

PATRICIA DE RODA

FUNDACION LEALTAD

ICFO AGM 2013

First of all, I would like to thank the organizers of the meeting for giving me the opportunity to share with authorities, NGO representatives and Taiwanese companies, as well as with international monitoring agencies and ICFO members, Fundacion Lealtad's model to promote transparency, good governance and good management practices for the charitable sector. Before talking about the experience of Fundación Lealtad, I want to make a reflection/comment on the subject that today brings us together. How to get a direct and effective accountability? What is needed to improve the transparency of non-profit sector?.

There are different mechanisms to improve the transparency and accountability of the Third – Sector: 1) Building NGO's capacity/professionalization, 2) self-regulation and 3) independent evaluation. There are also other routes as the regulation from the authorities but I will not go into it.

Focusing on self-regulation and independent assessment, I want to emphasize that even though both promote transparency and accountability, the approaches are different, they both work and operate differently, and have different associated benefits.

For an independent evaluation system to be established, it is necessary that there are at least several preliminary conditions of transparency: for instance that there are public registries of Charities, auditing systems for charities, debate forums, conferences and publications on the sector about its challenges and problems, codes of conduct internal or external and finally that the sector voluntarily set its rules of behavior.

It is not necessary a very well developed institutional framework for the independent evaluation to begin. It is only necessary that there are those

codes of conduct and also certain degree of reliability of the financial statements. The evaluation in this case will necessarily be more basic compared to that which can be performed in other countries with a more developed institutional framework.

Once the conditions that make the independent evaluation possible are implemented, the next step is to communicate the results and conclusions of this evaluation to the society in a rigorous and simple way, always preserving the independence.

In Spain 12 years ago, we realised the minimum institutional framework mentioned were given and we designed a methodology to promote transparency, good governance and good practices of management for the Spanish NGOs, based on independent assessment of NGOs. Our goal was to generate confidence in donors and achieve a greater involvement of civil society with NGOs, in terms of donations and volunteering.

The system is based on a few parameters that fulfill donor information needs about charities. This means that these standards come from a demand and try to give an answer to that demand. And this is a major difference with other initiatives of self-regulation.

Our PTBP are based on internationally accepted, objective standards of transparency. They address all those aspects that are essential to the operation and management of organizations, such as:

Corporate governance: functioning and responsibilities of the governing body (who they are and how decisions are taken).

Public information about the Organization

The fulfillment of the mission of general interest

Monitoring of the activity

Financial management control

Ethics in communication and fundraising practices

I want to emphasize the independence of the FL evaluation:

- the assessment is free for NGOs.
- the NGOs do not participate in the evaluation: the governing body of the Foundation, is banned for non-governmental organizations. In fact our statutes establish Chinese walls between our board and the staff that carry out the analysis.
- the assessments are made by our own team of analysts trained in our methodology of analysis.

The evaluation is voluntary, which means that organizations are the ones who request it. Our monitoring is based on the information that the NGOs give us: minutes of the board meetings, audited financial statements, annual reports, manuals of procedures (monitoring of projects, approval of expenses, collaboration with companies, selection of projects, selection of suppliers), strategic and annual plans, etc. The results of the evaluation are reflected in a report which has an extension on average of about 20/25 pages and is made public on the website of the Foundation www.fundacionlealtad.org. The report explains the compliance or non-compliance of the NGO with each of the principles, offering donors complete and exhaustive information on the organization.

The access to the report is free. The results of the analysis are published always regardless of the outcome of the evaluation, although the Charity knows the results of the evaluation before they become public, and can incorporate comments as well as their non-conformities.

The assessment has at least 3 consequences or direct benefits:

1. it is a communication tool, as it allows people to get to know the organization (transparency)
2. Increases donor confidence in the NGO
3. It helps to improve the internal functioning of the organizations, since the evaluation identifies areas for improvement. Also the comparison with the reports of other organizations, all them public on the web, allows institutions to find ways for improvement.

All this translates into more collaborations, since donors are increasingly selective and at the current economic crisis institutional donors require NGO to be monitored by FL. Therefore, NGO consider our monitoring an essential tool for fundraising.

Summarizing: the effect of the assessment is therefore that organizations are more professional, better managed, more efficient and sustainable. Donors, especially the institutional ones, need references in transparency and efficiency when it comes to support to non-governmental organizations.

These are some facts about the work of Fundación Lealtad that endorse the previous assertion:

- Fundación has worked with more than 2,000 NGOs (social action, cooperation and environment) by dissemination the principles of transparency and good practices, training workshops for NGOs, informative meetings, NGO self-testing and analysis of transparency and best practices. Currently there are 170 NGOs with an aggregated budget of € 1.1 billion. These organizations have 1,400,000 members, 23,500 employees and 54,000 volunteers. Its activities and programs benefiting 85 millions of people both in Spain as in the developing world.
- Spanish donors have recognized the importance of the free information service we offer, which has resulted in 1,000,000 visits to our sites.
- On the other hand, public administration considers the evaluation as a positive criteria when granting financing.
- Companies use the reports as a decision tool, and ask Fundación Lealtad to help them identify partners. AND THIS WILL HELP ME TO INTRODUCE OUR WORK WITH COMPANIES:

Fundación Lealtad is funded mainly by companies. We have three types of collaboration for companies:

- Trustees, which are five big companies that belong to our Board and contribute with 50,000€ annually
- Transparency Promoters, again three big companies which give us 18,000€ per year
- And what we call “Friends”, which are companies that contribute with 4,000€ per year

These companies support us because they believe the information we provide is useful for the society in general and for them in particular.

We offer these companies the following services:

- a private website where they have access to the complete report of our monitored NGOs,
- we provide tailor-made reports on NGO based on the criteria the company has
- we also have a project database in our website
- we organize workshops on specific issues such as corporate volunteering, private calls for grants, ...
- and we organize portfolios of projects

For example, in 2012 we wrote 100 tailor made reports for our companies, which included information of 124 different analysed NGO; We informed the NGO about 20 calls for grants coming from companies; and we participated as members of the jury on 5 awards organised by companies.

We track the collaboration of our companies with our monitored NGOs and last year there were over 130 collaborations of our companies with 84 NGOs. The economic value of these collaboration is around 2,3 million euros.

Fundación Lealtad also has had an impact outside Spain, because its model is scalable. Fundacion Lealtad is promoting the transparency and accountability of Charities in other Spanish speaking countries in Latin America, by giving technical advice to adapt Fundacion Lealtad model to the local institutional context. This advice consists of support for the design of the standards of transparency and best practices in line with local context, training of the analysts in Spain, support for the design of the transparency reports, strategy to deal with institutional donors, and so

on. So far, we have given support to two organizations, one in Mexico and another one in Chile.

In Mexico, a monitoring organization was set up three years ago to evaluate Mexican civil society organizations. Its name is Confio. FL's methodology was adapted to the institutional Mexican context, having designed parameters of transparency and best practices in line with the reality of Mexico.

Nowadays 450 Mexican Charities have already worked with Confio to carry out a self-assessment of compliance with the Mexican Standards, From these, 16 NGO have gone through the monitoring process and their reports are available in Confio's website . Another 15 charities are being analyzed.

In Chile, an independent Foundation was constituted in February with the objective of promoting the transparency of the local NGOs and the confidence of the Chilean donors. Fundacion Lealtad standards and methodology will be adapted to the Chilean institutional context. Two people have been trained in Spain from January to April and currently FL is supporting the local Foundation to determine their own standards and reports.

In other Latin American countries with sufficient institutional framework, as Colombia or Argentina, we really believe that it would make sense that civil society created a similar independent evaluation system to promote the transparency of the sector. In this countries, the conditions of which i spoke at the beginning already exists and there is an interest of the NGOs to open to civil society. In addition, due to the good economic growth in these countries, middle class has emerged with a good potential to donate and also companies are increasingly more powerful and demanding in the management of their donations.

Concluding, 12 Years later, we can assure that the methodology developed by FL to promote transparency and accountability is already a

proven, effective and direct tool. Since the model has been accepted by the NGO, it has contributed to the professionalization of the Sector and has inspired other transparency initiatives developed later. Also, it has been accepted by the donors and internationally recognized. We believe that the independent analysis will continue to be an important instrument to ensure the stability and sustainability of the NGOs. Finally, it will help them to confront their main challenge nowadays: diversify their sources of funding and to increase private financing, since public funds have been reduced drastically.

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