

**Speech by Margaret Douglas**  
**ACFID Code of Conduct Anniversary**  
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**Introduction**

Climate change, terrorist attacks, and the ravages of diseases such as HIV and AIDS, have led to a growing sense of interdependency between nations – a recognition that the actions of people in one part of the world adversely affect the lives of others in another part of the world.

The lack of stability that continuing terrorist attacks engender throughout the world has often led nations to become more defensive and to focus more on their own countries and regions, with the result that foreign aid can often be focused on national security and political interests, rather than reduction of poverty in underdeveloped countries.

Globalisation has brought with it, increasing power and influence being transferred to businesses, the financial sector and multilateral organizations, while at the same time bringing well-known brand companies into the spotlight. NGOs are not only operating in a world of globalization, we ourselves contribute to it with the flow of money, goods and services, people and ideas crossing borders, often without the control of governments.

As a result of increased competition, companies see undertaking social responsibilities as an investment, both in the short and long term. NGOs have seen this as an opportunity and are playing a major role in shaping the corporate responsibility agendas. However, corporate donors are largely attracted to projects which address problems in their own countries, which is having an impact on funding for NGOs working in developing countries.

While public support for NGOs has improved, it has become more difficult for individual NGOs to stand out and donors have become increasingly selective about where they put their funding. Brand differentiation is key.

Greater engagement of NGOs with the corporate sector, but also the growing sophistication of individual donors, has led to the call for NGOs to report not only use of funds but to provide concrete measures of program outcomes. This need for greater transparency and accountability has led to some consolidation among NGOs, banding together of some small NGOs and the emergence of the super International NGOs. NGOs unable to effectively demonstrate accountability have collapsed.

Is this a possible scenario for us in coming years? I suggest it is already happening.

## **What does this mean for us?**

Some of the outcomes could include:

- Consolidation of organizations – private sector economics has led organizations towards mergers to maximize economies of scale. What moves might we see in the Development sector? In such an environment, smaller organizations will need to define their niche if they are to survive
- A tighter fundraising environment with competition for individual and grant funds continuing to increase. This may be balanced by greater engagement with the corporate sector. Donors, such as corporates, are not interested in ‘charity’, they are interested in solutions, wanting to know the best way to transfer resources to needy causes so that the need itself is eliminated. This means that NGOs need to more ably describe the work that we do and the impact that our programs are having.
- As was shown with the tsunami, Australian donors are particularly generous when giving in support of emergency situations. With increasing conflict related emergencies – will there be diversion of development aid budgets to emergencies and reconstruction? What effect will this have on funding for mainstream development work?
- I have no doubt that there will be greater emphasis placed on NGOs to be accountable. Donors (government, funding agencies, corporates, individual donors) are requiring greater accountability of NGOs, not only in accounting and reporting for use of funds but also in regard to results achieved with donated funds.

This covers:

- Impact – what did we accomplish for the people whose lives we were hoping to affect?
- Influence – who is behaving differently as a result of our work?
- Leverage – did our investment in this area help stimulate other investments from the public sector, the private sector or other philanthropic agencies?

## **Self Regulation**

Some NGOs become concerned with the requirements being placed on them. However, it is neither sufficient nor wise to say that it is for government to set the law and regulations and NGOs simply to operate within them. Nor is it enough to point out that criticisms of NGOs are unwarranted or that those ‘throwing mud’ ought to examine their own practices.

Irrespective of whether the criticisms are valid or not, their cumulative effect can shape the strategic context for NGOs and it is imperative that we as development agencies seek to lead rather than merely react to debates regarding our responsibilities as NGOs

This is best done through self regulation and we have gone some way in developing the ACFID Code of Conduct.

The attraction of a code (as opposed to a law) lies in its flexibility. Legislating every aspect of corporate behaviour would clearly be impossible. Moreover, organizations need room to manoeuvre. And crucially, codes can be amended to reflect changing needs and circumstances much more quickly than legislation can.

Of course, ultimately, codes and laws must support each other. Legislation and government regulations should provide the minimum standards for issues such as financial reporting, auditing requirements, the content of annual reports and so on. Codes, by contrast, can encourage best practice.

However, we need to be aware that we could jeopardize the code through:

- ‘Regulation creep’. Because codes tend to improve corporate governance, some people are tempted to broaden their scope and add more detail. Detailed provisions in a code risk being ignored and can affect the credibility of the code
- An overemphasis on complying rather than explaining. Codes are most effective when combined with mandatory disclosure, a practice known as ‘comply or explain’ e.g. that organizations reveal in their annual reports whether they are complying with the code, and if not, why. If this approach is interpreted as ‘comply or breach’, corporate governance tends to be judged by ticking off boxes rather than taking a deeper analysis and this threatens a fundamental advantage of a code – its flexibility

In addition to self regulation, as accountable partners, we need to work together more effectively - not only with other development agencies but with government and business.

Social and economic growth must occur together if we are to eradicate poverty.

When Government, business and NGOs work together in public-private partnerships, our world works better. But too often, mistrust and misunderstanding prohibit us from working together, and when that happens we all lose – business loses opportunity, government loses credibility but society loses most of all.

The 3 sectors – government, business and NGOs - need to be completely linked, but in reality we too often operate as partisans. We need to open our minds to the possibilities of what each party can and must contribute to socio-economic development.

Enlightened self interest should bring players from the three sectors to the development table to be co-architects of development strategies and to join in public-private partnerships. After all, all of us are working towards building stronger communities filled with prosperous citizens.

If we are to be effective partners, as NGOs we need to be aware of where we can improve. I like to think of these areas where improvement can be made as ACE

- Accountability
- Communication
- Engagement

#### Accountability:

As noted, the ACFID code of conduct is a good basis, but we as NGOs need to go further and be able to better describe the outcomes of what we are achieving – our impact in communities. It is not sufficient to simply note how funds have been allocated to projects, funders need to know the results achieved with the funds. It is acknowledged that this can be difficult but we need to urgently address measurement in this area, that is development effectiveness, if we are to retain our credibility as organizations.

At the same time, Funders need to acknowledge that measurement of an Administration Ratio is not a sufficient or real measure to assess NGOs ability and capacity to achieve desired outcomes. If we are to achieve in the long term, there needs to be a realization that there needs to be investment in the organization, as with all sustainable commercial organisations.

#### Communication

As NGOs we need to communicate more effectively. This goes beyond simply providing information about our projects, but ensuring an understanding of how the funds are used. An example from Save the Children experience. Government and corporates were most generous in provision of funds after the tsunami in 2004. However, unless one saw the devastation in Aceh, it was almost impossible to understand the extent of the task facing NGOs – not only in clearing debris etc but in reconstruction. While we needed funds as part of this emergency, in some cases we failed to ensure that all funders understood that reconstruction could not be completed in 6 weeks – that in fact it could take years. We failed to communicate or educate our donors about what development implied. However, we can say that reconstruction of Aceh will be completed in less time than reconstruction of New Orleans after Katrina – which puts a perspective on it for funders.

#### Engagement

Funders, corporates and the community look to be engaged in the work of the organisation, which they fund

The saying from Confucius is:

Tell me and I will forget

Show me and I will remember  
Involve me and I will understand

And following on from understanding we say – ask and I will give

People want to share in the experience. This can be done through work placements, visits to programs, invitations to events, and of course, regular updating in what is being achieved in the program which they are funding.

It is undoubtedly an exciting time to be working in this sector but we have some major issues to address in how we work with other players such as government and business and how we account, communicate and engage with our funders and supporters.