

How to Design a Governance Manual for NGOs?

- Sanjay Patra, F.C.A., FMSF

&

- Madhuchhanda Mishra, FMSF

Every organization has a governance process which guides and controls the way it operates. In some organizations, these processes are formal and fairly well structured while in some others, they may be semi-formal. Again, there are some organizations where governance is very informal. It is also found that certain organizations do not make a distinction between governance and management as well.

It may be clearly said that having a clear defined governance process contributes to the overall efficiency of the organization. Each step /process needs to be documented and assimilated together. One of the reference tools for the internal governance of the organization is the 'Governance Manual'.

Governance Manual serves as a blue print for the governance of the organization

1. Purpose of the Governance Manual:

- i. Provides clarity to the Board members and the management about their roles and responsibilities.
- ii. Provides a clear distinction between Governance & Management
- iii. Serves as a blue print for governance of an organization

2. Broad Contents of the Governance Manual:

The Governance Manual should cover the following areas:

2.1. Strategic Direction of the Organization: One of the basic duties of an NGO's board is to provide strategic direction to the organization. This includes;

- defining organizational values and setting standards for professional conduct;
- identifying & articulating a clear mission statement;
- ensuring a common understanding of the mission within the organization;
- execution of the mission through appropriately planned activities & programs;
- regular reviewing of the mission to ensure it aligns with existing or planned activities.

All of these should be clearly stated in the Governance Manual.

2.2. Board members:

2.2.1. Roles & Responsibilities of Board Members:

The Governance Manual should clearly identify & put forth the roles & responsibilities of the board members. Even though the Board Members govern as part of a collective leadership, they have individual duties as well such as:

- Understanding & Supporting the organization's mission;
- Attending meeting regularly;
- Maintaining confidentiality;
- Offering informed & impartial guidance;
- Appointing the Chief Functionary.

A clear description of the roles & responsibilities of the Board Members in the Governance Manual would enable the members in internalizing their role and ensuring effective governance.

2.2.2 Election/Selection of Board Members: The manual should provide clear and concise guidelines

with regard to the election/selection of board members. The criteria for selecting board members, election procedures etc. need to be clearly stated in the 'Governance Manual'. Based on the Board's functions, including representing the various constituencies, the process of selection of Board members (and their designated Alternates) takes several criteria into consideration. All these issues should be addressed in the Governance Manual.

2.2.3 Term of the Board Members: The tenure of the Board Members should be clearly indicated in the manual.

2.2.4 Orientation of Board Members: Orientation is the processes of induction wherein new members integrate themselves into the overall organizational structure. Introducing new members to program, policies & strategic issues should form a part of the orientation process. The orientation of the Board Members can happen at three levels:

2.2.4.1. Verbal Orientation: Verbal Orientation by other board members on the various issues, policies, strategies, activities, mission, & vision of the organization would provide a basic idea to the new member about the organization.

2.2.4.2. Study of various documentation: The various documents such as vision mission statement, activity reports, financial statements, informational brochure or any other relevant document of the organization can be provided to the new board member.

2.2.4.3. Field Visits: The actual operation of the NGO can be understood by going to the field area. This would provide the new member with an overview of the ground reality. The basic guidelines about the orientation of a new board member should be provided in the governance manual.

2.2.5 Conflict of Interest: The issue of conflict of interest is of growing concern in NGOs and the governance manual should address this issue clearly. A conflict of Interest Policy should be in place in order to deal with a potential Conflict of interest situation.

2.2.6 Reimbursement: The service provided by the board members is voluntary and the position held by them is honorary. This is because it is crucial that board members do not derive, or be perceived as deriving, any direct or indirect benefit from their service in the board. However, reimbursement of travel expenses incurred for attending board meetings and other such expenses should be taken care of by the NGO. Further, if any of the specific skills of any particular board member are used by the NGO, then a reasonable compensation should be provided. The amount to be paid should be decided by the board in the absence of the concerned board member.

The service provided by the board members is voluntary and the position held by them is honorary

2.3. Board Meetings:

The Board should hold regular meetings to reflect and discuss on the performance of the organization and plan the future course of action. The Board meetings are also a platform for any strategic decision to be taken and any other issues that need to be dealt with. With regard to Board meeting, the Governance manual should at least include the following things:

2.3.1. Preparation & distribution of meeting

Agenda: For the Board meeting to be effective and fruitful, it is required that all the members are informed about the agenda for the meeting. This would help the members prepare for the meeting in advance and actively participate in the decision making process. The manual should specify this and clearly state the person responsible for the preparation and circulation of agenda.

2.3.2. Quorum: The Manual should specify how many members constitute a quorum (minimum, number of members that must be present to make the proceedings of a meeting valid), and the manner in which decisions are taken and recorded. Such guidance helps the board perform its tasks consistently and avoid doubts about the validity of its decisions.

2.3.3. Minutes: The record of board meetings is a basic instrument of accountability. Minutes are a form of institutional memory that enable an organization to work consistently. The board should ensure that a record of all formal proceedings, including their time and place, attendance, agenda, and decisions maintained.

2.4. Appointment & Appraisal of Chief

Functionary: The Board is responsible for appointing the Chief Functionary of the NGO and delegating authority to him for the overall management of the organization. It is the duty of the board to see that Chief Functionary fulfills all the required criteria and is fully capable of delivering the required job role. Further, the board should also ensure the accountability of the Chief Functionary by regular appraisals. It should also provide a clear and precise job description to the Chief Functionary which will enable him to understand his role more clearly.

2.5. Board Appraisal: The Board Appraisal is a process by which the board introspects and measures its own performance. These kinds of self-assessments help a board sharpen its understanding of leadership and define the contribution it can make to the NGO. Ideally, the board should set itself annual goals and measure its own performance against these targeted goals. The frequency and the procedure of the Board Appraisal should form a part of the Governance Manual.

2.6. Drafting and approving new policies: Since the board is primarily responsible for the governance of the NGO, it is therefore required that all the strategic issues pertaining to the NGO are clearly dealt with in the key policies of the organization. The board should ensure that all the key policies are well drafted and leave no room for doubt or confusion.

The broad contents described in above for the Governance Manual are by no means exhaustive. It just provides a brief overview of the major areas that need to be addressed in the Manual.

3. Who Should Prepare A Governance Manual?

The primary responsibility of preparing the Governance Manual is of the board. However, they should also receive necessary feedback from the Chief Functionary and other senior staff members.

4. Conclusion: As mentioned earlier, the Governance Manual is key tool for internal accountability. It should aim at precise demarcations between governance and management. It is a reference for the board members for their own conduct. A good Governance Manual provides clarity about the domain of operation for the board and hence is responsible for effective governance.

References:

1. *A Handbook of NGO Governance* by Marilyn Wyatt; Published by the European Center for Not-for-Profit Law