

# Role of Governance in Accountability of NGOs (Non-Governmental Organizations)

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## Abstract

The NGOS (Nongovernmental organizations) in India has seen a rapid growth in the last few decades. It has impacted the lives of many people belonging to different sectors of the society and improved the socio economic status of India through their activities. Non-Governmental Organizations have played a diverse role in the development of society. The increasing numbers of nongovernmental organizations in the sector has led to a conflicting perception, idealistic expectations and misconceptions among the public about NGO's. The Non-Governmental organizations (NGOs) role is more critical now a days due to the higher order of internal accountability, transparency and efficiency. Its not easy to show the accountability in a same manner from all NGO's because all NGOs are different in their work, sectors and their registration method. But all are working for the development of the society. Even though there are more challenges from external context, its important and critical to strengthen their internal systems by good governance.

This paper highlights the points in which NGOs can adopt the good governance and that will help them to show their accountability to their stakeholders which will improve their trust and recognition.

**Key words:** *Non-Governmental Organizations, Good Governance, Accountability.*

## 1. Introduction

NGOs play active role in the socio-economic development of a country by providing services to society through various activities. In the recent years major in the funding constraints, calls for accountability and media exposure brought demands for increased performance measurement of each of organizations. Many NGO's are blacklisted due to noncompliance of the basic standards of good governance. Governments, donors and corporations

are facing difficulties while funding. They are asking for a mechanism to identify good and reliable organizations.

Today NGOs realized that it is their basic responsibility to show accountability towards their donors and the public. They had to constantly work with an outcome focus and think long-term impact. As a consequence, NGOs are currently under pressure to prove themselves by increasing their organizational effectiveness, accountability in order to showcase their effectiveness towards the society. Good governance is the one method which help NGOs to strengthen their internal systems and process in their organization.

## 2. Objectives of the study:

To study:

- The good governance mechanisms followed by NGOs.
- The accountability mechanism followed by NGO's.
- The role of Good governance in NGOs accountability.

## 3.1 Accountability:

In recent years, demand for the role and accountability of NGOs has been voiced by different countries for a number of reasons: 1.Number of NGOs increasing day by day. 2. One NGO is into various social activities. 3. Blacklisting the NGO's due to mismanagement of funds; 4. Fundraising practices without proper regulations; 5. Conflicts of interest in between the board members; 6. Public trust on NGOs reducing; 7. NGO's ineffectiveness in provision of services and not upto the mark of funding agencies .As a result, more interest and attention is being given to NGO's accountability. It can help to strengthen NGO's capacities and help to

increase the meaningful relationships between their stakeholders so that it will indirectly help in the development of the society.

### 3.2 Definition of Accountability:

Accountability basically refers to an organization being answerable to a third party. It refers to the obligation of an individual or organization to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner.

Accountability for the civil society sector means very different from the accountability of other stakeholders, especially from that of government, donor agencies and the business sector. According to IBON International (2010):

*“Of course, CSOs are not meant to represent the public as a whole organically; else they would be elected officials themselves and would belong to the public sector. CSOs are considered voluntary in character; represent their constituencies in expressing their rights to speech, or taking upon various causes and concerns in the interest of the general public. They are private individuals or organizations involved in public causes or interests and are thus not part of the private sector... CSOs must be accountable to all as genuine organizations... if they truly act in the interest of the public and their constituencies and not for some interest to capture the state as in a political party or to amass profit.”*

Here CSO are referred to NGOs. Non-Governmental organizations are accountable to various stakeholders that are directly or indirectly involved in the administration and management of NGOs. It can be divided into two categories;

Internal stakeholders - staff, board, supporters, local partners, members, fund raisers, and

External stakeholders - government, private sector, beneficiaries, international organizations, corporates who provide funds through their CSR and the society at large.

### 3.3 Aspects of Accountability:

NGOs are accountable to donors, project partners, and local communities and considering these, experts have suggested four aspects of accountability for an NGO.

- **Upward Accountability:** This refers to the responsibility of an NGO towards being accountable to funders, donors and government institutions.
- **Horizontal Accountability:** This refers that NGO's are responsible to their project partners, peers and related organizations.
- **Downward Accountability:** This means that NGO's are responsible towards their beneficiaries and the target audience.

- **Internal Accountability:** It is one of the most important aspects of accountability is to be answerable to their own employees and their organizations mission

Most often NGOs give more importance to enhance external accountability and give little or no importance to other forms of accountability. This paper has been done keeping in mind all the aspects of accountability.

### 3.4 Importance of Accountability

The following points will help us to understand the importance of accountability.

- **Good relations with donors and funders:** Most donor agencies prefer organizations that have well-built accountability mechanisms. This relationship help to improve the effectiveness of the organization.
- **Financial security:** With proper accounting and audits NGOs can ensure that all their transactions are secure and are able to keep a check on money.
- **Transparency:** Greater accountability demonstrates transparency with information, and an explanation of all the activities and their execution information to stakeholders.
- **Better involvement of communities:** Local communities tend to get involved with NGOs that have shown accountability in the past. Communities will support NGOs cause and will participate in their project implementation.
- **Building Trust:** Trust with the stakeholders is an important aspect to ensure the accountability with the stakeholders.
- **Facilitates partnerships and collaborations:** Proper accountability tools will help to facilitate in developing partnerships with other organizations, corporates and funding agencies.
- **Greater employability:** NGOs accountability help their staff to continue their work with their organization as they would feel secure to work for them because they are trustworthy.
- **Improved effectiveness:** Accountability tools help NGOs to keep check on their activities thereby improving their performance. Research reveals that NGOs with accountability mechanisms are more effective in terms of their performance and impact.

### 3.5 Accountability for what?

Non-Governmental organizations face demands for accountability from multiple actors for different things. These expectations may be broken down into four broad, but far from comprehensive, categories:

1. Accountability for finances
2. Accountability for governance.
3. Accountability for performance, and
- 4.

Accountability for mission (Behn, 2001; Ebrahim, 2009).

### 3.6 Accountability how?

If Non-Governmental organizations are expected to be accountable to multiple actors (accountability to whom) and for multiple purposes (accountability for what), what then are the mechanisms of accountability actually available to them (accountability how)?

Five types of accountability mechanisms used by Non-Governmental organizations in practice: reports and disclosure statements, evaluations and performance assessments, industry self-regulation, participation, and adaptive learning (Ebrahim, 2003).

### 3.7 Mechanisms to ensure accountability

- **Contact Information:** Providing accurate and correct contact details on organizations webpage, letter head and other communication materials increase the accountability and help to get more stakeholders as well as the donors.
- **Registration:** Non-Governmental organization has a legal status and is registered under a relevant legal framework. Due to proper registration chances of getting financial support and assistance will also increase.
- **Clearly defined Membership Procedure:** Proper guidelines relating to membership fees, member duties, responsibilities and about important decisions to the members on a regular basis will help the NGOs to be more accountable.
- **Ensure the accessibility of trustees and board members list to the public:** The list of current Board members publicly accessible means showing accountability to the public.
- **Publicize NGOs activities:** Publicizing NGOs activities enhances their visibility and promotes public trust.
- **Strengthen human resource policies:** Developing strong human resources management policy ensure retention of staff and ethical hiring.
- **Develop of self-regulation procedures:** Develop own policies of keeping records, trip and field reports, internal meeting minutes and internal auditing reports to keep a check on all activities. These self-regulations will help NGOs to accountable to their stakeholders.
- **Adopt ethical fundraising methods:** Ethical fundraising policies help to be transparent stakeholders especially to the donors.

- **Annual Reports:** Publishing annual reports regularly is a website/notice board is a great way to ensure that Non-Governmental organization are fulfilling the required activities sensibly. The annual report provides the readers with details about all the activities that organization undertook in a particular year.
- **Financial Reports:** Regularly updated and compiled NGOs financial reports ensures that NGOs are ahead to show their accountability. Funding agencies will always trust organizations that show transparency in their financial transactions.
- **Stakeholder Feedback Reports:** Taking feedback from the beneficiaries about their perceptions, project and requirement of their needs helps immediately respond to their issues and develop long term trust. This will add more benefits from their stakeholders.
- **Initiating partnerships with corporates:** Partnering with well-established corporates through their CSR activities help in getting recognition and trust of people.
- **Conduct due diligence before partnering with a new organization:** Conduct in-depth research of a new partner before entering in to a partnership. This will help NGOs in avoiding partnership with fraud or an anti-social activity based organizations.
- **Get recognized for services:** Sending organizations entry for various award functions and competitions. Getting awarded for a social cause will make more accountable and will also enhance their public presence.
- **Accreditations and certifications:** If an external agency certifying NGO complies with a set of norms and policies. Accreditation ensures that the NGO has been evaluated by a third party and fulfills the nationally recommended standards and policies.

The issue of NGO accountability has recently gained popularity. Although Different NGOs are using various methods to enhance accountability. There should be one method or system to all NGOs so that it will be easy and helpful to all organizations to follow a same method throughout the country.

### 4.1 Good Governance

**Governance** is the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organization According to World Bank **Good governance** is “the manner in which power is exercised in the management of a country's economic and social resources for development”.

If we relate this definition for NGOs good governance, NGOs governing body has to exercise their power through their leadership, in their management by using the funds and the available sources for the development of the society. That shows the accountability by the NGOs to the public as well as for their stakeholders.

NGOs rely heavily on their governing board of directors to provide leadership, strategic guidance, and financial oversight.

Good governance in NGO's enables and supports organizations compliance with the law and relevant regulations. It also promotes a culture where everything works towards fulfilling the organizations vision. Good Governance is widely considered to be the solution to most of the problems of NGOs facing in the country.

#### 4.2 Good Governance in NGOs:

- Agreeing the purpose of the organization specially it's not for profit
- Agreeing strategies framed by board to carry out the services or non-profit's purpose effectively
- Showing accounting for the organizations performance
- Ensuring NGOs operates within the law.

Good governance in NGO's is depends on the management of the NGO. Management is about implementing the strategies agreed by the board. The Board members involve in the detailed planning, putting procedures in place and by raising money and delivering services according to their plan. Either a board members has to manage the activities of the NGO or other staff or volunteers has to act in the way as board members show, then the good governance will continue in its activities and plans.

The board of directors typically focuses on the governance issues of the organization, resource management, strategic planning, and fiscal oversight in the interest of protecting the public interest (Goldschmid, 1998; Heracleous & Luh, 2002; Herman & Renz, 2000).

#### 4.3 Responsibilities of board in Good Governance

NGO's are usually governed by trustees or board of directors. So overall responsibility is in their hands. They have to do the following role

- **Long term Direction:** Board has to set a long term direction of the NGO, set their objectives and vision and mission in their governing document.
- **Strategic Framework:** Board has to develop the plans and strategies to achieve their objectives, vision and mission within a timeframe.

- **Clarity in work:** Board should be able to clarify their work with the stakeholders. Should be able to get the work from staff and volunteers.
- **Effective operations:** Board has to ensure that they have to work towards their policies and activities in a way to achieve those objectives.
- **Effective and Legal:** Board has to run their organization effectively and legally so that it should be a role model for other NGO's
- **Policies:** Board has to ensure that their organization has to follow these policies to show the good governance.

According to Voluntary Action Network India(VANI) the following policies are important to maintain a good governance by NGOs

**A) Human Resource Policy:** HR policy contains guidelines on staff selection, training, promotion, compensation everything should be without any discrimination. Board should promote the best use of the staff's talents and abilities so that they can deliver the best possible services in the organization.

**B) Financial Policy:** Financial policy involves Record the financial transaction, Monitoring and controlling of expenditures, timely satisfying statutory reporting requirements, submitting timely and accurate financial and management report to donors and grant-makers.

**C) Conflict of Interest policy:** Conflict of interest policy is to make clear that no organization or individual benefits inappropriately because of a relationship with either staff, Partners or board members of the organization. It helps to protect the interest of the organization in transaction, best practices and statutory compliances by staff and board.

**D) Diversity Policy:** The diversity policy is designed to promote fair and equal treatment of all employees and to prevent discrimination, victimization and harassment. All employees and beneficiaries receives favorable treatment on the grounds of race, colour, nationality, religion, ethnic or national origin, age, gender, marital status, sexual preference or disability without any discrimination.

**E) Anti-sexual harassment policy:** The aim of the anti-sexual harassment policy is to promote a productive and pleasant environment free of sexual harassment in the organization. Complaints are to be dealt with quickly, thoroughly and confidentially.

**F) Child Protection Policy.:** It ensure the highest standard of protection for children from all forms of child abuse, exploitation, harm and neglect. This policy sets out common values, principles and beliefs and describes the steps that will be taken in meeting this commitment to protect children.

**G) Proactive sharing of Information Policy:** It secures access to information in order to promote transparency and accountability in the organization. Information providers must make information



accessible, available and discoverable at the earliest point possible.

Board has to take the above responsibilities in a positive manner with the help of staff and the beneficiaries who are the part of that NGOs. It will bring good relationship between the NGO and its stakeholders. Good governance thus help to increase the transparency in their activities, which enable them to increase the organizations effectiveness and thus automatically increase their accountability towards their stakeholders.

## 5. Conclusion

Leadership taken by the trustees or the board of directors will lead to a direction to NGOs. Good governance will make positive impact on the society by their NGOs. So it's very crucial and important to select the likeminded and service minded people to the governing body of the NGOs. Ultimately the board members and their leadership will lead the NGOs in a right direction, hence the accountability of NGOs will have improvement in their society through their positive impact.

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