



## NGO Standards Interpretive Guidance and Member Guidelines

- Adherence to InterAction NGO Standards is a requirement for membership in InterAction
- The Guidelines are recommendations from the Board to help you with the Self-Certification Plus (SCP) process.

## NGO Standards Interpretive Guidance

Approved by the InterAction Executive Committee, September 13, 1993

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Guidance on 3.8 and 7.12.4 approved by InterAction membership, December 13, 2018

### *Background*

This is intended to be read with the NGO Standards—and the related Guidelines—promulgated by InterAction for its members. It provides elaboration on the intent and application of Standards that may need further explanation and input from other relevant sources. The Standards are requirements for membership in InterAction; the Guidelines are recommendations from the board, but are not requirements for membership.

Some of the Standards and Guidelines refer to codes and standards developed by other organizations. Members and prospective members are reminded that copies of some of these materials are available in InterAction's resource center by contacting [membership@interaction.org](mailto:membership@interaction.org).

### *Interpretive Guidance*

#### **Section 1.0, Preamble**

The existence of a dynamic and creative non-governmental, non-profit sector is dependent upon the public's confidence in the efficacy of its programs and in the integrity of the individuals and organizations comprising the sector. Matters of program quality and individual and organizational integrity are ultimately the responsibility of each individual organization, its board, staff, and constituents. However, umbrella groups that represent communities of interest within the non-profit sector also have a significant leadership role to play in building the public trust by clearly defining high standards of governance, management, and programs to guide its members and by developing appropriate mechanisms to ensure accountability.

Experience confirms that the action of one non-profit with even an appearance of impropriety hurts the whole sector by undermining public confidence. A collective commitment to quality and integrity by coalitions like InterAction is one essential dimension of the overall process of maintaining and enhancing the public trust.

Because InterAction is a voluntary association, the Standards derive their weight and credibility from the collective commitment of the membership. InterAction's Standards are NOT to be understood as supplanting the need for each individual member agency to manage its affairs with a concern for matters of program quality and individual and organizational integrity; they are, rather, intended to complement the commitment of every member organization.

## **Section 2.0, Governance**

The existence of an independent, functioning, volunteer board is critical to any non-profit organization; “independent” is construed to mean not beholden to the paid staff or to any other interests. The governing instruments—e.g. charter, articles of incorporation, and bylaws—should set forth the organization's basic goals and purposes and define the organizational structure, including the governance structure. The Standards in this section elaborate on this fundamental requirement.

### ***2.1 (See also Guidelines 3 and 4)***

For a board to be “independent,” it shall normally not include more than one paid staff person, typically the chief staff officer, who shall not chair the board or serve as treasurer. A greater representation of paid staff on the board should be limited to large organizations with large, active boards, and, in such cases, a policy regarding the maximum staff representation should be clearly defined. The board chair and the chief staff officer should be independent of one another, i.e. not related by family or by close business or professional associations.

### ***2.2 (see also 2.6)***

In some situations, it is appropriate to substitute “executive committee” or “advisory committee” for the term “board”. Examples include:

- 1) Membership organizations typically have a board comprising representatives of all member organizations who serve as long as their organization remains a member; in these cases, the executive committee performs the real governance functions, and is the entity that should have an elected membership, with defined terms of office, etc.
- 2) U.S. entities that are subsidiary to a non-U.S. parent organization may appropriately apply the provisions of this section to the advisory committee or other entity charged with responsibility for U.S. operations.

The requirement that board policies include limited terms of service is NOT intended to force board members to retire after a specified time. For example, if board members have three-year terms, nothing in the Standards is intended to prohibit any or all of them from being re-elected for as many consecutive three-year terms as the board deems appropriate. The presence of defined terms simply ensures a periodic review of each board member's performance; approval of a new term connotes a renewed commitment by both the organization and the individual board member, and thus represents good institutional practice.

The provisions regarding terms of service (2.2) and non-discrimination (2.6) notwithstanding, InterAction recognizes that the boards of organizations founded by particular religious traditions for the purpose of providing international services may appropriately comprise representatives of the leadership of that tradition. Such organizations are exempt from the provisions of Standards 2.2 and 2.6 relating to terms of service and discrimination on the basis of religion. InterAction recommends that such organizations consider the use of advisory committees or other vehicles to proactively seek to hear diverse views.

### **2.3 (See also 3.2)**

A formal board policy regarding conflict of interest is essential. At a minimum, these must cover all board members and all employees with supervisory responsibility. It is strongly recommended that they also cover employees below the supervisory level and volunteers, so that the commitment to individual integrity is organization-wide.

However, InterAction has concluded that members who elect to exempt staff and/or volunteers with no supervisory responsibility from their conflict of interest policy are not in violation of the spirit and intent of this Standard; the policy governing such exemptions should be clearly defined.

Board members and employees should absent themselves from discussion on, as well as from voting or otherwise participating in, any decision in which they have a conflict of interest. If the expertise of an individual with a conflict of interest on a pending decision is desired, it should be provided apart from the decision-making process, and a written record should clearly reflect this.

### **2.5 (See also 4.7)**

Responsibility for an annual budget, including both projected income and expenses, is a basic and essential board function.

InterAction recommends the establishment of a separate audit committee of the board. Members electing to periodically use the full board as an audit committee may still be considered to be in compliance with the spirit and intent of this Standard; however, their board minutes should clearly reflect the fact that the full board assumed the role of audit committee for purposes of reviewing the financial statements and activities of the organization.

### **2.7 (See also Guideline 7)**

The phrase “applicable laws” should be understood to include U.S. law, host-country law, and international law. The Standard notwithstanding, InterAction affirms the possibility of conscientious objection in the context of a clearly defined organizational policy.

## **Section 3.0, Organizational Integrity**

Member organizations must be committed to integrity and truthfulness; their activities should be open and accessible to scrutiny by donors.

### **3.1**

Personnel matters and information considered proprietary might be appropriate exceptions to the general rule of openness and accessibility; InterAction recommends establishing clear policies that define and limit the exceptions.

### **3.2 and 3.6**

It is neither possible nor desirable for members to attempt to suggest a detailed set of regulations that would cover all aspects of the professional behavior and ethical conduct for every individual associated with the organization. However, members must recognize that their reputations for program quality and for individual and organizational integrity reflect on the whole NGO community. InterAction considers a written code of conduct to provide guidance for directors, employees, and volunteers to be an essential vehicle for communicating institutional expectations.

In addition to a policy regarding conflict of interest—per 2.3—and the need to comply with applicable laws—per 2.7—such a code might address unethical personal financial gain, acceptance of large or otherwise inappropriate gifts, avoidance of inappropriate political activity, etc. Sample codes from various members are available in the resource center at InterAction.

### **3.3**

In assuring protection to employees desiring to present evidence of misconduct, members should define at least two separate channels of communication. Reporting to the CEO will normally be the primary recourse; however, if this is the sole recourse, the employee is not protected in cases where the CEO may be party to the conduct in question. An option to bring the concern to the board chair or other appropriate party/parties should be clearly communicated as an alternative.

### **3.5 (See also 5.3 and 7.1.5)**

The people and organizations in developing countries that are served by NGO programs are the constituency to which this Standard primarily refers. However, the interests of all parties including donors, board, staff, and volunteers are also to be respected. The term “respected” does not imply acceptance of the status quo, but, rather, a good-faith effort to be intentional about considering the dignity and values of all parties who could appropriately be considered “stakeholders” in the member’s programs.

### **3.8**

Mary Kay Gugerty, Nancy Bell Evans Professor of Nonprofit Management at University of Washington and George Mitchell, Associate Professor at Baruch College, along with students from the Transnational NGO Initiative (InterAction Associate Member) at Syracuse University’s Maxwell School of Citizenship and Public Affairs, undertook the research necessary to produce the standards on outcomes measurement.

The final recommendations incorporate information from an environmental scan of peer associations, information intermediaries and global development agencies, feedback from InterAction CEOs, and extensive stakeholder consultations with InterAction members and peers.

The standards are intended to be feasible for InterAction’s diverse membership, but to also include ‘stretch’ provisions that will move the association’s members forward. The standards are intended to be used as a whole, as many of the constitutive principles are interrelated. Definitions and implementation details are provided in the technical notes to avoid excessive complexity in the standards themselves.

## **Section 4.0, Finances (See also Guideline 5)**

Financial accountability and sound financial management are at the heart of the relationship of trust between donors and donees.

#### **4.6 (See also Guideline 6)**

The organizational structures and the nature of the programs of members are widely varied. InterAction's Guideline 6 recommends that fundraising and administrative expense not exceed 35 percent of total expenditure; however, defining a single numerical Standard for such a diverse coalition is impractical. InterAction does expect each member to have its own internal target for fundraising and administrative expense that is appropriate to the nature of its structure and programs.

#### **4.8**

A member should have clearly defined procedures for handling the excess when an appeal for funds for a specific purpose is oversubscribed. Ideally, this should mean going back to the donor(s) to return the excess or to obtain approval for an alternative use of the funds. However, if the funding has come from a large number of small donors, going back to them may not be feasible.

When funding is invited from the general public for a specific purpose, the plans for handling any excess should be spelled out as an integral part of the appeal. Although this may also be done through language contained in the receipt given donors, InterAction strongly recommends that it be done as an integral part of the original appeal.

### **Section 5.0, Communications to the Public**

Honest and accurate communications are essential if the public trust is to be maintained.

#### **5.2**

The term "negative advertising" covers any public statements that seek to enhance the image of one member agency at the expense of others, whether individually or collectively, by name or by implication. Such tactics inevitably have the long-term effect of undermining public confidence in the sector and are deemed contrary to the collegial spirit of the InterAction coalition.

#### **5.4**

Notification can include a statement in the organization's annual report that informs donors that their name may be on lists that are for sale, rent, or exchange. In addition, the statement should advise donors to contact the organization if they want their names removed from the lists.

#### **5.5**

Cause-related marketing refers to arrangements in which a for-profit organization agrees to donate a portion of the revenue from the sale of certain goods or services to a specific charity or cause. With both this kind of fundraising and the more traditional benefit events, the amount of the funds raised going to the charity should be described prior to, or in conjunction with, the effort.

### **Section 6.0, Management Practice and Human Resources (See also Guidelines 5, 8, and 9)**

In an environment of increased competition for limited resources and intensified scrutiny of NGO performance, it is imperative that members, regardless of their size, be committed to recruiting and retaining staff that combine professional competence with a commitment to service.

The appropriate use of volunteers and the management of expatriate and host-country national field staff present special challenges to non-profits—like InterAction's members—with internationally oriented programs. Members

should provide a full and complete exposition of salary and non-salary executive compensation. Their governing bodies shall recognize and affirm a fundamental obligation to ensure that executive compensation is fair and reasonable in the context of current norms within the non-profit sector.

#### 6.4

Organizations with less than 50 staff members are legally exempt from the requirements for affirmative action.

## Section 7.0, Program

In an environment of some public skepticism about the long-term value of non-profit programs internationally, members must be attentive to the long-term impacts and the cost effectiveness of their programs. InterAction's Program Standards represent the breaking of significant new ground for a non-profit coalition.

The Program Standards have two broad and interrelated objectives: 1) to confirm InterAction's core values (e.g. member programs must be undertaken in a spirit of partnership), to foster self-reliance, and to avoid the creation of dependencies; and 2) to ensure that programs embody good quality, as defined by various appropriate authorities, such as the World Health Organization and others.

The Program Standards define a dynamic framework within which InterAction members are expected to operate. Over time, the NGO Standards Committee, working in consultation with individual members, will continue to recommend changes based on experience.

#### 7.1.5

A member should:

1. Adhere to a policy and practice of non-discrimination at point-of-service. The promise, delivery or distribution of assistance should be given according to the need of individuals, families and communities and will never be preconditioned on faith, administered in a coercive manner, or tied to the embrace or acceptance of a particular political or religious creed;
2. Adhere to, through normal practice, systems and deeds, clear institutional policies that demonstrate respect for and sensitivity to the religious traditions of the individuals, families and communities served;
3. Use good judgment, based on local realities, in the printing of religious text or the display of other forms of messages or symbols on aid packages;
4. Establish guidelines for the appropriate usage and balance of religious messages and/or teachings in relief or development programs, to ensure that any message is non-coercive, culturally sensitive and respectful of the dignity, values, history, religion and culture of the people served.

#### 7.12.4

With support from its members, PQMD and other interested parties, InterAction developed a [recommended methodology and a list of valuation sources](#) to assist nonprofit organizations in determining the financial valuation of donated pharmaceutical products received in pursuit of their missions. The methodology is intended to help organizations to select an approach to recording GIK donations in their financial statements that is fair, appropriate and aligned to IRS requirements, FASB guidance, and GAAP principles. Additionally, the methodology serves as the basis for InterAction's NGO Standards related to valuation of donated goods.

## Purpose

The purpose of the [methodology](#) is to guide decision-making by an individual organization. Ultimately, each organization is responsible to determine the valuation it records based on its own professional judgement and in consultation with its auditors. To ensure a consistent approach, however, the methodology is based on AICPA guidance related to gifts-in-kind valuation, which can be found here: [AICPA Website](#). The methodology is illustrated by the included Decision Tree. In addition to the methodology, InterAction has assembled a Pharmaceutical Pricing Inputs Catalog that can be used to determine the value of specific products.

## Decision Tree

The Decision Tree guides users through questions that help determine whether a procured product can be considered a donation and, if so, whether its valuation should be based on a U.S. market price, or an international price. The key questions are:

- Is there a fee associated with GIK procurement? And, if so, is the fee paid substantially less than the rate commonly available to any individual or organization? This question will lead to a decision as to whether a product has been procured through donation, and therefore recordable as donation revenue, or through purchase, which is not recordable as a donation.
- Is the pharma GIK legally permissible for sale in the U.S.? And, is the U.S. the principal market as compared to any individual international market? These two questions support decisions about whether donated products should be valued based on a U.S. market price, or an international price. Note that international price in this context is meant to refer to pricing available on the international market, as opposed to within any specific country.

Based on a decision to use U.S. or international pricing, the Decision Tree then guides a user to utilize available pricing sources that are generally easy to use and include data based on a significant level of volume and activity.

## Pharmaceutical Pricing Inputs Catalog

Included along with the methodology is a list of potential international and U.S. pricing sources which is intended to provide organizations with insight into what the sources represent. Organizations should consider how to use these sources when valuing donated pharmaceutical products. InterAction and PQMD are not recommending the use of any specific source, but rather seeking to inform organizations about key source considerations so that organizations may exercise informed professional judgement in determining how to value its GIK. This source list is not intended to include all potential sources.

## Transparency

In addition to utilizing these Decision Tree and Sources for Valuation resources, it is essential that each organization documents in writing, and makes available to the public, the rationale for its policy and practice related to pharmaceutical valuation. It is recommended this written rationale be included in annual financial statements and be published on appropriate pages of an organization's website.

## **Section 8.o, Public Policy**

InterAction and a growing number of its members are increasingly involved in advocacy, public policy, and lobbying. It is imperative for those members so choosing to have written policies that clearly define and delineate the circumstances in which it will be involved in such activities.

### **Gender Amendments**

InterAction will provide assistance to members in advancing the status of women in their organizations and programs, promote the sharing of experiences amongst members, and provide tools for integrating gender in program planning, implementation, and evaluation. InterAction will report periodically on its support to members and on member agency progress in attaining gender equity.

In promoting gender equity in programs, agencies are encouraged to collect gender-disaggregated data in order to be able to determine differential participation of and impacts on women and on men.

### **Diversity Amendments**

InterAction will provide assistance to members in advancing diversity in their organizations and programs and promote the sharing of experiences amongst members. InterAction will report periodically on member agency progress in diversity.

### **Disability Amendments**

InterAction will provide assistance to members in advancing the inclusion of people with disabilities in their organizations and programs and promote the sharing of experiences amongst members. InterAction will report periodically on member agency progress.



## InterAction Member Guidelines

The Guidelines represent standards that the board of directors may, from time to time, recommend, but not require.

1. It is recommended that, wherever applicable, a member organization should meet the standards of the National Charities Information Bureau, and the Philanthropic Advisory Service of the Council of Better Business Bureaus.
2. It is recommended that a member organization should utilize volunteers in its program and fundraising efforts to the greatest extent feasible for its mission and structure. Wherever the organization is composed of, or relies upon local, national, or international affiliates, the U.S. member should expect its affiliates to adhere to private voluntary organization principles within their governance and programs. Each member organization should seek to derive a substantial portion or amount of its funding from sources in the private sector, locally, nationally, and internationally.
3. It is recommended that the board of directors should be large enough and meet frequently enough to provide independent, active, and informed decisions. It is recommended that the board have at least ten members and at least three meetings per year, of which at least one should be of the full board and the others of the executive committee, if the executive committee has policy-making authority and consists of at least five persons. It is also recommended that directors not be retained for paid consulting or any other paid activities. One staff person may serve as a voting member of the board of directors; larger representation of staff on the board should be limited to large organizations and large, active boards. Normally, individuals who are related to each other or to the executive director or founder should not serve on the board of directors.
4. It is recommended that diversity in the make-up of the board and staff should be a stated policy of the organization.
5. It is recommended that member organizations actively inform their contributors about the organization's use of funds, including the full and complete exposition of salary and non-salary executive compensation. It is recommended that all donors receive basic information about the organization's finances, based on the most recent audited financial statement. This information could be contained in a receipt or acknowledgement, a subsequent appeal, or a regular report to donors.
6. It is recommended that no more than 35 percent of expenditures are spent on administration and fundraising costs. Agencies with sources of income that do not require large fundraising efforts should have proportionately lower costs.
7. With reference to section 2.7 of the Standards, it is recognized that some organizations, as a matter of conscience, may, as policy, choose not to follow certain laws.
8. Examples of policy issues intended to define and protect the rights of employees, as required by Standard 6.3.1 include: terms of employment and termination; grievance procedures; right to due process; clear job definition and periodic performance appraisals; recognition of family responsibility; privacy regarding personal matters not directly related to job performance; and a safe workplace free from illegal drugs,

secondary smoke, environmental hazards, and any form of harassment—racial, sexual, cultural, religious, or other.

9. Examples of policy issues to define an organization's expectations of employees, as required by Standard 6.3.3 include: the obligation to protect confidential information relating to the agency's plans and activities; the avoidance of conflict of interest situations; the maintenance of consistently high professional standards and conduct; and avoidance of substance abuse.
10. It is recommended that each member consider adopting a socially responsive investment policy (i.e. investments in stocks, bonds, and other financial instrument) that either contributes to its humanitarian objectives, or renders no negative effects on those objectives.