

Testing the effectiveness of Civil Society Self-Regulation.

The case of Roman Third-Sector and the Scandal “Mafia Capitale”

Abstract

The purpose of this article is to test the effectiveness of the self-regulation against its own objectives/expected outcome and to map out reasons behind non-compliance. It focuses on a check-list of indicators (CDV) developed by Italian Civil Society Organizations (CSOs) in the aftermath of the scandal “Mafia Capitale” when threatened by strict government regulation and by critical public opinion. Methodologically, this test of effectiveness is performed employing the blueprint designed by the One World Trust. To preview the outcome of this test of effectiveness, it will be concluded that self-regulation has been effective primarily in protecting the sector’s autonomy against hypothetical legislative interferences. Even if quantitative findings indicate a medium compliance rate, qualitative findings suggest that there can be many reasons behind non-compliance which sometimes do not depend entirely on CSO’s commitment to comply with voluntary standards. In this context, a distinction between objective and subjective non-compliance is drawn.

KEYWORDS: Self-Regulation, Effectiveness, Italian CSOs, Online Accountability

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Introduction and Research Aims

There have been calls for a greater accountability of civil society organisations (CSOs), due to their rapid growth in terms of size, visibility and political influence, coupled with a series of high profile scandals (Edwards, 2000). One of the ways to deal with accountability is self-regulation: voluntary norms (e.g. codes of conduct, accreditation schemes, peer-assessment etc.) defined by CSOs *for* CSOs at sectoral level to regulate their behavior (Gunningham, & Rees, 1997). Over the past decades, there has been a proliferation of self-regulatory instruments worldwide (Warren, & Lloyd, 2009). The importance of self-regulation emerges from numerous factors, the most important being its purpose of institutionalising best accountability practices rendering them more systematic among CSOs. In that respect, self-regulation is more than a simple tool of accountability; it is a process linked to civil society identity and normative views on organisational behavior (Ebrahim, 2003). But, self-regulation is also used to avoid restrictive state policies, especially when CSOs operate in hostile political environments (Bies, 2010). Similarly, self-regulation can occur when the State structure is collapsed and CSOs are operating in a ‘vacuum of regulation’ (Harris-Curtis, 2009). Despite the increasing popularity, a sizable portion of self-regulatory instruments have been criticised due to systematic monitoring and sanctioning disfunctions (Hammad & Morton, 2011). The specter of non-compliance cast doubts not only on self-regulation as a means of accountability, but it does also increase skepticism on self-regulation effectiveness.

Researchers have developed two approaches under which the matter of effectiveness can be assessed: the economic approach (also known as ‘club theory’) and the institutional approach (also known as ‘constructivist approach’).

On the one hand, the economic approach suggests that self-regulation arises as a response to mitigate perception of opportunism within the sector and that CSOs create and/or join ‘voluntary clubs’ to send a reputational signal of quality to the principal(s): donors, lawmaker, and other targeting stakeholders (Gugerty, & Prakash, 2012). In terms of institutional architecture, two conditions are required to distinguish credible voluntary clubs from ‘charity washes’: clear standards of behavior and credible enforcement mechanisms (Prakash, & Gugerty, 2010). Under this approach, a self-regulation is effective if a high number of CSOs comply with voluntary standards (which are, in turns, adequately enforced) and, simultaneously, a successful signal is

sent to the initiative's principal/targeting stakeholder, resulting either into an increase of public trust/funding for CSOs or into a decline of intrusive State regulation (Gugerty, & Prakash, 2012).

On the other hand, the institutional approach sees CSOs as normative institutions that come together to define self-regulatory standards, not because it serves their narrow individual interests but because an intrinsic moral aspiration that pushes them to share organisational practices that define the 'right conduct' (Gunningham, & Rees, 1997; Feeney, 1997). According to the institutional theory, a self-regulatory instrument is effective when it creates an institutional setting that promotes social learning and norm-compliant behavior, encouraging CSOs to internalise behavioral norms (Crack, 2018).

So far, these approaches have been applied by scholars to analyse whether self-regulation is effective in relation to various empirical and theoretical tasks. First, there is a body of the literature that has employed the economic and the institutional approach to explore drivers and motivations behind the emergence of different self-regulation models in Europe (Bies, 2010), Asia (Sidel, 2010), Africa (Gugerty, 2008) and across the three continents (Gugerty, Sidel, & Bies, 2010). Comparative scholars have lately studied the interplay between State-based regulation and self-regulation (or co-regulation) looking at different jurisdictions (Breen, Dunn, & Sidel 2017). Drawing upon the economic approach, scholars have laid down an analytical framework to identify the ideal institutional architecture – in terms of monitoring and sanctioning - that typifies credible voluntary clubs (Prakash, & Gugerty, 2010). Using the economic and the institutional approach as a theoretical outline, a recent study has investigated the perception of effectiveness of the INGO Accountability Charter exploring the motivations of NGOs in joining the Charter and to what extent participant NGOs perceive it as effective in enacting accountability (Crack, 2018). Similarly, a scholar has gathered perceptions of self-regulation effectiveness looking at USA-based instruments asking why CSOs adhere to voluntary regulation and whether the subsequent regulatory experience matches their initial expectations (Kennedy, 2018). Lastly, the institutional approach was deemed more appropriate than the economic one in explaining how International NGOs defined and institutionalised voluntary standards of accountability within the context of the Humanitarian Accountability Partnership (Deloffre, 2016). The same approach was employed to prove that self-regulation arises as a response to environmental and institutional pressures (Bromely, & Orachard, 2016).

As to norm-compliance, researchers have put much of their intellectual efforts in understanding what factors account for the variation in the strength of monitoring and sanctioning mechanisms (Boire, Prakash, & Gugerty, 2016), while, other scholars have measured to extent to which NGOs comply with regulatory standards focusing on the Global Reporting Initiative: findings point out low level of norm-compliance (Traxle, Greiling, & Hebesberger, 2018). On a theoretical level, it was argued that non-compliance might result from willful/strategic shirking or from mere confusion and ignorance (Prakash, & Gugerty, 2010). However, there is scant empirical research that investigates the reasons behind non-compliance. Recognising this gap, Crack has investigated the challenges faced by CSOs in complying with self-regulatory standards of the Sphere Project and of the Humanitarian Accountability Partnership (Crack, 2016). In that respect, Crack argues that “there has been an overwhelming proliferation of initiatives, that observance of the standards can be excessively bureaucratic, the initiatives may not adequately accommodate the organizational diversity in the sector, and the extent to which the standards are sufficient to embed a culture of accountability to affected populations is doubtful” (2016). However, Crack’s investigation is limited to a few self-regulatory instruments to which only international Non-Governmental Organisations (‘NGOs’) can be part of.

In light of this, the list of the challenges faced by CSOs in complying with self-regulation cannot be considered exhaustive, neither can it be said that the effectiveness of self-regulation has been adequately investigated especially in terms of verifying whether self-regulatory instruments meet their expected outcomes/objectives. Despite their tremendous contribution to the literature, none of above mentioned studies has tried to examine the matter of effectiveness against self-regulation’s own objectives/expected outcomes. Indeed, prominent scholars have warned that “*future efforts should begin to assess the effectiveness of self-regulatory systems in achieving their desired outcomes and improving nonprofit performance*” (Gugerty, Sidel, & Bies, 2010).

To sum up, there is still a question within the literature that remains largely unanswered: *is self-regulation is effective in achieving its own objectives?* When assessing the effectiveness of self-regulation, one must ask not only *whether* - and to what extent - CSOs comply with voluntary standards but also *why* they fail to do so. This article aims to provide an answer to this question(s).

Rationale for the Case-Study and Methodological Framework

To answer to the research question(s) formulated above, this research has looked into the practices of Italian CSOs. Italy has been chosen as a case study for three reasons. First, the “*Mafia Capitale*” scandal (December 2014) has undermined the credibility of CSOs. Secondly, the Italian government has recently reformed the third sector through the “*Riforma del Terzo settore, dell’impresa sociale e per la disciplina del Servizio civile universale*” (Third Sector Reform 2014-2017) as a response to the scandal. Thirdly, a new wave of self-regulatory initiatives is currently emerging to restore the credibility of the third-sector, thus providing an invaluable opportunity to analyse the genesis of self-regulation. In particular, this research has looked at *La Carta dei Valori* (‘CDV’) developed by *Forum Terzo Settore Lazio* (‘FTS’). The CDV is a check-list of indicators with a focus on digital transparency requiring CSOs to disclose a series of information on their webpages.

Methodologically, the test of effectiveness on the CDV was performed employing the blueprint of the One World Trust London (Obrecht, 2012) which indicates accurately how to measure the effectiveness of a self-regulatory instrument considering its expected outcomes. Within this blueprint, self-regulation effectiveness is conceptualised as follows: a) successful signaling (change in the perception of initiative’s targeting stakeholder); b) authenticity (CSOs comply with standards set by self-regulation); c) improved quality (changes in the CSO, its relationships, or its programmatic effectiveness, outside of the standards set by self-regulation). Based on the drivers motivating the adoption of a given self-regulatory instrument, researchers can choose which one, among the three conceptualisations of effectiveness, would fit more his/her investigation. Additionally, the blueprint indicates that there are two factors that influence the effectiveness of a self-regulatory: a) the robustness of the regulatory architecture that oversees norm-compliance; b) the operational context (in terms of political restrictiveness of civil society freedoms) in which the self-regulatory instrument is adopted.

The test of effectiveness on the CVD has been performed into two complementary steps. In Step I, the analysis was focused on drivers, regulatory body and structure of the CDV (Figure 1). First, the investigation focused on the regulatory body (FTS) that developed the CDV (*Who made it?*). Despite the blueprint does not contemplate this sub-step, it is important to ascertain whether the

regulatory agent has structural capacities to enact self-regulatory norms within the sector. Subsequently, this study has identified the motivational drivers which have influenced the adoption of CDV (*Why was it adopted?*). This sub-step is vitally important to determine the CDV's expected benefits and to guide the definition of effectiveness towards one or more understandings of the concept. After that, it was critically assessed the CDV's regulatory structure (*How does it work?*). As to the operational context, it was taken from granted that Italy has no political restrictions on civil society as it stands from the Freedom House measurement of political and civil freedoms (Freedom House, 2018). It is for this reason that self-regulation is likely to take place in any sort of model or form.

In Step II, the effectiveness of the CDV was measured focusing on expected benefits (shaped based on drives as emerging in Step I) and expected outcomes (how benefits are achieved) using appropriate and measurable indicators to verify behavioral changes in terms of successful signaling, authenticity and improved quality (Figure 3). For this investigation, improved quality – which is a broad category supported by flexible indicators within the One World Trust blueprint – was narrowly understood as mere conformance with the CDV's standards, overlapping with the conception of effectiveness as authenticity. The rationale behind this choice is that CDV was adopted primarily to send a positive signal to the public opinion and to the legislator. Consequently, measuring effectiveness as successful signaling was of primary importance. Essentially, it is the self-regulatory instrument through its drivers that guides the researcher towards the adoption of a specific understanding of effectiveness, excluding other conceptions available. Moreover, this study has dealt with the concept of effectiveness as authenticity exploring not only to what extent CSOs comply with self-regulatory standards, but also why CSOs fail to do so. A wide range of data were used to conduct the test of effectiveness considering the numerous questions addressed both in Step I and II. Data were gathered during fieldwork that took place in Rome between early April and early September 2017.

- *Qualitative Interviews with Network's Representatives*

In order to develop an in-depth understanding of both the genesis and the way the CDV works a semi-structured interview was conducted with the former spokesman of FTS Lazio, Mr. Gianni Palumbo together with an informal recorded chat with Professor Antonietta Cosentino (University of 'La Sapienza' Rome), who was member of the Panel of Experts (*Comitato Scientifico*) that drafted the CDV.

- *Quantitative Data: The Edelman Trust Barometer, EURISPES Report and Data on Donations*

In terms of successful signaling, the main aim of the CDV was to increase public trust in civil society. Public trust was measured through two indicators: a) public opinion's perception of civil society and b) rate of donation (whether it is increased or decreased). To do so, the Edelman Trust Barometer (2016) together with the Annual Report on Italy 2016 of The Institute for Political, Social and Economic Studies (EURISPES) have been analysed. As to the rate of donation, the latter was measured relying on the Annual Report (2017) of the Italian Institute for Donations (*Istituto Italiano Donazione*).

- *Legal Analysis of Third-Sector Reform*

The second aim of the CDV was to send a successful signaling to the legislator, who had been drafting the Third-Sector Reform for almost three years (2014-2017). An assessment Third-Sector Reform was performed to evaluate whether CDV has been effective in sending a positive signal to the Government to dump the demand of strict regulation. A legal analysis between abolished and new norms was conducted focusing on nature, content and aim of core rules.

- *Compliance Rate: CSO Websites Quantitative Content Analysis*

As to authenticity and improved quality, the effectiveness of a self-regulatory instrument depends on its compliance rate, which is determined by the extent to which CSOs comply with set standards. The CDV asks CSOs to publish a series of information online. 25 websites out of 27 CSOs belonging to the FTS Lazio were scrutinised using the relevant check-list of indicators to calculate the overall compliance rate. Two CSOs were excluded from the investigation as the first one recently joined the network, whereas, the second one did not have a webpage. If the item was disclosed online, the relevant box on the check-list was ticked with a "Y". Otherwise, the box was marked with an "N". On the one hand, the compliance rate for each CSO is given by the sum of the items that appears online [those marked with a "Y"] which is then divided by total number of items that should appear online [24] multiplied by 100. On the other hand, the compliance rate for each indicator is given by the sum of the same items disclosed online ["Y"] on various websites divided by the total number of CSOs [25] multiplied by 100. Webpages were scrutinised in April 2017 and then again in September/October 2017. No substantive change was reported during the first and the second scrutiny. Names of CSOs were withheld, and they have been assigned a random number from 1 to 25.

- *Non-compliance and Sanctioning System: Qualitative Questionnaires and gathering Data in CSOs Network*

The analysis on authenticity would be incomplete without knowing the reasons faced by CSOs in disclosing information online and without knowing if (and how many) CSOs have been subjected to sanctions for non-compliance. Due to the lack of documentary sources on the sanctioning system of the CDV, Mr. Palumbo was asked few interview questions on the matter. In order to map out the reasons behind the non-compliance, a series of questionnaires have been distributed among delegates during three network meetings organised between April and June 2017. The questionnaire was anonymised and respondents were asked to supply information on ‘what’ indicators was the most difficult to comply with and ‘why’ this would be the case. Eight questionnaires were filled, but it is worth noticing that the number of delegates attending each meeting ranged from 3 to 7 (despite the network is composed by 27 CSOs). The reason behind such a low participation was because new FTS board members were appointed at the beginning July 2017. According to my informant, the network was profoundly divided on the nomination of the board and such division resulted into an internal fragmentation. Consequently, a special sampling strategy was adopted to ensure that all sides of the network were represented: two representatives of CSOs, who were not attending meetings, were deliberately sought and interviewed individually (Morse, 1991). Data were analysed and grouped according to the two questions asked.

Article Structure and Preview of the Findings

Because the test of effectiveness is performed into two successive steps, this paper is structured accordingly. The following section focuses on drivers, regulatory body and structure of the CDV (Step I). Then, there will be a section where the test of effectiveness (Step II) takes place, measuring the expected benefits (shaped based on the drivers as emerging in Step I) and expected outcomes (how benefits are achieved) to verify behavioral changes in terms of successful signaling, authenticity and improved quality.

To preview the outcome of this test of effectiveness in terms of successful signaling, it will be concluded that the CDV has been effective in protecting the sector’s autonomy against hypothetical legislative interferences. At the same time, it could not be determined whether the

CDV has been effective in increasing public trust as the latter depends on many variables that are independent from the development of self-regulation. As to authenticity and improved quality, it will be submitted that even if quantitative findings indicate a medium/low compliance rate, qualitative findings suggest that there can be many reasons behind non-compliance which sometimes do not depend entirely on CSO's commitment to comply with voluntary standards. In this context, a distinction between objective and subjective non-compliance is drawn. Finally, the conclusive section outlines the paper's contribution to academic and societal discourse on self-regulation, an agenda for future research and research limitations.

Step I: Regulatory Body, Drivers and Structure of the CDV

Who made it?

FTS Lazio is a regional network of CSOs belonging to the biggest Italian umbrella organisation (*Il Forum Nazionale del Terzo Settore*) which represents 81 national CSOs operating across the Italian territory (Forum Terzo Settore, Chi Siamo). It was founded in 1997 and it is the oldest network established in Italy. FTS Lazio is a pluralist network which brings together different organisations in terms of size, nature, mission and actives. This diversity often results into polar types of CSOs (e.g. ecclesiastical associations and secular associations; national CSOs and international-NGOs). FTS obtained the observer status (1998) in several State institutions and it has been always consulted by the Italian lawmaker to draft and negotiate third-sector policies. In light its characteristics, FTS can certainly be considered a credible network with structural capacities to define self-regulatory norms.

Why was it adopted?

There are typically three drivers to self-regulation: low stakeholders trust, restrictive State regulation and need for capacity building and learning (Obrecht, 2012). In this specific instance, the scandal "*Mafia Capitale*" triggers widespread skepticism in CSOs and the need for capacity learning as confirmed by Mr. Palumbo:

"The CDV was primarily developed to safeguard the reputation of the third-sector which was damaged by the 'Mafia Capitale' scandal...the credibility of the third sector was drastically undermined even if allegations of corruption concerned few CSOs compared to the majority that

operate transparently and legally. Usually it takes up to several years to build a solid reputation but few seconds can be sufficient to ruin it: one bad apple spoils the whole barrel.”

In December 2014, the Attorney General of Rome issued an arrest warrant against 44 people (Tribunale Roma, Ufficio VI GIP). According to the police, a criminal network of politicians, criminals and CSO’s managers took advantage of recent influx of immigrants through its political connections within the City Council of Rome, securing lucrative public contracts to manage several migrant’s centers of the Italian capital city. The investigation was named “*Mafia Capitale*”. In an intercepted phone call released by investigators, the head of a social enterprise was quoted saying: “*Do you have any idea how much I make on these immigrants? (...) drug trafficking is less profitable! We closed this year with turnover of 40 million but our profits all came from the gypsies, on the housing emergency and on the immigrants!*” (Noack - The Washington Post, 2014).

Public trust is obviously a key component for the third-sector. When public trust is compromised by charity scandals, this leads to two consequences: tighter regulatory acts and low stakeholders trust, especially donor skepticism (Obrecht, 2012).

Indeed, the scandal ‘*Mafia Capitale*’ pushed the Italian Government to address the issue of accountability of CSOs through the Third-Sector Reform (August 2017). Before the scandal, the main aim of the Reform was to create legal cohesion among Italian CSOs, because the legislation was profoundly outdated and fragmented into several acts (Vaccario, & Barbetta, 2017). After the scandal, issues of accountability and supervision over the sector could no longer be ignored by the legislator and thus were incorporated into the reforming agenda. The second driver that led to the adoption of the CDV was the Third-Sector Reform that, while was being drafted, was characterised by numerous uncertainties regarding the way in which the Government intended to address issues of accountability, transparency and supervision of the third-sector.

How does it work?

Immediately after the scandal, FTS appointed a Panel of Experts (*Comitato Scientifico*) to find the most appropriate solution to the widespread lack of trust in the sector. The Panel of Expert opted for a code of conduct, focused on digital transparency: the CDV. The latter was approved by the assembly of the network on 15th July 2015.

The CDV is divided into two parts. Part I affirms a set of principles (such as non-discrimination, participation, transparency, fair-competition), whereas, Part II consists of a check-list of indicators which requires CSOs to disclose various items on their websites such as financial budget, meetings with stakeholders, performance reports and board directors' CVs (FTS Lazio, Carta dei Valori - 2015).

As explained by Prof. Consentino, to each group of items corresponds a principle stated in Part I. The items contemplated in the check-list had been drafted in a way that its requirements cross-check each other: basically, if an item appears online (e.g. financial budget), then a subsequent item should appear too (e.g. source of funding). The requirements were made sufficiently generic to be applicable to different CSOs belonging to FTS. There is an independent Committee (*Commissione di Garanzia*) empowered to verify *motu proprio* whether CSOs comply with the check-list, conducting periodical assessments (at least once every two year) of their websites. In case of non-compliance, the following disciplinary measures may be taken: A) recall, B) disapproval, C) suspension, D) expulsion.

Step II - Testing the Effectiveness of the CDV

Successful Signaling: Increasing Trust in Civil Society?

According to EURISPES Report (Table 1), civil society's public trust in 2014 declined to the lowest point since 2010, year in which instead reached its peak (82%), prior to increase again during the following year (2015). Despite the negative trend in 2014 due to the scandal, it is important to highlight that CSOs remained the most trusted entities compared to other actors over 9 years (2007-2016).

Similarly, the Edelman Barometer (Table 2) shows how trust in Italian CSOs among informed public fell dramatically between 2012 and 2014 losing more than 10 percentage points (from 74 % to 62%) and then it began to rise up in the following years (2015-2016) gaining those 10 percentage points lost previously (from 62 % to 71%). Just as the EURISPES Report, the Edelman Barometer confirms that, despite trust in CSOs was very low in 2014, civil society was still the most trusted actor compared to public institutions, media and business sector.

According to data of the Italian Institute of Donation (Table 3), the rate of donation remained stable (23%) for four consecutive years (2011-2014) and then it slightly dropped down in 2015 after the scandal (21%) until it reached its lowest peak ever in 2017 (19%). The chart reports a constant negative trend indicating that Italian third-sector lost more than 6 million of donors in 12 years.

Overall, trust in civil society did increase a little after the CDV was adopted, whereas, the rate of donation is dramatically dropping down year by year. Consequently, if one tries to understand whether the CDV has succeeded in restoring public trust in CSOs, based on the above data, the answer cannot be entirely positive. Realistically, it takes many years to build up a good sectoral reputation. Public trust in civil society is influenced by many factors which are independent from the development of self-regulatory instrument such as good organisational performances or the integrity of CSO's leaders. Similarly, there are many reasons why the sector lost 6 million of donors in the last 12 years, the most obvious of which was the economic recession that affected many Italian families. Therefore, it would be reasonable to claim that the success or the failure in restoring public trust cannot be solely attributed to the CDV.

Successful Signaling: is the 2017 Third-Sector Reform a strict regulation?

In August 2017 the Third-Sector Reform came into force. The law-making process lasted for three years and it involved contributions from civil society, including FTS (Ministero delle Politiche Sociali e del Lavoro, 2016). Since the beginning of the drafting process, FTS considered the Reform as a positive step towards the modernisation of the sector (Pavolini, 2014). The Reform succeeded in modernizing the legal framework through three key passages: a) providing a Code that, through its 114 Articles, abolished the previous overlapping legislations; b) aggregating various legal definitions of CSOs under a common umbrella definition: third-sector organisation; c) introducing a National Registry of Third-Sector (that abolished the regional ones) managed by Ministry of Welfare and Labour.

In order to understand whether the Reform represents a strict legislation for CSOs, focus should be brought on new transparency/reporting duties as well as on subjects called to exercise monitoring functions both at sectoral level and at organisational level, see Figure 3.

As to the financial and transparency duties, the Reform extended the duty to draw up the annual financial budget to all CSOs with an income above 220,000.00 Euros (Article 13, 1) establishing

a system of financial reporting to the National Registry (Article 13, 7). Prior to the Reform, the obligation to draw up the financial budget was fulfilled only by some organisations (e.g. International-NGOs) depending on their legal status and regardless of their income. It should be noted, however, that CSOs still do not have an obligation to publish online their financial budget under the new legislation. Despite this, all CSOs with an income above 100,000.00 Euros are required to publish the annual salary of board members, managers and members/employees on their websites (Article 14, 2). Prior to the Reform, there was no such duty.

Regarding performance reporting, CSOs with an income above a 1 million of Euros are obliged to publish an annual performance report called ‘Social Budget’ (*Bilancio Sociale*), under Article 14, 1. Under the abolished legislation, there was no reference to Social Budget.

As to the monitoring bodies, the Reform conferred supervisory functions to three organs. At sectoral level, the Ministry of Welfare and Labour is now empowered to monitor CSOs registered within the National Registry (Article 92). Initially, the Italian legislator was planning to establish an *ad hoc* independent authority to exercise supervisory functions over the sector, but such proposal was subsequently abandoned due to the lack of public funding (Brusini, 2013). On this matter, sector’s representatives (including FTS) were considering the establishment of an independent authority as a positive proposal; basically, the argument in favor of such proposal was that an independent authority would be more institutionally appropriate than a governmental body in supervising the sector. In the end, attributing supervisory powers to the Ministry of Welfare and Labour did not cause any negative reaction from CSOs, because this political organ was exercising supervisory functions over CSOs before the Reform came into force.

At organisational level, CSOs are required to form an internal monitoring body (*Organo di Controllo*) which oversees compliance with organisational, legal and financial norms (Article 30, 6). This body can also conduct internal inspections (Article 30, 8). The establishment of this new body is mandatory for those CSOs who have more than five employees and with an income above 220,000.00 Euros for two consecutive tax years. Under the abolished law, CSOs were asked to set up an internal monitoring body only when their income was above 1.032.913, 80 Euros for two consecutive tax years. The same duty was in place for bank and lyric foundations regardless of their income.

Under Article 93, the Ministry of Welfare and Labour should encourage national networks of CSOs to promote means of self-regulation through which these entities can exercise supervisory functions over their associate organisations. The law-maker has formally recognised self-regulation as a complementary means of accountability to supervise CSOs emphasising the role national networks can play in that respect.

Overall, the new legislation has made existing legal requirements stricter, but it cannot be considered as a strict regulation. Aggressive State regulation means creating a contested political environment where national authorities look at CSOs as their antagonists who need to be silenced. Obviously, this has not been the case of the Italian Reform. The new norms are certainly strict, but their purpose is to make the whole sector more transparent and responsible. But, given the numerous uncertainties that characterised the drafting process - especially in terms of how strict the new legal requirements would have been in the final text - the CDV was used strategically as a mechanism of preventive self-defense against hypothetical legislative interferences to sector's autonomy, which were not unlike to be implemented because of the scandal. FTS sent a clear message to the law-maker through the definition of self-regulatory norms: the sector is capable to self-supervise itself through non-binding norms aimed at making CSOs more accountable and transparent. Any attempt to over-regulate CSOs subjecting them to the mere supervision of an external political organ would have been seen as an intrusive interference into the sector's independence. In that respect, the CSOs viewed optimistically the introduction of self-regulation within the new legislative framework and, as soon as the relevant amendment was incorporated in the Reform, FTS released an official statement:

“We consider the introduction of forms of self-regulation for the third-sector very positively. This was a request we made since the beginning of the legislative consultation and we believe that [self-regulation] is the most suitable instrument for our world. We really like the idea of accountability and transparency that passes through self-regulation for large networks of associations” (Tutto Non-Profit, 2015).

Considering that the new legislation accommodates the idea of self-regulation, and because of the key role that both networks and organisations can now play in that respect, FTS has succeeded in affirming the importance of self-regulation as a tool of accountability in monitoring the sector.

Authenticity & Improved Quality: CDV Compliance Rate and Sanctions

As shown in Table 4, the overall compliance rate stands at 45%. Despite comparisons can be hardly performed, there is a study conducted in 2012 about Spanish NGOs in which they obtained an overall level of digital transparency of 30% (Rodriguez, Perez, & Godoy, 2012). Similarly, a study on British-based NGOs working on international development revealed that only 41% of them disclose online governance and financial information (BOND, 2015).

As to compliance with individual requirement, Table 5 shows that the lowest scoring requirements are environmental permits and other actions taken to protect the environment (4%). These are followed by CVs of board members and type of employment contract stipulated with workers (both stand at 8%). The highest scoring requirement is represented by meetings with stakeholders (82%) followed by disclosure of consultative meetings with public administrations (78%) and publication of Partnership I and II (68%).

So far, the Committee did not issue any sanction and it never exercised its supervisory functions. Obviously, these dysfunctions cast doubts on the credibility of the FTS as a genuine voluntary club. When questioned about this matter, Mr. Palumbo clarified that issuing sanctions for non-compliance could contradict the fundamental idea of network, that is deeply grounded on the concept of cooperation among members. In distinguishing between credible voluntary clubs and charity washes, scholars have highlighted that the threat of sanctions is usually a good signal of club's credibility (Prakash & Gugerty, 2010). But, at the same time, clubs sponsored by CSOS themselves - like the FTS - may not want to acquire a reputation of being adversarial through imposing sanctions to their members (Prakash, & Gugerty, 2010). In a similar vein, there can be a fear that the reputation of the club could be weakened even if sanctions are issued against few 'bad apples' (Prakash, & Gugerty, 2010). Clubs sponsored by CSOs themselves may have a greater impact if they retain CSOs with imperfect compliance because they can still exercise leverage over CSOs and preserve the club cohesion and unity (Prakash, & Gugerty, 2010).

Barriers and Challenges to Norm-Compliance

Qualitative findings point out that there are many reasons that refrain CSOs from complying with the CDV which do not entirely depend on an organisational commitment to adhere to voluntary standards. Essentially, non-compliance can be of two types: objective and subjective. Non-compliance is due to objective reasons when it is related to the normative quality of self-regulation

regardless of the organisational commitment to comply with voluntary norms. In this case, non-compliance is dictated by norms themselves that fail to apply to some CSOs. On the contrary, non-compliance is due to subjective reasons when it is related exclusively to an organisational failure to comply with standards even if there is a reasonable, but intrinsically subjective, motive behind it (such as lack of organisational resources or an ideological hostility towards self-regulation). Obviously, subjective motives should never be viewed as a justification for non-compliance.

Objective Non-Compliance: One Size-fits-all Approach, Lowest Scoring Requirements and Lack of Item

The CDV apply to all 27 CSOs belonging to FTS Lazio, a network that brings together organisations very different from each other. Even if drafters decided to accommodate organisational diversity through generic and flexible indicators, a couple indicators fail to apply to some organisations and, in most extreme cases, to the clear majority of them. These indicators have been drafted following a one size-fits-all approach, assuming erroneously that they can apply to all CSOs regardless of their diversity.

The reference is to the lowest scoring requirements (4%) that, as shown in Table 5 ,are a) environmental permits and b) other actions taken by CSOs to protect the environment. Normally, a CSO must hold environmental permits only if it produces goods or carries out activities that could potentially cause pollution. Other than this exceptional case, CSOs are not required to hold any sort of environmental permit. Considering that a small portion of CSOs belonging to FTS is involved in the production of goods, it is likely that the compliance rate (4%) for this indicator is directly proportional to the number of CSOs that are required to hold environmental permits under national legislation. With a similar reasoning, it can be argued that a CSO would be able to report publicly ‘other actions that has taken to protect the environment’ only if it is an environmentalist group or if the organisation produces goods that could have an impact on the environment.

In some instances, the failure to comply with the CDV is associated with the lack of an item, at organisational level. This is typically the case of prizes awarded to CSOs and/or to individuals working for them, in which the compliance rate is slightly higher than 50%. This trend indicates that more than a half of the CSOs belonging to FTS received a formal acknowledgment for their work done. Intuitively, it could be argued that the remaining half, or a smaller portion within it,

does not comply with this requirement because it was never awarded any prize. In practice, it is likely that recently formed CSOs or those who are badly managed fall in that category.

Subjective Non-Compliance: Lack of Resources and Prioritisation

Time and resources available can influence to whom CSOs should report their actions, as different stakeholders require the employment of different means of accountability (Brown, & Jagadananda, 2007). Findings suggest that CSOs prioritise legal and tax reporting over self-regulation because a failure to do so would result into legal or financial liability:

“We would like to focus more on our charitable work and organise more public meetings with our beneficiaries to plan activities, discuss campaigns or assess the quality of our services. Unfortunately, we do not have enough time and we have to prioritise disclosure statement and legal reports...these activities take lot of time off...If we fail to comply with such mandatory requirements, we would be held liable.”

This statement confirms that a government, which provides the regulatory environment within which CSOs operate, has a significant leverage to guarantee accountability compared to a self-regulatory body (Ebrahim, 2003). Another reason of non-compliance is the prioritisation of other self-regulatory instruments over the CDV:

“Information appears on our organisation’s website regardless of the CDV...we did not publish the financial budget though...we paid more attention to another code of conduct, which was developed in close cooperation with the public administration, focused on performance reporting.”

According to this respondent, a code of conduct developed in co-regulation with the public administration is perceived as more valuable than the CDV. Essentially, an organisation can prefer a self-regulatory instrument over another based on regulatory structure and the stakeholder to whom actions must be reported. In this specific instance, performance reporting is considered more important than transparency.

Disclosing Managers’ CV: an interesting Trend of Subjective Non-Compliance

Under the CVD, CSOs are asked to disclose online the CV of people managing the organisation. Table 5 indicates that the overall compliance rate for this requirement is one of the lowest (8%). Rather than publishing CVs, many websites provide contact details of board of directors together

with an organisational chart. When Mr. Palumbo was asked whether the FTS experienced any tension between different CSOs in drafting the CDV (and if so, what would say the main fault lines were?), he replied:

“While drafting the CDV we encountered resistance, especially from International-NGOs, in requiring CSOs’ managers to disclose their CVs online. The reason behind such resistance, which then we overcame, was that some practitioners lead CSOs while working for public institutions or having previously served governmental bodies. From a legal perspective, an individual is allowed to work for a public administration and direct a charity simultaneously, as long as he/she does not get paid for his/her charitable work carried out.”

It appears that the failure to disclose CVs is a burning issue among CSOs (especially for international-NGOs) which highlights a long-standing problem within the sector: revolving doors between politics/public administration and third-sector. In that respect, it is worth noticing that the phenomena of revolving doors concern many well-known NGOs and, consequently, it is not an isolated Italian trend. For example, Human Rights Watch former advocacy director, Tom Malinowski, served as a special assistant to President Bill Clinton prior to his appointment which he then left after being nominated as Assistant Secretary of State for Democracy, Human Rights & Labour under John Kerry (Alternet, 2014). Similarly, Save the Children former chief executive Justine Forsyth and Oxfam trustee David Pitt-Watson were both former advisors to Labour’s leaders Tony Blair and Gordon Brown respectively (The New Internationalist, 2014).

Subjective Non-compliance: Lack of Participation in Drafting the CDV and Ideological Hostility towards Self-Regulation

Another challenge to norm-compliance is related to the way in which this self-regulatory instrument was developed. The CDV was drafted by a Panel of Experts who identified the requirements applicable to CSOs. During the drafting stage, CSOs’ representatives were sporadically consulted. This way of working was seen negatively by some CSOs who complained about their lack of participation in the drafting process:

“Empowering a panel of experts to define self-regulatory norms took power away from the ruling bodies of our network. Even if there have been moments of consultation between the panel and the network during the drafting process, the experts left a technocratic imprint on self-regulatory norms. Empowering a panel of experts of such important function made practitioners think that

their contribution to the CDV was pointless and, in the end, we [practitioners] did not realise how much each of us should have committed in drafting this instrument.”

The lack of involvement in drafting the CDV is viewed as a sort of ‘expropriation of functions’, as the body empowered to draft the CDV should have been composed by practitioners or, alternatively, it should have been one of the ruling bodies of the network (e.g. network assembly). It is for this reason that self-regulatory norms are labeled as ‘technocratic’. Lastly, there was a practitioner who considered the definition of common standards of behaviours as the product of professional elite of activists which can be hardly accepted by the most traditionalist Italian associative culture:

“The increasing attention on defining common standards of behaviour can be seen as the triumph of certain ‘aristocratic activists’, who want to report their actions primarily to institutions and public opinion ... [such way of thinking] neglects the mass popular association culture that developed at grassroots level and left its mark in history.”

Rather than identifying practical obstacles to norm-compliance, the research respondent pointed out an ideological refusal to self-regulation that, due to its ‘aristocratic roots’, is incompatible with costumes and history of certain CSOs.

Conclusion

This paper contributes to academic and societal debate on self-regulation in many ways. First, it represents the first systematic academic study on CSO’s self-regulation in Italy. Despite the narrow geographical scope, findings would be relevant not only to Italian CSOs but also to those countries where CSOs are under pressure because of their weak accountability performance and to those contexts where civil society self-regulation is still an emerging trend. The research findings would be equally important for those contexts in which CSOs are exposed to criminal infiltrations (e.g. Mexico). Secondly, this paper represents the first academic attempt to apply the One World Trust blueprint to test the effectiveness of self-regulation considering its own objectives. In doing so, it provides a methodological paradigm that can be used by other researchers to measure self-regulation effectiveness in other settings. Thirdly, this paper contributes to the academic discourse studying inter-play between State-based regulation and self-regulation as findings indicate that

self-regulation can be employed as a tool to protect the sector's autonomy against hypothetical legislative interferences while third-sector policies are negotiated and drafted. Lastly, the paper enriches the academic debate by providing a theoretical model to explain non-compliance, drawing a distinction between objective and subjective non-compliance. Findings suggest that there are many reasons behind non-compliance which, in some instances, do not depend solely on CSO's commitment to comply with voluntary standards (objective non-compliance). When it comes to objective non-compliance, a practical implication of this model is that the overall compliance rate should be adequately calculated (or even discounted). This theoretical model can be further tested and applied to other self-regulatory instruments.

Even if quantitative data (e.g. data on compliance and those on public trust and donations) can be generalised statistically, qualitative data on non-compliance are limited to a small sample of CSOs belonging to FTS (37%). This is the main research limitation that has been attenuated by purposefully selecting research respondents in order to represent all diverse sides of the network.

Figure 1: Step I, Drivers, Regulatory Body and Structure of CDV

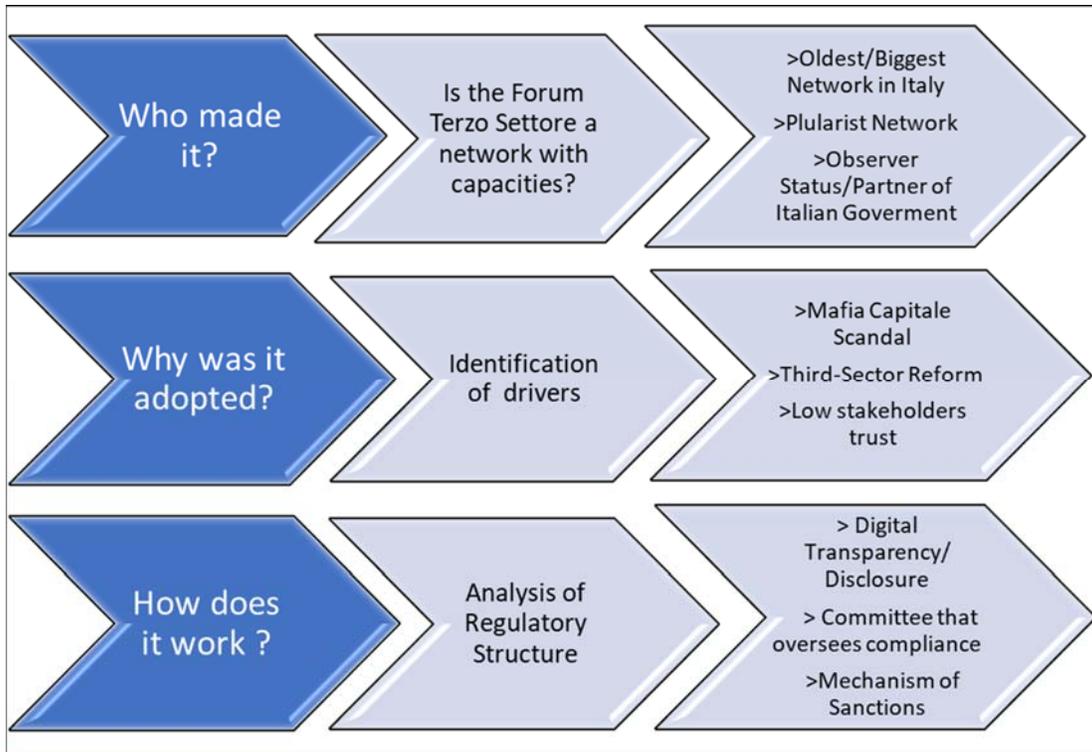


Figure 2: Step II, Testing the Effectiveness of CDV

Drivers of CDV	Conception of Effectiveness	Expected Benefits (Measures of Efficacy)	Indicator to be measured	Expected outcomes (Are benefits achieved?)	Method Analysis Data
Low Public Trust (scandal)	Successful Signal	Improved Public Trust	Public Perception of Civil Society and Donation Rate	Increased Public Trust, Increased Donation	Edelman Trust Barometer, EURISPES Report on Italy, Data National Institute of Donation
State Regulation (Third-Sector Reform 2014-17)	Successful Signal	Discourage Undesirable State Regulation	Content of New Regulation	Decline of Aggressive State Regulation	Legal Analysis of Reform
Improving Capacity Building & Learning	Authenticity and Improved Quality	Self-Regulatory Standards are complied with, Obstacles, Barriers and Challenges to norm-compliance	Compliance Rate, Number of Sanctions issued by the Committee and Reasons behind non-compliance	High Overall Compliance Rate	Assessment of CSOs' Websites + qualitative surveys, FTS' meetings notes and recorded interviews.

Figure 3: Comparison between abolished and new legislation

Legal Norm	(Before) Abolished Legislation	(Now) Third-Sector Code 2017
Duty to Drawn up Financial Budget	Yes, Certain CSOs (depending on legal type)	Yes, all CSOs (income above 220.000.00)
Duty to Publish online Manger's Salary	—	Yes, all CSOs (income above 100.000.00 Euros)
Duty to Publish online 'Social Budget' (Performance Report)	—	Yes, all CSOs (income above 1.000.000 of Euros)
Ministry of Welfare and Labour Policies exercises monitoring functions over the sector	Yes	Yes
Establishing an internal monitoring body, organizational level.	Yes, certain CSOs (income above 1.032.913, 80 Euros) + Bank Foundations and Lyric Foundations	Yes, all CSOs (income above 220.000.00 Euros)
Self-Regulation within Networks of CSOs as a means to monitor the sector	—	Yes

Table 1: Trust in Civil Society I - Source: Eurispes Annual Report on Italy 2016.

EURISPES										
Indice Fiducia	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Presidente Repubblica	63,2	58,5	62,1	67,9	68,2	62,1	44,7	44,2	45,3	52
Parlamento	30,5	19,4	26,2	26,9	15	9,5	9	16	10,1	20
Governo	30,7	25,1	27,7	26,7	14,6	21,1	19,2	16	18,9	28,6
Magistratura	39,6	42,5	44,4	47,8	53,9	53,9	42	41,4	28,8	35,3
Pubblica amministrazione	26,9	20	22,5	25,1	19,1	17,0	17,5	21	26,9	22,6
Carabinieri		57,4	69,6	75,3	72,6	75,8	77,3	69,9	73,4	69,9
Polizia		50,7	63,3	67,2	66,8	71,7	75	61,8	63	73
Guardia di Finanza		46,3	62,7	66,9	64,1	63,3	71	58,8	66,8	66,8
Partiti	12,6	14,1	12,8	12,1	7,1	6,8	7,3	6,5	15,1	11,9
sindacati	26,7	19,5	21,5	22	21,3	17,2	19,5	19,2	33,9	21,4
Chiesa	60,7	49,7	38,8	47,3	40,2	47,3	36,6	49	62,8	52,5
volontariato	78,5	71,6	71,3	82,1	79,9	77,4	75,4	74,5	78,8	73,8

Table 2: Trust in Civil Society II – Source: Edelman Trust Barometer 2016.

Post-Recession Highs

Percent trust in the four institutions of government, business, media and NGOs, 2012 vs. 2016

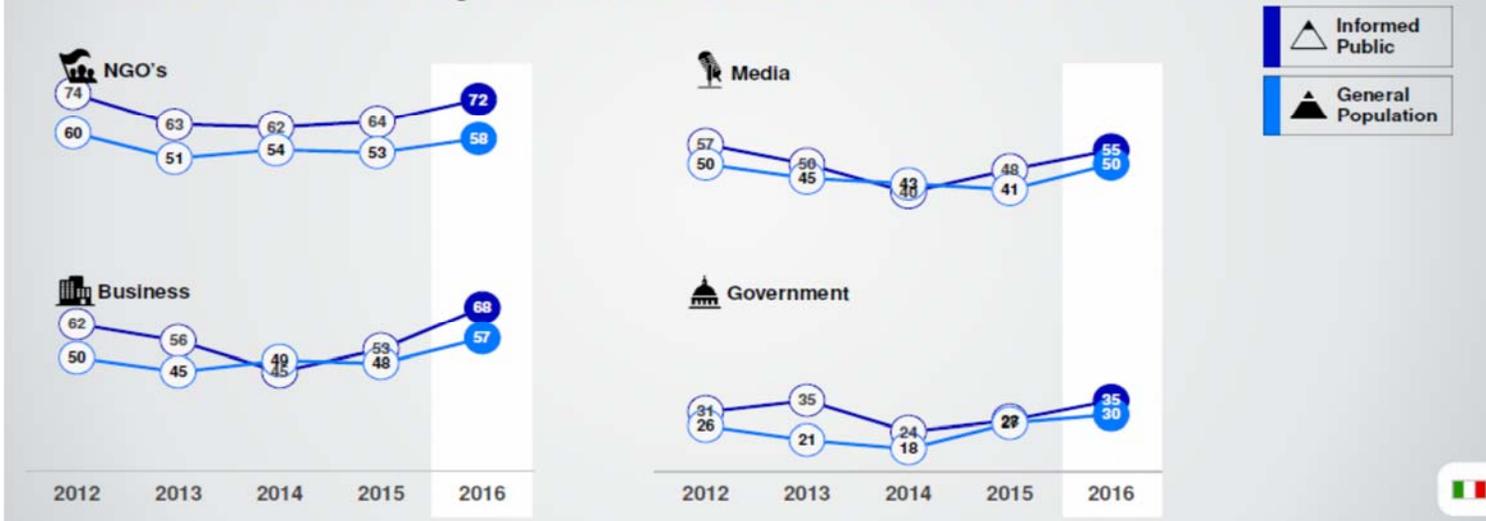
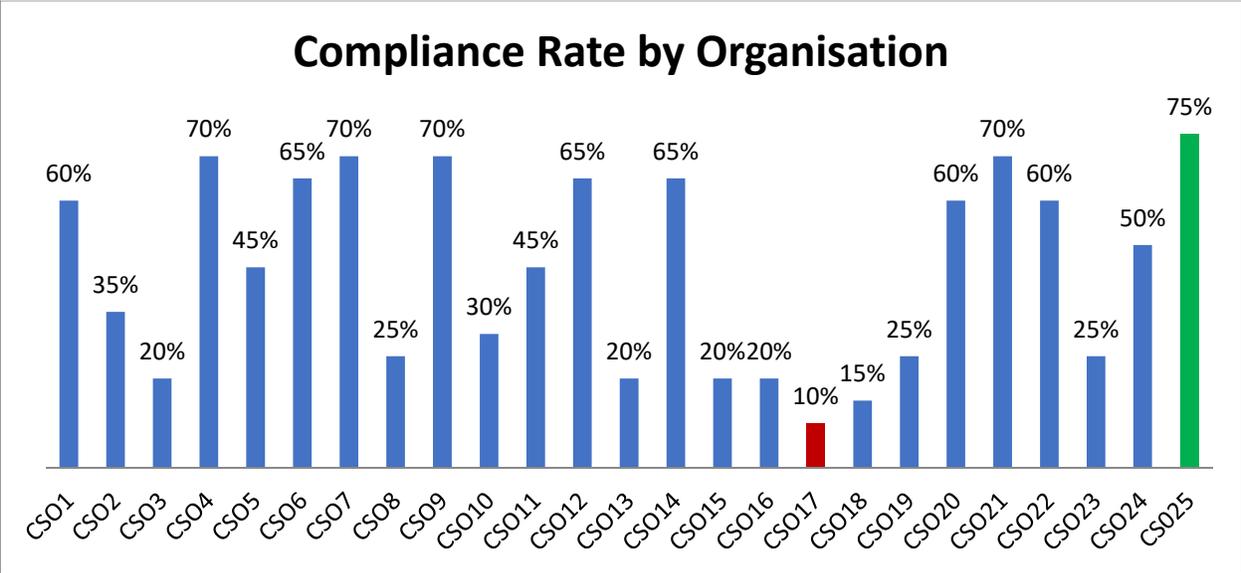


Table 3: Rate of Donation – Source: Italian Institute for Donation 2017.



Table 4: Compliance Rate by Organisation

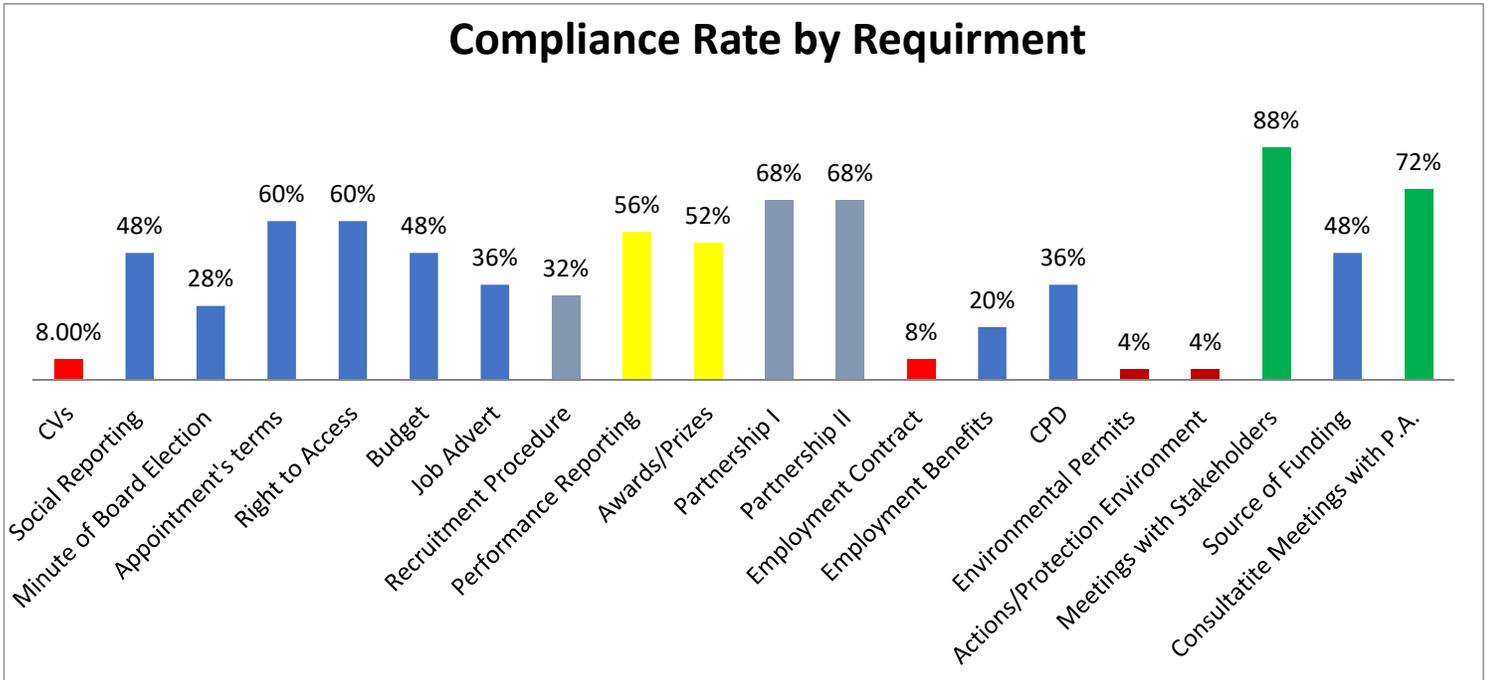


Overall Compliance Rate: 45%

Top Performer: CSO 25 [75%] Worst Performer: CSO 17 [10%]

Number of Sanctions issued by the Committee: 0 [period 2015-2017]

Table 5: Compliance Rate by Requirement



Highest Scoring Requirements

- Meeting with Stakeholders [82%]
- Consultative Meetings with P.A. [72%]
- Partnership I [68%]
- Partnership II [68%]

Lowest Scoring Requirements

- Environmental Permits [4%]
- Actions taken to protect the Environment [4%]
- CVs [8%]
- Type of Employment Contract [8%]

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