1. Aims and Objectives

This lesson is intended to study the historical development of voluntary organisations in India. After study this lesson you will be able to:

- Describe meaning and process of voluntary agency and civil society
- Various forms of civil society organisations
- Kind of activities undertaken by NGOs
- Problems of NGOs
- National Policy on the Voluntary Sector
1.2 Introduction

Voluntary Organisations (VOs) play a vital role in the shaping and implementation of our participatory democracy. They have been contributing immensely towards various development programmes. VOs provide innovative and alternative cost effective models for development. They mobilize people for constructive community work and often reach the most marginalised and vulnerable sections of society and contribute to the socio-economic development of the country, with much wider outreach. Estimates of the total number of voluntary organizations in India that are in some way or other recognized by the state, range from 2 to 3 million.

The origins of the concept of civil society lie in key phases of modernity in the late eighteenth and early nineteenth centuries. The term civil society was first used to distinguish a sphere in which social relations were based on the free association of individuals, rather than a fixed hierarchy of legal institutions. For classical writers like the philosopher Georg Hegel and the revolutionary theorist Karl Marx, civil society was an inclusive concept of society minus the state, and very definitely included what we would now call the economy. Civil society was defined, indeed, by the emergence of a distinct political economy in which individuals related to each other as independent agents rather than as people who filled prescribed social roles. Some scholars agree that civil society is critical to the development, maintenance and survival of democracy.

What constitutes a civil society varies from culture to culture. A civil society can be defined by one culture in terms of the results or behaviors produced. What are considered essential elements for a civil society in one culture may not be essential elements in another culture. Determine what local citizens consider key elements of a civil society. Civil society refers to that sphere of voluntary associations and informal networks in which individuals and groups engage in activities of public consequence. It is distinguished from the public activities of government because it is voluntary, and from the private activities of markets because it seeks common ground and public goods. According to Transparency International (TI 2000), civil society is referred to as the sum total of those organizations and networks which lie outside the formal state apparatus. It includes the whole gamut of organisations that are traditionally labelled interest groups --not just NGOs, but also labour unions, professional associations, chambers of commerce, religions, student groups, cultural societies, sports clubs and informal community
groups. As such, it embraces organisations whose objectives are diametrically opposed to each other, such as hunting groups and groups of animal rights activists.

The notion of civil society is much debated—a fact exemplified by the diverging positions adopted by interviewees. In the Indian context, the term covers such a wide array of actors, processes and identities that some doubt its usefulness. People’s movements, which are not registered with the government, research institutes, local NGOs working on delivery or those focusing on advocacy.

The principal terms and acronyms used in discussing the civil society sector include: non-governmental organizations (NGOs), private voluntary organizations (PVOs), non-profit organizations (NPOs), and voluntary development organizations (VDOs.) Social Action Group. Size and/or social proximity are criteria that are widely used to differentiate these organizations from community-based organizations (CBOs) or grassroots organizations (GROs). Increasingly, civil society organizations (CSOs) is used by practitioners to encompass different levels of organizations.

According to the World Bank (1999a) civil society gives a voice to the people, elicits participation and can pressure the state. The World Bank (1999b) and the United Nations (1997; 1998) consider civil society to be separate from the government. Both focus on the number of non-governmental organizations (NGOs) and civil society organizations (CSOs) within a country. According to the World Bank (1999b), civil society consists of the groups and organizations, both formal and informal, which act independently of the state and market to promote diverse interests in society. Social capital, the informal relations and trust which bring people together to take action, is crucial to the success of any non-governmental organization because it provides opportunities for participation and gives voice to those who may be locked out of more formal avenues to affect change. This perspective combines networks with social elements. It includes formal and informal groups, interests of society, trust, and participation. The role of civil society, therefore, would be to work tangential to the government, for the good of all.

1.3 Basic Concepts-Voluntary Action/ Voluntary Organisations,

The acronym ‘NGO’ has become part of everyday language in many countries. It has entered the vocabulary of professionals and activists, and that of ordinary citizens. NGOs are an
extremely diverse group of organizations, which can make meaningful generalization very difficult. NGOs play different roles and take very different shapes and forms within and across different country contexts.

It is probably difficult to say how many NGOs there are in the country, since there are no comprehensive or reliable statistics. In any case, definitions of what actually constitutes an NGO tend to vary. Some estimates put the figure at one NGOs are an extremely diverse group of organizations, which can make meaningful generalization very difficult. NGOs play different roles and take very different shapes and forms within and across different country contexts.

NGOs may be large or small, formal or informal, bureaucratic or flexible. In terms of funding, many are externally funded, while others depend on locally mobilized resources. Some may be well resourced and affluent, while others may be leading a ‘hand to mouth’ existence, struggling to survive from one year to the next. There are NGOs with highly professionalized staff, while others rely heavily on volunteers and supporters. In terms of values, NGOs are driven by a range of motivations. There are secular NGOs, as well as increasing numbers of ‘faith-based’ organizations. Some NGOs may be charitable and paternalistic, others seeking to pursue radical or ‘empowerment’-based approaches. A single NGO may combine several of these different elements at any one time.

1.3.1 Defining Voluntary Organisations

A definitional problem becomes apparent when one looks at the host of organisations that are active in diversified fields in India today, VOs are found in different forms, sizes and called by different names such as Voluntary Association, Voluntary Agency (VA), Private Voluntary Organisation (PVO), Voluntary Development Organisation (VDO), Non-Profit Organisation, Social Action Group, Social Work Agency, Citizen’s Group, Self-Help Organisation, Welfare Organisation, Community Development Organisation & so on. At another level, they are called church groups, village communities, national consortium, women’s groups, youth clubs etc. Now the question the arises is who are the voluntary organisations in India? How do they differ from non-governmental organisations (NGOs)?

The National Policy on Voluntary Action 2007 recognizes all formal as well as informal groups such as community based organizations, non-government-development organizations,
charitable organizations, networks or federations of such organizations and professional membership based associations as part of the voluntary sector. This understanding does not reflect upon the differences between the voluntary sector and the larger civil society, nor does it account for the inherent characteristics of social/people’s movements.

The NGOs have a legal status and they are registered under an appropriate Act and the specific Act under which they have to be registered depend upon the nature and scope of their activities and objectives. On the contrary, VOs, the term widely used in India, usually referring to those organisations which are voluntary in spirit and with non-profit making objectives and exist as a legal entity, registered under the Indian Societies Registration Act, 1860 or Charitable and Endowment Trust Act or corresponding State Acts, covering only a limited areas of action. There exists however, a large number of VOs working at the grass-roots level which remain formally unregistered. Registered VOs are thus limited and constitute a small proportion of NGOs. NGO is a much broader concept than VO. In other words, all VOs are NGOs but not vice versa.

**Characteristics that distinguish NGOs**

An organization may be correctly labelled an NGO if it has four characteristics

1. **Voluntary:** NGOs are formed voluntarily by citizens with an element of voluntary participation in the organization, whether in the form of small numbers of board members or large numbers of members or time given by volunteers

2. **Independent:** NGOs are independent within the laws of society, and controlled by those who have formed them or by elected or appointed boards. The legal status of NGOs is based on freedom of association—one of the most basic human rights. The International Covenant of Civil and Political Rights developed by the United Nations in 1966 and since ratified by 135 countries, grant the right to assemble.

3. **Not-for-profit:** NGOs are not for private personal profit or gain. NGOs may, in many countries, engage in revenue-generating activities, but must use the revenue solely in pursuit of the organization’s mission. Like other enterprises, NGOs have employees who are paid for what they do. Boards are not usually paid for the work they perform, but may be reimbursed for expenses they incur in the course of performing their board duties.
4. **Not self-serving in aims and related values:** The aims of NGOs are to improve the circumstances and prospects of people and to act on concerns and issues detrimental to the well-being, circumstances, or prospects of people or society as a whole. NGOs are not the only name used to describe organizations that have the four characteristics listed above.

**The diversity of NGO acronyms**

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<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AGNs</td>
<td>Advocacy groups and networks</td>
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<tr>
<td>BINGOs</td>
<td>Big international NGOs</td>
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<tr>
<td>BONGOs</td>
<td>Business-organized NGOs</td>
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<td>CBOs</td>
<td>Community-based organizations</td>
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<tr>
<td>COME’n’GOs</td>
<td>The idea of temporary NGOs following funds</td>
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<td>DONGOs</td>
<td>Donor-oriented/organized NGOs</td>
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<td>Dotcause</td>
<td>Civil society networks mobilizing support through the internet</td>
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<td>ENGOs</td>
<td>Environmental NGOs</td>
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<td>GDOs</td>
<td>Grassroots development organizations</td>
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<td>GONGOs</td>
<td>Government-organized NGOs</td>
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<td>GRINGOs</td>
<td>Government-run (or -inspired) NGOs</td>
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<td>GROs</td>
<td>Grassroots organizations</td>
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<td>GRSOs</td>
<td>Grassroots support organizations</td>
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<td>GSCOs</td>
<td>Global social change organizations</td>
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<td>GSOs</td>
<td>Grassroots support organizations</td>
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<td>IAs</td>
<td>Interest associations</td>
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<td>IDCIs</td>
<td>International development cooperation institutions</td>
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<td>IOs</td>
<td>Intermediate organizations</td>
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<td>IPOs</td>
<td>International/indigenous people’s organizations</td>
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<td>LDAs</td>
<td>Local development associations</td>
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<td>LINGOs</td>
<td>Little international NGOs</td>
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<td>LOs</td>
<td>Local organizations</td>
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<td>MOs</td>
<td>Membership organizations</td>
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<td>MSOs</td>
<td>Membership support organizations</td>
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<td>NGDOs</td>
<td>Non-governmental development organizations</td>
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NGIs Non-governmental interests
NGIs Non-governmental individuals
NNGOs Northern NGOs
NPOs Non-profit or not-for-profit organizations
PDAs Popular development associations
POs People’s organizations
PSCs Public service contractors
PSNPOs Paid staff NGOs
PVDOs Private voluntary development organizations
PVOs Private voluntary organizations
QUANGOs Quasi-non-governmental organizations
RONGOs Royal non-governmental organizations
RWAs Relief and welfare associations
SHOs Self-help organizations
10 • Introduction
TIOs Technical innovation organizations
TNGOs Trans-national NGOs
VDAs Village development associations
VIIs Village institutions
VNPOs Volunteer non-profit organizations
VOs Village organizations
VOs Volunteer organizations
Source: adapted from Najam (1996); Lewis (2007)

Check Your Progress 1
1 What do you understand by term voluntary organisations?
2 List five names of prevalent in voluntary sector
3 What do mean by term civil society?
4 How voluntary organisations are different from government?
5 List down the three characteristics of voluntary organisation
   i
   ii
1.4 Functions and Activities of NGO

India has a long history and tradition of voluntary action. The voluntary efforts in the process of welfare and development have undergone evolutionary changes with the changing emphases of various experimental development programmes in India. In the last few decades, the growing awareness of the limitations and intrinsic constraints of the Government has led to an increasing recognition of NGOs and voluntary efforts and sought their greater cooperation and involvement in the process of development and in the process of nation-building. Today, they are important partners in the process of development and are an inalienable part of the contemporary scene. Their involvement is not only seen in the implementation of governmental programmes but also in the process of formulation of public policies and even in the enforcement of social legislation.

The alleviation of poverty, the upliftment and welfare of the neglected, oppressed, marginalised and the weaker sections of the society including the women, children, scheduled castes, scheduled tribes and the backward classes, landless labourers, artisans, poor and marginal farmers etc., are the major concerns and the greatest challenge before the voluntary organisations today. The Government faces an arduous task of helping the asset-less, poverty-stricken rural folks and the weaker sections, which urgently need viable economic assistance to enable them to earn their living and to become self-reliant.

NGOs are organizations concerned with the promotion of social, political or economic change – an agenda that is usually associated with the concept of ‘development’ NGOs are ‘self-governing, private, not-for-profit organizations that are geared to improving the quality of life for disadvantaged people’. We can therefore contrast NGOs with other types of ‘third sector’ groups such as trade unions, organizations concerned with arts or sport, and professional associations. The implementer role is concerned with the mobilization of resources to provide goods and services to people who need them. The service delivery role embodies a very wide range of activities carried out by NGOs in fields as diverse as healthcare, microfinance, agricultural extension, emergency relief and human rights. Service delivery work has increased as NGOs have been increasingly ‘contracted’ by governments and donors within the last two decades of governance reform and to carry out specific tasks in return for payment; There are many
government schemes of various Ministries/Departments who provide the financial assistance to carry out tasks related to particular scheme,

NGOs also play catalytic role to supplement developmental efforts. A catalyst is normally understood as which brings about change. The catalyst role can therefore be defined as an NGO’s ability to inspire, facilitate or contribute to improved thinking and action to promote change. This may be directed towards individuals or groups in local communities, or among other actors in development such as government, business or donors. It may include grassroots organizing and group formation, gender and empowerment work, lobbying and advocacy work, undertaking and disseminating research, and attempts to influence wider policy processes through innovation and policy entrepreneurship.

In the first ‘generation’, an NGO’s most urgent priority is to address immediate needs, mainly through undertaking relief and welfare work. In the second, NGOs shift towards the objectives of building small-scale, self-reliant local development initiatives, as they acquire more experience and build better knowledge, and may become more influenced by other agencies, such as donors. A stronger focus on sustainability emerges with the third generation, and a stronger interest in influencing the wider institutional and policy context through advocacy. In the fourth generation, NGOs become more closely linked to wider social movements and combine local action with activities at a national or global level, aimed at long-term structural change.

NGOs were seen as fostering local participation, since they were more locally rooted organizations, and therefore closer to marginalized people than most officials were. Poor people were often found to have been bypassed by existing public services, since many government agencies faced resource shortages and their decision-making processes were often captured by elites. Many also claimed that NGOs were generally operating at a lower cost, due to their use of voluntary community input. Some NGOs were also seen as bringing a set of new and progressive development agendas of participation, gender, environment and empowerment that were beginning to capture the imagination of many development activists at this time.

**Nature and Scope of Civil Society Activities**

- awareness-raising (in the general public and in specific communities, including decision-makers)
- poverty reduction efforts
- direct provision of services (e.g., health-related)
- general campaigning for all, some, or one of the goals
- representation (organisations that aggregate citizen voice)
- advocacy (organisations that lobby on particular issues)
- education and training
- technical inputs (organisations that provide information and advice)
- capacity building (organisations that provide support to other CSOs, including funding)
- service delivery (organisations that implement development projects or provide services)
- social functions (organisations that foster collective recreational activities)

**NGOs contribute to a civil society by providing a means for expressing and actively addressing the varied and complex needs of society.** They are seen as serving several essential functions:

- NGOs promote pluralism, diversity, and tolerance in society while protecting and strengthening cultural, ethnic, religious, linguistic, and other identities.
- NGOs advance science and thought; develop culture and art; protect the environment; and support all activities and concerns that make a vibrant civil society.
- NGOs motivate citizens in all aspects of society to act, rather than depend on state power and beneficence.
- NGOs create an alternative to centralized state agencies and provide services with greater independence and flexibility.
- NGOs establish the mechanisms by which governments and the market can be held accountable by the public.

A people-centered sustainable development with the central concerns to enhance human growth and wellbeing, equity and sustainability of late has appeared as an alternative development paradigm. It has been realised that the developmental programmes undertaken with the active participation of people have a greater chance of success. People’s participation is thus recognised as an important element in the new paradigm of development. The Voluntary agencies with their participatory and humane approaches and closer contact at the grass-roots level and
with better insight into the problems and needs of the poor have emerged as alternative development agents and strategy.

The nature of VOs in India has been changing from the traditional role. Voluntary organisations have now changed their focus from the traditional relief, rehabilitation, charity and welfare activities to more towards developmental endeavors. There has been now a clear-cut shift in emphasis in the voluntary sector from care, charity and welfare towards empowerment, development and change. The presence of VOs is clearly visible today than ever before, in the traditional as well as unconventional areas of developmental endeavors. The VOs are now more concerned about capacity building, and development of human resources, conscious raising, conscientising and awakening. They are now widening their outlook towards area development and rural transformation. However, an organised voluntary action in the field of rural development in India is comparatively new, slowly evolving and not yet fully complete in the country. Although the voluntary action in rural areas is more diversified today, however, there are many areas which need to be covered by voluntary action. The total voluntary efforts particularly, in the rural development in terms of geographical coverage are insignificant as compared to the needs of the country.

Check Your Progress 2

1 Do you know any voluntary organisation exist in your area, if yes what types of work it is doing in community?
2 What are the main areas in which voluntary organisations are engaged?
3 If you want to set up voluntary organisation in your area, what types of activities you will start based on community needs?
4 Described ten activities under taken by voluntary organisation based on the above paragraphs?

1.5 History of NGOs

India has a long history and tradition of voluntary action, providing services to the sick, needy and destitute. Rather, it is a part of our cultural heritage and way of life. Voluntarism in India is as old as the emergence of organised society itself. It originated as pure philanthropy of
charity and this motivation sustained the voluntary efforts all through history in the ancient and medieval period. The voluntary efforts in the process of welfare and development have undergone evolutionary changes with changing emphasis on various experimental development programmes in India. The history of voluntary action is an integral part of the study of evolution and changes in the Indian society.

1.5.1 Ancient time

Indian culture also placed great emphasis on charity. Every individual or householder was expected to help the needy and the suffering. Even during the modern times, erecting drinking water platforms and feeding the hungry is practiced in many parts of the country. Construction of temples, dharmashalas, anna-satras (centers to serve food free of cost) were some manifestations of charity. It appears that during the British era and with the advent of modern education, donating wealth for construction of schools and colleges was also practiced. Similarly, the hospitals also used to be constructed out of donations and some of them were conducted as purely charitable bodies and provided treatment free of cost. Such hospitals are found to function even today in our country.

The Upanishads also indicate the gradation of daanam which are Shramdaan, Anna-Daan, Vastra-Daan and Gyan-Daan. Islam has rules on giving which is Zakat. Zakat has its own governing rules and along with it Fidiya which is more like a fine imposed on those violating the fast in the month of Ramadhan. Christianity has its rules of Tyeth that is one tenth of the income to be set aside for charity. This is very similar to Sikh religion, which also has its Dasvandh that translates to one tenth for the poor and disabled to the least of them, you do unto me.” This has inspired many missionaries to do service to the poor irrespective of religion, caste or creed.

Voluntarism in early days had its genesis in charity, philanthropy and relief activities. In ancient and medieval India, charity on a voluntary basis outside the religious channels operated freely and extensively in the fields of education, health, cultural promotion and soccour in crises during natural calamities such as - floods, famine, droughts, and epidemics. The voluntary efforts in the early phase were limited in scope and were marked in rural and community development such as digging wells and tanks, planting trees etc. The history reveals that the responsibility of assisting the individual-in-need was shared by the community and the rulers. The kings and the chiefs used to provid free kitchens during famine and shelter to homeless. The directives of the
emperor were restricted to the rules of Dharma Sastras. Religion emphasised on the value of charity, philanthropy and mutual help.

1.5.2 Medieval time

Guru Nanak, the founder of the Sikh religion began work in the Kartarpur Community in present day Pakistan. Here the traditions of Kar Seva based on the principles of Shramdaan were born. The base of volunteerism and volunteering has been built on this tradition. Shramdaan is seen as an extension of work with your hands, which will provide spiritual awakening to the soul.

During the colonial period, voluntary efforts received a boost with new religious, cultural and social surroundings. The Laissez Faire policy of the British Government in economic, religious and social matters left no other avenue of development open to the ‘natives’ than resort to the ‘self-help’ form of voluntarism. Schools and colleges were established by educational societies set up by English-educated natives and affluent businessmen, traders and zamindars. In terms of scope and coverage in development activities, Laissez Faire occupied the largest portion followed by voluntary action through philanthropy, association and individual actions, while the state intervention was minimal during this phase.

During the British regime, many Christian missionaries came to work in India. The primary objective of these missionary organizations was of course to spread Christianity. But at the same time, they undertook various activities like medical relief and running schools.

1.5.3 Era of Social Reform Movements

Voices were raised by the social reform movements against discrimination by birth and gender and discrimination within religion. The formation of Atmiya Sabha in 1815 by Raja Ram Mohan Roy was one such example; later it became allied with Christian Unitarians and started the Unitarian Committee in 1821. Brahmo Sabha was established in 1828. Swami Sahjanand’s Swaminarayana sect (1800) and Manohar Dharm Sabha (1844) of Gujarat, Paramhans Sabha, Prarthana Sabha, Kalyanonnayak Samaj and Hindu Dharm Sabha in Maharashtra had similar concerns. Many literary educational institutions such as the Royal Asiatic Society (1834) and Dnyan Prakash Sabha (1840) were also founded. The Faradi movement of Haji Shariatullah, founded in 1818 among the economically backward classes of Muslims, reflected similar concerns in the context of Islam. All these were volunteer-based organizations connected
and interwoven with their respective religious lexicon. They wished to reform their own religions with constructive work.

The dawn of voluntary action was the emergence of reform movements. The introduction of western ideas and christian faith by the end of the eighteenth century precipitated the widespread emergence of religious and social reform movements in India during the first half of the nineteenth century (1800-1850). Social reformers like Raja Ram Mohan Roy, Rabindranath Tagore, Dayananda Saraswathy, Iswara Chandra Vidyasagar, Kesava Chandra Sen, Ram Krishna Paramhansa, Sayyed Ahmed Khan, Swami Vivekananda had focussed their social action against the rigid social evils and practices like Sati, Child Marriage, prohibition of widow remarriage and other caste-directed practices etc.

Rabindranath Tagore’s rural reconstruction programme in Patisar and adjoining subdivisions in Rajsahi district, and Birahimpur Pargana in Nadia district of undivided Bengal during the first few decades of 20th century became successful due to high level of active participation of villagers and zamindars. Both contributed resource in cash and kind, which General Welfare Society of Kaligram utilized. There was astonishing sustained improvement in literacy, school education, agriculture, health, road construction, and commerce through cooperation. Village justice system turned villages peaceful and cooperation saved farmers from the clutch of moneylenders.

1.5.4 Gandhian Era

Gandhiji propagated national reconstruction on the basis of swadeshi, village self-government and self-sufficiency. Gandhiji gave a new impetus to voluntarism. His model of society was based on values of non-violence, justice and freedom. He reinforced the strength of voluntarism in the economic aspect of national life by decentralisation of political authority to the Gram Panchayats (Village Councils). His wisdom that India lives in villages, guided him to concentrate his efforts on villages. His strong adherence to high social ideals and a practical approach inspired sincere and conscientious workers to follow him with a genuine sense of dedication towards voluntarism. With Gandhiji, began a process of networking of organisations and he played a vital role as the chief propounder of voluntary efforts in rural development in the country.

Gandhiji started his ‘Constructive Work’ between 1922-28 which entailed among others Charkha (spinning wheel), Khadi (handwoven cloth), Gramodyog (village industries), basic
education, removal of untouchability etc. Development of village crafts and village industries were his main thrusts. ‘Gandhiji’s Constructive Work’ became part of the mass national movement for political freedom and he insisted that political freedom must go hand in hand with a sense of social responsibility.

The fundamental principles of Gandhiji’s Constructive Programme were: voluntariness and sharing, cooperation, mutual aid, decentralisation, non-violence, self-reliance, self-help and moral action. Inspired by Gandhiji’s ideology, voluntary movement in India gained further momentum and a large number of organisations based on Gandhian Constructive Programmes emerged in the Indian voluntary sector. Gandhiji founded Harijan Sevak Sangh, Gramodyog Sangh, Hindustan Talim Sangh, Adivasi Seva Mandals, etc. Many other specialised organisations like e.g. All India Spinner’s Association (1925) and All India Village Industries Association (1934) were active in this era. Gandhiji’s call for people’s participation at the grassroots level enabled voluntarism to penetrate into villages.

Many prominent followers of Gandhi inculcated Gandhiji’s spirit of voluntary efforts in the post-independence era and notable among them are Acharya Vinoba Bhave, Jaya Prakash Narayan, Thakkar Bapa & others. the wake of the Bengal famine. Acharya Vinoba Bhave the Bhoodan (land gift) movement in Pochampalli (Telangana in Andhra Pradesh) with the essential characteristic of the movement being that the surplus lands were to be donated by landlords and redistributed to landless peasants. Similarly, his Gramdan Movement (village gift) started in Mangroth village in Uttar Pradesh involving community action with the ownership of land vested in the village community. He further widened the concept to Shramadan (gift of labour); Sampatidam (gift of wealth) and Buddhidan (gift of mental abilities) for the realisation of Sarvodaya (welfare of all) and the benefit of the society as a whole. Vinoba Bhave, thus, built a powerful voluntary movement which had shown a way for peaceful transformation of the rural society. Thakar Bapa also made a mark in the history of voluntarism in the field of education, health and tribal development.

1.5.5 Experimental community development projects

Other similar notable experimental projects for rural development undertaken by a number of outstanding individuals from different walks of life from both within and outside the government include:- Marthandam Project in Kanya Kumari district in Tamil Nadu in 1921
under the leadership of Dr. Spencer Hatch, Gurgaon Project in 1927 by F.L Brayne, the Deputy Commissioner of the Gurgaon district, Baroda Rural Development Project initiated by Raja Sir T. Madhav Rao, a minister of the princely state of Baroda and gained momentum with V.T. Krishnamachari, the Dewan of Baroda who started Rural Reconstruction Centres (RRCs) in 1932; Gandhiji’s Rural Reconstruction Project at Sevagram, a village near Wardha in 1936, the Firka Development Scheme in Madras Province in 1943 for the economic development of villages by promoting khadi and village industries, and Nilokheri Project also known as Refugee Rehabilitation Project, though started in 1943 became fully operational in 1948 when it developed a new township for displaced persons from West Pakistan. Another project named Etawah Project launched by the government of Uttar Pradesh in October 1948 under the guidance and help of Albert Mayer, was a new experiment in rural planning and development.

1.5.6 Voluntarism during the Post-Independence Era

Since independence NGOs have played an important role in India’s development; over this time government relations have alternated between times of mutual suspicion and hostility, to periods of high levels of co-operation with NGOs taking a central role in the development agenda. After a period of co-operation in the 1950s followed by hostility and suspicion through the 1980s into the 1990s, by the early 2000s NGOs were more respected by government, and were having a more central role in the nation’s development, as evidenced by increased funding though government programmes. This shift in the approach of government to NGOs coincided with a number of political and economic trends that started in the 1980s but accelerated in the 1990s. The spectacular growth of the Indian economy in the first decade of the 2000s, together with this new rapport with NGOs, has meant the government can resource much of its own development agenda using local NGOs more than hitherto possible, while at the same time international donors, both official and INGOs, are rapidly withdrawing.

After Independence, leadership in India was provided by social workers who had worked under the leadership of Gandhi. As a matter fact, they were the ones who started the health, education, social welfare, adult education, rural development etc. The government undertook welfare schemes under various plans and policies, besides encouraging voluntary organizations to undertake social welfare programmes under the grant-in-aid programme and set up autonomous bodies like Central Social Welfare Board, Indian Council of Social Welfare etc.,

Some of the institutions started by Mahatma Gandhi and by the wives of the officers with
the support of the British Government and those started by the Indian philanthropists, Christian Missionaries, Ramakrishna Mission etc, continued to function. Although national organizations like Indian Red Cross Society, Young Men’s Christian Association (YMCA), Young Women’s Christian Association (YWCA), Harijan Sevak Sangh etc, were functioning. It was around this time that several all-India level voluntary organizations such as Kasturaba Gandhi National Memorial Trust, Indian Council of Child Welfare, Youth Hostel Association, Association of Social Health etc, were set up.

During the latter half of the 1970s, community organizations gained momentum. Also a radical trend emerged, with social action groups taking the view that poverty is a structural phenomenon which had to be tackled head-on through the active mobilization of the rural poor. With liberal foreign funding, social action groups proliferated throughout the late 1970s and early 1980s, and established themselves as the dominant type of NGO in some states, notably Tamil Nadu and Bihar in sharp contrast to the programme-focused approaches which had found favour from the 1960s.

From the mid-1980s, a further trend emerged within the NGO movement, emphasizing the importance of professional approach based on sound management, planning and co-ordination. People’s participation in development was much pronounced in 1980s. A parallel development was the creation of resource agencies which work directly with the poor and also provide support services to other NGOs in the form of training, evaluation and documentation (Umukoro, 2009).

Encouraged by the incentives from the government and their concern for the alleviation of rural poverty, a new generation of professional groups i.e. educated and qualified youngmen, some of them with foreign training entered the voluntary sector to work as social activists in the rural areas. A new type of voluntary movement thus started in the late 70s. The developmental programmes and approaches in the post-independence era went through several experiments and evolutionary stages. The changing nomenclature of programmes resulted in a shift in emphasis in different phases from: community to target/beneficiary groups to agricultural production to employment generation and now to empowerment of people. With this changing emphasis with the passage of time, the ministries and departments also changed their nomenclature e.g. the Union Department of Rural Development which was under the Ministry of Agriculture and Rural Development was reorganised into the Ministry of Rural Reconstruction in 1979 and later into the Ministry of Rural Development and now to the Ministry of Rural Areas and Employment.
Similarly, the Ministry of Welfare changed its nomenclature to Ministry of Social Justice and Empowerment.

Although the developmental programmes passed through several evolutionary stages, yet the concept of development with people’s participation as the basic approach did not undergo changes. During the 1970s, ideas about conscientization and more people’s participation in development began to emerge. During this period, more focused work with target groups e.g. women, children, landless labourers, artisans, small and marginal farmers, scheduled castes and scheduled tribes etc. became the basis of voluntary efforts. Voluntarism is a long cherished tradition which has been encouraged by the Government of India since independence. The Government has launched a number of schemes to implement various developmental projects, wherein concerned Departments / Ministries provide grant-in-aid to VOs to carry out welfare and development activities.

Over the years, there has been a lot of debate and discussion on the various typologies and roles of voluntary organizations. Time and again, questions around whether or not voluntary organizations are meant to undertake service delivery on behalf of the government are raised. Further, the capacity and credibility of VOs is often questioned. At the same time, majority of the Government funded welfare and development programmes talk about partnership with voluntary agencies to reach the unreached. This has led to an amorphous growth of organizations which use the present situation as an opportunity both for service delivery as well as monetary gains. It is important to differentiate between these approaches. In line with the above, the Steering Committee National Policy on the Voluntary Sector was conceived in the year 2007. The Policy was ‘a commitment to encourage, enable and empower an independent, creative and effective voluntary sector, with diversity in form and function, so that it can contribute to the social, cultural and economic advancement of the people of India’. The National Policy on the Voluntary Sector recognized strategic collaboration and consultation through a formal process of interaction at the Centre, State and District level as a key instrument of partnership. It promised an enabling environment, necessary for stimulation of enterprise and effectiveness of the voluntary sector and talked about creating systems that facilitated mobilization of necessary funds, greater interaction of Government with Voluntary Organisations (VO) and their increased transparency and accountability.
1.6 Problems of NGOs

**Lack of Funds**

Most of the NGOs in India are suffering from paucity of funds. Government does not give cent percent grants in aid or make delay in sanctions of grants for numerous programmes. NGOs have to make matching contributions which they are some times unable to manage and are, therefore, unable to avail themselves of the grants. Now a day’s charity is not so strong in the minds and hearts of the people as it was in the ancient society. This was another region for languish of funds for NGOs.

**Lack of Dedicated Leadership**

Leadership qualities of the leaders in NGOs determine the quality and condition of the services rendered by any organization. Especially dedicated leadership, ‘Leadership for the sake of Leadership’ is a most important governing factor in this regard. In the post independence era, unfortunately, the NGOs faced the crisis of leadership as the leaders who pioneered voluntary action and worked for it with spirit of devotion and dedication choose to enter politics to find berths in legislatures and parliament thus creating a vacuum for dedication leadership in NGOs. With some expectations the leadership is concentrated in the hands of elderly people. The style of functioning of these elderly people exhibits authoritarianism and frustrates younger people who are embodiments of new ideas, initiatives and innovation which are not allowed to be expressed and practiced (Mehta et al., 2010).

**Inadequate Trained Personnel**

It is believed that the personnel working in NGOs may be of personnel working in such organizations is a sense of dedication and commitment and interest in the social services. NGOs earlier were assumed to be served by unpaid social workers imbued with the spirit of service and did not require any special education or training. But the present trend who are having professional education are not interested to work with NGOs. Their vision has been changed and are interested to work in urban areas only. Therefore, it is very difficult to get trained persons who are either willing or trained to work in the rural society where most of NGOs work. Moreover, these professionally trained persons have high expectations in terms of salaries, status, opportunities for their growth in the career of their choice. More over, most of NGOs due to lack of funds cannot able to spent some more funds for giving training to the personnel.
employed in the organization. Some of NGOs are in fear of personnel who may shift to another big NGO after taking training from it.

**Misuse of Funds**

It is the matter of fact that some unscrupulous elements have made fortunes by floating NGOs for their personnel gains and managing grants from the government. It is a common experience that there have been serious charges of misuse and misappropriation of funds received as grant-in-aid form the government, foreign donors and raised through their own resources by the most of the NGOs. These NGOs may reflect its image to other NGOs who are working with dedication and commitment.

**Monopolization of leadership**

It has been observed that there is a growing tendency towards monopolization and interlocking of leadership at the top level of voluntary action groups and organizations as is reflected in the same person being the president in one organization, secretary in the other, treasurer in the third and a member of the executive in the fourth. This interlocking of leadership can be advantageous in formulating, coordinated policies, programmes and activities, facilitating exchange of technical know-how and experience and mobilizing people for a common goal. But the greatest disadvantage of such leadership is that fresh blood is not allowed to flow into the organization and leadership.

**Lack of Public Participation**

NGOs are meant to provide opportunities to the citizens for democratic participation but they have not been able to fulfill this obligation due to the method and manner in which they function, and failed to attract people, interested in construction work and develop channels for peoples enthusiastic participation. Some of the factors responsible for such a state of affairs are general backwardness of the people, absence of adequate number of dedicated persons, over emphasis on targets and time bound programmes, political interference and vested interests, easy availability of funds without proper planning and assessment of felt needs and safeguards for the community, distrust of agencies and workers who do not have a base in the community and are unable to win its support and lack of decentralization which could give a feeling of being partners in development rather than development being thrust from above.

**Centralization in Urban Areas**

NGOs are more developed in urban areas as compared to rural areas. The backwardness
and ignorance of the rural people and lack of enthusiasm among social workers to among them in the absence of availability of minimum comforts are the two important reasons for the backwardness of the NGOs in rural areas.

**Lack of Coordination**

The absence of coordination between NGOs existing at local, state and national level has laid to the common problems such as overlapping, duplication, non-coordination etc. The absence of such a common forum also incapacitates NGOs to offer united stand against the government when it humiliates them by extraneous considerations at the behest of politicians and egoistic government officers. Moreover, the state of affairs also does not facilitate exchange of information, data collection, research, training and publication and also does not create favorable conditions where common difficulties can be placed before the government.

**Lack of Volunteerism/Social work among Youth**

The basic characteristic of NGO is volunteerism. In early days, youth are making their career in volunteerism but that enthusiasm seems to have faded these days. The extent of volunteerism is declining day by day and turning it into professionalisation. Even the young graduates from social work are interested in making their career in professionalism. This leads to lack of efficient volunteers in NGOs

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**1.7 National Policy on the Voluntary Sector**

Government played an important role in recognizing VOs as participants in governance, policy making and implementation of programmes, the Twelfth Five Year Plan provides a new window of opportunity to further translate the vision of the National Policy on the Voluntary Sector into monitorable, implementable and action-oriented outcomes through suggestive reforms in current laws, schemes, structures and institutional frameworks.

The following core issues must be built in the policy guideline that promotes organizational self-governance:

i. Every voluntary organization shall put its audited statement and annual report in the public domain.

ii. Every voluntary organization shall have institutional operational policies like, gender diversity, financial transparency, diversity in human resources, expression and avoidance of conflicts of interest, strict procedural remedies against sexual harassment at workplace, etc.
iii. Every voluntary organization shall have active governing board and proceedings and
minutes shall be properly recorded.

iv. Every voluntary organization should follow all mandatory rules like registration, taxation, FCRA, etc.

v. Every voluntary organization shall have its policies and practices for transparent, accountable and participatory governance.

vi. Every voluntary organization shall follow the policy of proactive disclosure of information under Right to Information Act.

Voluntary sector as a whole will in the duration of the Twelfth Plan period transform itself into a better governed, more accountable and transparent, well-funded and sustainable sector with strong institutions that are functional at the union, state, district and panchayat levels. Enhanced support to the sector through human resource development, institutional enhancement, greater capacity and resource building of all voluntary actors is envisaged.

Because of modernization, professionalisation and introduction of management techniques, the traditional NGOs need certain minimum, infrastructure and administrative expenses. Unfortunately, grants-in-aid rules do not allow for such administrative expenditure except contingencies. This leads to evaporations of traditional NGOs in the country which use to lead by great leaders.

The sector should thus be viewed as an agency that can contribute to (1) strengthening democracy and governance through improved participatory representation, awareness of rights and capacity building of local institutions (2) advancing rural and urban development through grassroots level innovations and human resource and talent management (3) transforming inter-personal, familial and community spaces through awareness generation and sensitization (4) providing platforms for dialogue and dissent for appreciation of and respect for differences in opinions and affiliations and (5) promoting art, culture, environment protection and other forms of public enquiry; alternatively, it may be said that the sector should cover the spaces of social defense, social security, social service and social change. Each of these spheres in turn needs a careful understanding and a response mechanism to enable greater synergy, impact and reach.

Check Your Progress 3

1 Trace the origin of philanthropy in various religion?
2 Describe the types of work performed by religious institution in ancient time?
3 What types of social work was undertaken during the medieval times in India?
NGOs are the ones who really intend to care the uncared sections and the people at the bottom of the social stratum. Ours is an developing country which requires these type of committed, devoted and dedicated organizations for the development of the country. So, the government, the leaders, the donors, the politicians and the people should support these organizations and help them to solve their problems at the grass-root level. Their services are undoubtedly commendable in the uplift of the rural poor. 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. The voluntary sector has been serving as an effective non-political link between the people and the Government. The voluntary sector can play an important role in the development process, particularly through community participation. VOs can offer alternative perspectives; committed expertise; an understanding of the local opportunities and constraints; and perhaps most importantly, the capacity to conduct a meaningful dialogue with communities, particularly those that are disadvantaged. It is therefore essential that the Government and the Voluntary Sector work together Though many NGOs are doing commendable service in the promotion of the values of freedom, democracy, social justice and sustainable development, it has to be kept in mind that they can never have the reach of the governmental apparatus.

1.9 Key Words

Non-Governmental Organisation (NGO), Voluntary Organisation(VO), Civil Society, Voluntary Sector, Non-Profit Organisation Funds, Leadership, Participation, Coordination, Volunteerism
1.10 Questions and Discussion

1. What is civil society and civil society institutions?
2. Describe various forms of voluntary action and its scope?
3. Describe functions activities and distinguish characteristics of voluntary agencies?
4. Explain the historical evolution of voluntary agencies and changing nature of work?
5. What are the main problems of voluntary agencies facing in present context?
6. What are main provisions of Policy on Voluntary sector?

1.11 Suggested Reading


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UNIT-2  FORMATION OF NGO

CONTENTS

2.1 Aims and Objectives
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2.3 Basic Steps Towards Starting A Ngo
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2.5 Model Rules & Regulations Of A Society
2.1 Aims and Objectives

This lesson provides the knowledge and information on the formulation of NGOs. The lesson will provide how to formulate and register a society, cooperative society, trust, and non-profit company. How to formulate memorandum of association and rules regulation of society, trust deeds and formalities for registration of these bodies. It also provides knowledge on the importance of accountability and transparency for NGOs.

2.2 INTRODUCTION

The term voluntarism is derived from the Latin word ‘voluntas’ meaning ‘will’ or ‘freedom’. Voluntary action is initiated by one’s own volition and it is the expression of the human will to work for the needy and destitute. The voluntary organisation is a group of individuals organised on the basis of voluntary membership for the pursuit of one interest or several interests in common. The term VO, has been understood, defined and used in a variety of ways. Volunteerism is an integral part of all communities. Its expression, definition and understanding vary according to history, politics, religion, and culture. What may be seen as volunteering in one country may be treated as low paid or labor-intensive work in another. However, despite the wide variety of volunteerism expressions, it is possible to identify some core characteristics. A voluntary organisation is a result of the voluntary initiative of a group of people to collectively work and fulfil one or many unmet needs of society. It works within the constitution prepared by its members and is not created by the will or directive of the government. A voluntary organisation also has some unique features such as flexibility in its management, self-
sustaining resources, space for innovation in its work and a concern for accountability to the people it works with.

Through volunteering, people can gain and exercise skills such as leadership, communication and organization skills, and extend their social networks. It can provide informal learning opportunities and can be therefore a crucial instrument for continuous personal development as well as community. The term ‘voluntary organisation’ refers to such organisations, wherein an individual or group of individuals serve or perform to realise that objective/purpose of such organisations out of one’s own accord and without compulsion and often without promise of remuneration; arising from natural will to act or do without any legal obligation. With the passage of time, the meaning and concept of voluntarism has undergone a change to the extent of being referred to as NGOs or NGDOs.

Conceptually and legally there are several terms used to refer to the organisation engaged in the voluntary sector in India. Some of them are as: voluntary organisations; voluntary associations; voluntary agencies; philanthropic organisations; welfare organisations; action groups; non-party political groups; non-party political formations; social action groups; people’s groups; women’s organisations; non-governmental organisations; non-governmental developmental organisations; government organised NGOs; church organisations; religions organisations; and community based organisations (CBOs) etc. In practice, the broad definition holds that every organisation that operates in the civil society is a VO.

During the nineties, NGOs have emerged as important players in the development arena. On the one hand, voluntary sector is making significant contributions at the UN sponsored meetings at global level, and on the other, NGOs are also working for the empowerment of the poor at the grassroots level and are providing quick help in the management of disasters. Role of NGOs was particularly recognised at the United Nations Conference on Environment and Development held at Rio de Janeiro, Brazil in June 1992. Thereafter active presence of NGOs continued at all important global international fora, such as the Cairo Population Conference 1994, the Copenhagen World Summit on Social Development 1995, the Beijing Conference on Women 1995, and so on. In the coming years, it is expected that voluntary sector would be playing significant role not only in social sectors but also in other sectors. Keeping in view the respect for the independence of NGOs and their significant role, the emerging voluntary sector is also known as independent sector, third sector, civil-society sector or social economy sector. India has
a rich tradition of voluntary action. Before Independence, NGOs imbued with the Gandhian philosophy were playing significant role mainly in social welfare activities and now, the range of spheres covered by voluntary sector has expanded considerably covering almost all development related activities.

In the contemporary era, NGOs play the role of promoters of development, catalysts of social and emotional changes, are a mechanism for popular participation in influencing public policy and public opinion, act as motivators, engage themselves in conscientisation, play a role in the enforcement of law and social legislation and are a vital awareness among the rural masses about their basic rights to services is an important role played by the voluntary agencies. Generating awareness to demand their rights has made the local delivery system more responsive to the needs of the poor especially in the rural India.

The role of NGOs effort needs to be mobilised in the traditional areas where problems remain unresolved. The problem of the alleviation of poverty and upliftment of the weaker sections of society are the most challenging areas for future actions. Besides, education and health for all, woman and child development and the question of social justice, promotion of handicrafts, consumer protection and social welfare services for the disadvantaged groups deserve greater attention today than ever before. Secondly, the hitherto neglected areas of large scale voluntary action such as agriculture, animal husbandry and dairy development, slum improvement, land reforms, land and water management, wasteland development, housing, provision of safe drinking water and sanitation, ecological issues, the question of communal harmony, and the national integration call for greater participation and cooperation of VOs in the coming year.

With the fast changing economy and society, voluntary actions in the coming decades are expected to expand into the non-conventional areas like communications for awareness generation, modern means of dissemination of information, non-conventional energy sources, marine affairs, drug abuse and alcoholism, juvenile delinquency, tourism and so on. The process of voluntary efforts in diversified areas from charity to research and development work, from a reformist to radical revolutionary approach is not yet complete. The majority of voluntary agencies in India have either been conformists in their approach or are the ‘assistance in distress’ type. These role models would have to undergo substantial transformations in order to cater to the challenges that the country faces today.

The legal framework for registering NGOs in India
Prior to the enactment of the Societies Registration Act of 1860, voluntary action was guided mainly by religious and cultural ethos. Subsequently, a series of legislations addressing the non-profit sector were adopted. The starting point in this respect was Article 19 of the Indian Constitution which recognized a number of civic rights including the right “….to form associations or unions”. It constitutes the legal basis of relevant legal provisions applicable to the non-profit sector. There are also non-mandatory provisions that allow any group with the intention of starting a non-profit, voluntary or charitable work to organize itself into a legally registered entity. However, given the optional nature of these provisions, there is a large group of voluntary bodies which are not registered.

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**2.3 BASIC STEPS TOWARDS STARTING A NGO**

For all of you starting up an NGO, hoping to be successful, you need three things; the first is passion, the second is a group of people who share this passion, and the vision to match and the third is a good relationship with the people you want to help the beneficiaries.

The spirit of extending voluntary work may often be an outcome of an individual’s initiative, which may subsequently attract some other likeminded individuals to get together to initiate work, or else the result of common sharing of an ideology or purpose by a group of individuals, out of their own initiative. Even these later informed groups of individuals can be of two distinct forms. One of these forms is where a group of individuals start meeting with each other, think alike and wish to undertake something together. Often they are found to be caught in a direction less state as to how to proceed further.

**The Initial Spade Work:**

Be clear on your intentions, purpose, hopes and expectations i.e. ask yourself as to what cause/issue you wish to take up or address; whom do you want to serve and what would be the approach of your organisation. You may remember that the zeal and passion of work or to do something for the society has to be focused in some direction. It is thus important to identify the field (to be interpreted as both geographical and thematic areas) you want to work in. The social sector is vast space and you might have resources that enable you to function in a particular field, or, you might have a
special skill more in one field than in another. It is, therefore, important that you focus yourself and clearly identify the field.

In view of the above, the next important step before initiating any work is to have a well-defined Vision, Mission and Mandate for your organisation. Here the question arises as to why you need to have all these before initiating your work, because these three essential speak for the ideology and purpose for which the organisation needs to be established. Vision is basically the organisation’s dream envisioned at the time of its formation. A vision is a simple but a wide statement (in one-two lines) which emphasizes future state/situation as different from existing situation. It is a guiding image for success that inspires and motivates people to work together and improves effectiveness and productivity. It communicates enthusiasm and provides an organisation with something to aspire for. A vision statement forms the framework for an organisation’s general philosophy, goals, strategies, ethical standards and performance criteria.

A vision statement should ideally be:

• General (which allow it to survive even in an unstable environment)
• Short, precise and clear (In one-two lines)
• Clarifying the organisation’s direction and purpose
• Focusing on a better future
• Reflecting high ideals amidst challenges and often unfavourable situations
• Focusing on the organisations distinctive and unique ideological stand.

The vision should be such that it is able to inspire people and at the same time, is grounded in reality so as to make people believe that it can and will happen. A vision statement also carries forth a promise that the organisation will support its members in pursuit of vision.

Mission: A mission outlines the overall strategy of the organisation to realize the vision/dream. It clarifies the organisation’s purpose. It needs to be very specific-simple and short (Not more than 3-4 Sentence; easy to understand, easy to remember/memorise. It should state the end result which an organisation seeks to accomplish. In other words, a mission statement should be able to communicate the essence of the organisation to its beneficiaries. Mission statement is generally a guiding set of
ideas/principles/basic philosophy that can be articulated, understood, supported and shared by the members of an organisation and practiced in work. Hence, vision and mission statements of an organisation helps one to satisfy questions like who you are as an organisation; why do you exist; what do you do; whom do you serve/exist for etc. So, to sum up, the whole discussion - ‘vision is the dream and mission is the purpose’. A mission that is genuine will create enthusiasm and excitement within the organisation, be it the stakeholders, staff or board members.

Once a satisfactory decision has been taken to concretise the organisation keeping in view the above aspect, next crucial step will be to ensure that it is properly registered with the competent public authorities of the State/Country. Prior to this formal procedure it is important for you to decide about the following aspects.

Name /Acronym of the organisation: This should ideally be a reflection of the work of your organisation i.e. be able to convey what your organisation is meant for or works for. Ensure whether the proposed names are not undesirable or misleading and not already in use or resemble too closely with any other existing organisation. Proposed name should not suggest or be calculated to suggest the patronage of Government of India. It is advisable to think of 2-3 alternate names (in order of preference) as these may be required while submitting the papers for registration.

Logo for the Organisation: It is a symbol which will project the vision of an organisation and will go along with the name of your organisation in your letter heads, brochures or any other promotional literature of your organisation. Like the name, the logo should also not be misleading or clash with the logo of any corporate/national or international organisation in existence. Logo/Names/Acronym chosen should not violate the provisions of Emblem and Names (prevention and improper use) Act 1950.

Size of your Organisation: (Number of Board Members).

Objectives of the Organisation: (Must be based on the vision, mission, and mandate of the organisation. Should be specifically spelt out and reflective of expected outcomes in qualitative and quantitative terms. The number of objective should ideally be limited to ten to twelve, depending upon the extent of causes which as an organisation you intend to deal with).

Operations and Technical Decisions: What services/tasks the Organisation proposes to Provide/ Undertake; Location/Area of operation/Extent of work (Local/ Regional/ National) of the organisation; Target Group etc.
Funding Decision: How the organisation will fund its activities.

Deciding about its statutory form of existence (i.e. the Act/Acts under which it will register itself)

Why to Register

Any organisation has a right to carry out its activities irrespective of any formal registration. However, by virtue of registration a voluntary organisation becomes a legal entity which:

- Can sue or be sued in its own name (Seek litigation)
- Have the legal right to hold property in its name.
- Bring a legal recognition for the organisation with an added credibility in sourcing of funds as well as in implementing the programme.
- Provide sustained longevity independent of the members
- Help in opening of bank accounts in the name of the organisation.
- Claim benefits under existing laws e.g. seek income tax exemptions etc.

Hence soon after the Board members have decided their vision and mission, they must think of their statutory form of existence depending on the size and nature of work and accordingly register themselves under any of the available Act.

Check Your Progress

What Is Vision?

What Is Mission?

Give Advantages of Registering the NGO

2.4 REGISTERING AS A SOCIETY
Any organisation registered under the Societies Registration Act 1860 is called a society provided it fulfills clauses stated in the Act. A society is an association of persons with an intent to promote a specific social purpose. Under the act seven or more persons, associated for any literary, scientific or charitable purpose or any such purpose as described under section 20 of the Act, may form a society by subscribing their names to a Memorandum of Association and filing the same with the Registrar of Societies (or any such other title as applicable to various states). The society may be regional as well as national. To form a society of national character at least eight members should be drawn from different states.

2.4.1 Procedure of registration

Any seven or more persons associated for any Literary, Scientific, or Charitable purpose, may, by subscribing their names to a Memorandum of Association and filing the same with the Registrar of Societies form themselves into a Society under the Societies Registration Act, 1860.

Points to be kept in mind while forming a society:-

The Emblems Act,1950 prohibits the use of any name, emblems, official seal etc. as specified in the Act without previous permission of competent authority. It also prohibits the use of the name of national heroes and other names etc. mentioned in the Act. The Societies intending to seek registration are advised to consult this Act also before proposing the name etc. for registration.

If the proposed name is identical with that by which any other society has been registered or resembles such name which is likely to deceive the public or the member of society, such name may be avoided. Names of all the registered Societies have been put on the website of Industries Department to enable the public and prospective applicants to check the availability of names.

To register an organisation under Society’s Registration Act, 1860 the founders or subscribers have to prepare a Memorandum of Association containing the name of the society, objects of the society, name and addresses of the governing body members along with a certified copy of the Rules and Regulations/by-laws of the society which have to be filed with the Registrar of Societies with a covering letter. Though the Society’s Registration Act 1860, the Central Act, provides the broad guidelines related to legal matters of the society and is applicable to whole of India, there are many variations in the Act enacted at state levels by different states based on local needs and requirements.
2.4.2 Memorandum of Association

_Name of the Society_: Name of the organisation: Should ideally be a reflection or the work of your organisation. You should make sure to mention at least two to three alternate names (in order of preference) while stating the name of your organisation for Registration. It is important to do so because, if the first choice of name is not available, the registrar can move to the next option and your registration is not rejected on this ground.

_Office Address_: Registered Office/Location: A Place from where the organisation will start its work. It is an address where all the documents/correspondence of the organisation will be received. The address can be changed later.

_Objects of the Society_: Aims and Objects of the Organisation: These should be stated clearly. The task should be done with full precaution, keeping in view the vision and mission of the organisation. With this at the backdrop, it is also important to give a brief outline of all possible activities that voluntary organisation intends to perform currently and in the near further. (viz. to take up ..........; to organise ............; establish.............; etc;etc.) Any action outside the frame work of the defined ‘objects clause’ may be declared null and The names, addresses, designations, ages, occupations and nationalities of all the members of the first Managing Committee of the Society to whom the management and business of the society is entrusted. (For registration, the minimum requirement is seven)

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7.

We the following member signatories of the society desire to form our society under the Societies Registration Act, 1860 and accordingly we have formed the said society, today; i.e., .......... and we have signed the Memorandum for the purpose of the registration of the society under the Societies Registration Act, 1860.

Names, Address and Occupation of the members of the governing body along with their designation in the Society and the Signatures.

________________________________________
Sr. No. Member Full Name and Address Signature
________________________________________

(If the member of the Managing Committee is more than seven, then name, address of all should be given and all should sign)

Place:

Date:

I know the aforesaid persons who have signed this Memorandum in my presence.

Date: Sign/S.E.M./Advocate/C.A./Notary

Full Name & Address with seal.

The memorandum of Association should close with a declaration that the funds of the society shall be used only for the purpose of furthering the aims and objects of the society. All subscribers (minimum seven) stated as desirous to form the society should sign each page of the Memorandum of Association (MOA). All signatories should be witnessed by an oath Commissioner, Notary Public, Gazetted officer, Advocate, Charted Accountant or Magistrate Ist class with their official stamp and
complete address. Memorandum of Association (MOA) should be submitted along with a copy of rules and regulation certified by at least three members of the governing body.

Every page of this Memorandum must be signed by minimum 3 members

2.4.3 Rules and Regulations/By-laws

Rules and Regulations of the society serve as the guideline for members of the governing body or the persons entrusted with the management of the society to regulate the function of the society. Rules help the management in carrying out the objects of the society. Rules and regulations of your society would tell any new member or outsider about how your organisation is being governed. These must be filed along with the memorandum of association while registering the society with the competent registering authority in duplicate. The rules and regulations should be certified by at least three members of the Governing body. While framing the rules and regulations for the society following aspects may be highlighted.

- Name of the society, location and jurisdiction
- Interpretation of key words used in rules and regulations e.g. society means, Act means
- Norms for membership (e.g. any body is allowed to be member of society who has attained the age of maturity). Termination or cessation of membership ~ grounds/ condition for termination or cessation.
- General Body ~ Definition (viz. All members will be part of general body) what kind of decisions can be taken in the general body meeting
- Frequency of the meetings
- Quorum (minimum no. of members who must be present to make the meetings valid), Notice and periodicity of meeting
- Members: Their Powers, Duties and their Functions
- Rights and privileges of members
- Governing Body - Composition (indicate strength viz. . . Minimum and maximum number of members (including office bearers and governing members) who can be members. (Suggestive optimum strength-minimum seven and maximum fifteen)
- Term ~ notice for meeting ~ quorum ~ frequency of meetings
- Functions and powers of Governing Body
• Composition of Governing Body and power and duties of each office bearer
• Appeals, elections etc.
• Source of income/funds of the society
• Financial year
• Audit (To be done each year by qualified chartered Accountant)
• Bank accounts and its operation (Should be opened in any nationalized bank).
• Legal proceedings (To be handled by whom?)
• Manner of dissolution of society
• Norms to be followed for bringing about any amendments in memorandum and
Rules and regulations (to be carried out in accordance with 12 & 12 A of Society Regulation Act 1860)
• Legal action/proceedings ~ may sue or be sued in whose name on behalf of society)
• Application of the Act – viz. (all provisions under all sections of the Societies Registration Act, 1860 as applicable to (name of the state/UT/region) shall be applicable to this society)
• Certificate (certificate by at least three members of governing body certifying the rules and regulations)

The rules and regulation should conclude with a signature of the Attesting Officer and the official seal. A certification that ‘this is the true copy of the bye-laws. Rules must be signed by at least three members of the governing body. The following certificate should be given at the end of the rules and regulations and should be signed by at least three key persons of the society.

Affidavit on non judicial stamp paper of appropriate value sworn by the President or Secretary of the society stating relationship between the subscribers. Attestation of the Affidavit by Oath Commissioner, Notary Public, Gazetted Officer and magistrate First Class. These should be submitted in duplicate copies.

v) Documentary Proof such as House Tax receipt, rent receipt in respect of premises shown as Registered Office of the Society or no-objection certificate from the owner of the premises.

When documents are ready, and then approach to Office of the Registrar of Societies
You would have to approach to the Office of the Registrar of Societies/ located in your city or State. There are Sub-Registrar offices too at the district levels. In case there is a Charity Commissioner then you would have to apply to the Commissioner’s Office with your documents.

The covering letter and two copies each of the following documents have to be submitted to Registrar Society:

- Memorandum of Association
- Rules and Regulations
- Documentary Proofs
- Affidavit

Normally a fee (as approved by the state government) is payable as Registration fee for the society and it should be accompanied by a request letter. The fees could be paid by Demand draft or should be payable in cash and be deposited after the documents have been filed.

After you have submitted everything to the Registrar, the registrar will scrutinize all the documents and after all validation and authentication made if needed, register your organisation. He will give you a certificate of registration of your organisation.

2.5 MODEL RULES & REGULATIONS OF A SOCIETY

Specimen of Rules and Regulations for Association/Society of Art, Culture and Social Welfare

1. Name: The name of the society shall be “XYZ”

   (i) Membership: Every subscriber to the Memorandum of the Society, every member of the Governing Body and every person who believes in the aims and objects of this society and whom the Governing Body may admit as member shall be members of the society.

   (ii) Subscription: The rate of subscription for all the members shall be Rs.__________ payable only at the time of enrolment as a member.
(iii) Cessation of Membership: A person shall cease to be a member of the society by resignation, death, disqualification, insolvency or liquidation or for non-attending without taking leave for absence, three consecutive meetings of the General Body as the case may be. A member shall be deemed to have become disqualified, if in the view of the other members expressed by a resolution of the majority of the total member of the members, he is of unsound mind, or has worked against the aims and objects of the society or has committed an act, which makes it undesirable to have him as member or his membership cease to be in the interest of the society.

(iv) Refusal: The Governing Body of the society may refuse any person the membership provided the Governing Body records the reasons for such refusal.

2. Governing Body of the Society:

(i) The management of the affairs of the society shall vest in the Governing Body. The Governing Body shall consist of not less than _______ and not more than _______ members who shall be elected by the members of the society. Secret ballot shall be the mode of election.

(ii) Term of Governing Bodies Members: The members of the Governing Body shall hold office for a term of ____________ years from the dates of their appointment and shall be eligible for reappointment. Unless otherwise decided by the Governing Body, a member of the Governing Body shall continue to be in office after the expiry of his term until his successor has been appointed.

(iii) Vacancy of Governing Body: In case a member of the Governing Body resigns, dies, ceases to be a member or vacates office otherwise, the vacancy may be filled by the Governing Body by nomination for the balance term.

(iv) Powers of the Governing Body: Without prejudice to the generality of the powers of the Governing Body to do such things as it may consider necessary or shall be expedient for the purpose of carrying out the objects of the society, the governing body exercise the following powers.

(a) Open bank account in the name of the society with such bank(s) or other institution(s) as it may think fit from time to time, and authorize any two of its members to operate such account(s).
(b) Defray the expenses of the society activities and make contribution from the funds of the society to any other trust or society or association having objects similar to those of the society.

(c) Invest/deposit such funds of the society as may not be immediately required in such manner as may be determined by the Governing Body from time to time subject to any statutory restrictions and realize or vary such investments.

(d) Borrow moneys for the purpose of the society and if necessary, create lien on the society assets for the purpose.

(e) Appoint and, at the discretion, remove or suspend employees of all categories of the society and, from time to time determine their powers and duties and fix their remuneration and terms of employment.

(f) Delegate any of its powers to such committees or sub-committees and as it may constitute consisting of such members and or to any member of the Governing Body or office bearer of the society.

(v) MEETING OF THE GOVERNING BODY: The Governing Body shall meet as and when a meeting is convened by the chairman or is requisitioned by at least three members of the governing body provided that it shall meet at least once in ______ calendar months.

(vi) NOTICE FOR MEETING: At least ________ days notice shall be given for a meeting of the Governing Body, but a meeting may be called by the chairman without any notice in case of exigencies.

(vii) QUORUM FOR MEETING: 1/3rd members of the Governing Body, personally present, shall from the quorum for a meeting of the Governing body.

(viii) DECISIONS: The Governing Body shall take decisions by a vote of the majority. Every member shall have one vote and in case of a tie, chairman of the meeting shall also have a casting vote.

(ix) RESOLUTION BY CIRCULATION: A resolution by the majority of the members of the Governing Body after circulation amongst all the member for the time being in India, shall be an effective and binding as resolution passed at a meeting of the Governing Body.
3 Office Bearers The society shall have the following office bearers.

President

Secretary

Treasurer

Executive members minimum _________ (maximum ____________)

4. The president of the society shall be the president of the Governing Body and vice-versa. All the office bearers of the society shall be elected in the General Body meeting.

5. The office bearers as specified in clause 4 above shall have the following powers/functions.

6. President:

(i) He shall preside all the meetings of the General Body and Governing Body.

(ii) In case of equality of votes in any meeting he shall have a casting vote.

(iii) He shall supervise work of other office bearers of the society.

7. Secretary: (i) He shall represent the Society.

(ii) He shall keep and maintain all records including the register of members, minutes books etc.

(iii) He shall undertake all type of correspondence on behalf of the society.

(iv) He shall convene the meetings of General body and shall also inform every member regarding the time, date, venue etc. of the meeting.

(v) He shall perform all other functions as may be assigned to him.
8. Treasure: He shall collect subscriptions, gifts, grant / aids / donations etc., from the members, general public and he shall also be responsible for keeping and maintaining true and correct accounts of the society.

9. Financial Year: The account of the society shall be prepared from 1st April to 31st March, every year.

10. Audit: The annual accounts of the Society shall be audited by any Chartered Accountants appointed as auditor of the society.

11. General Body of the society: There shall be a general body of the society consisting of all the members. The meeting of the general body shall be held once every year with 2/3rd quorum. No quorum shall be required in the adjourned meeting. An emergent meeting of the General Body may also be summoned on the written request of 3/4th members, with _______ days prior notice for such meetings. The notice period of the general meeting of the General Body shall be _________ days. The following business shall be transacted in these meetings:

   (i) To prepare annual programs and policies.

   (ii) To discuss and to decide all such matters and issues which are directly or indirectly related to the affairs of the society.

   (iii) To pass annual budget of the society.

   (iv) To appoint a qualified auditor for conducting annual audit of the society.

   (v) To consider any other business brought forward by the Governing Body.

12. Extra-Ordinary Meetings: An extra-ordinary general meeting of members requisitioned by members sufficient in the number to constitute a quorum.

13. The provision applicable to Governing body shall apply mutates mutandis to general meetings.

14. Annual List: Every year a list of Governing body office bearers and members shall be filled in the Office of Registrar of Societies Delhi as required U/S 4 SR Act, of 1860.
15. Amendment: Any amendment in the memorandum of rules this society shall be carried out in accordance with procedure laid down U/S 12 and 12A of SR Act, of 1860.

16. Legal Proceedings: The society may sue or be sued in the name of its president as required U/S 6 of SR Act of 1860.

17. Income not to Revert: The income of the society from its property of donations, whatsoever derived shall be applied solely towards the promotion of the objects of the society as set out in its Memorandum of Association and no portion thereof shall be paid or transferred directly or indirectly to the persons who at any time are or have been members of the society or to any of them or any person claiming through any of them.


19. Exclusion of Personal Responsibility: No member of the Governing Body shall be answerable or personally liable for any loss arising from the administration or application of the funds and properties of the society unless such loss or damage is caused through willful default or breach of trust or culpable negligence on his part.

20. Applicability of the act: All the provision of the societies Registration Act, XXI of 1860 Act, as extended to the National Territory of Delhi, will apply to this society.

We undersigned, persons president, Secretary and Treasurer of the Governing body certify that this is a correct copy of RULES AND REGULATION of ________________________________.

Name   Signature   Witness

Place:

Dated:
CHECK YOUR PROGRESS

Minimum how many persons can formed a association?

Write a short note on:

Memorandum of association

Trust deed

2.6 FORMING A TRUST

A trust is an obligation annexed to the ownership of property and arising out of a confidence placed in and accepted by the owner or trustee for benefit of another (a third person) along with or without himself. A Charitable trust is a legal entity which can be set up by anyone who has decided to commit themselves in principle to set aside some of the assets for charitable purposes. A charitable purpose may include relief of poor, education, medical relief, provision of facilities for recreation or any other object of general public utility.

Procedure

Step 1: Decide on the purpose for which the Trust is to be formed.

A trust can be formed for various purposes. It can be formed by a family, by an adult for his child and also for charitable purpose. Formation of organisation as a trust is relatively simple. A trust can be formed even with a minimum of two persons by registration of the Trust Deed like any other legal document with the sub-registrar of registration in the district in which situated. No clear statutes are available for formation of charitable trusts. Trusts are completely independent of Government or any external control.
The main obligation is to work for the charitable purpose and within the parameters set up in Trust Deed. However there are two statutes relevant to the functioning of Trust in India. The Indian Trust Act 1882 and Charitable and Religious Trusts Act 1920. The public trusts may as well apply the principles forming the basis of these Acts. Public charitable trusts wherever specified by the state concerned (Maharashtra, Gujarat, Rajasthan and Madhya Pradesh must also register with the Charity Commissioner of the respective state). To form a public charitable trust, the objects of the trust must be of charitable nature and public utility and stated very clearly in the Trust Deed.

Step 2: Preparing a Trust Deed

The Trust Deed, generally contains the following clauses:

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1.</td>
<td>Preamble</td>
</tr>
<tr>
<td>2.</td>
<td>Trust name by which Trust shall be known</td>
</tr>
<tr>
<td>3.</td>
<td>Place where its office shall be situated</td>
</tr>
<tr>
<td>4.</td>
<td>Author or settlor of the trust</td>
</tr>
<tr>
<td>5.</td>
<td>Names of the Trustees</td>
</tr>
<tr>
<td>6.</td>
<td>Beneficiaries</td>
</tr>
<tr>
<td>7.</td>
<td>The property settled, for Trust – In case of immovable property, it should contain full description of the property sufficient to identify it</td>
</tr>
<tr>
<td>8.</td>
<td>An express intention to direct the trust property from the trustees</td>
</tr>
<tr>
<td>9.</td>
<td>The objects of the Trust</td>
</tr>
<tr>
<td>10.</td>
<td>Minimum and maximum number of Trustees</td>
</tr>
<tr>
<td>11.</td>
<td>The procedure for appointment, removal, replacement of trustees</td>
</tr>
<tr>
<td>12.</td>
<td>Trustees rights, duties and powers</td>
</tr>
<tr>
<td>13.</td>
<td>Administration of trust</td>
</tr>
</tbody>
</table>
14. Provision for maintenance of accounts, auditing etc.

15. Clause enabling, spending and utilization of the Trust funds or corpus.

16. Bank Account operations

17. Borrowing money on security for the purpose of the Trust

18. Investment of the Trust funds and dealing with Trust properties

19. Alienation of immovable property of the Trust

20. Amalgamation clause

21. Dissolution of Trust

22. Irrevocable nature of the trust.

2.6.1 Registration of Charitable Trust

1. Registration of Public Trust (Sec. 18 of Bombay Public Trust Act)

It shall be the duty of the trustee of a public trust to which this Act has been applied to make an application for the registration of the public trust.

2. Such application shall be made to the Deputy or Assistant Charity Commissioner of the region or sub-region within the limits of which the trust has an office for the administration of the trust or the trust property or substantial portion of the trust property is situated, as the case may be.

3. Such application shall be in writing, shall be in such form and accompanied by such fee as may be prescribed.

4. The application shall be made within 3 months of creation of the Public Trust.

5. The application shall inter alia contain the full detail as prescribed in the form of Schedule II – (under Rule-6).
6. Every application made under sub-section (1) shall be signed and verified in the prescribed manner by the trustee or his agent specially authorized by him in this behalf. It shall be accompanied by a copy of an instrument of trust, if such instrument has been executed and is in existence.

6A. Where on receipt of such application, it is noticed that the application is incomplete in respect of any particulars, or does not disclose full particulars of the public trust, the Deputy or Assistant Charity Commissioner may return the application to the trustee, and direct the trustee to complete the application in all respects or disclose therein the full particulars of the trust, and resubmit it within the period specified in such direction; and it shall be the duty of the trustee to comply with the direction.

7. It shall also be the duty of the trustee of the public trust to send memorandum in the prescribed form containing the particulars, including the name and description of the public trust, relating to the immovable property of such public trust, to the Sub-Registrar of the sub-district appointed under the Indian Registration Act, 1908, in which such immovable property is situated for the purpose of filing in Book No.1 under section 89 of that Act.

2. Such memorandum shall be sent within three months from the date of creation of the public trust and shall be signed and verified in the prescribed manner by the trustee or his agent specially authorized by him in this behalf.

3. When the Registering Officer is satisfied that the provisions of the Act as applicable to the document presented for registration have been complied with, he shall endorse thereon a certificate containing the word "registered", together with the number and page of the book in which the document has been copied. Such certificate shall be signed, sealed and dated by the Registering Officer, and shall then be the conclusive evidence that the Trust has been duly registered. A registered trust deed shall become operative (retrospectively) from the date of its execution.

2.6.2 Procedure for registration

The following documents are required to be filed for registration of a Charitable Trust.

- Covering Letter
- Application Form in Form –Schedule II under rule 6 duly notarised
- Court fee stamp of Rs. 2/- to be affixed on application form
- Certified copy of the Trust Deed
- Consent letter of Trustees. (Blank Form enclosed)

The office of the Charity Commissioner maintains a register containing all details of the Trust; viz., Reg.No., name and address of the Trust, names of all the Trustees (Past & Present), mode of succession of Trusteeship objects of the Trust, particulars of documents creating a Trust, description of movable and immovable properties, particulars of encumbrances on trust property etc. This register is known as P.T.Register. A certified copy of the P.T. Registrar in Schedule-I (vide Rule 5) can be obtained by applying in simple application with Rs.10/- Court fee stamp by paying prescribed fees for the same. It is advisable for all the trusts to have a certified copy of P.T. Register entry.

### 2.7 FORMING A COMPANY NOT FOR PROFIT

A Voluntary organisation can also register itself as a company not for profit under section 25 of the Companies Act 1956. A non-profit company is similar to a society. Such a company can be formed for any non-profit activity and has a structure similar to society. It is identical to an ordinary company in all respects except that it is not established for profit or commercial gain. It too has a governing body (Board of Directors) and Shareholders (Members) and functions on the basis of a Memorandum of Association and Articles. The difference lies in the types of documents required and the complex process of registrations. It is also a voluntary association of people and is popularly known as a section 25 company registered under Indian Companies Act 1956.

The Companies Act 1956 applies uniformly to all non-profit companies across the country. Central Government can grant license to a Voluntary Organisation under section 25 of the Companies Act. License is granted allowing limited liability of members without addition to its name, the words ‘limited’ or ‘private limited’.

A company not for profit can be formed for any non-profit activity. Objectives of a non-profit company may include promotion of commerce, art, science, religion, charity or any other useful object. Profits are utilized for promoting only the objects of the company and no dividend is paid to the members. A company not for profit may be public or private. To form it only a minimum of three members are required, in case it is a private company. However if the non-profit company is a public Limited company, then a minimum of seven persons are needed.
Unlike a registered society a company does not have to renew its registration if the annual returns are filed regularly. It is also eligible for certain exemptions from provisions of law and concessional rate of fee etc. The statutory disclosure requirements makes it more professional and organised in functioning. Detailed paper work gives it an added advantage in maintaining operational transparency, gaining public faith and its account-ability.

2.7.1 The Procedure for registration

To register an organisation under section 25 of the companies Act, one must approach the Regional Director, or the Registrar of companies located in the respective state capitals. Office of the Registrar of Companies is normally located in the state capital in all states.

Steps for Establishing/Registering as a Not for Profit Company

Step 1 Submit of Application for name to Registrar of Companies (ROC) (in form IA)

- Application form 1 A is to be submitted to the Registrar of Companies along with the (as approved by the State Government) for approval of name of organisation. A list of four names in order of preference should be submitted, so that on non-approval of one, there are other options to choose from. Check to ensure that the name is not already in use and confirms to the provisions laid down in Emblem and Names (prevention and in proper use) Act, 1950
- Normally within seven days registrar informs about availability of desired name
- After getting confirmation on the name of the organisation, prepare the Memorandum of Association and Articles of Association for the proposed Company.
- Step 2 Apply to Regional Director (Department of Company Affairs) for grant of license
- An Application to Regional Director (at Mumbai or Kolkata or Kanpur or Chennai) is made, requesting for the issue of a License U/s 25 (Also refer Para 5 on pg. 26)
- Regional Director after scrutinizing the application and considering the recommendations of the registrar will grant the license and permits to delete the word ‘private limited’ or ‘limited’ used by the company.
Step 3 File the Memorandum and articles of association (in triplicate duly signed by all the promoters) with registrar of companies on receipt of license approval from Regional Director.

Step 4 Ensure that you have attached all necessary documents and paid the registration and filing fee (as specified at various stages.)

*Points to be covered under memorandum of association and article of association*

I. Memorandum of Association is

1. Name of the Company is _____
2. The Registered office of the Co. will be______________
3. Objects
   a. Main objects of the Co. to be perused on incorporation.
   b. Objects incidental or ancillary to the attainment of the main objects
   c. Other objects if any.
4. The objects of the Co. extend to the whole of India
5. Distribution of Income and Property of Company.
6. Alteration of MOA & AOA.
7. Liability of the members is limited.
8. Contribution of members in the event of winding up.
9. Accounts and Audit.
10. Distribution of surplus amount on winding up.

We, the several persons whose names, addresses, descriptions and occupations are hereupto subscribed are desirous of being formed into a company not for profit, in pursuance of this M.O.A.

Name, Address Description &

Occupation of the Subscribers
Signature of Subscribers

Signature, Name, Address, Description & occupation of witness.

Place :

Date :

The Registrar of Companies then issues the certification of incorporation to the organisation.

Documents required at the time submission of application u/s 25 Company

- Covering letter
- Copies of the memorandum and articles of association of the applicant company, signed by all the promoters with full name, address and occupation – Three copies. (No stamp paper required).
- Form No.1 (Registration of Company) : Form No 18 (Details of Registered office): Form No 32 (Appointment and Director); Affidavit (Indication consent of person being appointed as a Director).
- A declaration by an advocate or a chartered accountant (on a non-judicial stamp paper of appropriate value) that the memorandum and articles of association have been drawn up in conformity with the provisions of the Act and that all the requirements of the Act and the rules made under the Act have been duly complied with, in respect of registration;
- List of the names, addresses and occupation of the promoters, members of board of directors, name of companies, associations and other institutions in which promoters of the applicant company are directors or hold positions, description of the positions held by them (three copies)
- A statement of assets and liabilities.
- Source of income of the applicant company and estimate of annual expenditure.
• A statement giving a brief description of the work, if any, already done by the association and of the work proposed to be done by it after registration in pursuance of section 25.
• A statement on grounds on which the applicant is made under section 25 of the Companies Act, 1956.
• A declaration by each of the persons making the application that he/she is of sound mind, not an undischarged solvent, not convicted by a court for any offence and does not stand disqualified under section 203 of the Companies Act, 1956 for appointment as director (on non-judicial stamp paper of appropriate value).

2.8 FORMATION OF COOPERATIVE SOCIETY

Besides these main statutory forms prevalent in India voluntary organisations may also like to know about formation of a Cooperative society as it may be important information for organisations looking for programme sustainability through formation of self help groups and cooperatives at the community level. Voluntary sector however, does not include all types of cooperative societies.

Cooperative society is a voluntary association of individuals who work together to promote economic interest. Those who want to work together with some common economic objective can form a society known as cooperative society which works on the principle of self-help and mutual help. People here come forward as a group, pool their individual resources, utilize them in best possible manner and derive some common benefit out of it. The main objective is to provide support to members; and service rather than making profit; mutual help rather than profit; self help instead of dependence.

Cooperative Societies Act, 1912
A minimum of ten persons having the capacity to enter into a contract with common economic objectives can form a cooperative society as per provisions of the Cooperative Society Act 1912, with the main aim to serve the poorer sections of society through mutual help. The act does not specify the maximum number of members for any cooperative society. Members may specify the maximum number of members after its formation.

Steps for Registration of a Cooperative Society under Cooperative Society Act, 1912:

Step 1 An application (jointly signed by all the members who wish to form a cooperative society – minimum ten) along with the Bye-laws to be submitted to the Registrar of the Cooperative Societies of the State in which the cooperative will function.

Step 2 A document, which containing the Rules and Regulations/Bye-laws of the society may include:

- Name, address, aims and objectives of the society
- Names, addresses and occupation of the members
- Mode of admitting new members
- Share capital and its division

Step 3 Registrar issues certificate of registration on being satisfied that the rules and objects of the cooperative society are in compliance with the provisions of the Act.

Multi-State Cooperative Society

Under the Indian Cooperative Act a society has to restrict its operation to a single state where it is registered. In case a cooperative society wishes to serve the interests of the members in more than one state it will have to register itself under the Multi-state Cooperative Societies Act 2002.

A multi-state cooperative society means a society registered or deemed to be registered under Multi-state Cooperative Society Act 2002 and includes a National Cooperative Society or a Federal Cooperative Society. Hence a multi-state cooperative society may have branches of the society in other States of India. For this, there should be at least a minimum of 50 members in the cooperative and a minimum of ten members each, in five states.

Multi State Cooperative Societies Act 2002
The Act applies to all cooperative societies whose objectives are not confined to one state. It includes societies which were incorporated under Cooperative Societies Act 1912 as also earlier multi-state cooperative societies formed under 1942 or 1984 Act.

A multi-state cooperative society is registered and regulated by a Central Registrar of Cooperative Societies appointed by the Central Government. An application along with a copy of bye-laws is to be submitted to the Central Registrar containing:

- Duties, rights and liabilities of members.
- List of members of General Body and the Chief Executive and other office bearers.
- Rights of privileges of members and the Chief Executive.
- Terms of membership
- Powers and functions of Board of Directors.

Voluntary organisations can help the communities/groups for which they serve to form into a cooperative. A cooperative society is a special type of business organisations which may help the communities to derive sustained benefits out of the programmes being implemented. Some of the key characteristics which make them different from other organisations are:

- Easy formation (as compared to a joint stock company).
- Membership is open to all those who have a common interest. Any competent person can become its member any time he/she likes and leaves the society at will.
- To protect the interest of the members, cooperative societies are placed under state control by virtue of registration.
- Cooperative society is controlled in a democratic manner (by casting of vote to elect representatives of the committee that looks after day to day administration).
- Formed with the key motive to serve people and not to maximize profits like other forms of business organisations.
- After registration it becomes a separate legal entity with limited liability to members. Death, insolvency or lunacy of a member does not affect the existence of society. Hence enjoys a stable life.
In addition to providing services to members it also generates profit which is distributed not on the basis of shares held, but on the basis of members’ participation in the business of the society.

As members control their own supplies middle men’s profit is eliminated.

A cooperative society is eligible for various kinds of assistance through Central and State Government which may be in form of capital contribution, loans at low rates of interest, exemptions in tax or subsidies in repayment of loans etc.

CHECK YOUR PROGRESS

- What documents are required to form to register society
- Society
- Cooperative Society
- Trust
- Non Profit Company

2.9 ACCOUNTABILITY

India is estimated to have 3.3 million registered not for profit organisations, popularly known as NGOs. While the sector is regulated by multiple laws and authorities, its credibility is often questioned by most stakeholder groups due to lack of information (about existence, performance, finances, output and outcome), absence of performance benchmarks, government licenses and permissions not being sufficient indicators of performance or credibility, media reports usually being centred around stories of what went wrong and the general lack of awareness of the common man about the voluntary sector.
Government is the largest source of funds for the voluntary sector in India. While private giving by individuals and corporations is definitely moving up, government envisages a greater role for NGOs in implementing many of the public welfare programmes. Government is taking several steps concerning the voluntary sector, some of them being restrictive in nature. Since the start of this decade, the voluntary sector in India has also taken some positive steps towards self regulation and becoming more transparent and accountable.

The voluntary sector in India is going through a period of transformation. In the backdrop of: a robust economy that opens new streams of private giving, a telecom revolution penetrating deeply and widely allowing better connect between the donor and recipient, the voluntary sector beginning to embrace technology and attract professional management, the birth of support organisations for social entrepreneurs and the emergence of web-based platforms, there is a strong impetus for NGOs to become more transparent and accountable. NGOs are required to register with the Income Tax Department under section 12 A, however the registration is spread across 100+ locations. Moreover, the annual returns of Income Tax filed by NGOs are not subject to public disclosure. NGOs need permission from the Ministry of Home Affairs under the Foreign Contribution regulation Act (FCRA) to receive any form of foreign contribution. These registrations are centralised and require annual filings, however this covers only a very small number (35,972 NGOs as of September 2008).

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

**Basic steps towards Good Governance**

You can be said to be a transparent, accountable and well governed voluntary organisation if you can follow the steps listed below:

See that your organisation;

- is in compliance to statutory regulations (Legal Status)
- has a well articulated/defined vision/mission/objectives
- has a transparent and effective Governing Board/Body or an effective Board of Directors.
• Programmes/operations are in the public interest and efficiently and effectively implemented; and in line with the vision/mission/objective of the Organisation.

• planning and management processes including financial management, accounting and budgeting system are in place.

• roles and responsibility for staff/personnel are well defined and there are constant efforts towards capacity building and evaluation of human resources including the board members.

• have effective means for monitoring and evaluating the projects and services of your organisation. Evaluation should be carried out to assess whether the objectives have been achieved rather than the amount of funds utilized.

• has procedures to ensure that men and women get equal opportunities to participate effectively at all levels of the organisation.

• be able to provide the desired information and be able to communicate effectively about itself to others.

• be able to channelise the creative energies of its entire team including members, paid staff, volunteers and beneficiaries and also funds from a wide range of sources

The Planning Commission’s suggestion to bring social sector organisations under the purview of the Right to Information (RTI) Act has added to the existing debate to include NGOs in the Lokpal Bill’s ambit. A major reason for this is that the sector deals with public funds, irrespective of whether it comes in terms of donations or anything else. It is recognition by people that they want this money to actually go towards a public purpose. Transparency doesn’t mean that organisations needing government funds have to use them in a certain way; merely that they should be unambiguous about their usage.

Accountability

A useful definition of accountability for NGOs, as a starting point for this discussion, is that it is about the conduct and performance of an organization. Accountability is a procedures requiring officials and those who seek to influence them to follow established rules defining acceptable processes and outcomes, and to demonstrate that they have followed those procedures The term “accountability” is not easily translated across languages or cultures, sometimes being interchanged with terms that are not quite synonymous such as “responsibility” or “answerability” Hindi Jawaabdaari,. In contemporary
English usage, various definitions of accountability have been offered by scholars and practitioners including, for example, “the process of holding actors responsible for actions” or “the means by which individuals and organizations report to a recognized authority (or authorities) and are held responsible for their actions” or “the capacity to demand someone engage in reason-giving to justify his/her behavior, and/or the capacity to impose a penalty for poor performance” describe or accountability as “the duty to provide an account …or reckoning of those actions for which one is held responsible”

The accountability of NGOs is constantly tested by the state: Firstly, the state is a source of NGO legitimacy through formal legal sanction and registration processes. Second, the state is often a donor through its provision of resources either as direct grants or tax concessions, an increasing issue for NGOs. The effect of these pressures from the state is to move the focus of accountability back to itself. From the state’s point of view, social mobilization is at best a lesser priority, and in the case of India it can be seen as a threat. Therefore, NGO performance is increasingly measured according to the managerial and values of efficiency and effectiveness in service. This emphasis has implications for how power and authority are exercised inside organizations, and with the communities they serve. This pressure may result in an NGO’s sense of accountability to its values and these communities becoming less important.

**What Is the NGO Accountability?**

Three key questions make up the commonly accepted core accountability framework that is at the heart of the “new” NGO accountability: A) What is the NGO accountable for? B) To whom is the NGO accountable? C) How is the NGO accountable? There is no one right answer to any of these questions, as the great number of types of organization and fields of activity mean that individual answers will need to be found for different organizations. Generalization across categories is not possible.

A. What is the NGO accountable for? Given that civil society actors face demands for accountability from multiple actors, it follows that they are expected to be accountable for different things by different people. These expectations may be broken down into four broad, but far from comprehensive, categories: accountability for finances, governance, performance, and mission. Questions about finances have received considerable attention in the wake of various accounting scandals and crises not only in civil society but also in the private sector.

Determining what an organization is accountable for is the first step in conceptualizing an NGO’s accountability. Usually these are actions, results or intentions, all of which need to be defined. Actions
and results are usually closely tied to how an organization goes about its programming, and to the effects the programming has. Actions, however, may also refer to internal processes, such as the appointment of staff. Identifying an NGO’s intentions is particularly important to accountability as one benchmark, and requires a clear policy on the part of the organization, usually in the form of a mission statement. In sum, an NGO can be held accountable for the impact it has. Various measures contribute to this impact, such as, for example, the degree of stakeholder consultation, its complaints mechanisms, or its member control. Each of these measures may be assessed in an effort to determine an organization’s accountability.

**To whom is the NGO accountable?**

The traditional approach was deemed outdated particularly because it was not inclusive of a key interest group: the beneficiaries of an NGO’s activities. The concept of accountability was therefore expanded to the more open and participatory stakeholder approach. This approach transfers the right to accountability from exclusively those who wield formal authority over an organization to all those affected by the organization’s activities.

The stakeholder approach identifies at least four possible categories of stakeholders for NGOs:

- Those who shape an NGO’s operating environment (governments, donors), partners,
- civil society at large (social movements, the general public, other NGOs), and
- those that NGOs often try to affect (beneficiaries, private sector, global institutions, governments etc.)

The great variety of stakeholder groups poses an obvious dilemma for NGOs: how to prioritize their responsibilities vis-à-vis their different stakeholders. The main debate on this issue centers on the dichotomy between whether an NGO should be accountable primarily to its beneficiaries or to its donors.

**How is the NGO accountable?**

Accountability is a process. A crucial part of identifying the right kind of accountability is recognizing the operating context of an organization. At its best, modern NGO accountability embraces failures for future learning, and celebrates success. Importantly, it “involves the provision of clear, timely information about what the organization has been doing and what it plans to do, and crucially, it
requires real engagement with the organization’s stakeholders." In addition to annual reports with audited financial statements, modern accountability may include the publication of evaluation results.

*The current regulatory framework:*

There already are regulatory frameworks and mechanisms within which the voluntary organizations have to function and report their activities. The three popular forms under which voluntary organizations can be registered are i) Societies Registration Act, ii) Trust Act, and iii) Section 25 Company under Companies Act 1956. Apart from the registration related laws, the VOs have to also adhere to certain legal requirements like filing of Income Tax returns, filing of returns with the Ministry of Home Affairs for the funds received under FCRA, filing reports to Charity Commissioner, Registrar of Societies or/and Registrar of Companies, etc.

These multiple forms of registration need a composite review and it needs to be assessed whether a single window system for registration can be created. This will enable all stakeholders to find out if registered VOs are following rules or not. The National Policy on the Voluntary Sector had made the same recommendation, based on which a TASK FORCE report on a Central Law for Registering VOs was conceived. This recommendation may be implemented within the Twelfth Five Year Plan. In addition to making the registration of VOs effective and easier, a Centralized Data Management System (CDMS) will have to be created which will help in automatically identifying defaulters and distinguishing them from the ones that follow norms. This electronic portal based system has already been tried out by CAPART and the Planning Commission and it needs to be up-scaled and handed over to an independent authority.

The current situation thus spells the need for strong self-regulatory mechanisms which would commit VOs to the highest possible ethical standards. Self-regulation could also be understood as being ‘beyond the regulatory framework’. So, the sector needs to spell self-regulation for it to be able to encouraging the state and the market to introduce corrective measures. Importantly enough, all stakeholders including the state, the market, voluntary agencies and funding organisations feel the need for greater self-regulation among VOs so as to better discharge the functions of positive social transformation and bringing in equality and justice for the masses while adhering to the highest possible standards of transparency and accountability.
Need for Self-Regulation:

The term ‘Voluntary Organization’ brings with it certain expectations which are ethical in nature. Merely adhering to statutory controls may not be enough to meet the expectations of various stakeholders who consist of some of the poorest sections of society, as also government agencies and funding organizations. Also, the introduction of rigid, regulatory frameworks may end up undermining the autonomy of the voluntary sector and may therefore fail in raising its overall professional standards.

Benefits of Accountability

A number of arguments are frequently put forth in favor of improved NGO accountability:

- Accountability has the potential to increase the trust and commitment of stakeholders because it can prove an organization’s effectiveness and demonstrate whom the organization represents. It thereby increases the NGO’s legitimacy.

- Accountability can increase organizational performance and learning

- Accountability may help counter criticisms that NGOs are “secretive, undemocratic in their decision-making and have less than rigorous standards of governance.

2.10 Transparency

Definition

Transparency, be it as a term, concept, and value or as a norm is omnipresent nowadays in most of the areas of life: in international and domestic politics as well as in the economic and legal fields, civil society, but also in communications, arts, and ethics. In this entry transparency would be analyzed from an instrumental perspective, with wider implications for “good governance,” as a means that allows the “principal” – voter, shareholder, consumer, civil society, etc. – to hold the “agent” – government, management, producer, etc. – accountable. In that sense, transparency serves accountability: a key feature of modern democracies and market economies. We behave differently – more responsibly – if
we know whatever we do will be subjected to scrutiny by forces beyond our own control. The word “transparency” derives from two Latin terms: trans – through, and parere – to appear (Brodbeck, 2004), the English equivalent being “transparent – frank, open, candid, ingenuous, easily seen through, recognized, understood, or detected” (Oxford English Dictionary). Similar terms or terms used with the same connotation include: openness. There are numerous definitions of transparency, each serving a specific purpose or being subject to a specific context.

The organisation must be open about its work, making information about its activities and plans available to relevant stakeholders. This includes preparing accurate, complete and timely financial reports and making them accessible to stakeholders, including beneficiaries. If an organisation is not transparent, then it may give the impression of having something to hide.

Thus, transparency can be defined as the release of information by institutions that is relevant to evaluating those institutions.” Overall, transparency has a positive connotation, since its opposite terms are “secrecy, opacity, darkness, and inscrutability.”

*Key Issues*

Transparency is used across issue areas: in politics, public administration, consumer protection, safety regulations, risk, and conflict management, to name but a few. If we focus on transparency as a norm for good governance or integrity systems, we can highlight the following applications of transparency:

- As a fundamental Principle of Democracy: meaning an informed citizenry and a responsive/accessible/ open government

- As a Human Right that implies the right of citizens to access to information enacted by Freedom of Information (FoI) laws

- As a Performance Standard for sectors, professions, institutions that enhances their accountability, acceptance, and ultimately their legitimacy in the eyes of the public. Those performance or behavioral standards are usually spelled out in sector-wide, profession-, or institution-specific code of conducts, which in turn can be voluntary or compulsory. In each of the respective applications, transparency can bring substantial benefits. It can increase public trust in government and international relations, it can lead to detect and correct errors in the operation of any kind of institutions, it can mitigate risks of uncertainty and suspicion generated by incomplete information, and most importantly,
it can empower citizens. For instance, timely and honest sharing of information can save lives by alerting people about natural catastrophes, epidemics, emergency situations.

However, transparency has its limits as well. As we all know, too much information can be counter-productive. One “smart way” of hiding relevant information is to bury it in a flood of irrelevant information. More transparency is not necessarily better. Complete transparency (meaning complete openness of information) could be both costly and create unintended impediments for the state and the public. There are legitimate limits to transparency when it comes to competition, innovation, intellectual property, etc.

All that being said, whether it is a right, a democratic principle or a performance standard, transparency alone or singled out would not lead to the successes all hope it could achieve. As with other rights and principles, transparency fosters good governance, ensures accountability and curbs corruption only in the context of other necessary conditions (such as freedom of speech, fair, and free elections). The assumption that just implementing more transparency would be a magic recipe for all existing malfunctioning is wrong. Transparency in the Perspective of Civil Society Generalized, it could be said that civil society is using the principle of transparency for holding the governments and corporations accountable. Its role in the spread and appliance of transparency is both, that of a monitoring actor and that of an agent of change.

*Accreditation and Certification*

Accreditation and certification of voluntary agencies to enhance their credibility, transparency and accountability and also ensure their capability in performing certain activities will help improve standards provided there is consensus among voluntary organizations on who should carry out the accreditation and certification. A system that may be acceptable to all VOs and other stakeholders could be set up to bring in certain minimum standards for the VOs.

*Code of Conduct*

VOs work in the public domain and their actions have a direct impact on people and society. In the present situation they are not completely under the scrutiny of the RTI Act. But as they use public funds and are exempted from tax, it is necessary to bring in a Code of Conduct to enhance their accountability and transparency. The Code of Conduct should deal with issues of responsible governance practices, adhering to existing laws and also address issues like harassment of human rights activists,
whistle blowers and those who express their dissent against the state. Overall the code of conduct should awaken people to perform their duties. A system needs to be developed to examine the adherence to the Code of Conduct by the VOs and a mechanism for dealing with complaints and grievances of various stakeholders could be framed within the terms of a Code of Conduct. Further it can help in resolving disputes and grievances amicably and quickly. At another level, there should be performance measures that would allow for the fair application of incentives and disincentives to mould behavior in alignment with the desired code of conduct. In summary, the spirit of partnership between state, people and VOs should be to put public resources to good use and align one’s practices with one’s principles. It ought to also foster critical reflection on internal contradictions and correct distortions in one’s practice of principles.

CHECK YOUR PROGRESS

What do you mean by accountability?

Whome should NGOs accountable?

What are methods of accountability?

What is transparency and why it is important for NGOs?

2.11 SUMMING UP

2.12 KEYWORDS

Vision, Mission, Legal framework, Memorandum of Association, Rules and Regulations, By-laws, Trust, Trust Deed, Non Profit Company, Cooperative Society, Trade Union, Accountability and Transparency, Regulatory Framework, Self-Regulation:
2.13 QUESTIONS

1. Describe the methods for formation of society?

2. Describe the methods for formation of cooperative society?

3. Describe the methods for formation of trust?

4. Describe the methods for formation of nonprofit company?

2.14 SUGGESTED READINGS


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UNIT -3 LEGISLATIONS GOVERNING NGOs

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3.1 Aims and Objectives

The main objectives of this lesson is to familiarise the students about various legislations concerning to formulation and management of NGO. After reading this unit, students will be familiar with the Societies Registration Act, 1860: Public Charitable Trust, Section 25 of the Indian Companies Act, 1956. Co-operative Societies Act, Foreign Contribution Regulations Act, (FCRA) , Besides, The Chapter will discuss Income Tax Laws applicable to NGOs and other formalities.

3.2 Introduction

India has evolved a series of legislations which address the field of voluntary non-profit sector in different ways. In its legal framework since independence, India has followed a common law borrowed from the British context. Many of the legislations applicable to this sector of organisations are derived from their British heritage and some of them were enacted during the period of British Colonial rule, Article 19 gives right "to freedom to form associations or unions". Various legal provisions prevalent in the country emanate from the aforesaid Article of the Constitution. The laws relating to this sector, therefore, are both complex and historically evolved.
One of the crucial aspects of the management of voluntary organisations is effective management of various regulatory aspects that affect a voluntary organisation. Regulations are laws, rules, procedures, those constitutional statutory and legal provisions which are expected to be followed by a legal entity like a voluntary organisation. Of course, there are a host of constitutional provisions which affects all individuals and organisations in the country. They are not uniquely or specifically focused on voluntary organisations. For example, the Indian Penal Code affects every individual in the country and therefore, is something which is of common relevance. However, there are three broad categories of legislations and attendance rules which constitute regulatory aspects in a voluntary organisation. The first category relates to legislations of registration, the form in which the voluntary organisation is registered. The second aspect relates to financial matters and legislations governing that. And the third aspect relates to people, staff and labour related legislations. These have been mentioned here briefly so that those responsible for managing the day-to-day functioning of a voluntary organisation can pay attention to the implementation of these legislations in a proper and effective manner.

3.3 LEGAL CONTEXT FOR NGOS

The applicability of various legislations related to labour and people issues, in terms of governing their service conditions, their welfare and rights are largely unknown to those responsible for management of voluntary organisations. There is a general notion that such laws are not applicable to non-profit, charitable organisations and that they have been created for industrial, commercial profit-making entities alone. It is important to understand that these legislations have been enacted to regulate the service conditions and the nature of the relationship of the staff with those responsible for the management of an organisation. These laws provide a legal framework, and, in many cases, a minimum framework around which relationships among the staff and with the staff and the management of an organisation can be built, nurtured and sustained. Knowledge of these laws, their provisions and their applicability can help in devising strategies for ensuring that the staff of a voluntary organisation is satisfied, motivated, committed and feel a part of the organisation as a whole. This is necessary as increasingly forces from the environment are impinging on voluntary organisations, making it very difficult to sustain such values of motivation and commitment that were prevalent in the earlier period.
In India, there are enabling legal provisions which permit any group wanting to commence a nonprofit, voluntary or charitable work to organize themselves into a legal body by registering themselves under a specified Act (or a combination of Acts). However, these provisions are not mandatory. There exist a vast group of voluntary bodies which have not registered themselves under any of the available provisions. Nonetheless, following incorporation as a legal body, the organisation acquires legal status to sue and/or be sued as a separate and distinct “person” but with no physical existence.

India has a set of statutory laws governing various types of registered nonprofit organizations. Following are some of the main laws:

- The Societies Registration Act, 1860;
- The Indian Trusts Act, 1882;
- The Co-operative Societies Act, 1904;
- The Trade Union Act, 1926;
- Section 25 of the Indian Companies Act, 1956;
- Religious Endowments Act, 1863;
- The Charitable and Religious Trust Act,
- Mussalman Wakf Act, 1923; 1920; Wakf Act, 1954;
- Public Wakfs (Extension of Limitation) Act, 1959;
- Public Trusts Act of various states

The Societies Registration Act, 1860; the Indian Trusts Act, 1882; and the Section 25 of the Indian Companies Act, 1956 are the three enactments which seem to fulfill requirements of nonprofit organizations created for the larger public good. The Cooperative Societies Act of 1904 and the Indian Trade Union Act of 1926 are created for the sole benefit of their members and certainly not for the larger public benefit, yet they too are nonprofit entities in their spirit and operations. The question on bringing institution registered under these two Acts within the ambit of the non-profit was debated. The consensus which emerged was that co-operative institutions were more often then not involved in production and sales of goods and were distributing profits amongst their members.

On the other hand, Trade Unions were generally not involved in production of goods for sale purposes. Therefore, while co-operative institutions should generally be excluded from the preview of
the non-profit sector under warranted otherwise by the circumstances, Trade Unions need generally be brought within the ambit of the sector. In other word, the character of each organisation registered under the two Acts in question need to be examined on case by case basis. The Acts on Wakf focus on the benefit of people belonging to one community of a particular religion. Other Acts affecting the religious endowments focus on the religious activities of organizations.

3.3.1 Societies Registration Act, 1860:

The Societies Registration Act of 1860 is an all India Act but many states, while applying the Act to themselves, have enacted their own Societies Registration Act. Hence, a Society can be registered either under the Central Act or the respective State Acts. In Maharashtra and Gujarat, the Bombay Public Trusts Act, 1950, obliges institutions that have the nature of Public Trusts to get registered as such under the Act. According to the Act, all charitable and religious institutions are to be registered as Public Trusts and will come under the supervision of the Charity Commissioner. Additionally, in the state of Maharashtra and Gujarat, all institutions registered under the Societies Registration Act, 1860 are also registered under the Bombay Public Trusts Act, 1950, which is obligatory.

3.3.2 Public Charitable Trust

For this, a Deed of Trust has to be framed incorporating necessary provisions for management of affairs and objects of the organization. This Deed has to be registered with the office of the Charity Commissioner and in the States where such office does not exist, the Sub-Registrar of the Registration Department of the respective State Government. Most of the States have used the Bombay Public Trusts Act, 1950 as a model for enacting similar Acts. The Indian Trust Act, 1882, has limited application to “private” / “family” entities registered as ‘trusts’ which is outside our purpose in the present context.

3.3.3 Section 25 of the Indian Companies Act, 1956

The Indian Companies Act, 1956 is an all India Act, and the States have no authority over it. Section 25 of this Act provides for granting of license by the Central Government for formation of ‘non-profit companies’ under the aegis of a parent company.? Sub-section 4 of the Section 25 of the Act permits a partnership firm to become a member of such a company and provides that firms may be member of any association or company registered under these provisions but on dissolution of the firm the membership of company or association shall lapse.
3.3.4 Co-operative Societies Act,

Common interests and/or economic interests within the cooperative principles are the guiding themes behind establishment of cooperatives in the country. In the absence of proper definition of cooperative principles, arbitrary authority has been vested in the Registrar of co-operative Societies (a government functionary) to formulate Cooperative Principles. The Rules lay down a period of time within which the Registrar’s decision to register a co-operative Society or with-hold its registration shall be communicated to the applicant. Separate Acts exist in the State of Andhra Pradesh, Assam, Bihar, Gujarat, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Orissa, Punjab and Tamil Nadu.

3.3.5 Indian Trade Union Act, 1926

Under the Act, a ‘trade union’ means any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employer or between workmen and workmen and includes any federation of two or more Trade Unions. This is a Central Act and its framework guides registration in different provinces of the country. The legal environment in India mandates that all legal entities follow some other laws as applicable from time to time. Some of these are highlighted here.

3.4 Registration-related Regulations

The regulatory aspects related to registration legislations are essentially based on the requirements of the legal form in which a voluntary organisation is registered. As has been mentioned earlier, the Societies Registration Act is the predominant form in which most voluntary organisations are registered. Besides the central legislation, there are also state-wise variations in certain states. These central and state legislations for Societies Registration Act specify the manner in which certain records have to be kept and certain reporting has to be done. This is an essential part of ensuring that the rules formulated within the Societies Registration Act are followed carefully. Another common formal registration is the Trust and, in Maharashtra and Gujarat as mentioned earlier, the Public Trust Act provides for an elaborate mechanism of rules and procedures which must be adhered to by any voluntary organisation registered in Gujarat and Maharashtra. Thus the form in which a voluntary organisation is registered provides for the legal provisions and the consequent rules which require certain formalities to be followed, certain procedures of record-keeping and certain periodicity and manner of reporting to the concerned authorities.
It is an important responsibility for managing a voluntary organisation that various regulatory provisions that affect the voluntary organisation are known, understood and adhered to. Management of the regulatory aspects that are initiated from the environment of a voluntary organisation but that impinge on it, is a crucial competence in a voluntary organisation, increasingly so in the current period of time. With more and more legislations being enacted, new rules and provisions being added to old legislations that affect voluntary organisations, those responsible for ensuring an effective management of voluntary organisations need to be updated on these laws, provisions, rules and procedures and need to understand ways in which they must apply them, both in letter and spirit. It is a challenge for the managing process of a voluntary organisation that various legal provisions and regulatory aspects are looked after satisfactorily, honestly and forthrightly.

This need to give a legal status to a voluntary organisation arises largely when this entity becomes interested in relating to the rest of the environment as a body of its own. Therefore, when a group of activists becomes interested in acquiring resources from outside, either from the government or from other sources, or in acquiring other benefits available from various schemes, then the need for a legal status arises.

It is important to give considerable thought and attention to the need for registration of a voluntary organisation as a legal entity before actually getting registered. This is necessary from the point of view of the legal requirements of different registered forms. As we analyse these, we will discover that acquiring a legal status has both advantages and disadvantages. While a group does become recognised and noticed as an independent entity, the registration also makes demands on such a group in terms of filing of returns and meeting various statutory obligations under the different laws and regulations.

The need for registration can be viewed from different angles. A registered voluntary organisation becomes a legal entity in its own right. It has a life of its own, independent of its members or individuals who have founded the organisation, and of those who are working in it. The need for registration can take several forms. First of all, when an organisation begins to exist for a certain period of time and develops an identity of its own in terms of its mission, purposes, tasks, activities, staff, physical characteristics etc., then a legal form of registration helps strengthen that identity for future. Secondly, in relating to the environment, both to those who can provide resources and to those who can utilise its services, a legal form of registration helps provide credibility to the organisation. Most donors, be they governmental or non-governmental, prefer to give resources to a legal organisation and not to
an informal group of individuals. This is so because once a voluntary organisation is registered as a legal entity its obligations can be ensured beyond the life of a single individual or a group of individuals and these obligations can be enforced in the eyes of the law. Thus donor organisations feel much more comfortable to provide resources to voluntary organisations which have a legal entity.

However, an organisation is not merely a legal frame. It is much more than that. In fact there are many paper organisations, as we often call them, which are merely legally registered entities without any programme or activities or staff or identity of their own. The point is that, essentially, a legal frame helps provide a greater degree of possibility for longevity and continuity of a voluntary organisation.

Another advantage of registration is that a legal form provides limited liability for the membership, particularly those who found the organisation and help set it up in the beginning. Each form of registration, as we will see later, has a specified type of liability of the founder members, and those who govern the organisation. So in the event of the organisation experiencing a loss or a problem, and to the extent that its leadership can be shown to be acting with bonafide intention, that loss or problem cannot be attached to the personal assets, reputation or life of an individual or a given set of individuals. Thus, registration provides the possibility of limited liability to various members which help set up and run an organisation.

However, registration as a legal entity is also a double-edged sword. Once a voluntary organisation is registered as a legal entity it is bound by certain rules, procedures, norms and laws which are outlined in that particular form of registration. It becomes obligated to file returns and meet other statutory obligations. It also gets regulated through various other legal and constitutional provisions of the laws of the land.

The Society is one of the most democratic forms of organisation available. It can have a broad membership which elects periodically a governing body for managing the affairs of the Society. The governing body is accountable to the general membership and can delegate its day-to-day functions to some full-time staff of the Society.

The other major advantage of the Societies Registration Act is the flexibility and ease of making and changing amendments and alterations to its purposes, rules and regulations and bye-laws. The central Act provides for a procedure whereby members recommend and
approve changes in a meeting of the members specially convened for this purpose and the changes are communicated to the members in writing ten days before the meeting and agreed to by three-fifth of the members present during the meeting and subsequently confirmed by similar vote of members present at a second special meeting convened by the governing body at an interval of one month after the previous meeting. However, many of these provisions have been altered in different state legislations. In the central Act, the ultimate authority for changes in the objects and rules and regulations of functioning of the Societies vests with the general body and the governing body. In some states, the Registrar of Societies has been vested with special powers for such purposes.

3.4.1 Governing Body

Many voluntary organisations are operational organisations; only a few of them are membership organisations. Membership organisations or people's organisations generally have a constituency through which the representatives are elected. In the case of operational organisations, like many non-governmental voluntary organisations, they are essentially promotional organisations and therefore have to be distinguished from people's organisations. This differentiation of voluntary non-governmental organisations as distinct from, separate yet related to, a people's movement is essential. Many voluntary organisations, over the years, seem to become between people's movements and promotional organisations. The issue of formation of executive boards, their composition and role is more crucial in respect of voluntary non-governmental organisations which have an operational character. For people's organisations, a democratically elected governing body represents the ordinary membership.

The composition and functioning of the governing body of a voluntary organisation is one of its key internal managerial aspects. This is particularly so because of the formal nature of registration of most organisations as a Society or as a Trust. The Governing Body, under the Societies Registration Act, is the body to which the management of the affairs of the Society are entrusted in the eyes of the law. The Board of Trustees is the body to which the entire management of a trust are entrusted in the eyes of the law. Historically also governing bodies, by whatever name they are called, have been the most important structural aspects of the functioning of a voluntary organisation. Thus an important aspect of managing the internal
affairs of a voluntary organisation is the nature of composition of governing body and its role, and the manner in which it goes about playing those roles.

Most forms of registration represent the governing body as the highest body for policy formulation and decision-making. In general terms a governing body of a voluntary organisation is expected to set-up broad policies regarding the manner in which the organisation will function, its purposes and missions, and its operational strategy. This helps to set up a broad direction of work but does not detail out day-to-day plans and programmes. That is left to the internal staff who work full time inside the voluntary organisation. Another important role of the governing body is to appoint, monitor and supervise senior staff including the chief executive and head of the organisation. Besides, members of the governing body are expected to support the voluntary organisation in the management of its external environment. This support could be in relation to links with donors and other resource providers, links with government functionaries, links with other segments of regulatory mechanisms or links with constituencies of the people with whom the voluntary organisation works. Thus members of the governing body are expected to provide those important links with different segments of the environment.

The executive board should basically perform some overall functions and not meddle with, or spend its time and energy on, day-to-day details of operations. Thus the executive board could play a variety of roles as follows: setting-up overall vision and mission of the organisation; defining broad purposes and goals for a medium term; describing overall operational strategy; laying down broad policies within which development and execution of programmes, recruitment, training and growth of staff, salary, administration, rules of disbursement of funds, etc. are situated; acting as a sounding board to the ideas, plans and programmes developed by the staff; providing wider perspective and information from diverse sources; bringing credibility and recognition to the organisation; providing access to resources from different sources, etc.

A broad-based governing body which believes in the overall ideology, mission and purposes of the organisation and restricts itself to setting broad policies is generally preferred. It may be desirable to have active, concerned and committed people as members of the governing board, rather than mere decorative figures who may have high reputation, long credibility but no time for the organisation. Another mechanism could be created inside the organisation, if necessary, which could be responsible to
support the director or the coordinator or the secretary to implement the overall policies, lay down by the governing board. This managing committee or consultative committee could then become a more shared responsibility of the staff of the organisation.

The kinds of functions that a governing body is expected to perform is also debated. Depending on the nature of the functions it is expected to perform, different types of expertise, experience, perspective, and competence may need to be represented on the governing body of a voluntary organisation. Of course, there are a variety of other aspects which relates to managing the internal affairs of a voluntary organisation. These relate to the different processes that human interactions generate in the course of the day-to-day functioning of an organisation. One of the most interesting processes is the management of conflicts and tensions. Differences in opinions, perspectives, attitudes, experiences, qualifications, responsibilities, gender, culture and power generate differences among the staff members and become causes for conflict inside organisation. The more diverse the constituency of the voluntary organisation, the more differentiated its tasks, the more varied its staff, the more the potential for conflicts inside the organisation. How a voluntary organisation develops mechanisms to address these conflicts determines the nature of its functioning and its overall effectiveness. Thus one of the major challenges of the management of a voluntary organisation and its managing process is the creation of viable, sustaining and credible mechanisms for addressing such conflicts and tensions inside the organisation.

3.4.2 Audit and Inspection - Every Society shall send to the Registrar a statement of income and expenditure with full particulars duly audited by its Auditor, audit report and balance-sheet of the previous year alongwith details of all financial activities together with such fee as may be prescribed within ninety days from the date of annual general meeting of the society or from 30th day of April every year where the regulation do not provide for an annual general meeting. If the society fails to send the aforesaid statements within the stipulated time the society shall be liable to pay late fee as may be prescribed. On receipt of such statement, the Registrar shall verify the statements and shall ensure that the funds have been utilised for the promotion of the society and its objects and he may also issue such instructions in respect of utilisation of funds as he may think fit:

(1)Provided that accounts of such society having annual transaction exceeding one lac rupees shall be submitted to the Registrar duly audited by Chartered Accountant.
(2) If the Registrar thinks it necessary to undertake a special audit he may audit or cause to be audited by some person authorised by him by general or special order in writing in this behalf the account of any society.

(3) Any person authorised by general or special order in writing in this behalf by the Registrar shall at all time have access to all the books of accounts and other papers of a society and every officer of the society shall furnish such information in regard to the account and working of the society as the person making such inspection may require.

*Inspection of documents* - Any person may inspection all or any of the document filed with the Registrar under this Act or require copy of extract of any such document to be certified by the Registrar by filing an application together with such fee as may as may be prescribed and such certified copy shall be Prima facie evidence of matter therein contained in all legal proceedings whatsoever

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**CHECK YOUR PROGRESS**

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**3.5 PERSONNEL RELATED LEGISLATIONS**

The third major category of regulatory aspects in respect of a voluntary organisation are laws and legislations which deal with people, broadly called labour legislations. Under this category come several legislations which affect voluntary organisations. Many of these legislations are also state legislations and some have amendments and variations in the states.
Therefore, a careful study of the prevalent legislation applicable in a given state needs to be made before detailed action can be planned and taken. Part of the responsibility for the management of voluntary organisations is to have up-to-date information about the status of different legislations and their applicability to the given voluntary organisation. In this section, some of these important legislations are briefly enumerated.

3.5.1 The Shops and Establishment Act

The first important legislation is the Shops and Establishment Act. These acts were passed in the fifties and are a matter of state subject, so each state has a separate act. The Shops and Establishment Act provides for certain basic minimum requirements with respect to such organisations which are usually not covered under the Factories Act, or the Plantation Act, or the Mines Act. Therefore, the Shops and Establishment Act normally covers commercial, service, office-types of organisations in different states and union territories. In order to determine the strict legal applicability of the Act, it is important to study the relevant state level legislation and the section dealing with its applicability. Thus in certain states, charitable, non-profit organisations registered as Trusts or Societies are not specifically included in the purview of the applicability of this Act. But the Delhi Shops and Establishment Act very clearly includes Societies, registered or not, and the Societies Registration Act and other trusts set-up for charitable and other purposes (even if they are not registered).

The Act lays down various aspects governing the employment of people in such establishments. It provides for minimum and maximum working hours, weekly holiday, leave, provision for recruitment, appointment, suspension and dismissal, etc. Thus this Act can become a basis for establishing certain rules of employment and service in a voluntary organisation, should that be considered necessary. Where this Act is strictly applicable, the provisions entailed in the Act must be adhered to as minimum provisions in respect of these aspects. In states where Shops and Establishment Act is a state legislation act and each state has framed its own rules for the Act. These acts provide for minimum hours of work, rest intervals, holidays, annual leave, opening and closing hours of establishment, payment of wages, overtime wages, and for restrictive employment of children and young persons. Besides the State Acts, there is also a Central Act namely, Weekly Holiday Act 1942, which provides for weekly holidays to persons employed in shops and
commercial establishments, etc., the act applies only to that state which notifies its application to specified areas in its jurisdiction

This Act lays down the following rules:

1) Working hours per day and week.

2) Guidelines for spread-over, rest interval, opening and closing hours, closed days, national and religious holidays, overtime work.

3) Employment of children, young persons and women.

4) Rules for annual leave, maternity leave, sickness and casual leave, etc.

5) Rules for employment and termination of service.

Acts do not specifically include voluntary organisations, it may still provide a guideline or basis for formulating such aspects as working hours, weekly day off, leave, etc. etc. Thus the Shops and Establishment Act can become a basis for creating certain procedures and rules of functioning should a voluntary organisation so decide.

**3,5.2 Minimum Wages Act**

The Minimum Wages Act, 1948 is enacted for statutory fixing of minimum wages to be paid to skilled and unskilled labours. Minimum Wages has defined a 'living wage' that is the level of income for a worker which will ensure a basic standard of living including good health, dignity, comfort, education and provide for any contingency. However, to keep in mind an industry's capacity to pay the constitution has defined a 'fair wage'. Fair wage is that level of wage that not just maintains a level of employment, but seeks to increase it keeping in perspective the industry's capacity to pay. India introduced the Minimum Wages Act in 1948, giving both the Central government and State government jurisdiction in fixing wages. The act is legally non-binding, but statutory. Payment of wages below the minimum wage rate amounts to forced labour. Wage Boards are set up to review the industry’s capacity to pay and fix minimum wages such that they at least cover a family of four’s requirements of calories, shelter, clothing, education, medical assistance, and entertainment. Under the law, wage rates in scheduled employments differ across states, sectors, skills, regions and occupations owing to difference in costs of living, regional industries' capacity to pay, consumption
patterns, etc. Hence, there is no single uniform minimum wage rate across the country and the structure has become overly complex.

The Act is applicable to all types of organisations which have people working on certain types of employments and jobs. Different states are authorised to fix different rates of minimum wages for different categories of employees. Thus the minimum prescribed rate of wage applicable in a given state, region, or territory for unskilled labour can become a basis for payment to various types of labour, employees and staff in the voluntary organisation. Given the fact that this is a legislation, intended to provide minimum subsistent wage to the labourers, voluntary organisations must find ways to implement this Act with respect to their own people, as well as struggle for the implementation of the Minimum Wages Act for the other rural and urban poor of the country.

3.5.3 Equal Remunerations Act 1976

The Act provides for the payment of equal remuneration to men and women workers for the same work or work of a similar nature and for the prevention of discrimination on the ground of sex against women in the matter of employment. The main provisions of the Act are as follows.

Equal pay for equal work: No employer shall pay to any worker employed by him remuneration at rates less favourable than those at which remuneration is paid by him to the workers of the opposite sex for performing the same work or work of similar nature. No discrimination to be made while recruiting men and women: No employer shall make any discrimination against women while making recruitment for the same work or work of a similar nature.

Exceptions: The provisions of the Act shall be inapplicable when special treatment is given to women under any law or when special treatment is accorded to women in connection with the birth of a child.

The equality of work is not based on the designation or the nature of work alone. There are several other factors, which are equally relevant. They are qualifications, responsibilities, reliabilities, experience, confidentiality, functional need and requirements commensurate with the position in the hierarchy. Another related act is the Equal Remunerations Act 1976 which prescribes that equal
remunerations should be paid to men and women workers for similar kind of work. This is a central legislation which was enacted to prevent discrimination against women workers on the grounds of gender. The Act is applicable to all kinds of organisations in the country, and voluntary organisations, particularly those working for the advancement of women, need to pay special attention to the implementation of this Act, both inside their organisations as well as in the area of their work.

Then there is certain social security and welfare legislations which provide for certain special benefit to the staff of an organisation. Some of the relevant ones are mentioned here.

**3.5.4 Maternity Benefit Act 1961**

The object of maternity leave and benefit is to protect the dignity of motherhood by providing for the full and healthy maintenance of women and her child when she is not working. With the advent of modern age, as the number of women employees is growing, the maternity leave and other maternity benefits are becoming increasingly common. But there was no beneficial piece of legislation in the horizon which is intended to achieve the object of doing social justice to women workers employed in factories, mines and plantation.

With the object of providing maternity leave and benefit to women employee the Maternity Benefit Bill was passed by both the Houses of Parliament and subsequently it received the assent of President on 12th December, 1961 to become an Act under short title and numbers "the Maternity Benefit Act, 1961. An Act to regulate the employment of women in certain establishments for certain period before and after child-birth and to provide for maternity benefit and certain other benefits.

The Maternity Benefit Act 1961 was enacted as a central legislation covering all kinds of organisations in the country to provide for some benefits of leave with wages to women workers and staff during their period of maternity. The Act provides that fully paid maternity leave of a total of 12 weeks for every woman employee (possibly six weeks before and six weeks after the delivery) for those who have already worked for 160 days in the previous 12 months. This is applicable for the first three children. The Act also restricts employers from discharging or dismissing any woman staff during her maternity leave.

Given that this Act was legislated to take care of the needs of women workers during child birth and immediately afterwards, as a support to the continued employment of women, all voluntary
organisation must strive to implement this Act, both in their own organisations as well as in those around them.

**3.5.5 Employees Provident Fund and Miscellaneous Provisions Act 1957**

The Employees Provident Fund and Miscellaneous Provisions Act 1957 was enacted for long-term savings and security through the provident fund for employees in factories and commercial establishments. The Act is strictly applicable to those which are covered under either the Factories Act or Shops and Establishment Act and have staff of twenty or more persons. Cooperative Societies and early period of three to five years of a new establishment are exempt from the purview of this Act.

The Act provides for two possibilities of creating a Provident Fund. The first one is the fund with the government through the Provident Fund Commissioner; the second is the fund that an organisation can create for itself, register it as a trust, and open a separate bank account for this fund. In order for the fund to be used for exemption under the Income Tax Act for individual contributions, it can be registered with the Income Commissioner of the area. The own fund created by voluntary organisations can be managed by a Board of Trustees from among the staff itself and therefore becomes flexible and easy to operate for loans and advances to its members. Even though the Act may not be strictly applicable to those voluntary organisations which are not covered under the Shops and Establishment Act or the Factories Act, Provident Fund may be a useful staff welfare scheme for all voluntary organisations, as it provides for possible savings and future securities to some extent for those working in a voluntary organisations,

**3.5.6 Payment of Gratuity Act 1972**

The Payment of Gratuity Act 1972 is another welfare legislation which provides for some financial security to the staff of a voluntary organisation at the time of their retirement or leaving the organisation. The Act is strictly applicable to those voluntary organisations which are covered under the Shops and Establishment Act and have more than 10 employees. The main provisions of the Act is payment of gratuity at the rate of 15 days wages for each completed year of service, calculated on the basis of the last salary drawn to the staff if they have completed five years of service. The Gratuity scheme is useful even for those voluntary organisations which are not strictly covered under the Act as it is another way of providing long term security to the staff working in the voluntary organisations. It is possible to design one's own Gratuity scheme even if the law is not applicable and thereby create
provisions for keeping some funds aside to be paid to the staff after they have completed a certain number of years of their work within the organisation.

The question of various welfare schemes and their application in the voluntary organisation is to be considered as a question of retaining, motivating and developing the staff of the organisation. It is becoming increasingly difficult for individuals to commit their lifetime to social work without any sufficient provisions for taking care of their minimum material needs. Some of these provisions are mandatory and statutory, and therefore, must be adhered to by all voluntary organisations. Some others are optional depending on whether the Shops and Establishment Act or other such Acts or the Factories Act are applicable to a given voluntary organisation or not. But these Acts formulate the basis for employee welfare schemes in our country and are used as guidelines for developing welfare schemes for a variety of staff in a variety of organisations. Therefore it may be advisable for all voluntary organisations to keep these Acts and their provisions in mind while developing welfare and benefit schemes for their staff over a period of time.

There are two other legislations which are also applicable to voluntary organisations many a times quite the opposite to the wishes of those running such organisations. The first Act is the Trade Union Act which creates the possibility for the workers of an organisation to constitute a Trade Union. All organisations are covered under this Act, unless specifically exempted from it, and therefore, staff of a voluntary organisation can form a Trade Union inside the organisation, if they so choose. The Act provides for certain guarantees, obligations and rights to those who are in the leadership of the trade unions and their members and the management of the voluntary organisation.

Another legislation which is applicable to all organisations, including voluntary organisations, is the Industrial Disputes Act 1940. This Act provides for the possibility of developing employer-employee relationship and regulating the same. The Act is applicable to all kinds of organisations including charitable, non-profit voluntary organisations. The Act provides for raising of individual or collective disputes by workers against the management of an organisation on issues related to their service conditions, disciplinary action, retirement, retrenchment etc.

Many voluntary organisations and their managements are particularly concerned about the applicability of the above Acts - the Trade Union Act and the Industrial Disputes Act. They feel that these two Acts should not be applicable to non-profit, charitable voluntary organisations. Yet both these Acts provide for the regulation of the relationship between the employer and employee and, in
particular, provides for the rights of the workers in the face of harassment, intimidation or exploitation by their employers. More important than fighting the legal applicability of these Acts perhaps is the question of creating a management process whereby the workers of voluntary organisations feel that they are a part of the organisation such that getting organised as a Trade Union or invoking the provisions of the Industrial Disputes Act does not become the manner in which they raise issues of concern and grievances inside the organisation. If the culture inside the organisation, the overall management process and various mechanisms exist for individual staff and a group of staff to raise their concerns needs and problems, and those get addressed in a sympathetic, open and effective manner, then the concerns related to the applicability of these two Acts can be minimised substantially. Thus managerial competence and capability rather than the legal applicability of these legislations.

CHECK YOUR PROGRESS

List down the main acts for registration of NGOs in India

(I)

(II)

(III)

(IV)

(V)

List down the four personnel related legislations concerning to NGOs

(I)

(II)
Main provisions of income tax related to NGOs

Regulatory aspects with respect to financial issues contain certain legislations which affect voluntary organisations specifically. The first and the most common application is that of the Income Tax Act 1961. This Act specifically provides certain sections - 10, 11, 12 and 13 which deal with charitable organisations. It is these sections which govern the manner in which the Income Tax Act 1961 applies to voluntary organisations. In particular, these sections provide for ways by which a voluntary organisation must register with the Income Tax Authorities within the first year of its constitution; the manner in which its books of accounts should be maintained and various financial transactions ensured; the manner in which the annual returns, the audited Balance Sheets and Income Expenditure Statements must be submitted, along with other forms (including the payment made to the members of the governing body) and amount applied towards charitable purposes during the given year, and the manner in which contributions to a voluntary organisation can be tax exempt under section 80G. Since then, in December 1987, the Government of India has enacted certain amendments in the Income Tax Act as it applies to voluntary organisations by creating a new section 80F. So far, the implementation of this section has been deferred till April 1990.

It is important to recognise that the mere statement of purpose as charitable and non-profit by a voluntary organisation does not entitle it to a non-profit status in the eyes of the Income Tax Authorities. The Act, as it currently operates, provides for annual returns to be filed by all organisations in a prescribed manner after initial registration. These returns are then examined by the concerned Income Tax Officer and only then a non-profit status or non-taxation status is conferred. This is an exercise which needs to be carried out every year.

The Income Tax Act 1961 is federal legislation that affects all NGOs (trust, society or section 25 company) uniformly throughout India. It treats all of them equally in terms of exempting their income
and in granting a certificate under section 80G whereby donors to the NGOs may claim a tax rebate against donations made. Of the 298 sections of this Act, only a few -- sections 2(15), 10, 11, 12, 13, 35 and 80G -- are of special importance to NGOs.

An important principle under the Income Tax Act is that NGOs in India that have a public charitable purpose are not liable for any income tax, provided certain conditions required in law are fulfilled. These conditions include the following.

The NGO must use 75 per cent (60 per cent under the proposed new Bill) of its income in any financial year (1 April to 31 March) on the objects of the organization. If the organization is unable to spend 75 per cent of its income in the financial year, owing to late receipt of income or for any other reason, the trustees may spend the surplus during the immediately following 12 months (under the new Bill, this has been reduced to just three months). Surplus income can also be accumulated for a period ranging from one to ten years for specific projects (under the new Bill, this provision has been dropped).

The funds of the NGO are deposited according to the forms and modes specified under section 11(5) of the Income Tax Act. (Under the proposed new Bill, the limited choice offered under this section has been further circumscribed by omitting the investment of funds in industrial development or credit banks, housing finance corporations and mutual funds.)

No part of the income or property of the NGO is used or applied, directly or indirectly, for the benefit of the founder, trustee, relative of the founder or trustee or a person who has contributed in excess of Rs50,000 to the organization in a financial year.

The NGO files its return of income annually within the prescribed time limit.

**Incomes of NGOs**

*Corpus fund or capital receipt*

Corpus donations are capital contributions and should be ignored when computing the total income of the organization. They should be held as corpus or capital of the trust and should not be spent like any other income (although any interest or dividend derived from the investment of such donations may be used on the objects or operation of the NGO). The accounts of the organization should reflect this position clearly.
The direction for the donation -- whatever the amount -- to be applied to the corpus of the organization can be given only by the donor. Such a direction should be given in writing. (Under the proposed new Bill, a cash contribution received (ie other than in kind or by crossed cheque or crossed bank draft) towards the corpus of the NGO will be deemed to be a contribution otherwise than towards the corpus of the trust, regardless of the donor’s intended use of the donation. Income received through cash collection boxes at temples, churches, hospitals or schools will be treated as ‘income’ (and not as ‘capital receipt’), regardless of any indication put on or near the collection boxes that contributions are towards the corpus. Therefore, 60 per cent of the amount will have to be used for charitable purposes.)

If the NGO accepts membership fees, all life membership subscriptions and entrance fees (being a collection from members and in the nature of capital receipt and not for any specific service) may be taken as capital -- and therefore not treated as income for the purpose of computing total income. People paying such membership fees and subscriptions, however, cannot deem them to be a ‘donation’ and claim a rebate under section 80G.

Business income

Under section 11(4A) of the Income Tax Act 1961 (as amended with effect from 1 April 1992), if the income from business is incidental to the attainment of the NGO’s objects and separate books of accounts are maintained by the organization in respect of such business, the profit is not considered for taxation. For example, the profit from the sale of goods produced by the beneficiaries during their training is fully exempt from tax.

Income from a business undertaking that is itself held in trust for charitable purpose is also exempt (section 11(1)(a)).

Furthermore, an activity resulting in profit need not always be treated as business. For example, hiring out halls (whether for private or public functions) or rest houses (ie subsidized accommodation for travelers or pilgrims, or sanatoria or convalescent homes) by NGOs is not regarded as business.

Capital gains
If an NGO sells its capital asset, capital gain arising on such sale is not liable to tax if the net sale proceeds are invested in the purchase of a new capital asset. Such re-investment should, as far as possible, be made during the same accounting year.

Disqualification from exemption

All private religious trusts and NGOs created after 1 April 1962 that are for the benefit of any particular religious community or caste are not eligible for tax exemption (sections 11 and 12 of the Income Tax Act). However, an NGO for the benefit of scheduled castes, backward classes, scheduled tribes, women or children is not considered an organization for a particular religious community or caste and therefore its income is exempt.

The Central Sales Tax Act 1956: The nonprofit organizations, which are engaged in sale or purchase of goods, are covered under the Central Sales Act 1956. It is an Act to formulate principles for determining when a sale or purchase of goods takes place in the course of inter-state trade or commerce outside a state or in the course of import into or export from India, and to provide for the levy, collection and distribution of taxes of sales of goods.

Tax rebate for donors

Section 80G

Donors -- whether individuals, associations, companies, etc -- are entitled to a deduction (in computing their total income) if they make a donation to an NGO enjoying exemption under section 80G of the Income Tax Act. The amount donated should not, however, exceed 10 per cent of the donor’s gross total income after subtracting allowable deductions (other than the deduction under section 80G) for the purpose of tax rebate. Even if the donation is in excess of 10 per cent of the donor’s gross total income, only the 10 per cent can be considered for deduction under this section.

Donations made to various funds set up by the federal or the state government (e.g. the National Defence Fund, the Jawaharlal Nehru Memorial Fund, the Prime Minister’s Drought Relief Fund, the National Foundation for Communal Harmony) qualify for 100 per cent tax rebate (i.e. the whole of the amount donated is allowable as a deduction). However, donations made to non-government NGOs exempt under section 80G(5) of the Income Tax Act qualify for only 50 per cent tax rebate.
Places of worship such as temples, mosques, gurudwaras, churches or other places notified by the federal government to be of historic, archaeological or artistic importance or to be a place of public worship of renown throughout any state or states may also apply for, and secure, exemption under section 80G(2)(vii)(b) of the Income Tax Act for renovation or repair. Donors contributing towards the repair or renovation of such a place of worship would be entitled to a 50 per cent tax rebate when computing their income for tax purposes.

Donations in kind (such as computers, medical equipment, vehicles, etc) are not eligible for deduction under section 80G. The donation must be of money.

In order to qualify for exemption under section 80G, the NGO must be a wholly charitable (not religious), recognized, tax-exempt institution and should not be for the benefit of any particular religious community or caste.

An NGO exclusively for the benefit of any particular religious community or caste may, however, create a separate ‘women and children fund’. Donations given to this fund could qualify for deduction under section 80G, even though the organization as a whole may be for the exclusive benefit of only a particular religious community or caste. However, a separate account must be maintained of the funds received and disbursed for the welfare of women and children.

Receipts issued to donors by NGOs should bear the number and date of the 80G certificate and indicate the period for which the certificate is valid.

Section 35AC

Section 35AC was inserted in the Income Tax Act 1961 by the Finance (No 2) Act 1991 and came into force on 1 April 1992.

Contribution(s) made to a project or scheme notified as an eligible project or scheme for the purpose of section 35AC of the Income Tax Act entitle the donor (individual, institution or company) to a 100 per cent deduction of the amount of the contribution.

Unlike the certificate granted under section 80G (whereby a donation made to a qualifying organization entitles the donor to a 50 per cent deduction), the certificate under section 35AC is not given to any organization as a whole, but only to an eligible and approved project or to an eligible and approved project of an organization.
Section 35(1)(ii) and (iii)

A deduction of 100 per cent is allowed to donors for contribution(s) made to organizations -- such as a scientific research institute or a university, college or other institution -- approved under section 35(1 )(ii) specifically for ‘scientific research’, and under section 35(1 )(iii) specifically for ‘research in social science or statistical research’.

An organization approved under section 35(1 )(ii) or 35(1 )(iii) must maintain a separate account of the money received by it for scientific research or for research in social science or statistical research. It must also submit to the prescribed authority, each financial year, a copy of the audited annual return, showing the total income and expenditure and a balance sheet indicating its assets and liabilities.

The auditors should also certify that amounts received by the organization for scientific research or research in social science or statistical research have been spent for that purpose only.

**Requirement of audit report**

Section 12A states two conditions for availing the exemption available under the Act, the first condition is regarding application for registration and the second condition is regarding audit by an accountant as defined in the Explanation below sub-section (2) of section 288. All organisations are required to apply for registration within one year from the date of their creation. If there is delay in applying for registration then the organisation should submit Audit Reports for the past three years or as may be available.

**Filing of Return**

All Charitable Organisations having income exceeding the minimum exemption limit during the previous year are required to file their return of income. The ‘income’ for the purposes of filing the return should be computed without giving effect to the provisions of sections 11 and 12 of the Act. Such returns are to be filed with the Income-Tax Officer or the Assessing Officer under whose local jurisdiction they fall. The return is to be filed as per the provisions of section 139(4A) and (4C) in the manner provided in section 139 of the Act.

The Finance Act, 2002 has inserted sub-section (4C) to section 139 making it mandatory for the organisations registered under section 10(21), 10(22B), 10(23A), 10(23B), 10(23C) etc. to file Annual
Returns under section 139(1). Earlier no clear provision for filing of return by these organisations was available, and it was not very clear whether these organisations were required to file returns or not, though Bombay High Court held in a case that returns are required to be filed. Now this controversy seems to be resolved.

**Forms and Due Dates**

All Organisations or Trusts are required to file the return in Form No. 3A by the 30th September of the assessment year. The return must be accompanied by an Audit Report in Form 10B prescribed under Rule 17B of the Income-Tax Rule, 1962.

Filing of return by unregistered organisations

Organisations which are not registered under the provisions of the Act, do not enjoy any exemption on their income hence, they are liable to file a return if the voluntary contribution received by them or their income exceeds the minimum exemption limit. Such organisations should file their income-tax return in Form No. 2, if the income includes “business income” or in Form No. 3, if the income does not include “business income”.

Delayed Submission Of Return Of Income: An organisation which fails to furnish its return of income within the due date can still submit its return of income any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment whichever is earlier. For instance, a return of income for the financial year 2014-2015 can be submitted up to 31st March, 2014.

Under section 272A(2)(e), any Voluntary Organisation which fails to furnish the return of income which it is required to furnish under sub-sections (4A) and (4C) of section 139 or fails to furnish it within the time allowed and in the manner required under that sub-section, it shall pay by way of penalty a sum of Rs. 100 for everyday during which the failure continues. Before imposing such penalty, an opportunity of being heard shall be given to the organisation.

**Documents to be attached with the return**

One set of the following documents are required to be attached with the return:

(i) Audit Report in Form 10B.
(ii) Balance Sheet.

(iii) Income and Expenditure Account.

(iv) Receipt and Payment Account.

(v) Copy of the Registration Certificate.

(vi) In case the organisation has accumulated income, resolution for accumulation.

(vii) Form 10 in which application for accumulation is made.

Revision Or Correction Of Mistakes

The concerned organisation can file a revised return at any time before the expiry of one year from the end of the assessment year or completion of the assessment whichever is earlier only if there is any mistake or omission in the return. For instance, if the financial year for which the return is filed is 2001-2002 then a revised return can be submitted any time on or before 31st March, 2004, provided the assessing officer has not completed the assessment in the intervening period.

Key points

(i) Registration under Income Tax Act, is a mandatory requirement to claim exemptions.

(ii) Registration is only a pre-condition for exemption. But, in order to claim exemptions, compliance of other provisions and conditions is necessary.

(iii) Application in Form 10A, in duplicate is required to be made to Commissioner of Income Tax(CIT).

(iv) The time limit for making such application is one year from the date of creation of the organisation.

(v) If the application is filed after the time limit, the C.I.T can condone the delay after satisfying himself that there were sufficient reasons which existed for delay.

(vi) If the delay is not condoned then the organisation will be eligible for exemptions from the first day of the financial year in which the application is filed.
(vii) It has been held in various case laws that an organisation once found eligible for registration should normally qualify for registration from the date of its creation. This issue remains debatable.

(viii) The C.I.T, on receipt of application, shall call for such documents and information as he thinks necessary to determine the genuineness of the organisation.

(ix) The C.I.T has to make an order in writing within six months from the end of the month in which the application is made.

(x) If the C.I.T wants to reject the application for registration, then a reasonable opportunity of being heard should be provided to the applicant.

(xi) Though the time limit of six months for processing an application is prescribed, there is no provision with regard to the delay made in processing the application.

(xii) There is no provision in the Act for withdrawal of registration once granted. Therefore, registration once granted is permanent in nature.

(xiii) If the application for registration is rejected then the aggrieved organisation can file an appeal against such order to the Appellate Tribunal under section 253.

(xiv) The time limit for filing an appeal to the Tribunal is 60 days from the date on which the order is received.

(xv) Under section 12A, all Charitable Organisations have to get their accounts audited if the total income exceeds the minimum exemption limit. Such Audit Report has to be in Form 10B.

(xvi) Further, all Charitable Organisations having total income exceeding the minimum exemption limit during the previous year are required to file their return of income. The return of income is required to be filed in Form 3A, as per the provision of section 139(4A) & (4C).

(xvii) Even unregistered organisations which do not enjoy any exemptions are required to file return if their income exceeds the minimum exemption limit. Such return should be filed in Form 2 or in Form 3, if the income does not include business income.

(xviii) An organisation can submit a delayed return under section 139(4), any time before the expiry of one year from the end of the relevant assessment year.
(xix) An organisation can file a revised return at any time before the expiry of one year from the end of the relevant assessment year or completion of the assessment whichever is earlier only if there is mistake or omission in the return.

(xx) One set of the following documents are required to be attached with the return:

(a) Audit Report in Form 10B.

(b) Balance Sheet.

(c) Income and Expenditure Account.

(d) Receipt and Payment Account.

(e) Copy of the Registration Certificate.

(f) In case, the organisation has accumulated income, resolution for accumulation.

(g) Form 10 in which application for accumulation is made.

CHECK YOUR PROGRESS

1. Classify the income of NGO as given in Income Tax Act

2. What are the documents which are required to be attached with the income tax return?

   (i)

   (ii)

   (iii)

   (iv)

   (v)

   (vi)

   (vii)

3. Describe the provisions of tax rebate for donors to NGO in Income Tax Act
The roots of the Foreign Contribution (Regulation) Act [FCRA] lie in the period of emergency, declared in India during the period between 1975 and 1977. The original version of the legislation was passed in 1976 with the ostensible purpose being regulation of acceptance and utilization of foreign contributions and hospitality by certain category of persons. In its latest version, which was promulgated in 2010, the FCR Act addresses some of the key issues of the 1976 legislation without bringing into account any significant changes into the scope or structure of the existing framework.

Any association granted prior permission or registered with the Central Government under Section 6 or under the repealed FCRA, 1976, shall be deemed to have been granted prior permission or registered, as the case may be, under FCRA, 2010 and such registration shall be valid for a period of five years from the date on which the new Act has come into force.

While the provisions of the repealed FCRA, 1976 have generally been retained, the FCRA, 2010 is an improvement over the repealed Act as more stringent provisions have been made in order to prevent misutilisation of the foreign contribution received by the associations.

Any organisation of a political nature and any association or company engaged in the production and broadcast of audio or audio visual news or current affairs programme have been placed in the category prohibited to accept foreign contribution.

A new provision has been introduced to the effect that no person who receives foreign contribution as per provisions of this Act, shall transfer to other person unless that person is also authorized to receive foreign contribution as per rules made by the Central Government.

Another new provision has been made to the effect that foreign contribution shall be utilized for the purpose for which it has been received and such contribution can be used for administrative expenses up to 50% of such contribution received in a financial year. However, administrative expenses exceeding fifty per cent of the contribution to be defrayed with the prior approval of the Central Government.
New provisions have been made for suspension as well as cancellation of registration granted for violation of the provisions of the Act. Such provisions did not exist in the repealed Act.

New provision has also been made for management of foreign contribution and assets created out of such contribution of persons whose certificates have been cancelled.

Under the repealed Act, there was no time limit regarding the validity of registration certificate granted to the associations etc. for accepting foreign contribution. FCRA, 2010 provides that the certificate granted shall be valid for a period of five years and the prior permission shall be valid for the specific purpose or specific amount of foreign contribution for which permission was granted. Further, every person who has been granted a certificate shall renew it within six months before the expiry of the period of certificate.

No funds other than foreign contribution shall be deposited in the FC account to be separately maintained by the associations etc. Every bank shall report to such authority, as may be prescribed, the amount of foreign remittance received, sources and manner and other particulars.

Provision has been made for inspection of accounts if the registered person or person to whom prior permission has been granted fails to furnish or the intimation given is not in accordance with law.

A new provision has been introduced to the effect that the assets of any person who has become defunct shall be disposed of in such manner as may be, specified by the Central Government.

A new provision has been introduced to the effect that any person, who knowingly gives false intimation and seeks prior permission or registration by means of fraud, false representation or concealment of material fact, shall, on conviction by Court, would be liable to imprisonment for a term which may extend to six months or fine or with both.

Any person contravening the provisions of the Act shall be punishable with imprisonment for a term which may extend to five years or with fine or with both.

**Salient Features of the Rules**

Guidelines for declaration of an organisation to be of a political nature, not being a political party have been prescribed.

Activities to be treated as speculative activities have been defined.
Expenditure constituting 'Administrative expenses' has been clearly defined.

Modalities for submission of application for obtaining registration or prior permission to receive foreign contribution have been given in detail in the Rules and Forms for filing the applications.

The applications for obtaining registration or prior permission shall have to be made electronically on-line, and shall have to be followed by forwarding the hard copy of the on-line application, duly signed, together with the required documents within thirty days of the submission of the on-line application, failing which the request of the person shall be deemed to have ceased.

Any person whose request has ceased shall be able to prefer a fresh on-line application only after six months from the date of cessation of the previous application.

No person would be permitted to prefer a second application for registration or prior permission within a period of six months after submitting an application either for the grant of prior permission for the same project or for registration.

A new provision has been made for submission application fee. The fee for obtaining registration or prior permission would be Rs. 2000/- and Rs. 1000/- respectively.

Applications made for registration or prior permission under the repealed FCRA, 1976 but not disposed of before the date of commencement of these rules shall be deemed to be an application for registration or prior permission, as the case may be, under the new Rules, subject to the condition that the applicant furnishes the prescribed fees for such registration or prior permission, as the case may be.

Every person who has been granted registration or prior permission shall maintain a separate set of accounts and records, exclusively, for the foreign contribution received and utilised.

Every certificate of registration issued to a person shall be liable to be renewed after the expiry of five years from the date of its issue on proper application and application for its renewal shall have to be made in the prescribed form accompanied by a fee of Rs.500/- six months before the date of expiry of the certificate of registration. A person implementing an ongoing multi-year project shall apply for renewal twelve months before the date of expiry of the certificate of registration.

In case no application for renewal of registration is received or such application is not accompanied by the requisite fee, the validity of the certificate of registration of such person shall be deemed to have ceased from the date of completion of the period of five years from the date of the
grant of registration. If the validity of the certificate of registration of a person has ceased in accordance with the provisions of these rules, a fresh request for the grant of a certificate of registration may be made by the person to the Central Government as per the provisions of the Rules.

In case a person who has been granted a certificate of registration or prior permission receives foreign contribution in excess of one crore rupees, or equivalent thereto, in a financial year, he/it shall place the summary data on receipts and utilisation of the foreign contribution pertaining to the year of receipt as well as for one year thereafter in the public domain. Besides, the Central Government shall also display or upload the summary data of such persons on its website for information of the general public.

In case the certificate of registration is suspended under the relevant provisions the Act, up to twenty-five per cent of the unutilised amount may be spent, with the prior approval of the Central Government, for the declared aims and objects for which the foreign contribution was received. The remaining seventy-five per cent of the unutilised foreign contribution shall be utilised only after revocation of suspension of the certificate of registration.

The amount of foreign contribution lying unutilised in the exclusive foreign contribution bank account of a person whose certificate of registration has been cancelled shall vest with the banking authority concerned till the Central Government issues further directions in the matter.

If a person whose certificate of registration has been cancelled transfers/has transferred the foreign contribution to any other person, the provisions of sub-rule (1) of this rule shall apply to the person to whom the fund has been transferred.

Every bank shall send a report to the Central Government within thirty days of any transaction in respect of receipt of foreign contribution by any person who is required to obtain a certificate of registration or prior permission under the Act, but who was not granted such certificate or prior permission as on the date of receipt of such remittance. The report shall contain the details regarding name and address of the donor, name and address of the recipient, account number, name of the Bank and Branch, amount of foreign contribution (in foreign currency as well as Indian Rupees), date of receipt, manner of receipt of foreign contribution (cash/cheque/electronic transfer etc.).

The bank shall also send a report containing the above details to the Central Government within thirty days from the date of such last transaction in respect of receipt of any foreign contribution in
excess of one crore rupees or equivalent thereto in a single transaction or in transactions within a
duration of thirty days, by any person, whether registered or not under the Act.

Every person who receives foreign contribution under the Act shall submit a report, duly
certified by a chartered accountant, in the prescribed Form, accompanied by an income and expenditure
statement, receipt and payment account, and balance sheet for every financial year beginning on the 1st
day of April within nine months of the closure of the financial year, to the Secretary to the Government
of India, Ministry of Home Affairs, New Delhi. The annual return in the prescribed Form shall reflect the
foreign contribution received in the exclusive bank account and include the details in respect of the
funds transferred to other bank accounts for utilisation. If the foreign contribution relates to articles or
foreign securities, the intimation shall be submitted in the prescribed Forms.

Every such return in shall also be accompanied by a copy of a statement of account from the
bank where the exclusive foreign contribution account is maintained by the person, duly certified by an
officer of such bank. The accounting statements referred to above shall be preserved by the person for a
period of six years. A ‘NIL’ report shall be furnished even if no foreign contribution is received during a
financial year.

Foreign contribution received by a candidate for election, referred to in section 21, shall be
furnished in the prescribed Form within forty-five days from the date on which he is duly nominated as a
candidate for election.

An application for revision of an order passed by the competent authority under the Act shall be
made to the Secretary, Ministry of Home Affairs, Government of India, New Delhi on a plain paper. It
shall be accompanied by a fee of Rs.1000/-

An application for the compounding of an offence may be made to the Secretary, Ministry of
Home Affairs, on a plain paper and shall be accompanied by a fee of Rs.1000/-.

The Central Bureau of Investigation or any other Government investigating agency that conducts
any investigation under the Act shall furnish reports to the Central Government, on a quarterly basis,
indicating the status of each case that was entrusted to it, including information regarding the case
number, date of registration, date of filing charge sheet, court before which it has been filed, progress of
trial, date of judgment and the conclusion of each case.
Any information or intimation about political or speculative activities of a person shall be furnished to the Secretary to the Government of India in the Ministry of Home Affairs, New Delhi. Such information or intimation shall be sent by registered post.

Any person intending to transfer the foreign contribution may make an application to the Central Government in the prescribed Form. The Central Government may permit the transfer in respect of a person who has been granted the certificate of registration or prior permission under, in case the recipient person has not been proceeded against under any provision of the Act. Any transfer of foreign contribution shall be reflected in the prescribed returns by the transferor and the recipient.

In case the foreign contribution is proposed to be transferred to a person who has not been granted a certificate of registration or prior permission by the Central Government, the person concerned may apply for permission to the Central Government to transfer a part of the foreign contribution, not exceeding ten per cent, of the total value of the foreign contribution received. The application shall be countersigned by the District Magistrate having jurisdiction in the place where the transferred funds are sought to be utilised. The District Magistrate concerned shall take an appropriate decision in the matter within sixty days of the receipt of such request from the person. The donor shall not transfer any foreign contribution until the Central Government has approved the transfer.

CHECK YOUR PROGRESS

(i) Under which act foreign contribution to NGO are made?

(ii) Which NGOs are eligible for foreign contribution?

(iii) What are the conditions to utilize the foreign contribution

3.8 SUMMING UP

When discussing laws which affect NGOs, most people immediately think simply about an Act which deals specifically with NGOs such as an NGO Act. Many do not realise that NGOs in every
country are affected by many more laws than one can imagine. Often they are partially regulated, or at least affected, by various laws. The various laws under which NGOs register themselves leads to diversity in legal status amongst NGOs and therefore also to a lack of uniformity on issues of accountability and governance. The fact that there is no policy framework for NGO laws makes a uniform central law a very difficult goal to achieve. Laws related to registration are very old. For example, the Societies Registration Act dates back to 1860 and the Indian Trusts Act dates back to 1882. These laws need to be amended or updated to reflect present needs of NGOs. Registration procedures often take months. Most state laws dealing with registration do not lay down a maximum timeframe in which registration should be processed. Registration law does not differentiate between different categories of organization therefore creating a situation where a public school (which makes profit) is also registered under the same law as NGOs. Tax laws dealing with NGOs need to be amended to bring them more up to date with the current financial reality of NGOs. There is the need for Indian Parliament to enact central law for all India which would be uniformly applicable to all NGOs in any state of the country instead of the current system where NGOs can be a trust, society or company. This would create more uniformity and avoid conflict of laws. Under the Foreign Contribution (Regulation) Act (FCRA), NGOs face several serious restrictions regarding the permission to receive and use foreign funds. These restrictions have a negative impact on the livelihood and work of several NGOs.

3.9 KEYWORDS


3.9 QUESTIONS
1. Describe the main provisions of following acts:

   I. The Shops and Establishment Act
   II. Minimum Wages Act
   III. Equal Remunerations Act 1976
   IV. Maternity Benefit Act 1961
   V. Employees Provident Fund and Miscellaneous Provisions Act 1957
   VI. Payment of Gratuity Act 1972.
   VII. What are the main provisions in Income tax acts applicable to NGO?
   VIII. 3. Give brief accounts for filling income tax return and necessary documents?

3.10 SUGGESTED READINGS

1. AIR Rama Swami vs. Aiyaswami, Madras, 467.

2. Charnalia, Anil Paper on 'Tax Treatment to the Nonprofit Organizations in India, presented to PRIA as part of the CNPS Project, 1998-99.


12. PRIA Forms of Organisations: Square Pegs in Round Holes, New Delhi, 1987

13. PRIA Management of Voluntary Organisations, New Delhi, 1989


15. Snjay Agarwal and Noshir Dadrawala, Philanthropy and Law in South Asia, ed. Mark Sidel and Iftikhar Zaman ñ Published by APPC (Asia Pacific Philanthropy Consortium) 2004;


UNIT-4 MANAGEMENT OF NGOs

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4.1 Aims and Objectives

This lesson is intended to study the management of voluntary organization. After study this lesson you will be able to understand:

- Why management is important for NGOs
- Important aspects of administrative management
- Scope of financial management, its principles and methods
- Personnel / human resource management and importance of training
- Nature scope and importance of capacity building of NGO

4.2 Introduction

Effective management, described as the art of getting things done through people, is integral to the sustainability and long-term effectiveness of an Non- governmental organisation (NGO) operating in today’s complex and competitive world. It is the process by which the work of a valued organization gets done. Peter Drucker, the scholar often credited with being the father of modern management, explains that to succeed, NGO (similar to all organizations) must make certain that there is a strong ongoing linkage between the work that they do and the needs and interests of the community that they serve. They must ensure that they provide the services and achieve the results that are valued by their clients, key stakeholders, and their community at large, and that they do so in ways that are consistent with the organization’s core values and principles.

**Definition of NGO management**

NGO management comprises the processes by which the organization plans, organizes, and supervises its work activities to accomplish the results for which it exists. Fundamentally, the people who do the work of an NGO’s management are responsible for enabling and ensuring the accomplishment of the results for which the organization exists. At its core, the work of NGO management is grounded in the expectation that an organization can cause desired results to occur by selecting appropriate courses of action and implementing them.
NGO management comprises the work of planning and organizing, staffing, and resourcing, leading and motivating, and coordinating, controlling, and evaluating. These functions overlap, yet each has a discrete focus, each involves a specific set of practices and activities, and each makes a unique contribution to the success and effectiveness of the overall organization.

### 4.3 Organisational Behaviour

Organization as a purposeful system with several subsystems where individuals and activities are organized to achieve certain predetermined goals. Organizational behavior (OB) is a term related to the study of individual and group dynamics in an organizational setting, as well as the nature of the organizations themselves. Whenever people interact in organizations, many factors come into play. Organizations are social systems. If one wishes to work in them or to manage them, it is necessary to understand how they operate. It is the study and application of knowledge about how people act within organizations. It is a human tool for human benefit. It applies broadly to the behavior of people in all types of organizations, such as business, government, schools and services organizations. It covers three determinants of behavior in organizations: individuals, groups, and structure.

The organisation's tasks and activities, people who perform them, informal arrangements made to perform the tasks through interpersonal relationships and norms, and formal arrangements, division of labour, rules and regulations and reward systems all form the organisational behaviour. Processes like communication and information flow, decision making and conflict resolution primarily depend upon the above factors, tasks and activities, human resources, informal and formal arrangements. These processes reflect the work culture and organisational dynamics. Thus, according to its stated and cherished vision and purposes, each voluntary organisation evolves a particular operational strategy. From this operational strategy, the primary tasks of the organisation become clearly defined.

The broader mission and vision which becomes a starting point for setting up a voluntary organisation gets subsequently translated into certain goals. Some of these goals are stated in writing in formal documents like the Memorandum of the Association, etc. Goals also evolve and change over a period of time. So after a few years the organisation may be working on certain additional or new goals, besides working on the old goals.
In recent years there has been a growing interest in the question of the management of voluntary organisations. It has been argued that these are different from commercial, business and government organisations and therefore require a different managerial philosophy, and different management approaches and strategies. How, therefore, does one choose an appropriate style or approach to govern a given voluntary agency? However, before discussing the above concern, the first question that needs to be asked is, why is management at all relevant to voluntary agencies?

First of all, we must understand what the meaning of the word management is. In a literal sense, management entails finding ways to appropriately utilise available resources for a given purpose. These resources could be ideas, information, people, money, assets, contacts, networks, etc.; purposes could be many - individual, group, organisational, national, etc.; and utilization could be done by a person, a group of people or an organised entity. Historically the word management has been associated largely with commercial, profit-making and governmental organisations which have been characterised by inhumanity, exploitation, excessive moneymaking; neglecting the interests of the workers and other poor.

Once the basic concept of management is clarified, and then comes the question of how is management relevant to a voluntary agency? The very act of creating, building and running a voluntary agency is its management. Therefore, management does not merely imply managing the structure and the frame of the voluntary agency but also its programmes, its perspective, its people, etc. If management functions are not performed, then an organisation cannot run efficiently. If management functions are performed poorly, then an organisation faces difficulties, flounders, decays and dies. Wherever the management functions are performed well, the organisation is healthy, strong and long-lasting. How this management function is performed, by whom and in what way, is the secondary question. It is an important question but it can only be asked if we accept first that management is an integral part of creating, developing and running a voluntary agency.

Once a voluntary organisation has been set-up with its own statement of purposes and goals, primary and secondary tasks, and structures and people, and begun to function as an entity on its own, there are two broad types of management issues that it then has to contend with. The first one relates to the management of constituencies. This is basically how the organisation deals
with its relationship with different constituencies and segments of the environment in which it exists.

4.3.1 Management of Constituencies

A constituency is a particular unified cluster of individuals, families, institutions, networks which is outside the voluntary organisation but has a special type of relationship with it. A voluntary organisation requires effective management of constituencies in order for it to function effectively.

There is a remarkable range of constituencies that a voluntary organisation has to relate to. In terms of analysing the relations of voluntary organisations with various segments of its environment, one could identify several constituencies. First, the people or the beneficiaries or the target group is one of the main segments of the environment.

The second important segment of the environment that voluntary organisations have to relate to simultaneously is the one comprising of regulatory agencies. Thus the government and its various agents become a major constituency to which a voluntary organisation needs to relate. This constituency comprises of such bodies as the Society Registrars, Charity Commissioners, Labour Commissioners, Income-Tax Authorities, Ministry of Home Affairs, and a host of other agencies.

A third major constituency to which voluntary agencies relate to is that of the donors and resource-providers, both Indian and Foreign. Donors themselves are not a homogenous group and represent considerable diversity among themselves. Yet, there is an important relationship that voluntary organisations need to maintain with the donors in order to acquire the necessary resources to be able to do what they have planned to do in order to accomplish their purposes. Indian and Foreign. Donors themselves are not a homogenous group and represent considerable diversity among themselves. Yet, there is an important relationship that voluntary organisations need to maintain with the donors in order to acquire the necessary resources to be able to do what they have planned to do in order to accomplish their purposes.

Then there is the constituency of other organised social and political movements in the country. And finally, there is the constituency of other like-minded, similar voluntary
organisations within the state, country or region. Historically, voluntary organisations have tried to relate to each other with tentativeness and apprehension. There has been varying degrees of competitiveness, isolation, solidarity and camaraderie across voluntary organisations.

The important point is that the relationships of voluntary organisations with multiple constituencies need to be defined, built and maintained over a period of time. Voluntary organisation needs to develop the competence and the principles by which it can relate to these multiple constituencies effectively. It is this part of the management of a voluntary organisation that requires careful attention. The managing process in a voluntary organisation is to be able to develop the capacity to build relationships which allow it to accomplish its purposes and perform its tasks vis-a-vis each of these constituencies.

The second major aspect of governance of a voluntary organisation is the management of its internal affairs. The first issue is related to the structure and process of functioning of voluntary organisations; the second issue is related to the personnel function, that is the people and their concerns in the organisation; and, the third relates specifically to the nature, constitution and functioning of the governing bodies.

One of the crucial aspects of the management of voluntary organisations is effective management of various regulatory aspects that affect a voluntary organisation. Regulations are laws, rules, and procedures, those constitutional statutory and legal provisions which are expected to be followed by a legal entity like a voluntary organisation. Of course, there are a host of constitutional provisions which affects all individuals and organisations in the country. They are not uniquely or specifically focused on voluntary organisations.

### 4.4 Documentation for Regulatory Framework:

There already are regulatory frameworks and mechanisms within which the voluntary organizations have to function and report their activities. The three popular forms under which voluntary organizations can be registered are

1. Societies Registration Act, ii) Trust Act, and iii) Section 25 Company under Companies Act 1956. Apart from the registration related laws, the VOs have to also adhere to certain legal requirements like filing of Income Tax returns, filing of returns with the Ministry of Home Affairs for the funds received under FCRA, filing reports to Charity Commissioner, Registrar of
Societies or and Registrar of Companies, etc.
Policy on voluntary action envisages that ‘Self-regulatory Mechanism’ within individual organizations. The following core issues must be built in the policy guideline that promotes organizational self-governance:

i. Every voluntary organization shall put its audited statement and annual report in the public domain.

ii. Every voluntary organization shall have institutional operational policies like, gender diversity, financial transparency, diversity in human resources, expression and avoidance of conflicts of interest, strict procedural remedies against sexual harassment at workplace, etc.

iii. Every voluntary organization shall have active governing board and proceedings and minutes shall be properly recorded.

iv. Every voluntary organization should follow all mandatory rules like registration, taxation, FCRA, etc.

v. Every voluntary organization shall have its policies and practices for transparent, accountable and participatory governance.

vi. Every voluntary organization shall follow the policy of proactive disclosure of information under Right to Information Act.

Maintaining of Accounts
Every society should keep at its registered office proper books of accounts containing accurate entries in respect of:

a) All sums of money received and the sources thereof and all sums of money expended by the Society and the objects or purposes for which sums are expended.
b) All sales and purchases of goods by the Society.
c) The assets and liabilities of the societies giving true and fair view of the state of affairs of the Society.

It is suggested to maintain following books of accounts:

i. cash book showing daily receipts and expenditure and the balance at the end of each day.
ii. receipt book containing forms in duplicate, one of each set, to be issued with details of money received by the Society and other to serve as counterfoil.
iii. vouchers file containing all vouchers for contingent and other expenditure incurred by the Society, numbered serially and file chronologically.
iv. ledger showing consolidated and separate accounts of all items of receipts and expenditure, member-wise as well as item wise.

v. monthly register of receipts and disbursement.

**Auditing of Accounts**

Every Society should get its account audited once a year by duly qualified auditor and have a balance sheet prepared by him. The auditor should submit a report showing the exact state of financial affairs of the Society.

In order to perform above functions well, NGOs need effective management skills and procedures.

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4.5 Governing Body

A broad-based governing body which believes in the overall ideology, mission and purposes of the organisation and restricts itself to setting broad policies is generally preferred. It may be desirable to have active, concerned and committed people as members of the governing board, rather than mere decorative figures who may have high reputation, long credibility but no time for the organisation. Another mechanism could be created inside the organisation, if necessary, which could be responsible to support the director or the coordinator or the secretary to implement the overall policies laid down by the governing board. This managing committee or consultative committee could then become a more shared responsibility of the staff of the organisation. By and large, it is desirable that members of the staff of a voluntary organisation must have the opportunity to interact with members of the governing body. If they interact with external governing body members on a regular basis and on programme related issues, this ensures wider access to information, ideas and expertise and creates greater linkages between the governing body and the full-time staff of the organisation. Yet, there exists complete alienation and distancing in many voluntary organisations between the governing body and the full-time staff. In some voluntary organisations, full-time staff of long standing have not even seen members of the governing body, or ever interacted with them on an ongoing basis. This kind of distancing may not be a healthy practice.

The composition and functioning of the governing body of a voluntary organisation is one of its key internal managerial aspects. This is particularly so because of the formal nature of registration of most organisations as a Society or as a Trust. The Governing Body, under the
Societies Registration Act, is the body to which the management of the affairs of the Society are entrusted in the eyes of the law. The Board of Trustees is the body to which the entire management of a trust are entrusted in the eyes of the law. Historically also governing bodies, by whatever name they are called, have been the most important structural aspects of the functioning of a voluntary organisation. Thus an important aspect of managing the internal affairs of a voluntary organisation is the nature of composition of governing body and its role, and the manner in which it goes about playing those roles.

Most forms of registration represent the governing body as the highest body for policy formulation and decision-making. In general terms a governing body of a voluntary organisation is expected to set-up broad policies regarding the manner in which the organisation will function, its purposes and missions, and its operational strategy. This helps to set up a broad direction of work but does not detail out day-to-day plans and programmes. That is left to the internal staff who work full time inside the voluntary organisation. Another important role of the governing body is to appoint, monitor and supervise senior staff including the chief executive and head of the organisation. Besides, members of the governing body are expected to support the voluntary organisation in the management of its external environment. This support could be in relation to links with donors and other resource providers, links with government functionaries, links with other segments of regulatory mechanisms or links with constituencies of the people with whom the voluntary organisation works. Thus members of the governing body are expected to provide those important links with different segments of the environment.

The general experience suggests that it is advisable to have a governing body which comprises of people who are mostly not full-time staff of the organisation. The executive board should basically perform some overall functions and not meddle with, or spend its time and energy on, day-to-day details of operations. Thus the executive board could play a variety of roles as follows: setting-up overall vision and mission of the organisation; defining broad purposes and goals for a medium term; describing overall operational strategy; laying down broad policies within which development and execution of programmes, recruitment, training and growth of staff, salary, administration, rules of disbursement of funds, etc. are situated; acting as a sounding board to the ideas, plans and programmes developed by the staff; providing wider perspective and information from diverse sources; bringing credibility and recognition to the organisation; providing access to resources from different sources, etc.
Check Your Progress 1

1 What is organisational behaviour in voluntary organisation?
2 Why management is important to run a organisation?
3 What is governing body describe its functions in voluntary organisation?
4 What are the documents to filled in registrar office relating to NGO?

4.6 FINANCIAL PLANNING AND MANAGEMENT

Financial Management

Financial management involves planning, organising, controlling and reporting on the financial resources of an organisation to achieve its goals. Financial management is not just about keeping accounting records. It is an important part of programme management and must not be seen as a separate activity left to finance staff. In practice, financial management is about taking action to look after the financial health of an organisation, and not leaving things to chance. This will involve:

Importance of Financial Management for NGOs

In many NGOs financial management is given a low priority. This is often characterised by poor financial planning and monitoring systems. But NGOs operate in a rapidly changing and competitive world. If their organisations are to survive in this challenging environment, managers need to develop the necessary understanding and confidence to make full use of financial management tools. Good practice in financial management will: help managers to make effective and efficient use of resources to achieve objectives and fulfil commitments to stakeholders help NGOs to be more accountable to donors and other stakeholders gain the respect and confidence of funding agencies, partners and beneficiaries give the NGO the advantage in competition for increasingly scarce resources help NGOs prepare themselves for long-term financial sustainability.

One of the major responsibilities for those involved in managing voluntary organisations is mobilization of resources and their effective utilization. Time and again many people working towards setting up voluntary organisations find that the task of mobilizing resources in order to
implement proposals and programmes planned is one of the most difficult, challenging and time consuming affairs in the country today.

**Managing scarce resources**

NGOs must ensure donated funds and other resources are properly utilised to achieve the organisation’s mission and objectives. Financial management equates to maintenance of a vehicle: if we don’t put in the right fuel and oil and give it a regular service, the functioning of the vehicle suffers and it will not run efficiently. If neglected, the vehicle will eventually grind to a halt and fail to reach its intended destination.

**What is financial control?**

Financial control is a state of affairs that ensures that the finances of an organisation are being properly handled. The concept of financial control is at the heart of financial management. It is achieved by designing systems and procedures to suit the particular needs of an organisation. Without financial control, assets are put at risk, funds may not be spent in accordance with the organisation’s objectives or donors wishes, and the competence of managers and integrity of the organisation may be called into question.

**Getting the basics right**

Good practice in financial management is achieved by designing systems and procedures around the four key "building blocks". These are:

1. **Accounting Records**

   Every organisation must keep an accurate record of all financial transactions that take place so that, as a minimum, it can show how the funds have been used. This is referred to as the **Financial Accounting** function.

2. **Financial Planning**

   to the organisation’s strategic and operational plans, the budget is the cornerstone of any financial management system and plays an integral part in monitoring the use of funds.

3. **Financial Monitoring**

   Management accounts are internal reports produced so that managers can compare the organisation’s progress against the budget and then make decisions about the future.

   Financial statements are produced periodically for outside checkers to
demonstrate how funds have been applied in the past.

4 Internal Controls

Controls, checks and balances — collectively referred to as internal controls — are put in place to safeguard an organisation’s assets and manage risk. Their purpose is to deter opportunistic theft or fraud and to detect errors and omissions in the accounting records. An effective internal control system serves to value and protect those who are responsible for handling the financial affairs of the organisation. Effective financial control will not be achieved by a partial implementation of the building blocks. For example, there is very little point in keeping detailed accounting records if they are not checked for errors and omissions. Inaccurate records will result in misleading information, which in turn could wrongly influence a financial management decision.

Resource Mobilization

Once a voluntary organisation knows what it wants to do and how it wants to do that, it will have some idea of what kind of resources it needs in order to do that. It is important to recognise that the meaning of the word resources is much broader than mere funds and money. This is so because resources include people, competence, skills, techniques and a variety of other contributions in kind, including organisational mechanisms which are essential for effective implementation of any development programme. Thus mobilization of resources as the task of management of voluntary organisations is not merely mobilizing of funds or cash needed to implement certain parts of the programme. Looking at it in a much broader view helps identify the kinds of things, other than cash and money, which are crucial for the effective implementation of the programmes planned and thereby making sure that they are available in the manner, amount, time and location at which they are needed.

Broadly speaking, a voluntary organisation requires three types of resources. First are resources needed for the implementation of its field programmes, planned activities. The second broad type of requirement of resources for a voluntary organisation is what can be called core expenses. These are expenses required for the day-to-day functioning and running of the organisation itself. These, in most cases, include salaries, particularly of managerial and administrative staff, rental, electricity and water charges, stationery, postage, telephones, conveyance, etc. - everything that is needed to make the voluntary organisation functional on a
day-to-day basis, things which need to be done even if a specific project activity is not being undertaken on that particular day.

And thirdly, resources are needed for long-term institution building of a voluntary organisation. These are resources for from typewriters to vehicles to buildings to land to equipment to machinery -a whole range of capital assets are needed in a voluntary organisation.

Resource Utilisation

The second and important component of financial planning and management is effective and efficient utilisation of resources and funds so mobilized for its different programmes and activities. It is important that funds raised are used for the purposes they have been raised, in a manner that is both financially appropriate and legally recommended. For this purpose voluntary organisations need to engage in several types of systematic activities.

Principles of Financial Management

It is useful to identify a series of good practice principles, which can be used as a standard in developing proper financial management systems in an NGO. These principles provide a high-level guide for trustees and senior managers to help them make sure that their organisation is using funds effectively and that staff are working appropriately.

Look upon each of the Seven Principles of Financial Management as goals to work towards.

1 Consistency

The financial policies and systems of an NGO must be consistent over time. This promotes efficient operations and transparency, especially in financial reporting. This does not mean that systems may not be refined to cope with a changing organisation. Inconsistent approaches to financial management could be a sign that the financial situation is being manipulated.

2 Accountability

The organisation must explain how it has used its resources and what it has achieved as a result to all stakeholders, including beneficiaries. All stakeholders have the right to know how their funds and authority have been used. NGOs have an operational, moral and legal duty to explain their decisions and actions, and submit their financial reports to scrutiny.

3 Transparency

The organisation must be open about its work, making information about its activities and
plans available to relevant stakeholders. This includes preparing accurate, complete and timely financial reports and making them accessible to stakeholders, including beneficiaries. If an organisation is not transparent, then it may give the impression of having something to hide.

4 Viability

To be financially viable, an organisation’s expenditure must be kept in balance with incoming funds, both at the operational and the strategic levels. Viability is a measure of the NGO’s financial continuity and security. The trustees and managers should prepare a financing strategy to show how the NGO will meet all of its financial obligations and deliver its strategic plan.

5 Integrity

On a personal level, individuals in the NGO must operate with honesty and propriety. For example, managers and Board members will lead by example in following policy and procedures and declare any personal interests that might conflict with their official duties. The integrity of financial records and reports is dependent on accuracy and completeness of financial records.

6 Stewardship

An organisation must take good care of the financial resources it is entrusted with and make sure that they are used for the purpose intended – this is known as financial stewardship. The governing body (e.g., the Board of Trustees) has overall responsibility for this. In practice, managers achieve good financial stewardship through careful strategic planning, assessing financial risks and setting up appropriate systems and controls.

7 Accounting Standards

The system for keeping financial records and documentation must observe internationally accepted accounting standards and principles. Any accountant from anywhere around the world should be able to understand the organisation’s system for keeping financial records.

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**Expenditures and Incomes**

According to the budget prepared and the funds obtained, voluntary organisations must periodically and regularly monitor expenditures under various budgeted heads so as to make sure that these expenditures are in line with the budget, and that any variance from the budgeted amount is understood, explained, and acted upon such that there is no sudden or an unexpected shortfall of these resources later in the period.
Similarly, projected income according to the budget and the commitments of the donors have to be regularly monitored. Many a times, donor agencies have to be sent reminders for release of second and subsequent installment, and this is possible only if the budgeted income is regularly and periodically monitored. Thus monitoring of incomes and expenditures according to the budget, and revising the budget in the light of new information and developments is an important financial management exercise for voluntary organisation  

**Accounts-Keeping**

Proper and systematic accounts-keeping is a major requirement in voluntary organisations. This is a statutory requirement under the Societies Registration Act, The Trust Act, The Income Tax Act, The Foreign Contribution (Regulation) Act and a host of other legislations. Maintaining proper accounts in a double entry format with properly written cash books, ledgers, journals and subsidiary books like asset register, postage register, purchase and sale registers, etc. is crucial not only to ensure proper information and recording about various financial transactions, but also to meet various legal and statutory requirements. Periodic monitoring of accounts-keeping systems through trial balances and preparations of final statements of accounts like Income and Expenditures Statement, Receipt and Payment Statement and Balance Sheet, and timely and complete audit of these accounts is an important part of the requirement of proper accounts-keeping in voluntary organisations.

**Accounting Keeping Golden Rules**

- Record everything that you do. You must preserve an ‘audit trail’. That means that another person must be able to follow all of your accounts just from what you have recorded, with no additional explanation.
- Be organised. Make sure that all documents are properly filed, and all procedures properly followed.
- Be consistent. If you do things one way in one month, then do them the same way in the next month (unless there is a good reason for changing them).
- Keep on top of the books. Do not let them go for more than a week without making sure that they are up to date. Fill in all the proper books as the transactions happen: do not let a backlog build up.
- Do not get stuck on one point. If one thing is being very difficult, then make a simplifying assumption that will allow you to move on. Make a note of it, and discuss it with
your manager or an accountant as soon as possible.

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**Budget**

‘A budget describes an amount of money that an organisation plans to raise and spend for a set purpose over a given period of time.’

A budget has several different functions and is important at every stage of a project:

**Planning**

A budget is necessary for planning a new project, so that managers can build up an accurate idea of the project’s cost. This allows them to work out if they have the money to complete the project and if they are making the best use of the funds they have available.

**Fundraising**

The budget is a critical part of any negotiation with donors. The budget sets out in detail what the NGO will do with a grant, including what the money will be spent on, and what results will be achieved.

**Project implementation**

An accurate budget is needed to control the project, once it has been started. The most important tool for on-going monitoring is comparing the actual costs against the budgeted costs. Without an accurate budget, this is impossible. Because plans sometimes change, it may be necessary to review the budget after a project has started.

**Monitoring and evaluation**

The budget is used as a tool for evaluating the success of the project, when it is finished. It helps to answer the question: ‘Did the project achieve what it set out to achieve?’

**Why Keep Accounts?**

Good financial records are the basis for sound financial management of your organisation:

**Information**

All organisations need to keep records of their financial transactions so that they can access information about their financial position, including: A summary of Income and Expenditure and how these are allocated under various categories. The outcome of all operations – surplus or deficit, net income or net expenditure. Assets and Liabilities – or what the organisation owns and owes to others.

**Credibility**
NGOs especially need to be seen to be scrupulous in their handling of money – keeping accurate financial records promotes integrity, accountability and transparency and avoids suspicion of dishonesty.

*Legal requirement*

There is often a statutory obligation to keep and publish accounts and donor agencies almost always require audited accounts as a condition of grant aid.

*Future planning*

Although financial accounting information is historical (ie happened in the past), it will help managers to plan for the future and understand more about the operations of the NGO. With information spanning two or three years, it is possible to detect trends.

*The Budgeting Process*

The process of preparing a meaningful and useful budget is best undertaken as an organised and structured group exercise. The budget process involves asking a number of questions:

- What are the objectives of the project?
- What activities will be involved in achieving these objectives?
- What resources will be needed to perform these activities?
- What will these resources cost?
- Where will the funds come from?
- Is the result realistic?

Once the budget has been agreed and the activity implemented, the process is completed by comparing the plan (budget) with the eventual outcome (‘actual’), to see if there is anything we have learnt or could do differently next time.

The budgeting process is one we go through almost on a daily basis without even realising, as the example below demonstrates.

*Good Practice in Budgeting*

*Clarity*

Since many different people will need to use the budget for different purposes, they should be able to understand it (and adapt it, when necessary) without any additional explanation beyond what is written down. Clarity and accuracy is key so it is important to keep notes on budgeting assumptions and how calculations have been made.
**Timetable**

There are several stages involved in constructing a budget before it can be submitted for approval to the governing body, so it is a good idea to prepare a budgeting timetable and commence the process early. This could be up to six months before the start of the financial year, depending on the size of the organisation and what approach has been adopted.

**Budget Headings**

When setting a budget for the first time or when reviewing a budget, it is important to pay attention to the Chart of Accounts. This is because the budget line items also appear in the books of account and on management reports. If the budget items and accounting records are not consistent then it will be very difficult to produce monitoring reports once the project implementation stage is reached. One way of achieving consistency is to design a Budget Preparation Sheet for your organisation, which will act as a memory-jogger and prompt staff to include all relevant costs. It will list all of the main types of income and expenditure that a project or department might have in a typical year.

It is important to be able to justify calculations when estimating costs. Even if you use the incremental method of budgeting, do not be tempted to simply take last year’s budget and add a percentage amount on top for inflation. While last year’s budget could be very helpful as a starting point, it could also be very misleading and contain historical inaccuracies.

**Records to Keep**

Every organisation should keep files of the following documents to support every transaction taking place:

- Receipt or voucher for money received
- Receipt or voucher for money paid out
- Invoices – certified and stamped as paid
- Bank paying-in vouchers stamped and dated when money is taken to the bank
- Bank statements
- Journal vouchers – for one-off adjustments and non-cash transactions.

With these documents on file it will always be possible to construct a set of accounts.

Other useful supporting documents include:

Payment Vouchers (PVs)
Local Purchase Orders (LPOs)
Goods Received Notes (GRNs)

What makes a good budget?

- Anyone could pick it up and use it to manage their activities:
- Easy to read
- Calculations are clear
- Fully-costed, justified and accurate
- Explanatory notes are provided
- Suitable for purpose:
- Appropriate level of detail for the user

Books of account

The minimum requirements for books of account are:

**Bank (or Cash) Book** for each bank account

**Petty Cash Book**

Keep separate files for receipts for money coming into the organisation and money going out. Mark invoices ‘paid’ with the date and cheque number to prevent their fraudulent re-use by an unscrupulous person. Well maintained files provide invaluable information to the organisation such as the trends in price increases, details of equipment purchased, past discounts, etc.

**Bank Reconciliation**

The Bank Book should be checked with the bank’s records – the bank statement – at least once a month. This is called the bank reconciliation. The purpose of this process is to make sure that the organisation’s own records agree with the bank’s records and to pick up any errors made by the bank or the organisation. A bank reconciliation involves taking the closing bank statement balance for a particular date and comparing it to the closing Bank Book balance for the same date. If there is a difference between these two closing balance figures, the difference must then be explained. In practice, there will almost always be a difference because of timing delays, such as: Money paid into the bank which is not yet showing in the bank’s records Cheques issued to a supplier but not yet banked by the supplier Bank charges and bank interest which get added to the bank statement by the bank periodically Errors either made by the bank or when recording entries in the Bank Book.

**Petty Cash Book**

Petty cash records are kept in a similar way to the Bank Book records. As both sets of
figures will eventually have to be combined to produce financial reports, it makes sense to set out the books in a consistent manner. The Petty Cash Book can either be kept in a loose leaf or bound book format. It does not however, require more than one analysis column on the Receipts side because the only money that is paid into petty cash is the float reimbursement. The Petty Cash Book will also require fewer analysis columns for payments because petty cash will not (usually) be used to pay for larger items such as salaries, office rent, etc.

_The Balance Sheet_

The balance sheet is a list of all the assets and liabilities on one particular date and provides a ‘snapshot’ of the financial position of an organisation.

_Fixed assets_

These are the tangible, long-term, assets such as buildings, equipment and vehicles, having a value lasting more than one year. Fixed assets are shown on the balance sheet after an allowance for wear and tear – or depreciation – has been made

_Current assets_

These are the more ‘liquid’ assets such as cash in the bank, payments made in advance and stocks. These, in theory at least, can be converted into cash within 12 months. Liabilities are also divided into current liabilities and long-term liabilities. _Current or short term liabilities – including outstanding payments, and short-term borrowings – ie those having to be paid within 12 months. _Long-term liabilities such as loans that need to be paid after 12 months. (However, for NGOs such borrowings are not common.)

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<td>3 What is book account?</td>
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_INSTITUTION AND CAPACITIES BUILDING_

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Voluntary organisations in the country have enlarged the scope of their contribution and the dimensions of their role over the last six decades. The contribution of voluntary organisations in the ongoing process of people-centered development could imply a long-term role for the entire cluster of voluntary organisations in the country. The question, therefore, is whether voluntary organisations are preparing themselves to play these long-term roles in ways that can ensure that policies and programmes of rural and urban development in the country remain people-centred.

It appears that the task before each voluntary organisation and a cluster of them is to engage in serious planning and thinking about institution-building. It is important that voluntary organisations are viewed as long-term entities, geared to play a long-term role. Institution-building is not merely acquisition and creation of physical infrastructure. It may include that, but it is much more than that. At the core of institution-building in voluntary organisations is the question of the culture of the institution and its philosophy. The challenge for the management of a voluntary organisation is to continuously articulate a philosophy of managing the institution which is consistent with its vision and mission, and at the same time is able to cope with the diverse demands of multiple constituencies and the forces of diversity and complexity from within. It is important that the process of managing voluntary organisations does include the perspective of institution-building, and thereby its philosophy is futuristic, focussing on long-term building of the institutional capacities in organisations, and not merely short-term firefighting and solving urgent problems.

Building of an institutional culture is enshrined in the values cherished by the voluntary organisation - values of openness, sensitivity, competence, integrity, participation, mutual support, team work, continuous growth and development of people, etc. Whatever may be the cherished values of a given voluntary organisation, the challenge for the process of managing it lies in taking steps which help build an institutional culture that is based on those values, that reflects those values, and that helps maintain the practice of those values. These values must be the ones which are cherished by members of the organisation themselves and thereby provides the basis for building a common culture inside the institution. The question of the creation of culture is a question of creating norms, rules, procedures, systems, practices which are reflected in the way the physical infrastructure is designed and maintained, the manner in which people
inside the organisation relate to each other, the manner in which they relate to those coming from outside, the manner in which the old ones deal with the newcomers, the manner in which women and men relate to each other, the manner in which multiple castes, religions and cultures, differential educational qualifications and social status intermingle in the institution's daily functioning and contribute towards accomplishment of its larger purpose. Building a strong culture is part of the task of institution-building, because it is the culture which then provides the continuity; it provides the forces of socialisation for new entrants, it provides the basis for movement from one phase to another in the life of the institution. Thus the challenge for the process of managing a voluntary organisation is the task of management of its culture, its imagery, its symbols, norms, rules, procedures, systems.

The third aspect of institution-building is the issue of building capacities in voluntary organisations. Capacities need not be merely technical which are immediately relevant to the tasks at hand. Capacity-building in a voluntary organisation entails building those capacities which may be called upon and demanded in the future, even though they are not being used in the present. Capacity-building also entails building all-round holistic competencies in all the members of the organisation such that they are able to play multiple roles and continuously grow and develop themselves. Capacity-building in a voluntary organisation also entails a capacity to cope with the forces of growth and change as they affect an organisation. The task of management of voluntary organisations, therefore, also is the task of managing its capacity-building efforts. Included in this is of course the most important competence and capacity to continuously renew itself. A voluntary organisation must have this capacity for ongoing renewal mechanisms, processes and competences needed to review, reflect, revise and renew the structures and processes, the vision and the mission, the goals and the purposes of the organisation. If a voluntary organisation does not possess this capacity to renew itself continuously, it may lag behind its times, it may become out-moded, out-dated and ineffective in a contemporary sense. It is perhaps this task of ongoing renewal which is a crucial factor in the overall process of institution-building in a voluntary organisation.

Capacity building of NGOs has gathered growing recognition from policymakers, grant-making bodies and international development agencies in recent years. It rests on the principle that investing in the human and social capital of marginalised individuals and groups enables
them to develop the capacities needed to thrive, and to play an autonomous role in developing and renewing their communities.

There is need for capacity building of VOs to understand the changing paradigm of service delivery and expectations. At present, the scope of capacity building exercises is limited and sporadic in nature, dependent largely on individual organizational objectives and availability of funds. Capacity building needs related to the spheres of governance, management and accreditation, fundraising, financial management and financial stability, self-esteem, networking, recruitment of human resource and volunteers, training and empowerment of workforce, evaluation, monitoring and quality maintenance, new procedures and frameworks like information technology, legislation & amendments, and other state, regional, nation and international-specific issues. Small VOs in particular often neither has the time nor the knowledge to build the above mentioned capacities. The process of building a learning capacity into their organizational culture or practice is also limited. Ultimately this hampers their institutional development. Conversely, many small VOs appreciate the opportunity to enrich the professional qualities of their staff and by extension their programmes as they deepen their investment in becoming “doing/reflecting-thinking/learning organizations” while still retaining the realism of practitioners. This is one invaluable area of capacity building that can be facilitated by the right kind of external agency/institutional framework. Capacity building requires time, effort and money to be effective.

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Capacity building ‘seeks to strengthen targeted human resources (managerial, professional and technical), in particular institutions, and to provide those institutions with the means whereby these resources can be marshalled and sustained effectively to perform planning, policy formulation, and implementation tasks throughout government on any priority topic. Capacity building as characterised by three main activities: ‘skill upgrading – both general and job-specific; procedural improvements; and organizational strengthening’. Skill enhancement refers to general education, on-the-job training and professional strengthening of skills such as policy analysis. Procedural improvements refer to context changes or system reforms. Organisation strengthening covers the process of institutional development.

Definitions of capacity

Capacity is defined as the ability of individuals and organisations or organisational units to perform functions effectively, efficiently and sustainably. This implies that capacity is not a passive state but part of a continuing process and that human resources are central to capacity development. Capacity Building a term that is often used to express the process of shorter term institution building or training at individual, institutional or systemic levels. The issue remaining in developing countries is the sustainability of the results.

Capacity is defined as ‘the ability to perform appropriate tasks effectively, efficiently and sustainably, elements of capacity are:

Specified objectives, including vision, values, policies, strategies and interests

Efforts, including will, energy, concentration, work ethic and efficiency

Capabilities, including intelligence, skills, knowledge and mental sets

Resources, including human, natural, technological, cultural and financial

Work organisation, including planning, designing, sequencing and mobilising

The overall context within which organisations undertake their functions are also key considerations in capacity development. Capacity is the *power* of something (a system, an
organisation, a person) to perform or to produce. *Capacity development* is a concept which is broader than organisational development since it includes an emphasis on the overall system, environment or context within which individuals, organisations and societies operate and interact (and not simply a single organisation). In the case of development programmes, it includes a consideration of all factors which impact upon its ability to be developed, implemented and the results to be sustained. Of special concern to development planners and to situations where there are limited resources is the need to build on what exists—to utilize and strengthen *existing capacities*, rather than to start from scratch.

There is a close relationship between human resource development and capacity development; there is an evolving relationship between training and capacity development; effective capacity development requires sustained attention over a longer period of time; capacity development attempts to move beyond administrative techniques and beyond projects; and capacity development attempts to accelerate interaction between organisations and their environment. In this sense, capacity development becomes a more complex concept than that of inputs, which is the concept most widely spread in the donor community. It refers to the approaches, strategies and methodologies used by national actors and/or outside interveners to help organisations and/or systems improve their performance.

*Assessing Organization Needs*

A key component of any endeavor to build a quality core of personnel is an honest assessment of current and future internal needs and external influences. Leaders and managers of nonprofit organizations should study workload history, trends in the larger philanthropic community, pertinent changes in the environment in which they operate (layoffs, plant closings, introduction of a new organization with a similar mission, legislative developments, etc.), personnel demands associated with current and planned initiatives, operating budget and costs, and the quality and quantity of the area worker pool, both for volunteer and staff positions.

Individuals operate within organisations, individual organisations operate within a wider sector, and these sectors operate within a broader environment. Interventions at one level need to recognise the interactions with other levels:

*Individual level:* refers to individuals as social or organisational actors. Their skills or ability are strengthened to contribute to the realisation of development objectives. Yet, too often capacity-building projects have focused on training of individuals without paying adequate
attention to organisational issues or broader processes of empowerment. Learning over the past
decade suggests that this type of investment is at risks of being of limited benefit.

*Organisational level:* focuses on organisational structures, processes, resources, and
management and governance issues. This has been the preferred point of entry for bilateral
donors. Yet, capacity building not only is about a thorough analysis of issues at the
organisational level, but also is an assessment of how factors at other levels either constrain or
support organisational change. Organisations are only part of the vast development picture.

*Sector/network level:* capacity-building efforts have recently focused on this level,
reflecting an increased awareness of the importance of coherent policies, strategies and effective
coordination within and across sectors. Yet, change at this level poses challenges such as
competing organisational priorities, lack of coordination, and lack of organisational capacity. On
the positive side, change at this level can contribute to synergies and promote more effective use
of existing capacities.

*Enabling environment level:* this represents the broader context within which the
development process takes place and which can either constrain or enable prospects for success.
Change here takes place over a long term.

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<th>Box 1: Principles for capacity development</th>
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| • **Don’t rush:** capacity building is a long-term process. It avoids delivery pressures, quick
  fixes and the search for short-term results. |
| • **Respect the local value system and foster self-esteem:** the imposition of foreign values
  can undermine confidence. Capacity builds upon respect and self esteem. |
| • **Scan locally and globally:** reinvent locally: there are no blueprints. Capacity building
  draws upon voluntary learning, with genuine commitment and interest. Knowledge cannot be
  transferred; it needs to be acquired. |
| • **Challenge mindsets and power differentials:** capacity building is not power neutral, and
  challenging mindsets and vested interests is difficult. Frank dialogue and a collective culture
  of transparency are essential steps. |
| • **Think and act in terms of sustainable capacity outcomes:** capacity is at the core of
  development; any course of action needs to promote this end. |
• **Establish positive incentives**: motives and incentives need to be aligned with the objective of capacity building, including through governance systems that respect fundamental rights.

• **Integrate external inputs into local needs**, priorities, processes and systems: external inputs need to correspond to real demand and be flexible enough to respond to local needs and agendas. Local systems should be reformed and strengthened, not bypassed.

• **Build on existing capacities rather than creating new ones**: this implies the primary use of local expertise, revitalising and strengthening of existing institutions.

• **Stay engaged under difficult circumstances**: the weaker the capacity, the greater the need.

• **Remain accountable to ultimate beneficiaries**: any responsible organisation/partnership is answerable to the people it affects, and should foster participation and transparency as the foremost instruments of accountability.

  *Source*: Adapted from Lopes and Theisohn (2003).

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**Dimensions of Capacity at the Systems Level**

*Policy Dimension*: systems have a purpose, they exist to meet certain needs of society or a group of entities. Also included are value systems which govern the entities within the system.

*Legal/Regulatory Dimension*: includes the rules, laws, norms, standards which govern the system—and within which a capacity initiative is to function.

*Management or Accountability Dimension*: defines who manages the system, and which entities or stakeholders function the system. From a capacity development perspective, this would identify who is responsible for potential design, management and implementation, coordination, monitoring and evaluation, and all other related capacities at the systems level.

*Resources Dimension*: (human, financial, information) that may be available within the system to develop and implement the programme and/or the capacities.

*Process Dimension*: the inter-relationships, interdependencies and interactions amongst the entities, including the fact that these may comprise subsystems within the overall system. This includes the inter-relationships amongst entities in terms of the flow of resources and information, formal and informal networks of people, and even supporting communications infrastructures.
Dimensions of Capacity at the Entity Level

Mission and strategy: include role; mandate; definition of services; clients/customers served; interactions within the broader system and “stakeholders”; the measures of performance and success; and the presence of core strategic management capacities.

Culture/Structure and Competencies: include organisational and management values, management style, and standards, organisational structures and designs, core competencies.

Process: (internal and external to the entity) supporting such functions as planning, client management, relationships with other entities, research/policy development, monitoring and evaluation, performance/quality management, financial and human resources management, etc. Processes are central to improved capacities.

Human resources: the most valuable of the entity’s resources and upon which change, capacity and development primarily depend.

Financial resources: both operating and capital.

Information resources: of increasing importance, and how these resources (all media, electronic and paper) are managed to support the mission and strategies of the entity.

Infrastructure: physical assets (property, buildings and movable assets), computer systems and telecommunications infrastructures, productive work environments.

Personnel Management and Training

Personnel Management implies people-related aspects-, issues of recruitment, orientation, training, placement, evaluation, development and compensation of staff of voluntary organisations. The major questions in personnel are: How do we select people? How do we recruit them? What is the criteria for selection? What is the process? After we have recruited people, how do we orient them to the visions, purposes, mission and tasks of the organisation? How can we carry out continued orientation to build sustained commitment?

The next set of questions relates to placement of people inside the organisation. How do we assign tasks and roles to different categories of staff and different individuals? Is it merely a question of their interest or a question of competence? Are roles selected by the staff themselves or they are assigned, or both? What kind of continuous training and self-development of staff is needed that not only helps them to perform their current roles more effectively but also to build them and their potential to take on more responsibilities and play more important roles inside the
organisation in future? How do we build multiple competencies among individual contribution to tasks assigned to them? How do we evaluate their potentials for higher contribution? How can evaluation be used to help them grow and develop? What are the principles and policies for compensation to staff? On what basis are the norms of work, leave, salaries, benefits, other allowances, use of resources of the organisation, etc. to be established? Are these governed by different laws and regulations? Are they evolved by the staff themselves or by both? These are the central questions in respect to the issue of the people inside the voluntary organisation.

Another set of questions relate to the creation of a climate of interpersonal relations and quality of interactions which is consistent with the purposes and the mission of the voluntary organisation. It is these kinds of issues which need to be addressed as part of the managing process of a voluntary organisation. This is the management function. By and large, most voluntary organisations have two broad categories of staff. One category is field staff or animator staff who are largely local people who have been trained to play animator and field organiser roles. While it is difficult to find committed persons who are willing to play this role on a sustained basis, their recruitment, orientation, training, placement and compensation requires careful and planned attention.

There is a need to clarify personnel policies with respect to all categories of staff. Yet, this is found most difficult in respect of the second category of staff who are professionally trained and have a set of skills needed to conduct and coordinate, variety of programmes /activities. These are the people who can write proposals, conduct training programmes, do documentation, coordinate programmes voluntary organisations practice elaborate selection mechanisms. A new, potential entrant is placed in the field for a short period, group discussions and interviews with several staff are held, a written test is conducted and the entrant is kept on probation for a short period of time before he/she joins the organisation as a full-time staff. It is generally accepted that an elaborate selection procedure is necessary in order to avoid pains of constant turnover, either through volition or compulsion.

Similarly, the question of initial and continuous orientation of new staff also needs attention. By and large, it is accepted that newcomers need to be continuously, formally and systematically oriented into the history and philosophy of the organisation, its previous and early years, the manner in which it has reached where it has reached, etc. In the absence of this, the newcomers do not share the history, the vision, the pains and pleasures of its early years as some
other older staff do, and, therefore, are unable to understand the organisation in its entire perspective.

A training plan should address the organization goal from the initial process of analyzing the specific needs all the way through to the delivery and evaluation of the training plan. Therefore, the aim of TNA survey is to find the expressed needs of training at work from the staff themselves.

Another related issue is one of continuous upgradation of the competence and skills of the staff through staff development and training programmes. Very few voluntary organisations make systematic plans for this, particularly planning for staff time, for their own growth, and for resources to support that growth. Most of us in the voluntary sector plan our staff time which overstretches the involvement in the work of the organisation such that very little time and very little resources in our budgets are available for the learning, growth and development of the staff. Voluntary organisations must implement this principle of continuous peoples' development as it applies to their staff in a concerted way, and this may perhaps prove to be one of the major motivating forces for the members of such organisations.

The performance evaluation of the staff of voluntary organisations is another issue. There is need to have well-defined, formalized job descriptions, particularly in larger voluntary organisations. Most organisations do not systematically engage in performance evaluation. While reflection and evaluation of the work of the organisation as a whole is a more common practice, that of its individual staff members in a formal and systematic way is not. In the absence of formal job descriptions and role responsibilities, this kind of systematic and periodic performance evaluation also becomes very difficult to carry out. It is in this context that the need to broadly articulate a cluster of jobs at different levels of responsibilities in the organisation is emphasised, and the creation of a system of performance evaluation reiterated.

There is no single approach, set of actions or purpose which constitutes capacity building. Capacity building should be understood as a whole range of ideas, approaches and development interventions. It goes from purely technical input (e.g. training) via organisational development (focusing on an organisation’s systems and physical assets, but also on its people, its culture and its ability to plan for the future) and institutional development (the strengthening of links and development of the environments within which organisations exist) to a broader process involving individuals and communities in poor countries, strengthening and building their
understanding and knowledge of their own needs, entitlements and rights, and enabling them to organise themselves to respond to this understanding.

Check Your Progress 3

What do mean by institution building in voluntary agency

What is capacity building in voluntary agency and define the capacity building?

Describe role of personnel management voluntary agency?

How training play important role in capacity building of a organisation?

Let us sum up

An NG0 is a non-profit organisation that provides social services at the local level. Although management can be interpreted differently, most people acknowledge that it is a process of different activities: planning; organising; leading and coordinating. All these activities are equally important and should be carefully studied. For management in NG0s to be effective it is important for the manager to be well prepared and aware of her/his functions. The main task of a manager is to coordinate all the different activities of the management process successfully. Management is a difficult skill and might take years to master. It is never easy and can also be quite lonely sometimes. One might not be popular if s/he is a good manager, but one will ensure that your organisation meets its goals. NG0s have an important role to play when it comes to strengthening democracy. Effective management will ensure stronger NG0s and, therefore, stronger democracies. An NGO’s performance is how well it contributes to other people’s efforts to improve their lives and societies. NGOs can make a big contribution to people’s own efforts. Training is a vital component of successful organization management. But many NGOs managers fail to recognize that training initiatives should be built for all members of the organization, not just those who are salaried employees. Specialized training should be designed for every person in the organization, including board members and volunteers.
Questions

1. Define the organisational behaviour and management in the context of voluntary agencies?
2. What is the role of governing body of voluntary agency?
3. What are the necessary documents to be maintained by voluntary agency?
4. Explain the need and importance of financial planning and management in voluntary organisation?
5. What are the principles and necessary steps of proper financial management in NGO Sector?
6. What is the need and importance of capacity building in voluntary agency?
7. Describe the importance of human resources management and role of training in capacity building process of voluntary agency?

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**Useful Websites and Web Resources**

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UNIT-5  FUND RAISING

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“Fundraising is a science. But its rules are more like a rainbow than a formula. You need to paint with the most delicate shades of colours and moods. You will surely become a success if you paint with love and friendship.”

Ekaterina Kim,

5.1 Aims and Objectives

This lesson provide information on various aspects of funds raising for NGOs. The unit intended to provide knowledge and skill to raise the resources for NGO, private as well as government resources and also international financial resources.
5.2 Introduction

Resource mobilisation and their effective utilization is one of your major responsibilities while managing a voluntary organisation. Generally the word ‘resource’ implies an asset, available money, people, competence, skills, techniques, organisational mechanism, property and real-estates etc. which can be mobilised for effective functioning of the organisation. Besides financial resources, the type of resources required for voluntary action include material, human resources, including availability of the requisite expertise, administrative and managerial capabilities, technical knowhow and the basic infrastructural facilities. In other words, ‘resource’ refers to anything of value that can be used as an ‘input’ for a project.

But the meaning of the word ‘resource’ is much broader than just funds and money to implement certain parts of the programme. It is so because NGO require various kinds of things, other than cash and money, which is crucial for the effective implementation of the programme planned and thereby making sure that they are available in the manner, amount, time and location at which they are needed. Thus every organisation needs to ensure the mobilisation of resources is in such a manner that it can cover its current operational cost and planned projects, not only in the immediate future, but also in the longer run.

The NGOs mobilise resources from two broad sources i.e., internal and external sources. Historically, voluntary organisations acquired funding from diverse sources: non-institutional and institutional sources. In the pre-independence era, the communities pooled their resources to help those affected in contingencies. Philanthropists came forward with their ardent belief in dhana dharma and contributed much to voluntary action. In the post-independence era, non-institutional funding in the form of donations from the community has decreased dramatically. The advent of state welfarism and electoral politics in the post-independence era has changed the sensibility of the community and people gradually withdrew as the government support came in to take initiatives to build and sustain their own institutions. In addition, an unprecedented rural de-population through city-ward migration has also reduced the mobilised community resources by the grass-root level NGOs and they have gradually lost their popular support base and have become increasingly dependent on the political and government supports.
The flow of government funds through the introduction of Grants-in-aid since the early 1950s and the flow of foreign funds to the voluntary sector since late 1960s, made the VOs over-dependent on external sources rather than relying on the resource mobilisation internally. The sector now faces the basic dilemma that on one hand, the growing social and economic problems and developmental challenges require huge resources including financial, material and human resources which the sector can not mobilise without external support. On the other, the over-dependence on government funding which has greatly affected the independence, autonomy and integrity of the voluntary organisations.

The need for more community participation in development, the ever-growing socio-economic problems, failure or ineffectiveness of the state to meet the growing needs and challenges on one hand, and the declining popular support base of voluntary organisations and the growing need for voluntary action in supplementing the governmental efforts in development on the other, have led to an increasing interdependence between the government and the NGOs. Complexities involved in social and economic issues, technological advancement, the emerging multi-dimensionality in the process of development, greater stress on high quality and efficiency in the execution of programmes, together have created the demand for greater professionalism, a strong financial base and financial sustainability and techno-managerial capabilities in the voluntary sector. This in turn has led to the need for greater mobilisation of resources including the human, material, financial and technical resources in the voluntary sector.

5.3 RESOURCE MOBILISATION FOR THE NGO

The basis for mobilizing resources has to be the detailed planning of the programmes and the proposals which build on that. Once a voluntary organisation knows what it wants to do and how it wants to do that, it will have some idea of what kind of resources it needs in order to do that. Thus mobilisation of resources as the task of management of voluntary organisations is not merely mobilising of funds or cash needed to implement certain parts of the programme. Looking at it in a much broader view helps identify the kinds of things, other than cash and money, which are crucial for the effective implementation of the programmes planned and thereby making sure that they are available in the manner, amount, time and location at which they are needed.
Broadly speaking, a voluntary organisation requires three types of resources. First are resources needed for the implementation of its field programmes, planned activities, etc. These are the activities which the voluntary organisation undertakes in order to implement the overall programme planned.

The second broad type of requirement of resources for a voluntary organisation is what can be called core expenses. These are expenses required for the day-to-day functioning and running of the organisation itself. These, in most cases, include salaries, particularly of managerial and administrative staff, rental, electricity and water charges, stationery, postage, telephones, conveyance, etc. - everything that is needed to make the voluntary organisation functional on a day-to-day basis, things which need to be done even if a specific project activity is not being undertaken on that particular day.

And thirdly, resources are needed for long-term institution building of a voluntary organisation. These are resources for building a physical infrastructure and other capital assets from typewriters to vehicles to buildings to land to equipment to machinery -a whole range of capital assets are needed in a voluntary organisation.

It is useful to distinguish between these three types of resources needed, in order to identify which sources are able to provide these types of resources. In the following section, various broad categories of sources available for mobilizing resources for voluntary organisations are mentioned. However, for more detailed information about guidelines, formats etc. of each of these categories, voluntary organisations will have to acquire these elsewhere.

**Consideration for People to Contribute**

There are three main reasons which motivate groups or individuals to give: namely (a) religious, (b) social, (c) personal. Let us now look at each of these three aspects separately:

Religious: A historical understanding of ‘giving’ finds its roots in its theological, ethical, and socio-economic facets. The Vedic notion of daana, the Christian notion of charity, the Islamic doctrine of zakaat and the idea of philanthropy and altruism point to the universal validity of giving as a primary socio-religious need. These may be further analyzed as:

- Giving donation is considered as Punya in all religions.
- Many religions suggest that it is a duty to support those in need or who are less fortunate.
- To attain Moksha reward in next birth in memory of dead person.
- As a memorial, people often give to commemorate someone who has died or to celebrate an
anniversary or birthday. In such circumstances, it is possible to arrange that a gift be given annually on the same day each year.

- To please God and Goddesses.
- To expiate the sin committed in past.
- Guilt of sin encourages the donor to give in the hope that the problem will go away.
- To get blessings from the beneficiaries. Social:
- To help the needy is our civic duty.
- Feel pity for the downtrodden. Knowledge of the conditions under which downtroddens are living, motivates the person to give.
- When a person visits the organisation, he feels like giving something to the organisation.
- To enable people to exercise their potential.
- To preserve and enhance democratic Government and institutions.
- To make communities a better place to live.
- To discover new frontiers of knowledge. Personal considerations:
- Tax benefits on gifts made for charitable purpose. Tax is not usually the prime motivation for giving, but it can be an important factor in encouraging people to give more generously.
- To enhance one’s reputation in society and get recognised.
- To perpetuate one’s name or name of one’s ancestors.
- To please friends and relatives who are connected with the organisation.

CHECK YOUR PROGRESS

Give the list of various types of resources needed for NGO

I)

II)

III)

IV)

What are the local resources available?

5.4 BASIC PRINCIPLES AND METHODS FOR FUND RAISING

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Five important principles for acting as a fund raiser:

**Honesty:** Fundraisers shall at all times act honestly and truthfully so that the public trust is protected and donors and beneficiaries are not misled.

**Respect:** Fundraisers shall at all times act with respect for the dignity of their profession and their organisation and with respect for the dignity of donors and beneficiaries.

**Integrity:** Fundraisers will act openly and with regard to their responsibility for public trust. They shall disclose all actual or potential conflicts of interest and avoid any appearance of personal or professional misconduct.

**Empathy:** Fundraisers will work in a way that promotes their purpose and encourage others to use the same professional standards and engagement. They shall value individual privacy, freedom of choice, and diversity in all forms.

**Transparency:** Fundraisers stimulate clear reports about the work they do, the way donations are managed and disbursed, and costs and expenses, in an accurate and comprehensible manner.

5.4.1 Basic prerequisite for fund raising

**Know Your Organization:**

You should be very clear about what your NGO is, why it is doing the work that it does, and what it hopes to achieve. If you don't already have a statement of your NGO's overall mission and specific aims, write them down. Often, you will have only five minutes to make an initial presentation, or a potential funder will decide in the first five minutes of your presentation whether or not your NGO should be funded, so rehearse your message!

**Know the Potential Donor**

Research a potential donor's areas of interest, what kinds of organizations it has funded in the past, what kinds of support it's provided (financial or in kind donations of equipment, space, or staff time) and what it wants to achieve with its support. And, very importantly, know the potential donor's requirements for funding proposals and apply only if you are absolutely sure that you can fulfill them.
If you do not know the funder's details for any of the above criteria, and cannot find the information on the organization's web site, ask the potential donor for clarification.

Use this information in your proposal, showing how your NGO's work fits into the potential donor’s funding focus. This often impresses donors, to show that you have done research on them and know the focus of their previous funding activities. Many donors have their own formats for proposals. If you are thinking about approaching a particular donor, always find out first if they accept uninvited applications and if they have a format. There's nothing worse than spending all that effort on a great proposal, only to find out they won't accept it, as it does not fit in their area of focus!

**Credibility-Building**

A clear, complete, easy-to-use web site -- It's not essential that your organization have a web site in order to attract funding, but it will help in your efforts if you do. Demonstrate That You Are Not a One-Person Organization - Donors are reluctant to fund one-person organizations. Even if the NGO has just one employee, and that employee happens to also be the founder, your organization should also involve many local volunteers, and these local volunteers should have a voice in what the NGO does, and how it works. Your written communications should demonstrate that many different people are involved in the decision-making and management of the NGO. Provide the names of people who serve on the NGO's advisory board -- this may be, for instance, parents of children your organization provides services for, who help your organization make decisions about programs and strategies.

People prefer to give to organizations and causes that they have heard of. This means that the organisation's credibility and good public relations are extremely important. Press coverage of your work, trumpeting your successes in the newsletters you send to supporters, getting endorsements about the quality of your work from experts and prominent figures can all encourage people to realise the importance of what you are doing and have the confidence that you are doing a worthwhile and successful job -which makes it much easier for them to support.

**Quality in Communications**

This means written communications from your NGO stress the activities your organization undertakes successfully, and details the results the organization has achieved. The communications stress successes and the difference the organization makes in its community. All of the NGOs printed materials, emails and web sites are free of spelling errors, and are clear and easy to read.
the NGO may look unprofessional to potential supporters, who are usually unwilling to fund an organization that seems as though it cannot manage basics in communication.

**Understanding the donor's viewpoint**

In making a decision to give, a whole range of feelings and thoughts may be aroused in the donor. It is important for the fundraiser to understand this process. The act of giving includes elements of faith, hope and charity. Faith that the fundraiser truly represents the cause and will act as an efficient conduit for the donor's money. Hope that the gift, however small, will make some difference, Charity as an act of altruism, a gift without the expectation of any material return. It is also important for the fundraiser to understand that the donor might have some personal reason for wanting to give, and to build on that interest. People may want to support a cancer charity, for example, through fear that they might get the disease, or because a close friend has recently died of it. They may feel strongly about an issue -such as the environment -and want to do something about it. In supporting your cause, they are also supporting their cause, doing something that they feel needs doing and that they want to see done.

**Fundraising is a people business**

People do not give to organisations. They do not give to abstract concepts. They give to help people or to do something to create a better world. Your job as a fundraiser is to show how you are helping do this. One way of doing this is through case studies -illustrating your work with actual examples of the people you have been able to help, showing how you have been able to change their lives, showing what you have done to create a better environment, etc. In this way you can show donors how their money can make a difference.

Another is to focus your fundraising on particular aspects of your work: the income generation project you are planning to introduce in the village, that you hope will transform people's lives; the community publishing programme that is getting underway, where you are all full of enthusiasm and excitement about its potential. By focusing on specific projects rather than the overall work of the organisation, it is easier to excite and enthuse your donors.

**Fundraising is selling**
Fundraising is a two-stage process. The first stage is showing people that there is an important need which you can do something useful about. If they agree that the need is important, and that something should be done; and if they agree that your organisation is doing something significant to make a difference; and if you can show them how some extra support could be used to do even better - then asking for money becomes easy.

Fundraising is more about selling an idea that the donor can make a difference than about asking for money. Once people have been sold the idea, then they will want to give. Fundraising is also more about ‘selling’ than ‘telling’. It is about persuading people to give, and showing reasons why the work is important. Your success depends on your ability to get people to do something to help.

**Saying thank you**

Saying thank you is extremely important. It recognises and values the donor’s generosity. Those who say thank you on every appropriate pretext will see this investment repay itself handsomely in donor loyalty and may well be surprised at the level of repeat giving that can be stimulated by this process. It makes the donor feel that their money is actually having some impact.

**Long-term involvement and commitment**

What you really want are people who will give to you regularly and substantially. All the effort to find a donor and persuade them to give will really only bear fruit if they continue to give over many years and maybe increase their level of giving. And if they are then prepared to ask their friends to help you or to put in long hours as a volunteer, then that’s an added bonus. To achieve this means getting them involved with the work of the organisation and committed to its success.

**Accountability and reporting back**

When you take money from somebody, you are responsible for seeing that:

- The money is spent on the purposes for which it was raised. Failure to do this is a breach of trust.
- The money is well spent and actually achieves something.

You may be obliged to report back to the donor as a condition of the grant. But you will want to do this anyway to show them that you have used their money effectively. This is not only polite, it is
good fundraising practice -as an enthusiastic donor who has seen the money make a difference may consider becoming a more committed supporter

5.4.2 The skills required in fundraising

There are a number of important skills that you will need if you are to be successful. If you understand what skills are required, you can:

• Assess your strengths, so that you concentrate on doing those things you are good at.
• Learn what skills you need to acquire, and set about obtaining the necessary training or experience.
• Find ways of compensating for your weaknesses by mobilising others to help you where appropriate.

Commitment to the cause

Commitment is one of the most important attributes that a fundraiser can bring to the job. If the cause does not seem important to you, then how can you convey to others the importance and urgency of doing something about it? You must really believe in the cause you are addressing and in the work that your organisation is doing. Your enthusiasm and commitment will encourage others to become equally committed through their giving.

The ability to ask

Many people feel uncomfortable with the notion of actually asking for money. Anyone who has this difficulty will not be a natural fundraiser -whether the task in hand is to write a four-page appeal letter, make a speech at a meeting of the Rotary Club, telephone a business to ask for an in-kind donation, organise a committee to run a fundraising event, or pay a personal visit to seek the support of a major donor. All this requires an ability to ask effectively for what you need.

Persuasiveness

People have choices as to what to do with their money. They have competing demands on what to spend it on. Your job is to persuade them that supporting your organisation is a really worthwhile 'investment' of their hard-earned money. You need to make a really good case and to present it in a persuasive way. This requires good selling and communications skills. In particular you need to be able to
marshal compelling arguments, to be able to write letters which excite interest, talk fluently and interestingly about the cause in public or in private, create a sense of excitement through your enthusiasm, and share your hopes and visions for the future.

**Confidence and dealing with rejection**

When you are asking for money, you need to radiate confidence. If you are apologetic or hesitant, people will not give to you. One of the biggest problems is maintaining your confidence in the face of rejection. Since more people are likely to say "no" than say "yes" - that's a fact of fundraising life - it is very easy to get downhearted. Many approaches will be unsuccessful, simply because of the enormous competition for funds, or just through bad luck. After a couple of rejections, you really begin to believe that nobody wants to support you. You then start acting as if nobody wants to support you. You become apologetic and you talk as if you expect to be refused. And maybe you even avoid asking - so as not to be rejected. A good fundraiser has to be able to cope with rejection, starting each fresh approach as if it were the first, and to be prepared to learn from experience.

**Persistence**

Most fundraisers give up too soon. People often take "no" to mean "no" - rather than as a challenge to try to convert the "no" into a "yes". If you give up immediately, then there's no chance at all. If you feel that they really should be interested in supporting you, then you will try to find a way of getting them to change their mind, or find some other thing that they might like to support. You have approached them in the first place because you need support and you feel that they might potentially be interested in giving it. Don't just give up at the first setback. You will find that persistence really does pay.

**Truthfulness**

The fundraiser has to be truthful at all times. The need to persuade people creates a pressure to tell only partial truths and to claim more for your work than is the case. The very complex socio-economic factors that create poverty today are a good example. If we are to raise funds by writing a short letter to a potential supporter, how can you hope to describe what lies behind the poverty? And can you give a proper explanation without straying into the politics of the situation, however unattractive or contentious that may be to the donor?
**Organisational skills**

Fundraising often involves keeping in touch with thousands of supporters, all of whom imagine that they are special and that you have some personal relationship with them. Good organisation is essential. Fundraisers have to keep accurate records of correspondence and information on donation history for each donor. All this must be organized so that no past event or piece of generosity is forgotten. A good memory for faces helps too.

**Imagination and creativity**

Fundraisers who come afresh to an organisation will find that imagination is an invaluable asset. The task may be to dream up new activities that will inspire existing supporters and to create events that the public is going to be enthused by. Or to present your work in an exciting and imaginative way. Circumstances are continually changing and new opportunities emerging, so fundraisers need to identify new approaches and not simply rely on what has been done in the past.

**Contacts and the Networking**

Many funders want to know that a NGO is credible and adheres to the basic principles of good governance before they will even reply to an organization’s request for funding. Establishing credibility and adhering to the basic principles of good governance does not take money -- it takes time, effort and personal attention.

As noted earlier, the first impulse of many NGOs seeking funding is to request the contact information for possible funders, and once such information is received, these NGOs often write immediately to the potential funder, stressing how desperately funds are needed. Sadly, this approach often harms the NGO’s reputation, rather than garnering support. Not only does it rarely attract funding, it can turn funding sources against the NGO altogether.

Meet face-to-face with these people, whenever possible, to let them know what your NGO is doing -- do not emphasize what your organization needs but, rather, the good work that it is doing, and why the organization believes its mission is important, even essential, to the area. Invite representatives of these organizations to visit your organization and see your work first hand -- invite
them more than once! If you can, give them printed information about your organization. And people representing your NGO should attend their events and accept their invitations too!

By doing this, you will lay the groundwork for funding. You will *greatly* increase your chances of receiving resources if you engage in these networking and reputation-building activities. But remember -- when networking initially, do not ask for funds, nor describe your organization as desperate for support. The purpose of networking is to establish your organizations reputation for excellent, quality work, and to create a network of associations who will verify to others that your organization is legitimate, credible and worth supporting.

**Opportunism**

You need to grasp every opportunity that presents itself. For example, when a well-known supporter is awarded libel damages, should your letter asking for support not be in their in-tray next morning? Or if a leading company has just announced a major hike in profits or has been awarded a major construction contract in your area, then a cleverly constructed appeal for funds might just succeed.

**Finding Donors & Making Contact**

It can't be stressed enough -- all of the above needs to be done before you begin soliciting funds!! By doing the previously-detailed activities, you greatly increase the chances of your funding proposal being accepted, and for organizations to actually approach you about funding your NGO (rather than the other way around). Once you have undertaken the previous activities, you should be ready to begin contacting organizations specifically about funding your organization (but only if the organization, per your research, would obviously be open to such -- this can't be stressed enough!). Some basic tips about where to look and how to contact:

Start by undertaking "donor mapping". What organizations are funding NGO activities in your geographical area? What companies are funding for-profit activities (mining, farming, ranching, etc.)? And what activities in your local community are being funded by local, regional or state government funds? These are all potential funders for a NGO. And if you engaged in the previously-detailed networking activities, they already know about your organization and its work. Once you have an informal relationship with them (as detailed earlier), you are ready to ask them about funding your organization.
CHECK YOUR PROGRESS

List five skills required in fundraising?

i)

ii)

iii)

iv)

v)

Why accountability and good image of NGO important in fund raising?

5.5 LOCAL COMMUNITY RESOURCES

In many cases, voluntary organisations do and can mobilize several crucial resources needed for its programme implementation from the local community itself with whom it works. These contributions could be in the form of cash collected from members of the community. They can also be contributions of time and free labour (shramdan) provided by the people themselves to build a road or dig a well or construct a school. Besides, the local community contributes its motivation, commitment, involvement, time, energy, enthusiasm, insights, experience, knowledge, competence and skills towards implementing any development programme. Looking at it from this angle, the local contribution towards overall resources needed for implementing the programme of a voluntary
organisation can be substantial and, in some cases, can even be more than half of the total resources needed.

Many voluntary organisations find it difficult to mobilise local resources, particularly because the cost and effort of mobilizing such small contributions appears to be prohibitive. But if a broader understanding of resources is taken and all types of resources locally available, and being contributed, are taken into consideration, then the sum total of the resources provided by the local community is substantial, and the time, energy and effort needed in mobilizing it will seem worthwhile in that context. However, if local contribution is only viewed in cash terms, then the poor communities with whom most voluntary organisation work have very little surplus to share with others and, therefore, their cash contribution can appear to be very small.

More than the amount of contributions towards resources, mobilization of local resources from the local community is also a good strategy in ensuring their involvement in and ownership of the programme. By going to them, field workers of the voluntary organisations not only explain to them the programmes, the purposes of the programmes, the likely outcomes and benefits but they also make sure that the local community gets involved in its planning, elaboration and implementation. This perhaps is a major outcome of undertaking intensive efforts at local resource mobilization. However, the experience suggests that generally local resources are most commonly available for direct programme activities and rarely to core support or institution-building.

5.5.1 Strategies for Effective Mobilisation of Community Resources

Any organisation which wants to mobilise community resources you need to plan it well in advance and make strategies for that purpose. Some of the considerations which may be kept in mind while planning strategies for effective mobilisation of community resources are given below.

- Setting a clear cut purpose as to why resources are required from the community and for how long it is required such as
  - constructing and repairing buildings
  - starting new activities
  - purchasing new equipments
  - meeting expenditure for day-to-day activities of the agency
  - Identifying and accessing community resources through the methods of survey, observation,
interaction/discussion and experiences of development workers etc.

- Making a list of resources available from the community vis-à-vis resources required by your organisation.
- Identifying the type or types of resources to be undertaken.
- Establishing a realistic time-bond goal that is attainable, based on the resources available.

**Hindrances in Mobilising Community Resources**

- Enormous cost and effort is required for resource mobilisation.
- The belief that people do not have enough financial resources because they are poor.
- People’s belief that, in welfare state, it is the responsibility of the state to support voluntary organisations not the people.
- People have experienced that some of voluntary organisations misappropriate public funds; so they do not trust.
- Mushrooming growth of voluntary organisations, as a result, difficult to make any choice.
- People are not aware of their potentialities is and capabilities.
- Vested interest prohibits people to contribute for a good cause.
- Lack of proper community resource mobilisation plan and campaign.
- Lack of information.
- Ineffective communication.
- Improper manner of asking.
- Improper Timing.
- Strange organisational apprehensions.
- Concept of organisational charity less acceptable than individual charity in India.

**5.5.2 Preparedness required**

- Seek approval of executive or advisory board to initiate resource mobilisation campaign.
- Analyse the legal situation: Find out whether you are permitted to mobilise resources? Find out whose permission do you require and appropriately take action in this regard.
- Appoint or deploy a contact person or any other suitable person for mobilising resources.
- Select an enthusiastic team of workers right from inception of the drive, follow up, and give due recognition and training to the workers.
- Find out as much as possible about the cultural and religious background of the communities
you are working with.

- Take people into confidence while organising the activities for resource mobilisation.
- Check the probable skills and experiences you need.
- Look for information you require on those potential sources of support you plan to approach.
- Be careful as to whom you are approaching.
- Look at the previous philanthropic activities, programmes/ projects, and align your request around them.

- Always remembering that, volunteer initiatives run on persistence, enthusiasm, and community spirit.
- Look for ways to establish a stronger, more permanent presence in your community.
- Develop brochure, posters, and illustrative books or any other communication material as an effective way to raise community awareness.
- Seek support for information and ideas with VO networks and coalitions—nationally and internationally.

5.6 GRANTS IN AID AND GOVERNMENT SPONSORED PROJECTS

5.6.1 Government Resources

Increasingly in recent years, and regularly from the days of independence, the Government of India and other state governments and para-statal bodies in the country have been a major support to the programmes of the voluntary organisations in the country. In fact, they are mostly available for a tailor-made scheme of the government which it is implementing otherwise and wants to propose for voluntary organisations as well. There are several problems in acquiring government resources including the classic problem of delay and bureaucratic entanglement. Many voluntary organisations find that the schemes for Grants-in-Aid to voluntary organisations are very narrow and limited, and by their rigidity, do not permit local adaptation, responsiveness or sensitivity. Secondly, the verification and clearance procedures from State governments (including the requirement of three year’s registration) sometimes make it difficult for many voluntary organisations to take advantage of these schemes. Thirdly, the release of funds, in particular the second and subsequent installments, can be inordinately delayed and can cause undue hardship for the voluntary organisation. However, despite these problems of formalities and procedures, red-tapeism and rigidity, and even occasional corruption, it is still worthwhile for voluntary organisations to utilize governmental resources for implementing certain field-based programmes and activities.

At Central level, selection of NGOs for sanctioning grants under various schemes of the Government of India can be broadly categorized under two heads: (1) Selection by Central Ministries directly, and (2) Selection based on the recommendations from State governments. In a few cases, the state governments/agencies follow “inter-se-priority” concept while recommending the proposals to the Central government Ministries for sanction of grants depending on the priorities. The Ministry of Human Resource Development follows the system of “field inspection” of the eligible NGOs/implementing agencies before the applications are processed.

Generally for receiving funding from either Indian or foreign sources, the following are essential conditions:
1. Legal Status: NGO should have a legal status i.e. should have been registered as a Society or a Trust or a Company under Sec. 25)

2. Constitution and Working Rules: The NGO should have proper constitution and objectives framed in the form of Memorandum and Articles of Association/ Byelaws/ Trust Deed.

3. Management: It shall have a governing body with authority to conduct the affairs to achieve the main objectives

4. Non profit Character: It should do its activities not for any profit but with an objective to serve the targeted population. Even if it carries on some auxiliary business in the interests of development of its target audience, such profits shall not be distributed by way of dividend to any of its members

5. Involvement: It shall consist of such people who are voluntarily involved in rendering the services to the target society and also shall be able to attract volunteers

6. Not to discriminate: It shall not indulge in discriminating the target group nor use the resources mobilized for furtherance of interests of any political party or involve in creating communal disharmony.

7. Part record: Normally the existing NGO with past record of good service and non-discriminating in nature are funded.

5.6.2 How to Apply for Financial Assistance

Application for grant in aid/financial assistance shall be made in the prescribed form or by furnishing, amongst others, the following information/ details:

General Profile for the NGO:

(a) Name, address, legal status (along with details of Registration like Certificate of incorporation/registration no., etc.) and thrust area.

(b) Name(s) and address(es) of Chief/other functionaries of the organisation.

(c) Main activities and sources of funding generally for last three years. Bank details are also required in some cases.

(d) Evaluation of the achievements, if any, carried out by any independent agency along with the report thereof.
**Documents to be furnished**

Generally, the following documents are required to be furnished alongwith the application:

(i) Copy of Registration Certificate

(ii) Memorandum of Association & Bye-laws

(iii) Latest Annual Report

(iv) Audited Accounts along with auditors report/certificate

(v) List of important functionaries and employees

To avail financial assistance under the Central Government Schemes, the organisation/institution has to follow the general terms and conditions of grants-in-aid as mentioned below:

The grant receiving agency will be required to confirm in writing that the conditions contained in the grant-in-aid rule are acceptable to it and will execute a bond in favour of the President of India to the effect that in the event of its failure to abide by the same, it will refund the whole or such part of the grant as the Government of India may decide.

The organisation in receipt of financial assistance shall be open to inspection by an officer of the concerned Department/ Ministry of the Government of India or concerned State Department/UY administration or a nominee of these authorities.

The accounts shall be maintained properly and separately and submitted as and when required. They should be open to a check by an officer deputed by the Government of India or the State Government. They shall be open to a test check by the Comptroller and Auditor General of India at his discretion.

The audited accounts together with the utilization certificate in the prescribed form duly countersigned by the chartered accountants are required to be furnished within six months in respect of a preceding year or after expiry of the duration for which the grant was approved.

The agency shall maintain a record of all assets acquired wholly or substantially out of the government grant and maintain a register of such assets in the prescribed Performa (if any). Such assets shall not be disposed off, encumbered or utilized for purposes other than those for which the grant was given, without prior sanction of the government of India. If the agency ceases to exist at any time, such properties shall be reverted to the Government of India.
The programmes of the organisation/institution receiving support under any scheme shall be opened to all the citizens of India without the distinction of being utilized for the approved purpose, the payment of grant may be stopped and the earlier grants be recovered.

If the concerned ministry is not satisfied with the progress of the project or it finds that there has been a breach or violation of any of the terms and conditions, it reserves the right to terminate the grant-in-aid.

The grantee organisation shall implement orders in regard to the reservation of posts for SCs and STs.

An organisation organizing a seminar/ conference or a workshop under any scheme shall not invite foreign delegates without the prior approval of the Government of India.

In case of grants for building, the organisation must complete the construction of the building within a period of two years from the date of receipt of the first installment of the grant unless an extension is granted by the Government of India.

If it is found at a later date that the organisation has withheld or suppressed information regarding grants from other official sources, the grant of the Central Government may be cancelled, reduced or the organisation may be asked to refund the grant already paid to it.

Equipment purchased out of the grant-in-aid will be the property of the concerned Department/ Ministry, which will decide about its disposal on the completion of the project. The organisation may submit a proposal in this regard before the completion of the project.

The organisation will submit to the concerned department/ ministry, six monthly progress reports of the project along with a certified statement of expenditure actually incurred and an estimate of expenditure for the next six months period in the prescribed form. The release of subsequent installments will be subject to a satisfactory progress of the project.

The organisation shall furnish to the concerned Ministry such information as the Ministry may require from time to time.

5.6.3 Problems of Acquiring Government Resources

While the rationale of most rules and conditions governing grants-in-aid cannot be questioned, their actual implementation has generated quite a few problems both for the grantee and the grantor. Some of the problems in acquiring Government resources are given below:
• Red-tapeism
• Narrow and limited resources
• Rigidity in the system
• Occasional corruption
• Slow nature of verification and clearance procedures from state Governments makes it difficult to take advantage of their schemes.
• The release of funds, in particular the second and subsequent installments, inordinately delayed and can cause undue hardship for the voluntary organisations.

5.7 GOVERNMENT SPONSORED GRANTS IN AID SCHEMES FOR NGO's

Government of India formulated many schemes for NGOs which are implemented by various Ministries/Departments and other para-statal organisations which are given below:

Ministry of Social Justice & Empowerment

• Schemes of Grant in Aid to Voluntary Organisation working for Scheduled Castes
• Scheme of Assistance to VOs for the Welfare of Other Backward Classes
• Deendayal Disabled Rehabilitation Scheme
• An Integrated Programme for Older Persons
• Scheme for Prevention of Alcoholism and Substance (Drugs) Abuse
• Assistance to VOs for General Grant in Aid in the field of Social Defence.

Ministry of Health and Family Welfare

The Ministry implement a number of schemes such as Mother NGO (MNGO) Scheme, National Cancer Control Programme, National Leprosy Eradication Programme, National Mental Health Programme, National Programme for Control of Blindness, National Tobacco Control Programme, NGO-PNDT Scheme, and Service NGO(SNGO) Scheme through NGOs/VOs.

The Ministry of Rural Development

The Ministry of Rural Development provides grants to NGOs/VOs in schemes namely Swaranjayanti Gram Swarozgar Yojana (SGSY), Mahatma Gandhi National Rural Guarantee Act (MGNREGA), Integrated Watershed Management Programme (IWMP), National Rural Drinking
Water Programme (NRDWP), and Total Sanitation Campaign (TSC). The Council for Advancement of People’s Action and Rural Technology (CAPART), an autonomous body under the Ministry of Rural Development, also supports NGOs/VOs working in rural areas.

**Ministry of Tribal Affairs**

The Ministry of Tribal Affairs provides grants to NGOs/VOs in a number of schemes. These schemes include Award of Special Incentive (ASI) to NGO for improvement of Infrastructure; Coaching For Scheduled Tribes; Development of Primitive Tribal Groups (PTGs); Grant-in-aid to Voluntary Organizations working for the Welfare of Scheduled Tribes; and Scheme of Strengthening Education among Scheduled Tribes Girls in Low Districts.

**Ministry of Human Resource Development**

The Ministry of Human Resource Development sanctions grants in aid to NGOs/VOs under several schemes. These inter alia include:

- Innovative & Experimental (I&E) Programmes for Education at Elementary level.
- Scheme for construction and running of Girls’ hostel for students of Secondary and Higher Secondary Schools.
- Scheme of Inclusive Education for Disabled at Secondary Stage (IEDSS).
- Scheme of Information & Communication Technology (ICT) at Schools.
- Scheme of Support to Voluntary Agencies for Adult Education Skill Development through State Resource Centres (SRCs) and Jan Shikshan Sansthans (JSSs).
- Assistance to Agencies for Strengthening of Education in Human Values.
- Financial Assistance under Intellectual Property Education, Research and Public Outreach (IPERPO)
- Strengthening of Voluntary Organisations engaged in UNESCO’s programmes and activities.
- National Mission on Education through Information & Communication Technology (ICT)

**Ministry of Science and Technology**

The Ministry of Science and Technology provides grants to NGOs/VOs to promote location specific appropriate technologies for empowering people and improving the quality of life. The
schemes includes i) Science and Technology for Women, ii) Science and Society Programme (SSP), Scheduled Caste Sub-Plan for the Development of Scheduled Caste Population (SCSP), Tribal Sub Plan (TSP), iii) Programmes of National Council for Science & Technology Communication (NCSTC), National Science and Technology Entrepreneurship Development Board (NSTEDB) and Natural Resources Data Management System (NRDMS) of the Department of Science and Technology, iv) Women Biotechnology Programme and scheme for Rural Areas and SC/ST Population of Department of Biotechnology and v) Technology Development & Utilization Programme for Women (TDUPW) of Department of Scientific & Industrial Research.

Ministry of Sport and Youth Affairs

The Ministry of Sport and Youth Affairs is implementing two schemes namely National Programme for Youth and Adolescent Development (NPYAD) and Sports and Games for Persons with Disabilities under which funds are released to various NGOs for the promotion of sports and youth activities.

Ministry of Environment & Forests

The Ministry of Environment & Forests encourages NGOs to participate in environmental projects and to spread the environmental awareness in the country. Grants were provided in schemes 1) Research and Development Scheme (R&D); 2) National Natural Resources Management Scheme (NNRMS); 3) Environment Information System (ENVIS) Scheme; 4) Grant in Aid to National Tiger Conservation Authority (NTCA); 5) National River Conservation Project (NRCP); 6) Strengthening of Wildlife Division and Consultancies for Special Tasks; 7) Assistance for Abatement of Pollution; 8) Animal Welfare; 9) Environment Education, Awareness & Training; 10) Centres of Excellence; and 11) Grants-in-Aid to Greening India Scheme of the National Afforestation and Eco-Development Board.

Ministry of Road, Transports and Highway

Financial assistance is being given to the NGOs by the Ministry of Road, Transports and Highway for administering “road safety programme and for imparting two-day refresher training programme to the heavy motor vehicle (HMV) drivers in the unorganized sector.”

Ministry of Culture

Ministry of Culture gives grants for Research Support to VO engaged in cultural activities, Setting Up, Promotion and strengthening of regional and local museums, Financial Assistance for Preservation of Manuscript/Rare Books by National Archives of India, grants given by
Anthropological Survey of India for organizing seminar/conference etc, Grants given under Non-Matching Fund of Raja Rammohan Roy Library Foundation, Grants given by Sangeet Natak Academy and Lalit Kala Academy. However, the Ministry of Culture provides grants to NGOs/VOs in a few other schemes.

**Ministry of New and Renewable Energy**

The Ministry of New and Renewable gives grants for various projects under Biofuel, R&D and Study Projects; Remote Village Electrification Programme; National Biogas and Manure and Management Programme; New Technology Group (Hydrogen Energy and Chemical Sources); Setting up of Test Projects; and Solar Energy Thermal Programmes.

**Ministry of Panchayati Raj**

The Ministry of Panchayati Raj give grants to NGOs/VOs under schemes, Rural Business Hubs; Rashtriya Gram Swaraj Yojana (RGSY) and Action Research and Research Studies.

**Ministry of Labour and Employment**

The Ministry of Labour and Employment give financial assistance to NGOs/VOs for undertaking Research in approved labour related subject, Scheme for Women Labour and Scheme for Child Labour, and grants given to NGOs by VV Giri National Labour Institute (VVGNLI), Scheme for Child Labour.

**Ministry of Agriculture**

With respect to the Ministry of Agriculture, funding to NGOs is admissible through State Governments under various schemes. However, under two schemes, namely, Strengthening and Modernization of Pest Management Approach in India and National Project on Organic Farming, funds are released directly to NGOs.

**Ministry of Minority Affairs**

The Ministry of Minority Affairs releases grant to the NGOs in respect of Free Coaching & Allied Scheme. Besides, the Maulana Azad Education Foundation (MAEF) and Central Wakf Council (CWC) of the Ministry also provide grants to NGOs/VOs.

**Ministry of Micro, Small Medium Enterprise**

The Ministry of Micro, Small Medium Enterprise provides financial assistance to NGOs in a number of schemes.
Ministry of Water Resources

The Ministry provide financial assistance to NGOs who are engaged in various activities related to conservation and preservation of water resources including water harvesting in different parts of the country.

Ministry of Corporate Affairs

The Ministry of Corporate Affairs gives grants to NGOs who are engaged in activities related to investor awareness, education and protection and proposing for investors programme, organizing seminars, symposia and undertaking projects for investor protection including research activities.

Ministry of Urban Development

The Ministry of Urban Development releases funds to NGOs for establishment of Centres of Excellence, to conduct research studies and for carrying out specific projects for specified periods.

Ministry of Overseas Indian Affairs

The Ministry of Overseas Indian Affairs has two schemes namely Skill Up-gradation and Pre-departure Orientation of Potential Emigrants which was launched in 2006-2007 and Legal and Financial Assistance to Indian Women deserted by their Overseas Spouses” launched in 2007 being implemented by NGOs.

Ministry of Information and Broadcasting

The Ministry of Information and Broadcasting informed ACHR that Rs. 65,40,000 was given to NGOs engaged in anti-piracy 2002-2003 and 2008-2009. This includes grants given to NGOs by the Directorate of Film Festivals of the Ministry.

Ministry of Personnel, Public Grievance and Pension

The Ministry of Personnel, Public Grievance and Pension provides grants in one scheme namely “Pensioner’s Portal” for meeting expenditure on day-to-day activities.

Ministry of Housing and Urban Poverty Alleviation

The Ministry of Housing and Urban Poverty Alleviation directly releases funds to NGOs in only one scheme namely Jawaharlal Nehru National Urban Renewal Mission (JNNURM), launched on 3 December 2005.
Council for Advancement of People's Action and Rural Technology (CAPART) - NGO Funding / Grant Schemes

- Public Cooperation (PC)
- Organisation of Beneficiaries (OB)
- Advancement of Rural Technology Scheme (ARTS)
- Disability
- Gram Shree Mela Guidelines (GSMs) / Buyer Seller Meets (BSMs)
- Workshops/Seminars/Conferences

CAPART has initiated some new programmes viz.

- Nodal NGO
- Rural Young Professional
- Standardised Costing for Water Harvesting
- Standardised Costing for Sanitation
- Scheme of Village Knowledge Centre
- A module for Training of NGOs for Training Rural Young Professionals
- Grameen Vikas Andolan

Ministry of Women & Child Development - NGO Funding / Grant Schemes

Women Related Schemes

SwayamSiddha

For Construction/Expansion of Hostel Building for Working Women (WWH).

Short Stay Home For Women and Girls (SSH)

Swadhar

- Revised SWADHAR Guidelines
- STEP (Support to Training and Employment Programme for Women)
· Stree Shakti Puraskar

**Children Related Schemes**

Integrated Child Development Services (ICDS)

Balika Samriddhi Yojana (BSY)

Kishori Shakti Yojana (KSY)

Nutrition Programme for Adolescent Girls (NPAG)

Early Childhood Education for 3-6 Age Group Children Under the Programme of Universalisation of Elementary Education.

· Scheme for welfare of Working Children in need of Care and Protection

· An Integrated Programme for Street Children

· Childline Services

· Central Adoption Resource Agency (CARA)

· Rajiv Gandhi National Creche Scheme For the Children of Working Mothers

**Central Social Welfare Board (CSWB) - NGO Funding / Grant Schemes**

The Central Social Welfare Board provides funding to VOs for implementation of a variety of programmes for the benefit of women, children and disadvantaged groups. The Board is currently funding VO's under the following schemes:

· Creches

· Mahila Mandals

· Family Counseling Centers

· Short Stay Homes

· Awareness Generation Program

· Condensed courses of Education for Women

· Vocational Training Program
Besides, the above ministries and departments there are other government agencies ie corporations, commissions, national fund and trusts etc.

Other National Sources

There are some other national sources which support the activities of voluntary organisations:

- Trust and Foundations: these are set up by business and industrial houses which support charitable development activities.
- Corporate Support: it is done through deduction from payrolls, corporate philanthropy, acting as supplier of parts or expertise, social investment, sponsored projects etc.
- Donors: these are people who donate money and assets either directly or indirectly through their organisations. They include people who also leave legacies and trusts for the cause at the time of their demise.
- Leading NGOs/ mother NGOs: which raise resources in the country to provide funds for individuals and organisations working in a variety of development activities.

National Private Non-Institutional Funding: This category includes funding from the organisation’s own sources including philanthropist’s and individual donations, contributions from the community, funds generated from membership, sponsorship fees, sales and interests, endowment funds etc.

National Private Institutional Funding: This includes funding from socio-cultural and religious bodies, trusts, trade unions and corporate bodies or business houses. This type of funding also include resources generated from the national level funding VOs such as e.g., Ashoka Foundations, Gandhi Peace Foundation, Family Planning Foundations, Aga Khan Foundation etc.

CHECK YOUR PROGRESS

List ten government schemes for NGO
5.8 FOREIGN SOURCES

Many NGOs in developing countries access funding from donors in other countries through International NGO partners. And INGOs favor organizations with whom they are already familiar. Large transnational corporations are reluctant to fund local NGOs serving the developing world unless the corporation has an office somewhere in or near the geographic area of the NGO. If you decide to approach a transnational corporation about funding, look at that company's web site and read all information posted about that company's philanthropic activities. Find out if they have an office in your geographic area. If the company has guidelines for submitting funding proposals, respect those guidelines. If the company states that it does not fund environmental organizations, for instance, and your organization is focused on environmental issues, do not ask for funding. Also, before you solicit funding from such companies, consider creating volunteering opportunities for that company's local employees, and invite the company's participation. These local employees, through volunteering, will get to know your organization, and may be willing to champion your organization for funding within the company.

Broadly speaking, there are three types of foreign sources active in our country which are possible sources of support to the activities and programmes of voluntary organisations. See Annexure II for details. The first source comprises of the agencies of the foreign governments - these are the aid agencies like USAID, CIDA, SIDA, DANIDA, NORAD etc. which have their offices in their Embassies and High Commissions in India which support, on a limited basis, certain types of programmes and activities of voluntary organisations. Of course, all grants from such agencies have to be given prior permission by the Indian government and these funds are considered as foreign funds under the FCRA.

Secondly, there are some Foundations which have been active in India, primarily Ford Foundation, Aga Khan Foundation etc., which have been set up in other countries through initial investments and contributions by certain business houses or rich persons. These Foundations also provide grants to voluntary organisations in India. Many other Foundations are active in North America and Europe and do not have their offices in India but support voluntary organisations' programme and activities in India. Contributions from such sources are also considered as foreign funds under the meaning of FCRA. These Foundations have been able to provide support not only to programme activities but also to core expenditures and, at times, for
capital expenditures of voluntary organisations. Many of these Foundations, however, find it difficult to provide support to small projects and programmes because of the load of managing several small proposals.

And thirdly, various non-governmental organisations established in different countries of the north -North America, Australia, New Zealand and Japan, have been historically providing funds to the activities and programmes of voluntary organisations in this country. Oxfam (UK) is one of the oldest in this regard, but in the last decade organisations from Germany, Holland, Belgium, France, Switzerland, Australia, New Zealand, Canada, and America have also been very active. Most of these non-governmental organisations raise contributions from concerned citizens and institutions in their own countries for supporting the activities and programmes of voluntary organisations in the Third World Countries. Some of them also receive matching contributions from their governments to support programmes of voluntary organisations in developing countries. Generally, these sources are very flexible in their support for various activities and items of voluntary organisations; they do provide support for programme activities, for core and running expenses and also for capital expenditures. Many of these organisations have a system of processing applications which is very efficient and quick and they are able to handle large number of applications speedily and effectively. Contribution from these sources are considered as foreign contribution under the meaning of FCRA.

**External/International Funding:**

The international funding or contribution is one of the major sources of funding to voluntary efforts in India and has multiplied in manifold dimensions. Foreign contributions in India is defined as “the donation, delivery or transfer made by any foreign source of any article, currency or foreign security”.

The foreign sources of funding is divided into the following categories:-

(a) **International Private Non-institutional Funding:** The private non-institutional funding to NGOs at the international level include resources mobilised from philanthropists and individual donors.

(b) **International Private Institutional Funding:** This category of funding includes funding from : (i) International NGOs such as e.g., Lions Club, International Red Cross Society, Amnesty International etc.
(ii) NGOs of the north:- This source of funding include grants from the NGOs of industrialised countries such as e.g., Oxfam-America, CARE, Action Aid, U.K. etc.

(iii) Another source of international funding is from the solidarity groups, international trade unions etc. of the developed nations. This type of funding is mainly confined to the issues relating to human rights, women and child development and the environment etc. Most of the private institutional funding to NGOs come from the international corporate bodies.

Institutional funding to NGOs at the international level comes from two major sources i.e. from bilateral and multilateral donor agencies.

5.8.1 Bilateral Institutional Funding:

Bilateral funding includes aid from agencies, departments and ministries of the developed countries such as U.S.A., U.K., Japan, Sweden, Denmark, Norway, Canada and Australia etc. However, the substantial portion of this aid is made available to the governmental sponsored programmes, while a very small proportion is made available to VOIs under the approval of the government for a specific programme and it is largely regulated by the government of India through FCRA. Among the bilateral aid donors to India, USA is the leading country followed by Germany, Italy, Denmark and the United Kingdom.

Multilateral funding includes funds from various agencies of the United Nations system like WHO, UNESCO, UNICEF, FAO, UNFPA, UNDP, ILO, UNEP etc. The other multilateral institutions such as the World Bank and International Monetary Fund (IMF), also provide funding to the VOIs in India under the overall supervision and regulation of the government. The other sources of multilateral assistance to VOIs include the Regional Development Banks such as e.g.,- Asian Development Bank (ADB), African Development Bank (AfDB), Islamic Development Bank (IsDB) etc., the Commonwealth Development Corporation (CDC) and the Arab and OPEC multilateral aid agencies e.g., the OPEC Fund for International Development. The multilateral funding is very limited and is confined largely to the major voluntary organisations in India.

By and large, the major source of international funding to the voluntary efforts in India, comes from the international non-governmental sector. This funding is restricted to specialised institutions or available by the approval of the government of India. For receiving any kind of assistance from the international donors, the VOIs required to register under the Foreign Contribution and Regulation Act, (FCRA), 1976, under the Ministry of Home Affairs, government of India. An amendment has been made in the act in January 1985, under which the government of India has imposed certain restrictions and regulations on the foreign contribution under FCRA.
The thrust areas of the major international funding have been in the sectors like environment, health and family welfare, social welfare, women and children, education, rural development and science and technology. Though international funding brings new initiatives, new ideas, and approaches in a wide range of areas, however, the international funding has certain limitations i.e. being temporary in nature and for short duration action oriented projects. Over dependence on foreign funding becomes counter productive as a considerable degree of uncertainty exists in regard to the flow of funds on a sustained basis. Besides, it affects to a large extent, the autonomy/ independence and transparency of the organisations.

One of the major responsibilities for those involved in managing voluntary organisations is mobilization of resources and their effective utilization. Time and again many people working towards setting up voluntary organisations find that the task of mobilizing resources in order to implement proposals and programmes planned is one of the most difficult, challenging and time consuming affairs in the country today.

5.8.2 Multi- Lateral Organisations

Several UN organisations provide occasional support to the activities and programmes of voluntary organisations. The multilateral organisations of the UN system like ILO, UNESCO WHO and FAO have historically been providing support to voluntary initiatives and organisations in a limited manner in the areas of their scope of work. In recent years, UNICEF, the United Nations Environment Programme (UNEP), and the United Nations Population Fund have also become big supporters of voluntary organisations and have been providing funds for their activities. The UN organisations provide support to programme activities, some times for core support and some times also for capital expenditure items for the programmes. However, in our country, any support to the programmes of voluntary organisation from such UN organisations requires prior approval of the government of India (though these multi-lateral sources are not covered under the Foreign Contribution (Regulation) Act).

5.8.3 Resource Mobilisation/ Fundraising: Some Ethical Concerns

There are some issues around resource mobilisation or fundraising which need to be resolved before you start.

~ Who will you take money from: would you take it from:-

- An extraction company, which known as a major polluter?
A cigarette manufacturer or distributor?
A formula baby food manufacturer?
A company where the chief executive officer is facing criminal charges regarding the conduct of its business?
A company that produces poor quality or dangerous goods such as fireworks or flouting the laws of the land?
A company where there is a pending court case or public concern about its working condition and record on industrial accidents?

These are all questions that need to be asked before you start asking for contributions. It is better to have a policy in place before you ask than to be receiving donations.

5.9 SUMMING UP

NGOs are steadily becoming more professional. But there are still vast differences between organisations and their levels of capacity. With fundraising, there are no quick fixes, no magic shortcuts. Instead, the steady, regular work of your organisation – board members as well as the staff responsible for funding – will develop an effective strategy through many small steps. Community-based groups can become stronger as they plan and work together to raise money for projects. There is mushroom growth of voluntary agencies, there are many fake organisation who siphoned. Indian tax payers’ money are being misused and mismanaged in the name of India’s poorest. Fund management to the voluntary sector is in a parlous state. This impacts India’s ability to reach out to the most vulnerable and India’s wider fight against extreme poverty, discrimination and conflicts. All the Ministries claim that applications are selected on the basis of merit. But how that merit is determined is unclear. In reality, merit matters little. There is a mandatory requirement of recommendations from the State Governments (District Magistrate and Secretary to the Department concerned). In overwhelming majority of the cases only those voluntary organizations which are close to the government officials or those who have control over the officials/NGOs i.e. political leaders are selected.

Many in the voluntary sector have been doing excellent work and the voluntary sector shall remain indispensable to outreach India’s most vulnerable. As India involves the NGOs/ VOs in the implementation of its programmes more than ever, India must realize that funding to voluntary sector is not something that can any longer be done as part time job of the government officials,
many of whom are the ultimate and illegal beneficiaries of the funds granted to the voluntary sector. The need for transparency and accountability for funding to the voluntary sector can no longer be ignored. India needs to recognize that funding to the voluntary sector requires an independent and specialized agency with dedicated and specialized staff.

5.10 KEYWORDS

Resource Mobilisation, Fund Raising, Organization, Potential Donor, Credibility-Building, Communication, Skills for Fundraising, Local Community Resources, Grants In Aid Sponsored Projects, Government Resources, Financial Assistance, Foreign Sources, Bilateral Funding, Ethical Concerns

5.11 QUESTIONS

Describe importance of financial and physical resources for sustainability of NGO?

1 Describe grants in aid programmes?

2 What are the problems for getting the grants from the government?

3 What do you mean by foreign funding?

4 List the bilateral and multilateral funding agencies agencies?

5 list down the main grants in aid schemes for women?

6 list down the main grants in aid schemes for children?

5.12 SUGGESTED READINGS


2. James, R. 1994:“Strengthening the capacity of southern NGO patterns”, A survey of current
Northern NGO Approaches.


Internet resources

www.innonet.org/

www.ifrg.org.uk

www.tgci.com

www.cof.org

http://fdncenter.org

www.nonprofits.org/npofaq/keywords/5o.html

www.civicus.org/new/default.asp

www.accountability.org.uk

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www.ciir.org

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www.oxfam.org
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1 Aims and Objectives

This lesson is intended to provide knowledge and skill on project formulations. At the end of this lesson students will able to know project formulation, project appraisal. Action plan, execution and implementation of project, monitoring and evaluation of the project. It is expected after reading the lesson they will able to formulate the project based on local situation.

6.2 Introduction

Planning at some level is basic to all human activity, and is really applied common sense. It involves working out what you want to do and how you are going to do it. This applies whether you are preparing a straightforward and simple project or a long-term program. Planning involves identifying priority needs and opportunities, discussing and testing the various possible courses of action, choosing the most appropriate one (or ones), agreeing what you can expect to achieve, calculating the human and material resources needed to reach your objectives, anticipating possible problems and getting agreement among all concerned about clear targets and timetables for the work in view. The success of a project will depend on how precisely and accurately the problem is articulated and understood. Again, the perspective of the beneficiaries is critical at this stage. The most important needs of the affected population will not always match those identified as most important by outsiders. It will be very difficult to mobilise community interest and support in a project that the community sees as meeting secondary needs—or no needs at all.

6.3 PROJECTCYCLE

Planning can be defined as the process of setting goals, developing strategies, outlining the implementation arrangements and allocating resources to achieve those goals. It is important to note that planning involves looking at a number of different processes Identifying the vision, goals or objectives to be achieved
• Formulating the strategies needed to achieve the vision and goals
• Determining and allocating the resources (financial and other) required to achieve the vision and goals
• Outlining implementation arrangements, which include the arrangements for monitoring and evaluating progress towards achieving the vision and goals

Six stages are typically identified in the project cycle. They are:

I **Identification**: generation of the initial project idea and preliminary design

II **Preparation**: detailed design of the project addressing technical and operational aspects

III **Appraisal**: analysis of the project from technical, financial, economic, gender, social, institutional and environmental perspectives

IV **Proposal preparation, approval and financing**: writing the project proposal, securing approval for implementation and arranging sources of finance

V **Implementation and monitoring**: implementation of project activities, with on-going checks on progress and feedback

VI **Evaluation**: periodic review of project with feedback for next project cycle.

The cycle represents a continuous process in which each stage provides the foundation for the next. For example, the information generated during project identification (Stage I) provides the basis for detailed project design (Stage II). Stage III reviews the information generated during the preceding two stages from several perspectives to ensure the project is viable. Stages I to III provide the foundations for a project. If they are sound, the project is more likely to succeed in subsequent stages, in terms of securing funding and competent implementation. However, at any point in the first three stages it may be decided that it is more appropriate not to proceed with the proposed project.

**Criteria for a “good” project:**

• A project should arise from a genuine, identified need
• A project should usually originate from the grass-roots, and/or be innovative in character
• A project should aim to improve the educational, social and economic position of women, girls and children
• A project should be within the capability of the affiliate, either alone or in
cooperation with other organizations

- A project should be managed, implemented, evaluated, and reported on by the affiliate’s members, or, in part, by persons designated to do so by the affiliate and
- A project should increase the self-reliance of the recipients and beneficiaries.

6.4 PROJECT IDENTIFICATION

The first step in the design phase (Phase 1 of the PCM cycle) is the identification of your project. The methodology used is called situation analysis. It consists of a series of tools that allow you to develop your project idea. It is the most important component of the project cycle because it facilitates the anchoring of the project activities to needs and priorities of the target group.

6.4.1 Analysing the situation

- helps to identify the nature and magnitude of needs, prioritise them and establish the first criteria for developing the project idea;

- can be used by the project team as an institutional reference and starting point for the specific project’s situation analysis;

- helps to map the relationships among all those involved and to create a sense of ownership of the project and its future development;

- improves the whole project proposal in terms of sustainability, and emphasises how the project is part of a wider strategy.

Several tools exist for a situation analysis. To prepare a results-based project, the following will have to be done:

1. Stakeholder analysis and target group selection

2. Problem analysis

3. Objective analysis

The order in which to conduct the analysis will vary in line with the situation and the project. Indeed, stakeholder analysis and problem analysis are closely connected. People’s views on a problem are essential to understanding its nature and possible solutions. In most cases, an organization already has a broad idea of the problem they want to tackle through a specific project. A project can also be a way to implement part of a cooperative development strategy, or be part of a business plan. We therefore suggest that you start your situation analysis once you have set out the core problem. This problem could later be formulated better, during the problem analysis stage. Moreover, certain aspects of the situation analysis (e.g. the stakeholder analysis) need to be revised once the project has been approved but before getting into the real implementation phase, in case the project’s conditions change.

6.4.2 Conducting a stakeholder analysis and selecting your target group

Starting the project design by analysing the stakeholders and their context helps ensure that the project is adapted to the cooperatives’ needs and capacities. But in many cases it is useful to start with the problem in order to identify all the stakeholders concerned.

The focus of a results-based project is the target group. Since the project also aims at achieving sustainability, in addition to the target group, other players have to be considered at this stage, by understanding their potential role in the project and their interests and expectations in terms of benefits. Right at the beginning, it is therefore necessary to identify all the stakeholders likely to be affected (either positively or negatively) by the project and analyse their potential involvement in it. The stakeholders are “not only the people and institutions that carry out the project, but also those structures and cooperative organizations that play a role in the project environment”.

Stakeholder matrix

Different tools can be used to conduct a stakeholder analysis. One such is the stakeholder matrix.

Having identified the core problem, you need to ask WHO these problems actually affect most, and what the characteristics and interests of different stakeholders might be in tackling the problems and finding solutions.

The main objectives of the stakeholder matrix are to: understand the interests of different groups and their capacity to tackle the core problem; and design activities that appropriately address institutional capacity and social issues.
Selecting the target group

The target group is a group of people who will benefit from the project. Within the stakeholder analysis, the target group analysis is of particular relevance and requires special attention.

In most projects, organizations will not deliver direct services to persons, but run services that build the capacities of organizations so they can provide new or better services to a certain group of people. We therefore need to distinguish between the direct recipients of project outputs or services and the ultimate beneficiaries.

The direct recipients are those who are directly affected by the core problem, and who will benefit from the project outputs and services. The ultimate beneficiaries are those who will benefit from the project in the long term. During project design, it is particularly important to assess the capacity of the direct recipients carefully: are they really committed, do they have the resources (time, staff, etc.) to participate in the project, and do they have the capacity to play their role in the project? Building up the capacity of the target groups is crucial not only to achieving the project’s objectives and outputs, but also to ensuring that the benefits are sustained once the project ends.

When considering capacity-building activities, it is important to examine whether women comprise a good part of the recipients, and to see whether they need specific targeted action.

The project plan must define clearly the target group(s) for the project. This seems self-evident, but is nevertheless often given little attention. Finding target groups already organized at the outset, and ready for discussions and negotiations about objectives and the means for self-development, happens rarely. In many real-life projects, the target group is somewhat diffuse and sometimes seems nearly arbitrary. Example definitions are "those who come", and "those we have contact with".

Choosing not to relate consciously to any particular target group means giving priority to those who for one reason or another are able to get into contact with the project. This leaves no time nor resources for those who do not come. Broad, general terms used to define the target group (i.e. "the poor of the village" or "the poorest of the poor"), can be meaningful in policy papers, but have no place in concrete project planning. The situation analysis attempts to broadly outline what the problem is, for whom, and why. Defining the target group is to ask: Towards whom can we direct our efforts to do something about the problem?
The target group can be defined according to age, sex, occupation, income group, geographical area, or membership of a particular social class or other group. Other possible criteria are for instance peoples level of access to particular services, their nutritional status, etc. Being conscious of the target group helps focus and concentrate the project effort. The choice of target group defines limits, and can in some cases erect new social barriers and improve the situation for some at the expense of others. Local society is seldom homogeneous. Conflicts, power blocs, and contradictory opinions and needs are part of almost every society. Care must therefore be taken in making the choice, and in assessing its consequences.

In light of the problems and causal relationships revealed by the situation analysis, and taking into account the type of assistance the organisation can offer, the following issues need to be addressed: Who should the target group be for real changes in the desired direction to take place? What conflicts may arise? What structures are already there, or can be mobilised, to enable broad communication with the target group, and to deal with potential conflicts?

A SWOT analysis examines both the internal and the external situation of the target group and partners. Therefore it is particularly useful in projects where the target group’s capacities might have a big influence on the achievement of the objectives, or when there are external elements in the context of the target group’s capacities that can affect the project.

6.4.3 Analysing the problem

Every project aims to help solve a problem that affects the target group or groups.

The problem analysis identifies the negative aspects of an existing situation and establishes the “cause and effect” relationships among the problems that exist. The core problem of the target group must be clearly identified. It is essential to understand the root causes of the problem and the effects the problem has on the beneficiaries. This can be represented diagrammatically by constructing a problem tree. The causes are structured by clustering similar ones and by developing a hierarchy of causes.

The core problem

The core problem must be the starting point for every project. It provides the rationale and gives it meaning, in that it aims to make a significant contribution to solving a relevant problem for the target group. If the starting point for the project is a detected opportunity, then it is still important to identify the main problem (or challenge) hindering the desired situation from becoming
reality. So, regardless of our initial positive or negative considerations when looking at the existing situation, we will always end up identifying the core problem (or challenge) to tackle.

The causes of the core problem

Each problem has its own history, and we have to find out what underlying factors (causes) have led to the current situation. Once identified, the causes (roots) of the core problem are located under the core problem:

The key purpose of this analysis is therefore to make sure that all the “root causes” are identified and subsequently addressed in the structure of the project, not just the “symptoms” of the problem. The key to a successful project is to tackle the causes of the core problem. Unless we do that, the problem will arise again.

The effects of the core problem

The cause-and-effect chain can also be continued beyond the core problem. In this case, the chain forms the set of events that are the effects of the core problem. All problems or needs are embedded in a social, political or environmental context and are often systemically linked to other needs. Therefore, anything affecting one area also interacts with others parts of the system. The core problem generates consequences or other problems. The effects of the core problem are in the form of more general social, environmental, political or economic conditions (usually negative) that result from the problem. They are placed on top of the core problem:

6.4.4 Needs Identification

Needs assessment is one of the critical stages in the project development process, Reliable, accurate and usable information is needed that reflects the ideas articulated by representative groups of the target population and other stakeholders in the community. Women and men should be consulted throughout the process so that both perspectives can be taken into account. Women’s needs often are different from the men's needs and if not taken into account project planning has a false start. Moreover, consulting the people will stimulate the sense of ownership when the project will be implemented. No one can address all identified needs in one project. Therefore, priorities have to be set. This has to be done with all stakeholders concerned, men and women. See sheet for prioritising needs. Stakeholders may have different priorities. Then a negotiating process should bring consensus on which priorities should first be addressed. Project objectives are a series of specific accomplishments designed to address the stated problems and
attain the stated goal. An objective is an endpoint, not a process. It is a description of what will exist at the end of a project.

**Analysing and setting the objectives**

The analysis of objectives is a participatory approach used to describe the situation in the future once problems have been resolved, and to illustrate the means-end relationships in the diagram. The negative situations on the problem tree are converted into solutions, expressed as positive achievements on the objective tree. The core objective or the desired situation will be at the heart of the objective tree, the effect on top of it and the causes, which should be results, underneath.

The clearer the objectives, the easier it is to plan and implement activities that will lead to attainment of these objectives. Writing clear objectives also makes it easier to monitor progress and evaluate the success of projects. Defining goals is an important part of the planning process. The project ideology of the project partners, and the prevalent understanding of causal relationships and how they can be influenced, are usually the most important factors behind the choices made and the limits decided upon. The statement of goals for the project should answer the question: Where do we want to go with the project?

Development goals, project objectives and intermediate objectives must relate to the problems which have been identified in the situation analysis and to the causal relationships described there. The target group must play an important role all through the planning process for real participation to be possible. In fact, the target group should by this stage already have been involved in the situation analysis, and in finding causal relationships between various problems. Defining goals and objectives means deciding what problems are to be given priority. The work of formulating goals must therefore be given the attention it deserves. Achieving meaningful interaction through the exchange of views between the different parties involved, is particularly important at this stage. Areas of agreement need to be clarified, and are as of disagreement must be found and properly related to.

The goals should as far as possible be realistic, and should take into consideration inherent constraints. This is often easier said than done. A possible approach is to first make a rough draft of goals and objectives, then go back and review the causal relationships, the assumptions made, and the constraints and limitations found. The proposed strategies also need to be re-assessed in light of the findings. Finally, the goals and objectives are re-formulated, making them more concrete and more realistic.
Selecting your strategy

Once your objective tree has been finalised, you have to select the project strategy, which is the final step in the situation analysis. It implies the selection of the strategy that will be used to achieve the desired objectives. It involves deciding what objectives will be included in the project and what objectives will remain outside it. You need to set clear criteria for making the choice.

In most cases, a single project cannot address all the objectives necessary to solve the problem fully. The project team must therefore use the objective analysis to choose the strategy that can make the most significant contribution to solving the problem.

Whereas the goals and objectives spell out where we want to go, strategies and activities together show how we plan to get there. There are usually several different choices of strategy available, all of which will lead to the desired objective. A description of goals does not necessarily suggest a way of reaching them. Most strategies are based on accumulated experience from real project situations. The popularity of strategies changes with time and place:

---

CHECK YOUR PROGRESS

1. Define the project planning?

2. What are six stage of project cycle?

3. How the need are assessed in project formulation?

4. What is action plan?

---

6.5 STEP 2- PROJECT PLAN/ ACTION PLAN

The formulation step is based on the understanding gained during the situation analysis, which both justifies and drives the project identification. At the same time, it sets out the benefits the intended action will bring to the target group.

6.5.1 Implementation planning
The project design requires an implementation plan (also called work plan) for the activities listed in the logframe. The work plan demonstrates that the project is feasible in terms of responsibilities, schedule and resources. It is the basis for monitoring the operations of the project. It allows the project manager to see whether all the planned activities are implemented in the planned time, by the right staff and within the planned budget.

Some donors ask for the work plan before giving their approval. The work plan usually needs to be adjusted just before the project operations start and during the implementation.

The work plan is established by the project design team and consists of the following four matrices:

- A work breakdown matrix, which lists the activities and specific tasks.
- A responsibility matrix, which sets out who is responsible for each activity.
- A calendar of activities, which states when each activity will be completed.
- A resource (inputs) plan, which sets out the requirements for staff, equipment and materials and for the budget preparation, giving the cost of the resources needed.

6.5.2 The work breakdown matrix

A work breakdown matrix is used to prepare the plan of operation and must be carried out before any of the other steps can be taken. It sets out the activities and tasks required for each output. This is the basis for the subsequent steps, such as allocating responsibilities, scheduling activities and estimating resources and budget.

Project’s activities can be broken down into sub-activities, tasks and sometimes sub-tasks. This improves the accuracy of cost estimates and enhances monitoring of project activities and outputs. It also provides improved reporting on obligations and actual expenditure to carry out implementation and achieve the project outputs. You start by identifying the activities, sub-activities and tasks required for each output.

6.5.3 Responsibility matrix

Good project planning ensures that responsibility for outputs and activities is assigned to teams or individuals. The responsibility matrix sets out who is responsible for each activity by allocating duties to different people within the team. All the activities required of a particular
individual or organization form their job description or terms of reference for their involvement in the project. This helps in co-ordinating the work of team members, contractors or partners.

6.5.4 Calendar of activities

Time is important in any planning process. Scheduling is a way of focusing managerial attention on the time factor, on critical events and on priorities. The calendar states when each activity starts, how long it lasts and when it will be completed. This is usually presented in the form of a bar chart, which sets out the sequence of activities and links them to critical events or milestones.

The recommended tool is called a Gantt chart. It is simple but useful. It is easy to read and can be used to track progress against time. The chart uses the activities from the work breakdown matrix as headings for each row, and time units (years, quarters, months, weeks, etc.) as the headings for each column.

6.5.5 Resource plan and budget

A resource plan sets out the requirements and costs for all necessary inputs: personnel, basic office premises or facilities, equipment and materials, or services such as special subcontracting supplies, training workshops and other miscellaneous inputs.

The results-based management approach prepares the resource plan on the basis of the activities in the work breakdown matrix and calendar. For each activity, a list of inputs is prepared, and these can then be aggregated by category (raw materials, equipment, personnel, etc.) to produce an overall project procurement plan.

The resources required to implement the activities associated with each output should be tabulated. For the implementation plan, it is rarely necessary to estimate resource requirements at sub-activity level. The table should list resource requirements and the amount of each resource required.

The resource plan is the basis for the budget preparation. It allows you to assess the cost of each activity exactly. It is important to put the management needs, such as staff and administrative costs, in the resource plan, and then to transfer those costs to the budget format per heading: total staff, equipment, training, etc.
6.6 PROJECT APPRAISAL

The proposal should be appraised for technical, financial and management feasibility. Feasibility includes efficiency, effectiveness and impact. This covers the ability to achieve the stated objectives and targets, in terms of users’ acceptance and ability to gain benefit, the identification and assessment of external factors described as assumptions, the technical ability to deliver outputs and financial best value. The level of commitment from partners and the capacity of the implementing agent to achieve project results on target and within budget is also relevant to project feasibility.

The screening of project proposal through different types of appraisals is important for its successful implementation. A project can be considered for implementation once it is technically fit for implementation. Project appraisal represents a crucial step in the project cycle. The proposed project is reviewed from a range of perspectives to determine whether to proceed to writing a proposal and seeking funding. Project appraisal also represents an opportunity to improve project design prior to implementation.

6.6.1 Project Appraisal Criteria

**Technical:** will the project work? Has due attention been paid to technical factors affecting the project design? Given the human and material resources identified, can the project activities be undertaken and outputs achieved within the time available and to the required standards?

**Financial:** can the project be financed? Will there be sufficient funds to cover the expenditure requirements during the life of the project?

**Economic:** will the nation and society at large be better off as a result of the project?

Will the project benefits be greater than the project costs over the life of the investment when account is taken of time (namely, is the Net Present Value of the project positive at the test discount rate)?

**Sustainability and risk:** will the project be exposed to any undue risks? Will the project benefits be sustainable beyond the life of the project?

6.6.2 SMART outcomes and impacts

- Specific: Impacts and outcomes and outputs must use change language—they must describe a specific future condition
- M Measurable: Results, whether quantitative or qualitative, must have
measurable indicators, making it possible to assess whether they were achieved or not

- **A** Achievable: Results must be within the capacity of the partners to achieve
- **R** Relevant: Results must make a contribution to selected priorities of the national development framework
- **T** Time-bound: Results are never open-ended—there is an expected date of accomplishment

An outcome should be measurable using indicators. It is important that the formulation of the outcome statement takes into account the need to measure progress in relation to the outcome and to verify when it has been achieved. The outcome should therefore be specific, measurable, achievable, relevant and timebound (SMARTAn outcome statement should ideally communicate a change in institutional or individual behaviour or quality of life for people—however modest that change may be.).

### 6.6.3 Logical Framework

The logical framework was developed in the 1960s by USAID and today its use is widespread throughout the development community by, for example, DFID, EU, FAO, GTZ and World Bank. One of its principal strengths is its relevance to several stages of the project cycle: not only does it guide project preparation, it is also used as a basis for project monitoring and evaluation (Commission of the European Communities, 1993).

**Table: Logical Framework**

<table>
<thead>
<tr>
<th>Project Structure</th>
<th>Objectively Verifiable Indicators</th>
<th>Means of Verification</th>
<th>Important Assumptions</th>
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<tbody>
<tr>
<td>Goal</td>
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<tr>
<td>Purpose</td>
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<td>Outputs</td>
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<tr>
<td>Activities</td>
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</tr>
</tbody>
</table>

**Checklist for Logical Framework**

(i) Has the project purpose been identified correctly?

(ii) Are there logical linkages between activities, outputs, purpose and goal?
(iii) Are there sufficient activities to achieve the outputs?

(iv) Are the ‘if and then’ statements necessary and sufficient to progress to the next stage?

(v) Have any new killing factors arisen during project design? If so, what corrective action should be taken?

(vi) Are the indicators appropriately targeted?

(vii) Will any MOV prove costly or time consuming to collect?

(viii) Will the benefits be sustainable beyond the life of the project?

6.6.4 Gender Analysis of Project Design

(i) Does the project recognise differences in the roles and needs between women and men?

(ii) Will the project activities improve the productivity of women and men?

(iii) Whose access to resources will be improved?

(iv) Whose control of resources will be improved?

(v) Who will share in the project benefits?

(vi) Whose control of the benefits will be increased?

(vii) Whose participation in decision making will be strengthened?

(viii) Is the project meeting practical or strategic gender needs?

(ix) Will the project empower women?

(x) Do the indicators differentiate between the impact of the project on women and men?

(xi) What factors may inhibit women’s full participation in the project? How may they be overcome?
(xii) What will be the likely impact of the project on workloads? Will it be necessary to take any remedial measures?

6.6.5 Network analysis

The network diagram presents the project activities in the sequence in which they will occur. By including details about the duration of each activity it is possible to identify their earliest/latest start and finish times, and hence the total duration of the project. The critical path identifies the sequence of activities that enables the project to be completed in the minimum time.

6.6.6 Gantt chart

Using the information from the network analysis, the activities are presented in the sequence in which they will occur over time. There is no discretion regarding the timing of activities on the critical path, since the earliest and latest start times are the same. Other activities are recorded at their earliest start time with the float indicating the time period within which they must be implemented in order to complete by the latest finish time.

6.6.7 Social Cost Benefit Analysis

Cost Benefit Analysis (CBA) is used for determining the attractiveness of a proposed investment in terms of the welfare of society as a whole. By presenting social benefits and costs in a monetary format, CBA not only facilitates choices between alternative investment options but also gives an idea of the project worth. The technique is principally used with regard to public sector investments. CBA differs from financial appraisal which views an investment solely from the perspective of individual participants, focusing on private benefits and costs and using market prices. In contrast, CBA adopts a much broader approach, considering both monetary and non-monetary benefits and costs, and uses prices that more accurately reflect economic, environmental and social values. The divergence between private and social costs and benefits arises for three reasons:

- not all costs and benefits fall on the immediate group of individual participants; some may have wider impacts (known as externalities)
- not all costs and benefits have market prices
- not all market prices reflect the true costs and benefits to society.

6.6.8 Social Appraisal
A social appraisal reviews the project design and the process of project identification through to implementation and monitoring, from a social perspective. Particular attention is paid to the likely impact of the project on different stakeholders, their opportunities for participation, and the project’s contribution to poverty reduction.

Stakeholder analysis reviews the following:

- who comprise the different stakeholders?
- what are their interests?
- how will they be affected by the proposed project?
- what are the project priorities between the different groups?
- what is their capacity to participate in the project?

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**CHECK YOUR PROGRESS**

1. Define the project appraisal

2. List down the criteria of project appraisal?

3. Write a short note on following:
   a) Social Appraisal
   b) Social Cost Benefit Analysis
   c) SMART outcomes and impacts
   d) Logical Framework
   e) Gender Analysis
   f) Network analysis
   g) Gantt chart

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**6.7 PROJECT EXECUTION/ IMPLEMENTATION**
Project implementation involves a number of activities. Among the major activities are securing community participation for launching the project, co-ordination of activities, monitoring, and taking care of contingencies. These activities are usually the responsibility of a project manager/coordinator or a project management committee. Of all these management activities three will be singled out: co-ordination, team-building and monitoring progress.

6.7.1 Co-ordination

Co-ordination is the process whereby two or more people/organisations work together to deal collectively with a shared task. The responsibility for co-ordination may be assigned to a single individual or a team/group of individuals, in consultation with all the parties concerned. Co-ordination would the major responsibility of a project coordinator, heading a project team.

The rationale for co-ordination is:

- To achieve the objectives of the project with a minimum amount of constraints.
- To take immediate corrective action for problems encountered in the implementation of the project.
- To promote better relationships among organisations, institutions, departments and individuals connected with the project and to harmonise resources and activities for the achievement of project objectives.
- To establish cordial relationships between the target population of a project and all the other sections, including the political leadership.

The following questions should be asked:

1) Co-ordination among whom?
2) What problems could come up in attempting to co-ordinate activities?
3) What needs to be done or what mechanisms should be set up to prevent such problems and promote co-ordination?

Co-ordinators should have leadership qualities because they need to encourage people to act purposefully toward realisation of the project's goals and objectives.

This requires certain leadership qualities:

- to motivate people in such a way that they feel positive about their responsibilities;
- to delegate and assign responsibilities to people;
- to manage conflict to make sure that differences are addressed and effective working relationships are developed;
to communicate information so that people have the information they need to perform their work effectively and efficiently.

Project co-ordinators should be flexible and able to adapt to changes within and outside the organisation and manage change to encourage creativity and flexibility in achieving program objectives.

6.7.2 Team-building

A team is an energetic group of people (two or more) who are committed to achieving common goals, who work well together and enjoy doing so, and who produce high quality results. In a team, the whole is more than the sum of its parts. The team is more than just the sum of individual efforts. The team combines the individual talents with a positive team spirit to achieve results.

The two most universal characteristics of teams are:

- the production of outstanding results and success in spite of difficulties, and
- members feel responsibility for the team and work to resolve problems and clear difficulties out of their way.

These characteristics can be broken down into the successful ingredients of a team.

1. Open, honest communication based on trust and caring. Team members are sensitive in how they communicate to their team mates, particularly in difficult or conflict situations.

2. A complimentary blend of skills and talent that allows the team to work cooperatively together, building interdependence among the members.

3. A high degree of tolerance, mutual respect, trust and support which allows individuals to take risks and challenge their abilities.

4. An understanding of and commitment to a common purpose and goals. Individual goals and objectives align with team goals to ensure balance in meeting team and individual needs.

5. The challenge and capacity to achieve results, make decisions and produce results efficiently.

6. An efficient and flexible structure and leadership which allows the team to work toward achieving results without confusion of roles and responsibilities. The shifting roles between leaders and followers exemplify this characteristic.

7. The enjoyment of working together based on team spirit, pride, rituals and symbols.
8. The ability to take strength and energy from each other, and to celebrate successes and share failures together.

6.8 PROJECT MONITORING

6.8.1 Monitoring plans

Monitoring is a core management responsibility. It involves collection, analysis and communication concerning the progress of the project and outputs achieved. It identifies actual and potential successes or failures as early as possible, and facilitates timely adjustments to what is being done. It enables the stakeholders to review progress and to propose action to achieve the objectives. As shown below, there are three types of monitoring. They happen at different levels of the logical framework and serve different functions: 1) implementation monitoring is operational: it monitors the activities and outputs; 2) impact monitoring concentrates on the immediate objectives; 3) reporting concerns the concrete (narrative and financial) reports that have to be prepared and submitted periodically to the main stakeholders, particularly donors.

What is it?

Implementation monitoring answers the question: What have we done? It follows what the project produces (goods and services) for its beneficiaries. It is used for implementation management. This type of monitoring is mainly an implementation management tool for the project manager, because it makes it possible to check at any time that implementation is on track. It provides information on whether resources are being used correctly to produce the activities, whether activities are being carried out within the planned time frames and whether outputs are obtained and delivered as necessary. Implementation monitoring can be used for short-term project progress reporting (e.g. quarterly or bi-annually).

How to do it

The main tools of this type of monitoring are the implementation matrices in step 3 and the output indicators. Project management must keep track of how the project is spending the budget, using the inputs and carrying out the activities in order to produce the outputs. The use of the logframe and implementation tools is recommended. The implementation plans (work breakdown structure, calendar of activities and budget) are just estimates of what will happen in the future. They must be reviewed and modified during implementation on the basis of what really happened.
6.8.2 Impact monitoring (immediate objective)

What is it?

This level of monitoring focuses on immediate objectives and their contribution to the development objective during the project’s implementation. Impact monitoring is an input into the final evaluation which will verify the impact of the project only at the end. The key question in this type of monitoring is What have we achieved? The centre of attention is what changes the project has produced in the ultimate beneficiaries and the target group. The development of changes in stakeholders, the ownership of achievements and sustainability are especially relevant aspects of this type of monitoring.

This type of monitoring is a performance management tool, since it provides information on whether outputs are used and owned by the target groups, on the changes that the project is producing on the context, and on any other aspects related to the project’s objectives. This is essential information for the project manager and stakeholders to see whether the project is contributing to development beyond its activities and products.

How to do it

Monitoring that focuses on results requires painting the initial picture of the situation that the project will change. This initial situation is called the baseline. It will be useful as a comparison point with which to verify progress towards the results. The baseline paints the initial picture, which is essential in the monitoring of results. Progress is measured using the indicators for the immediate objectives. These are complemented by performance questions on key matters such as ownership, use and usefulness of products, sustainability, compliance by strategic partners and contextual factors.

In this type of monitoring, the participation of stakeholders is crucial, given that they are responsible for the outputs. The timing of data collection is therefore usually more spread out than in implementation monitoring. Reports also cover longer periods, usually annual or biennial.

Monitoring is the process of routinely gathering information on all aspects of the project. Monitoring provides managers with information needed to:

- Analyse the current situation
- Identify problems and find solutions
- Discover trends and patterns
• Keep project activities on schedule
• Measure progress towards objectives and formulate/revise future goals and objectives
• Make decisions about human, financial, and material resources.

A monitoring report should:

• Contain a list of the activities to be monitored (derived from the plan),
• List the duration and deadlines for completion of different activities,
• State the methods of monitoring the activities,
• State the current progress on steps taken so far,
• State the barriers confronted, if any,
• Suggest solutions to overcome them.

Monitoring can be carried out through field visits, review of service delivery and commodities records. Whatever form is chosen monitoring reports always record any problem the project team has and plans to correct these problems. One also has to point out any changes in the original goals, objectives or activities and explain this change in direction.

Second Level Monitoring

The second level of monitoring is done by the donor(s). Through field visits and routine reports from the project manager, the donor monitors progress and measures performance. This includes financial reporting.

6.8.3 Checklist for Project Monitoring

(i) Are the activities taking place as scheduled?
(ii) Are the outputs being achieved as expected?
(iii) How are the beneficiaries responding to the project?
(iv) Identify possible causes of differences between actual and target performance. Were the original targets realistic?
(v) Have any unexpected outputs arisen? Should they be included in a revised logical framework?
(vi) Are the assumptions identified in the logical framework relevant?
(vii) What is the likely achievement of the project purpose?
(viii) Recommend corrective action that would improve the implementation of the existing project.

(ix) To know whether the various activities are undertaken as specified in the project plan.

(x) To know whether materials and other inputs are reaching the specific places in due time.

(xi) To know whether the unexpected issues/problems are occurring.

(xii) To know whether the outcomes match predetermined targets, and if not, why and to decide what corrective action has to be taken.

(xiii) To know what should be done to change course from the original plan, if the unexpected happens.

(xiv) To know alternative courses of action, given the new circumstances.

6.8.4 Reporting

All the information gathered in the monitoring plans will allow you to prepare the mid-term and final reports. The progress of the project against what was planned is assessed and the information is presented clearly in a report. Specific templates exist for each donor, consistent with the initial application form, so that you can compare what was planned with what was actually achieved. Indicators are therefore crucial to monitoring the success of the project and to reporting on it.

CHECK YOUR PROGRESS

Define the the term monitoring

Project implementation involves a number of activities

What monitoring report should contains?

Write the Checklist for Project Monitoring?

6.9 EVALUATION OF THE PROJECT

What is it?
The evaluation is intended to make an overall assessment of the completed project. The purpose is to determine the relevance of the achievement of the objectives, the effectiveness, the efficiency, the impact and the sustainability of the project. The evaluator has to be external. He or she will assess the impact of the project, given the planned objectives. The participation of the stakeholders in the evaluation is crucial in order to ensure that the different perspectives and views are taken into account. In most cases, the evaluation is only conducted at the end of the project, but for wider projects and programmes mid-term and ex-ante evaluations can be conducted. Mid-term evaluations are often similar to impact monitoring but are conducted by an external assessor, whereas monitoring is internal. It gives the project management and the stakeholders an independent analysis of the progress made towards the planned objectives, one with which they can review the strategy. Ex-ante evaluation is conducted after the end of the project, up to five years later, in order to verify if the results obtained by the project are sustainable.

**How to do it**

Evaluation, based on the indicators, focusing on the project’s immediate objective and how your project contributes to the development objective. The logical framework clearly specifies what is to be achieved (outputs and immediate objective), how it is to be verified (indicators and means of verification) and the key assumptions. The project management will prepare the terms of reference (ToR) of the evaluation, based on expected outputs as mentioned in the logframe.

Evaluation is essentially a reality test to assess the significance of the project. In particular, it looks at the efficiency, effectiveness, impact, sustainability and relevance of the project given its stated objectives. Evaluation has two specific purposes: accountability and learning. Accountability refers to the obligation of the project to demonstrate to the donor, stakeholders, beneficiaries and others that it was implemented in compliance with its original design, agreed contracts and plans. Evaluation generally implies measurement, appraisal, or making judgements on the output and impact of the project in terms of the objectives. Evaluation will determine a project’s relevance, effectiveness, and benefits to the target community. Evaluation is different from monitoring. Monitoring checks whether the project is on track; evaluation questions whether the project is on the right track. Therefore, evaluation looks more at long-term effects of project objectives. In an internal project review the team conducts a periodic self - evaluation of the project, including a review of goals, strategies and work plans. Many organizations do yearly program evaluations, using a variety of methods, usually without the help of an external consultant. One of the main purposes of an internal project review is to document progress and problems as a basis for planning the next phase of work (usually the next year).
Evaluation adopts a broader perspective than monitoring by challenging the original assumptions of the project design and considering ‘Are we doing the correct project?’ Evaluations focus on progress towards realising a project’s purpose and goal.

Evaluations may be conducted at various times during a project’s life:

- during project implementation *(mid term)*, providing feedback to management to guide the existing project
- at the end of implementation *(terminal)*, providing guidance for the planning of new projects
- several years after the completion of a project *(ex post)*.

Evaluations are usually led by people external to the project management (for example, from relevant ministries, central government, funding body or donor agency). If members of the implementing agency also participate, the evaluation process provides an opportunity for capacity building and institutional strengthening. An interdisciplinary team, including socio-economic and gender specialists, ensures the review of a project is comprehensive and balanced.

**Checklist for Mid Term Evaluation**

| (i) What did the project set out to achieve? Was the problem correctly identified? |
| Were the project activities appropriate? Were the targets realistic? |
| (ii) What were the expected linkages between outputs and purpose? |
| (iii) What is the likelihood that the project purpose will be fulfilled? What would have happened in the absence of the project? |
| (iv) Is the project purpose still relevant? Are there other ways in which the same purpose could be achieved? Would they be more appropriate? Would they be more cost effective? |
| (v) What are the indications about the likely achievement of the project goal? Are the project benefits sustainable? |
| (vi) Who were the intended beneficiaries of the project? How were they to benefit? |
| Did the project address practical or strategic gender needs? |
| (vii) Were there any unexpected outputs or beneficiaries? |
(viii) Were the assumptions identified in the logical framework relevant? Have any killer assumptions emerged? Have any new risks appeared?
(ix) Identify the lessons learnt for the future design of similar projects.

Program review takes a broader look at multiple aspects of a program or an organization. It can also be used for reviewing a country program of an international development agency. This is usually a larger undertaking than project review, and is done less frequently, perhaps every three or four years. Program review covers a variety of elements related to the program or organization’s goals and priorities. Possible areas of focus might include relationships between program staff, beneficiaries, and management. Sometimes it is important to look at decision making and communication within the organization or project staff. Or there may be a need to evaluate the organization’s goals and structure. Usually this is an internal process, but it may be helpful to have the services of an outside consultant. A consultant for this kind of evaluation should be skilled at organization development and team building.

Example of questions to be asked in this kind of evaluation:

- What is the basic approach of the project organization to community development? How has the organization changed through this experience? Is there clarity of organizational goals and work methodology?
- What is the quality of the relationships between the technical team and the community? Are the field staff accepted by the community? How do the community leaders and the project team work together?
- How well has the project organization done in reporting and communicating? What problems need attention?
- How are the community organizations working? How democratic are they? How well is the leadership functioning? What parts of the community are represented in the cooperative membership? How sustainable is it?
- What are the criteria and/ or expectations of the funding organization? How well has the project fulfilled these? Are the criteria/expectations appropriate to priorities and goals of this project?
• Impact evaluation is the last step in the project cycle and assesses the outcome of the project sometime after the completion of the project. It is often used as the basis for expansion of the project, or in the case of a pilot project, for the scaling up of the project. Evaluations are usually more comprehensive than monitoring, and require information from outside the project.

• In an impact evaluation one measures whether or not a project achieved its goals and attempts to look at what impact the project had on its participants. The emphasis is on measuring if sustainable development has taken place as a result of the project. Usually a team, including an independent consultant, will conduct impact evaluations. The scope of work should be agreed upon by the several parties who have the most at stake in the outcome. These "stakeholders" will normally include the donor agency, the international cooperating agency and their in-country representative, and the local project organization. Very importantly, representation and participation of beneficiary community should also be sought.

• Impact evaluations require collecting and analysing data, aiming to be more objective than in routine reporting. Several methods can be used, including case studies, cost-benefit analysis, rapid rural appraisal, or surveys. The participatory approach advocated in this manual, though more time consuming, helps the project organization gain more ownership of the results. In addition, an important by-product of participatory impact evaluation is that the staff learns the process of evaluation by participating in it. Many international development organizations have increasingly emphasized this type of evaluation in order to improve overall results of their programs and to better report to their constituents.

CHECK YOUR PROGRESS

What is difference between monitoring and evaluation?

What is Checklist for Mid Term Evaluation?
**Introduction and Justification**

The recommended length for the Introduction and Justification section is two or three pages.

The introduction to a proposal must cover two themes: the problem the project intends to address and the credibility and qualifications of the organization planning to implement the project. It is best to think of each as a separate subject area and to thoroughly cover one before proceeding to the other. Address the following points when describing the problem and the organization.

**Describe the problem or need for the project:**

- Convey a sense of urgency. Why should a donor pay attention to the problem you describe? Be thorough but brief.

- Provide up-to-date statistics and the most recent research findings. Present statistics at the international, national, and local levels. Draw on information obtained from the needs assessment, if one was conducted. Cite each statistic or finding with a footnote, endnote, or with a parenthetical citation. Donors may want to know how recent your information is and the credibility of your sources. If the only available statistics seem out-of-date, mention that they are the most recent ones, if, in fact, they are the only statistics available.

- Refer to your review of theories and programs that have dealt with issues similar to the ones you seek to address, taking note of results and lessons learned, gaps in knowledge, strategies and program areas that need to be expanded or tested.

- Provide a brief overview of the proposed project, including beneficiaries and expected results (no more than one paragraph).

- Describe the project location’s salient characteristics (urban, rural, dispersed population, etc.). You may want to provide a map of the area where the project will take place in relation to the rest of the country or to major population centers.

**Describe the organization that proposes to address the problem:**
• An accurate understanding and definition of the problem should lead logically to a
description of why the problem is of concern to your organization.

• Describe steps taken in the past by your organization, other NGOs and governments to
address the problem. Present achievements as well as pending needs.

• Describe your organization, including when it was established, its mission and goals, and
particularly, the skills or experience the organization has that makes it a good candidate for the
proposed project. Your aim is to convince the donor to invest in your organization by showing that it
has the ability to carry out the project successfully.

• Name other organizations (that is, collaborators) that will participate in the project, if any.
Many donors are interested in funding collaborations, in order to draw on the expertise of various
organizations, scale up programs, and obtain a greater return on their investment. If you plan to
collaborate with another group, how will you collaborate? Describe your previous involvement with
other collaborators and why the alliances were successful.

Goal and Objectives

The listing of the goals and objectives should take up less than half a page. Prior to writing
the proposal, it is recommended that you complete the logical framework described earlier in this
guide. In this section of the proposal, simply list the overall project goal and the specific objectives.
As discussed previously, your project objectives should refer to the timeframe of your project, the
beneficiaries or focus populations, and the location. Present your objectives as “Objective 1,”
“Objective 2,” and so on; this will help you refer to them in other parts of the document.

Activities

The recommended length for the Activities section of the proposal is three to five pages,
depending on the size and scope of the project. This is an important section because you can explain
to the donor exactly what you will do with the donor’s funds. As described earlier in this guide, the
activities should support the achievement of the objectives and be related to the indicators. In this
section of the proposal, provide more details about the specific activities that will be conducted.
Consider the skills and expertise of your organization and your collaborators. Through your needs
assessment, you should have become familiar with similar projects that have been undertaken in the
past.
Be descriptive in the Activities section of the proposal. For each activity, discuss:

- How will it be done or carried out?
- Why did you choose these activities?
- Who will conduct the activity?
- Who are the beneficiaries? Will the beneficiaries be involved in the design, implementation or evaluation of the activity?
- How many beneficiaries will be directly involved?
- How will you recruit or attract them? How can you maximize their participation in the activity?
- When will the activity occur? For how long? What will be the frequency of the activity? (Will it happen once, or will it be repeated?)
- What materials will you need to conduct the activity? Will materials or curricula have to be developed or do the materials already exist? Will the materials need to be adapted to the new population, and if so, how?
- Will your organization collaborate with other organizations to carry out the activity? What will be the role of each organization?

The activities described in this section need to be consistent with the budget. How the activities will accomplish each objective must be explained clearly. The Project Activities for each objective will also be listed in the Work Plan or Project Timeline. This is a grid that lists all the activities, the persons to carry them out, and when the activities will be conducted. Sometimes the specific month is specified; other times, only the quarter or semester of the year is specified, if it is a multiyear project.

**Monitoring and Evaluation**

Monitoring and evaluation is an integral part of the project proposal, and the Monitoring and Evaluation section is of great interest to donors. This section provides details on how the effects of the intervention will be measured. In addition, a well-designed monitoring and evaluation plan will enable project staff to understand how the project is functioning and to make programmatic decisions throughout the life of the project.
The monitoring and evaluation section should answer the following questions:

• What indicators will be measured? (Refer to the logical framework.)

• Where will the information or data come from?

• Who will collect the data?

• How and how often will data be collected?

• How and how often will reporting occur?

To prepare this section of the proposal, you will need to:

• Refer to the logical framework (which should be attached to the proposal as an Annex), and describe the indicators, the means of verification (data sources and data collection methodologies), and the frequency of data collection.

• Describe how the monitoring and evaluation plan will be implemented.

• Describe the human resources that will be used to monitor and evaluate the project, including the staff or department of the organization responsible for data collection and analysis and the consultants or technical assistance you will need.

• Discuss the evaluation methodologies you will use for each indicator or type of indicator (organized by methodology).

• Inform the donor of your reporting plans and frequency, keeping in mind that donors may have their own requirements for reporting to them. Remember that the Monitoring and Evaluation section of your proposal should be consistent with the budget. For example, if the Monitoring and Evaluation section states that staff members will work on evaluation activities, then there should be a budget line to cover the corresponding portions of their salaries, or the salaries should be listed as being funded by another donor or collaborating organization. Similarly, if you plan to conduct focus groups or carry out a survey, include the relevant costs in the budget.

Address Gender Issues

The recommended length for this section is half a page. Alternatively, your proposal could address gender concerns throughout the document, especially if gender issues are among the key components of the project. This section should summarize how your project will address the issues surrounding gender and sexual and reproductive health described below. Gender refers to the
expectations and norms shared within a society about appropriate male and female behavior, characteristics, and roles. Gender roles are socially constructed or determined and can change, as opposed to sex, which is biologically determined and generally permanent. Gender-based power in sexual relationships is frequently unbalanced, and women usually have less power than men do. Gender-based power can be linked to sexual and reproductive health directly: power imbalances can interfere with women’s ability to negotiate condom use with partners, contribute to violence between partners, and influence whether and how women use health services.

Gender inequities, societal and individual notions of male and female identities, power imbalances in sexual relationships, and other gender-related factors. A review of what has been learned to date about gender-based power shows that, although many challenges remain, addressing the role of gender-based power as an integral feature of sexual and reproductive health programs is of considerable benefit to both women and men.

How will your project ensure to change gender stereotypes instead of reinforce them? Will your project’s staff and providers be trained in gender issues and how they relate to women problems?

**Key Personnel**

The recommended length for this section is half a page or less. An interested donor will want to be convinced that the project will be carried out successfully, and that the human resources are adequate for the tasks proposed. In this section of the proposal, describe:

- Who will work on the project?
- What responsibilities will they have?
- What proportion of their time will be used to support the project?
- What qualifications do they have?

**Strengths and Innovation**

The recommended length for this section is half a page. Donors realize that providing their funds to an organization is not only an opportunity to address important issues, but also a risk. To help minimize the risk and to reassure a potential donor that the project will meet its objectives, it is important to convey the strengths of the project. This may relate to your organization, your partners, your experience with the focus populations, the fact that the strategies have been successful elsewhere, and so on.
In addition, donors often want to fund new initiatives, pilot projects, or projects with innovative qualities. This section of the proposal is a place for you to reiterate what is innovative or interesting about your project, what sets it apart from other projects. Talk about the innovative features in the project design, in the process of conducting the project, or in the programmatic elements. For example, if you will reach out to youth with new technology as part of the project, this may be considered innovative if it has not been done before. If you are reaching out to a population that has been neglected before, mention this. If your organization is forging links between groups that have never worked together before in order to address the same goals, then discuss this. The innovative qualities of a project should be highlighted in the Executive Summary and discussed in the Activities sections of the proposal, as well. Some projects are justifiably not striving for innovation; rather, they may be implementing strategies that have been proven to be effective. In this case, you may choose to focus on the strengths of the project.

**Sustainability**

Sustainability refers to the ability of a project to continue once the initial grant or external source of funding has ended. Thinking about the sustainability of a new project may seem difficult. You may wonder, “If the project has not even started, how can we plan for its continuation?” The following reasons justify thinking about sustainability:

- To ensure that beneficiaries will continue to be served
- To reassure donor agencies that their investment will not be lost
- To convince the donor that you have planned wisely for the future of your project
- To ensure that the organization’s investment (direct and indirect) is not lost

Although assuring the continuation of activities beyond a period of donor funding is a challenge, it is possible. Designing your project appropriately from the beginning can help. Some strategies to generate local income or to cover the costs of the project that could be explored areas follows:

- Integrate the project into your organization’s budget and cover its costs through normal fundraising means.
• Seek other local, national, or international donors who can support the project and may have a long term interest in the project’s success.

• Sign agreements or enter into collaborations with other institutions, such as governmental agencies, which can assume some responsibility for the project or can finance the project.

• Involve the community or beneficiaries in planning for the sustainability of a project that affects them.

• Offer to sell your organizational expertise gained from the project to other organizations, through the provision of technical assistance or training.

• Explore cross-subsidization. This means that the profits made by income-generating activities (that is, sales of services or products) cover the deficits of social programs. For example, urban clinics may subsidize rural ones, or urology services may subsidize family planning services.

• Improve efficiency and reduce costs.

• Collect fees from clients or users for services and products provided, as appropriate.

• The project itself may not need to continue, but aspects of it may be incorporated into the regular work of the organization. For example, if your project created guidelines for a special kind of service delivery, these may be included in the overall protocols and training materials of the organization. In the proposal, it is important to demonstrate to the donor that you have thought about the issue, and will explore strategies that are feasible to achieve some level of sustainability. Show your commitment to the sustainability of the project by including sustainability activities in the work plan for the project. If there are research or other costs that are included in the project because it is a model designed to provide lessons for the future, it is wise to point these out. You can go on to explain what aspects of the project might be sustained.

**Budget**

The Budget section of the proposal should reflect the staffing and resource requirements for the project. It should include costs for personnel, materials, equipment, and activities mentioned in the proposal. Be sure to include the costs for monitoring and evaluation. For some donors, the Budget is the most important section of any proposal, and, along with the
2 Prepare a project proposal on income generation activities for women

3 Define health needs in project of your community?

PROJECT PROPOSAL OUTLINE

1. Identification and Description of the Problem
   - Basic data on country, region, sector, community
   - Definition of problem
   - Clear information on how serious it is
   - Causes of the problem
   - Existing local efforts to solve the problem
   - Knowledge and experience about efforts elsewhere
   - Summary of why a new project is necessary

2. The Proposed Project
   - Brief description of the project
   - Statement of project goals and specific objectives in terms of expected results
   - Why the proposed solution is appropriate
   - Identification and rejection of other alternatives
   - Expected project benefits (direct and indirect)

3. Plan of Action
   - Description of activities
   - Timetable, including reports and evaluation

4. Management and Staffing
   - Organisational structure for project management
   - Functions, responsibilities of different senior jobs
Personnel and recruitment requirements

5. Budget

Budget summary of expenditures
Description and costing of inputs required
Long-term financial projections

6. Expected Funding Sources

Proposed sources and amounts of initial funding
Other possible sources of assistance
Long-term financing plan for running costs

CHECK YOUR PROGRESS

6.11 KEYWORDS

Project planning, Project Cycle, Situational Analysis, Needs Assessment, Target Group,

6.12 QUESTIONS

1 What is project and project cycle?

2 Describe various steps in formulation of project?

3 What is importance of project appraisal?

4 Give importance of monitoring and evaluation of the project?
Prepare a format for a project

6.13 SUGGESTED READINGS


10. GTZ (s.d.): *Project Cycle Management (PCM) and Objectives-oriented Project Planning (ZOPP) - Guidelines*, GTZ, Eschborn.


Internet Resources

www.pmi.org
www.pmforum.org
www.apm.org.uk
www.aipm.com.au
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