

# How to establish Effective Governance in Your NGO

April 29, 2016 By [Dr Saumya Arora](#)

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The term 'governance' comes from Greek verb κυβερνάω [kubernáo], meaning '*to steer*'. Every institution, be it public, private, or third sector, needs governance to function. There are formalized forms of governance, and the most formalized one is the 'government'. NGOs also need good governance for effective functioning, growth and sustainability. The principles of good governance hold true in the dynamic environment the NGOs face today as the issues of accountability, transparency, responsibility, disclosure practices and organizational relationships among the board

and stakeholders have come to the forefront in the case of NGOs.

It is thus advisable for NGOs to follow good governance practices, to strengthen its own internal structure, to avoid any crisis arising out of poor governance, and to establish the public image and credibility of the organization by exhibiting transparency, accountability and responsibility. Though there is no 'one size fits all' approach that can be taken here, but a guide for NGOs to put together good governance principles into the structure and functioning is here for your use.



## **1. Vision, Mission and Objectives:**

An NGO must have well-defined statements of its mission, vision and objectives. These statements define why the NGO was started in the first place. These must be clearly defined, written, and must be revised time to time. Known as the 'governing documents', the mission, vision, the by-laws and objectives of the organization, these are instrumental in giving direction to the organization and form the basis of the governance. The board and the management must be involved in drafting or re-drafting these, in a participatory manner.

## **2. Democratic selection:**

The NGO must have clearly defined and transparent policies for appointing the board of directors. They must be elected by a democratic process. Further, selection or election of the chairperson/ president/ treasurer and others must be well-defined in the policies of the organization. This will ensure transparency, fairness and accountability in the process. Further, the basic details of the governing board must be made public on various platforms like annual report, and websites.

### **3. Policies and processes for accountability**

#### **of leadership:**

For ensuring good governance by the organization, the NGO must ensure that accountability of the leadership (board) is well-drafted in the policies. But this is not enough, having a policy is one thing, and having it operational is another. So, the next step is to ensure that functional systems are in place, for grievances redressal, attending to any issues, and to ensure that actions are taken thereafter, are periodically analysed, and informed to all. The Board must function to address organizational matters and should play active role in organizational planning, financial planning, engagement with the larger society, and must involve in the constant learning process of the organization as per monitoring and evaluation of all efforts of the NGO.

### **4. Annual general meetings:**

The annual general meetings (AGM) are very important platforms for getting all the key stakeholders together to discuss the journey so far and plan the way ahead. Various important issues like programmatic, administrative and

financial, are discussed during the AGMs. To make an AGM successful, the two key things are ensuring adequate participation and frequency of the same.

#### **5. Decision making systems:**

The organization must define who makes the decisions, like important and strategic decisions, or routine and administrative decisions. These roles and responsibilities of the board and the management must be well defined and clearly drafted.

#### **6. Policies for staff:**

The policies and procedures must be laid down for equitable and transparent staff recruitment and compensation, employee retention and HR policies, etc.

#### **7. Audit:**

NGOs are under the scrutiny of various regulatory bodies and whistle-blowers. Because of various reasons, and most importantly because the law mandates it, an NGO must make sure that regular audits must be done. These audits can include multiple aspects, like programme audit, financial audit,

and so on. These may be done by internal or external or both kind of auditors. Regular audit is a compliance issue also, but it also gives a clear picture of the organizational health, and thus leads to the right direction, even if it means corrective action.

#### **8. Annual reports/ newsletters/ websites:**

As a measure of good governance, an NGO must ensure that all its stakeholders are much aware of the organizational plans, activities, history and achievements. Apart from these, it must also disclose financial information, board details in the annual reports, newsletter, and on websites as well.

#### **9. A strategic plan:**

The most important point for an NGO seeking to internalise the good governance practices is to have an action plan derived from the VMO (vision, mission and objectives of the organization). The mission and vision statements hold a lot in them, all the dreams with which the organization was started. But until and unless it is articulated in the form of an actionable plan, it would not be able to guide the organization ahead, as it is too broad. Thus, churning of ideas and

thoughts, and detailed analysis, resulting to a strategic plan is of utmost importance to ensure good governance.