the global policy arena which was earlier wholly dominated by the state¹⁶.

Necessary characteristics of an NGO are that it is a private initiative and it does something distinct from what is done by a business organisation or government.

Drucker¹⁷ observes:

It is that they do something very different from either business or government. Business supplies either goods or services. Government controls. A business has discharged its task when the customer buys the product, pays for it, and is satisfied with it. Government has discharged its function when its policies are effective. The non-profit institution neither supplies goods or services nor controls. Its 'product' is neither a pair of shoes nor an effective regulation. Its product is a *changed human being*. The non-profit institutions are human-change agents. Their 'product' is a cured patient, a child that learns, a young man or woman grown into a self-respecting adult; a changed human life altogether.

This chapter surveys through the basic foundation of NGO concept and its functioning in Indian concept.

¹⁶ James A. Paul, 2000

¹⁷ Drucker, Peter F. *Managing Non-Profit Organization: Principles and Practices*. Harper Collins Publishers, Inc. New York. 1992. (pp xiv)

3.2 NGO IN INDIA¹⁸

3.2.1 Voluntary Sector

The term voluntary organisation is used extensively in India. The voluntary sector in India comprises of bodies/institutions set up under the Societies Registration Act, the Indian Trust Act, the Religious and the Charitable Societies, non-profit making companies under the Companies Act as well as under any other legislation that may be recognized by the State Government. The voluntary sector also includes Community Based Organizations (CBO), Self-Help Groups (SHGs), which are generally informal or unregistered bodies. It does not, however, include all co-operative societies. It is not that all voluntary organisations fit into the definition of NGO. For example, a Self Help Group or Community Based Organisations are not NGOs because those organisations work for the welfare of their own members. However, the Indian Government in its reports and data base does not make a distinction between NGOs and other voluntary organisations.

Thus, the term voluntary organisation is used in a broader sense than the term NGO.

3.2.2 Characteristics of voluntary organizations

The National Policy on Voluntary Sector¹⁹ has identified the following characteristics of a voluntary organisation:

- (a) They are private, *i.e.*, separate from Government
- (b) They do not return profits generated to their owners or directors

¹⁸ The discussion in this section is primarily based on the Report of the PPP Sub-Group on Social Sector (November 2004) available at the web site of the Planning Commission (<http://planningcommission.nic.in>)

¹⁹ Voluntary Action Cell, Planning Commission, Government of India. National Policy on the Voluntary Sector (May 2007) <http://planningcommission.nic.in/data/ngo/npvol07.pdf> (accessed on 05/01/2008)

- (c) They are self-governing, *i.e.*, not controlled by Government
- (d) They are registered organizations or informal groups, with defined aims and objectives.

3.2.3 Classification of the Voluntary Sector

The voluntary sector may be broadly classified as:

- (a) Traditional, community based and,
- (b) Government sponsored

Traditional sector comprises the various religious and charitable trusts dedicated to spreading education, health care, running orphanages and rehabilitation homes etc. The Community based Organizations (CBOs) comprise societies for relief from natural disasters, neighbourhood societies, micro-Credit societies, women's associations, wild life protection committees etc. Government sponsored voluntary sector comprises agencies engaged in welfare programmes (such as rural development, afforestation programmes, watershed management, health and education services as well as those engaged in research and evaluation), with funding support from the government either under Public-Private-Partnership (PPP) schemes or otherwise.

There are many voluntary organisations, particularly NGOs, which cannot be strictly classified in either of the above two sectors mentioned above. But this classification serves the purpose of understanding the types of voluntary organisations operating in India.

Another classification may be based on the activities of those organisations. According to one study, the voluntary sector in India can be grouped in five categories based on their main areas of activities as follows:

- (a) Religious (26.5%)
- (b) Cultural (18.04%)
- (c) Community Service (21.3%)
- (d) Education (20.4%)
- (e) Health (6.6%).

Although at the time when the report was being written (year 2004), religious and cultural societies put together were dominating, the report expected that the government sponsored voluntary sector in India in the areas of social sector, such as health and education etc. would soon come to have a larger share. The expectation was based on the government policy of implementing social sector programmes in partnership with voluntary organisations.

3.2.4 Mobilisation of resources

According to the report, so far as mobilization of resources was concerned, around 51% of the receipt was self-generated through fees/charges for the services rendered and around 29% of the share was from grants and donations. Amongst the various sources of raising funds, donations and charity are mostly ad hoc and irregular. Private fund raising is, on the other hand, more time consuming. And, while collection of funds from fees and user charges are market determined, grants-in-aid are rule bound and more dependable.

3.2.5 Advantage of implementing programmes through voluntary organisations

The Report has listed out the following advantages:

- (a) Voluntary organisations are closer to the disadvantaged sections of the society;

- (b) Staff of Voluntary organisations is normally more motivated;
- (c) Voluntary organisations are more successful in ensuring people's participation;
- (d) Voluntary organisations are more flexible and quick in decision making.

3.2.6 Disadvantages of implementing programmes through Voluntary organisations

The Report has listed out the following disadvantages:

- (a) While the government may switch over to Public-private-partnership (PPP) to ensure cheaper services, services may no more be *universally* available. Provision of services would thus be linked to *the ability to pay*, and to that extent broader entitlement would get submerged and forgotten.
- (b) Voluntary organisations may soon come to resemble profit *organizations*;
- (c) It undermines the accountability of government to the citizens;
- (d) Voluntary organisations lose their autonomy and independence, as they cannot afford to go against their sponsors.

In accordance with the data base available at the web site of the Planning commission²⁰, at present 16,430 voluntary organisations are operating in India in different areas. 6541 voluntary

²⁰ Voluntary organisation data base. Planning Commission. <http://pcserver.nic.in/ngo> (Accessed on 04/01/2008)

organisations are operating in the area of Rural Development, 2074 are operating in the area of Human Resource and Development, 2944 are operating in the area of Social Justice and empowerment, and 1343 are operating in the area of Health and Family Welfare. Other areas in which voluntary organisations are active include Environment and Forest; Culture, Youth Affairs and Sports; Labour and Non-conventional Energy Sources.

3.3 History of Non Governmental Organisation

The history of International non-governmental organizations can be dated back to the mid-nineteenth century²¹ the anti-slavery movement and the movement for women's suffrage that finally led to the World Anti-Slavery Convention (1840), an event to arrange and set up the work of citizen organizations on a global footing. Soon after, in 1855, The World Alliance of YMCAs²² was established, and in 1863 the International Committee for the Red Cross²³ came into existence. Several of such associations were found to emerge at this time to address issues like condition of distressed women and children. Later in the nineteenth century, Trade unions were found to develop as a dominant force in the NGO movements. The NGO movement reached its highest point at the time of World Disarmament Conference²⁴.

²¹ Davies, Dr. Thomas Richard; *The Rise and Fall of Transnational Civil Society* (Dec 2006).

²² The Young Men's Christian Association (YMCA or the Y) was founded on June 6, 1844 in London, England, by George Williams. The original intention of the organization was to put Christian principles into practice, as taught by Jesus Christ

²³ The International Committee of the Red Cross (ICRC) is a private humanitarian institution based in Geneva, Switzerland

²⁴ The Disarmament Conference of 1932-34 (sometimes World Disarmament Conference or Geneva Disarmament Conference) was an effort by member states of the League of Nations, together with the U.S. and the Soviet Union, to actualize the ideology of disarmament. It took place in the Swiss city of Geneva, ostensibly between 1932 and 1934, but more correctly until May 1937

The term *non-governmental organization* was first used by Sophy Sanger in 1920 in relation to her report regarding the non-participation of NGOs in the first multilateral negotiations in 1906 regarding labor treaties²⁵. Prior to that NGOs were referred to as *unofficial, non-public, voluntary, or private organizations*²⁶. It was only in 1943 that various scholars of international law began using the term in public forums and meetings.²⁷ The phrase *non-governmental organization* gained popularity in 1945 with the foundation of the United Nations Organization (UNO), mentioned in Article 71 of Chapter 10 of the United Nations Charter, where issues were raised and discussed concerning organizations which neither belonged to the governments nor the member states of UNO. The history behind this can be dated back to 1910 when 132 international NGOs planned to get together and name themselves as the *Union of International Associations*. However the initial draft of the UN Charter, did not mention maintenance of any collaboration with these NGOs with private bodies. As a result, a group of individuals, at the San Francisco conference lobbied to rectify this point and succeeded in incorporating the provision for establishing effective relations with private organizations. These groups played a major role in strengthening UN's role in economic and social issues hence uplifted ECOSOC (the Economic and Social Council) to a *principal organ* of the UN. In order to distinguish ECOSOC's relationship with two types of international organizations, separate names were given. Under Article 70, there were *specialized agencies*, established by intergovernmental agreement, which could *participate without a vote in its deliberations*, while under Article 71 *non-governmental organizations* could have *suitable arrangements for consultation*. Hence these *specialized agencies* and *NGOs* became a part of the UN. However the NGOs slowly gained identity and popularity from onset of 1970s. Its importance was felt strongly in the era of

²⁵ Sophy Sanger, *Practical Problems of International Labour Legislation, in Labour as an International Problem* 135, 136 (E. John Solano ed., 1920). Sanger was one of the drafters of the provisions on labor in the Treaty of Versailles

²⁶ Steve Charnovitz, 2006

²⁷ Harold D. Lasswell & Myres S. McDougal, *Legal Education and Public Policy: Professional Training in the Public Interest*, 52 YALE L.J. 203, 221-22 (1943) (using that term)

globalisation. NGOs were established with the purpose of attending humanitarian issues, developmental aid and attaining sustainable development.

3.3.1 History of Voluntary Organisations in India²⁸

Voluntarism is integral to the way of life of Indians. It begins with providing services to the needy, the sick and the destitute. Religions (e.g. Hinduism, Islam, Christianity, Buddhism, and Jainism) being practiced in India emphasise on the value of charity, philanthropy and mutual help. Therefore, in the initial stage of the development of voluntary organisations, the impetus was provided by religion. Religious and charitable voluntary organisations grew over the years. Therefore, even today we see the dominance of religious and charitable voluntary organisations.

In the nineteenth century, voluntarism gained new stimulus from the social reform movements initiated by Raja Ram Mohan Roy, Vidyasagar, Rabindranath Tagore, Dayanand Saraswati, Sayyid Ahmed Khan, Swami Vivekanand and others. Many associations like Unitarian Committee (year 1822), Brahmo Samaj (year 1828), Dharma Samaj (Year 1830) were established at that time. Many literary and educational institutions like Royal Asiatic Society (year 1834) and Dhyan Prakash Sabha (year 1940) were established at that time. The second part of the nineteenth century saw further consolidation of the reform movement.

In the beginning of the twentieth century, the complexion of the national movement, which had begun in the nineteenth century, changed. It changed the complexion of voluntarism. Mahatma Gandhi's focus on village resulted in evolution of voluntarism in rural development sector. Gandhi's constructive programmes evolved during the period 1922 to 1928. The principles of the

²⁸ For a more detailed discussion on the history of voluntary organisations in India refer to: Voluntary Action Network India. *Voluntarism and Government . Policy Programme and Assistance*. Delhi. 2001. <http://pcserver.nic.in/ngo> (assessed on 05/01/2008)

programme are: voluntariness and sharing, cooperation, mutual aid, decentralisation, non-violence, self-reliance, self-help and moral action. Gandhiji's constructive work became mass national movement for political freedom. Gandhiji insisted that political freedom should go hand in hand with a sense of social responsibility.

After independence social welfare and developmental responsibilities shifted to the government. With the introduction of the planning model in the year 1951, and the launching of the community development programmes, voluntary organisations had to redefine their role. In the year 1953, the government formed the Central Social Welfare Board (CSWB) with the primary objective of enhancing participation of voluntary organisations in social welfare and development. This was the beginning of the government funding of voluntary organisations through grant-in-aid. This was the watershed year for voluntarism in India.

4

NGO: FORMATION

4.1 Laws Applicable to a Non-Governmental Organization

A NGO can be a registered NGO or an unregistered NGO. However it is wise for an NGO to get registered under any of the applicable laws in order to facilitate easy inflow of funds and grants and to receive governmental support. NGOs are not under the purview of international law except the International Committee of the Red Cross, which is mainly subject to certain provisions under the Geneva Convention.

Different states draft their own laws for the NGOs to follow. For example, The Council of Europe in Strasbourg drafted the European Convention on the Recognition of the Legal Personality of International Non-Governmental Organizations in 1986. Similarly in India there are specific laws which the NGOs need to follow after getting themselves registered under these laws.

A NGO can be registered under any of the following three acts:

- (i) As a charitable trust, by formulating a trust deed.
- (ii) As a society under the Societies Registration Act
- (iii) As a company under section-25 of the Companies Act 1956

In order to register itself under any of these laws, the concerned NGO has to comply with the legal provisions mentioned in each aspect. Therefore, it is mandatory for the NGO to have a thorough knowledge of the various legal provisions. We shall briefly touch upon the important legal provisions. The intention is to provide an overview of it.

4.2 Trust

The Central law governing a trust is the Trust Act 1882. State governments might enact their own law to govern trusts in the model of the Central Act. Some State governments have enacted separate trust laws. In the absence of a State law, the general set of principles of the Indian Trusts Act 1882 becomes applicable.

Trust as defined under section 3 of the Trust Act, 1882 is *an obligation annexed to the ownership of property and arising out of a confidence reposed in and accepted by the owner, or declared and accepted by him, for the benefit of another or of another and the owner*.

In other words it refers to handover of property (movable as well as immovable) by the owner to another for the welfare of the third person alone or the owner and the third person or it can be said to be a declaration by the owner, to hold the property not for him and the other. In the Indian context, Trusts account for the second most popular form of registration.

Indian Trusts Act does not apply to public trusts which can be formed by any person under general law. Under the Hindu Law, any Hindu can create a Hindu endowment and under the Muslim law, any Muslim can create a public wakf. Public Trusts are essentially of charitable or religious nature, and can be constituted by any person.

Constituents of a trust

The following are the constituents of a trust:

- (i) An author or a settler who would keep aside a significant property for the welfare of the beneficiaries. The Trust Act defines an author of the trust as ~~the~~ the person who reposes or declares the confidence+.
- (ii) One or more trustees who would undertake the responsibility to manage the property set aside by the author for the welfare of the beneficiaries. The Trust Act defines a trustee as ~~the~~ the person who accepts the confidence+.
- (iii) One or more beneficiaries for whose welfare the trust is created. The Trust Act defines ~~the~~ the beneficial interest or ~~interest~~ of the beneficiary as his right against the trustee as owner of the trust-property.+.

Purpose of a trust²⁹

A trust may be created for any lawful purpose.

The purpose of a trust is lawful unless it is (a) forbidden by law, or (b) is of such a nature that, if permitted, it would defeat the provisions of any law, or (c) is fraudulent, or (d) involves or implies injury to the person or property of another, or (e) the Court regards it as immoral or opposed to public policy.

Every trust of which the purpose is unlawful is void. And where a trust is created for two purposes, of which one is lawful and the other unlawful and the two purposes cannot be separated, the whole trust is void.

²⁹ Section 4 of the Indian Trust Act 1882

Explanation. In this section the expression ~~law~~ includes, where the trust-property is immoveable and situated in a foreign country, the law of that country.

The objective and the property of the trust should be accurately and specifically mentioned in the trust instrument (often referred to as trust deed).

Subject of trust³⁰

The subject-matter of a trust must be property (movable and immovable) transferable to the beneficiary. It must not be merely beneficial interest under a subsisting trust.

Who can create a trust³¹?

A trust may be created .

- (a) By every person competent to contract³², and,
- (b) With the permission of a principal Civil Court of original jurisdiction, by or on behalf of a minor;

But subject in each case to the law for the time being in force as to the circumstances and extent in and to which the author of the trust may dispose of the trust-property.

Besides individuals, a body of individuals or an artificial person such as an association of persons, an institution, a limited company, a Hindu undivided family through its *Karta* (head of the family), can also form a trust.

³⁰ Section 8 of the Indian Trust Act 1882

³¹ Section 7 of the Indian Trust Act 1882

³² Every person is competent to contract who is of the age of majority according to the law to which he is subject, and who is of sound mind, and is not disqualified from contracting by any law to which he is subject. (Section 11 of the Indian Contract Act)

Who may be beneficiary³³?

Every person capable of holding property may be a beneficiary.

Who may be trustee³⁴?

Every person capable of holding property may be a trustee; but, where the trust involves the exercise of discretion, he cannot execute it unless he is competent to contract.

4.2.1 Trust Deed

A trust is created when the author of the trust indicates with reasonable certainty by any words or acts (a) an intention on his part to create thereby a trust, (b) the purpose of the trust, (c) the beneficiary, and (d) the trust-property, and (unless the trust is declared by will or the author of the trust is himself to be the trustee) transfers the trust-property to the trustee³⁵.

No trust, in relation to immoveable property, is valid unless declared by a non-testamentary instrument in writing signed by the author of the trust or the trustee and registered, or by the will of the author of the trust or of the trustee³⁶.

The instrument, if any, by which the trust is declared is called the instrument of trust.

This instrument is often called the Trust Deed.

Although it is not necessary to prepare a written Trust Deed, it is preferable to do so. This facilitates management of the trust and registration under the Income Tax Act for exemption under sections 11 (a) to (c).

³³ Section 9 of the Indian Trust Act 1882

³⁴ Section 10 of the Indian Trust Act 1882

³⁵ Section 6 of the Indian Trust Act 1882

³⁶ Section 5 of the Indian Trust Act 1882

The Deed stipulates the goals and objectives of the trust and details regarding how the trust is managed.

A trust deed usually stipulates the following:

- (i) *the name(s) of the author(s)/ settler(s) of the trust*
- (ii) *The name(s) of the trustee(s)*
- (iii) *the name(s) if any, of the beneficiary/ies or whether it shall be the public at large;*
- (iv) *the name by which the trust shall be known;*
- (v) *the place where its principal and/or other offices shall be situated;*
- (vi) *the property that shall devolve upon the trustee(s) under the trust for the benefit of the beneficiary(ies);*
- (vii) *an intention to divest the trust property upon the trustee(s);*
- (viii) *the objects of the trust;*
- (ix) *the procedure for appointment, removal or replacement of a trustee, their rights, duties and powers, etc;*
- (x) *the rights and duties of the beneficiary/ies;*
- (xi) *the mode and method of determination of the trust*

4.2.2 Registration of the Trust Deed

It is preferable that the Trust Deed be duly registered even if it involves transfer of movable property. In case of a charitable trust

it is mandatory that the Deed be registered for claiming exemption under section 11 of the Income Tax Act.

The Deed needs to be registered with the Sub-Registrar of the registration department of the respective State Governments. The Trust Deed can be registered either under Indian Registration Act or Public Trusts Act. Under Indian Registration Act, if the Trust Deed contains transfer of any immovable property of value exceeding Rs.100 then it must be registered under the Indian Registration Act. However, under the Public Trusts Act it is mandatory for trusts located in states like Maharashtra and Gujarat to get them registered.

Separate applications should be forwarded while registering under any of the above mentioned Acts.

4.2.3 Governance

In a Trust, the trustees are the ultimate governing authority. Therefore, no separate elections are conducted to elect the governing body. Trustees can however elect the office bearers among the working members at intervals.

A Trust Deed usually mentions the rules and regulations regarding management of the trust:

- (i) *Holding of Meetings*
- (ii) *Quorum of Meetings*
- (iii) *Chairman of Meetings*
- (iv) *Adopting a resolution*
- (v) *Delegation of Functions*
- (vi) *Fixing of Accountability*

- (vii) *Sources of Income, including receipt of grants*
- (viii) *Modes of Investment*
- (ix) *Modes of application of funds, towards attainment of the objectives*
- (x) *Prohibition on use of funds for specified purposes*
- (xi) *Treatment of unutilized funds in the event of winding up*
- (xii) *Statutory audit and other legal formalities*
- (xiii) *Opening & Operation of Bank Accounts*

4.3 Society

An NGO can be formed as a society under the Societies Registration Act, 1860, which is a Central Act. Each State government may have its own Act for the registration of a society.

Who can form a society³⁷?

Any seven or more persons associated for any literary, scientific, or charitable purpose can form a society.

Registration³⁸

Any seven or more persons associated for any literary, scientific, or charitable purpose, or for any such purpose as is described in section 20 of this Act, may, by subscribing their names to a memorandum of association, and filing the same with Registrar of Joint-stock Companies form themselves into a society under this Act.

³⁷ Section 1 of the Societies Registration Act, 1860

³⁸ Section 1 of the Societies Registration Act, 1860

No stamp paper is required for the registration of a society.

For what purposes can a society be formed³⁹

The Societies Registration Act is applicable to the following types of societies:

- (i) A charitable society
- (ii) A military orphan fund or a society established at the several presidencies of India.
- (iii) A society created for the promotion of science, literature, or the fine arts, for instruction, the diffusion of useful knowledge, the diffusion of political education, the foundation or maintenance of libraries or reading rooms for general use among the members or open to the public, or public museums and galleries of paintings and other works of art, collection of natural history, mechanical and philosophical inventions, instruments or designs.

4.3.1 Memorandum of Association and Rules and Regulations

The major documents of any society are:

- (a) Memorandum of association, and
- (b) Rules and regulations

Memorandum of association⁴⁰

Memorandum of association is the charter of the society. The memorandum of association should contain the following clauses:

³⁹ Section 20 of the Societies Registration Act, 1860

⁴⁰ Section 2 of the Societies Registration Act, 1860

Code of Governance for NGOs

- (i) The name of the society
- (ii) The objects of the society
- (iii) The names, addresses, and occupations of the governors, council, directors, committee, or other governing body to whom, by the rules of the society, the management of its affairs is entrusted., and
- (iv) The names and addresses of the persons (at least seven) subscribing to the memorandum

The signatures of the subscribers should be duly witnessed and attested by the Oath Commissioner/Notary Public/Gazetted Officer/ Advocate/Chartered Accountant/1st Class magistrate.

Rules and Regulations

The rules and regulations mainly cover the following:

- (i) The conditions of admission of members,
- (ii) The liability of members for fines, forfeitures under certain circumstances
- (iii) The termination of membership by resignation or expulsion or upon death;
- (iv) The appointment and removal of trustees and their powers;
- (v) The appointment and removal of the members on the governing body;
- (vi) The requirement as to notice, quorum etc. for holding meetings and passing resolutions;

- (vii) The investment of funds, keeping of accounts and for audit of accounts;
- (viii) The manner of altering the objects and rules;
- (viii) The matters to be provided in bye-laws;
- (ix) The dissolution of society and the manner of utilizing the property upon dissolution;
- (x) Such other matters as may be thought expedient with reference to the nature and objects of the society.

4.3.2 Governing Body⁴¹

The governing body of the society shall be the governors, council, directors, committee, trustees, or other body to whom by the rules and regulations of the society the management of its affairs is entrusted.

The Rules and Regulations provide for the appointment of members of the governing body.

4.4. Section-25 Company

Grant of licence under section 25 and Registration as Company for New Associations:

An NGO can also be registered **as a company licensed under section 25 of the Companies Act**. Under section 25 of the Companies Act 1956 the Central Government may issue a licence to an association directing that the association may be registered as a company with limited liability, without the addition to its name of the word ~~%limited+~~ or the words ~~%Private Limited+~~.

⁴¹ Section 16 of the Societies Registration Act, 1860

The Central government issues the licence provided it is satisfied that the association,

- (a) is about to be formed as a limited company for promoting commerce, art, science, religion, charity or any other useful object, and
- (b) intends to apply its profits, if any, or other income in promoting its objects, and to prohibit the payment of any dividend to its members.

A licence may be granted by the Central Government on such conditions and subject to such regulations as it thinks fit and those conditions and regulations shall be binding on the body to which the licence is granted.

On receipt of the licence, the association may be registered as a company and on registration shall enjoy all the privileges, and be subject to all the obligations, of limited companies.

Grant of licence to an existing limited company (Rule 1 to 19 of Companies Regulation 1956)

The Central Government may issue such a licence to an existing company. It shall not be necessary for a body to which a licence is so granted to use the word ~~%limited+~~ or the words ~~%Private Limited+~~ in any part of its name, and, unless its articles otherwise provide, such body shall, if the Central Government by general or special order so directs and to the extent specified in the directions, be exempt from such of the provisions of this Act as may be specified therein. The licence may at any time be revoked by the Central Government.

5

NGO: FUND RAISING

NGOs all over the world provide selfless, non-discriminating voluntary services to millions of people in need especially at times of disaster and natural calamity, and spend billions of rupees in providing development assistance, technical support and render mass awareness among world's poorest people - estimated to be approximately over \$8 billion in 1992. In order to provide such services to people, the NGOs require financial assistance from both government and private organizations.

5.1 Sources of Financing

The following are the sources of financing:

- (i) Internal resources.
- (ii) Donations from individuals and private institutions in the country in which the NGO is domiciled or those located in other countries.
- (iii) Donations/financial aid for government/government organisations of the country in which the NGO is domiciled.
- (iv) Donations for government/government organisations of countries other than the country in which the NGO is domiciled.
- (v) Funding from international funding agencies.

The financial aid may be in cash or kind such as education, training etc.

However, the question that most often comes our mind is the psychology of the donor i.e., why does he want to part with his money? The reason behind donors donating can be many: just out of a sense of mere obligation towards the deprived ones, or may be just because helping those who need it gives them great personal satisfaction. There are still others who donate because it is a family tradition, or simply to get exemption from income tax. However there are specific sections in the society who donate out of their sense of duty towards their faith and community. Now it depends on the respective NGOs to put forward their vision and mission in a manner most convincing to the donor. For this purpose, a separate committee should be set up that might look after the presentation part, contacting proper donors etc.

The donor might be approached in a number of ways either personally or through a personal letter. Often old donors act as source for introducing new donors to the NGOs.

5.1.1 Internal Resources

- (i) **Membership Dues:** NGOs collect money or any other relief assistance either in cash or kind from its members.
- (ii) **Fees from Sponsorship:** Different NGOs often receive money through sponsorship from companies.
- (iii) **Voluntary contributions** from individuals and other entities.
- (iv) **Sales:** NGOs often take up selling of various articles like cards, candles, gift items, books, internet services, travel packages etc, like a private firm in order to raise funds required for them to function smoothly. For example UNICEF and CRY sell their products to generate income.

- (v) Income from investment: Often the funds which the NGOs receive are not entirely spent on humanitarian aid or development assistance; a part of it is kept as corpus fund. NGOs earn return on investment from the corpus fund.

An example: Internal resources generated by AARP

AARP, formerly the American Association of Retired Persons, which is a United States-based NGO and interest group, has reported (in its annual report for the year 2007) that its operating income (US \$ 1,008 million) includes membership fees (US \$ 240 million), royalties (US \$ 403 million received from AARP endorsed third party providers of member benefit programmes, in return for the rights to use AARP's intellectual property), publication advertising (US \$ 118 million received from selling advertising space in major publications, which are provided to members without charge), programme income (US \$ 34 million received towards service fees from providers and participants of member programmes, from consulting, marketing and other services), investment income (US \$ 34 million) and contribution (US \$ 36 million).

5.1.2 Grant-In-Aid from the Government

Although the term NGO implies organization free of any government involvement, NGOs depend to a significant extent on government assistance. Governments of different nations have got their specific funding schemes through which they provide funds to different NGOs situated in their country. Central government and State governments provide funds to NGOs in the form of grants-in-aid for the implementation of various schemes in the social sector⁴². Often the grant is channelised through one of the nodal agencies (e.g. Khadi and Village Industries Commission, Council for

⁴² A compilation of various schemes is available in: Voluntary Action Network India. Voluntarism and government . Policy, Programme and Assistance. New Delhi. 20 http://planningcommission.nic.in/reports/sereport/ser/stdy_voluntary.pdf (accessed on 04/01/2008)

Advancement of PeoplesqAction and Rural Technology and Central Social Welfare Board) created by the government. In order to receive grants, the local NGOs must meet certain criteria for grant of governmental assistance. Every Ministry and nodal agency has its own guidelines for organisations, which seek assistance from the Ministry or the nodal agency.

Usually only registered NGOs with good governance structure and good track record are eligible for assistance from the government.

For example, the following are the guidelines for assistance from Council for Advancement of PeoplesqAction and Rural Technology (CAPART)⁴³:

CAPART guidelines

CAPART supports project proposals from voluntary Organisations working in rural areas.

Project appraisal and evaluation

Each project submitted to CAPART goes through a process of on-site pre-funding appraisal to assess its feasibility in relation to the local situation, and the capacities and competence of the organisation proposing to implement it. In addition, each funded proposal is evaluated at the mid-term stage to allow for mid-course corrections. End-term evaluations and impact assessments complete the project cycle, and feed into the ongoing process of planning and strategising in each project division.

Project appraisals and evaluations are carried out by external experts drawn from the CAPART panel of project evaluators, which includes subject specialists from various disciplines. Empanelment is through a rigorous screening process, the main criteria being

⁴³ Detailed guidelines are available at: http://capart.nic.in/scheme/project_guidelines.pdf (accessed on 06/01/09)

professional qualifications, an understanding of rural development and commitment to voluntary action for development.

Eligibility criteria:

- (i) Registration under the Societies Registration Act, 1860 (or a State amendment of this Act), the Indian Trusts Act, 1862, or the Charitable and Religious Trusts Act, 1920.
- (ii) At least three years of experience of working in the field after registration.
- (iii) A strong field presence and experience of mobilising communities to act for development.

Guidelines:

- (a) CAPART gives priority to voluntary organisations with a good track record and proven competence in community mobilization and empowerment of disadvantaged groups.
- (b) Organisations accessing CAPART support for the first time are required to submit their proposals only directly to concerned Regional Committees.
- (c) Project proposals must be submitted in the proper format (included in each of the scheme guidelines) and must be accompanied by a complete organisation profile in the appropriate format (also included in the scheme guidelines).

5.1.3 External Aid

All over the world, the various non-government and non-profit organizations have access to financial assistance from various international agencies. This is because the size of their assets is quite small compared to other institutions. As a result, these

organizations are not prepared for any sort of equity investments, and this compels them to depend on foreign funds. Donor agencies usually undertake technical assessment of the project for which assistance is sought from the agency. For example, they evaluate the purpose for which the fund is sought and how the project will help target beneficiaries. Donor agencies may discuss those issues with the government. On completion and finalisation of the discussion process, donor agencies enter into agreements with the government of the receiving country that in turn initializes and finalizes the funding process for the respective organization receiving the fund. The receiving agencies are, however, kept under watch by the government and the donor agency to ensure proper utilization of funds. Hence it is also one of the key responsibilities of the government of the receiving country to extend full support and collaboration to donor agencies to ease up the process of giving and receiving donations.

Types of international funding

International donations might come in several forms stated under:

- (i) *Bilateral Funding*: Funding is received under a financial agreement between two parties, the international donor agency and the recipient country. It is basically a single country or a single international donor agency donating a lump sum amount to the relief organization of the recipient country as humanitarian aid or development aid. For example, USAID (*United States Agency for International Development*) is providing humanitarian or development assistance all over the world.
- (ii) *Multilateral Funding*: Funding is received under a financial agreement between a group of countries. It is basically a single relief agency receiving funds from different parts of the country for either development or humanitarian cause. The respective receiving agencies, generally have a specific unit in charge of collecting funds from the

different countries and ensuring proper distribution in areas that require fund.

- (iii) *Private institutional funding:* Often, government of a specific country donates a particular sum of money to multilateral institutions like the World Bank or IMF, which are controlled and governed by the countries contributing to it. These organizations in turn provide financial grants to various NGOs.
- (iv) *Overseas Non-Resident Communities:* Many immigrants shift their base from an economically backward country to a country where there are better economic prospects and job opportunities, and donate money to friends or family or to any relief organization in their native land. There are also several Non-Resident communities who collect funds in their adopted country and donate it to the NGOs of their native land. These payments constitute a major percentage of total international funding.

Neither bilateral nor multilateral funding can be carried out without government intervention. Both the donor agency and the receiving agency need to obtain permit from the government to carry on with the funding process. In this regard the Ministry of Finance (Government of India) has formulated a policy on Development Co-operation with Government and its subordinate agencies.⁴⁴

5.2 Foreign Contribution Regulation Act and Rules, 1976

In India, the purpose and the amount of foreign donation is under the regulation of the FCRA (Foreign Contribution Regulation Act, 1976).

⁴⁴ Government of India, Ministry of Finance, Department of Economic Affairs, PMU Division. Circular No. F.No. 1/30/2003-PMU dated the 4th January, 2005

Foreign Contribution (Regulation) Act, 1976 (FCRA) was enacted in the year 1976 with the prime objective of controlling the attainment and allocation of foreign contribution and foreign hospitality by individuals and associations working in the important areas of national life. The aim of this Act is to ensure that the foreign contribution and foreign hospitality is not misused in a way that it affects the electoral politics, public servants, judges and other people working in important areas of national life, like journalists, printers and publishers of newspapers, etc. The Act primarily seeks to regulate inflow of foreign funds to voluntary, non-government organizations with the aim of preventing any possible misuse of funds in activities harmful to national interests and to ensure that the individuals and organizations under the act function in a manner consistent with the values of a sovereign democratic republic.

During the year 2007-08 (up to December 31 2007), 475 organisations have been granted registration under the Foreign Contribution (Regulation) Act, 1976 and 255 organizations were granted prior permission to receive foreign contribution. The total receipt of foreign contribution during 2006-07 reported and compiled so far (as on March 10, 2008) is Rs.6,252.09 crore⁴⁵.

Applicability of the Act:

The Act is applicable to the following class of people and organizations:

- (a) Citizens of India outside India;
- (b) Associates, branches or subsidiaries, outside India, of companies or bodies corporate, registered or incorporated in India.

⁴⁵ Ministry of Home affairs annual report 2007-08 <http://mha.nic.in/pdfs/ar0708-Eng.pdf>

Important definitions⁴⁶

The Act particularly defines certain terms used in the context of NGO funding and specifies exactly who all are eligible to receive foreign grants under this act:

- (a) '*Association*' means an association of individuals, whether incorporated or not, having an office in India and includes a society, whether registered under the Societies Registration Act, 1860, or not, and any other organization by whatever name called.
- (b) *Foreign contribution* means the donation, delivery or transfer made by any foreign source,
 - (i) Of any article, not being an article given to a person as a gift for his personal use, if the market value, in India, of such article, on the date of such gift, does not exceed one thousand rupees;
 - (ii) Of any currency, whether Indian or foreign
 - (iii) Of any foreign security as defined in clause (i) of Section 2 of the Foreign Exchange Regulation Act, 1973 (46 of 1973);
- (c) '*Foreign hospitality*' means any offer, not being a purely casual one, made by a foreign source for providing a person with the cost of travel to any foreign country or territory or with free board, lodging, transport or medical treatment;
- (d) '*Foreign source*' includes:
 - (i) The Government of any foreign country or territory and any agency of such Government.

⁴⁶ Section 2 of Foreign Contribution (Regulation) Act, 1976 (FCRA)

- (ii) Any international agency, not being the United Nations or any of its specialised agencies, the World Bank, International Monetary Fund or such other agency as the Central Government may, by notification in the Official Gazette, specify in this behalf.
- (iii) A foreign company within the meaning of section 591 of the Companies act, 1956 and also includes
 - (a) A company which is a subsidiary of a foreign company, and
 - (b) A multi-national corporation within the meaning of this act.
- (iv) A corporation, not being a foreign company, incorporated in a foreign country or territory.
- (v) A multinational corporation within the meaning of this Act.
- (vi) A company within the meaning of the Companies Act 1956, if more than one-half of the nominal value of its share capital is held either singly or in the aggregate, by one or more of the following, namely,
 - (a) Government of a foreign country or territory.
 - (b) Citizens of a foreign country or territory.
 - (c) Corporations incorporated in a foreign country or territory.
 - (d) Trusts, societies or other associations of individuals (whether incorporated or not),

formed or registered in a foreign country or territory.

- (vii) A trade union in any foreign country or territory, whether or not registered in such foreign country or territory.
 - (viii) A foreign trust by whatever name called, or a foreign foundation which is either in the nature of trust or is mainly financed by a foreign country or territory,
 - (ix) A society, club or other association of individuals formed or registered outside India.
 - (x) A citizen of a foreign country, but does not include any foreign institution which has been permitted by the Central Government, by a notification in the Official Gazette, to carry on its activities in India.
- (e) '*Prescribed*' means prescribed by rules made under this Act

5.2.1 Restrictions on Receipt of Foreign Grant⁴⁷

In FCRA, 1976, the following restrictions have been imposed on the concerned party receiving foreign grants from international donor agencies.

- (1) No foreign contribution shall be accepted by any
 - (a) Candidate for election.
 - (b) Correspondent, columnist, cartoonist, editor, owner, printer or publisher of a registered newspaper.

⁴⁷ Section 4 Foreign Contribution (Regulation) Act, 1976 (FCRA)

Code of Governance for NGOs

- (c) Judge, Government servant or employee of any corporation.
 - (d) Member of any Legislature.
 - (e) Political party or office-bearer thereof.
- (2) (a) No person, resident in India, and no citizen of India, resident outside India, shall accept any foreign contribution, or acquire or agree to acquire any currency from a foreign source, on behalf of any political party or any person referred to in sub-section (1), or both.
- (b) No person, resident in India, shall deliver any currency, whether Indian or foreign, which has been accepted from any foreign source, to any person if he knows or has reasonable cause to believe that such other person intends, or is likely to deliver such currency to any political party or any person referred to in sub-section (1) or both.
- (c) No citizen of India resident outside India shall deliver any currency, whether Indian or foreign, which has been accepted from any foreign source, to
- (i) Any political party or any person referred to in sub-section (1), or both, or
 - (ii) Any other person, if he knows or has reasonable cause to believe that such other person intends, or is likely, to deliver such currency to a political party or to any person referred to in sub-section (1), or both.
- (3) No person receiving any currency, whether Indian or foreign, from a foreign source on behalf of any association shall deliver such currency:

- (i) To any association or organisation other than the association for which it was received, or
- (ii) To any other person, if he knows or has reasonable cause to believe that such other person intends, or is likely to deliver such currency to an association other than the association for which such currency was received.

5.2.2 Registration⁴⁸

(d) No association [other than a political party] having a definite cultural, economic, educational, religious or social programme shall accept foreign contribution unless such association,

- (a) Registers itself with the Central Government in accordance with the rules made under this Act; and
- (b) Agrees to receive such foreign contribution only through such one of the branches of a bank as it may specify in its application for such registration.+

Unregistered NGO:

Every association may, if it is not registered with the Central Government under that- sub-section, accept any foreign contribution only after obtaining the prior permission of the Central Government and shall also give, within such time and in such manner as may be prescribed, an intimation to the Central Government as to the amount of foreign contribution received by it, the source from which and the manner in which such foreign contribution was received and the purposes for which and the manner in which such foreign contribution was utilised by it.

⁴⁸ Section 6 of FCRA. Details of FCRA and filing process could be obtained from the following links: <http://mha.nic.in/fcra.htm> & <http://www.fcraforngos.org>. FCRA on-line service for grant of registration under the Act is already operational and the facility for on-line filing of application for prior permission to receive foreign contribution has also been launched with effect from November 12, 2007.

Right to receive fund:

This basically means that for obtaining foreign contributions, the NGO has to fulfill one of the following requirements:

- (a) It must be registered with Central Government for receiving such funds.
- (b) It must obtain prior permission from FCRA department for case to case basis.

The process of filing a request for prior permission or registration is quite simple.

For getting permanently registered with FCRA department, the NGO should have a proven record of social activities beneficial for their area of operation. It is easier for an organization to get the approval if they have been operational for some time (typically 3-4 years). The registration process also involves an inspection from the intelligence bureau. They collect information about the NGO by visiting their area of operation and their office. Usually, the process takes around 6-7 months to complete. But it may also go beyond 1-2 years depending upon how convincing is the case for registration.

For new NGOs, it is better to apply for case wise prior permission for the first few times. This way, the NGO would be able to prepare grounds for a permanent registration and get into the good books of the authorities involved. A certificate from the district collector or state government, though not mandatory, would certainly help getting faster results.

Accountability of a registered NGO:

Every association so registered shall give within such time and in such manner as may be prescribed, an intimation to the Central Government as to the amount of each foreign contribution received

by it, the source from which and the manner in which such foreign contribution was received and the purposes for which and the manner in which such foreign contribution was utilised by it, provided that other than the branch of the bank through which it has agreed to receive foreign contribution or fails to give such intimation within the prescribed time or in the prescribed manner, or gives any intimation which is false, the Central Government may, by notification in the Official Gazette, direct that such association shall not, after the date of issue of such notification, accept any foreign contribution without the prior permission of the Central Government.

5.2.3 Maintenance of Accounts⁴⁹

Hence every association shall maintain, in such form and in such manner as may be prescribed,

- (a) An account of any foreign contribution received by it, and
- (b) A record as to the manner in which such contribution has been utilised by it.

On inspection of accounts or records, if the organisation or association fails to furnish any returns under this Act, within the time specified therefore, or the returns so furnished are not in accordance with the law or if, after inspection of such returns, the Central Government has any reasonable cause to believe that any provision of this Act, has been, or is being, contravened, that Government may, by general or special order, authorise such gazetted officer, holding a Group A post, as it may think fit, to audit any books of account kept or maintained by such organisation or association as the case may be, and thereupon every such officer shall have the right to enter in or upon any premises at any reasonable hour, before sunset and after sunrise, for the purpose of auditing the said books of account.

⁴⁹ Sections 13 and 15 of FCRA

5.3 Setbacks to Foreign Funding

In spite of the rules and regulations mentioned above, there still remain several drawbacks with respect to providing financial assistance to NGOs. Often, the NGOs are provided financial assistance and are controlled by several imperialist agencies like the imperialist governments; as a result they act as a channel between the people and the government. These imperialists often treat these NGOs as a means to achieve their strategic goals by providing huge funds at their disposal most of which is often spent on the maintenance of NGOs and running expenditure of the volunteer workers instead of for relief work. Moreover, it is usually believed that when a donor provides funds to some institution, it is out of selfless concern for the benefit of the institution. But such an act is rarely selfless. It has been observed in many cases that the funding agencies provide funds based on their own selfish motives. In several cases it is seen that those countries that have a sound political system are granted funds by the donor country. The reason behind this might be that the donor country is willing to associate itself with the politics of the receiving country. The donor country might also use the power of politics of the receiving country to improve its own political scenario. Since the receiving country is getting some form of financial support from the donor country, it will be obliged to help the donor country in other terms such as rendering political help. Thus it can well be the case that certain fund donors choose only those developed countries for providing funds, which can help them in return in some other way. These developed countries, however, might not be so much in need of funds, as some other less developed needy countries. Thus the motive behind providing funds is not always noble. In many cases it is influenced by selfish motives.

However the major loophole in foreign funding by a foreign country especially in case of humanitarian aid lies in its complete lack of knowledge of the people and region in which its aid is flowing. Often aid in the form of food or medicine given at the time of any natural or social disaster consists of items which are prohibited in

a particular section of the people affected by the disaster, such as inflow of food items containing pork to Islam dominated regions or medicines whose names on packings are written in the foreign dialect not understood by the regional people.

The U.S development aid is also criticized on grounds of several conditions imposed on the nations or organizations receiving it. For example, World Bank and IMF, before giving loans to other countries or organizations, suggest some ~~policy prescriptions~~ which may not suit the concerned countries social and economic environment. Hence several scholars are of the view that these funds are preferable for a short span like in case of immediate assistance to overcome some unwanted situation but not for long term development.

Policy on foreign aid

In view of the above shortcomings of foreign funding, every NGO should be careful in receiving foreign aid. It should be cautious that it does not become subservient to the donor. It should accept foreign aid only if it is satisfied that the terms and conditions imposed by the donor do not pose any serious constraints on achieving its objectives. It should prepare its own policy about receiving foreign aid. The policy should be reviewed periodically in the light of socio-political developments in the international arena.

Part III : Governance Principles and code of governance

Principles of governance, which provide the underlying philosophy, should be applied in formulating the code of governance. The model code of governance should be used to develop corporate governance code by policy makers. It is expected that donors and other stakeholders will evaluate quality of governance of NGOs, with reference to this code.

CORPORATE GOVERNANCE PRINCIPLES FOR NON- GOVERNMENT ORGANISATIONS

Preamble

Voluntary action has a long and rich tradition in India. It entails individual and collective initiatives for common public good. Here, the roots of voluntary action have been primarily spiritual. The social reform movement of the 17th and 18th centuries was characterised by missionary zeal to address significant social problems facing society at that time: superstitions, ignorance, poor status of women, etc.

During the freedom movement, largely inspired by Mahatma Gandhi, voluntary action became constructive work in the communities where problems of untouchability, illiteracy and economic livelihood were addressed.

Most of the above historical trends continue to be present in the diverse and vast mosaic of voluntary sector in the country. The voluntary sector has contributed significantly to finding innovative solutions to poverty, deprivation, discrimination and exclusion through means such as awareness raising, social mobilization, service delivery, training, research, and advocacy.

In the post-independent India, the Indian nation-state was created and our constitution was adopted. The government became the

central player in promoting socio-economic development of our society.

However, in the last decade, particularly since early 1990s, when India ushered in the era of open economy and globalisation, there was national consensus that the State alone cannot deliver on all aspects of improvements in the lives of our people. There are significant limits to what the Government can do on its own.

Since 1994 the Government has, as a policy, decided to extensively involve voluntary organisations in the development of the social sector.

In May 2007, the Planning Commission of India (Government of India) issued a National Policy on the Voluntary Sector⁵⁰. According to the Policy, voluntary organisations should broadly have the following characteristics:

- (a) They are private, *i.e.*, separate from Government
- (b) They do not return profits generated to their owners or directors
- (c) They are self-governing, *i.e.*, not controlled by Government
- (d) They are registered organizations or informal groups, with defined aims and objectives.

The Policy document issued by the Planning Commission has emphasised independence of the voluntary organisations while strengthening the governance system to address the current debate on their transparency and accountability. The policy document proposes a system of accreditation.

⁵⁰ Voluntary Action Cell, Planning Commission, Government of India. National Policy on the Voluntary Sector (May 2007) <http://planningcommission.nic.in/data/ngo/npvol07.pdf> (accessed on 05/01/2008)

This document is intended to be used as a benchmark by both voluntary organisations, particularly NGOs and the government and regulators.

Principle I:

The governance framework shall promote transparent and efficient Non-government Organisations (NGO) within the legal and regulatory framework of the country and also within the international regulatory norms.

The corporate governance framework should be developed with an objective of promoting NGOs which shall:

- (i) Comply with the law of the land and international regulations.
- (ii) Be sensitive to the local culture and customs.
- (iii) Be transparent in their decision making and operations.
- (iv) Be accountable to their stakeholders including the government, the local community, beneficiaries, employees and volunteers.

Principle II:

The governance framework should facilitate participation of stakeholders in key decisions such as modification of the vision and mission, and nomination and election of trustees (or board members) and major shift in the mode of functioning.

- (A) The corporate governance framework should be developed with an objective of promoting NGOs, which shall:
 - (i) Respect the right of all permanent stakeholders

established by law, mutual agreement or otherwise to participate in key decision making.

- (ii) Give opportunity to stakeholders to ask questions to the board of trustee (or board of directors) including those relating to use of funds, to include an item in the agenda of general meetings subject to reasonable limitations.
 - (iii) Encourage stakeholders to submit suggestions on effective and efficient operation.
- (B) Non-governmental organisations shall furnish timely and sufficient information to their stakeholders.

Principle III:

The governance framework should promote ethical practices in transacting with donors, volunteers and beneficiaries.

- (A) The corporate governance framework should be developed with an objective of promoting NGOs, which shall:
- (i) Follow ethical practices in transacting with donors such as disclosure of full information about the end use of resources and not dealing with donors which have been accused of following unacceptable practices such as using recipient organisations for vested interests.
 - (ii) Follow ethical practices internally and will develop mechanism to address grievances of volunteers and employees.
 - (iii) Adopt a ~~whistleblower~~ whistleblower policy.
- (B) Non-governmental organisations shall formulate a code of conduct for trustees, volunteers and employees.

Principle IV:

The governance frame work should ensure that timely and accurate disclosure is made on all material matters regarding the organisation, including the financial position, performance, and governance of the organization.

Disclosures should include, but not be limited to, material information on:

- (i) The objective of the organisation.
- (ii) Policy regarding recruitment of employees, volunteers and their compensation
- (iii) Remuneration policy for members of the board of trustees (or board of directors) and key executives, and information about board members.
- (iv) Foreseeable risk factors.
- (v) Any punitive action taken or might be taken in a foreseeable future by a regulatory authority.

Principle V:

The governance framework should ensure that the rights and interests of beneficiaries are protected and the activity of the organization promoted their wellbeing.

The Corporate Governance framework should be developed with an objective of promoting NGOs which shall:

- (i) Be sensitive to the local culture and customs of the host community.
- (ii) Ensure that its activities do not conflict with the protection

Code of Governance for NGOs

of human and civil rights of the members of the beneficiary community.

- (iii) Ensure that its activities are consistent with the sustainability of the natural environment.
- (iv) Ensure that its activities are consistent with the long-term development of the host community.
- (v) Ensure transparency in communication with the host community.

MODEL CORPORATE GOVERNANCE CODE FOR NON- GOVERNMENT ORGANISATIONS

7.1 Memorandum of Association and Regulation

- (a) Subject to the provisions of the law under which the NGO is registered, it shall prepare a Memorandum of Association (MOA) which would mention the name of the organisation, name of the founder (author/settler), and the name of the parent body, if any, to which it is affiliated and will also describe the purpose (objective) of the organisation. It will also mention the address of its principal office. The MOA shall be available in the public domain (for example, it should be available on the website of the NGO).
- (b) Every NGO will frame a Regulation that will describe the rules for internal management. The Regulation will clearly stipulate the rules for:
 - (i) The constitution of the governing body (Board of trustees/ Board of directors), the process for selecting members and the rights and responsibilities of members.
 - (ii) The rights of donors (such as right to receive statement of utilisation of funds periodically, right to receive audited annual accounts and annual report on the performance of the NGO, right to nominate a member to the governing

body if the donation in a year exceeds a specified amount, right to seek information on matters of its interest).

- (iii) For holding general meetings and annual general meetings and participation of donors and beneficiaries in general meetings including annual general meeting.

7.2 Governing Body (Board of trustees/Board of directors)

- (a) Subject to the provisions in the law under which the NGO is registered, it will constitute a board of trustees (or board of directors), which shall have not more than 15 members.
- (b) 50% of the members shall be non-executive members. Non-executive members will be those who do not hold executive positions such as President, Secretary, and Treasurer.
- (c) The tenure of the governing body will be three years.
- (d) The first Governing Body shall be constituted by the founder/author/settler. Members of the first governing body shall hold office for a period of three years. They will be eligible for selection of the new governing body on expiry of the term of the first governing body.
- (e) Members for the second and subsequent governing bodies will be selected by a nomination committee of the governing body. The governing body will constitute the nomination committee preferably with non-executive members.
- (f) The primary function of the governing body will be to provide direction and to supervise the executive management. More specifically, the responsibility of the governing body shall include:

Model Corporate Governance Code for Non-Government Organisations

- (i) To review the vision and mission statements and to approve changes, if any, from time to time.
- (ii) To review the Regulation and to approve changes, if any, from time to time.
- (iii) To appoint the Chief Executive Officer and to remove him/her if required.
- (iv) To decide the compensation package for the CEO and senior executives.
- (v) To formulate the organisation level strategy and to approve funding policy.
- (vi) To formulate the policy for the recruitment and termination of volunteers.
- (vii) To establish a mechanism to address grievances of beneficiaries and the local community and to ensure that it is operating effectively.
- (viii) To establish an internal control system and to ensure that it is operating effectively.
- (ix) To establish a risk management strategy.
- (x) To ensure compliance with law and regulations.
- (xi) To ensure that communication to the local community, donors and regulatory authorities is not materially incorrect.
- (xii) To approve annual budgets.
- (xiii) To prepare periodical financial statements and the annual report.

- (xiv) To appoint and remove the auditor.
- (xv) To decide on opening, closing and operating bank accounts.
- (g) The governing body shall meet at least four times in a year. The gap between two meetings shall not exceed four months.
- (h) The members of the governing body will elect the Chairman for each meeting.
- (i) The quorum for the governing body meeting will be one-third of the size of the governing body.

7.3 Accounts

- (a) Subject to the provisions in the law under which the NGO is registered, it will maintain proper books of accounts, which shall include detailed record of utilisation of funds.
- (b) Subject to the provisions in the law under which the NGO is registered, it shall maintain detailed record of fixed assets which are under its control and also records of other assets that it holds.
- (c) Subject to the provisions in the law under which the NGO is registered, it will prepare and present financial statements as per applicable accounting standards, at least annually.
- (d) Annual financial statements shall be audited by a Chartered Accountant
- (e) Audited annual financial statements shall form part of the annual report

7.4 Annual Report

- (a) Subject to the provisions in the law under which the NGO is registered, it will publish an annual report within six months after the close of the fiscal year.
- (b) The annual report shall include:
 - (i) Audited annual financial statements.
 - (ii) An analysis of percentage of funds spent on organization's infrastructure, manpower etc and percentage spent on beneficiaries; corrective action recommended on imbalance in fund utilisation, if any.
 - (iii) Activity report by the governing body for each segment of the organisation's activity.
 - (iv) An analysis by the governing body of its contribution to the sustainable development of the community or communities in which it operates.
 - (v) A discussion and analysis by the governing body of its future plan and perceived risks.

7.5 Code of Conduct

- (a) The governing body shall formulate codes of conduct for its members, office bearers, employees and volunteers.
- (b) Each member of the governing body, each office bearer, each employee and each volunteer shall submit an annual self-declaration about his/her compliance with the code of conduct.

7.6 Whistleblower Policy

- (a) The governing body shall appoint an organisation ombudsman to receive and deal with representations from employees, volunteers and the general public. The ombudsman will be a respected citizen of the community and not otherwise directly associated with any of the activities of the NGO.
- (b) The governing body shall formulate a ~~whistle-blowing policy~~ which, among other things, will provide immunity to employees and volunteers from any punitive action for blowing the whistle.

7.7 Transparency and Disclosure

- (a) Each NGO shall maintain a website
- (b) At the minimum, the NGO will up provide on its website its objective, mission and vision statement, names and brief profile of the members of the governing body, governing body's response to any important debate concerning the activities of the NGO, codes of conduct, policy on recruitment of volunteers and annual report.

Part IV : Case Studies

Case Studies have been provided as examples of how large and well-governed NGOs apply the principles of governance.

We acknowledge the support we received from the organisation, Ramakrishna Math and Ramakrishna Mission, Belur Math. In particular Swami Prabhanandaji, General Secretary, Ramakrishna Math and Ramakrishna Mission, Belur Math.

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Case Study-1

RAMAKRISHNA MATH AND RAMAKRISHNA MISSION

Atmano mokshartham jagad hitaya cha
(For one's own salvation and for the welfare of the world)

1. About The Organisation

Ramakrishna Math and Ramakrishna Mission, both the organizations are considered to be the two sides of the same coin. They are global, non-political, non-sectarian spiritual organizations. They are closely interconnected in several ways, apart from their legal and financial set up, and hence considered to be twin organizations. It constitutes the heart of worldwide spiritual movement known as Ramakrishna Movement or Vedanta Movement, which aims to render religious and communal harmony among all, harmony between the East and the West, harmony between the ancient and the modern, spiritual fulfilment, all-round development of the society, peace and equality of caste, creed, race and religion.

History

Ramakrishna Math, was registered as a trust under Trust Act in 1901. It is a spiritual monastic organization for men. Soon after the passing away of Ramakrishna *Paramahanshadeb* (1836-1886), the great saint of the 19th century of Bengal who is regarded as the *Prophet of the Modern Age*, the Ramakrishna Math (monastery) was established bearing his name and spiritual ideologies, by a group of monks lead by Swami Vivekananda (1863-1902), the

chief disciple and follower of Sri Ramakrishna and one of the foremost thinkers and religious leaders of the present age. The main objectives of the Math were to create a group of *Sannyasin teachers of Vedanta* (following the life and ideas of Sri Ramakrishna) and perform *missionary* and eleemosynary activities for all irrespective of caste, creed, religion and colour, in accordance to authentic demonstration of *divine*.

However the latter service, was gradually conducted by the Mission, named Ramakrishna Mission, which is a registered society under Act XXI of Societies Registration Act 1860, later revised according to West Bengal Act XXVI of 1861. Here monks of Ramakrishna Math and several devotees come together to conduct various types of social and relief services, mainly in India. It was established by, Swami Vivekananda, on 15th of May 1897, soon after he returned from the West.

Gradually, Swami Vivekananda shifted the Math to Belur, *on the western bank of the Hooghly (Ganga), in Howrah district*, a process completed in 1899, after it was sanctified by him on 1898 *by worshipping the urn containing the sacred relics of Sri Ramakrishna, which he himself carried on his shoulders to the place of worship*. Gradually, the headquarters of the worldwide organizations known as *Ramakrishna Math and Ramakrishna Mission* were established here. *The room in which Swamiji attained Mahasamadhi has been preserved here*. With time, Belur Math became the centre of global spiritual movement known as the Ramakrishna Movement. Even atheists are welcome here to enjoy both physical and mental peace it delivers. *A degree college, a polytechnic, and several other educational institutions of the Ramakrishna Mission are situated in the vast campus adjacent to Belur Math*.

1.1 Ramakrishna Math

Ramakrishna Math has its headquarters at Belur in Howrah, West Bengal. It is mainly focused towards the task of vigorous training of the group of monks following the ideals of Sri Ramakrishna i.e.

self-realization and service to the world. The members of the Math are essentially monks who lead a life of Brahamachari. The members of the group of monks need to undergo training for a minimum period of 9 years. The first year of their stay at the centre is essentially known as the Pre-probationary period followed by the probationary period in the next four years, on the completion of which they are considered to be Brahamachari when each one of them is given *Chaitayana* (names) accompanied by specific vows (chastity, renunciation and service). This is followed by another 4 years after completion of which if he is considered suitable, he is appointed as a Sannyasi of the math and given the saffron coloured dress to wear.

Constituent units

There are several units which constitute the Belur Math main monastery. These units are classified as under:

1. *The Monk's Quarters:* The monks mainly reside in the main Monks Quarters; however there are several other residential buildings where the monks and the other novices of the monastery reside in. The visitors of the math are however prohibited from entering these quarters.
2. *Math Office:* The Math Office is the main body of action of the Belur Math. It is located at the posterior of the main temple. It is the nerve centre of all the activities concerning worship in the temples, annual celebration of Durga puja and other festivals, maintenance of the premises, maintenance of the monks, taking care of devotees, distribution of Prasad etc. Offerings for worship and contributions for the maintenance of monks are received at the Math Office.
3. *Sacred Shrines:* There are quite a number of worshipping places at the main monastery. Among them, the sandstone temple is worth mentioning; it has the marble statue of Sri Ramakrishna. The Ramakrishna Mission does not differentiate between different religions and a proof of that is this temple

which combines the architectural features of a Hindu Temple, Buddhist Cave, Christian Church and Islamic mosque. There are other temples too dedicated to Holy Mother Sri Sarada Devi, Swami Vivekananda and Swami Brahmananda. There are three other holy places within the Math. These are:

- (i) The old shrine where worship to Sri Ramakrishna was conducted for more than three decades.
- (ii) The room in which Swami Vivekananda spent his last days.
- (iii) The Old Mathq earlier known as Nilambar Mukherjee's Garden House, which was sanctified by the Holy Mother's stay on several occasions and which served as the monastery of Ramakrishna Order for a short period.+

4. *Probationers' Training Centre:* The newcomers are given training, before they attain the status of Brahmacharya. The training period is of two years and during this period, all the probationers of the Ramakrishna order are required to stay at the Training Centre. The novices and the teachers, who are called the Acharyas, also reside in this three-storied Training Centre, during this training period. In the training period, the newcomers are given lessons on basic Hindu Scriptures, lives and teachings of Sri Ramakrishna, Sri Sarada Devi, Swami Vivekananda and other incarnations and Prophets, Indian Philosophy, Western Philosophy, Comparative Religion etc. The probationers, in addition to all these lessons, also take lessons in music, Vedic Chanting, Performing Puja, keeping accounts, gardening etc.
5. *Math Library:* The Math's library is the main source of books and information for the monastics as well as the ordinary mission members.
6. *Celebrations:* Several cultural festivals are celebrated at the Ramakrishna Math and Mission.

1.2 Ramakrishna Mission

Ramakrishna Mission is headquartered at Belur, too. It is mainly focused towards rendering social service, relief and developmental work around the globe with a *spiritual outlook*. However the mission is also assisted by math in rendering philanthropic service in times of need. During natural calamities or man-made disasters, the Mission's area of work includes primary relief with food, clothes, medicine and permanent relief activities like construction of new full-fledged townships, bridges, and roads, with sometimes a project going over Rs. 150 million.

Centres

The Math and Mission have **171** centres all over the world (**128** in India, 13 in USA, **12** in Bangladesh, 2 in Russia, and one each in Argentina, Australia, Brazil, Canada, Fiji, France, Germany, Japan, Malaysia, Mauritius, Netherlands, Singapore, **South Africa**, Sri Lanka, Switzerland, and UK), including only math or only mission or a combination of both. Along with it, there are 33 sub-centres attached to some of these centres. Other than these branch centres, there are nearly one thousand unaffiliated centres (popularly called *private centres*) all over the world started by the devotees and followers of Sri Ramakrishna and Swami Vivekananda.

2. Vision and Mission of the Math and the Mission

2.1 Belief/Ideas

The Order of Ramakrishna lays down the following ideas:

1. It does not believe in conversion, nor does it indulge in the supernatural or the sensational activities.

2. It lays primary importance on individual spiritual unfolding and selfless service.
3. It is inspired by the idea of the harmony of all faiths; its centres encourage adherents of different faiths to meet in a spirit of friendship and mutual appreciation, and to learn from one another without having to give up one's own faith. In the words of Sri Ramakrishna:

%God has made different religions to suit different aspirants' lives and countries ... all doctrines are only so many paths; but a path is by no means God Himself. Indeed one can reach God if one follows any of the paths with whole-hearted devotion.+

It is in accordance with the ideal of service to man as service to God that Order maintains a huge number of hospitals, dispensaries, mobile medical units, schools, colleges, rural development centres and a number of other social service institutions run by the twin organizations, Ramakrishna Math and Ramakrishna Mission.

2.2 Aim and Objectives

The main aim and objective of these twin organizations, *based on the principles of Practical Vedanta*, are:

- (a) To spread the idea of the potential divinity of every human being and how to reflect it through every action and thought.
- (b) To spread the idea of harmony of religions based on Sri Ramakrishna's experience that all religions lead to the realization of the same Reality known by different names in different religions. The Mission honours and reveres the founders of all world religions such as Buddha, Christ and Mohammed.

- (c) To treat all work as worship, and service to man as service to God.
- (d) To make all possible attempts to alleviate human suffering by spreading education, rendering medical service, extending help to villagers through rural development centres, etc.
- (e) To work for the all-round welfare of humanity, especially for the uplift of the poor and the downtrodden.
- (f) To develop harmonious personalities by the combined practice of Jnana, Bhakti, Yoga and Karma.

Both Math and Mission can be basically categorized into Relief-Oriented and Development oriented organizations where they are mainly oriented towards charity, relief and grants to the sufferers of various natural calamities, war, accidents, etc, in designing and promoting various development related projects like schools, hospitals etc.

However, the Mission undertakes basic relief and developmental service with the aim of:

1. Imparting, promoting and undertaking the study of research in the arts, sciences, technologies and industries in all their branches.
2. Training teachers in all branches of knowledge and enabling them to reach and communicate with the masses
3. Establishing, maintaining, carrying on and assisting schools, colleges, universities, research institutions, libraries, auditoriums, orphanages, workshops, laboratories, hospitals, dispensaries, houses for the aged, the invalid and the afflicted, relief and rehabilitation work, and any other educational, medical, cultural and social welfare services activities and training institutions and charitable works and institutions of a like nature.

Code of Governance for NGOs

4. Printing, publishing and selling or distributing, gratuitously or otherwise, journals, periodicals, books or leaflets that the Association may think desirable for the promotion of its objectives.
5. Carrying on any other work which may seem to the Association capable of being conveniently carried on in connection with and calculated directly or indirectly to promote any of the before-mentioned objects.

Key activities:

With focus on these aims and objectives, the key activities of the Math and Mission include providing:

1. *Education:* Both the organizations run more than 748 educational institutions with students exceeding 200,000. Some of the institutions include Vivekananda University at Belur; colleges in Tamil Nadu and West Bengal; Higher secondary and secondary schools in Arunachal Pradesh, Uttar Pradesh, West Bengal etc; Teachers Training Institutes in Karnataka, Tamil Nadu, West Bengal; Institute for the Study of the Vedas in West Bengal.
2. *Medical Service:* Both the organizations run around 15 hospitals which treat more than 8,000,000 patients every year. Apart from this, a considerable number of medical camps are organized, mostly in rural and backward areas, where thousands of patients are treated. The Math and Mission run a medical research institute for example Ramakrishna mission Seva Pratishthan and 5 nurses training centres Arunachal Pradesh, Kerala, West Bengal etc.
3. *Rural and Tribal Areas:* For rural and tribal development, the Math and Mission has established and maintains three institutes of agriculture and four rural development training institutes. Apart from it, the farmers are taught improved

means of cultivation and provided with agricultural inputs and financial help. Other developmental projects such as construction of pucca houses, wasteland development, planting of fruit and forest trees, etc are also undertaken. Drinking water is provided by digging bore wells and tube wells. Free schools have also been set up for children alongwith adult and non-formal education centres. Formation of self-help groups and training schemes were also organized with the aim of enabling the rural and tribal folk to achieve self-reliance. Mobile dispensaries supply free medicines to a large number of patients, alongwith education about immunization schemes as a preventive measure.

4. Humanitarian aid at the time of natural or man-made disasters is also undertaken by the Mission which includes provision of primary relief with food, clothes, medicine and permanent relief activities like construction of new full-fledged townships, bridges, and roads, sometimes a project going over Rs. 150 million.
5. The Mission's publication centres publish some of the world best publications on religion, philosophy, and spiritual culture.
6. Spreading Religion and Culture among the masses through a large number of public libraries, lectures, discourses and seminars, audio-visual units, exhibitions, museums, retreats and by publishing books, journals, etc. Books on Vedanta, carrying the message of Sri Ramakrishna, Holy Mother Sarada Devi and Swami Vivekananda, in almost all the major languages of India and in some of the important languages of other countries are published from the 21 publication centres of the Math and Mission.
7. *Celebrations*: Most of the Math and Mission centres also celebrate the days sanctified by the birth of great saints and prophets. Besides them, a few of the centres celebrate some of the popular Hindu festivals and also Christmas Eve. During these celebrations thereby distribution of *prasad* to the

devotees, feed the poor in large numbers, and there are lectures by the sannyasins of the Order and other eminent speakers.

Apart from the combined activities of the Math and the Mission at all centres, the Headquarters office separately undertakes quite a number of activities. These activities are elaborated as follows:

1. *Charitable Dispensary:* The charitable dispensary aims to provide free medication. There are a number of allopathic as well as homoeopathic sections of the dispensary. The allopathic section again has several sub-sections which are: general section, dental section, ophthalmology, ENT, dermatology, gynecology, radiology, pathology and biochemistry.
2. *Help to the poor:* Help is offered by the headquarters to the poor mostly in the form of money. In many cases, the headquarters also provided clothing, tricycles and shoes to the needy.
3. *Relief and Rehabilitation:* The Math as well as the Mission have conducted and still continue to conduct several relief activities, as and when needed. The Institute, through these various relief activities attempts to reach out to the Tsunami victims, victims of floods, cyclones and several other natural disasters.
4. *Pallimangal or the Integrated Rural Development:* Under this programme, the Math and the Mission undertake several works pertaining to agriculture, cottage industry, mobile medical service etc.
5. *Veda Vidyalaya:* In this institution, the students are taught the ancient *Vedic education*. The students here are taught Vedic chanting as well.

6. *Ramakrishna Museum*: The Ramakrishna museum displays several articles related to Holy Mother and Swami Vivekananda.
7. *Monastic Retreats*: The Ramakrishna Math headquarters also maintains four monastic retreats. These are as follows:
 - (i) Ramakrishna Kutir, Mayukund, Rishikesh.
 - (ii) Ramakrishna Kutir, Ganganagar, Uttarkashi.
 - (iii) Ramakrishna Swargashrama, Lalgah, West Bengal.
 - (iv) Sri Ramakrishna Kutir, Yelagiri hills, Tamil Nadu.

The members of Ramakrishna Math and Mission dedicate their life towards service of humanity. For them service is a part of their life and they are born to deliver selfless service to mankind till death. Even if there is no work outside the boundaries of either Math or Mission, they engage themselves towards services within the mission. The monastic members of both Ramakrishna Math and Mission are to follow the path of selflessness, sacrifice and love dedicating all their services as worship to the lord, without any hope of any reward or fame. These institutions follow the preachings of Swami Vivekananda who focused on social equality and upliftment. All the active members of both the Ramakrishna Math and the Mission aim at providing the best service possible. The major portion of the resources received by the institution is spent towards service to the society keeping only a bare minimum for the maintenance of the institution. Both Ramakrishna Math and Mission try to maintain their identity and independence above any sort of political influence or association.

3. Administration of Ramakrishna Math and Ramakrishna Mission

3.1 Ramakrishna Math

The Ramakrishna Math was registered as a Trust under the Trust Act 1882, in 1901.

Board of trustees

The Math is generally administered by the Board of Trustees in accordance with the trust deed mentioned in the Trust Act, 1882. The Board of Trustees consists of an elected President, one or more than one Vice-Presidents, a General Secretary, one or more Assistant Secretaries and a Treasurer. Authority for ownership of property and other financial or legal transactions, or administrative decisions like appointment of heads of centres, belonging to different Math centres in India, etc., is vested in the Board of Trustees.

Trustees: eligibility

The Math organization is constituted under a trust with a set of well-defined rules and regulations mentioned under the trust act. The Sannyasis of the Math, who attain spiritual enlightenment after 9 years of strict training, mainly constitute the Trustees. However, not all Sannyasis are designated as trustees.

Selection of trustees

Only those who are deemed suitable on the basis of seniority and service rendered to the society and the organization are appointed as trustees. They are chosen by the process of *nomination-cum-election*.

Selection of office bearers

The trustees appoint the president, the vice- president and the general secretary on the basis of certain conditions of seniority, fulfillment of spiritual contentment, welfare service rendered to the world, etc. Individual and practical opinion of each trustee is honoured while making the selection. The branch centre of Ramakrishna Math has as its working head a President, appointed by the Board of Trustees.

Meeting of the board of trustees

Twice every month, the board of trustees meets to discuss the policies and various other issues relating to the Math and Mission. However, once in four months, a compulsory board meeting is organized where all the trustees around the world meet and discuss policy decisions and future mode of action. It is in this meeting that the administrative body is appointed.

3.2 Ramakrishna Mission

Ramakrishna Mission, on the other hand, was registered under Act XXI of Societies Registration Act, 1860 on 4th of May 1909.

Governing body

The Mission is administered by a Governing Body which comprises the Trustees of Ramakrishna Math. Hence, major policy decisions are taken by the trustees of the Ramakrishna Math.

General membership

Ramakrishna Mission was established in accordance with the objectives mentioned in the memorandum of association⁵¹. All

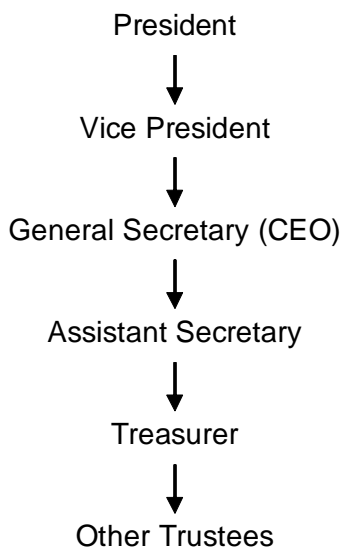
⁵¹ Memorandum of association: mentioned in chapter 2, pg section under laws applicable to NGOs'.

followers and devotees of Sri Ramakrishna can be the members of the Mission for which they need to sign and submit a declaration form to the General Secretary of the Math and the Mission, supported by at least two members presently on the governing body of the mission and any other member of the mission. These members need to pay a sum of Rs. 10 as admission fee and thereafter Rs.50 as annual subscription.

Membership terminates only with death or removal on grounds of unacceptable behaviour or non-payment of fees for 2 consecutive years. However the former structures for the fees are not applicable for the monastic members of the mission. The members of the Mission are entitled to vote at all meetings and receive individual instructions whenever given.

3.3 Organizational Structure

The organizational structure of the Mission is as follows:



President

The President of the Board of Trustees (called President Maharaj)

is the head of the whole Ramakrishna Math and Ramakrishna Mission, consisting of all their branch centres and their headquarters at Belur Math.

General Secretary

The General Secretary is the chief executive of both the Math and the Mission. He is essentially responsible for the execution of policy decisions taken at the meetings of the Board of Trustees and the Governing Body.

His functions include admission of monastic aspirants into the Order, their training and deployment in branch centres, coordination of the work of different branch centres, regulation of all financial transactions, keeping a check on the physical being, character and conduct of individual monks and so on.

Assistant Secretaries

The General Secretary is assisted in his function by one or more assistant secretaries and the treasurer. Each secretary is assigned to look after each sector of the secretariat, which is the office of the General Secretary at the headquarters.

Other office bearers

Both the Board of Trustees of Ramakrishna Math and the Governing Body of Ramakrishna Mission execute their administrative functions through a set of office bearers appointed by them for a certain specified period. The main office bearers, who are common to both Math and Mission, are the President, the General Secretary, Assistant secretaries and the treasurer.

3.4 Accounts and Audit

Both Ramakrishna Math and Mission, in spite of having the same set of people on their management, own separate funds and

maintain separate accounts for them. The accounts of both the Math and the Mission are audited by professional and qualified auditors.

4. Funding of Ramakrishna Math and Mission

Since the major beneficiary and the prime focus of attention of both Ramakrishna Math and the Mission are the ordinary people, the poor and the deprived ones, a major portion of their funds are spent in serving them. As a result, the charitable function constitutes the major area where the resources are allocated.

4.1 Allocation of Donations (Contributions)

Ramakrishna Mission provides opportunities to the general public to participate and contribute in the service to mankind through active participation or through funds. Donations to both Math and Mission are allocated to the following areas:

Ramakrishna Math

1. Towards general expenditure of the Math
2. Towards Relief and rehabilitation
3. Towards Veda Vidyalaya.
4. Maintenance of any of the permanent centres
5. Looking after old and sick monks.

Ramakrishna Mission

1. Towards general expenditure of the Math

2. Towards Relief and rehabilitation
3. Towards Rural development
4. Integrated development of backward class people
5. Tribal welfare
6. Widows welfare
7. Scholarships to poor and meritorious students
8. Scholarships to women students
9. Scholarships to students for higher studies
10. Pecuniary and other help to the poor and needy.
11. Research work
12. Maintenance of any of the permanent institutions
13. Looking after old and sick monks.

4.2 Sources of fund

The Ramakrishna Mission and Math, receive funds mainly from various sources in India and there are only a few scattered contributions from abroad. Thus the funding is done mainly nationally and only a small amount of foreign funding is present.

Contributions

The funds are mainly derived from the contributions that the members of the Math and Mission make. Apart from these contributions by the members, the institute is also aided by the

government and it also receives contributions from some schools and colleges; some trust bodies as well as certain corporate houses.

It is usually the individuals who are the primary fund providers of the Mission and the Math. These donations attract income tax exemption (section 80G), and hence the Math and Mission do not have to pay the regular income tax on these donations. Several donation boxes are also kept at the various branches of the organization and any individual can donate in these boxes at their free will. These donations also add to the funds of the organization.

When the organization requires funds for relief purposes, it advertises for funds and once the required funds are raised, they give notice that no more funds are required.

Fees and government subsidy

The Ramakrishna Mission has several schools and colleges located in several parts of India as well as abroad. The fees that the students of these schools and colleges pay are also a source of funds for the organization. Salary of the Teachersq salaries in these schools is provided by the government.

Government funding for projects

Several projects of the organization are aided by the government. The government usually provides funds project-wise. The organization proposes certain projects and accordingly the government provides funds for that project. The fund provided by the government is utilized on the proposed project and after completion of the project if the fund allotted to the project still remains unutilised, that surplus is returned to the government.

The trustees of the Math form the governing body of the Mission. Decisions regarding how the funds would be used and in which projects the funds would be allocated are taken at the meetings held at the headquarters. In this meeting the source of funds is

discussed first and when the funds come in, decision is taken on how these funds would be allocated.

A certain branch centre of the organization might propose a project. This project is at first discussed at a meeting. When a project is proposed, the branch centre is required to submit the documents relating to the proposed project. At the meeting where the project is discussed, these documents are scrutinized. It is made sure that there are enough assets and funds available to execute the project. It is also checked whether the new project fits into the existing structure and whether it would prove to be beneficial to the common people. Accordingly, after thorough checking of all these factors, a project might be accepted and then executed.

Donations in immovable properties

In some cases it is seen that some individuals might be willing to donate their assets or land to the Mission and Math. Some ailing individuals are seen to be willing to donate their assets or their land to the Mission and Math after their death. Those individuals might also have some wish regarding use of that donation. If that wish of the individual is communicated to the organization, then that land or asset will be used by the organization accordingly so as to fulfil that desire. This land or asset donation to the Math and Mission is definitely a source of fund to the organization. However, its use is limited by the wish of the donor and this is allotted accordingly.

4.3 Corpus

The funds that the organization receives are mainly used for providing services to the mankind. The organization keeps the minimum resources required for maintenance of the Math and the Mission and the rest is used for serving the mankind.

Often, the funds which the Ramakrishna Math and Mission receive are not entirely spent on humanitarian causes or as development

Code of Governance for NGOs

assistance and a part of it is kept as corpus fund. It is invested in Government securities, bonds, Fixed deposits in Banks or post offices, United Trust of India, Mutual funds and earn interest out of it apart from the savings account.

The Math and Mission also sometimes borrow loans from banks and other sources in times of need. Other than this source, funds are also raised through various charity shows organized , souvenirs, and other annual publications, sale of photos and folders, income from House Properties, Miscellaneous Income.

Case Study-2

CHILD IN NEED INSTITUTE (CINI)

õ õ .Tomorrow's Too late

1. About the Organisation

1.1 History

CINI is one of the leading Non-Government Organizations in India. It was established in 1974 in South 24 Parganas, West Bengal, India by Dr. Samir Chaudhuri, Sister Pauline Prince, IBVM and Rev. Fr. Hendricks Sj. At the time of establishment it was just a clinic for children under the age of five. With time it expanded its territories and area of operation across many states of India reaching over 1, 10,000 of the rural population in South 24 Parganas, 2,50,000 of the urban poor population in Kolkata, more than 5,000 street children in Kolkata, and 1,000 sex workers in four rural red light areas. Today it has been recognized as a national NGO operating successfully in areas of health, nutrition, education and child protection.

1.2 Geographical Spread and Scope of Work

CINI has been working hard through years to achieve sustainable development in poor communities living in the city of Kolkata, South 24 Parganas and surrounding areas. It aims to look into the process of motherhood and child development in a more realistic manner through adoption of the Life Cycle Approach. The Institute has gone further to expand the above approach by providing scope for communities, service providers and local government bodies to

unite, discuss and take necessary actions on issues like health, nutrition, education and protection.

CINI's contribution in the field of Reproductive and Child Health (RCH) has been accorded recognition under the RCH (Reproductive and Child Health) programme of the Ministry of Health and Family Welfare, Government of India and the Organization has been designated as the National Mother NGO. It has been working as the Mother NGO in eight districts of West Bengal mainly - Kolkata, 24 Parganas (S), Howrah, Hooghly, Nadia, Midnapur, Birbhum, and Tamaluk. *The National Institute of Health and Family Welfare (NIHFW), New Delhi has also recognised CINI as a Collaborative Training Institute since November 1998.* It also received the National Award for work in Child Welfare from the Government of India in 1985 and 2004, and the Parliament prize for infants from the Italian Parliament Commission of Infants. CINI has also been recognized as the nodal agency for training Accredited Social Health Activist (ASHA) under National Rural Health Mission (NRHM) in West Bengal.

CINI's main functions as the Mother NGO include supporting a network of Field NGOs in protagonism, generating awareness on RCH through Information Education Communication (IEC) activities which includes safe motherhood, quality care for infants, immunisation, counselling on STD / HIV, adolescent issues, etc and training activities of the RCH programme in seven of the North Eastern states of India which includes

- *Training of Trainers (TOT)*
- *Monitoring RCH training programmes in the North Eastern states*
- *Procuring, translating and adapting training material according to needs*
- *Evaluating the training programmes of the various institutions.*

CINI's partnership with the government, major civil society bodies and both national and international donor agencies ensures possible sustainable changes by the institute within the society.

Structure and network

CINI's strength flows from its thematic divisions, operational units as well as institute- based services (preventive/ curative/ rehabilitative), which enable them to remain in touch with ground reality.

CINI's extensive and long history of field level involvement acts as an important institutional reference point in addition to its other critical roles like capacity building, networking and advocacy.

Capacity building involves employing local self-government agencies in a number of project activities. Capacity building activities at CINI involve process Documentation workshop, Experience sharing Workshop, Training needs assessment of MNGOs, Training for Anganwadi workers, Training in Public Nutrition, Coaching . training programme, Involvement in Police training etc.

Network and advocacy involves focusing on major issues and concerns and facilitating dialogue and action. Apart from this, *building linkages and partnerships is recognized as an important strategy in almost all CINI initiatives*. Networking and Advocacy involves National Alliance For Young People Towards A Healthy Future, Networking With Key Stakeholders For Ensuring Child Friendly Environment At School, Convergence Between Police and NGOs, etc.

Hence there has also been an increasing emphasis on encouraging participatory communication approaches and also fostering and utilizing the spirit of rigorous enquiry and exploration in interventions. These diversified roles provide CINI the unique opportunity to learn from its direct/ indirect implementation sites and also communicate this knowledge to a much larger section in the development sector.

These multifaceted and inter-related roles help CINI in engaging with multiple stakeholders and other like-minded individuals and agencies in various forms.

1.3 Operational Units

CINI has expanded its role and scope of work across the nation to accelerate the process of national development substantively. It has set up various units all over India at places like Diamond Harbour, Delhi, Jharkhand, Murshidabad, North Bengal and Chattishgarh. It aims to do it through the process of

- (i) Energizing and strengthening the NGO sector through systematic building of its institutional capacity.
- (ii) Informing and influencing policy and public health action through evidence based interventions and good research.

All the above units account for CINI's Operational Units which work towards fulfillment of CINI's vision and mission around the country. Some of the key functions of the important operational units of CINI include:

- (a) **CINI Murshidabad:** It was established in 1999 as a facilitating agency to bring down the rate of malnutrition in participation with the UNICEF and other district authorities and other *community based micro planning initiatives* in collaboration with the Department of Panchayat and Rural Development, Government of West Bengal.
- (b) **CINI Diamond Harbour:** It was established in 1997 to contribute in the areas of health, nutrition, education and protection. This unit of CINI is primarily engaged in converting the atomistic, inter-sectoral and rights based approach into more of a community based approach.
- (c) **CINI North Bengal:** It was established in 2002 with the aim

of making available education-cum-protection, health and nutrition to both women and children in the slums of Siliguri. It has recently started working for stopping migration and trafficking of women and children.

- (d) **CINI Delhi:** It was established in 2002 with the purpose of identifying scope for strategic collaboration with the various state governments and the other NGOs as well as contributing towards national policy making and other government efforts in public private partnership. It acts as the channel between CINI and other government bodies, UN agencies and other bilateral and multilateral agencies.
- (e) **CINI Jharkhand:** It was established in the year 2002. It was engaged in initiatives related to health and nutrition, HIV and AIDS and other educational projects alongwith a number of *community mobilization initiatives which concentrate on community based agents of change such as the Village Health Committees.*

1.4 Thematic Units

Apart from its operational units, CINI has also got a number of thematic divisions, within West Bengal, which mainly work on specific themes or objectives that together constitute the mission and vision of the whole institute. Some of the key thematic centres of CINI include:

- (1) **CINI ASHA (CA):** It is the urban unit of Child In Need Institute (CINI), a large NGO, which started in the outskirts of Kolkata to meet the nutritional and health needs of newborn children and mothers living on the periphery of Kolkata. CA works with vulnerable populations in the slum communities of Kolkata. CA is primarily engaged in promoting rights of children to life and childhood through their education, nutritional support, half way homes, and child helpline and health programs. In order to function properly CINI ASHA requires funds which it collects from various sources namely:

- (i) GOAL India who funds their residential services for girls, education programmes in the slums, health care for children, outreach work through a satellite point project and other services for deprived urban children.
 - (ii) Child Hope also provides funds for some education and protection services.
 - (iii) Axis Bank Foundation - for a large programme on education in wards and municipalities.
 - (iv) Isle of Man - for educational services in red-light areas.
- (2) **CINI Adolescent Resource Centre (ARC):** It was established in Kolkata in the year 2000. It is the first Resource Centre for Young People\$ (10-24 years) Reproductive and Sexual Health (YRSH) in the eastern region of India.

To facilitate the above process *strategic research is undertaken to enhance knowledge and understanding of young people's health issues that will contribute to future programming and in advocacy of key issues.* As a result, CINI ARC gets funds from various sources such as Government of India, MAMTA . Institute for Mother & Child Health, New Delhi, Mac Arthur Foundation, India, London School of Hygiene, Tropical Medicine, London, Wellcome Trust, UK etc.

It functions with different NGOs from all over the country, with government agencies, bilateral and UN organisations alongwith technical cooperation from institutions worldwide.

CINI ARC ranges over four states of West Bengal, Bihar, Jharkhand and Orissa. It also plans to reach out to the North Eastern states of India in the near future.

- (3) **CINI BANDHAN – HIV and AIDS UNIT:** It was established in 2003, with the aim of fighting against the spread of HIV /

AIDS amongst the rural section of South 24 Parganas district and other parts of West Bengal, through wider community initiatives, to ensure improved quality of life for HIV/AIDS infected women, young people and children in a holistic manner. In future it aims to provide extended support to children affected with HIV/AIDS and ensure *workplace intervention for sensitization on HIV/AIDS*.

- (4) **CINI Resource Centre:** It was established in 2003 with the purpose of setting up a specialized communication cell for CINI-CHETNA Resource Centre, through maintenance of automated library and standardizing the publications, supporting the management of communication programme and promoting network with other national and international bodies for CINI as a whole. It undertakes various projects financed by both national and international funding agencies like ICICI, Interact Worldwide, UK, D.F.I.D, etc.
- (5) **CINI CHETNA Resource Centre:** It was established in 1980 with the primary objective of *providing appropriate and effective support services* to the work of CINI through a wide range of training activities. It was later registered as an independent body in 1989. The above training programme is designed for health and development functionaries at all levels of both government departments and NGOs.
- (6) **CINI Regional Resource Centre:** In the ninth five-year plan, the Central Government identified NGOs' contributions towards social welfare activities and made provisions for them in the plan. As a result some of the NGOs were identified as Mother NGOs, among them CINI.. These Mother NGOs in turn maintained a network of Field NGOs along with Advocacy to generate awareness on issues like Reproductive and Child Health (RCH), etc. Thus, for the effective implementation of the RCH in the 10th five year plan the notion of Regional Resource Centre was established. In CINI the Regional Resource Centre was established in 2002. To broaden its area of activities, apart from 4 Eastern states (West

Bengal, Bihar, Jharkhand and Orissa) and 8 Northeastern states, a new centre at Orissa was approved by Government of India.

- (7) **CINI Internatinal:** It was established in 2000. It works towards establishing North-South and South-South linkages in order to smoothen sharing and learning among partner NGOs working for children, adolescents and women around the world. Apart from the above activities it also serves as a media for accessing funds to support North-South and South-South linkages and for coordinating the strategies and policies of the local fund raising groups.

1.5 Friendly Units

Apart from the above thematic divisions CINI has also got a number of Friendly Units around the world, which themselves act as charities in their countries, to mobilize support as well as raise funds for CINI. Some of such Units of CINI are located in Holland, Italy, U.K., and U.S.A etc.

2. Vision And Mission

The Child In Need Institute concentrates on the *health conditions of women and children, on the nutrition level and development on children as well as on adolescent issues. CINI also aims to provide education to the street children.* The beneficiaries of CINI are the economically and socially weaker women and children.

The Child In Need Institute aims to provide women and children a secure world. Its mission is to provide *sustainable development in health, nutrition and education of Child, Adolescent and Woman in need.*+

CINI organizes various programmes which attempt to fulfill the following goals:

- (i) To accomplish proper health conditions and nutrition status for women and children.
- (ii) To provide incentives to the community to adopt positive health actions of sustainable change.
- (iii) To stimulate the local self-government about the health needs of the community and develop effective linkages at different levels especially between the local self government and the government health systems.

Formulation of vision and mission

The mission and vision statement of the Child In Need Institute is formulated through experience and repeated interaction with the community and staff. CINI puts in a lot of effort in order to reach its goals. For this purpose, CINI adopts the Life Cycle Approach Strategy. The Life Cycle Approach Strategy encloses within a circle, the three most important stages of the life cycle, which are *pregnancy, early childhood and adolescence*. CINI attempts to look into these three stages of the life cycle in order to achieve its mission and vision statements. Proper nutrition should be given to a woman in her stage of pregnancy, to a child in his early childhood and also to an adolescent. The Life Cycle Approach attempts to assure a *safe motherhood, child survival, growth and development*.”

3. Organisation Structure

CINI operates primarily through four divisions which are as under:

- (i) *Child Health and Development Division*: This division takes care of the health of a child and sees to it that the child gets proper nutrition in the initial years of his growth. This division undertakes several projects on the health and nutrition aspects of children below three years of age.
- (ii) *Women Health Division*: This division aims to provide

nutrition and sustainable health to women and children in need. *%A gamut of women's health specific programs is addressed to promote better reproductive and sexual health."*

- (iii) *Adolescent Health Division:* The main task of this division of CINI is to guide the development of the adolescent and juvenile belonging to the age group of 10 to 24 years. *%The Adolescent Resource Centre is involved in research, documentation, training and technical capacity building, contributing towards the development of policies and programs through policy analysis, advocacy and information dissemination."*
- (iv) *Monitoring, Evaluation and Research Division:* This division carries out several research work as well as analytical work. This division analyses data and interprets it as well. Accordingly A particular project is analyzed in the light of this data analysis.

4. Programmes and Activities

CINI has also undertaken a special programme known as the *~~A~~Adopt a mother and save her child* programme. This programme assures *%safe motherhood, child survival and growth; and male participation in issues of women's reproductive health, family spacing, pregnancy and childcare.+*

The major areas of concentration of CINI are as under:

- (i) To give the mother a secure motherhood and the child proper care and nutrition.
- (ii) To arrange for nutrition for the weaker sections of the society especially for the weak women and children.
- (iii) To check unwanted pregnancy.

- (iv) To provide better health conditions to adolescents.
- (v) To alleviate the health conditions of the adolescent and juvenile, belonging to the age group of 10 to 24 years.

CINI operates in several directions. There are certain operations of CINI which are *institution-based*; again certain operations take place outside the institution. These are the field-based activities.

Institution-based operations:

The institution-based operations of CINI involve certain activities which look after the health needs of mainly children and women. These include:

- (i) *Out Patient Department*: This department looks after the health of children who are below 6 years of age. The department ensures that the sick children get the necessary medicines and in case any small surgery is needed to be done, it is done by this department of CINI.
- (ii) *Thursday Clinic*: This clinic attends to children below 6 years of age and also to pregnant mothers.
- (iii) *Reproductive Health Clinic*: This department provides treatment to men and women who have any reproductive illness. This department also gives counseling and provides family planning services.
- (iv) *Nutrition Rehabilitation Centre*: This department caters to the needs of malnourished children, who have to be admitted to the emergency ward, as they are reported to be suffering from a high degree of malnutrition. The rehabilitation centre looks after these children and also enlightens the mother on how to provide proper nutrition *to her child, how to feed malnourished children, how to prepare nutritious food etc.*

- (v) *Emergency Ward*: The emergency ward is furnished with beds for 10 children at a time. Those children who are reported to be suffering from acute respiratory illness, diarrhoea or malnutrition are admitted here. Mothers of such children are provided education on proper health care of their children.
- (vi) *Lactation Management Unit*: This department looks after those mothers who suffer from lactation failures.
- (vii) *Nutrimix*: This is a kind of nutrition-based food introduced by CINI. Nutrimix is provided to those children who suffer from malnutrition.

Field-based activities:

Among the field based activities of CINI, those projects which are worth mentioning are:

- (i) Adolescent Health Projects.
- (ii) Child Health Projects.
- (iii) CINI Asha Projects.
- (iv) CINI Bandhan Projects.
- (v) Monitoring Research and Evaluation Projects.
- (vi) RC Projects.
- (vii) Women and Health Projects.+

5. Governance

5.1 Stakeholders

A stakeholder of CINI is one which influences the area of work of

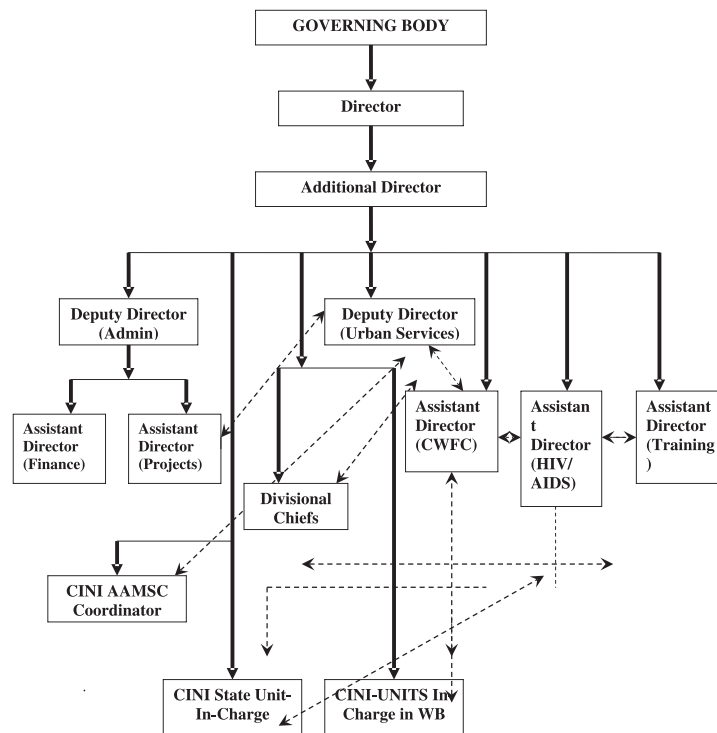
CINI, which are health, education, nutrition and protection etc. It includes Funding agencies, Government and the community for whom CINI works. Assessments of expectations are made through formal and informal interaction with the stakeholders.

5.2 Governing Body

CINI is registered under the Societies Registration Act, 1860. Although it is licensed to work, it needs to renew its licence every year. CINI has on its Governing body renowned persons from various spheres of society who provide voluntary service without receiving any sort of remuneration for the services provided.

5.3 Governance Structure

The governance structure for CINI has been represented in the schematic manner below:



At the apex of the governance structure is the Governing Body, which in turn appoints the Director, Additional Director, Deputy Director (Admin), Deputy Director (Urban Services) and the various Assistant directors in charge of Finance, Projects, CWFC, HIV/AIDS and Training respectively. Executives below the level of the Assistant Director (like Units-In-Charge, and coordinators) are appointed by the Director himself.

Selection process

The process of nomination is based upon performance, seniority, and requirements of the organization. CINI follows a Performance Appraisal Mechanism through which the activities of every member of staff working under CINI is reviewed on a timely basis and accordingly the best performing ones are nominated as either Director or assistant director or other Unit-in-Charges of different operational and thematic divisions.

Hierarchy

In the above flowchart the hierarchy of accountability is defined through the straight lined arrows. The Director is accountable to the governing body, hence any actions and decisions undertaken by the Director need to be explained to the governing body in the meetings held. The Deputy Director (ADMIN and URBAN SERVICES) in turn is accountable to the Director, who in turn demands accountability from the Assistant Director in charge of different Units like Finance, Projects, CWFC, HIV/AIDS, and Training etc. There are other Divisional Chiefs, State Unit in Charge, CINI AAMSC coordinators who are also accountable for their actions and decisions to the Additional Director. However, at the end every nominated official is finally accountable to the Governing Body which decides on the various actions taken and policies adopted by every nominated official.

Dotted end arrows in the flow chart signify that the nominated officials at each end of the arrows are linked programme and

project wise with each other. The Deputy Director of Urban Services is linked to the Assistant Director of Projects as well as to the Assistant Director of CWFC. This indicates that there is a close project wise coordination among the different officials of administration.

Staff welfare society

The staff of CINI forms the interface with all key stakeholders and, more importantly, they embody the work ethos and ethics of an institute. In fact, staff capacity building and development is intrinsically linked to organization development. As a result, the CINI Staff Welfare Society was established with the aim of fostering the spirit of camaraderie and commitment to social causes among the staff members. Personnel recruited at various levels undergo a week-long induction programme to understand the institutional mission, organizational structure and processes, roles and activities.

6. Funding

The primary fund providers of CINI are the foreign funding agencies. The funding agencies' expectations are that the objectives for which funding was sought be achieved. Several countries have shown interest in working with CINI and have helped in a major way in working towards the betterment and progress of CINI.

Sponsorships

The department of CINI which is responsible for arranging funds aims to arrange for donors or sponsors who would donate for the two most important and distinct programmes of CINI, namely, *Adopt A Mother and Save Her Child* programme and *Educate a Child* programme.

The fund raising unit of CINI takes the initiative to put forward this objective before *schools, corporate houses* as well as *individuals* so that people know about this and can come forward to donate

money for this cause. For this purpose, CINI also takes the initiative to print greeting cards, which are sold to raise funds. It also publishes its newsletter every four months, which gives a review of all the activities that take place in the several branches and departments of CINI.

Funds are also raised for another important programme conducted by CINI, which is the ~~Child Sponsorship Programme~~. This programme was started in 1989. It was supported by SAHAY and funds for this project were provided by *Children International, Kansas City, USA*. This programme focused mainly on reducing the level of malnutrition among children and also checked the health conditions as well as the education levels in the villages of south 24 Parganas. This programme has ~~provided support to more than 1300 children and their families in 10 villages of 5 gram Panchayats of the district~~. Those children who are a part of this programme are sponsored and CINI sees to it that these children receive proper nutrition which should help them in their growing years. CINI takes the initiative to extend ~~education, health care and nutrition~~ to these children.

Donations

CINI has several schemes and individual donors may donate for any of the schemes of their choice. The various schemes introduced by CINI attempt to raise funds for the organization, which it uses for the purpose of the particular scheme for which the fund is raised. Of the several schemes, we have already mentioned the ~~Adopt A Mother and Save Her Child~~ scheme and also the ~~Educate a Child~~ scheme. Apart from these two special schemes, CINI has also introduced several other schemes which aim to reach out to the economically and socially weaker women and children. Donors might donate to the individual schemes of CINI. These schemes include:

- (i) *Clinic Sponsorship Scheme*: Under this scheme, clinical treatment is arranged for women and children. The clinic

gives treatment every Thursday and the fee is charged only once.

- (ii) *Sponsorship of Nutrimix packets*: Under this scheme, Nutrimix packets, which are supposed to last for a month, are supplied to the children who suffer from malnutrition. These packets are distributed when the clinic operates on Thursdays.
- (iii) *Sponsorship of a bed at the children's ward*: Under this scheme individuals can sponsor a bed for a child. A bed can be sponsored on a permanent basis as well.
- (iv) *Sponsorship of repair and maintenance of the children's ward*: This is done on a yearly basis.
- (v) *Sponsorship of Newsletter*: Individuals can also sponsor the newsletter which CINI publishes. This Newsletter has an account of all the activities that the various units of CINI undertake.
- (vi) *Donation towards Corpus Fund*
- (vii) *Donation for making a child literate, providing him food and treatment for two days at the short-stay home*
- (viii) *Donation for a child's stay at the children's ward for two days*
- (ix) *Donation for providing the cost incurred in providing education to a child for a month*

Individuals can donate for any of the above mentioned schemes and can help in proper fulfillment of the schemes undertaken by CINI.

Project funding

The funds are received on a project to project basis. Sometimes the funds are received for the institute, which can be used for any purpose of the institute. Whether the funds are received on an annual basis, or on a quarterly basis, or on a monthly basis depends on the principles laid down in the Terms of Reference (TOR). For certain projects, funds are received on a monthly basis, for some other project funds may be received on a quarterly basis, and some projects receive an advance grant for 12 months. When the government provides funds for the project, that fund comes on an annual basis.

A particular project of CINI is developed by the respective project-in-charge or unit-in-charge. Liaison with the donor agency is also accomplished by the project-in-charge or the unit-in-charge both for reporting as well as funding. The Terms of Reference (TOR) with the donor agency are signed by the Deputy Director (Admin).

When CINI proposes a project, usually there is no universal format for project proposal. However, for new donors, normally certain documents are enclosed with the project proposal. These documents are:

- (i) Society Registration Certificate
- (ii) FCRA Registration
- (iii) By laws of the Institute.
- (iv) Income Tax registration.
- (v) Audit Report (for the previous three years)
- (vi) Annual Report (for the previous three years)

(vii) List of ongoing projects (if asked for)

(viii) Project Proposal

7. Budget and Accounts

The annual budget of CINI is approved by the Governing body and review is done by the core group or the finance committee. Funds are allocated by the accounts department on the basis of monthly fund requisition by the units outside the CINI head office project area, approved by the Assistant Director (Finance).

A Review Committee constituted by the Governing body of the Institute is regularly reviewing the programme and finance of the organization. The committee comprises of Governing Body members and functionaries like Director, Deputy Director, and Assistant Director. The Organization has statutory yearly Audit conducted by an Audit Firm.

It submits Annual Report and the Audit Report to the Registrar of Societies once a year, based on which renewal of registration is done. All donations to CINI are tax exempted under section 80G and 35AC of the Income Tax Act.

8. CINI's Participation/ Membership in Key Bodies

The following is the CINI's involvement and membership in major organizations:

- Member, Working Group on Health and Nutrition, Planning Commission Steering Committee.
- Member, Indian Council of Medical Research (ICMR) Task Force on multi-centric studies on HIV & AIDS

Code of Governance for NGOs

- Member, Indian Council of Medical Research (ICMR) Task Force on multi-centric studies of Neonatal Mortality
- Special invitee, National Ethics Group for Social Research in Health Sector
- Member, Health Watch Trust
- Member, Technical Advisory Group on MNGO programme in RCH scheme of the Ministry of Health and Family Welfare, Government of India
- Partner Member, Health-NGO Networking-India based at Tata Institute of Social Sciences
- Member, UDISHA Task Force
- Member, Shishu Vikash Prachesta Consortium of GO-NGO for ICDS Training
- Member, State Population Policy, West Bengal
- Member, State NGO committee under RRC activities for Jharkhand, Orissa, West Bengal and Andaman & Nicobar Islands
- Member, NGO AIDS coalition in West Bengal
- Member, SWASTHAA - A Bengal Initiative on Women's Health
- Member, Governing Body and Executive Committee of State PNDT Committee (West Bengal)
- Member, Key Correspondence Team of Health and Development Networks (HDN)
- Member of State HIV-TB Co-ordination Committee, West Bengal
- Member of Governing Body and Executive Committee of West Bengal State AIDS Control Society
- Member of Consumer Education Task Force
- Member, Voluntary Action Network of India
- Member, SAATHI-Solidarity & Action Against the HIV Infection in India
- Co-ordinates State level network on Young Peoples' Reproductive and Sexual Health & Rights (YRSHR)

Part V : Annexure

Resources:

1. The United Nations Economic and Social Commission for Asia and the Pacific have provided an insight on Good Governance. For detailed information on the topic, the following site can be accessed: <http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp>
2. Kautilya's views on institutions, governance, knowledge, ethics and prosperity written by Balbir. S. Sihag can be accessed in detail from the following site. www.emeraldinsight.com/0828-8666.htm
3. The Planning Commission of India has provided a database on NGOs in India. For further reference on the topic the following sites can be accessed:
 - i. <http://planningcommission.nic.in>
 - ii. <http://planningcommission.nic.in/data/ngo/npvol07.pdf>
 - iii. http://planningcommission.nic.in/reports/sereport/ser/stry_voluntary.pdf
 - iv. <http://planningcommission.nic.in/data/ngo/npvol07.pdf>
 - v. <http://pcserver.nic.in/ngo>
4. The Council for Advancement of People's Action and Rural Technology has laid down certain guidelines for supporting

project proposals of voluntary organizations. Detailed guidelines are available at: http://capart.nic.in/scheme/project_guidelines.pdf

5. The Ministry of Home Affairs, in their annual report, 2007-2008, have provided a database on NGOs, which can be accessed from the following site:
 - i. <http://mha.nic.in/pdfs/ar0708-Eng.pdf>.
6. Details of FCRA and filing process can be obtained from the following links:
 - i. <http://mha.nic.in/fcra.htm>
 - ii. <http://www.fcraforngos.org>
7. Articles on NGO Accountability can be accessed in detail from the following site : <http://www.civicus.org/>

