

2011

**VENRO Code of Conduct
Transparency, organisational
management and monitoring**

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Preamble

VENRO stands for Verband Entwicklungspolitik deutscher Nichtregierungsorganisationen (association for the development policy of German non-governmental organisations). Members include a large number of small and large, ecclesiastic and secular organisations.

VENRO members are acting in accordance with the statutes and in the belief that sustainable development requires the participation of the entire community, that is, every single person. What is needed are fundamental political reforms, a change in our lifestyle and more solidarity and help for the poor in developing countries. Poverty, environmental destruction and limited opportunities for future generations have reached a level that is ethically and politically unacceptable. Members see it as their duty to fight against poverty, make human rights a reality and maintain natural resources as much as possible.

The objective of this code of conduct is to improve the quality of civil society development co-operation and humanitarian aid with joint principles and standards, and to make the work carried out by VENRO members transparent for the public and donors. The code of conduct is an instrument of collegial collaboration with the objective of increasing the confidence of donors and the public in NGO activities through transparency and a commitment to joint principles and standards.

By adopting this code of conduct, VENRO members commit to the principles and standards for organisational management, communication, operational management and impact monitoring as outlined below. Deviations from the main ideas of this model must be justified. VENRO members commit to abide by the spirit of the principles outlined herein despite substantiated deviations..

I. Organisational management

1.1 Principles

Management tasks and the supervision of the management body are carried out by a variety of organisational bodies. The composition, tasks, areas of responsibility and decision-making powers of the respective bodies are clearly described. They arise from the statutes, and are described in more detail in the by-laws and other procedural guidelines.

The management body and management provide regular, prompt and comprehensive information to the bodies responsible for supervision and controlling tasks about all issues related to planning, strategy, business developments and risk factors that are relevant to the organisation. To this end, meaningful documentation that is required for decision-making purposes is provided. Problems are not concealed but disclosed.

The members of the management body and management commit to ethically responsible, efficient and competent action. Where possible, positions and work tasks are divided so that they correspond with the skills, experience and aptitude of the relevant persons. Management staff builds on the competence and creativity of employees, and involves them in strategy processes and solutions to problems.

The submission and hearing of constructive criticism forms just as much a part of the organisational culture as does the trust-based and protected handling of internal complaints about actual or suspected a) breaches of the statutes, by-laws or internal provisions of a VENRO member, b) waste, improper use of funds or corruption and c) breaches of this code of conduct.

The composition of the organisational bodies of VENRO must ensure that conflicts of interest can be avoided as much as possible. Potential conflicts of interest must be disclosed.

1.2 Standards

A basic model that is based on the German law for associations, and which serves as an orientation tool for VENRO members, is described below. The basic model applies to VENRO members that are organised under a legal form that differs from that of the

registered association (foundations under civil or public law with legal capacity, GmbH). In the case of these entities, the tasks of the General Assembly are carried out by the corresponding organisational bodies as per the statutes (e.g. foundation board, board of trustees, shareholder meeting).

1.2.1 The General Assembly

- The General Assembly is the most senior supervisory and control body.
- It decides on all general and guiding specifications and measures that are not assigned to the management body or other bodies in the organisation.
- It approves the statutes and decides on amendments to statutes.
- If required, it will elect an intermediary supervisory body, to which it can delegate tasks as per the statutes.
- It commissions the sworn auditor or auditing company, which should be changed every seven years.
- The assembly receives the activity report of the management body, the accountability report of intermediate supervisory bodies (where applicable), and the audit report ; it also receives the annual accounts and confirms - or refuses to confirm - both bodies.
- It meets at least once a year.
- It determines the membership fee.
- It approves the dissolution of the organisation pursuant to the statutes.

1.2.2 The intermediate supervisory body

- An additional supervisory body must be placed between the General Assembly and the management body for organisations with 50 full-time employees or a total income of EUR 10 million a year; this body monitors management on an on-going basis.
- The intermediate supervisory body must consist of at least five persons. Its members work in an honorary capacity. They must have the required qualifications for their supervisory

duties. It is recommended that the length of the mandate is limited.

- Organisational bodies that have been tasked with monitoring and supervision by the members are expected to show a special commitment to the organisation. Moreover, these organisational bodies should be filled in such a way that they cover the task areas that are relevant to the development policy non-governmental area.
- It appoints, advises and monitors the management body. It also approves the by-laws of the management body and monitors compliance with the same.
- It is directly involved in decisions of fundamental importance. It approves the annual budget submitted by the management body, among other things.
- It may form committees to carry out its work.

- It meets at least three times a year.
- In the absence of an intermediate supervisory body, the aforementioned duties are carried out by the General Assembly.

1.2.3 The management body

- The management body manages the organisation at its own responsibility. It is responsible for developing and implementing the strategic direction of the organisation.
- The management body must consist of at least five person if it is only active in an honorary capacity.
- The management body should be a full-time body and consist of at least two persons (compliance with second-set-of-eyes principle) if the organisation has 50 full-time employees or a total income of EUR 10 million annually.

II. Communication (public relations and fundraising)

2.1 Principles

VENRO members commit to open, truthful and comprehensive accountability regarding their work, activities, finances and structures. Transparent communication is used for donor advertising, for providing supporting evidence regarding the use of funds, and the fulfilment of the development policy educational function of the members. VENRO members inform the public and their supporters that public relations, fundraising and project management are necessary and are also financed with donated funds.

VENRO members create trust with clear and consistent communication - regardless of whether the communication is directed at donors, persons working in an honorary capacity, media, politicians or the general public. VENRO members communicate in a clear and easy-to-understand language. That means: Information is selected and prepared in accordance with the subject and target group. The organisations report on all important aspects of their work and their successes - but also on existing challenges and setbacks.

By engaging in open communication with the media, they prevent the idealisation of their work as well as general and scandalising criticism.

VENRO members provide information and maintain an open dialogue with the public and supporters. They support responsible donors who obtain their information independently. They offer clearly-defined opportunities for participation, which meet the needs of donors but do not lead to a paternalistic attitude towards projects and partners.

VENRO members communicate that advertising and administration expenses are required and meaningful. They ensure the high quality of work in the areas of donation advertising, use of funds and transparency.

The fundraising activities¹ undertaken by VENRO

members with regard to development co-operation and humanitarian aid are professional, qualified and ethically sound. Fundraising must be credible and honest, both in regard to the instruments used to procure funds as well as the contents that are communicated.

Donation advertising must be carried out under cost-benefit aspects. To this end, the organisations require professionally qualified and trained full-time or volunteer employees. Similarly, fundraising also depends on a commensurate budget for acquiring funds. VENRO members provide information about the instruments that are used for their fundraising activities. VENRO members expressly exclude fundraising methods that are immoral or are based on the malicious deception of donors.

VENRO members commit to publish an annual report. Advertising and administration expenses must be shown separately but must be communicated jointly.

Detailed explanations regarding public relations activities can be obtained from the VENRO Code of Conduct for Development-Related Public Relations.

2.2 Standards

The following standards for good practice make a distinction between the general and specific requirements for annual reports. The latter is mainly directed at organisations with an annual income of EUR 3 million or more.

2.2.1 General requirements for annual reports

The annual reports of member organisations must include the following:

- activity report,
- financial report²,
- organisational structure and report of organisational bodies,
- work method and applied methods.

In order to limit the information in the annual report to the essential, it is useful to provide additional or detailed information through the internet or on request.

¹ Many of the fundraisers working at VENRO members are also members of the German Fundraising Association and subject to its "19 principles for positive, ethical fundraising practices". VENRO members assist their employees in complying with this code of conduct.

² The financial report presents a summary of the annual accounts.

This applies to the annual accounts as well as the statutes, evaluation reports, detailed presentations of planning and control systems, and the organisation chart.

Information regarding the type and amount of remuneration for the management body, and collaboration with freelance consultants, agencies and other service providers must also be made available.

2.2.2 Special requirements for annual reports

Organisations with an annual income of EUR 3 million or more should use the following information as reference when publishing their annual reports:

Activity report

- Purpose of statutes (including reference how statutes can be obtained),
- Objectives and strategies,
- Successes, risks and problems/difficulties (with concrete project examples),
- Overview of how funds are used for tasks (as per the statutes) in Germany and abroad (projects, programmes, services, campaigns),
- Report on marketing (advertising and fundraising), particularly on instruments that were used,
- Outlook for the next year.

Financial report

- Information according to DZI guidelines, contains at minimum a detailed description of the composition of revenue and expenditures, amount of project expenditures and advertising/administration costs,
- Comparative figures for the previous year must be shown, and financial benefits by a third party must be mentioned by way of report, insofar as they are significant and are not shown in revenue and expenditures,
- Explanation of the main revenue and expenditure items,
- Presentation of the appropriation of net income (in particular development of reserves),
- Information about the sworn

accountant/auditor that performs the annual account, with information on the result/certificate.

Organisational structure and report of organisational bodies

- Organisational bodies, their personnel-related composition and tasks,
- Information regarding salary structure, and information on remuneration and expenditure reimbursements for the management level and members of organisational bodies,
- Report by organisational bodies regarding their activities,
- Memberships and networks,
- Information on affiliated and supporting organisations (e.g. foundations, friends' associations, outsourced economic business operations),
- Organisation chart.

Work methods and other methods

Presentation of planning and control systems, planning methods and instruments, Monitoring, evaluation and impact monitoring of projects and programmes.

2.2.3 Other standards

Promises that 100% of funds are put into projects - which is akin to claiming that the organisation does not undertake advertising and administration tasks - are not permitted. If the organisation consists solely of volunteers, reference must be made to the resources that make the work possible.

The communication of advertising and administration activities must show revenue and expenditures in a transparent manner. In this context, the following information must be taken into account:

- proportion of donor funds in total revenues,
- proportion of public and international funds in total revenues,
- proportion of church tax funds in total revenues.

Organisations provide information about commission payments on request.

III. Operational management

3.1 Principles

VENRO members make efficient use of the funds that are available and that have been entrusted to them. Efficiency in this context refers to the relationship between the goal or impact that has been achieved and the resources expended for that purpose. By acting efficiently, VENRO members always aim to achieve the best possible ratio between target achievement and use of funds.

VENRO members are responsible for and required to use funds in a target-oriented, purposeful and diligent manner, and only use them to carry out their activities at the required scope.

VENRO members commit to maintain their advertising and administration expenses within a reasonable range. They always use the standards and parameters published by the Deutsches Zentralinstitut für soziale Fragen (DZI) as a point of reference for calculating their advertising and administration expenses.

VENRO members view corruption as the abuse of funds that have been entrusted to them for personal gain⁷. VENRO members fight corruption as a hindrance to development at all levels of their activities. VENRO members commit to develop standards for the prevention of and fight against corruption.

Moreover, VENRO members also commit to implement effective planning, management and control mechanism to secure the efficient use of funds. They apply stringent procedures for the approval and expenditure of budget funds; this also includes criteria for the provision of project funds and provisions for the awarding of contracts to third parties / service providers.

Members establish guidelines for procurement, signature authorisation (with the "second-set-of-eyes principle") and travel costs, and provide information about the same on request.

Fund flows and use of funds as intended is monitored to prevent and identify any waste and misuse of funds. VENRO members assess risks realistically, minimise them and take reasonable precautions to protect themselves against risks.

The remuneration of employees, along with

reimbursements for expenditures incurred by members of organisational bodies, must be commensurate with the size of the respective organisation and the required qualifications and level of responsibility of the employees. Consulting contracts must be commensurate in terms of cost-benefit aspects. Consulting fees must be within the customary range; however, as non-profit organisations that collect donations, VENRO members cannot pay the same fees as are customary in the open market.

3.2 Standards

The following standards specify the principles described above.

3.2.1 Remuneration for and selection of employees and consultants

VENRO members ensure that there is a balance between the public expectations regarding remuneration in non-profit organisations and the need to offer remuneration that attracts and retains the employees who are required to carry out its tasks.

Full-time employees are generally selected on the basis of a tendering procedure. The selection process for consultants must be transparent or regulated through a tendering procedure.

3.2.2 Key figures for assessing efficiency

VENRO members have different contracts, structures and work methods, and also use different methods to finance their operations. Accordingly, they use key figures that have been adapted to their own needs for assessing their efficiency. However, VENRO members also exchange information regarding the further development of key figures to ensure the greatest possible level of comparability.

3.2.3 Financial reporting and annual accounts

The financial reporting system³ of VENRO members provides sufficiently detailed and traceable documentation of the origin and use of funds, as well as the structure and development of assets, reserves and liabilities. To the extent that is economically justifiable, financial reporting must be undertaken in accordance with commercial law, and the annual accounts must consist of an income⁴ statement and a balance sheet.

On request, VENRO members publish their annual accounts and the provisions applied for financial reporting purposes (Civil Code, Commercial Code)⁵.

Financial contributions by third parties that are of material importance and are not shown in revenue and expenditures must be mentioned in the financial report.

3.2.4 Complaints management and corruption

The organisation must establish a suitable framework, for example by appointing a neutral ombudsman, which enables employees to submit complaints without a fear of negative repercussions.

In addition, each VENRO member must establish written guidelines for the prevention of conflicts of interest and corruption. They ensure compliance with the same, and also ensure that they are published on request.

³ Financial reporting refers to the external documentation of operational events. Data is provided by the bookkeeping or accounting system. Bookkeeping records all transactions on a scheduled basis, without gaps, and in an orderly manner as regards time and facts, on the basis of receipts.

⁴ The annual account consists of the detailed presentation of revenue, expenditures, assets, reserves and liabilities at the end of the business year.

⁵ If an organisation provides business services (e.g. rescue services, ambulant care services, driving services) and is thus in direct competition with other providers, it can limit reporting to development aid, development co-operation, humanitarian aid and international understanding if the publication of the entire annual accounts would result in competitive disadvantages.

IV. Outcome and impact orientation

4.1. Principles

VENRO members commit to outcome and impact-oriented work methods. This means two things: First, they work towards describing the intended outcome and impact, monitor and analyse outcomes and impacts that have been achieved⁶, and learn from the resulting experiences. Second, they support and motivate their local partner organisations and project holders to do the same. This is designed to initiate learning processes and allow for continuous improvements at the VENRO members themselves, as well as the project holders, partner organisations and target groups.

Each VENRO member develops a procedure for monitoring outcomes and impacts that is appropriate in relation to its mandate and available resources. In this context, benefits must be commensurate with costs. Requirements for outcome and impact monitoring are based on framework conditions that are specific to the organisation and the project, for example the size of the institution, staff options, number and complexity of projects.

4.2. Standards

The following standards apply to the implementation of outcome and impact monitoring:

4.2.1 Guidelines

VENRO members develop guidelines and structures for outcome and impact monitoring that are commensurate with their work and the size of their organisation.

4.2.2 Partner orientation

Where VENRO members support independent partner organisations, they work towards ensuring that the latter implement appropriate outcome and impact

monitoring and report on the same. In this vein, the partner's own approaches with respect to outcome and impact monitoring are respected and supported.

4.2.3 Methods

The organisations provide suitable reports regarding the implementation and results of outcome and impact monitoring processes, for example in annual reports. This enables interested third parties such as donors, institutional donors and others to obtain an overview of the type and manner of outcome and impact monitoring at the respective NGO.

Transparency not only refers to the disclosure of organisational and financial data but also, where possible, accountability regarding the outcomes and impacts that were achieved. The following criteria are used as reference insofar as outcome and impact monitoring is carried out by way of evaluations⁷:

- Usefulness: Alignment to agreed evaluation purposes and the information required by the intended users,
- Practicability: Realistic, well thought-out, diplomatic and cost-conscious planning and implementation.
- Fairness: Respectful and fair dealings with the affected persons and groups.
- Accuracy: Evaluation must provide valid information and results for the relevant evaluation item and evaluation questions.

In addition to these standards, VENRO members place particular emphasis on the participation of target groups in the evaluation process, and on the independence of experts (i.e. by using external experts where possible)⁸.

⁶ Outcomes and impact in this sense refer to the changes that can be attributed to the project or programme. They may be short-term, long-term, planned, unplanned, positive and negative.

⁷ See definitions regarding evaluation by the Development Assistance Committee (DAC) and the Deutsche Gesellschaft für Evaluation (DeGEval).

⁸ For additional details, see: <http://www.degeval.de/>.

V. Binding nature

5.1 General provisions for implementing the code of conduct

This code of conduct was agreed by the VENRO members and approved by the VENRO General Assembly in 2008. The aforementioned principles and standards are binding on all current and future members.

The binding nature of the code of conduct is ensured as follows:

- VENRO members commit that the implementation of the code of conduct will be accompanied by a continuous process.
- VENRO members support each other with the implementation of the principles and standards set out in the code.
- VENRO members publish their commitment to

the principles and standards of the code. VENRO members exchange their experiences with the code as part of a continuous process, and continue to enhance the principles and standards. VENRO members establish the "Code of Conduct" working group to manage this process.

5.2 Changes to the code of conduct

Changes to the code of conduct are approved by the General Assembly with a simple majority.

Any member may submit an application to make changes to the code. Suggested changes put forward for a vote must be made available to VENRO members at least four weeks before the General Assembly.

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