



# GOVERNANCE

Promoting good governance in development finance institutions

## BOARD OF DIRECTORS

### The “conscience of the board”

The current trend is for boards to reduce the number of standing committees. But at least one new committee is being created more frequently: a Governance Committee or Board Affairs Committee. The Governance Committee replaces the nominating committee or board development committees, but does more than either. The governance committee serves as the “conscience of the board.”

The governance committee examines how the board is functioning, how board members communicate, and whether the

board is fulfilling its responsibilities and living up to the objectives and aspirations set for itself and the organization. While all board members should understand the organization’s mission and goals, the governance committee must consider them with an eye on the board’s responsibility to guide the organization and what is required of the board to best accomplish that. The governance committee must be able to articulate the board’s vision for the board and find the board members who can put it into action.

Source: Betsy Rosenblatt

## NON-PROFIT BOARD OF DIRECTORS

### How big should the board be?

New research from the National Center for Nonprofit Boards shows that the average number of board members is 19, and the median size is 17. These numbers are exactly what they were in the 1997 study. A larger board (the largest in NCNB’s study included 95 members) allows a wide cross-section of constituencies to be represented on the board. A larger board may have more people and more connections to raise money and may allow for more working committees. In most very large boards, an Executive Committee becomes the decision-making and governing body--a development that some people feel is fine, but others view as an argument against large boards.

*A larger board may have more people and more connections to raise money.*

A smaller board, in contrast, can be easier to work on - it’s easier to make a decision among three people than 30. Members of a smaller board can get to know each other more quickly and form more effective working relationships because of close communication. If meeting at your organization’s site is an important way to keep members in touch with the programs, don’t forget to limit the board’s size to what will fit into your conference room. A smaller board requires fewer staff to support its work, and so more board members may be able to have strong relationships with the staff management. Although there are

## GRANT FOR NON-PROFITS

### What do I say to a donor or funder?

Let’s say you’re at a reception, a conference, or a holiday party and across the room you see someone who has made a donation or a grant to the organization on whose board you serve. What do you say?

**First**, thank the donor: “Glad to meet you. I want to thank you for all the support you’ve given our organization. It means a lot to us.”

**Second**, introduce yourself: “I’m a board member. I got involved because I think this cause is so important.”

**Third**, ask why he or she gives: “I’d like to ask you a question . . . what is it about our organization that made you decide to a contribution/grant to us?”

**Fourth**, ask for advice: “If there were one thing you wish we’d change about our organization, what would it be?”

Source: [blueavocado.org](http://blueavocado.org)

fewer hands to do the work, a smaller board may create a stronger sense of ownership and responsibility among the board members. On the other hand, if three people leave a small board, the board’s continuity is sharply threatened. Everything else being equal, experts more likely to join a small board than a large one, what about you?

Source: Board Cafe

## NON PROFIT BOARD OF DIRECTORS

### Are we doing a good job?

When a board asks itself, "How do we feel about our board and our organization?" the answer is an important indicator, if not an error-proof test. We suggest an annual poll of board members to get a sense of how the board is doing. There are many such surveys, but here's a short one you can try. Give board members a scale to choose from for each answer, such as 1 - 5 , with 1 being Very Unsatisfied and 5 being Very Satisfied. You might also ask your executive director (and other staff who frequently work with the board) to fill out a similar survey, and then use the results of both to kick off a discussion where people reflect on the survey results and establish objectives for the year about board activities.

How satisfied are you that the board . . .

1. Understands and can convey the organization's mission and purpose?
2. Has procedures that report that government contract obligations are fulfilled?
3. Has a strategic vision for the organization?
4. Knows enough about the organization's programs and services?
5. Monitors and evaluates the per-

- formance of the executive director on a regular basis?
6. Provides financial oversight for the organization, including approving a realistic budget?
  7. Monitors financial performance and projections on a regular basis?
  8. Has adopted a fundraising strategy and reflects on its successes?
  9. Has a clear policy on the responsibilities of board members in fund raising?
  10. Acts as ambassador to the community on behalf of the organization and its clients/patrons?
  11. Understands the role that volunteers play in the organization and the organization's philosophy of volunteer management?
  12. Appreciates the respective roles of the board and staff?
  13. Currently contains an appropriate range of expertise and diversity to make it an effective governing body?
  14. Effectively involves board members in board activities and responsibilities?
  15. Periodically assesses performance as a board?

Source: Jan Masoka

## GOOD GOVERNANCE

### Eight major characteristics of good governance

Below are eight major characteristics of good governance pronounced by the **United Nations Economic and Social Commission for Asia and the Pacific** (UNESCAP):

#### Participation

Participation by both men and women is a key cornerstone of good governance. Participation could be either direct or through legitimate intermediate institutions or representatives. It is important to point out that representative democracy does not necessarily mean that the concerns of the most vulnerable in society would be taken into consideration in decision making. Participation needs to be informed and organized. This means freedom of association and expression on the one hand and an organized civil

society on the other hand.

#### Rule of law

Good governance requires fair legal frameworks that are enforced impartially. It also requires full protection of human rights, particularly those of minorities. Impartial enforcement of laws requires an independent judiciary and an impartial and incorruptible police force.

#### Transparency

Transparency means that decisions taken and their enforcement are done in a manner that follows rules and regulations. It also means that information is freely available and directly accessible to those who will be affected by such decisions and their enforcement. It also means that

enough information is provided and that it is provided in easily understandable forms and media.

#### Responsiveness

Good governance requires that institutions and processes try to serve all stakeholders within a reasonable timeframe.

#### Consensus oriented

There are several actors and as many view points in a given society. Good governance requires mediation of the different interests in society to reach a broad consensus in society on what is in the best interest of the whole community and how this can be achieved. It also requires a broad and long-term perspective on what is needed for sustainable human development and how to achieve the goals of such development. This can only result from an understanding of the historical, cultural and social contexts of a given society or community.

#### Equity and inclusiveness

A society's well being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups, but particularly the most vulnerable, have opportunities to improve or maintain their well being.

#### Effectiveness and efficiency

Good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment.

#### Accountability

Accountability is a key requirement of good governance. Not only governmental institutions but also the private sector and civil society organizations must be accountable to the public and to their institutional stakeholders. Who is accountable to whom varies depending on whether decisions or actions taken are internal or external to an organization or institution.

*"Governance" is a quarterly publication of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). It highlights ideas, best practices and trends in good corporate governance. Copyright, 2008, ADFIAP. Article contributions can be sent to robertj@adfiap.org*