



NATIONAL POLICY ON THE VOLUNTARY SECTOR

**Voluntary Action Cell
Planning Commission
Government of India
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NATIONAL POLICY ON THE VOLUNTARY SECTOR - 2007

1. *Preamble*

1.1 This Policy is 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.

1.2 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. This policy recognizes the important role that the voluntary sector has to play in various areas and affirms the growing need for collaboration with the voluntary sector by the Government, as well as by the private sector, at the local, provincial and national levels.

2. *Scope of the Policy*

2.1 In the Policy, voluntary organizations (VOs) mean to include organizations engaged in public service, based on ethical, cultural, social, economic, political, religious, spiritual, philanthropic or scientific & technological considerations. VOs include formal as well as informal groups, such as:

community-based organizations (CBOs); non-governmental development organizations (NGDOs); charitable organizations; support organizations; networks or federations of such organisations; as well as professional membership associations.

2.2 To be covered under the Policy, VOs should broadly have the following characteristics:

- a) They are private, *i.e.*, separate from Government
- b) They do not return profits generated to their owners or directors
- c) They are self-governing, *i.e.*, not controlled by Government
- d) They are registered organizations or informal groups, with defined aims and objectives.

3. Objectives of the Policy

3.1 The specific objectives of the policy are listed below:

3.1.1 To create an enabling environment for VOs that stimulates their enterprise and effectiveness, and safeguards their autonomy;

3.1.2 To enable VOs to legitimately mobilize necessary financial resources from India and abroad;

3.1.3 To identify systems by which the Government may work together with VOs, on the basis of the principles of mutual trust and respect, and with shared responsibility; and,

3.1.4 To encourage VOs to adopt transparent and accountable systems of governance and management.

The following paragraphs describe how these objectives are to be achieved.

4. *Establishing an Enabling Environment for the Voluntary Sector*

4.1 The independence of VOs allows them to explore alternative paradigms of development to challenge social, economic and political forces that may work against public interest and to find new ways to combat poverty, deprivation and other social problems. It is therefore crucial that all laws, policies, rules and regulations relating to VOs categorically safeguard their autonomy, while simultaneously ensuring their accountability.

4.2 Voluntary organizations may be registered as societies, as charitable trusts, or as non-profit companies under Central or State laws. Some States have adopted the Societies Registration Act (1860), with amendments, while others have independent laws. Similarly, laws relating to charitable trusts vary across States. Over time, many of these laws and their corresponding rules have become complex and restrictive, thus leading to delays, harassment and corruption. As the nodal agency for interface between the Government and the Voluntary Sector, the Planning Commission will encourage State Governments to review prevailing laws & rules and simplify, liberalise and rationalise them as far as possible. In order to facilitate registration of non-profit companies, the Government will examine measures to simplify procedures under section 25 of the Companies Act (1956),

including those for license, registration, and remuneration to member-employees.

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.

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.

4.5 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.

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.

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).

4.8 The Central Government has framed guidelines for bilateral agencies to give direct assistance to voluntary organizations for projects of social and economic importance. It controls access to such funds and their utilisation, both through the FCRA and through regulation by the Department of Economic Affairs. This system needs to be simplified in consultation with the joint consultative group to be set up by the concerned Ministry (as suggested under para 5.4).

4.9 The Government will encourage all relevant Central and State Government agencies to introduce pre-service and in-service training modules on constructive relations with the voluntary sector. Such agencies should introduce time bound procedures for dealing with the VOs. These would cover registration, income tax clearances, financial assistance, etc. There would be formal systems for registering complaints and for redressing grievances of VOs.

5 *Partnership in Development*

5.1 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. Where feasible, such partnership may also include other entities such as *panchayati raj* institutions, municipalities, academic institutions, and private sector organizations.

5.2 Partnership between Government and VOs implies identifying shared goals and defining complementary roles. It must be based on the basic principles of mutual trust and respect, with shared responsibility and authority. These principles must be explicit in the terms and conditions of the partnership. They must also be evident in the formal and informal systems of collaboration.

5.3 This Policy recognizes three instruments of partnership, viz., (i) consultation, through a formal process of interaction at the Centre, State and District level; (ii) strategic collaboration to tackle complex interventions where sustained social mobilization is critical over the long term; and (iii) project funding through standard schemes. The Government will ensure that these three instruments of partnership are given due attention in Annual Plans prepared by Ministries and States. The action that will be taken in respect of each of the three instruments is discussed in the following paragraphs.

5.4 The Government will encourage setting up of Joint Consultative Groups / Forums or Joint Machineries of government and voluntary sector representatives, by relevant Central Departments and State Governments. It

will also encourage district administrations, district planning bodies, district rural development agencies, *zilla parishads* and local governments to do so. These groups will be permanent forums with the explicit mandate to share ideas, views and information and to identify opportunities and mechanisms of working together. The Government will introduce suitable mechanisms for involving a wide cross-section of the voluntary sector in these Groups / Forums.

5.4.1 The expertise of the voluntary sector will also be utilized, by including experts from VOs in the committees, task forces, and advisory panels constituted by the Government from time to time to help address important issues.

5.5 The country faces a number of complex problems that require adaptive, multi-sectoral solutions where sustained social mobilization is particularly important. These include poverty alleviation, skill promotion, entrepreneurship development, empowerment of women, population stabilization, combating HIV/AIDS, managing water resources, elementary education and forest management, to name a few. Such areas urgently require strategic collaboration between the Government and VOs, through national level programmes that are long-term in duration, and utilize multiple strategies, methodologies and activities to achieve their objectives. The Government will identify national collaborative programmes to be implemented in partnership with VOs. Each national collaborative

programme will involve a finite set of reputed, medium or large VOs with a proven track record, and the ability to work on a reasonably large scale. The Government will ensure that such national collaborative programmes are given due importance in Plan documents.

5.6 The third instrument of partnership between the Government and the voluntary sector is project funding. A large number of Government agencies operate schemes for financial assistance to VOs. These schemes usually deal with activities such as surveys, research, workshops, documentation, awareness raising, training, creation and running of public welfare facilities, and so on. Project grants are a useful means for the Government to promote its activities without its direct involvement. They are also a valuable source of support to small and medium VOs. Nevertheless, there are legitimate concerns regarding the effectiveness of grant-in-aid schemes. Out-dated design of funding schemes, arbitrary procedures, selection of unsuitable VOs, poor quality of implementation, and misuse of funds are some of the reasons for the possible defeat of the objectives of such funding. Concerned Government agencies would be encouraged to ensure proper accountability and monitoring of public funds distributed to VOs.

5.6.1 Some Central agencies have achieved good results by decentralizing the process of project funding. Rather than administering various schemes directly, they appoint regional or State level intermediary organizations to do

so on their behalf. This allows for closer interaction for better selection and monitoring of VOs. Intermediaries could include umbrella VOs, professional or academic institutes, State Government agencies, or multi-stakeholder standing committees. The Government will review the experience of such decentralized funding and make suitable recommendations to Central agencies.

5.6.2 There is reason to believe that accreditation of VOs will lead to better funding decisions and make the funding processes more transparent. Further, accreditation may provide incentives for better governance, management and performance of VOs. No reliable accreditation system is in place at present. The Government will encourage various agencies, including those in the voluntary sector, to develop alternative accreditation methodologies. It will allow time for such methodologies to be debated and gain acceptability in the voluntary sector, before considering their application to Government funding of VOs.

6. *Strengthening the Voluntary Sector*

6.1 The Indian society has a well-established tradition of philanthropy. While a regime of tax concessions facilitates donations to charitable organizations, there is considerable untapped potential to channelise private wealth for public service. The Government will support and encourage existing, as well new, independent philanthropic institutions and private foundations to provide financial assistance to deserving VOs. It will also promote a dialogue among

public and private grant makers so that they may take advantage of the best practices in grant making and fund-raising strategies.

6.2 Accountability to all stakeholders and transparency in functioning are key issues in good governance. The voluntary sector is expected to set its own benchmarks in these areas. Since VOs vary in their objectives and activities, it would be impractical to expect uniform norms for accountability and transparency. The Government will encourage support organizations, and VO networks & federations to facilitate discussion and consensus building on these issues. It will also encourage such agencies to advise and assist VOs to adopt norms that they find acceptable and useful. The Government will recognize excellence in governance among VOs by publicizing best practices.

6.3 Training is a crucial requirement for people working in the voluntary sector. However, this is often neglected on account of limited availability of good quality training courses that are reasonably priced. The Government will support and encourage organizations that train aspirants to enter the voluntary sector, as well as those already working in the sector. It will make available physical facilities currently available with its training institutes as a measure of such support.

- 6.4 Innovation in institutional, technical and social approaches to development problems is an essential ingredient of voluntary action. The Government will encourage and recognize innovative & pioneering work.
- 6.5 Databases of VOs working in different fields and at different levels are useful for communication within the voluntary sector, as well as between the voluntary sector and the public & private sector. The Government will commission suitable agencies to prepare and update such databases.
- 6.6 Information on Government policies and programmes is often difficult for VOs to access. The websites of various Government agencies will be re-designed to provide links to key documents and databases, including those related to project funding schemes.
- 6.7 The Government will encourage involvement of volunteers in public services, such as, at family welfare centers, primary health centers, hospitals, schools, vocational training centers, sanitation campaigns, etc.

This National Policy on the Voluntary Sector-2007 is the beginning of a process to evolve a new working relationship between the Government and the Voluntary Sector, without affecting the autonomy and identity of VOs.