Understanding Governance in Context of NPOs

Learning Outcomes-

- *Understand the perspective on Governance*
- *Develop a basic understanding of Governance*
- *Analyse the difference between Corporate Governance and Non-Profit Governance*

1. Meaning & Context

The word "Governance" is of Latin origin which means "to steer, guide, or direct" *Adrian Cadbury Committee Report*[1] defined Governance as a system which directs and controls an organisation. An NPO is an artificial legal person and therefore, it is governed by various group of people having a very clearly defined role to play. ***The term governance implies or refers to the mechanism which controls, directs and assumes the responsibility & accountability of all decisions and acts for effectively achieving the goals of an organization.***

The *Wikipedia* defines Governance as:

"Governance is the act of governing. It relates to decisions that define expectations, grant power, or verify performance. It consists of either a separate process or part of management or leadership processes. These processes and systems are typically administered by a government."

"In the case of a business or of a non-profit organisation, governance relates to consistent management, cohesive policies, guidance, processes and decision-rights for a given area of responsibility. For example, managing at a corporate level might involve evolving policies on privacy, on internal investment, and on the use of data."

To summarize, Governance may be understood from the following characteristic which it

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[1] In 1992 Adrian Cadbury Committee submitted a report on Corporate Governance and the social responsibilities of corporate organisations. In this report the issue of effective and fair governance was raised internationally. Consequently, raising the quality and standards of corporate governance has been taken as a very serious issue throughout the world and lot of legal and managerial changes have come in order to ensure that the governance an organisations is just and fair to all stakeholders. In the NPOs sector similar efforts for reform are also underway.

should possess:

- It is the point or fulcrum of ultimate accountability.
- It involves the mechanism of control and directing an organisation.
- It ensures legally valid systems, structures and policies.
- It ensures ethics, fairness and transparency to all stakeholders.
- It, ideally, should be constituted through a participative process of shared ownership.
- It effectively leads the organisation towards its short term and long term goals and objectives.
- It fulfills the statutory & other legal obligation of the organisation.

Ownership & Governance of NPOs

A. Not for Profit Organisations (NPOs) deal in public money for public utility purposes. However for legal and practical purposes the ownership of all funds lies with a group of people. In other words, NPOs are privately held and privately managed organisations for public purposes.

B. The NPO related law normally varies from country to country and ever within the country also there are various kinds of registration which permit different types of Board and Trustee structure. For instance, a public charitable trust can be formed with two[2] or more trustees who are permanent in nature. Such law belong to an era when charities were entirely based on the funds/ assets bequeathed by a particular donor/ author. However, when such trust is registered for fund raising and donor based projects, it raises a serious question on the public ownership of the NPO. Similarly various other forms & registration also provide the possibility of the ownership being in the hands of a private group of persons. An NPO may work on resources generated through various sources; which could be private, public or government sources. The governance, accountability and need for transparency can be different depending on the type of resources used. However, the bottom line is that the NPOs are like public institutions even if they are created with private resources. Therefore, their management may be private in nature but it should possess all the elements of participation, accountability and transparency.

NPOs also struggle in defining the role and responsibilities of the Trustees which results in a governance imbalance where the Board may swing from being dormantto overactive and interfering.

The different forms of registration also create different ownership structures, For

[2] In law there can even be a sole trustee, however for public trust the statutory authorities particularly the Charity Commissioner, Mumbai generally insists on min 3 trustees

instance, under trust law there is no provision for General Body, but in case of a society there can be a General Body which appoints the Board.

The diversity of skills and the ability of the Board members to assume and exercise authority also require careful support from the policies and rules. A good NPO should exemplify openness & transparency by having desirable criteria for selection and rotation of Trustees/Board Members.

Governance is like Operating a Machine

Sound governance can only exist if it is in a position to satisfy the canons of optimum and fair existence. Governance may be compared to the operation of a large machine or a vehicle. In a large machine or a vehicle, the engine or the gear box might be the most important component. However, the importance of the engine or a key organ can be singled out only when the machine is not working. The moment the machine or vehicle is running, then even if a small screw is not functioning properly it will be at the risk of a break down. Therefore, each component is of paramount importance in a running system. The same applies to the governance of any organisation, one has to ensure that even the smallest or the remotest aspect or function is working with equal sense of ownership, integration and commitment. This is the challenge and art of governance which each organisation has to internalize and customize keeping in view the needs and aspirations of all stakeholders.

Wheel of Sound Governance

An indicatory wheel of governance is provided in ***diagram 1.*** A sound governance system should aspire and ensure the following:

-Accountability & Transparency: Any organisation or individual should not only be responsible for its activity and existence, but it should also be accountable. The governance structure and decision-making processes should also be transparent and accessible to various stakeholders.

-Compliances of Law & Obligations: All organisations should ensure that all the applicable legal statutes and regulations are complied with on time. Further, all contractual obligations and the requirements of the trust deed, bye laws, and policies is also complied with.

-Empowerment Stakeholders Participation: The governance of an organisation should be enabling and empowering in nature for the stakeholders. In NPOs the participation and empowerment of marginal stakeholders such as beneficiaries, junior employees, general members is of utmost importance.

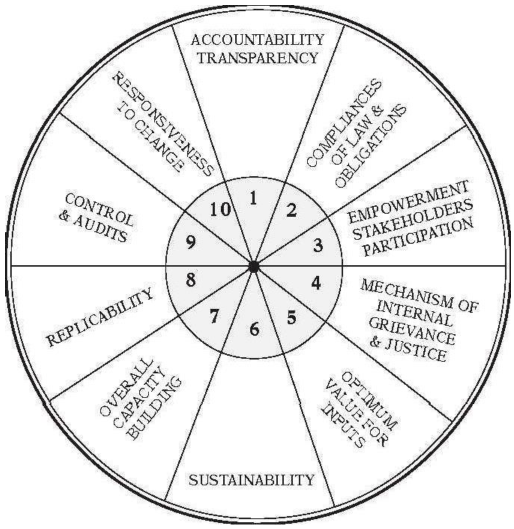

Diagram - 1 Wheel of Sound Governance

-Mechanism of Internal Grievance & Justice: A sound governance system should ensure that there is an independent and unbiased mechanism for grievance redressal. A governance system should include three aspects; legislative, executive and judicial. Normally the judicial or grievance redressal is weak in case of NPOs.

-Optimum value for Inputs: It is the duty and responsibility of a good trustee to ensure that all the funds and resources are utilized in the best possible manner towards the objectives of the organisation.

-Sustainability: Sustainability of an organisation in terms of financial needs, programmatic relevance, leadership, manpower etc. should be ensured.

-Overall Capacity Building: Good governance system should ensure that the people involved; both the board and employees are capacitated on a regular basis to keep them updated with the ever-changing environment.

-Replicability: Any good programme or activity should be replicable and capable of being taken forward by a large number of stakeholders.

-Control & Audits: A governance system should ensure adequate checks and balances both in terms of internal control & audits and also in the form of independent external auditors, advisors, evaluators etc.

-Responsiveness to Change: An organisation should be responsive to change both in terms of its system and activities in order to remain relevant and effective in the changing environment.

2. Legal Framework

The registration and administration of NPOs is a concurrent subject under the 7th schedule, List III, Item 28, of the Constitution of India, which means that both the central and the state governments are competent to legislate on this subject. Currently the registration and regulation of NPO is, basically, a state subject. The most popular form of registering an NPO is the registration as a society. The registration of a society is regulated as per the laws enacted by the respective states.NPOs can also be registered as trust or companies. It may be noted that for registering a Trust there is no specific law in the country, all public Trust are registered under the Indian Registration Act, 1908. The Companies Act, 1956 is the only Central Statutes under which NPOs can be registered. However, registering anNPO as a company is not very popular and can be difficult for small and remote NPOs.

Advantages of Legal Registration

Any person or entity has the right to carry on development work even without any formal registration. However, it is important that all voluntary organisations should get themselves legally registered. Some reasons for getting an organisation registered are as under:

- Properties can be lawfully vested in the name of the organisation.
- Bank accounts can be opened in the name of the organisation.
- It becomes a legal entity which can sue and be sued.
- It can be registered under the Income-tax Act, Foreign Contribution Regulation Act and various other legal authorities.
- It provides greater credibility in sourcing funds as well as implementing programmes.
- It can have sustained longevity independent of its founders.
- The liability of the members generally becomes limited except in the case of trust where the liability of the trustees is unlimited.

The registration requirement, inherent characteristics and a comparative analysis of the three forms of registration has been provided below.

Forms of Organisations

Under the laws applicable to Indian NPOs, there are three forms ofregistration, for creating a legally valid NPO, which are as under:

- Registration as society under the Societies Registration Act, 1860
- Registration as a not for profit company under the Companies Act, 2013

- Registration as a trust under the Indian Registration Act, 1908

Choosing a Particular Form of Registration

There is very little to choose between the three modes of registration available in India, though, each one of them comes with its distinct characteristics, advantages and disadvantages. The comparative advantages or disadvantages are not alarming enough to recommend any particular form of registration. Registration as company would be a more professional and organized way of working, entailing more paper work and compliances. On the other hand, registration as a trust would be the simplest way with very minimal paper work and procedural hassles. Registration as a society will come in between and probably that is why it is the most popular form of registration.

Registration from Control Point of View

The control of an organization depends directly on the number of members or the voting power.

In the case of a society, minimum 7 members are required to register and there is a two-tier structure comprising the general body and the governing body. It is a fairly open structure with all the members having equal voting rights.

A company also has a structure similar to a society but it has certain distinct advantages. For instance, a company can be formed with only two persons and the voting rights are not based on the basis of the number of persons. The voting rights are based on the basis of the number of shares held. The Company form of registration can be used for planning control mechanisms, by exploiting the rule of unequal voting powers.

A trust can also be formed with minimum of two persons. It does not have a two-tier structure like the company or society. Therefore, a trust is a relatively closed structure.

In the company or society the general members have the power to remove a Director or board members but in the case of trust it is not possible.

Above all the drafting of the memorandum and articles of association, bye-laws or trust deed is most crucial in determining the control and governance aspects of charitable entity.

Registration from Activities Point of View

There is more or less no difference between these three forms of registration as far as the activities or the areas of operation are concerned. Because, activities/ area of operation and other bye-laws are based on the constitution of the registered entity and the law of the state generally do not interfere.

Comparative Initial and Recurring Cost

The costs of registration are very minimal for all the three forms of registration. The company form of registration involves a long-complicated process; therefore, the cost will be marginally higher. The statutory fees and costs are negligible in all the three forms of registration.

Regular annual returns are required to be filed in the case of a Society as well as a Company. But, the cost involved again should not be an issue for consideration.

The Societies are regulated by the State Government, therefore, the fee structure and regulations vary from state to state. For instance, in Karnataka, the State Government collects a small portion of the total revenue generated by the societies, annually. Therefore, the geographical location and the state laws can also influence the mode of registration.

3. Corporate Governance vs. NPO Governance

Is Governance of NPO's Different?

The term Governance is of distinct importance in case of NPOs. An NPO works for public purposes, however, the funds and resources it uses are bequeathed for public purposes even if they are created from private sources. Therefore, there is no concept of individual ownership or individual gain. The persons, who control or manage a NPO work as trustees. As a matter of fact, a registered society or a trust itself is a trustee and is working in fiduciary capacity. In such circumstances, the governance of a NPO should exemplify greater amount of integrity, transparency and participation. The Wikipedia further defines Non-profit governance as:

> "Non-profit governance focuses primarily on the fiduciary responsibility that a board of trustees (sometimes called directors - the terms are interchangeable) has with respect to the exercise of authority over the explicit public trust that is understood to exist between the mission of an organization and those whom the organization serves".

In case of NPOs, the term governance is about holding and executing a public trust.It is about fulfilling the expectations of the beneficiaries and stakeholders in the most effective way. In this sense the term governance is far more important in case of an NPO, compared to private companies. In case of private companies, the governance lapses may primarily result in losses to share-holders, but in case of NPOs any lapsein governance will result in a breach of public trust and may cause unforgivable detriment to the public causes for which the NPO exists.

NGO Governance

NGOs are born out of a desire to solve a problem, meet a need, or create new opportunities to help others. NGOs are founded on the principle that citizens have a right to associate freely. They may also affirm it by extending direct or indirect financial support to NGOs, which could include full or partial exemption from taxes.In return for this support, NGOs pledge to pursue activities that meet a public or community need rather than the private profit-making interests of owners or stockholders. As long as they benefit directly or indirectly from public-sector support, NGOs are expected to demonstrate a high degree of accountability to their surrounding community. This community includes members, beneficiaries, donors, the government, and other stakeholders or constituencies. Even membership organizations have the responsibility to be accountable to the larger community to the extent that they are directly or indirectly dependent on its support. NGOs should behave accountably even in countries where the general public doesn't expect it or the legal or political environment isn't supportive of the NGO sector.

The rapid growth in the number, influence and effectiveness of non-governmental organizations (NGOs) in recent years has produced greater demands for NGO accountability and governance. These demands - which originate from numerous spheres, including government, the private sector, academia, and the general public – call for assurance that NGOs are responding to the needs and expectations of their many stakeholders and fulfilling their varying missions and objectives. The demands are frequently grounded in a perceived asymmetry that while NGO influence has expanded, there has not been a commensurate advancement in accountability and governance standards and systems. Thus Jeffrey E. Garten, Deanof the Yale School of Management argues: "NGOs have had too much of a free ride in identifying themselves with the public interest. They have acquired the high ground of public opinion without being subjected to the same public scrutiny given to corporations and governments. It is time that companies and governments demand more public examination of NGOs." Such sharp criticism often fails to acknowledge the proactive efforts that many NGOs have undertaken for some time to raise their accountability and governance standards. For these NGOs, turning the abstractions of these concepts into a strategic imperative has been an organizationaland management priority. Some argue that such efforts can effectively move an organization from a potentially defensive mode into a proactive position in which itsets the agenda for change. According to this line of thought, raising accountability and governance standards does not represent a burdensome organizational cost - one designed to appease critics - but rather a strategic approach, and even a competitive advantage, that better positions an organization to realize its vision and goals.

Still, the process is complex and certainly neither consistent nor uniform, given the kaleidoscopic NGO landscape. Accountability and governance have some plasticityin terms of practical approaches and organizational choices when one considers the areas of uncertainty that surround this topic - some of which are outlined below:

- ***The Agenda:*** Is the accountability and governance agenda critical for NGOs? Why should an NGO devote resources to understanding, assessing and publicizing its accountability? Four general rationales can be put forth: morality (accountability is right in principle), performance, (accountability improves the effectiveness), political space (accountabilityincreases the credibility and thus influence), and wider democratization (accountability of NGOs strengthens democracy in the general political environment.)

- ***Balancing Stakeholders:*** To whom is an NGO accountable? Donors, beneficiaries, staff, partners, policy makers? This can vary widely by typeof NGO. David Brown and Mark Moore, of Harvard University, identify the need for NGOs to balance three key areas of accountability: value (public purpose or mission), support (political, legal, financial) and operational capacity (the ability to deliver program results.)

- ***Accountability Mechanisms:*** How can an NGO deliver on its accountability? An accountability framework, developed by the Global Accountability Project, identifies four dimensions of internal stakeholder accountability (member control, appointment of senior staff, compliance mechanisms and evaluation processes) and four dimensions of external stakeholder accountability (external stakeholder consultation, complaint mechanisms, corporate social responsibility, and access to information.)4

- ***Governance Structures:*** "There was a time when service on many nonprofit boards was perceived mainly as an honorary role... Today, nonprofit boards are expected to govern-to determine the direction of the organization, to make plans and policies, to employ, support, and evaluate the chief executive, to approve budgets and monitor expense, to raise funds and promote the organization's cause." At a time when the NGO sector is subject to more scrutiny and is increasingly competitive and results driven - how should the board react?

- ***Performance Measurement and Evaluation:*** How can an NGO measure and report the success of a campaign or program- and do so cost- effectively? Most NGOs are familiar with collecting information on the administration of their programs, but not about the programs results. With pressure from funders and other stakeholders increasing, many NGOs are struggling to report demonstrable achievements - despite the long-term nature of the issue they are addressing.

- ***Legitimacy:*** The question of Civil Society's legitimacy has been on the international agenda for the last 3-4 years. As NGOs have moved from service delivery to advocacy the question has become "Do we get a vote, or just a voice?" Or put another way: Does civil society have a right to participate in policy making, if it is not subject to elections that represent definable constituencies? Is there a baseline for accountability and legitimacy? Civil Society is still searching for effective, creative, and valid responses to this question.

- ***Geographic and Geopolitical Landscape:*** Expectations and mechanisms for accountability will vary depending on where and when an NGO is operating, and what issue it is treating. "For example, a service delivery NGO in Maharashtra State today would likely approach accountability differently than a human rights NGO in Argentina ... or an environmentalNGO in the European Union How do levels of accountability and governance change with geographical and geopolitical factors?

Corporate Governance

"Corporate Governance is holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society. The incentive to corporations is to achieve their corporate aims and to attract investment. The incentive for states is to strengthen their economics and discourage fraud and mismanagement."

- Sir Adrian Cadbury (1999). "Corporate Governance: A Framework for Implementation". World Bank

The basis for effective corporate governance framework is the legislations providing division of responsibilities between the supervisory, regulatory and enforcement authorities. The framework should protect and facilitate the exercise of shareholders rights, equitable treatment, opportunities to obtain effective redress for violation of their rights, and their role in corporate governance. It should recognize the role of stakeholders in the effective functioning of the company. It should provide for disclosure and transparency of matters relating to financial situation, performance, ownership and governance of the company. It should ensure strategic guidance of the company, effective monitoring of management by the board and their accountability to the company and its shareholders.

Though a multiplicity of factors affects the governance of firms, and are important to their long-term success, the Principles of good corporate governance focus on governance problems that result from the separation of ownership and control. However, this is not simply an issue of the relationship between shareholders and management, although that is indeed the central element. It is concerned with the relationships between a business's management and its board of directors, its shareholders and lenders, and its other stakeholders such as employees, customers, suppliers, and the community of which it is a part. The subject thus concerns the framework through which business objectives are set and the means of attaining them and otherwise monitoring performance are determined.

Corporate governance is affected by the relationships among participants in the governance system. Controlling shareholders, which may be individuals, family holdings, bloc alliances, or other corporations acting through a holding company or cross shareholdings, can significantly influence corporate behavior. As owners of equity, institutional investors are increasingly demanding a voice in corporate governance in some markets. Creditors play an important role in a number of governance systems and can serve as external monitors over corporate performance. Employees and other stakeholders play an important role in contributing to the long-term success and performance of the corporation, while governments establishthe overall institutional and legal framework for corporate governance. The role of each of these participants and their interactions vary widely among countries. These relationships are subject, in part, to law and regulation and, in part, to voluntary adaptation and, most importantly, to market forces.

The degree to which corporations observe basic principles of good corporate governance is an increasingly important factor for investment decisions. Of particular relevance is the relation between corporate governance practices and the increasingly international character of investment. International flows of capital enable companies to access financing from a much larger pool of investors. If countries are to reap the full benefits of the global capital market, and if they are to attract long-term "patient" capital, corporate governance arrangements must be credible, well understood across borders and adhere to internationally accepted principles. Even if corporations do not rely primarily on foreign sources of capital, adherence to good corporate governance practices will help improve the confidence of domestic investors, reduce the cost of capital, underpin the good functioning of financial markets, and ultimately induce more stable sources of financing.

There is no single model of good corporate governance. However, work carried out in many countries has identified some common elements that underlie good corporate governance.

They cover five basic subjects:

1. Protection of the rights of shareholders;
2. Equitable treatment of shareholders, including full disclosure of material information and the prohibition of abusive self-dealing and insider trading;
3. Recognition, and protection of the exercise, of the rights of stakeholders as

established by law, and encouragement of co-operation between corporations and stakeholders in creating wealth, jobs and financially sound enterprises;

4. Timely and accurate disclosure and transparency with respect to matters material to company performance, ownership and governance, which should include an annual audit conducted by an independent auditor; and
5. A framework of corporate governance ensuring strategic guidance of the company and effective monitoring of its management by the board of directors as well as the board's accountability to the company and its shareholders.

Values of Corporate Governance: Transparency, responsibility, accountability, and fairness - these four concepts are now widely quoted as the key principles of good corporate governance.

The original definition of corporate governance, outlined above, is built around the concept of accountability. It stems from the belief that owners entrust the managers with running their company and they can hold them accountable for any violations of the contract. Accountability, in that sense, requires the functioning of supporting institutions, both internal and external.

When we speak of transparency in a corporate setting, we focus on the timely and proactive disclosure of financial and other information to shareholders. Such disclosure can be voluntary or mandatory depending on the market and legal environment within which companies operate.

In the corporate governance framework, fairness ensures equitable treatment of minority shareholders, employees, managers, and other agents. Rules and mechanisms of good governance in the private sector seek to eliminate discrimination and establish a clear, predictable environment conducive to long- term investment planning.

The concept of responsibility deals with the integrity of markets and citizen's trust in market institutions and corporations. Responsibility has both internal (owners, managers & employees) and external (business & society) application in the business environment.

NGO Governance vs. Corporate Governance - an Analysis

For Profit Corporations	**Not for Profit - NGOs**
Owned by stockholders	Owned by the public
Generate money for the owners	Serve the public
Success is making sizeable profit	Success is meeting needs of public

For Profit Corporations	**Not for Profit - NGOs**
Board members are usually paid	Board members are usually unpaid volunteers
Members can make very sizeable income	Members should not make any income
Money earned over and above that needed to pay expenses is kept as profitand distributed to owners	Money earned over and above that needed to pay expenses is retained as surplus and should be spent soon on meeting the publicneed
Chief Executive Officer is often on the Board of Directors, and sometimes is thePresident of the Board	Conventional wisdom suggests that the Chief Executive Officer (often called the "Executive Director") not be on the Board.The CEO is often a non-voting member of the board
Usually not exempt from paying taxes	Can often be exempt from taxes, if the nonprofit was granted tax-exempt status from the appropriate governmental agency
Money invested in the for-profit usuallycannot be deducted from the investor's personal tax	Money donated to the nonprofit can bededucted from the donor's personal taxliability if the nonprofit was granted charitable status from the appropriate government agency

Although the table above depicts distinct differences between for-profit and nonprofit corporations, there is much more similarity between them than many people often realize. Both types of organizations must have effective governance, leadership, robust planning, and quality services to constituents, competent and committed personnel, and cost-effective operations. Also, the types of issues that can occur in small nonprofits are very similar to the types of issues that can occur in small for-profits, including the constant struggle to obtain funding and good people, reacting to the changing day-to-day demands in the workplace, ensuring that customers are always satisfied, and managing time and stress to avoid burnout.

An understanding of NGO Governance and Corporate Governance clearly reveals that the values governing the need for Governance is similar i.e. for accountability, transparency, fairness etc.

However the environments and the processes are quite different in terms of complexity and significance.

Accountability of an NGO is to a much diverse set of stakeholders (members, beneficiaries, donors, the government, and other stakeholders or constituencies). Thus NGOs find themselves in a web of complex interactions in a particular context. The constituency which is the focus of NGO interventions could be seen as one such stakeholder, When this constituency comprises of a local community where NGO programmes are carried out, further differentiation arises, creating multiple interests or 'stakes' within the broad category of community stakeholders. Donors and other resource-providers have a stake in the outcomes of NGO performance too. There is often a chain of donors, each being accountable to the next level in their hierarchies, thereby further expanding this aspect of stake-holdership. Such a complex web of relationships often with different expectations and different agendas makes accountability a lot more complex and difficult to deliver. This only emphasizes the importance of need for good governance practices, structures and process in NGOs. In case of corporate governance the primary accountability is to the shareholders.

NGOs hold positions of considerable community respect, and are responsible for delivering services to some of the most vulnerable members of our community. In many ways, NGOs are performing the role of the state. This places a significant burden of trust upon them. As NGOs are private organisations, but operating for public purposes with public support, it is incumbent on the Boards to ensure that their key stakeholders (clients, government and donors) are dealt with openly, honestly and responsively. NGOs should be accessible to members of the community who express interest in their affairs. An NGO often aims at changing the way of being of a community which is often very vulnerable and disempowered. In such a power equation, the need for accountability and fairness and the burden of responsibility on an NGO to be more accountable and transparent is much greater than in the case corporate where a product is sold and the empowered client makes a choice to buy the product. Ensuring that appropriate corporate governance guides a Board's dealings and actions is one way of responding to that trust and burden of responsibility.

NGOs are exempt from taxes - which implies that about 30% of the tax that would have to be paid in case of a company is considered as public funds invested by the government to the NGO. Very often NGOs derive a lot of their revenues from the government or government donors which too are public funds. Such a funding structure enhances the burden of responsibility to remain accountable to the public at large much more than in the case of corporate.

Most importantly, the governance of an NGO is concerned with its effective functioning and performance in society. This is both a legal and a moral obligation. Therefore, governance requires the creation of structures and processes which enable the NGO to monitor performance and remain accountable to its stakeholders. Another critical bearing on NGO governance and accountability is the nature of work where the inputs are clearly measurable in terms of financial resources while the outputs/ outcome are quite complex, intangible and subjective making accountability extremely difficult as resources move down the channel from donorsto international agencies to national NGO's to community based organizations. The only reverse flow are reports on sensitive and complex human behavior or services which can be used for accountability. In the ' for-profit' sector, most criteria for performance are monetary. It is always measured in terms of funds deployed and funds generated as it flows in the form of inputs to products to sales. In the case of NGOs, however, they are based on vision, mission and values. To that extent, creating and sustaining appropriate structures and processes of governance in an NGO is a much more complex and challenging task. While funds are deployed the outputs and outcome are in different forms and often extremely complex to measure. The indicators or units of measuring success in the development sector, varies among stakeholders too making it further complex.

An effective system of governance enables an NGO to formulate, review and reformulate its mission in a changing context. 'Good governance' ensures that programmes follow the requirements of the NGO's mission; promotes a performance orientation and accountability in the institution; and requires that the values (integrity, participation, professionalism, quality, and commitment), statutes (reporting and legal standards and procedures) and norms of socially concerned civic institutions are articulated, practised and promoted. An effective structure and process of governance in an NGO is absolutely critical for ensuring accountability in this wider sense. In most practical situations NGO accountability boils down to the domain of finance. This narrow operational definition is partly a consequence of theease of establishing specific and quantifiable criteria for measuring financial accountability. It is also partly due to the fact that donors (and other resource- providers) have been the most vocal commentators on the issue.