

Governance of NGOs and INGOs in Nepal

The development sectors are being ignored and not tightened the governance policy because of its influence and impression among society that the organisation have involved only in giving and social development but not profit making activities



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• Meaning of NGOs/INGOs

An NGO (Non-governmental organization) is a legally constituted organization created by natural or legal persons that operates independently from any government. Whereas INGOs is defined as "any international organization that is not founded by an international treaty"

• Origin of NGO in Nepal

Origin of an NGO/Social welfare organisation in Nepal is found to be backed origin of society itself. In the begging days it was named and worked as Guthi, parma, dhikur even before unification of Nepal in the year 1769 the numbers was believed is as much as number of society and tole/communities were present in Nepal.

But the establishment of today's NGO was not easy to form/run in Nepal in till 1950 and then after a democratic movement since 1951 was an evident of movement and development of an NGOs even very difficult to operate and establish because of permission was required from prime minister for establishment till 1961 and then very low growth in the period of party less political system till 1990.

Current number of NGOs is believed to be 85,000 and INGOs are believed to be 270 in numbers operating in Nepal. There are total estimated number of house are 47.67 lacs in Nepal as per census of 2011 which means the number of houses per NGOs are 56. These data speaks the truth of impact/output of NGOs in Nepal.

Out of 270 INGOs probably 207 are registered/affiliated/contracted with SWC and 150 are only actively functions but some of the INGOs are just working at the residence/room of the country directors itself due having their own interest/constraints.

Brief background of NGOs (Non-Governmental Organisation) CSOs (Civil Society organisation) INGOs (International Non-Governmental Organisation):

Even though the government of Nepal has created the Social Welfare Council (SWC), a central coordinating agency for NGOs, there still is a lack of operational networking and communication among the NGOs.

Corporate governance is applied in the corporate sectors are of much issues of discussion and implementation but the NGOs/INGOs governance and reporting systems are still required to be developed at national and international level. There are no any

international/global reporting systems and standards are exists and even in development mode to consolidate the issues at Social development sectors.

We have currently seen that the development of Aid Management Platform (AMPs) at the government level by different country for the reporting and consolidation of INGOs funding and program but will this development be the solutions of governance? Of course not, as I believe, this will be the mere reporting and informative details which may not be proved as governance at NGOs/INGOs level.

The development sectors are being ignored and not tightened the governance policy because of its influence and impression among society that the organisation have involved only in giving and social development but not profit making activities.

In most of the countries the government ignored these sectors the reasons that any government does not receive any tax/revenue and least affected at direct level and but what I think that the collected revenue from profit making corporate organisations are being utilised revert back for development of the economy and society which are being directly done through social sectors/development organisation.

What I feels that the governance policy may be required at more tightened or at same level of stake/interest in the government.

I have seen many development sectors are working at the level of more than many corporate sectors and its executives & staffs are getting more remuneration and facilities than the corporate gets in the profit making organisation. Although the organisation are involved in the process of poverty alleviation, social/metal/spiritual/human right areas/activities but hardly least numbers of the organisation and its staffs are concerned with any of self development/spirituality etc or any Organisations hardly talk of this.

Sustainability of NGOs/INGOs is an emergence of burning issues:

In spite of existence of NGOs/INGOs since longs but its sustainability remains always a challenges and the organisation thinks and believes that its sustainability depends on donations/charity and donor agency.

What I have evident since longs time if the donor agency stops its donations the organisations gets closed and stops its program towards social upliftment and empowerment.

Organisations' vision and mission is to empower the society/rural development but the organsnaition is itself looking helpless towards its own empowerment. Orphanage remains orphanage all time, oldage care home remains old ages care home.

Root cause of its position: Lack of Internal control and Governance

Before writing on internal control and governance of NGOs/INGOs, I would like to list some of vital stakeholders of NGOs/INGOs which may be taken are:

Who are stake holders? The stakeholders are those of having any interest in any capacity from outside or inside of an organisation NGOs/INGOs like:

Beneficiary/Group of society: The existence of NGOs/INGOs happens to be because of beneficiary without which the existence can't even imagine to exist.

Government of Donor country: Bilateral/Multilateral and cultural relations with the beneficiary country.

Government of beneficiary country: Bilateral/Multilateral and cultural relations with the donor country.

Employees of NGOs and partners NGOS: Well paid as per talent and interest to work in development sectors;

Management of an Orgasnaition: Accountability to all stakeholders and good governance in operation for achieving its objectives:

Board and Advisory Member: Boards are much concerned with vision and strategy of the organisations whereas advisory boards are not use to be under governance/accountability catch but the face value and for far sighted vision /suggestion for success of the organisations. They are stakeholders because of their face value and credibility attached with the organisations.

Trustees/originator of NGOs: The persons of strong vision/mission/desires to work towards development of nations and having negligible interest in any monetary consideration or returns from operation of an NGOs but

stick/more concerned with their face value and impact of workings/programs of an NGOs.

Vendors of Goods and Services: Having concerned with timely delivery and returns of consideration against supply of Good and Services. Other interests are the impact/output of an NGOs working in their areas and country being the citizens and member of the country.

Consultants and Auditor: Concerned with the professional ethics and responsibility as well as the development of the nations.

External Environments:

Since beginning, NGOs have been able to claim their good intentions and sounds values provided a sufficient basis for accountability however, increasingly such claims are being questioned. This is in part a response to NGOs growing visibility as key actors in the governance of social and economic affairs. It is also in part a response to challenges they have mounted against the accountability and legitimacy of government actions and the corporate sector.

What I think that an "NGOs which seeks a virtue out of highlighting the failures of governments, business and other institutions should be subjected to the same degree of scrutiny that everyone else faces. They too need to be accountable for their activities. NGOs are also strengthening their accountability so as to increase their legitimacy among policy makers and thus the effectiveness of their work. Calls for greater NGO accountability are also emerging from within civil society itself.

Traditionally and stills NGO are seems accountable to the donor agency/their principal agency as principal agent relationship model where a principle delegates authority to an agent to act in their interests and ensures accountability via economic and legal incentives and sanctions

However, this understanding is limiting, as it only affords those with formal authority over an organisation the right to hold it to account.

Within the context of the non-profit sector, such an understanding leads NGOs to focus on their accountability relationships with donors, governments and their board of governors, to the neglect of other stakeholders such as their beneficiaries. Moreover, it

propagates the minimalist view that NGO accountability is principally about how money is spent and what the fund-raising/administration ratio is the stakeholder approach to NGO accountability:

NGO accountability is better understood through the stakeholder approach. This transfers the right to accountability from exclusively those that have authority over an organisation to anyone that has been affected by the organisation's policies. This makes accountability a far more inclusive and open concept.

The stakeholder view also recognises that accountability is more than an end-stage activity. To ensure that an NGO is responsible for its actions all stakeholders need to be involved at every stage of the decision-making process. Passing judgement after a decision is made limits the extent to which an NGO can be held to account.

Accountability needs to be an ongoing process.

The strength and clarity of these different accountability relationships is not equal. They vary greatly in relation to the relative power a stakeholders has over an NGO.

The lists of government laws and regulations prevail in Nepal which attracts NGOs and INGOs are as follows:

The National Directorate Act (1961) (Rastriya Nirdeshan Ain 2018): This aims to ensure that professional organizations and groups use their strength for their development, as well as nation building, with preapproval and consent from the government. CSOs registered under this Act include the Nepal Bar Association, Nepal Press Council, Teachers Union of Nepal, Nepal Federation of Journalist Associations and the NGO Federation of Nepal. Unless formed by the government itself, any group wishing to register under this Act must apply and receive approval from the Cabinet through the relevant line ministry or based on law. For instance, the formation of a single Teachers Union was envisioned in the Education Act.

The Association Registration Act (1977): This is the primary framework law for CSOs in Nepal. Registration under the Association Registration Act is required for an organization to function legally. Under the Act, an "association" means an association, institution, club, circle, council, study centre etc. established for the purpose of developing and extending social, religious, literary,

cultural, scientific, educational, intellectual, philosophical, physical, economical, vocational and philanthropic activities, and also includes friendship associations.

The Social Welfare Act (1992): This act governs the provision of "social welfare" activity and "social service" activity. To receive foreign funding and implement programs with foreign support, local CSOs must receive advance approval from the Social Welfare Council (SWC).

The Local Self-Governance Act (1999): encourages local government engagement with CSOs in development work. The Act envisions that local governments will facilitate NGOs in the identification, formulation, approval, operation, supervision, and evaluation of the development program. The Act also encourages the private sector to participate in local self-governance to provide basic services for sustainable development.

The Company Act (2006) (paragraph 19, articles 166 and 167): provides the legal basis to register not-for-profit business organizations and consultancy companies. Registration requires at least five citizens coming together to promote any profession, business, intellectual, educational, social, charity or welfare activities, with a non-profit intent.

Income tax Act:

Nepalese tax law recognizes a category of tax-exempt organizations which includes political parties and CSOs who request this status. For CSOs that have received a tax-exemption certificate from the Department of Internal Revenue, income from grants, donations, and investments is not taxed. The certificate remains valid so long as the CSO carries out the public benefit purposes mentioned in the organization's by-laws and does not carry out income generating activities.

Governance can be well understood from two perspectives:

- Internal Governance / Control
- External Governance / Control

Internal Governance and Control: When the system and operations are run as per the well established standards operating procedures (SOPs) for reaching its goal, the organisations are said to have strong internal control and its internal governance is in place. Why governance

is needed is to report and bring the message to the stakeholders/users its functions effectiveness towards its goal and objectives; But what I believe is that the internal control systems influences from external control and the stakeholders who has much influenced with the organisation and the organisations operates in a manner to manage the influential stakeholders or the stakeholders who has enough dominance on the operational and strategically affairs of the organisations.

External Governance / Control: When the system and operations are run as per the good governance and having internal control so that the requirement of reporting and implementation as per the external requirement can be met, the External governance/control can be said to be in place. External governance are the compliance of all laws and regulations attracted to the organisations.

But seeing the position of numbers of CSOs increasing since beginning is alarming and the impact and effectiveness is less which can be seen / experienced from the environment and situations prevails in the country.

Factors to be considered in internal control/governance of the organisations

- Vision and Missions are not clear: During our primary and secondary level of research, we have found that the most of the regional level NGOs do not have any vision and mission clearly defined or stated. It is believed that the founder of a NGOs carrying the perception that the donation shall come in the name of development which is nothing but their own business. They simply understand and carrying the perception that foreigners or foreign country are so rich and they donate in the name NGOs working. The founder of the NGOs might not be financially independent and even well educated but they talk of working of development projects for social development. We have encounter that most of regional NGOs founded as their career after not finding the JOBS and career building anywhere in any field of corporate.

The only vision and mission are cleared in their mind that either donation from the government with political nexus or some foreign country/donor agency shall come

up with ready donation package.

- **Family owned NGOs:** In Nepal current model/structure of an NGOs is mainly registered under Association Registration Act, 1976 .The Association Registration Act is the primary legal framework for CSOs in Nepal. It was first promulgated in 1976 and has since has been amended. However, CSOs in Nepal are not satisfied with its ?controlling legacy. As per the act, at least seven members are required to get registered an NGOs and the reasons we have analysed and reviewed very closely some of the NGOs and found that they are family owned NGOs/organisation either members from own family or relatives in all seven members.
- **Lack of capacity building within organisation:** Regional level/Grassroots level NGOs lacks the capacity building in terms of Internal Control procedures, conflict of interest, skilled resource person, Information technology communication (ICT).While interviewing some of the NGOs, we have found that all of the members of NGOs are even not passed college and just having nexus with political figure and running NGOs.
- **Weak access/reach to INGOs and National level Authority:** Due to not having any capacity building and information, awareness activities around world and economy, they are not able to have access to INGOs and international donor agencies, the reasons these types of CSOs/NGOs are either unattended or not even operational in true sense.

What we have found that the international NGO/donor agencies are unable to tap even genuine grass root NGOs and just having associated/partnered with having either upper level nexus or connection with their comfort; the reasons there are big level Gap between local NGOs and International NGOs.

- **Donor driven environment and operation Model:** During our research period, we have also found that most of the INGOs are operating at their global model of operation, They replicate the same model in another country but the reality is that the model which get success in one country may not be suitable for another country due to having different level of cultures, national policy, requirement and necessity.

They lacks flexibility in their model of operation and working style and the reasons its gets not successful with less impact to the required sections.

The model and implementation are donor driven approach, the NGOs believes the real stakeholders are donor agencies but not the beneficiary/ needy class of society. INGOs are getting and collecting the funds from one section of strong class of people/corporate donor agencies to transfers the facility and helping to the needy/weaker sections of people.

The Local NGOs thinks and believe that they are answerable only/in priority to donor agency/vehicle agency but not to the other stakeholders.

I believe that the INGOs must be working as a vehicle/bridge between weaker sections and strong section of people but not the host/house of donor agency.

But what we have found that the beneficiary class of people gets less what ought to pass through this vehicle. The resource of INGOs gets benefits and perks more than the corporate class of people. The jobs and career has become very luxurious than in corporate, people of good career oriented chose the INGOs sectors rather people of interest having in social development sectors.

- **No one window policy at national level:** The registering authority like DAO (District administration office) under Ministry of home affairs are getting registration of CSOs/NGOs and renewal but not playing any active role in promotion, monitoring and control of any CSOs. The reasons we believe that lack of national level policy/laws/regulations , resources and infrastructures: There are not having any centralised level of control and monitoring to these NGOs but only required to be gets registered/ affiliation with Social welfare council under social welfare act by the NGOs who is either getting foreign funds or working in association with INGOs.
- **Need/emergence of Social Audit:** The importance of advocacy program and social awareness program through involvement of social audit cannot be denied. Beneficiary class of people/weaker sections people are not aware that all these things are

happening for them. The final impact of these are to be seen the impact on them only. The requirement of social audit is utmost needed in the Nepal.

- **Reporting requirement and audit is mere formality:** any NGOs working in Nepal are required to take PAN/VAT number and then gets tax exemption certificate. What I believe that the caretaker of Government policy making thinks that NGOs are tax exempted so need not to regulate with strong monitoring methodologies.
- **Lack of SOPs (Standards operating Procedures) at all level of operations:** Most of the NGOs and even INGOs working in Nepal do not have fixed guidelines/manuals/Standards operating procedures and any reporting requirement other than at donor level and some formality at Government authority. The organisations are much concerned with answerability towards donors but not to the beneficiary class and the beneficiary are much concerned with their own objectives and constraint with their governance and stakeholders.
- **Lack of awareness among beneficiary:** Most often the beneficiary class use to be always of the class of people of not having knowledge/awareness of these whole pictures of working and environment of the NGOs and INGOs. They are not aware of that all this films runs/gets super duper hit because of their poor/lack of education/un empowered and helpless status. Even there are so many NGOs which are working in the areas of advocacy but again these organisations do comes under the question of governance.
- **Lack of welfare approach/factors in an organisations:** The people working in the organisation prefer to work in these kind of organisations specially in INGOs because of the pay scale and facility in these sectors are high in comparisons of corporate sectors generally in the least developed country (LDCs) or developing country. They are least concerned with the welfare/social service approach and interest.
- **The Real message/purpose of an NGOs/CSOs is missed:** The name of the these organisations and definition suggests that these are non-governmental organisations but what we have found that again these are the organisations which are mostly

influenced and driven somewhere with the Government itself. What I believe that the role should be limited to facilitation and governance but somewhere its mission in so many LDCs and the working NGOs/INGOs feels hindrances rather than facilitation.

- **BIG Gap Between Grass root NGOs and INGOs:** Although the INGOs in Nepal are not allowed to work directly/implement its projects at grass root level but they are allowed and directed to work through Grass root NGOs. We have found that so many INGOs have started and established their own local level NGOs with the help of the one or two local connected people and they implement/runs the projects at their own comfort and style. The reasons is not only the question of governance but the grass root level NGOs are not equipped with the basic level of requirement like Resource/skills/capacity/reach or access to reach and connect with these INGOs or any foreign agency for getting into the partnership or association. The reasons big GAP exists and the objectives are missing at holistic level.
- **Absence of experts on related field and operation within organisation:** what we have found that most of the NGOs/INGOs working in all field of development like rural entrepreneurship but none of the resources have any exposures/qualification in the areas; working in the health sectors but not having any resources are doctors or from health sectors, working in advocacy but even missing the attraction and motivational part the advocacy and the reasons impact are less, bla blawhat it gives the message that the organisations are not getting their impact assessment/post implementation review from the independent agency/consultant but again its missed the governance level even if it's being done.
- **Absence of Sectors specific NGOs at Grassroots level:** what sectors specific NGOs are required at which grass root are the decision/assessment/comfort of the NGOs/INGOs itself but not of the Government. There are not any detailed assessment/policy and guidelines/case studies and prioritised sectors of the functioning of the NGOs/INGOs.
- **Absence of need based model at implementation level:** The INGOs through local NGOs or any

multilateral agencies through government agency work with their own model of working which gets success at one place/country and always try to replicate the same model from one country to another. There are lot depends on the requirement/assessment of the locals/society/community where which models fits into. So the need based models are always missing and the significance and output of the projects gets diluted in helm of failure.

- **Absence of centralised control and monitoring:** Currently most of the NGOs in practice are gets registered at district level administration office and for association and getting foreign funds at central level authority SWC. These authority are there to do registration and renewal of the organisation and not any governance/monitoring and control/ other facilitations. The centralised monitoring and control from all concerned authority like registration authority, Income tax authority, Nepal Rastra Bank, Ministry of foreign affairs, Ministry of home affairs for foreign funds, compulsory Internal audit for all INGOs from the certified professional from Institute like Institute of chartered accountants of Nepal (ICAN) may be devised.
- **Matter of conflict of interest exists at some level:** we have encountered so many INGOs working with their own connected local/connected people or NGOs are family owned or the group NGOs are linked and working with their understanding that management of one become the management of others or vice versa. staffs are recruited most often are from relatives and most connected. There are no difference between board level and management level.

Current situations or the impacts of an INGOs can be understood from the data that the most of underdeveloped district/areas where people are below poverty line or an averages poverty of Nepal is 31% where as those districts covered by Mid-Western and Far-Western regions, poverty are believed to be of 41-45%.

District	Household	Numbers of INGOs
Dolpa	6440	09
Humala	8436	15
Jumla	18328	18
Kalikot	19347	10
Mugu	9310	14
Banke	81960	32
Bardiya	79197	27
Dailekh	46035	12
Jajarkot	28439	06
Surkhet	67536	26
Dang	110677	20
Pyuthan	45642	10
Rolpa	42121	10
Rukum	39076	9
Salyan	44456	11
Baitadi	38626	16
Dadeldhura	23666	19
Darchula	22948	13
Kanchanpur	77640	21
Achham	38723	15
Bajhang	29451	11
Bajura	19415	12
Doti	33092	22
Kailali	137929	29

In spite of strong and long presence and work of these INGOs in the most poor districts of Nepal but the poverty alleviation does not seems to be happened there. What have experienced the main reasons/factors are those dealt above.

The highest concentration of poor rural people is found in the Mid-Western and Far-Western regions. While the overall poverty rate for Nepal is 31 per cent, this figure increases to 45 per cent in the Mid-Western region and 41 per cent in the Far-Western region.

Solution lies ahead:

One window policy at centralised level then monitoring

and regulations at regional level; Capacity building plan at all concerned level of organisation and at authority level. Strong regulatory authority with required infrastructures and resources at centre as well as district level may be established. There must be the re-structuring of laws and regulations of NGOs at centre and regional level. The donor agency may be emphasised of capacity building program of grass root NGOs. The NGOs which are not working and idle may be reviewed and either revived or closed with strict regulations. Focusing on regulatory reporting from INGOs restrained the inflow and attention/interest of INGOs towards entry and working in Nepal; rather Government may focus in the

areas of strong governance at operational and management level of all NGOs and INGOs.

Internal governance and control with strong and well tested SOPs may be in place to achieve the real objectives of the development sectors organisations. Working towards International standards for Implementation and reporting (ISIR) may be initiated through LDCs (Least developed countries) like IFRS and IPSASs for corporate and Public sectors respectively. ■