

Enhancing NGOs Governance for Improving Human Development Index



Dr. S K Gupta, FCS
Group CEO-AIHP, Gurugram
skgupta@aihp.in



Shukla Bansal, FCS
shuklabansal@yahoo.com

THE PERSPECTIVE

Development does not only mean economic development but also includes promoting social equality, gender equality, improving quality of life etc. It is not possible for government alone to effectively undertake such multifarious and complex development activities. So, there is essentiality of other groups or organizations to support the government on various fronts. This essentiality paved way for the emergence of Non-Government Organizations (NGOs).

NGOs have been playing a very active role in the developmental process of our country. NGOs working with enhanced accountability, by providing alternative solutions to the development, in collaboration with the government and market promise a sustainable and inclusive development structure which will elevate the Human Development Index of the people in India.

NGOs are private organizations characterized primarily by humanitarian or cooperative, rather than commercial, objectives that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development. Non-Government organizations (NGOs) are the groups or institutions or organizations that are not reducible to the administrative grasp and work on 'non-profit' basis with the principles like social equality, altruism and human development as their foundations. Social service is associated with India since ancient times. NGOs with the support given by the government have been instrumental in accelerating development activities by taking up specific issues like Poverty alleviation, child rights, caste stigma and discriminations, women rights, child labor, rural development, water and sanitation, environmental issues, etc.

NGOs are community organizations that work for public benefit. NGOs differ greatly in size, activity and circumstances. NGOs exist in virtually all societies and the rise of NGOs as an economic force in today's society is well documented. Typically, NGOs are involved in activities that are of common concern to members and donors, but which normally benefit people beyond that membership. NGOs are non-profit organizations; however, not all non-profit organizations are NGOs. Some NGOs may be established by companies as part of tax planning strategies.

The primary function of an NGO is to give benefit to the public by performing worthy causes that help the public at large. They generally function as a welfare organization and work for the improvement of the society through their charitable function. There are three basic legal forms of charitable entities under Indian law: Trusts, Societies, and Section 8 companies. The legal framework governing the charitable institution will depend on the purpose and scope of the activities which NGO would desire to engage in.

Worldwide, NGOs undertake a wide array of activities. They often develop and address new approaches to social and economic problems that governments cannot address alone. Indeed, NGOs exist to represent virtually every cause imaginable. Non-profit organizations operating in different countries are exposed to different environments, socio-demographic composition of the population, structure of the non-profit system, community participation, taxation structure and different regulations, still Non-profit organizations around the world have grown considerably over a period of time. There are roughly 4 million NGOs worldwide with an estimated 3 million of them in India. These organizations play a crucial role in the growth of a nation. They are emerging to be a

credible force in catalyzing the nation's social and economic growth, particularly for the masses at the 'bottom of the economic pyramid'. The potential for this is well apparent from the experience of other developed and developing economies. If India is to achieve, as is predicted, the living standards of the developed world by 2050, then the NGOs would need to play a critical role, and must grow at a pace much higher than that required of the overall Indian economy.

The steady rise of NGOs has captivated the imagination of some policymakers, activists, and analysts leading some observers to claim that NGOs are in the midst of a "quiet" revolution. The most highlighted success of NGOs could be seen in their achievement in influencing government to bring out various development-oriented policies and laws. Few of such laws and policies include: Right to Information, Integrated Child Development Scheme (ICDS), Integrated Child Protection Scheme (ICPS), MNREGA, Juvenile justice, Nirmal Gram Initiative, Rastriya Swasthya Bima Yojna (RSBY), various policies on women development, forest and environment development, anti-trafficking, people with disability, etc.

EFFECTIVENESS OF NGOs

Official agencies often see NGOs as the 'magic bullet' for addressing the world's most pressing problems. The rapid increase in funding and number of NGOs represent both an opportunity and a danger. While it is clear that NGOs can do positive work, there are relatively few detailed studies of what is happening in particular places or within specific organizations. There are few analyses of the impact of NGO practices on relations of power among individuals, communities, and the state, and little attention to the discourse within which NGOs are presented as the solution to problems of welfare service delivery, development, and health. Thus, it is not clear how and under what circumstances NGOs are effective and why some are more influential than others. Many NGOs are influential through their technical expertise or analysis of existing problems and pragmatic solutions. Other NGOs may be fragmentary voices, contributing to a cacophony of isolated programs that represent only narrow special interests.

NGOs undoubtedly have been playing proactive role in protecting the interests of the poor and destitute and are also essential for upholding the democratic values of the country. However, many NGOs in India have come under the scanner and their functioning has been seen with suspicion. This is majorly because of loss in credibility and lack of accountability with NGOs in India. Although this is not true with all the NGOs but it is certainly true that the red spot is on many NGOs across various regions in the country due to unsustainability, incompetency and inconsistency.

NGOs AND GOVERNANCE

NGOs are helping men and women shape their own destinies in freedom, and by so doing, helping to build a safer, better world for all of us. NGO activism will likely become an even greater fixture on the world stage. It is welcomed by those who view the world as a global village. NGO accountability and best practices need to keep pace with the other two civil society sectors/government and private business.

Good Governance is important in NGOs because it affects how a charity is run and the services that the organization provides. The survival of these NGOs depends on donors and funders. The competition among NGOs and the desire to cultivate

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multiple revenue streams to resist donor capture requires these organizations to be transparent and accountable. NGOs that have a better quality of governance will be better in gaining public trust, and, hence, will be in a better position to secure donations from the public. Despite its size and complexity, there is a dearth of academic research in the not-for-profit sector on issues of governance. Effective governance practices are critical for nonprofits of all sizes. Governance is about:

- agreeing to the purpose and objects of the charity
- ensuring that policies and activities help in achieving those objects
- formulating broad strategies to carry out the charity organization's purpose effectively
- monitoring charity organization's performance
- ensuring that it operates within the law.
- Ensuring the charity is run in a way that is legal, responsible and effective
- Being accountable to those with an interest or 'stake' in the charity.

NGOs need strong governance with robust structures, processes and good behaviors to best serve their beneficiaries and their cause. Proper corporate governance not only ensures that non-profit organization meets legal and ethical standards, but it improves the overall strength of the organization. A focus on rules and procedures increases efficiency in the workplace. When new potential projects or hurdles arise, a responsive and proactive structure with proper procedures ensure the non-profit organization has the right framework to succeed and expand.

CHALLENGES FACED BY CHARITY ORGANIZATIONS

The most common governance challenges facing nonprofit organizations today are: conflicts of interest, risk management, outcome measurement, investment oversight, and ethics, ineffective leadership, lack of trained manpower, lack of public participation, and scarcity of funds. Non-governmental organizations seem to represent the best of private citizens responding to global inequities. But behind the characteristics inherent to an NGO model of development are lurking several challenges. Most of the NGOs haven't been able to achieve their objectives in a significant way due mainly to the following factors:

- **Lack of Funds:** Most of the NGOs in India are suffering from paucity of funds. Government does not give cent



percent grants in aid and there are delays in sanctions of grants. NGOs have to make matching contributions which they are sometimes unable to manage and are, therefore, unable to avail themselves of the grants

- **Leadership Crisis:** The leadership is concentrated in the hands of elderly people. The style of functioning of these elderly people exhibits authoritarianism and frustrates younger people who are embodiments of new ideas, initiatives and innovation which are not allowed to be expressed and practiced
- **Inadequate Trained Personnel:** it is very difficult to get trained persons who are willing or trained to work in the rural society where most of NGOs work. Moreover, most of NGOs lack funds for providing the requisite training to the personnel employed in the organization
- **Misuse of Funds:** It is the matter of fact that some unscrupulous elements have made fortunes by floating NGOs for their personnel gains and misappropriating grants received from the government. These NGOs tarnish the image of other NGOs who are working with dedication and commitment
- **Transparency Woes:** Many NGOs in India are not transparent in matters pertaining to their finances and activities, and such lack of transparency more often than not leads to loss of contributions from many who might have contributed or supported a cause
- **Absence of Strategic Planning:** Few NGOs have strategic plans which would enable them to have ownership over their mission, values and activities. This leaves them vulnerable to the whims of donors and makes it difficult to measure their impact over time
- **Monopolization of Leadership:** It has been observed that there is a growing tendency towards monopolization and interlocking of leadership at the top level of voluntary action groups and organizations as is reflected in the same person being the president in one organization, secretary in the other, treasurer in the third and a member of the executive in the fourth. The greatest disadvantage of such leadership structure is that fresh blood is not allowed to flow into the organization and leadership
- **Centralization in Urban Areas:** NGOs are more developed and concentrated in urban areas as compared to rural areas. The backwardness and ignorance of the rural people and lack of enthusiasm among social workers to engage

with charity organizations in the absence of availability of minimum comforts are the two important reasons for the inadequate presence and action of the NGOs in rural areas

- **Limited Capacity:** NGOs recognize that many of them have limited technical and organizational capacity viz. in fund raising, governance, technical areas of development, and leadership and management. Few NGOs are able or willing to pay for such capacity building
- **Poor Networking:** Poor Networking was identified as a major challenge. It is the cause of duplication of efforts, conflicting strategies at community level, a lack of learning from experience and an inability of NGOs to address local structural causes of poverty, deprivation and underdevelopment.

FRAMEWORK FOR IMPROVING GOVERNANCE IN NGOS

The coming decade will hold unprecedented challenges for NGOs to respond creatively and resourcefully to overcome hurdles and seize opportunities and in that scenario good governance will not be a matter of checklist practices but ensuring organizations don't stand still, and that they remain relevant. The media attention on governance issues, increased stakeholder awareness and vigilance makes it imperative for NGOs to create and imbibe effective governance mechanism and structure.

In the literature reviewed, there is no model of good corporate governance that is common to all. Nonetheless, there is agreement on the following four pillars:

1. Provide assurance to all stakeholders that the NGOs operate in a just and equitable manner, which is ultimately required to protect the long-term future of the entity.
2. Be accountable to the ultimate target beneficiaries of the charity organization.
3. Employ efficient and effective risk management processes and practices in all aspects and domains of the charity organization.
4. Ensure charity organization's prosperity in terms of stakeholder value.

The literature reviewed for this study repeatedly emphasizes, as Miles et al. argue, that "organizations must adopt practices and

accepted principles in their respective organizations in the context of their philosophy, culture, needs and resources". However, regardless of which governance model a charity uses, adherence to certain core principles is essential for good governance which include • **leadership** (providing strategic direction) • **oversight** (holding management and staff to performance targets) • **responsibility** (ensuring compliance at all levels) • **ethics** (ensuring that delivery and conduct comply with moral values) • **accountability** (evaluating work against the organization's mission) • **transparency** (keeping the public and others informed about the work) and • **succession planning** (the recruitment, orientation and capacity building of new board members).

- **Strategic Planning:** The charity is set up to achieve certain aims for the benefit of the society and / or its members. The vision and mission of the charity should be clearly expressed and the charitable work should be carefully planned and implemented. The Board should, from time to time, review and approve the objectives of the charity. This is to ensure that the charity's objectives and work are relevant to the needs of the public. The programs and activities conducted by the charity determine the charitable work that the charity sets out to accomplish. They should be carefully planned, tracked and reviewed to ensure that they are relevant to the mission and vision of the charity. The charity should ensure that its operations and programs are directed towards achieving its objectives
- **Human Resource Management:** Human resources are important assets of the charity. The charity should have policies in place for staff and volunteers who run its operations and programs
- **Financial Management and Controls:** The charity should have sound financial management and comply with applicable laws and regulations, to ensure that its resources are used legitimately and can be accounted for
- **Operational Controls:** The charity should ensure that basic operational controls are in place with documented procedures for financial matters in key areas, including: • Procurement procedures and controls; • Receipting, payment procedures and controls; and • System for the

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delegation of authority and limits of approval

- **Disclosure and Transparency:** The charity should be transparent and accountable in its operations. The charity should provide information about its mission, structure, programs, activities and finances, as well as be responsive to requests for information. The charity should ensure that its fundraising activities preserve the integrity and transparency of the charity. The charity should make information available to its members and donors about its: • Programs; • Activities; • Financials; and • Board members and executive management
- **Public Image:** The charity should build up its image to be consistent with its objectives. The charity should accurately portray its image to its members and donors
- **Conflict of Interest:** Management and staff should act in the best interests of the charity. Clear policies and procedures should be set and measures be taken to declare, prevent and address conflict of interest. The charity should set in place documented procedures for Board members and staff to declare actual or potential conflicts of interest at the earliest opportunity
- **Program Management:** The programs and activities conducted by the charity determine the charitable work that the charity sets out to accomplish. They should be carefully planned, tracked and reviewed to ensure that they are relevant to the mission and vision of the charity. The charity should ensure that its operations and programs are directed towards achieving its objectives and the outcomes of each program are clearly defined
- **Budget Planning and Monitoring:** An annual budget should be prepared for the charity's plans. It should be regularly monitored. Financial statements with comparative budget figures should be presented at the Board meeting, with analysis and explanations given for major differences. Conducting surveys and analyzing data is key. It takes time to interpret the data in a way that makes it usable for the sector. Keep a checklist for each event, fundraising campaign, etc. to help measure your outcomes against goals
- **Investment Management:** The process should be over looked by a finance or investment committee. The legal and fiduciary responsibilities of managing investment assets pose a significant challenge for NGOs of all sizes and complexity
- **Time Keeping:** Like an advertising agency that is accountable for how staff time is spent, a nonprofit organization is accountable to its funders for tracking operational time. This becomes a challenge when timesheets are required for grants and funding or when employees question the number of hours they work. Organizations can provide excel spreadsheet, use Google drive, or various online time tracking programs. Time tracking is important and often overlooked in the pace of just working so hard
- **Culture of Ethics and Accountability:** Losing public confidence erodes the very foundation upon which the charity organization is built. A great place to start is with a code of ethics that is rooted in the values, vision, and mission of the charity. The adoption of a formal code provides staff, board, volunteers, and stakeholders with clear guidelines for making ethical choices. At the heart of the charity and stakeholder relationship is trust. Goodwill earned by responsible governance practices ensures that donors give, volunteers serve, and the public benefits

- **Board Governance:** The charity is run by a group of individuals called the Board. Members of the Board are people elected or appointed based on the rules of the charity's governing instrument. The Board is responsible to comply with its governing instrument and all relevant laws and regulations. The Board makes sure the charity is run well and responsibly, so that the charity would continue to be effective, credible and sustainable
- **Board Roles and Composition:** Board members should know their responsibilities and the charity's work, to ensure that the charity is well-managed and fulfils its objectives. All Board members of the charity should exercise independent judgement and act in the best interests of the charity. There should be governing instruments on issues such as: • The Board's composition; • Election or appointment process; a clear distinction should be made between their Board role and their operational work. The Board may consider setting term limits for all Board members to ensure steady renewal of the Board. These may be set out in the charity's governing instrument.
- **Board Committees:** The Board should have committees with documented terms of reference – stating how, when, who and what has to be done – to oversee Audit, program and services, Investment, risk management. Proceedings and decisions of Board and committee meetings should be minuted and circulated to the members as soon as practicable
- **Service Delivery:** In the decision to financially support a charity organization, the service delivery is one of the most important factors that influences donors/financial supporters to back the charity organization. NGOs often tell their stories by illustrating their impact on the lives of a single individual, family or member. While powerful, it doesn't replace a solid performance tied to specific, measurable outcomes
- **Risk Management:** Effective risk management plan including inter-alia, risk identification, risk assessment, risk mitigation and risk control is key for a charity organization. From executive staff to volunteer leadership, proactive steps taken to mitigate risk improve the likelihood that the charity organization won't be derailed by an unanticipated event
- NGOs harness the altruistic (and sometimes non-altruistic) energies of many individuals. However, this model of development is not without challenges. Not only is the delivery of goods and services contracted to private actors, but agenda-setting may likewise be delegated. Decentralized and multi-layered decision-making can create inefficiencies. As NGOs increasingly produce their own funding and develop their own professionalized class, it seems appropriate to expose them to greater market forces beyond donor preferences
- NGOs being welfare organization are expected to maintain high standard of quality in service. The government should recognize those NGOs, by giving awards or rewards with additional grants. This would motivate the other NGOs to work efficiently
- NGOs should use technologies like internet, websites etc., for raising of their funds, to have mutual associations, to advertise their products, selection of project partners and for monitoring and evaluation of the schemes and projects undertaken by them.

CONCLUSION

NGOs have been playing a very active role in the developmental process of our country because there are certain areas in the growth process which always need extra attention and consideration and that is also why these setups have emerged as the pioneer planners, catalysts, facilitators and coordinators. Over the years, NGOs have found a place in the Five Year Plans of the government. NGOs working with enhanced accountability, by providing alternative solutions to the development, in collaboration with the government and market promise a sustainable and inclusive development structure which will elevate the Human Development Index of the people in India.

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SUGGESTIONS FOR IMPROVING NGO ECOSYSTEM

- The government should liberalize the rules and regulations of grants-in-aid and should appoint commissions of enquiry or committees to cross check the misuse of funds by NGOs
- Young graduates from universities, colleges should conduct public seminars, meetings, symposia etc., and use the local media to advertise the importance of volunteerism, share success stories of NGOs and encourage people to participate in charity organizations
- Universities, colleges should collaborate with NGOs and conduct campus interviews for the young graduates who are interested in getting associated with the social sector
- Co-ordinating organizations like Association of Voluntary Association for Rural Development (AVARD), Coordination Council of Voluntary Association (CCVA) etc. should actively facilitate the exchange of information between the government and the NGOs and a congenial eco system for the NGOs
- In India, 65% of population lives in rural areas. NGOs, therefore, need to operate in rural areas on a bigger scale and enlist the co-operation of village people for making their lives better