

LUTHERAN WORLD SERVICE INDIA TRUST

Draft Policy on Creation and Utilization of General Reserve Fund

I. Background

Since the inception of LWSI, there was a provision for emergency responses in the annual budget. But later it was replaced with Work Project Budget followed by Disaster Preparedness Project Budget to maintain the core staff to undertake disaster response. When it was reconstituted as a national NGO, one of the main challenges encountered by Lutheran World Service India Trust has been the difficulty to respond immediately to emergency needs including disaster situations due to absence of contingency funds. In most cases of disaster situations it is not easy to mobilize resources immediately either from ACT Alliance Mechanism or bilateral assistance. The funding support comes after moderate or big disasters are specified for the designated project and the same are utilized as per the appeal documents. Cost is involved in the preparation of appeals for initial assessment, coordination, network, etc.

LWSIT is also challenged by insufficient, unguaranteed and interrupted cash flows from resource partners to operate and maintain the functions of the organization and its service programmes/projects intended to benefit the marginalized communities.

II. The Policy

The purpose of the General Reserve Fund Policy is to guide the establishing and managing of an unencumbered General Reserve Fund to:

1. Undertake rapid response to disasters
2. Raise local resource
3. Make advances for implementing government projects for which reimbursement comes later from government
4. Use as seed money to generate income
5. Make matching contribution for the projects in which the provisions for overhead expenditure are totally missing or are inadequate

III. Strategies and Procedures

- a. The General Reserve Fund shall be accounted separately from normal project operating funds and the Corpus Fund.
- b. The Management Committee of Lutheran World Service India Trust shall be responsible for developing and recommending policies and guidelines for the expenditure of the General Reserve Fund, subject to final approval by the Board of Trust of Lutheran World Service India Trust.
- c. The goal of the General Reserve Fund is use in the event of disruption/delay in fund flows from resource partners, for meeting emergency needs arising within the

organization and out of crisis situations, as well as rapid response initiatives after disasters.

IV. Source of General Reserve Fund

Resources for the **General Reserve Fund** comes as designated for the purpose by any agency, resource partners, special grants and unless otherwise bound by bilateral agreements. Interest accrued from investments, resources received through special appeals for contributions, donations, campaigns, miscellaneous income through consultancy services by staff members, miscellaneous sale proceeds from projects, bequests, grants from national churches, legacies, etc. constitute other sources for general reserve fund.

V. Uses of the General Reserve Fund

1. The General Reserve Fund shall be utilised for procuring materials to respond to any disasters where there is genuine need of the situation, including meeting of initial assessment and coordination related expenses.
2. The General Reserve Fund shall be used to maintain the warehouse and other infrastructure periodically where no budgetary provision exists in normal project documents.
3. In case of rapid response initiatives after disasters, this will be included in the appeals. Once the appeals are approved, the fund utilized shall be replenished.
4. The GRF will also be utilized to carry out major repairs and maintenance of the organization's office buildings and projects, for which no provisions are made in the budgets.
5. Make advances for implementing projects supported by government because the funds from governments will on almost all instances received on reimbursement basis. When the government funds are received, the GRF can be replenished.

VI. Governance

The procedure for approving use of the General Reserve Funds will be as follows:

1. Preliminary approval by the Management Committee of the recommended use of the General Reserve Fund.
2. The Management Committee recommends specific uses of the General Reserve Fund to the Board of Trustees for prior approval or ratification, as the case may be.
3. The Board of Trustees authorizes the Management Committee on the use of the General Reserve Fund by way of Board Resolutions.

4. The Executive Director with due intimation to the Management Committee may access up to INR 200,000 from the General Reserve Fund for immediate/emergency use for purposes such as resource mobilization related initial expenses, including initial travel expenses, damage/impact assessment after disasters, as long as sufficient funds are available under the General Reserve Fund account or emergency grant/fund allocations receivable are available to repay such usage within three/six months' time.
5. The Executive Director will notify the Finance Manager in writing, and the disbursement of such amount will be acknowledged in writing by the Finance Manager. E-mail or Inter-office memos are acceptable forms of notification and acknowledgement.
6. Any funds spent or advanced from the General Reserve Fund with the knowledge of the Management Committee for greater than INR 200,000 should have prior approval from the Board of Trustees.

VII. Maintenance of General Reserve Fund

A separate non-FCRA bank account needs to be opened to operate the General Reserve Funds. The same system of authorized signatories for bank account in the LWSIT National Office will be applicable for this account as well with any two signatories.

Appropriate procedures and financial norms will be adopted in the management of General Reserve Fund.

The operational details of the General Reserve Fund will be presented by the Finance Department to the Management Committee at its meeting following approval of the financial audit results.

VIII. Policy Review

The General Reserve Fund Policy will be reviewed every five years or sooner if conditions so warrant by the Management Committee and the Board of Trustees Any changes to the Policy will be approved by the Board of Trustees of Lutheran World Service India Trust.

Adopted in the Board Meeting held on 22-08-2015