

ICPS newsletter

Research points to room for improvement in the management of Ukrainian NGOs

A joint research project of BoardSource (Washington, DC) and the International Centre for Policy Studies has completed its study of governance practices among Ukrainian nonprofit and nongovernmental organisations (NGOs). The authors conclude that there is considerable uncertainty over the governance function in Ukrainian NGOs, in part because of the vague legal framework and the habit of regarding governing bodies as offering formal approval rather than advice or accountability. They recommend that efforts be made to provide training, information, and other support to both NGOs and the general public, so as to encourage a better understanding of the importance of competent governing bodies to the future of the Ukrainian nonprofit sector

Ukraine has more than 30,500 officially registered nongovernmental organisations, but one of their least understood aspects is the work of their governing bodies. A confusing legal framework, coupled with a general lack of familiarity with governing bodies, has made it difficult both to define the role and measure the effectiveness of nonprofit governance structures. Moreover, the fact that NGOs in Ukraine have traditionally been reluctant to reveal information about themselves has made it nearly impossible until now to see these bodies at work within the organisations. We hope that by raising the issue of governance, this study will foster a better understanding of the contribution of governing bodies to a healthy and sustainable nonprofit sector.

Survey results

The general assembly is the most commonly recognised highest governing body in Ukrainian NGOs. In more than half of such organisations, governance is delegated to a principal governing body that is different from the highest governing body. This principal governing body is most often a board of directors.

In the majority of Ukrainian NGOs, the chief executive is also a member of the governing body, nearly always with voting rights. Three-quarters of chief executives also serve as the chair of the governing body. Over half of the respondents reported that staff members are also members of the governing body, nearly always with voting rights. Women hold positions on the

governing body in an average of 44 percent of Ukrainian NGOs.

Members are most often responsible for the nomination and election of new members of the governing body. In more than 70 percent of Ukrainian NGOs, there is no limit on the number of terms a member may serve. Members of the governing body do not receive a fee, salary, or honorarium in most organisations (87 percent). However, nearly one-third of respondents reported that members do receive payment for other professional services provided to their organisation. Governing bodies most often meet monthly (among civic associations) and yearly (among charitable organisations).

Overseeing programs, formulating policy, identifying the mission, and strengthening the organisation's public image are mentioned most often as the main responsibilities of the governing body. Less than 40 percent of respondents identified monitoring the organisation's finances and ensuring accountability as important responsibilities of the governing body. Financial audits are conducted annually by 33 percent of organisations and never by 28 percent of them; two-thirds of the organisations publish annual reports.

Forty-eight percent of chief executives work as unpaid volunteers. Forty percent of chief executives do not have job descriptions. Chief executives cooperate with their governing bodies most often in community relations, policy formulation, and fund-raising.

What is an effective governing body?

Effective governing bodies run their organisations based on transparent decision making, with the managers of the non-profit organisations undertaking to efficiently allocate and utilise resources, and exercising their authority based on common values and principles. The key advantages bestowed by effective governance on their organisations are the following:

- stability;
- reasoned decision making;
- identification of goals and visions;
- effective organisational planning;
- efficient resource management;
- boosting the organisation's standing in the public eye;
- improvement of programs and services.

The report is based on a questionnaire mailed in February and March 2003 to a random sample of 1,875 Ukrainian NGOs that was drawn from the combined databases of seven Ukrainian organisations. The questionnaire was completed and returned by 468 NGOs, for a response rate of 25 percent. Of the organisations responding to the questionnaire, 77 percent were civic associations, 15 percent were charitable organisations, 6 percent were youth organisations, and 2 percent were creative unions.¹

Main conclusions

One of the main hypotheses in approaching this study was that the governing bodies of Ukrainian nonprofit organisations serve only a formal role. Other suppositions were that the majority of organisations are not aware of their role, that they are established only to fulfil a legal demand, and that this limited understanding of the purpose of governing bodies causes

¹ By comparison, data maintained by the Democratic Initiative Foundation and SOCS, which conducted research for the World Bank in 2003, indicate that 76 percent of organisations are civic associations, 17 percent are charitable organisations, and 3 percent are creative unions or other.

haphazard and unclear management within the organisations. By means of this survey, we hoped to disclose how accurately these hypotheses describe the current situation in Ukraine.

Based on the data presented in this study, our key conclusions can be summarised as follows.

More than one-quarter of respondents did not identify their highest governing body, and nearly one-fifth of those that identified more than one governing body could not say which had the principal decision-making responsibility. This fact suggests that there is a considerable degree of uncertainty over where the governance function resides in the organisation. This impression is reinforced by the finding that in nearly one-third of Ukrainian NGOs, governance is exercised directly by a general assembly that does not delegate authority between meetings to another governing body, such as an executive committee or board of directors. This lack of a clearly defined and positioned governance function is no doubt rooted in the vague and confusing legal framework. However, the organisations themselves show little inclination to structure their governance through statutes, bylaws, or other documents.

In general, Ukrainian NGOs do not consider the integration of their governing bodies into the life of the organisation to be an important issue. Based on Soviet traditions, they tend to view the main function of their governing bodies as agreeing to and approving (sometimes without discussion) general decisions about program and policy, rather than serving as advisory bodies that address specific needs of the organisation. Most of the surveyed NGOs regarded their governing bodies as formal monitoring bodies that rarely offer hands-on assistance.

While general outreach by governing body members is considered important, a relatively low percentage of respondents mentioned financial oversight, the hiring and evaluating of the chief executive, and, perhaps most important, ensuring accountability as the main responsibilities of the governing body. This finding suggests that while organisations view their governing bodies as an important link with the surrounding community, this function is not associated with the preservation of the public trust as a main responsibility.

Ukrainian NGOs do not have a clear understanding of the differences between

governance and management. This is reflected in the fact that, in addition to the formal oversight function assigned to governing bodies, more than 50 percent of respondents saw as main responsibilities the management of day-to-day operations, management of staff, and program implementation. This finding is perhaps explained by the fact that in 90 percent of organisations, the chief executive is also the governing body chair, and in more than half of the organisations, staff members have voting rights on the governing body. These findings suggest that the separation of governance and management and, with it, the ability to recognise conflicts of interest, need further work among Ukrainian NGOs.

The level of effectiveness in governing bodies is further undermined by the fact that there is little turnover in membership, and that new members are not oriented into their organisations. In nearly half of Ukrainian NGOs, governing body members serve terms of four or more years, or with no fixed duration. Fully 78 percent of organisations reported no limit on the number of terms a member may serve. Meanwhile, only 60 percent of organisations reported providing an orientation program for new members.

NGO activity has mostly a volunteer character in Ukraine, with more than three-quarters of all organisations relying on volunteer labour and a similar proportion having no full-time paid staff. Most governing body members are also volunteers, although more than one-quarter of members are paid for other professional services, which they offer to the organisation.

Ukrainian NGOs generally take a minimalist approach to transparency and accountability. For example, while two-thirds of respondents published annual reports, only one-third did so regularly. Annual reports are most commonly distributed only to a narrow audience of members (interestingly, nearly 40 percent of respondents did not identify a means of distributing annual reports, perhaps suggesting they are not distributed at all). Similarly, while 72 percent of organisations reported conducting financial audits, only 33 percent did so annually.

Recommendations

This survey was the first evaluation of governance practices to be conducted in the nonprofit sector in Ukraine. The research covered different aspects of

organisational activity; its results, taken together, offer a practical basis for recommendations aimed at strengthening the Ukrainian third sector. In particular, the study reveals both strengths and weaknesses among Ukrainian NGOs regarding the concepts of governance as they generally understood in the West.

Our research suggests that the main impediment to the development of more effective NGO governance is the legislative and political framework. Inadequacies are apparent first and foremost in the unclear legal provisions surrounding governance, especially the lack of distinctions between governance and management. The confusing language in existing legislation opens the door to creative interpretation—and sometimes to the abuse of power—by the governmental regulatory bodies that enforce organisational and fiscal regulations for associations. The institutionalisation of proper mechanisms for governance through appropriate legislative reform is vitally necessary for all types of NGOs.

Another important element in building sound governance is raising awareness among NGOs and the general public. What is urgently needed is an information campaign so that both NGOs and the public know what constitutes accountable governance, and so that they can recognise good governance practices. It is also necessary to strengthen the capacity of NGOs for effective and sound governance by offering appropriate training to their staff and governing bodies.

Finally, international and donor organisations must be encouraged to support capacity building by NGOs in the area of governance; in doing so, they will help foster a better understanding of the role of nonprofit organisations in the development of civil society in Ukraine, and the importance of effective governing bodies to sound organisations.

The practice of governance is a new concept for Ukrainian NGOs. We hope that the promotion of effective governance will reinforce the effectiveness and transparency of the nonprofit sector as a whole and, in so doing, raise the level of trust and support of the authorities and the general public. ■

The full text of the research is available in English on the ICPS web site at <http://www.icps.kiev.ua/>. For further information, please contact Volodymyr Hnat at tel.: +380-44-236-4116, or e-mail vhnat@icps.kiev.ua.

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