



## INTERNATIONAL KNOWLEDGE AND EXPERIENCE EXCHANGE ON THE DEVELOPMENT OF NON-GOVERNMENT ORGANIZATIONS

*Ho Chi Minh, 31.07-01.08.2014*

### Self-regulation of NPOs / Central and Eastern Europe

#### WHY?

- There is demand from the public, donors, government, and others for greater transparency on the part of NGOs on finances and activities. The push for self-regulation is driven by several factors, including the increased influence of CSOs since the 1990s, much publicized cases of financial fraud on the part of NGOs, scrutiny of tax benefits that CSOs receive in many countries, debate about the role of CSOs in society, and legislation that is overly restrictive.

WHAT IS IT? There is no singular way to conceptualize or implement self-regulation. Here is but one example:

- CIVICUS Self-Regulation Guide: Self-Regulation is a 3-part concept of legitimacy, transparency and accountability. The **legitimacy** of a CSO can be defined as the perception by other stakeholders of a CSO's actions as being "justifiable and appropriate." **Transparency** refers to the level of openness and the disclosure and dissemination of information concerning a CSO's values, processes and procedures. **Accountability** means the CSO's willingness and its ability to answer and take responsibility for its actions, activities and messages. It also indicates the justification for each of the CSO's activities and communications to all stakeholders.

#### ESTABLISHING A SELF-REGULATION MECHANISM

1. Establish the principles and standards of a self-regulation initiative.
  - Principles are quite broad and can include gender equality, respect for the environment, community participation.
  - Standards would include areas such as **financial** (e.g. having regular audits, annual financial reporting, proper accounting standards and financial controls); **programmatic** (e.g. having a program plan, documenting the organization's work, M&E systems, including different stakeholders); **governance** (e.g. having a board, policies for board membership, systems to avoid conflicts of interest, publication of the org's mission and values, producing annual reports)
2. Determine the modality of self-regulation which will apply and promote adherence to the principles and standards.

#### SELF-REGULATION MECHANISMS (and examples)

1. **Working Group**: a collective of CSOs which organize themselves to discuss their own transparency and accountability, share best practices and direct new initiatives.



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2. **Information Service:** An information service is a scheme which requires the participating organisations to publish a specific set of required data that is relevant to accountability and transparency. It may also serve as a directory of CSOs. Their target audience is often the general public. They may also organise a rating system based on the amount and quality of information disclosed. A rating system can be seen as a compliance mechanism in the sense that it signifies to the public which members are complying with different levels of requirements and it can motivate organisations to meet higher transparency criteria.
3. **Award:** Awards are given in recognition of achievement in transparency and accountability practices through a competitive process. They often aim at rewarding excellence, innovation or good practice.
4. **Code of Conduct:** A code of conduct or ethics is a set of standards which is defined and agreed on by a group of CSOs as a guide to their behavior and practices. A code usually attempts to regulate various aspects of CSOs' operations including governance, accountability, fundraising, etc.

**Certification Scheme** is a way to evaluate an organization's governance, programs and practices against a set of standards and norms defined and established by a group of organizations. After proving adherence to these standards the organization receives a seal of certification or accreditation. The evaluation could be done by the organization itself, a peer organization, and a third party accreditor, and it can be paired with compliance/sanction mechanisms.