

SELF-REGULATION SYSTEMS FOR NPO COORDINATION: STRENGTHS AND WEAKNESSES OF LABEL AND UMBRELLA MECHANISMS

by

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ABSTRACT: *The rise of the non-profit sector and the increasing competition for funds among its members has increased the need for more transparency, accountability and coordination in fundraising activities. In some countries, self-regulation has appeared to be the most effective way of meeting these demands and two types of systems have emerged: the labels and the umbrella organizations. This paper analyses their emergence as well as their functioning through four cases studies and highlights their strengths and weaknesses. It shows that despite its willingness, there still remain some gaps that might prevent this sector from achieving those goals.*

Koordination zwischen Nonprofit-Organisationen: Ist Wettbewerb ein Hilfsmittel oder ein Hindernis?

Der Anstieg des Nonprofit-Sektors und der zunehmende Wettbewerb zwischen seinen Mitgliedern um Finanzierungsmittel haben die Notwendigkeit von mehr Transparenz, Rechenschaftslegung und Koordination bei der Mittelaufbringung erhöht. In einigen Ländern hat sich die Selbstregulierung als effektivster Weg erwiesen, um diese Anforderungen zu erfüllen, und es haben sich zwei Systeme herausgebildet: Prüf-/Gütesiegel (labels) und Dachorganisationen. Dieser Beitrag analysiert ihre Entstehung und ihre Arbeitsweisen mittels vier Fallstudien und hebt ihre Stärken und Schwächen hervor. Es wird gezeigt, dass trotz der vorhandenen Bereitschaft immer noch einige Lücken verbleiben, die verhindern könnten, dass der Nonprofit-Sektor diese Ziele erreicht.

Sistemas de autorregulación para la coordinación de las organizaciones sin fines lucrativos: fortalezas y debilidades de los mecanismos de “etiqueta acreditativa” y “organización paraguas”

El auge del sector sin fines lucrativos, así como el aumento de la competencia por los fondos entre sus miembros, ha reforzado la necesidad de una mayor transparencia, rendición de cuentas y coordinación en las actividades de captación de fondos. En determinados países, la autorregulación parece el medio más eficaz para responder a esta demanda, habiendo visto la luz dos tipos de sistemas: las “etiquetas acreditativas” y las “organizaciones paraguas”. Este artículo examina

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su nacimiento y su funcionamiento a través de cuatro estudios de caso. Pone en evidencia sus fortalezas, así como sus debilidades, y señala que, a pesar de la voluntad del sector de paliar estas necesidades, subsisten todavía algunos fallos que pueden impedir alcanzar estos objetivos.

Systemes d'autorégulation pour la coordination des organisations sans but lucratif : Forces et faiblesses des mécanismes de label et d'ombrelle.

L'essor du secteur sans but lucratif ainsi que la concurrence accrue pour les fonds entre ses membres a renforcé le besoin d'une plus grande transparence, responsabilité et coordination dans les activités de récolte de fonds. Dans certains pays, l'autorégulation est apparue comme étant le moyen le plus efficace pour répondre à cette demande et deux types de systèmes ont ainsi vu le jour : les labels et les organisations ombrelles. Cet article analyse leur émergence ainsi que leur fonctionnement à travers quatre études de cas. Il met en évidence leurs forces et leurs faiblesses et montre que malgré la volonté du secteur de pallier ces besoins, il subsiste encore certaines failles pouvant l'empêcher d'atteindre cet objectif.

1 Introduction

Often considered as a solution for overcoming market imperfections and State failures in the provision of public good, the non-profit sector has become an essential aid and development player. Furthermore, except between 2008 and 2010, contributions to the non-profit sector have continuously grown since 1972. In 40 years, the US non-profit sector has even more than doubled its level of contributions and attracted about 316 billions of dollars in 2012 (Giving USA Foundation 2013).

Due to the expansion of this sector and the huge number of its members, there is a higher demand for transparency and accountability in order to increase their legitimacy and their effectiveness (Lloyd 2005, p.5). In many cases, competition for funds between non-profit organizations (NPOs) turns to be harmful and under some conditions socially wasteful (Rose-Ackerman 1982, Aldashev and Verdier 2010). Non-coordination between organizations, misappropriation and mismanagement of funds induce a lack of public trust and confidence as well as a reduction of individual and public donations (Hansmann 1980, Rose-Ackerman 1996, Bekkers 2003).

In the for-profit sector, reducing harmful competition is mainly the role of government agencies. Firms can either choose to adopt goals set by these regulatory agencies in public voluntary agreements, or they can set them jointly with the regulator in negotiated voluntary agreements. Self-regulation may occur through unilateral agreements (Lyon and Maxwell 2003) but is a strategic choice to pre-empt and deter any political regulation in such a way that when it does occur, firms and consumers are better off (Lyon et al. 2000).

In the non-profit sector, the government agencies don't always play such a role because the rapid growth of the sector as well as the oversight and enforcement capabilities of many governments complicate its regulation (Lloyd 2005, Gugerty 2008). Self-regulation appears therefore to be the only effective solution that reconciles the interests of all NPOs stakeholders: the State, the donors and the beneficiaries. It aims

indeed to coordinate NPOs, to impose high standards in accounting and collecting money and to provide information to the public in a more transparent way.

Many self-regulation initiatives exist in the world, as well as many contextual factors that might shape them (Lloyd 2005, Warren and Lloyd 2009, Sidel 2003, 2005, Gugerty 2008). Particularly, in Europe, the age of the sector and of its legal system can explain the reactive, negotiated or proactive stance given to NPOs in self-regulation mechanisms (Bies 2010).

Although self-regulation is common, little is known in the literature of its impact or effectiveness. Gugerty (2008) provides a detailed analysis on the systems that have arisen in Sub-Saharan Africa countries. She studies three self-regulation mechanisms of non-governmental organizations (NGOs). First, the national guild resulting from an arrangement between governments and NGOs. Second, the voluntary clubs privately led by NGOs which have high levels of standards and enforcement. And, finally, the codes of conduct that allow for less regulation power but an easy implementation. She shows that weaknesses of these self-regulation systems essentially arose from a mismatch between their goals and enforcement power and that they have not led to much more effectiveness in the sector. Besides, Prakash and Gugerty (2010) argue that the institutional architecture of voluntary regulation programmes has an important role to play in the governance failures in non-profit organizations. Moreover, in a competitive market for donations, Aldashev et al. (2014) show that the stability of fundraising coordination agreements between NPOs are determined by three main characteristics, which are the alliance rule, the possibility of a coalitional or individual deviation from the agreement and the strategic complementarity or substitutability of the fundraising efforts between NPOs.

This paper contributes to the literature by analysing the working of two types of self-regulation systems that exist in the non-profit sector in order to acquire a better understanding of their strengths and weaknesses: the label and the umbrella mechanisms. The study focuses on two labels existing in the Netherlands and in the UK as well as on two umbrella organizations from Belgium. It shows that despite their common objective to reduce harmful competition, there still exist some lacunae which may compromise their effectiveness.

This paper is organized as follows: Section II presents the context of the emergence of the self-regulation mechanisms. Section III describes both types of systems and provides detailed analyses on the labels and umbrellas by exploring four case studies. Section IV concludes.

2 Emergence of self-regulation mechanisms

In 2013, the number of non-profit organizations in the USA was of 1,455,006 as reported by the statistics of the National Center for Charitable Statistics (NCCS) and the number of charities was estimated at 163,709 in England and Wales by the Charity Commission. Although the non-profit sector aims at improving indirectly or directly the welfare of society, it is very heterogeneous. NPOs support a wide range of causes, going from art promotion to environmental defence or health. For those which work in a similar field of activity, it is common that they also differ in terms of specific missions,

whether by the location of the activity (e.g. abroad or in the country of origin), their target (e.g. children, minorities) or their mode of activity.

Because of this variety of fields, missions and organizations, most of the donors have imperfect information about the existence of a particular NPO or about several characteristics like effectiveness, transparency or detailed projects. Some donors might have a preference for a field of activity without knowing to which NPO to donate, or just an intention to do a good deed and to donate, whatever the field or the NPO. Hence, donors have latent demands to donate but do not know to which organization, and solicitation helps to enable those demands to be perceived (Andreoni and Payne 2003, pp.793–794).

Added to the nebulosity of the non-profit sector, this indecision pushes NPOs to invest in fundraising activities and to provide the missing information such that they can stand out from others. The investment in such techniques is closely related to the degree of competition intra and inter fields of action. When they face intense competition for funds, NPOs may fall into excessive practices by making too many solicitations and/or overspending on fundraising activities.

However, the most common reaction to these excesses is donor reluctance (Rose-Ackerman 1982). Although some are indifferent or consider those huge expenses as being good omens for future fundraising, most of the donors see these huge amounts as a misuse. Precisely, such funds collected for a well-defined project are mostly used for its promotion rather than for its implementation.

Moreover, it has been shown in the literature that in addition to disliking those excessive practices, donors have an incentive for reducing their donations when noticing such behaviour (Bekkers 2003).

Therefore, without any control, the sector can quickly enter a vicious circle. Intense competition for funds pushes NPOs to spend more on fundraising activities, hence it lowers the donors' intention to donate, which in turn increases the competition effect and the so-disliked fundraising expenditures.

During the Nineties, the non-profit sector was hit by numerous embezzlement scandals which were subject to major media hype (Bothwell 2001, Gibelman and Gelman 2001, 2004, Tinkelman 2005). Following this turmoil, many NPOs invested in advertising in order to protect their reputation and differentiate themselves from suspect organizations. By spending huge amounts of money away from the project, they fed this vicious circle and the non-profit sector had no other choice than to self-regulate and self-coordinate in many countries in order to avoid the unravelling of the donations market.

3 Self-regulation mechanisms

Coordination in the non-profit sector relates essentially to transparency in accounting reports (to facilitate audits and comparisons between NPOs, and to prevent embezzlement), fundraising expenses (to avoid overspending), and calls for donations channelled into a particular project or for shared purposes (to achieve economies of scale

in solicitations). In this way, the label and the umbrella mechanisms are the two main coordination systems that have emerged.

Labels are systems in which members agreeing upon a set of particular standards are allowed to display a well-known seal of approval on their websites and reports by still fundraising under their own names. The seal of approval certifies the adoption of responsible behaviour and hence signals such commitments to potential donors. Among others, requirements often relate to transparency in reporting (by forcing members to issue annual detailed financial reports), limitation of fundraising expenses at a well-defined threshold (to control overspending) or to the adoption of codes of conduct that promote reasonable expenditure without necessarily setting such thresholds. Generally, there is a one-off fee to pay on becoming a member as well as annually, and sanctions are foreseen in the event of dereliction, including exclusion from the label.

On the other hand, umbrella systems consist of groups of several NPOs that fundraise under a single name and divide the received funds among members according to a redistributive key. The membership may not be conditional on the payment of particular fees but rather on a shared purpose, on the adoption of charters or also on investments in the umbrella's activities. Transparency may also be provided through the submission of accounting reports.

Those two self-regulation mechanisms aim to reduce the negative effects of competition by promoting coordination. However, despite their numerous advantages, they also contain lacunae and loopholes that may prevent them from fully achieving this objective. These deserve to be highlighted in the following two sub-sections.

3.1 The label mechanism

In Europe, there are several types of label mechanisms, and all of them have their own specificities regarding standards and membership policies. Among others, we would mention the AERF (Association pour une Ethique dans les Récoltes de Fonds) in Belgium, the DZI (Deutsches ZentralInstitut für soziale fragen) in Germany, the Svensk Insamlingskontroll in Sweden, the CBF (Centraal Bureau Fondsenwerving) in the Netherlands or the FRSB (Fundraising Standards Board) in the UK. In this paper, we focus on the last two, representing one of the oldest and one of the newest European self-regulation systems.

3.1.1 *The case of the Netherlands*

The Dutch non-profit sector is one of the first to have self-regulated in Europe through the action of the CBF, 'Centraal Bureau Fondsenwerving'. Although this agency was established in 1925, it is only from 1989 that it has embraced its current mission of promoting trustworthy fundraising and expenditure as well as the provision of responsible public information by its members about their financial transactions.

As stated by Burger and Dekker (2001, p. 31), the CBF is headed by representatives from the Association of Dutch Municipalities (VNG), the Association of Fundraising Institutions (VFI), academia, judges, certified public accountancy firms and consumer organizations. In order to acquire accreditation and certification from this independent agency, NPOs have to meet three main criteria (Bekkers 2003). First, the total cost of

fundraising activities¹ must be limited to 25% of the total funds received such that the majority of them is directly channelled into the project. Second, the members have to publish an annual report satisfying well-defined guidelines, which is then reviewed by the self-regulator. Specific requirements on the balance sheet or on the statements of revenues and expenditures for instance simplify the structure of the accounts. Finally, the CBF controls its members every three years to check whether they still respect both criteria or not.

Since 1996, the CBF has the authority to award a seal of approval called the 'CBF-Keur'. Certified organizations are allowed to display this on their websites, in their annual reports, TV commercials and magazines in order to inform the public about their trustworthiness. It is valid for three years and helps members to distinguish themselves from uncertified organizations. However, in the event of a member's dereliction or non-compliance of a member, the CBF can suspend this right of display.

This particular self-regulation system is highly successful not only because it represents about 90% of the Dutch donation market, but also because, once implemented, it receives the support of public authorities. Their official attitude initially in favour of a State regulation morphed into an external supervision role when they noticed the effectiveness of the system.

Yet, due to the success of this self-regulator, the CBF seal has become more of a mandatory standard than a real distinctive asset. The membership has therefore become a guarantee for surviving in the donations market and a decision of non-participation needs to be publicly justified.

Most of the time, the choice of non-membership is motivated by the cost of the system and the duplication thereof when the organization is already a member of a similar system abroad which is unknown to the Dutch public.

Precisely, the one-off fee for an assessment is about €3,000 (for three years – 2014 fees) and according to the revenues of the organization, there is also an annual contribution ranging from €460 to €9,060. At the end of the three years and after monitoring, the organization can renew its assessment in return for another payment of €3,000.

It follows that due to pressures from donors, institutions and the sector itself, NPOs are pushed to adopt a binding and very demanding system that is costly in terms of money and time at the expense of what is spent on the project. Particularly, due to their limited structure, small organizations are more likely to struggle with the implementation of such high requirements than large ones and therefore to keep their right to display their seal of approval. Hence, one main criticism of the label system is its discriminatory aspect in favour of large organizations in the long term since they are more likely than the small ones to meet their commitments (Similon 2008, 2009).

In a way, the CBF has already tried to address these concerns by creating a second type of assessment and seal in 2001, the 'CBF Verklaring van geen bezwaar'.

1 By fundraising activities, the CBF means activities which 'appeal to public generosity (. . .)'. 'Fundraising means that the money raised in this manner has been donated voluntarily, does not constitute a (proportionate) consideration for goods supplied or services provided, and that no rights for care or help can be derived from them' (CBF 2013, p. 3).

This second assessment targets the starting charities which fundraise for less than three years and/or whose revenues from fundraising do not exceed €120,000 per annum. While this certificate is only valid for eighteen months, there is only one-off fee to be paid, which amounts to € 895, with a re-assessment fee of €455 (2014 fees). The advantage of this second seal is that it is less expensive and less demanding in terms of accountancy guidelines than the 'CBF-Keur'. Though, as it is very specific and less known than the 'CBF-Keur', many NPOs would still prefer to acquire the main assessment. Moreover, for older small organizations whose revenue slightly exceeds this threshold, the problem remains the same and they have no choice but to meet the high level of standards imposed by the 'CBF-Keur' seal.

Again, with a third type of assessment in 2009, the CBF is meeting the needs of small organizations which do not fulfil the conditions for acquiring the certification for starting charities. Indeed, this new assessment targets NPOs which have been fundraising for more than three years and whose total revenues from fundraising do not exceed €500.000 per annum. The associated seal of approval, called the 'CBF-certificaat' looks like the famous one but nevertheless indicates that one is dealing with a small organization.

As stated in the CBF newsletter of 21st April 2009, this third assessment aims at an equilibrium between the control of responsible fundraising and reduced costs for small organizations. Through such a creation, the CBF alleviates the heavy requirements it had on internal management, monitoring and accounting. In terms of costs, this new assessment which is valid three years lies between both other ones. The one-off fee is €520 with an annual contribution of €365 and a renewal of the assessment amounting at € 520 (fees for 2014).

Regarding the accountancy requirements, it is clearly less demanding than the 'CBF-Keur'. There is less in-depth control of such assessed organizations by the CBF and hence, the information about responsible behaviour provided by the seal is less relevant than that delivered by the 'CBF-Keur'.

Therefore, despite the fact that it is cheaper and less time-consuming, changing for or directly adopting such an assessment could lead the organization to send a negative signal to the public. This would show that it prefers adopting less responsible behaviour than in the past or to what they could do under the main assessment, which could also discourage donors from donating to that organization.

This leads to another concern, which is the ideal number of seals of approval. The higher the number of seals, the lower their impact. Although all three are quite similar, the public might be not completely informed of the meaning of each and hence could lose some informational content for making its donation decision. Moreover, although the certification for small charities was initially implemented in order to meet an existing need, each type of organization could plead for certification with requirements more suitable to its own type. In that case, the creation of new certifications would be positive in terms of social welfare only if the benefits coming from the lower costs are higher than the losses due to less information.

Nevertheless, this self-regulation system has the merit of constantly question the way it works and has a willingness to find the right balance between transparency and

responsible expenditure, assessed organizations' constraints and donors' expectations, in the interest of the non-profit sector.

3.1.2 *The case of the United Kingdom*

The Fundraising Standards Board (FRSB) is an independent self-regulator for fundraising in the UK and is one of the last that has been implemented in Europe. Since 2008, it has helped charities as well as suppliers (i.e. organizations in charge of fundraising for others) to adopt responsible behaviour in their fundraising activities and greater transparency in their accountancy.

Again, the main objective of this agency is to generate a set of high standards that members undertake to meet so that the public can donate to those organizations with confidence. Inter alia, this creation was a response to the Charities Act 1992² promoting greater transparency from charitable organizations and to financial scandals that also hit the UK.³

As stated on its website, the FRSB is overseen by a board of twelve directors, who represent the charity sector and the public. This ensures its neutrality and independence when dealing with 'issues'. Among those directors, we see representatives of consumers, of the Public Fundraising Regulatory Association (PFRA), of the Institute of Fundraising, of the Charity Law Association, of the National Council of Voluntary Organizations (NCVO) and of the Northern Ireland Council for Voluntary Action (NICVA).

Members of the FRSB undertake to follow a code of fundraising practices set up by the Institute of Fundraising which covers general principles such as solicitation, the use of collected funds, the complaints procedure, etc. They also make a commitment in principle through a fundraising promise of being committed to high standards, of being honest and open, clear, respectful, fair and reasonable, and finally accountable. Both code and promise imply the adoption of standards similar to those imposed by the CBF except there is no such well-defined limitation of fundraising expenditure.

It is worth noting that, like the Dutch system, it allows the public to complain about deviant fundraiser behaviour through a standard procedure and that it helps the charities and suppliers to deal with those eventual criticisms.

The FRSB allows its members, who can display a tick logo on their websites, reports and magazines, to inform potential donors about their undertaking. Media coverage has helped this FRSB tick to become well-known by the UK public.

To become a member of the FRSB and enjoy its benefits, charities and suppliers only have to pay an annual fee relating respectively to their annual voluntary income and their fundraising turnover. It ranges from £30 to £5,000 for a charity and from £100 to £1,200 for a supplier. These contributions aim to finance the regulation scheme and are not a barrier to membership since about 1,500 organizations are already members of this self-regulator. This represents about 50% of all voluntary income in the UK, which is a significant percentage.

2 The later version of the Charities Act 2011.

3 For instance the scandals of the Breast Cancer Research Scotland and Moonbeams organizations that were publicized in 2003. (BBC 2003).

For now, there is only one type of seal of approval delivered by this agency and the success of this system is still linked to the distinctive power that the seal brings to its members. Due to its short history, the system is indeed still in expansion and unlike the CBF has not yet reached its saturation point where it is more of a common standard than a real asset for the fundraising activities.

3.2 The umbrella mechanism

The implementation of a certification and labelling system is not the only way to prevent NPOs from excessive expenditure in fundraising activities. There are alternatives for limiting these costs and for meeting the public's expectations by channelling most of the received funds into the various projects.

It is in this prospect that the Belgian Consortium and the CNCD-11.11.11 were created. Both organizations aim at greater fundraising efficiency by collecting money for a group of NPOs and dividing it among them according to a specific redistribution key. The systems generate economies of scale for their members and promote coordination among them.

3.2.1 *The Belgian Consortium for Emergency Relief*

In the end of the seventies, five organizations have chosen to unite under the name of 'Consortium Belge'. They all shared the same ideals: increasing efficiency when they were on the ground and greater visibility when fundraising. Unicef Belgium, Oxfam Solidarity, Handicap International Belgium, Caritas International Belgium and the Red Cross (Belgium and Flanders) are the five founders of this consortium. Despite the fact that they all have their own fields of activity, they all work in cooperation and emergency aid. Within the Consortium, they can exchange their expertise and share experiences, in such a way that they can coordinate their efforts, collaborate and take urgent decisions when dealing with unexpected disasters.

This umbrella system has covered some famous actions such as, among others, 'Tsunami 12-12' (2004-2005) after the tsunami wave hit Asia and 'Haiti 12-12' (2010) after the earthquake in order to help with reconstruction, 'Stop Famine in the Horn of Africa' (2011) in order to reduce the famine during the crisis in that region, and 'Syria 12-12' in order to help Syrian refugees (2013-2014).

One strength of the system is its coordinated appeal. Indeed, the five organizations use a single bank account as well as a single advertising campaign. This way of operation facilitates the act of giving since the donors face a single reference and it also generates economies of scale in fundraising costs as well as in time devoted by the five members to these fundraising activities. They can all focus on their intervention instead of wasting money by competing with each other.

There are in the world similar umbrella systems dealing with emergency situations that use a single bank account and make common appeal for a cause. For instance, 'Aktion Deutschland Hilft' in Germany created in 2001 and consisting of 22 members, AGIRE in Italy with 10 members, Disaster Emergency Committee (DEC) in the UK with 14 members, Swiss Solidarity in Switzerland with 25 members, Stichting Samenwerkende Hulporganisaties (SHO) in the Netherlands with 11 members, Radiohjälp

in Sweden, and the Humanitarian Coalition Canada. Their *modi operandi* are similar, even though the adoption of codes of conduct and charters are sometimes prerequisites for membership and the redistributive keys can be very specific. In addition to the Consortium, they are all members of the Emergency Appeal Alliance (EAA) created in 2008 in order to group the national aid agencies together and to promote the sharing of experience in national appeals.

However, while coordination works for the advertising campaign, it might be less effective for the coordination on the ground. Particularly, the Red Cross Belgium and Flanders decided to quit the Consortium in January 2006. As quoted in the press (Delepierre 2005), the Director General of the organization explained the organization's choice to end its participation for 'efficiency reasons on the ground and for operational autonomy'. 'The philosophy of particular partners has sometimes caused blockages'. Besides, a press release from the Red Cross (on 15 November 2005) reported that 'it is not always simple for five different organizations jointly to organize rapid action on urgent humanitarian crises' and that 'given the fact of specific actions and programmes of each member, it is also difficult to establish common priorities'. In April 2006, the Red Cross Belgium and Flanders was replaced by the Doctors of the World Belgium, but this event still appears as an indirect denunciation of this umbrella's lack of effectiveness. Precisely, it seems that despite all the efforts placed by the Consortium in the coordination of its members, they still have an incentive to assert their own interests instead of the common one. The main objective of the Consortium, which is to ensure speed of intervention as well as its effectiveness, does not seem easy to achieve. Thus, an independent third party could be a solution for helping the five organizations in their mission planning by mobilizing them in the common interest, even though this would also reduce their freedom of action.

Another shortcoming of this umbrella is its common pooling system. Indeed, once the money has been collected for a particular project of the Consortium, it is redistributed between its members according to a redistribution key that is computed each year. As stated on the Consortium's website, this key 'takes into account the support and sympathy of the public towards the organizations by using the received donations during the past three years as a basis. The eventual costs for organizing the fundraising are also allocated according to this redistributive key'. The one used in 2013 was the following: 15.59% for Caritas International, 17.99% for Handicap International, 8.94% for Doctors of the world, 15.80% for Oxfam Solidarity and 41.69% for Unicef Belgium. With such a key, the umbrella does not offer the donors a chance to select a particular member organization. Furthermore, one reason invoked in 2013 by Doctors without Borders Belgium for justifying their non-adhesion to the Consortium was their willingness to allow donors the choice of donating to the type of aid that they wish. Somehow, like Doctors without Borders, we could also regret the donors' loss of choice and suggest adding the possibility of earmarking their donation for a specific member if they have preferences, as is the case with Radiojälpen in Sweden. However, by computing its allocation key on the received donations, the Consortium is showing its intention of respecting donor preferences as much as it can.

While this umbrella system seems to struggle with reducing competition between fields of activity, it clearly appears that the Consortium does help its members to make economies of scale by reducing the perverse competition effect of overspending through joint fundraising.

3.2.2 *The CNCD-11.11.11*

The National Centre for Development Cooperation (Centre National de Coopération au Développement) – CNCD-11.11.11- was founded in 1966. This umbrella organization consists of about 90 development NGOs, unions and other Francophone NPOs. As stated in the report of the CNCD-11.11.11 (2011a, p. 9), its three missions are the coordination for the raising of Belgian public awareness, the lobbying of politicians and fundraising for the projects of its members and their partners in the third-world. The main purpose is essentially ‘reinforcing the abilities of the partners from the South and promoting structural political progress to contribute to the eradication of poverty in the world’. But this umbrella also aims to promote education for development and cooperation between states in order to guarantee peace as well as the respect of human rights. Moreover, it also deals with issues in areas such as international trade, the international financial system, the environment and climate (CNCD-11.11.11 2011a, p. 11).

The umbrella annually organizes a nationwide fundraising campaign called ‘Operation 11.11.11’ and finances about 50 projects. Although the method is similar to the one used by the Consortium since they collect funds under a single name, that of the umbrella, and that the money of this common pool is shared between the members, the conditions of membership and the redistribution keys differ significantly. Indeed, among others, instead of the revenues, it is the degree of involvement in the umbrella’s activities that is the basis of this key.

Precisely, the membership is only granted with the approval of the college of consultants. This college is made up of volunteers who are independent from the members but who are still qualified in development matters and have at least three years of work experience in the South. The college has to evaluate each applicant, making its decision based on four criteria. The organization has (1) to be in partnership with the South, (2) to show a certain coherence in its projects (in a country or on a theme), (3) to have a relevant programme and good application and finally (4) to be compatible with the Charter of the CNCD-11.11.11 which includes all the Centre’s fundamentals. Furthermore, to access this selection process, applicants also need to obtain at least 25 out of the 100 points assigned by a scoring system for its participation in the umbrella activities over the year. 60, 30 and 10 points are respectively assigned for participation in the fundraising activities, in the public awareness campaign and advocacy, and in forums and local groups (CNCD-11.11.11 2011b).

The score obtained over the year is not only a prerequisite for selection, but also a basis for calculating the redistributive key. Once selected, this score is converted into a percentage of the funding and determines the funds allocated by the CNCD-11.11.11 to a member’s project. Indeed, the amount of funds redistributed is computed by multiplying this percentage by the requested amount of funds for the project. Organizations have therefore a big incentive to get as high a score as possible.

It is worth noting that a member of this umbrella has to submit activity and financial reports in order to guarantee transparency in the way that the collected funds have been spent.

Being a partner of the CNCD-11.11.11 has several advantages. First, members benefit from the umbrella’s greater visibility and can raise public awareness more easily.

This is especially true for a small or starting NPOs which might be less known by the donors than the umbrella itself. Therefore, this visibility allows for economies of scale since members gain in time and money in fundraising activities which they should have performed more intensively otherwise. Moreover, with time, this visibility added to the lobbying of politicians has made the CNCD-11.11.11 the main interlocutor of the Belgian government on international cooperation matters.

Second, the scoring system of the CNCD-11.11.11 does not only impel organizations to mobilize for the common interest but also prevents free-riding behaviour by rewarding the members that are the most involved in the umbrella's activities.

Third, the umbrella offers donors greater freedom of action. Indeed, individual donors can not only give to the CNCD-11.11.11, but they can also give to an organization participating in the fundraising campaign or even take part in it themselves by collecting money under the name of the umbrella and then give it to the common pool.

A last strength of this system is the diversity of the projects supported by the umbrella. As presented by Breeze (2013), donors give to causes according to their personal tastes and inclinations. The higher the number of projects, the greater is the chance for donors to find some affinities with them and hence to give to the umbrella.

However, as advantageous as the CNCD-11.11.11 is, it is also not lacuna-free.

The first element to question is the necessity of being in a partnership with an organization from the South. Even if the motivation for such a condition is the willingness to accord players from the South greater control of their own development, this constraint could be relaxed by opening the umbrella to organizations that directly work in the South but not necessarily with a partner. In this way, the positive impact of the diversity of projects could increase even more and hence, the donations received.

Another point to stress is the possibility of letting local authorities select a member organization as a specific beneficiary for their donations instead of giving to the common pool. Since these subsidies can reach significant amounts of money, organizations may have an incentive to engage in lobbying those authorities and to spend money on such activities. Besides, the umbrella does not offer individual donors such full freedom of choice. As previously explained, when individual donors give their money to 'Operation 11.11.11' either they give it directly to the common pool or they can give via a soliciting member organization. By doing so, although it indirectly helps this member to get points in the fundraising category and the subsequently redistributed funds, not all of the donation goes to that member, as is the case with local authorities.

Finally, although there are positive aspects of the scoring system, it could disadvantage small organizations. Precisely, the points are assigned depending on the number of volunteers and their hours spent on collecting money, on the number of published papers and on activities organized under the name of the umbrella. They also depend on the number of representatives who attend seminars, meetings or forums and on the attendance of the member organization at meetings of internal events. Therefore, since the access to the selection process and the amount of distributed funds depend on those points, organizations have to invest considerable time and money. Hence, large organizations seem more likely to be eligible and to obtain more funds than small ones. The mobilization of their employees is easier and has a lower impact on daily activities than would be the case for small organizations. This umbrella system is interesting for

small organizations only if the positive aims of the umbrella and the amounts of collected funds are high enough to compensate for this investment in time and money.

However, despite all of those concerns, CNCD-11.11.11 has achieved its mission of promoting coordinated fundraising and economies of scale, at least for large NPOs and hence is reducing, as expected, the negative effects of competition.

4 Conclusion

Year by year, the non-profit sector is growing and the competition for donations between its members is getting tougher and tougher. To survive in this market, NPOs have to stand out from others, gaining fame as well as money. In order to solicit the public, NPOs spend money on fundraising activities which may lead to excesses such as overspending and a decrease in donations directly linked to donor reluctance for those practices.

Controlling the non-profit sector through self-regulation and self-coordination is one way to prevent the donations market from unravelling, and for restoring public trust.

In this paper, we have analysed two different systems of coordination, namely label and umbrella mechanisms, by analysing the label systems implemented in the Netherlands and in the United Kingdom and two umbrella systems existing in Belgium. Both regulation systems tend to reduce harmful competition by committing their members to respect high fundraising and accountancy standards and/or to promote coordinated solicitation and action.

The paper explores the advantages of those mechanisms and highlights some of their weaknesses mainly related to the heterogeneity of the sector, such as the difficulty of finding the right balance between standards and costs, a fair redistribution key or of enforcing coordination in the actions. However, although those so-called effective mechanisms cannot yet be considered as such and that they still need to improve, the regular self-questioning and updating of both mechanisms indicate that the sector is moving in the right direction.

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