

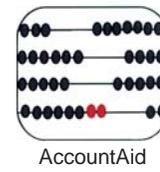
AccountAble™

139. National Policy on Voluntary Sector - 2007; Part - II

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4.3 All India Registration?

Can an NGO work beyond the borders of its home state? Often there is no problem with this, but in some cases, registrars refuse to allow a society to function across state borders.

To overcome this problem, and help NGOs operate in multiple states, Government wants to introduce a new registration law. NGOs registering under this law will not need to register in each of the states that they want to work in. This may be a little like the All India Permit that transport authorities issue.

However, this is a ticklish subject, and the Government is treading carefully on this. At this stage, it merely proposes to examine whether it is at all feasible to have such a law.

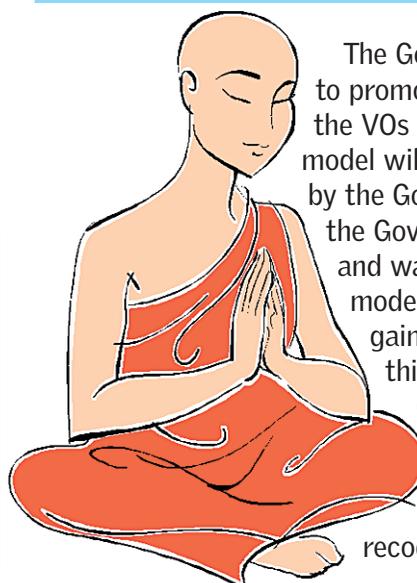
4.4 Self-Control

Indian ethos has always promoted the concept of self-control rather than regulation from outside. This approach treats citizens as responsible adults, who can decide what is best for them. To outsiders living in command societies, this often appears as anarchy. However, a closer look will show that it is not really so. There are unwritten, but widely known rules for what is acceptable and what is not.

4.4 There has been much public debate on the voluntary sector, particularly its governance, accountability, and transparency. It is widely believed that the voluntary sector must address these issues through suitable self-regulation. The Government will encourage the evolution of, and subsequently accord recognition to, an independent, national level, self-regulatory agency for the voluntary sector.



4.3 The Government will also examine the feasibility of enacting a simple and liberal central law that will serve as an alternative all-India statute for registering VOs, particularly those that wish to operate in different parts of the country and even abroad. Such a law would co-exist with prevailing central and state laws, allowing a VO the option of registering under one or more laws, depending on the nature and sphere of its activities.



The Government intends to promote this model for the VOs also. However, the model will not be prescribed by the Government. Rather the Government will wait and watch for a suitable model to emerge and gain acceptance. Once this happens, Government will take steps to strengthen it by granting it formal recognition.

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4.5 Improve Public Access

The voluntary sector is fairly open in its approach to life's problems. Many NGOs also try to reach out to the public through annual reports, web-sites and publication of accounts. Some NGOs share their accounts with the community as well.

All NGOs also file their accounts and some reports with Government authorities. In theory, most of this information is open to public inspection. However, in practice, it is almost impossible to access this information due to archaic filing and inspection systems.

The policy now promises to firstly introduce norms for what kind of basic docu-



4.5 At the same time, there is need to bolster public confidence in the voluntary sector by opening it up to greater public scrutiny. The Government will encourage Central and State level agencies to introduce norms for filing basic documents in respect of VOs, which have been receiving funding by Government agencies and placing them in the public domain (with easy access through the internet) in order to inculcate a spirit of public oversight.

ments will be filed with various agencies. Secondly, the Government will arrange to provide access to this information through the internet.

Hopefully, this will have two benefits: 1. The Public will develop greater confidence in the financial and governance aspects of NGO sector. 2. It will lead to greater public scrutiny.

What kind of scrutiny is needed? Well, consider the fact that a large number of paper-based NGOs function from various addresses. These are often set up by Income Tax 'advisers', who then use them to provide fake donation receipts to their clients. If the information about NGOs registered under 35AC or 80G was available over the internet, it will become easier to track such cases. This will help stop misuse of tax incentives, which will be good both for the Government as well as the real NGOs themselves.

4.6 Encourage Public Giving

Though a huge amount of giving takes place every day in India, only a very small portion reaches the NGOs. This leads to increased dependence on donor agencies, mostly

foreign, which has its own dynamics.

What will happen if the Indian public starts supporting NGOs more actively? The sector will gain more credibility domestically. It will also become financially independent of donor agencies. This will allow the NGOs to design their programs and financial policies according to their own

4.6 Public donation is an important source of funds for the voluntary sector and one that can and must increase substantially. Tax incentives play a positive role in this process. Stocks and shares have become a significant form of wealth in the country today. In order to encourage transfer of shares and stock options to VOs, the Government will consider suitable tax rebates for this form of donation. The Government will also simplify and streamline the system for granting income tax exemption status to charitable projects under the Income Tax Act. At the same time, the Government will consider tightening administrative and penal procedures to ensure that these incentives are not misused by paper charities for private financial gain.

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One concrete way to do this is to allow people to donate shares and stocks to NGOs. Presently, if a person donates shares as such, the individual does not get any tax rebate. He or she needs to first sell the shares, and then donate the proceeds to an NGO. This also means that he / she will have to bear capital gains tax as well. This proposal, if

accepted by the Finance Ministry, will allow the NGOs to get substantial funds from the 'new wealth' that is being created on Indian stock exchanges.

To make the pill sweeter, the Government also wants to make it simpler to get approval under section 80G and 35AC. However, this comes with a rider – the Government will clamp down on paper

charities which misuse its generosity by issuing fake donation receipts.

Well, real NGOs are not complaining – after all, tax incentives are a privilege, not a fundamental right.



4.7 Simplify FCRA

Foreign Contribution Regulation Act (FCRA) was introduced in 1976 to keep foreign money out of Indian politics. In this, the Act was fairly successful. However, as the NGO movement grew in the 80's and 90's, so did Government's worries about funds for politics being routed through NGOs. From mid-90's the Government has been actively trying to amend the FCRA. Finally, this led to a new FCRA Bill being tabled in the Parliament on 13-Dec-2006.

The Bill does deliver on one of the specific promises made in the National Policy. It allows NGOs to open and operate secondary bank accounts for foreign contribution. This will especially help NGOs who have multiple offices.

However, other areas appear to have been ignored. For instance, there is nothing to indicate that screening norms will be relaxed. The Bill also backtracks on the general

promise of simplifying FCRA provisions. For instance, it calls for renewal of registration every five years – a veritable sword of Damocles¹ hanging over the head of an NGO. It also prescribes norms for administrative expenditure. Being highly subjective, this is likely to lead to much confusion, manipulation of accounts, and even possibly some harassment.

¹ According to legend, Damocles was a courtier of the elder Dionysius, ruler of Syracuse, Sicily. When Damocles made too much of his sovereign's good fortune, Dionysius invited him to a feast where he symbolically hung a sword over Damocles' head by a single horse-hair to demonstrate the precariousness of the happiness of kings. (Source: The Free Dictionary, <http://encyclopedia.farlex.com/>)

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4.7 International funding of voluntary organizations plays a small, but significant part in supporting such organizations and their work in the country. An organization seeking foreign funding must be registered under the Foreign Contribution (Regulation) Act. This law prescribes stringent screening norms that often restrict the ability of VOs to avail foreign funds. When approved, there are problems like funds must be held in a single bank account, thus presenting enormous difficulties to VOs working at different locations. The Government will review the FCRA and simplify its provisions that apply to VOs, from time to time, in consultation with the joint consultative group to be set up by the concerned Ministry (as suggested under para 5.4).

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