



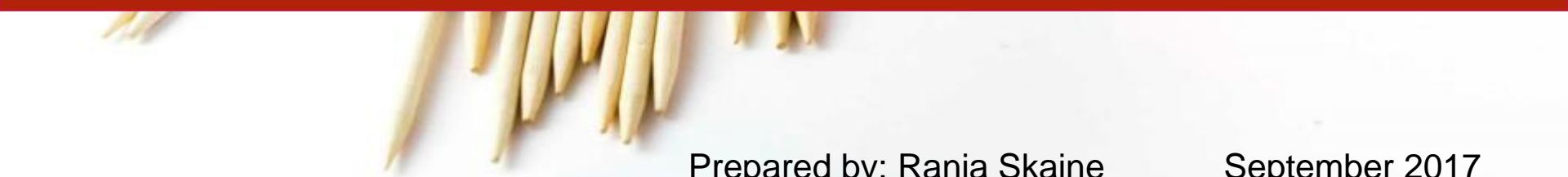
USAID | **LEBANON**
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NGO Governance

Training workshop

BALADI CAP (Building Alliances for Local Advancement, Development, and Investment – CAP)



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By the end of this workshop participants will be able to:

1. Define NGO Board composition, roles, and governance models

2. Apply good governance behaviors and practices

3. Encourage and equip board members to support the organization in specific capacities – as fundraisers, advocates, and advisers

4. Define the scope and complementarities of the Executive Director and Board member roles

5. Create board committees to meet their strategic needs



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Agenda

09:00-09:30	Welcome and workshop introduction
09:30-09:45	Pre-assessment
09:45-11:15	Principle of governance and board of NGOs <i>Objective: Define and explain the key principles and elements of good governance systems</i>
11.15-11. 30	<i>Coffee break</i>
11.30-13:00	NGO board: Composition & role <i>Objective: Develop an in-depth understanding of the composition and role of the board including its involvement in financial affairs</i>
13.00-14.00	<i>Lunch Break</i>
14.00-15.00	Board committees <i>Objective : Gain the skills on how to develop board committees and their charters</i>
15:00-15:30	Wrap-up and post-assessment



A. Principle of governance and board of NGOs



What is good governance?

“A transparent decision-making process in which the leadership of a nonprofit organization, in an effective and accountable way, directs resources and exercises power on the basis of shared values.”

Definition by The Working Group on NGO Governance in Central and Eastern Europe defines good governance as



Guidelines for good governance

Five main principles ensure the development of good governance policies:

1. NGOs are **accountable to their communities** – and the broader society
2. Good governance means a **structure**
3. Good governance involves the **separation of governance and management**
4. Keeping in mind the **mission** of the NGO
5. Exercising **responsive resource management and mobilization**



THE PRINCIPLES OF GOVERNANCE

ACCOUNTABILITY

Ensure management is accountable to board

Ensure board is accountable to stakeholders

Ensure overall accountability for actions and use of resources to donors, legal authority, employees

FAIRNESS

Protect stakeholders rights

Treat all stakeholders equitably

Provide redress for violations

TRANSPARENCY

Provide open leadership

Ensure timely, accurate disclosure on financial situation, performance, stewardship, and governance

RESPONSIBILITY

Recognize stakeholders' rights

Encourage cooperation in meeting NGO goals

Ensure leadership is capable, responsible, representative, conscious of its obligations

Ensure effectiveness and efficiency in the use of resources and in getting results



The Principle Actors in the Governance Systems of an NGO

CLIENT COMMUNITIES

Client communities provide **social and human capital to the managers**

Managers act as **agents** for client communities

Managers

Managers report to the board

Client communities advise the board

Board act as **stewards** for client communities

Board

The board oversees managers

Governance issues/tensions arise from the roles of agency and stewardship. Agency involves the transfer of capital from the beneficiaries to the control of the managers. Stewardship refers to the directors' role as guardians of the NGO's assets



An explicit governance structure makes it easier for an NGO to behave accountably (1/2)

- A **General Assembly** of its members: it is the highest decision making body: it will decide of the major orientation of the NGO, its objectives, its main policies and strategy. It will also elect to the Board its representatives and delegates and discharge them or not after approval or rejection of their activity and financial reports.
- A **Board** is often the principal governing body of the NGO. It has constant oversight and ultimate decision-making authority concerning the implementation of the objectives and policies decided upon by the GA. It is a body which can ensure the stable work of the organization between meetings.



An explicit governance structure makes it easier for an NGO to behave accountably (2/2)

- Large organizations might decide to set up a “**Bureau**” or an “**Executive Committee**” which will be the interface, on a daily basis, between management and governance (GA and Board). In close cooperation with the staff, it performs tasks that should not wait until the next Board meeting, such as researching an issue, collecting information or preparing for the next Board meeting.
- Specific **committees**/working groups composed of Bureau/Board/GA/staff members or external people according to the needs and purposes of the organization might also be set up to help the management and/or governance bodies of the organization perform their tasks in the most efficient way. These committees can be permanent, temporary, have their own specific functioning rules. In this area, there is no limit to creativity to equip an organization in order to face its particular challenges.



Good governance involves the separation of governance and management

A basic tenet of good governance is that **management and governance are separate**. The underlying assumption is that this separation makes possible the checks and balances that ensure the organization is well run and important decisions are made with the public interest in mind.

A board that isn't separate from management functions in a perpetual state of real or **perceived conflict of interest**, because **oversight and executive functions are mixed**



An NGO's basic documents formally establish its governance structure (1/2)

Articles of Association/Articles of Incorporation/Charter/Constitution

Provide the legal basis for the organization

Specify the organization's purpose

Describe the role, rights and responsibilities of the board

Law prescribes the form and content of articles of incorporation. Although requirements vary from country to country, typical items required in articles of incorporation for an NGO include:

- Name of the organization.
- Duration of the organization (usually perpetual).
- Purpose for which the organization is formed.
- Provision for conducting the internal affairs of the organization.
- Names and address of the incorporators.
- Address of the initial registered office and name of the initial registered agent of the organization.
- Provision for distribution of the assets of the organization on dissolution.



An NGO's basic documents formally establish its governance structure (2/2)

By-laws supplements the articles of association and describes the composition and procedural operations of the board

These provisions vary from country to country but usually address:

- General assemblies
- Maximum and minimum number of board members
- The number required for a quorum
- Minimum number of meetings per year
- Terms and term limits of board members
- Appointments, powers and duties of directors and the CEO
- Procedures for removing a board member
- Conflict of interest policy
- Board liabilities
- How a special or emergency board meeting may be called
- How a committee may be created or dissolved
- What committees exist, how members are appointed and what powers if any
- Board proceedings
- Appointment, powers and duties of the board secretary
- Accounts and audit
- Special provisions associated with winding up the organization



Why do CSOs need a board of directors?

1. Boards are often required by law.
2. Boards provide oversight functions
3. Boards promote the organization's mission
4. Boards help raise funds



Question: Why staff voting on the board is a conflict of interest?



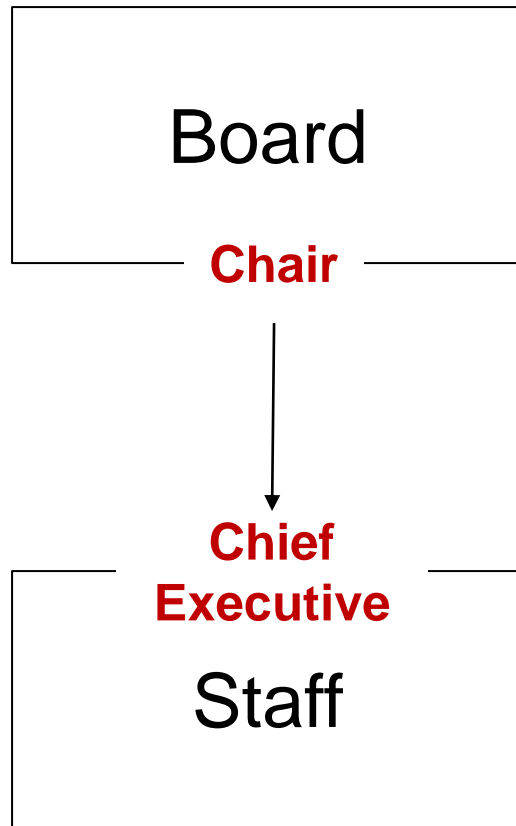


The board delegates responsibility to the chief executive

The **board has the authority to steer and monitor the organization**. But it meets only occasionally, and its members are busy individuals with many demands on their time. Facing such practical restraints, one of the most important ways in which the board discharges its duties is by **delegating authority to the chief executive**.



Typical board-staff relationships





Transparent and democratic governance requires that the internal functioning of such committees, governance and management bodies as well as the modus operandi of their relations and decision making capacities are defined as clearly as possible in **statutes, bylaws or operating manuals**, in line with the legal requirements imposed by the national legislator and the needs, development level and capacities of the organization.



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B. NGO board: Composition & role





Responsibilities of the board of directors and management team of the organization

BOARD

- Define the organization's vision and mission
- Set strategic direction, approve strategic plan and business plan
- Review and approve policies developed by management
- Hire, evaluate, fire (if necessary) CEO
- Provide financial oversight
- Review and approve budget
- Lead in fundraising
- Represents the organization publically

MANAGEMENT

- Disseminate vision and mission
- Develop strategic plan and business plan
- Develop work plans based on strategic plan
- Develop policies and manuals (e. g. HRM, ethics) for board consideration and approval
- Provide board with financial reports
- Develop budget
- Assist in fundraising, develop resource mobilization plan
- Represents the organization publically



How many people should be on the board?

This depends on the size of the organization. On average small to medium organizations have 5 to 7 board members. Organizations should choose a board size that will enable them to:

- Hold productive, constructive discussions
- Make prompt, rational decisions
- Efficiently organize the work of its committees, if these are established
- Ensure that the organization operates effectively

Note: Having an odd number of board members has been shown to keep the system of checks and balances in good working order.



Skills, experience, attributes of a balanced board

- Financial expertise
- Relevant development experience
- Legal expertise
- Representatives of key stakeholders
- Honesty and integrity
- Gender distribution
- Age distribution



Who should serve on the board?

A diverse board (with people of different backgrounds, skills, expertise, and personalities) makes a strong board.

Consider the following criteria to assess individual candidates:

- Interest in the NGO and its mission
- Relevant skills and expertise
- Previous board service, leadership, or volunteer experience
- Able to make a commitment of time and other resources
- Willingness to cultivate and solicit funds
- Understands stakeholder viewpoint and perspectives
- Ability to work well with others
- Possesses honesty and integrity



Question: Why do you think are the reasons for poor board membership





Poor Reasons for Board Membership (1/2)

- **The person had nothing else to do**
 - *Seek out people with initiative along with the skills and expertise that will help and complement the other board members.*
- **He/she helped the organization fill up the board to satisfy NGO registration requirements and/or donors**
 - *Take the time to recruit the right people.*
- **Someone on the board promised the individual that board membership would not require much time or involvement**
 - *Be sure board candidates understand that membership is a huge commitment of time and resources.*



Poor Reasons for Board Membership (2/2)

- **He/she is a friend or family member of someone already on the board**
 - *Look for diverse backgrounds and skills and expertise that will help and complement the other board members.*
- **It was a stepping stone for full-time employment with the NGO or future job contracts**
 - *Board members must be objective and stay free of conflict of interest.*



The roles of the chair, board secretary, & treasurer

Role of the chair

Leads board to fulfill its responsibilities, sets strategic direction, plans and leads board meetings, plans and signs off on board agenda, structures board committees and reviews reports from committees, hires, fires, and supervises CEO, ensures board assessment, oversees the budget, acts as spokesperson for the board.

Role of the board secretary

Advises the chair on the agenda, sets annual calendar for board meetings, sends packets of information to board members prior to meetings, keeps minutes of meetings and records of board decisions, arranges logistics for board meetings.

Role of the treasurer

Takes lead responsibility for overseeing financial affairs of the organization, presents and explains budgets and financial reports to board, leads finance or audit committee.



Role of the board in financial oversight (1/2)

The Board has the responsibility to **oversee the financial affairs** of the organization. It also needs to ensure that the NGO has sufficient resources to fulfil its mission. If a budget does not exist, it is a high priority for the Board to ask the director to prepare one.

The Board then has to verify that expenditures are appropriate and spent according to approved procedures. A **record** must be kept of all financial transactions. Even if the NGO has a Treasurer, eventually supported by a supervisory committee, the Board has the responsibility to exercise financial oversight on a regular basis.



Role of the board in financial oversight (2/2)

The Board should ensure that **internal controls** are established. Most important are: the respect of professional accounting standards, the separation of responsibilities in terms of deciding about transactions, sound investment policies and annual audits.

At the end of the day, according to the terms of many national laws, Board members will be held **personally accountable** in case of proven mismanagement of the organization and particularly of its financial resources, if the General Assembly decides not to endorse the results of their governance options and not to discharge them of their responsibilities.



Internal Control

DEFINITION

Internal control is broadly defined as a process, affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

WHAT ARE THE INTERNAL CONTROL PROCESSES?

- Detect errors
- Prevent mistakes
- Identify fraud
- Ensure the reliability of financial reports

EXAMPLES OF INTERNAL CONTROL OF BOARD AND MANAGEMENT AUTHORIZATION POLICIES

- Board review, approve annual budget
- Authority to obligate funds
- Transactions authorized

DOCUMENTATION OF REVENUES AND SPENDING

- Written agreements with vendors, contractors
- Detailed invoices
- Transactions recorded

SECURITY MEASURES TO SAFEGUARD ASSETS

- Control of access to funds, property
- Prevention and early detection of fraud



CHECKS AND BALANCES

Internal control mechanism that guards against fraud and errors due to omission. In a system with checks and balances, the authority to make a decision, and the associated responsibility to verify its proper execution, is distributed among different departments. These departments are kept logically and physically apart, and no one department can complete a transaction all on its own. For example, the purchasing department orders goods, the stores-department receives and compares them with the respective purchase orders, the quality assurance department inspects and verifies their quality, the accounts department verifies the invoice amount, and only then the comptroller authorizes the payment for the purchase. This process emphasizes interdependence without interference, and creates a data trail or paper trail for auditing.



How can the board improve internal control in an organization?

- Appoint managers with in-depth knowledge of financial and operational issues
- Distribute responsibilities
- Ensure that responsibilities are well-understood by board and management
- Document policies, procedures, responsibilities
- Provide adequate supervision
- Monitor efficiency
- Provide adequate training to staff and board members
- Improve information and communication channels
- Other?



Board meetings

The board should hold regular and professionally run meetings.

There is no perfect number for board meetings. Some boards find they can do their job in two or three long meetings a year, while others prefer to meet more often. Whatever the choice, board members need to be informed of the dates of meetings well in advance and have sufficient opportunity to prepare for them.

A meeting agenda should always be prepared

Meetings run more efficiently with a carefully prepared and strictly developed agenda. Board members are more likely to attend meetings when active participation and real deliberation are expected.

The board should always document its proceedings

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 and deliberately. The board should appoint a person to keep a record of all formal proceedings, including their time and place, attendance, agenda, and decisions taken. These minutes are approved in draft by voting members of the board before they are distributed in final form.



Test your knowledge of NGO governance by taking the following quiz

Instructions: Match each phrase/word in the left column with a phrase/word in the right column. There may be more than one correct match for each item.

- | | |
|-----------------------------------|---|
| 1. Ad hoc committee | a. Board of directors |
| 2. Advisory committee | b. Chairperson/President |
| 3. Articles of Incorporation | c. Clients |
| 4. Bylaws | d. Composed of experts |
| 5. Leader of NGO's governing body | e. Description of an NGO's work |
| 6. Mission Statement | f. Executive committee |
| 7. NGO's governing body | g. Executive director |
| 8. NGO's chief operating officer | h. Finance committee |
| 9. NGO stakeholders | i. Legal document |
| | j. Nominating committee Rules for conducting an NGO's Affairs |
| | k. Group is terminated when its tasks are completed |



C. Board Committees



Question: What are the committees that are mandated by your organizations bylaws? What are the ad hoc committees that you create?



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Committees are useful to improve efficiency within an NGO. Committees do not need to be composed only of board members. Staff, outsiders and experts in the field the committee is working on can also be invited to take part. Standing committees are usually specified in the NGO's bylaws, while temporary committees or task forces are appointed ad hoc by the board chair. Each committee needs clear instructions about what to accomplish and how to function. Usually this takes the form of a written mandate, which includes meeting and membership guidelines and reporting timeframes. Above all, committees need to remember that their job is to work on behalf of the board rather than to make decisions on their own.



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Governance/Board Development Committee:

The governance committee is responsible for enhancing the quality and viability of the board concerning:

- Review board's roles and responsibilities
- Look at board composition needs (skills, etc.) and recruit new members
- Conduct periodic assessment of the board's performance and effectiveness
- Identify and nominate candidates for board leadership positions and facilitate elections process
- Make sure the board identifies annual goals



Financial Audit Committee (1/2)

The main responsibilities of the financial audit committee are:

- Study and review the organization’s accounts and financial reports and provide notes in quarterly or semi-annual reports and submit to the board.
- Prepare annual financial report and submit to the board in its regular yearly meeting to allow it in depth knowledge of the financial situation of the organization during the budget discussion, accounts and financial reports submitted by the board.
- Submit proposals relating to all financial matters (as budget drafts, and financial reports related to risk management and mitigation policies).



Financial Audit Committee (2/2)

- Propose the appointment of external auditors and follow up with all financial matters related to the organization with them.
- Propose the adoption of internal financial system for the disbursement of funds and movement of the organization's accounts.
- Establish a mechanism permitting any member of the board to go back to the committee regarding any financial matter related to the organization.
- The President, the cashier and the accountant are obliged to provide any information, data, or clarifications requested by the committee from them.
- Has the right to call the treasurer or accountant to attend meetings of the committee when the chair of the committee or the majority of its members deem it necessary, without participating in the vote.



Program Committee:

The most common responsibilities of the programs committee is to:

- Oversee new program development, and to monitor and assess existing programs
- Initiate and guide program evaluations, and
- Facilitate discussions about program priorities for the CSO



Fundraising Committee

- Develop fundraising plan and set-fundraising targets
- Tap respective networks for potential donors
- Analyze relationships with current and prospective major donors and funders, and develop individualized strategies to cultivate or strengthen those relationships
- Determine Board fundraising expectations and goals; provide guidance for Board members on meeting fundraising goals; track progress toward fundraising goals both for individual Board members and for the Board as a whole.



Strategic Planning Committee

The Strategic Planning Committee assists the board with its responsibilities for the organization's mission, vision and strategic direction. Its main responsibilities include:

- Periodically reviewing the mission, vision and strategic plan, and recommending changes to the board.
- Annually reviewing the strategic plan and recommending updates as needed based on changes in the market, community needs, and other factors.
- Monitoring the organization's performance against measurable or progress points.
- Helping management identify critical strategic issues facing the organization. Assisting in analysis of alternative strategic options.



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