

Afghanistan Institute for Civil Society (AICS)

**Governance Handbook**

**Afghanistan Civil Society Organizations**

**Compiled by:**

Maxwell Saungweme

**April 2019**

This policy reference manual was made possible by the generous support of the American people through the United States Agency for International Development (USAID) under the terms of its Associate Cooperative Agreement Number 306-A-14-00001 (Afghan Civic Engagement Program) implemented by Counterpart International and its partners. The contents and opinions expressed herein are the responsibility of Afghanistan Institute for Civil Society (AICS) and do not necessarily reflect the views of USAID, Counterpart International, and Aga Khan Foundation.



Table of Contents

[About Afghanistan Institute for Civil Society](#_Toc6198435)

[Why this handbook?](#_Toc6198436)

[Why focus on CSO governance?](#_Toc6198437)

[Target audience](#_Toc6198438)

[Use of the handbook](#_Toc6198439)

[Organization of this handbook](#_Toc6198440)

[Copyright](#_Toc6198441)

1. [Chapter 1: Basics of CSO Governance in Afghanistan 8](#_Toc6198442)

[1.1 What is a CSO?](#_Toc6198443)

[1.2 What corporate governance?](#_Toc6198444)

[1.3 Guiding principles for good governance](#_Toc6198445)

[1.4 Overview of the CSO sector in Afghanistan](#_Toc6198446)

[1.5 Requirements of CSO operations in Afghanistan](#_Toc6198447)

1. [Chapter 2: CSO Institutional Framework 14](#_Toc6198448)

[2.1 Introduction](#_Toc6198449)

[2.2 Organizational setup and structure](#_Toc6198450)

[2.3 Networking and partnerships](#_Toc6198451)

1. [Chapter 3: CSO General Assembly, Board of Director and Management 19](#_Toc6198452)

[3.1 Introduction](#_Toc6198453)

[The General Assembly](#_Toc6198454)

[The Board of Directors](#_Toc6198455)

[3.2 Types of boards](#_Toc6198456)

[3.3 Features of a good board](#_Toc6198457)

[3.4 Board responsibilities and duties](#_Toc6198458)

[3.5 BoD composition and members](#_Toc6198459)

[3.6 The board and staff](#_Toc6198460)

[3.7 The board and Management](#_Toc6198461)

[3.9 The board and Stakeholders](#_Toc6198462)

[3.9 The difference between governance and management](#_Toc6198463)

[3.10 Dealing with conflicts](#_Toc6198464)

[3.11 CSO administrative policies](#_Toc6198465)

1. [Chapter 4: Accountability and Financial Sustainability 31](#_Toc6198466)

[4.1 Introduction](#_Toc6198467)

[4.2 Processes in resource mobilization](#_Toc6198468)

[4.3 Fundraising reports](#_Toc6198469)

[4.4 Managing donors](#_Toc6198470)

[4.5 Proposal development](#_Toc6198471)

[4.6 Financial management](#_Toc6198472)

[4.7 Financial sustainability](#_Toc6198473)

[4.8 Budgeting](#_Toc6198474)

[4.9 Financial reporting](#_Toc6198475)

[4.10 Statutory reporting](#_Toc6198476)

[4.11 Audit management](#_Toc6198477)

[4.12 Asset management](#_Toc6198478)

[4.13 Internal controls](#_Toc6198479)

[4.14 Risk management](#_Toc6198480)

1. [Chapter 5: Next Steps 39](#_Toc6198481)

[5.1 Introduction](#_Toc6198482)

[5.2 Enforcing the manual](#_Toc6198483)

[5.3 CSO Adaption of the manual](#_Toc6198484)

1. [Annexes 40](#_Toc6198485)

[Annex 1: Organization structure of a CSO](#_Toc6198486)

[Annex 2: Sample Terms of Reference for the Board](#_Toc6198487)

[Annex 3: Board Charter](#_Toc6198488)

[Annex 4: Sample Job Description for Board Chair](#_Toc6198489)

[Annex 5: Sample Terms of Reference for Board Committee](#_Toc6198490)

[Annex 6: Sample Board Evaluation Form](#_Toc6198491)

1. [Sources 57](#_Toc6198492)

**Introduction**

## About Afghanistan Institute for Civil Society[[1]](#footnote-1)

The Afghanistan Institute for Civil Society (AICS) is a concept that has been incubating for several years amongst Afghanistan’s civil society community, following the 2007 Enabling Environment conference convened by the Government of the Islamic Republic of Afghanistan and the Aga Khan Development Network, in partnership with the World Bank, the United Nations Development Program and the Asia Development Bank. One of the key recommendations from the conference was to establish independent certification bodies for civil society organizations (CSOs) that are recognized by Government, the private sector, donor agencies and civil society. The AICS establishment program was launched by AKF-A in January 2014 through a partnership between AKF and Counterpart International under a wider USAID funded Afghanistan Civic Engagement Program (ACEP) with the long-term goal of enabling CSOs to realize their potential in support of the development of Afghanistan. Behind this initiative are key CSO networks, civil society professionals, and representatives from national and international CSOs with an interest in Afghanistan.

**Mandate of AICS**

The mandate of AICS is to support a credible and competent civil society sector in Afghanistan by linking CSOs, donors, government and capacity building services through culturally appropriate certification schemes. The Institute will encourage the growth of a vibrant civil society, promoting pluralism and participatory, non-discriminatory development in Afghanistan.

**Objectives of AICS**

* Raise credibility of the civil society sector by certifying local organizations against locally defined and internationally recognized standards;
* Systematize capacity building efforts of local organizations by coordinating initiatives against measurable performance indicators;
* Strengthen the role of civil society in Afghanistan’s development through collective efforts of policy dialogue and active engagement with government, donors, the private sector and the broader civil society sector; and
* Provide a channel for resources for civil society by strengthening philanthropic and corporate social responsibility efforts.

**AICS’s Certification Program:**

AICS’ certification program is the organization’s flagship program, which raises the effectiveness and credibility of the civil society sector by certifying CSOs against locally defined and internationally recognized standards. The certification program enables CSOs to align their policies, processes, structure, programs and activities in accordance with the international best practices, contributing to the growth of a competent, transparent and effective civil society sector.

The CSOs’ performance is assessed against five broad sets of parameters as follow:

* Internal Governance and Strategic Planning;
* Project Management and Program Delivery;
* Financial Management;
* External Relations, Communications and Outreach; and
* Human Resources

This handbook, is one of several generic manuals developed with support of AICS to aid CSO’s under the certification program to adapt and adopt, and customize these manuals and internalize them as part of their policies. Apart from this handbook, generic reference manuals developed to support CSOs in this regard include: **Monitoring and Evaluation Policy Reference Manual; Financial Management Policy Reference Manual; Procurement Management Policy Reference Manual; Project Management Policy Reference Manual; External Communications and Advocacy Policy Reference Manual; and Human Resources Management Reference Manual**.

## Why this handbook?

The past two decades saw an increase in numbers of local CSOs operating in many developing countries and these entities evolved and won public confidence as key players in humanitarian work and development[[2]](#footnote-2). The CSO concept emanated in 1945 as the United Nations (UN) needed to accord consultative status to organizations not regarded as governmental entities[[3]](#footnote-3) . It is widely acknowledged that CSOs are not-for-profit organizations whose aims are to relief the suffering of poor communities, implement community development projects, and provide basic services. The Afghan NGO Law defines a not-for-profit organization as an organization that, “…cannot distribute its assets, income or profits to any person, except for working objectives of the organization. An organization [that] cannot use its assets, income or profits to provide private benefits, directly or indirectly, to any founder, member, board of directors, officer, employee, or donor of the organizations or relatives[[4]](#footnote-4)”. CSOs can be registered organizations, community groups, professional associations, trade unions, and charities whose aims are to improve the well-being of their members or targeted beneficiaries of their program. CSOs are people-centered, non-governmental, self-governing, and are dependent to a significant extent on voluntary contributions or donations[[5]](#footnote-5). The rise in number, responsibility and influence of CSOs have also come with a lot of scrutiny regarding their legitimacy, accountability and effectiveness[[6]](#footnote-6)

A CSO “…cannot distribute its assets, income or profits to any person, except for working objectives of the organization”. It “cannot use its assets, income or profits to provide private benefits, directly or indirectly, to any founder, member, board of directors, officer, employee, or donor of the organizations or relatives”

Afghanistan has over the years witnessed an increase in number of CSOs after the fall of the Taliban coupled with the flow of billions of dollars in foreign aid[[7]](#footnote-7). CSOs in the country are registered with the Ministry of Economy as non-governmental organizations (NGOs) or with the Ministry of Justice as social organizations.

While CSOs play an important role in humanitarian and development sectors and in reaching to areas and demographics to which for-profit and government programs fall short, they have increasingly faced critical questions about their accountability, integrity and effectiveness from many quarters including government, donors, and members of the public. Some reports of corruption, misuse and mismanagement of resources have created questions on the effectiveness of CSOs and perceptions of lack of confidence in the sector[[8]](#footnote-8)

Recent analysis of strengths of CSOs done through AICS Certification Program, revealed that while CSOs under its program had qualified senior staff, written charters/constitutions, functional governing bodies had transparency mechanisms and internal and external mechanisms for gender integration and female participation in programs, more needed to be done in aspects such as defining quorums for governing body meetings, election process for government board members, processes of amending organization’s constitution, strategic and sustainability planning, conflict of interest policy among others[[9]](#footnote-9)

Thus, this handbook is informed by the foregoing issues and the realization that good governance in CSOs is a must if the sector is to be more effective and win more confidence of the public, government and other stakeholders. The handbook seeks to contribute to improved internal governance of CSOs in Afghanistan. Our understanding is that the quality of an a CSOs governance system determines its ability to pursue, sustainably its mission, vision and purpose and that organizations that lack vertical and horizontal accountability and transparency lose legitimacy, credibility and confidence from stakeholders and this makes it difficult for them to achieve their purpose or advocate for good governance.

The quality of a CSOs governance system determines its ability to pursue, sustainably its mission, vision and purpose and that organizations that lack vertical and horizontal accountability and transparency lose legitimacy, credibility and confidence from stakeholders and this makes it difficult for them to achieve their purpose or advocate for good governance

This handbook provides:

* A standard guide to be used as a point of reference for CSO good governance;
* Tools that will make it easy and efficient to implement good governance standards and practices;
* Easy-to-use guide for those in leadership of CSOs in Afghanistan; and
* Scope for strengthening institutional capacities of CSOs to develop efficacious governance structures.

## Why focus on CSO governance?

There is an understanding that the main causes of underdevelopment and bad governance emanate from inter-alia weak institutions, lack of adequate legislative frameworks, damaging discretionary interventions, uncertain and variable policy framework, closed decision-making processes all which aid corruption and waste. The development and humanitarian context in which CSOs operate are very dynamic and change with context and the environment. Factors such as funding streams, public policy frameworks, politics, demographics, technology, economy, and community needs change often and at times radically leading to governance strategies to also evolve with these changes. The growing uncertainties within the CSO sector in Afghanistan, including the large numbers and diverse CSOs demands that governance issues are taken into consideration on a practical basis as opposed to just rhetoric. Relationships between various stakeholders including their influence, power, positions, interests and issues are critical in good governance of CSOs.

This handbook seeks to support Afghan CSOs to:

* Attain greater accountability and transparency in their operations;
* Have an impetus to introduce management and institutional changes;
* Be rated highly by key stakeholders, including donors;
* Reframe their humanitarian and development work through systems and processes that ensure transparency, horizontal and vertical accountability, and greater program impact;
* Ensure greater value for money or highest return from every dollar or investment done leading to greater trust of CSOs from beneficiaries, participants and government, as well as confidence from donors;
* Be more exemplary and self-regulatory; and
* Engender a renewed perspective among Afghan CSOs on how their organizations can be better managed through setting up effective board and management structures, policies and governance procedures.

## Target audience

The primary audience for this handbook are CSOs under AICS certification program. Secondary and tertiary audiences include the rest of Afghan CSOs and NGOs, government, donors, academics and students. The handbook was produced based on codes of practice on NGO and CSO governance, experience and practice of local and regional organizations as well as local laws and other international best practices, standards and guides in CSO governance. The handbook is highly adaptable and proffers a range of policy procedures that can be adopted and/or adapted by any CSO to enhance its governance practices.

## Use of the handbook

This handbook was produced within the Afghanistan context and therefore designed mainly for Afghan CSOs. The handbook is based on various assessments and certification programs done on CSOs by organizations such as AICS. It also derives its content from various corporate governance guidelines and reports such as the King’s Report in South Africa[[10]](#footnote-10), Cadbury Report[[11]](#footnote-11), various works on corporate governance, and guidelines used by audit firms in assessing robustness of governance systems and structures of organizations.

While the author of the handbook ensured that it is relevant to CSOs in Afghanistan, the diversity of CSOs in the country may lead to some differences in governance, terms used, modes and description. However, the handbook provides a practical and rather flexible guide than can be adapted and used across CSOs in Afghanistan.

## Organization of this handbook

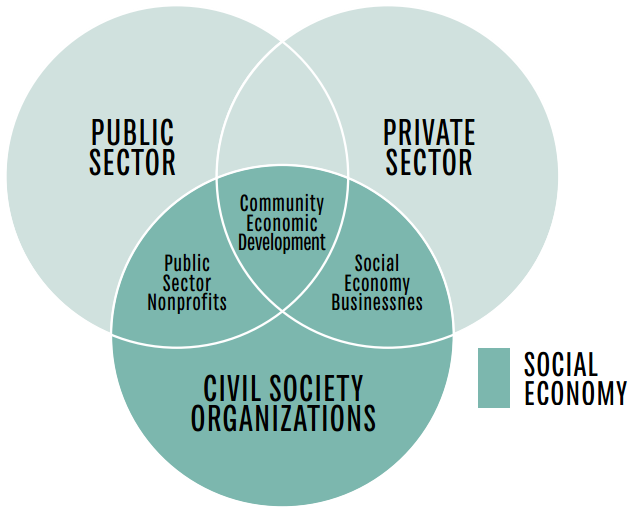
This handbook has six chapters. The first few chapters look at concepts and practical elements of good governance. The succeeding chapters look at frameworks of CSO operations in Afghanistan, in particular the legal and structural aspects. The last chapters look at CSO sustainability issues, including resources mobilization strategies and human resources issues. Some samples and examples of policies and governance practices are provided as Annexes for reference.

## Copyright

This handbook is offered to Afghan CSO’s as a public good. CSOs under the AICS certification program and beyond are free to adapt, customize and adopt this manual for their own organization in a manner they deem appropriate. CSOs that develop their policies out of this handbook, must take this also as a guide and template. What is important is for the CSOs to develop out of this handbook, policy documents that apply to their organization’s mandate and size and take ownership of the handbook they develop out of this and internalize and operationalize the same.

# **Chapter 1: Basics of CSO Governance in Afghanistan**

## What is a CSO?

[[12]](#footnote-12)CSOs can be defined as “Non-State, not-for-profit, voluntary entities formed by people in the social sphere that are separate from the State and the market. CSOs represent a wide range of interests and ties. They can include community-based organizations as well as non-governmental organizations (NGOs). …they do not include business or for-profit associations”[[13]](#footnote-13). In Afghanistan CSOs are registered either under the Law of Non-Governmental Organizations, (Act 1384, 2005) or under the Association Law of 2013. Under NGO law they are registered under the Ministry of Economy, while under the Association Law, they are registered under the Ministry of Justice. Associations are defined as “…communities, unions, councils, assemblies, and organizations which are voluntarily established by a group of real persons and corporations and non-profits, non-political…”[[14]](#footnote-14) Organizations registered under NGO law can also include international NGOs (INGOs)[[15]](#footnote-15).

Thus, CSOs under Afghan laws are not profit oriented and their work should benefit society or particular communities’ targeted by their mission and objectives. CSOs are independent, non-partisan, voluntary, and work for the public good.

Main principles of CSOs include ***participation, transparency, accountability, responsiveness, equity, effectiveness, efficiency, strategic vision*** *and* ***good governance***. These core principles will be difficult to adhere to in organizations where roles and responsibilities of boards and management overlap and clash, or board members’ primary purpose of pursuing the best interest of the organization is not understood or where conflict of interest exists.

## What is corporate governance?

Corporate governance of CSOs is a system to which the organization is directed, controlled, and held to account. It focusses on policies, systems and direction- the primary role of the board. The board is accountable to many stakeholders that include, but not limited to, society, members, program beneficiaries/participants, government, donors, regulatory authorities, local and national [[16]](#footnote-16)authorities, employees and financial institutions. Corporate governance also entails conforming to codes of ethics, international standards, relevant laws and regulations, and best practices.

**Good CSO governance**

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

Wyatt defines good governance as, “…a transparent decision-making process in which the leadership of a non-profit organization, in an effective and accountable way, directs resources and exercises power on the basis of shared values”[[17]](#footnote-17)

Dambach *et al*, 2009 summarize governance as, “the activity performed by an entity (such as a board, a city council, or a legislature) that holds authority within a system. In an organizational system such as a nonprofit, authority is granted to the board of directors by the state when the organization is incorporated. The board is authorized to make decisions and set policies that define how the organization will carry out its mission; it is also held accountable for the actions that follow those decisions and policies. The board then governs the organization―that is, it directs and guides the organization from its position of authority”[[18]](#footnote-18)

## Guiding principles for good governance

A number of guiding principles have been noted in literature and work done on CSOs in Afghanistan and beyond as necessary for good governance of CSOs. These include:

**Self-regulation:** CSOs have the capacity to efficaciously govern themselves. Self-regulation includes developing and administering common norms and standards of behavior by and for CSOs that is not fully mandated by government regulation[[19]](#footnote-19). In such cases CSO participation is voluntary. The work of AICS, where standards for CSO certification are set and CSOs voluntarily enroll and subscribe to them is a clear demonstration that CSO in Afghanistan can self-regulate.

**Registration:** CSOs must be registered under relevant laws in Afghanistan, i.e. either under the Afghanistan NGO Law[[20]](#footnote-20) and/or the Afghanistan Association Law[[21]](#footnote-21);

**Professionalism:** CSOs have to conduct themselves professionally following good practices in their sector and work;

**Organizational and financial sustainability:** CSOs must manage their operations in manners that ensure continuation of their mission, even when external funds cease;

**Representation:** In all structures of the organization, gender and social inclusion aspects and representation must be ensure- including geographical and other aspects of representation;

**Fairness**: the CSO must have systems within the organization that take into account all stakeholders who have an interest in the organization. All women and men within the organization must have equal opportunities to improve maintain their interest and stake in the organization

**Accountability:** the organization must have and apply systems and mechanism that effectively allow accountability. The CSO must be able to account for its activities and resources using acceptable systems and procedures. This effectively means that board and management answer to the stakeholders on their power and duties; expenditure; actions and decisions made.

**Participation:** all stakeholders (regardless of gender, creed, religion, race, ethnicity, age) must have an equal voice in decision making in processes of the CSO.

**Responsibility:** The conduct of board, management and staff of the CSO must be based on behavior that allows for preventive and corrective action, as well as penalizing management where necessary.

**Transparency:** this refers to the ease with which outsiders are able to make meaningful analysis of the CSO actions, including its economic and non-financial fundamentals and aspects. This involves communication and outreach, information sharing and acting in open and clear manner. Transparent systems help staff, outsiders (and other stakeholders) to gather information that can forestall abuses and can be used to defend their interests in the CSO. Clear procedures for public decision-making, open channel of communication, and widely and readily available information are key attributes of transparency in a CSO;

**Strategic vision:** the board, employees and stakeholders must have a broad and long-term perspective on good governance, the development of the vision of the organization, along with a good sense of what is needed for such development. Understanding of the historical, cultural, and social background in which that perspective is grounded must also be understood;

**Discipline:** Commitment to stick and follow behavior that is universally accepted to be proper. This entails respecting and following the organization’s policies and the management and board setting examples as good role models for adhering to policies;

**Independence:** the extent to which mechanisms have been put in place to avoid potential conflict of interest that may exist such as not having close relatives in both the board and senior management of the CSO or board members that do not expect to have material gains from the CSO.

**Social responsibility:** being aware of and responding to relevant social issues that may affect the CSO. Such issues include understanding the culture in which the CSO work and responding to emergent social issues in an appropriate manner. For example in the wake of cases abuse of aid and exploitation of minors and vulnerable adults by humanitarian workers, a CSO must respond to this by having robust safeguarding policies and reminding and re-orienting its staff on safeguarding issues and also informing communities and stakeholder on how reporting on abuses by CSO staff and members can be done;

**Protection and safeguarding:** Ensuring that the organization has ethical codes of conduct that prevent the abuse of power or authority by staff and board or anyone associated with organization who may exploit children and vulnerable adults as in exchange for access to goods and services from the organization. An example of a breach in safeguarding principles is where a male CSO staff, management or board member ask for sexual favors from a female beneficiary in exchange for program items or employment.

**Efficiency and effectiveness:** The CSO, management and staff must produce results that meet needs, requirements and expectations while employing resources judiciously. This entails for example ensuring that the CSO hires the best staff after interviewing several candidates instead of just nominating or handpicking someone for a job. In procurement of goods and services it entails following the procurement policy and ensuring that there is always competition and the best service provider who provides the best in terms of time of delivery, quality services and a good price is chosen for best results.

**Balance of power:** The CSO must operate in such a manner that there is balance of power- i.e. ensuring that power is shared and devolved among the various stakeholders (general assembly, board, management, staff, volunteers, beneficiaries etc.) in such a way that no one person or group of person have unfettered power on the CSO. An example of lack of balance of power is where the CSO has a founder who is also board chair and executive director and all decisions are made by him or depend on him. Such unbalanced power makes the CSO unsustainable and stakeholders will not have confidence in such an organization.

## Overview of the CSO sector in Afghanistan

By December 2017, there were about 4338 local NGOs registered with the Ministry of Economy and 2700 associations registered with the Ministry of Justice[[22]](#footnote-22). The mandate of the CSOs are broad and cover the following: disability; elderly, children; youth; environment; education; women and gender; human rights; health; poverty alleviation; emergency and humanitarian relief; peace building and conflict transformation among others.

## Requirements of CSO operations in Afghanistan

The CSOs in Afghanistan have deep roots with traditional local councils called shuras or jirgas operating at the village or tribal level on an informal (unregistered) basis, usually to represent a community’s interests to other parts of society.

As an Islamic republic with a civil law tradition, Afghanistan has a hybrid legal system, based on both civil and Sharia law[[23]](#footnote-23).  Afghanistan's legal system has undergone several dramatic changes since 2002, with profound consequences for civil society and not-for-profit organizations (NPOs).  In January 2003, the Transitional Government of Afghanistan adopted the Law on Social Organizations, which was enacted in accordance with Afghanistan's 1964 Constitution.  In January 2004, a new Afghan Constitution was adopted, with provisions recognizing fundamental rights and freedoms.  And in June 2005, former President Karzai signed a new Law on Non-Governmental Organizations (NGOs), which replaced the Taliban-era regulation of NGOs. In September 2013, President Karzai signed a new Law on Associations, which supersedes the 2003 Law on Social Organizations. In December 2017, the Parliament enacted amendments to the 2013 Law on Associations[[24]](#footnote-24).

A plethora of legislative initiatives are pending, including proposed amendments to the Law on NGOs; a draft Law on Foundations; and proposed amendments to the tax code, which, if enacted, would introduce tax incentives for donors to give to tax-exempt organizations[[25]](#footnote-25). A draft Regulation on Volunteerism was submitted to the government in February 2016 and is also pending formal adoption.

Every CSO planning to register in Afghanistan must develop a statute of the association of the organization and register either with Ministry of Justice (in the case of an association) or Ministry of Economy (in the case of an NGO). The statute must show among other things, the ownership of the CSO, powers, structure, roles and responsibilities of different organs and structures of the organization and how elections and appointments of board members and management will be done (Please see Annex 2: Sample Terms of Reference (ToR) for the board. The statute must also show how conflicts in the organisation will be resolved. Both the Law on NGOs and the Association law provide steps on how to apply for registration.

**Object clause:** Both laws provide for how to apply for registration as an NGO or association. Every application should have a statute/constitution and curriculum vitaes of its board members. The statute will list the purpose and objects of the CSO and these must comply with what is listed in the respective laws for registration of associations or NGOs.

**Registered addresses:** It requires that the physical address of the CSO, including email addresses of the organization are provided during the application for registration.

**Name of the CSO:** At applying for registration a proposed name of the CSO must be provided and this must not be the same with that of any other CSO.

**Governance principles:** It’s a good governance practice that a CSO discloses its governance principles when applying for registration. In section 1.3 of this handbook a list of some good governance principles were provided and explained.

**Election of the board members:** The CSO statute should also include clauses on how board members are elected, including the process of replacing old members that may not carry out their duties due to various reasons that may include incapacitation, death, resignation, disqualification, among other reasons.

**Dissolution of the CSO:** The CSO statutes must have clauses on how the organisation may be dissolved and how assets can be disposed.

**Appointment of external auditors:** In line with good governance practices, every CSO must have its accounts audited annually and the audit outcomes shared with relevant stakeholders timely.

**Convening meetings:** It is important to mention in the statutes how meetings such as general assembly and board meetings are called. It’s also important that the number of meetings of the board be specified. Ideally **board must meet at least three times a year** to provide oversight and support to management as well as doing checks and balances for the management. Quorums to the general assembly and other meetings of the board should also be specified. We recommend that a quorum of the board at all meetings must be at least two-thirds of members.

**Membership organisations:** For CSOs that are membership based, it’s important and prudent to include these member organizations or subsidiary organizations in statues at registration. Mentioning these membership organizations helps authorities determine whether certain member organizations or subsidiaries are subject to the control of the CSO.

**Definition** **clause**: Every CSO constitution/statute must have a preliminary section of the statute that explain definitions of some key words and phrases used.

# **Chapter 2: CSO Institutional Framework**

## 2.1 Introduction

A CSO must have a clear institutional framework that covers such aspects as its constitution, registration, policies and procedures, strategic plan, sustainability plan, organizational structure, networking, communication and partnership protocols and strategies. Primarily, a CSO just like any other organization must have a reason for existence encapsulated through its visions, mission and objectives.

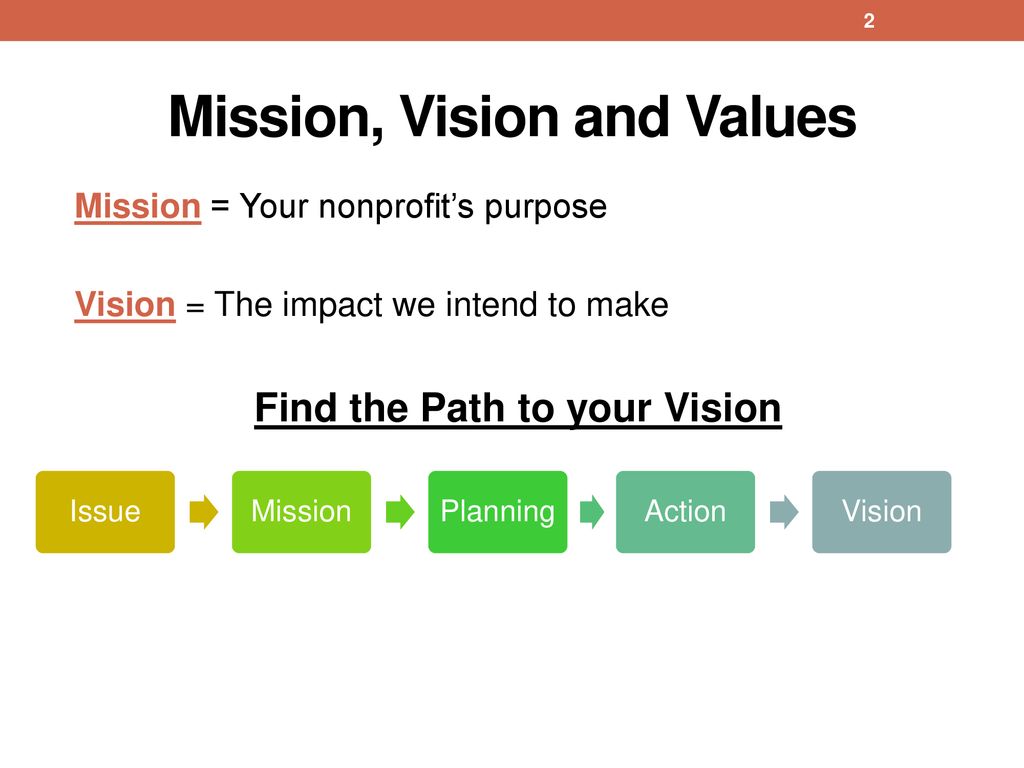
## 2.2 Organizational setup and structure

**History of the CSO:** a historical description of an organization is very important for it helps the board, management, staff and stakeholders understand where the CSO came from. It can include details on the original vision of the CSO, its evolution, and the associated drivers and forces of how the CSO was started and its past activities. The historical description should be able to show the evolution of the organization mission, progression in activities and programs.

**[[26]](#footnote-26)Vision:** Each CSO should have a vision statement. The vision describes the desired situation that the CSO wishes to see in the future, in a generation or more to come. In defining a vision a CSO can ask itself the question, “If as a CSO we could bring the desired change in the society, what could it be?” Below is Oxfam’s vision which an example of a good vision statement:

*Oxfam’s vision is a just world without poverty. We envisage a world in which people can influence decisions that affect their lives, enjoy their rights, and assume their responsibilities—a world in which everyone is valued and treated equally[[27]](#footnote-27)*

When developing a vision it is important to consider the impact the CSO is likely to create on its resources, capacities, competencies, operational factors and society needs. All stakeholders- board, management, staff etc. must be involved in developing the vision to ensure that it is guided by real needs on the ground and they will be able to articulate the vision to their respective partners, donors, government counterparts and other interested parties.

**Mission:** a CSO mission states why the CSO exists and what it seeks to achieve. It also captures how the CSO plans to improve a social situation through its activities and programs. A good mission should cover:

* Broad description of what the organization does;
* With whom and for whom its done;
* The CSOs competitive advantage or distinctive competences; and
* Reason it is done, the ultimate end.

A mission statement must always be reviewed in a dynamic environment and must always be aligned to the vision. Questions to ask during those reviews include:

* What has changed in the operating environment?
* Do these changes significantly impact the CSO mission?
* If yes, what must we as a CSO, adjust in the statement?

For a step-by-step guide to creating a mission statement you can read: <http://www.jeffersonawards.org/wp-content/uploads/2016/10/Mission-Statement-Exercise.pdf>

**Values:** a value is principle, standard, or quality considered dear and worthwhile by the CSO. A CSO needs values that guide the way its staff, partners and stakeholder conduct themselves in the processes of doing the business of fulfilling the CSO’s mandate. It is important that all stakeholders of the organization are involved in defining these values to ensure buy-in. This handbook touched on these values in chapter one.

**Description of programs, services and products**: CSOs are not-for-profit and carry out their mandates through programs that benefit the target communities. A CSO needs to adequately articulate and provide a description of its programs, activities, products, services to ensure that stakeholders understand the focus and niche area of the CSO. It is important that these descriptions align very well with what is actually happening on the ground. Target communities, demographics, beneficiaries must adequately be described and relations with government and other CSOs and NGOs clearly specified.

**Geographical coverage:** It is also important that as a CSO, indications of areas of coverage are stated to ensure that stakeholders understand where the CSO and activities are based. Some CSOs have presence in Kabul alone, some are in other provinces, districts, villages and communities. Others extend service to neighboring countries such as India and Pakistan, and others may have been founded in other countries and have some offices there. Providing geographical coverage details helps in visibility of the CSO and developing links with others working in the geographies. Information of geographical coverage should be precise so that CSO is easily be identified. Operational maps can also help and can aid new board members, donors, employees and government counterpart understand where the CSOs work is happening.

**Strategic plan:** Strategic planning is a CSO management activity that is used to set priorities, focus energy and resources, strengthen operations, ensure that employees and other stakeholders are working toward common goals, establish agreement around intended outcomes/results, and assess and adjust the organization's direction in response to a changing environment. It is a disciplined effort that produces fundamental decisions and actions that shape and guide what a CSO is, who it serves, what it does, and why it does it, with a focus on the future. Effective strategic planning articulates not only where an organization is going and the actions needed to make progress, but also how it will know if it is successful[[28]](#footnote-28)

A **strategic plan** is a document used to communicate with the organization, its goals, the actions needed to achieve those goals and all of the other critical elements developed during the planning exercise. It should enable the CSO board and management to have thorough comprehension of critical issues and choices that they face in a given period, often three to five years. It should include goals, strategic objectives, critical success factors or key performance indicators, timing of achievements, monitoring and evaluation mechanisms. Every CSO must have a strategic plan.

## 2.3 Networking and partnerships

[[29]](#footnote-29)To any CSO networks and partnerships helps create synergies, avoid duplication of efforts, enable easy de-conflicting of activities, and improve coordination among CSOs and opportunities for learning. Partnerships can be between among CSOs in same sectors or across sectors. Many donors are increasingly funding CSOs/NGOs in coalitions, networks and consortiums. There is a scientifically proven strong positive relationship between being part of networks and strategic alliances with other CSOs leading to good relations with donors and better funding opportunities. It is therefore important for a CSO to belong to some of these strategic programmatic alliances in order to bolster relationships with donors[[30]](#footnote-30)

Some common challenges in partnerships include diverse working cultures that may make it difficult for the partnerships to operate efficiently and efficaciously; communication challenges that may include language barriers, different writing cultures can create tension that may adversely affect the partnerships. Another challenge can be power relations and this is compounded by other factors that may include gender and other social dimensions and varying approaches of doing similar activities.

**Making partnership work:** Below are some tips on how to make partnerships work:

**Reciprocal transparency and accountability**: this means that all CSOs in a partnership are accountable to each other and not just one to the other. The value of participation applies here.

**Joint decision-making:** decisions should be taken jointly and openly in partnerships. They must also be documented agreed to by all through signing agreements where applicable.

**Clear and regular communication**: clear mechanisms must be established to spur collective ownership, openness and build and nurture trust. Communication channels should be clearly defined and their effectiveness evaluated and adjusted over time

**Fair distribution of costs and benefits:** all partners should commit resources and financial costs to the partnership for hosting activities such as meetings and developing funding proposals. Similarly, once benefits accrue to partnership through, for example new funding, the budgets must be fairly allocated to the different partners.

**Dealing with conflicts:** mechanisms to deal with partnership conflicts must be done collaboratively and solutions to issues arising must be sought through collaborative processes to foster understanding and win-win outcomes as opposed to lose/win outcomes that create resentment and will jeopardize the future of the partnership.

**Stages in partnership building[[31]](#footnote-31):**

***First step:*** The goal in partnerships is to achieve more than what an individual CSOs can achieve on their own. In other words, the whole of the partnership is greater than the sum of the individual parts. Identifying self-interest is a critical part of this first step.  In defining the need for a partnership, a CSO should think not only about what the partnership can accomplish as a whole, but also about the concrete benefits to the CSO in particular. Each potential partner should answer the following questions and discuss their answers together:

* What are our short-term interests? What does our CSO need to accomplish or gain in the next 12 months to stay engaged in the partnership?
* What are our long-term interests? What does our CSO need to accomplish or gain in the next 18-36 months to stay engaged in the partnership?

Possible answers might include additional organizational members or volunteers; enhanced products or services; greater community credibility or support; and improved access to businesses, agencies, or foundations.

***Second step:*** Partnerships have to be developed and nurtured in ways that respect and recognize all individuals. Building relationships is not just the responsibility of organizational leaders, but of everyone working in the partnership. It’s also important at the initial stages to agree on a set of **ground rules** for the partnership. This may seem obvious, but very few groups perform this fundamental requirement necessary for valuing and respecting the individual partners.

The stages of developing a partnership can be compared to the stages of team development—forming, storming, norming, and performing. Forming involves bringing people together to start the partnership-building process. It’s important that all members help determine the partnership goals, structure, and processes from the onset. In the next stage, after the group has met several times, people start to question the purpose and direction of the partnership (e.g., “Why am I here?”, “What’s my role?”, “Do we have the right priorities?”). It’s important to work through this storming stage so that the group can be open and honest about their perceptions. Norming is the stage in which the partners begin to develop protocols and reach shared agreements. Performing is when the partners are working together smoothly and accomplishing their objectives.

***Step three:*** There can often be ambiguity or conflict regarding the division of responsibility between the partnership and individual partners. For instance, it’s often difficult to clearly distinguish between strategic and operational (day-to-day) decision-making. Partners may be reluctant to delegate authority to the partnership. Therefore, the partnership can establish a clearly written legal constitution or contract (sometimes called a “terms of reference”). This document sets out the key objectives, procedures, structure, and outcomes of the partnership. It’s also essential that this document reflect the business plan or strategy that forms the basis of the partnership’s work.

The document gives members an overview of how agreed-upon action will be taken and develops a sense of shared responsibility for the partnership’s achievements and failures. It also gives the partnership some structure and boundaries to work within, while allowing flexibility for change and growth. During the setup stage, partners can also develop a specific work plan and agree on their performance management processes so that staff members know what they’re meant to accomplish and how they’re doing

# **Chapter 3: CSO General Assembly, Board of Director and Management**

## 3.1 Introduction

## The General Assembly

The Afghan NGO Law provides for a General Assembly as the key decision-making body of the organization. The General Assembly comprise of all member organizations of the CSO for CSOs that are membership based. In some CSOs the General Assembly meets twice a year and some once a year and some once in every two years. The General Assembly makes key decisions of the organization, including the election of a new board. The key decisions are then followed through by the board in-between general assembly meetings. The board chairperson chairs the General Assembly and provides her/his report at the meeting. Members of the assembly then reject or approve the chairperson report, pass motions on new decisions to be adopted, vote to adopt decisions which will be implemented and followed by the board until the next General Assembly meeting. Annex 1 is a typical organizational structure for a CSO with a General Assembly.

## The Board of Directors

The board of directors of a CSO is the policy making body of the organization and it’s below the General Assembly in the organizational structure for CSOs that have a General Assembly. The board many consist of elected and/or coopted members. In line with good practices in governance of CSOs, board members are not salaried, but perform their roles in a voluntary basis or as community services. However, legitimate expenses for carrying out their duties such as food allowances, accommodation fees, transportation etc. may be paid by the CSO. In some cases, board members pay for such expenses on their own as part of their financial contributions or donations to the CSO, in addition to their time spent providing oversight and technical support to the CSO board and management.

Board members are not salaried positions. They perform their roles on a voluntary basis

For CSOs to gain credibility and achieve their mission, they must have boards that are effective, exercise leadership, enterprise, integrity and judgment in directing the course of the CSO so that it achieves its mission. The board must always act in the best interest of the CSO’s values and constituents served.

The main duties of the board include, but are not limited to: duty of loyalty; duty of care; duty of knowledge; and the duty of attention.

The board functions include:

* Making decisions on policies and strategies of the CSO;
* Representing the CSO;
* Accountability for the CSO;
* Overseeing the CSO’s work;
* Setting and agreeing on governing standards for the CSO;
* Resource mobilization, including fundraising for the CSO;
* Dealing with membership, board and management conflicts; and
* Being a custodian of the CSO.

## 3.2 Types of boards

In not-for-profit organizations there are a plethora of types of boards and their stability and effectiveness depends on various factors. In this handbook we discuss four types of boards that are more common in CSOs, and these are:

* **Elected board:** these are boards elected by fellow members of organizations among themselves. Examples in this category of boards include trade unions, consumer associations and those of umbrella bodies of non-profits such as Agency for Coordinating Body of Afghan Relief and Development (ACBAR)[[32]](#footnote-32). This type of board takes into account views of members on the strategic direction of the CSO. Members equally influence the agenda of the organization by passing motions and Annual General meetings;
* **Self-perpetuating board:** Here board members are responsible for choosing their successors. This is the case mainly in CSOs born out of a group of entrepreneurs coming together to for a trust, campaign organization or charity. Trusts such as Today Afghanistan Conciliation Trust (TACT) would have a board that falls under this category[[33]](#footnote-33);
* **Selected board:** in non-for-profits that have small membership, the members may, without elections, select people to serve in the board as guardians. These ‘guardians’ may be past members and people who contribute significantly to the organization. Usually in this case the board has little influence and mainly weighs in when there are organizational conflicts or the CSO is in some trouble. CSOs that would have boards like this would include arts associations, housing associations and some local charities; and
* **Appointed board:** in this type of non-profit, the third party such a parent government minister appoints the board. This model of boards works for quasi-government NGOs national family planning associations**.**

## 3.3 Features of a good board

A CSO must have a board charter framework that sets out aspects such as board size, roles and responsibilities, composition, selection of members, composition, leadership, compensations, meeting procedures, performance management, commitment and relationships. The following are some features of good boards:

* **Appropriate size:** the CSO needs must determine the size of its board. The bigger the size of the organization, the bigger the board is. A wide array of interests must be represented in the board and social inclusion aspects such as gender and disability must also be taken into consideration in selecting board member. In Afghanistan most CSOs have boards that range from five to 10 members. AICS for example has a board of nine members who represent various interests;
* **Good balance of board membership:** within the board there must be adequate balance of power so that no one member dominates decisions. A good mix of skills and experience must also be seen in the board and the expertise required in the board reflects the organization’s needs and mandate. One key aspect that needs to be balanced is gender. There is need for more women in CSO boards in Afghanistan and other developing countries. Some CSO constitutions would have a clause that allows for cooption of some members to deal with imbalances in the board;
* **Clear roles and responsibilities:** the organization governance documents must clearly outline the roles and responsibilities of the board. These roles must not overlap with those of other structures of the organization. Roles and responsibilities must not be allocated in such a way that one board member becomes too powerful than others. The board must determine the roles and responsibilities of the full board, its chairperson, sub-committees, each board member, board office bearers and executive director’s office in such a manner that there are no duplications of roles and responsibilities;
* **Rigor in selecting board members:** the pre-appointment process of the board members must be rigorous enough and follow proper procedures. Curriculum vitae of potential board members must be considered carefully by the CSO selecting board members. Eligibility to be board members must be checked. Article 11 (2) of the Law of NGOs sets out a list of people who can’t be in NGO boards. Before accepting to be board members, nominated individuals must understand what their role as CSO board member entails and if they have the requisite skills and time required to serve in this role. They must also understand that their **membership to the board comes with no salary or material benefit of any sort from the CSO**;

**Types of board committees:**

Board committees can either be **sub-committees**; **advisory pane**ls; or **task groups:**

* **Sub-committee:** take decisions but are accountable to the whole board;
* **Advisory panel**: a group assembled to advise the board from time to time. Has no decision-making power, but just offer technical advice to the board;
* **Task groups**: are established to carry out specific tasks for the board and are accountable and report back to the board

Committees of the board are important for the following reasons:

* Increase board efficiency by taking responsibility for defined tasks;
* Allow different demographics and groups (such as politicians, parents, special interest groups; donors) to submit their views for the good of the organization;
* Help the organization keep in touch with its stakeholders and beneficiaries;
* Are effective in representing and consulting stakeholders; and
* Provide guidance and wisdom to the management and staff implementing the CSO’s programs
* **Proper selection of chairperson:** the process of selecting a board chairperson must follow a laid down procedure that enhances independence of decision-making (See Annex 4). The procedures must be laid down in the CSOs constitution. The chair must maintain a close but very independent relationship with the Executive Director;
* **Establishment of appropriate committees of the board:** the board is overall accountable for affairs and the performance of the CSO. It can delegate some of the authorities to committees of the board, but these committees’ only make recommendations and decisions are supposed to be taken by the board as a collective. Each committee must have terms of reference (See Annex 5). Effective CSOs may have these board committees: program and strategy effectiveness; finance, communications and outreach; personnel; and fundraising.
* **Set term limits for board members:** CSO constitutions must specify the term limits for board members. The same reasons we call for limited terms of government and renewal are the same reasons why CSO boards must have limited terms. CSO board terms may range from one to five years and for the good of the organization there must be two-term limits. Term limits are an important part of good governance and renewal;
* **Continuous learning and capacity building:** a board should continuously build its capacity to keep in tune with changes in sector, technology, corporate environment and funding trends. All board members should receive orientation about that CSO before they take up their duties. A board Code of Conduct and the CSOs expectations of the board must be provide clearly to the board members. Board members are also inducted through reading past progress reports of the CSO, meeting notes, and meeting and interacting with beneficiaries, staff and donors, exchange programs with board members of other CSOs and short trainings.

## 3.4 Board responsibilities and duties

At a glance the duties and responsibilities of a CSO board include common law and judiciary duties; establishing and maintaining organizational norms; providing strategic direction; formulating policies; providing standards and control mechanisms; protecting the organization; resources mobilization and management; evaluating overall board performance and performance of individual board members; selecting skills and new technology the organization must adopt; recruiting and supervising the Executive Director. Below are some of the board duties explained:

* **Common law duties:** in the discharge of their duties, CSO boards must fulfill common law and statutory requirements by always acting **in good faith, with care, diligence, skill and within the confines of the laws** of the land**.** Acting in good faith means that each board member discharges their responsibilities in a way they believe is in the best interest of the CSO. Acting within the law means that being are aware of laws that govern their activities and ensuring these laws are respected. All board members must be conversant of the NGO and Associations laws in Afghanistan;
* **Fiduciary duties and avoiding conflict of interest:** Each board member must fulfill three principles that fall fiduciary duties- i.e. avoiding conflict of interest; not profit from the CSO, and not using resources of CSO as collateral for board member’s service. Thus, a board member must not be involved in making decisions that she/he has vested interest that would bias her/his judgment and decision making. Secondly, a board member must never profit from being a member the CSO’s board. Thirdly, a board member must never use or seek to use resources of the organization as collateral or compensation her/his service in the board. To avoid conflict of interest, the board and Management must not employ close relatives or influence recruitment processes to get the organization to hire their relatives. The NGO Law prohibits the Executive Director and board from, “…employ(ing) family members or close relatives of the director or board of directors”[[34]](#footnote-34);

**Board members must avoid conflict of interest; not profit from the CSO, and not use resources of CSO as collateral for board member’s service.**

* **Providing strategic direction:** the board is responsive for establishing the long-term direction of the CSO. In most CSOs while the responsibility to shaping the strategic direction of the organization lie with the board, in most organizations the process of defining vision, mission and goals of the CSO are jointly done with participation from the board and management. In cases where the process is driven by the Executive Director, the board must create an enabling environment conducive for good governance;
* **Representation:** the CSO board has a duty to identify and relate with stakeholders of the organization. In most cases the primary client of the CSO, the beneficiaries or program participants are not primary owners of the organization, but the stakeholders that may include members, other CSOs etc. are. It is paramount therefore for the board to identify these stakeholders as they will relate with management;
* **Custodian of values:** the CSO board is responsible for determining the purpose, values and norms of the organization and ensure that the purpose is achieved while organizational norms and values are respected and preserved. Where unproductive norms begin to creep in the board must take responsibility, challenge and correct these to preserve the reputation and credibility of the CSO. The board also has the responsibility to develop, amended and ensure relevant organizational policies are followed;
* **Context understanding and analysis:** the board must have the necessary expertise to understand and analyze the context, and identify opportunities, threats and challenges to the CSO and be able to steer the strategic direction of the organization in a manner that responds appropriately to the context;
* **Providing standards and controls:** it is the responsibility of the board that the CSO has proper management structure, systems, and procedures to function effectively and efficiently. The CSO board must regularly review the CSO’s systems, processes, procedures for organizational effectiveness and attainment of vertical and horizontal accountability of the entity. The board has to evaluate the effectiveness of the CSO’s programs and the organizational sustainability, including financial sustainability;
* **Financial duties:** the board has overall responsibility to ensure financial sustainability of the CSO through financial mobilization strategies and robust management systems. Board responsibility extends to improving financial reporting and accounting systems, improving budgeting processes, ensuring that annual auditing and reporting are done, appointing auditors, developing their terms of reference and setting out tender procedures. It is also common in CSOs that some specific board members are appointed to assist the organization with resource mobilization. These are members who are appointed based on their ability to influence donors and other financiers to support the organization. These are selected based on their posture in society, established networks and social capital, and skills to convince donors to fund the cause of the CSO;
* **Protecting the CSO:** board members have the responsibility to protect the organization from external threats so that the entity continues to survive and pursue its mission. This role of protecting the CSO primarily means meeting the requirements of stakeholders that include beneficiaries, program participants, government, donors, members, among others;
* **Evaluating the board:** the board must regularly assess its effectiveness and take relevant action to make adjustments where required. Annex 6 provides a form for use for such assessments. The board should also periodically review the performance of each member. The board must also evaluate the chairperson. The evaluation process for the board can be done in three different way:
  + **Self-evaluation:** this is when the board members and management look at the work of the board and complete the board evaluation from (Annex 6) individually or as a group and then have a meeting to reflect on the findings and agree on what is working and what needs to be improved in the board. This method however may lack objectivity and may lack the candor required in board evaluations;
  + **Online survey:** another method will be to administer the form attached though an online and anonymous survey and the findings are analyzed and put together for the board to look at. The survey can be run online by a staff or member of the board and responses collected online without identifying the respondents. The board chairperson will then convene a meeting to collaboratively discuss the findings, their meaning and implications on the board and agree on an action plan on issues that need to change; and
  + **External evaluation:** a third method that can be used to evaluate boards is to have an external consultant do the evaluation asking all questions detailed in Annex 6 to board members as individuals and as a group and then prepare and present findings and recommendations for changes to the board at a board meeting or General Assembly. This method will be more objective and will have the level of candor required in board evaluations, but may be costly.

The choice of an evaluation method for the board depends on many factors that include financial resources. This article provides a brief guide on board evaluation[[35]](#footnote-35)

* **Evaluating the CSO’s performance:** the key role of the board is to ensure that it evaluates how the organization is performing. This will allow the board to take necessary strategic actions and make adjustments required;
* **Hiring management:** the board is responsible for hiring the executive director. The board is also involved in hiring of other senior management staff. The board also has to ensure that intellectual capital of the organization is preserved and mechanisms to motivate staff and management are in place. The board also has to ensure that capacity building programs for staff and management are in place as well as up to date succession plans for senior management;
* **Systems and skills selection:** the board must also ensure that the CSO has relevant up to date systems and skills to run the organization efficiently. It is the responsibility of the board to not only select these systems but also ensuring there are serving the CSO; and
* **Communication**: one key responsibility of the board is to ensure that the CSO’s vision, mission, and objectives are clearly and effectively articulated and communicated to all relevant stakeholders. This role entails the board carrying out and being involved in public relations activities of the CSO and nurture a positive image.

## 3.5 BoD composition and members

Key members of CSO board would include a Chairperson, a Finance Committee Chairperson, and Secretary and in some cases Patrons.

**The chairperson**: the role, qualities and powers of the chairperson need to be clearly defined. The selection of the chairperson must follow laid down procedures. The chairperson must maintain a close, professional but independent relationship with the Executive Director and the management.

**Roles of the board chairperson:**

* **Chairing of the General Assembly and board meetings.** Observing the agenda, ensuring adequate time is allocated to all items in agenda, chairing the meeting in facilitative way, ensuring all members freely contribute, summing up discussions;
* **Leading the board in its functions:** strategic planning; financial accountability and sustainability; fundraising; appraisal of the Executive Director; evaluate organizational program performance;
* **Annual appraisals** of board performance and individual board members;
* Act as the **link between the board and the executive director**, without limiting the principle of collective responsibility;
* **Represent the CSO externally** and at public relations events;
* **Plans the General Meeting cycle** and ensure the agenda is circulated;
* **Provide leadership to board members** who set policies; and
* **Serves as an ex-officio member of the board committees** and attends some of their meetings when invited or when possible

**The Finance Committee Chairperson:** the office bearer does the following:

* Advices the Board, Chair, Executive Director and Finance Director/Manager on finances, financial controls, and operations of the CSO;
* Reports to the Board and General Meeting on the financial health of the CSO;
* Receives and reviews Annual Financial Reports from the finance management of the CSO;
* Ensure that proper books of accounting are kept; and
* Leads in the appointment of external auditors and oversees audit processes.

**The Secretary**: assists the chairperson in the fowling tasks:

* Convening meetings of the board;
* Keeping records and the meetings and circulating the agenda;
* Keeps records and registers of all names and addresses of the board members;
* Notifying all board members of a vacancy in the board and clarifying the procedures for filling the vacancy; and
* Supporting the Executive Director in communicating with registrar of CSOs in Ministry of Economy or Justice or any other authorities where necessary and as required by respective law the CSO is registered under.

**The Patron:** A CSO may invite any eminent person to hold the title of patron as an honor. This is a mark of honor and distinction. Patrons may be people of influence who can help improve the image of the CSO. They can be invited to also speak at the CSOs public meetings and other events.

## 3.6 The board and staff

There should be clear communication channels spelt out regarding how the board communicates to staff. In the CSO, the board communicates to the rest of the staff through the Executive Director. From time to time it will be necessary for respective board members to speak to relevant departmental heads. For example the Finance Chairperson would need to directly speak to the Finance Manager/Director at times. But where such communication happens, it should be very transparent on the issues discussed and the Executive Director must always be looped in on verbal communication and copied in if its email communication. It is important that board members do not undermine the Executive Director by passing direct instructions to staff or contradicting instructions of the Executive Director. This will cause dis-cohesion in the organization’s management and may lead to lot of friction, not helpful to the CSO’s efficient functioning.

## 3.7 The board and Management

The CSO management comprise of the Executive Director and senior staff. The management is seized with the day-to-day administration of the organization. They perform the management functions of **planning**, **organizing, leading**, and **controlling**. They also ensure good and sound governance of the CSO. The management must meet in person at least once every two months. More regular meetings to take decisions can be done by phone or online, in relatively shorter duration meetings. The role of the board is therefore to ensure that a proper structure exists that adequately addresses the organization, systems and people aspects of the CSO. The structure must be efficient and effective enough to main responsibility and corporate integrity.

**The Executive Director:** is appointed by the board. The board defines the roles and responsibilities of the Executive Director and sets out the qualities and person specification for the office bearer. CSO Executive Directors are normally employed on fixed term, performance based contracts, renewable after two years or so. The Executive Director’s contract should at least define the following:

* Duties, responsibilities, powers delegated by the board;
* Obligations to comply with board decisions;
* Obligation to keep strictly confidential all information acquired during or after her/his services pertaining to the CSO and its decisions;
* Service duration;
* Leave provisions; and
* Termination of service provisions.

*Attributes and skills of the Executive Director:* the board must ensure that the qualities, qualifications of the Executive Director are spelt out. Where an Executive Director has no experience in a similar role, it is the responsibility of the board to ensure that the Executive Director is supported, guided and gets capacity building to acquire those skills. An Executive Director must be someone capable of contributing robustly in board meetings. Someone with independence and clarity of thought. They should have integrity, and must be able to grasp the operations of the CSO, including the changes taking place in the operating environment locally, regionally and internationally.

*Appraisal of the Executive Director:* the board must decide on the remuneration of the Executive Director on a performance-based contract. They should also regularly review the performance of Executive Director on the following: organizational strategy; operational plans; annual budgets; establishing of CSO key performance indicators; organizational policies; CSO benchmarking; compliance to local and national regulations; and fundraising among others.

*Executive Director’s role in the board:* The Executive Director is an ex-officio member of the board. She/he attends board meetings and sometimes acts as its secretary, but without voting rights. Their role is to ensure that the board is adequately briefed in a transparent manner about operations of the CSO and decisions that need to be made. The Executive Director also leads in implementing decisions of a management nature that would have been reached by the board. The principles that govern the Executive Director’s communication with the board, include **transparency, relevance, substantial, openness, promptness,** and **fairness** in terms of relaying to the board the position on issues of the organization. The Executive Director has even heavier responsibilities where the board is weak and she/he must be involved more without interfering with board functions. Some main duties of the Executive Director include:

* Ensuring that strategic and financial plans are in place, updated and regularly reviewed;
* Ensuring that board approved human resources plans are in place and regularly reviewed and updated;
* Build and nurture a strong and effective management team;
* Ensure all necessary policies are developed and approved by the board and are in place;
* Act as the spokesperson of the organization;
* Keep stakeholders informed about the organization programs- this includes donor and government reporting as required.

## 3.9 The board and Stakeholders

The board needs to ensure that there is a proper plan for its communication with stakeholders so that stakeholders are up to date with what is happening with the CSO. The board should guide the Executive Director is carrying out regular stakeholder analyses which then inform the communication plan with stakeholders. CSOs normally communicate with their stakeholders through press statements, communication briefs, updates on social media and websites; involving stakeholders at program quarterly reviews and annual and strategic reviews. The Board should from time to time also see donor reports submitted to key funders of the organization and their feedback. Periodic donor round-tables and briefs are also key to communicating to this stakeholder. Reports submitted to relevant government departments as per requirements of CSO registration are also other ways of communicating to the government as a stakeholder. The main stakeholders of a CSO the board should ensure are communicated to regularly include beneficiaries or program participants; donors, government (local and national); member organizations; individual members; local leaders; religious leaders, among others.

## 3.9 The difference between governance and management

It is important in a CSO that the roles of the board and management are understood to avoid tension. Below are some key differences between board and management roles:

|  |  |
| --- | --- |
| **Governance roles** | **Management roles** |
| Determine and define policy and strategy | Implement policy and strategy |
| Appointing and overseeing the Executive Director | Appointing, leading management and staff |
| Monitoring organizational performance | Monitoring day-to-day activities and programs |
| Managing governance processes | Delivering activities and programs |
| Providing insight, wisdom and judgment | Programming activities |

## 3.10 Dealing with conflicts

Organizational conflicts are inevitable. They signify progress in a well-functioning CSO. But the way the organization responds to these conflicts matters. Conflicts can be between staff, between management and staff, between management, between management and board, management/staff and stakeholders, between board members and between the board and the General Assembly. It is important that the board and management take conflicts positively and seek to understand the various actors, interests, power, and positions within the conflicting members of the CSO so that those conflicts can be transformed and lead to relevant changes required in the organizational policies, ways of doing things, salaries and packages etc. The board must be willing to transform whatever conflicts that arise in a non-adversarial manner without vindictiveness. The board and management must accept to be challenged in an objective manner to do things differently. As much as possible conflicts must be dealt with through collaborative dialogue. Using legalistic or disciplinarian routes must be last resorts. It must be possible that from the conflict you have win-win outcomes and have all parties involved emerge stronger and more willing to serve the CSO better. But legal and disciplinary routes, while necessary as last resort, create winners-loser outcomes which may be detrimental to the health of the organization.

## 3.11 CSO administrative policies

**Policies** are important as they guide management thinking in decision-making. They seek to guide how decisions are made and ensure consistency. Policies are a means of encouraging discretion and intuition within operational limits and guided frameworks. Procedures on the other hand are plans that establish a required method of handling activities. Rules spell out specific required actions or non-action. The board may have its committees develop policies or delegate the management to do so. All policies would have to be approved by the board. Some of the key policies CSO’s must have to support good governance include:

* Human Resources Management Policy;
* Finance Management Policy;
* Procurement Management Policy;
* Communications and Outreach Policy;
* Monitoring and Evaluation Policy; and
* Project Management Policy.

The policies above are also covered as key policies under AICS’s certification program and sample policies have been developed separately for adaptation and adaptation by CSOs.

# **Chapter 4: Accountability and Financial Sustainability**

## 4.1 Introduction

CSOs mainly depend on donor funding. The process of resources mobilization is best done as a team effort within the organizations. It is ideal, though, that one person is charged with leading and coordinating fundraising and resource mobilization efforts. The Executive Director and board members are normally involved in engagement with the donors and other potential funders. Someone among the management or staff will coordinate the proposal development and drafting of documents. Relevant program technical staff within the CSO contribute to technical aspects of the proposal while finance teams do the budgets. The Executive Director then submits the proposals and engage in negotiations with the donors.

## 4.2 Processes in resource mobilization

Planning for resources mobilization must be a systematic process. Once a strategic plan is developed, a financial plan can also be developed once the organization identifies the resources it needs to achieve its strategic objectives. The CSO then does some mapping of potential donors that funds its work within and outside Afghanistan. An action plan for fundraising will then follow. The board needs to support the Executive Director in ensuring that the action plan for resource mobilization is followed through. Article 25 and 26 of the NGO Law of Afghanistan allows CSOs to access funds from a g variety of sources that include: donations and gifts; bequests, legacies and grants; membership fees; movable and immovable property; income generation from lawful economic activities and use of movable and non-movable property to generate income.

**Steps in successful resources mobilization[[36]](#footnote-36)**

Below are some steps in successful fundraising and resources mobilization:

* Start with an **organization strategic plan** - vision, mission, goals;
* Prepare a **fundraising strategy** - financial needs with analysis of the funding market;
* The fundraising strategy must be **balanced** - what support is required for today, tomorrow and for the future;
* A **board** which is committed and able to assist with fundraising;
* A **fundraising committee**, appointed by the board as a sub-committee to assist with the fundraising work and support the volunteers;
* Appoint a **fundraising staff person** (full-time, part-time or volunteer) to perform the day-to-day sustainability work;
* **Training** - ensure that those involved receive skills development;
* **Build a donor base** - research, identify and analyse potential donors and nurture existing donors;
* **Service the donors** -stay in touch and development relationships; and
* **Evaluate the fundraising programme regularly** - check how you are doing and build on success.

## 4.3 Fundraising reports

It is recommended that the CSO keeps fundraising reports as they help when reviewing fundraising strategies. The reports must contain the fowling:

* Donor interests;
* Donor requirements;
* Schedule of donor s– regarding calls for proposals, submission dates, reporting; and
* Proposal formats;

These reports can be done bi-annually or annually. The board must insist on having such reports at its meetings for them to see how successful the CSO’s fundraising strategy has been and what support they need to provide to the Executive Director and his management team.

## 4.4 Managing donors

Donor management is about building relations with current and potential donors and resource providers. There is need to build and sustain mutual trust between the CSO and the donor. The CSO must ensure that it addresses the needs of the donor without compromising its own approaches and mission.

## 4.5 Proposal development

Developing funding proposals entails identifying information that is necessary to include, selecting a team to write the proposal and understanding the requirements of the donor. Below are some processes and steps in proposal writing for a CSO[[37]](#footnote-37)

[**Determining funding priorities**](https://www.thebalancesmb.com/where-do-nonprofits-get-their-revenue-2502011)**:** The CSO should identify, on an annual basis, what its funding needs are for the near future. All programs and activities being currently implemented may be include plus new ideas for new programs or the expansion of existing ones. The CSO then identifies and allocates potential funders for each activity and program.

[**Preparing a draft proposal**](https://www.thebalancesmb.com/how-to-write-a-grant-proposal-2501980)**:** Put together a draft proposal for one of the projects or programs that the CSO has identified as a potential intervention for funding. At this stage, the CSO will assemble the detailed background information it would need, decide who will [write the proposal](https://www.thebalancesmb.com/professional-grant-writer-2501954), and draft the key components of the grant proposal such as:

* the [executive summary](https://www.thebalancesmb.com/how-to-write-the-executive-summary-of-your-grant-proposal-2501963);
* [statement of need](https://www.thebalancesmb.com/how-to-write-a-need-statement-for-your-grant-proposal-2501959) or problem statement;
* project description;
* budget; and
* [organizational information](https://www.thebalancesmb.com/organizational-background-grant-proposal-2501960)

[**Finding potential funders for your proposal**](https://www.thebalancesmb.com/finding-funders-for-grant-2501982)**:** With a draft proposal in hand, the CSO can look for appropriate funders. The CSO then develops a list of criteria so that it can find funders that fit with their proposal. Then as CSO identify funders that are interested in your particular location, the program area in which you work (education, poverty, health etc.), and funders willing to provide the amount of funds your project will need. Develop a broad list of potential funders and then winnow it down to those that best fit with your needs.

[**Contacting and cultivating potential funders for your grant proposal**](https://www.thebalancesmb.com/time-for-grant-proposal-approval-2502178)**:** It is not wise to just start dropping proposals in the mail or filling out [online grant applications](https://www.thebalancesmb.com/government-grants-for-nonprofits-2502170). You will save a lot of time if the CSO executive director makes a call or email the donor and speak to a program officer. Briefly, explain the project and ask if it fits with the donor's interests. This enquiry might lead to unexpected information or simply alert the executive director that this particular foundation is not a good match the project proposal. But then the executive director might find out that the donor's interests are worth thinking about for a future project and proposal.

[**Packaging the grant proposal**](https://www.thebalancesmb.com/how-to-write-a-cover-letter-for-your-grant-proposal-2501949)**:** Once as a CSO you have determined that your proposal is a match for a particular funder, tailor your basic proposal to that funder's priorities. Make sure you understand the funder's guidelines for grant proposals and that you follow them. Add a cover letter and any accompanying documents the funder requests. Make sure the proposal is accurate and easy-to-read.

**Responding to acceptance or rejection of your proposal:** If the CSO’s grant proposal is accepted, the executive director must have responsibility for the follow-up. Prompt follow-up will be crucial to the CSO’s ongoing relationship with the funder. The executive director and finance manager must take care of the letter of agreement or contract as soon as possible. The board chairperson or executive director send a personal note of thanks to the donor. The CSO must also schedule times updates and reports to the donor. The executive director must develop a relationship that will endure with the donor.

If the [**proposal is rejected**](https://www.thebalancesmb.com/what-to-do-immediately-after-your-grant-is-rejected-2501975), the executive director must respond graciously. She/he must not contact the funder to ask if the CSO might try to submit the proposal again with appropriate changes or if they might still be interested later in a different project. Never complain.

## 4.6 Financial management

Most of the funding for CSOs in Afghanistan comes from donors. It is important therefore for the board and management to ensure that proper financial systems are in place for their CSO. CSOs must comply with accounting and audit standards of the country, sector and donor. These include:

* Setting up appropriate, clear and transparent financial systems;
* Conducting annual audits as required by the law;
* Developing clear policies on such things as staff advances and loans;
* Setting up procurement systems free from vested interest and not easily manipulated for personal gain;
* Preparing realistic project budgets; and
* Following agreed upon (with donors) changes to the budgets.

## 4.7 Financial sustainability

Financial sustainability can be defined as the **capacity of a CSO to generate revenues locally and/or ensuring that external donors continue to make funds available at required levels for programs**. It is gauged by net income (surplus of revenue over expenses), liquidity (cash available to make payments), and solvency (the relationship between assets and debt/liabilities). Financial sustainability also entails the capacity to develop a diverse base of funding so that the institutional structure and benefits production of an organization continue after external funding ceases. Financial sustainability encompasses sound financial management, resource mobilization and income generation/self-financing. Apart from relying exclusively on donor funds, CSOs must also engage in economic and “profit-making” activities though all returns from these investments must be channeled back to the non-profit work of the organizations. Article 22 of the Afghan NGO Law allows CSOs to **“…perform economic activities to reach the statutory nonprofit goals of the organization”.** It adds that income derived from the economic activities cannot be used for **“…personal benefit of any founder, officer, member, director, employee or donor of the organization”**[[38]](#footnote-38) . Financial sustainability entails the ability to generate a positive balance sheet so that the CSO can have flexibility to respond to new needs and changes to the operating environment. Key pillars of financial sustainability are **good strategic financial management practices**; **income diversification**; **own income generation** and **good donor relations management** practices[[39]](#footnote-39). It is important that the board supports he management in attaining all the key pillars of financial sustainability.

**Income diversification:**

* Is having several donors funding your work;
* Having a good long both long term and short-term donors;
* Having various institutional donors and private donors funding your work;
* Having other income generating activities, that may include economic activities;
* A CSO must have at least 3 donors or funding sources

**Good strategic financial management includes:**

* Having financial plans and operational budgets;
* Having and fowling fincial policies;
* Reducing unnecessary expanses and leveraging on assets of the organisation to generate income( such as renting part of the office to recover costs;
* Having costs recovery systems and negotiating for adequate indirect costs with donors

**Good donor relationship management** includes**:**

* Regularly engaging the donor;
* Inviting them project activities;
* Submitting reports and proposals on time in right formats;
* Respecting donor policies and grants agreements;
* Sharing newsletter, pamphlets, audit report etc. ;
* Being a reliable source of context analysis in the areas you operate;
* Engaging on donor social media platforms;
* Recognize donors when you do work or publish work using their funds( always check the branding guidelines of the donor
* **Own income generation:** a CSO must raise other funds from economic activities, membership fees, charging nominal fees for specialized services such as trainings of other CSOs. Income raised this way is unrestricted and enables the CSO to do certain activities it needs to fulfil its mission the donors might not fund.

## 4.8 Budgeting

A CSO needs to prepare budgets for all its activities in each financial year. A realistic assessment of the CSOs fundraising strategy must be a key factor in determining the year’s budget. The need for quick results must be counter-balanced with the need for accuracy in budgeting. A key aspect in budgetary control is to delegate the cost control responsibility to the person responsible for committing resources and incurring expenditures. This clarifies responsibility and gives the person authority to spend and improve managerial accountability. Provision for inflation needs to be factored in budgets. It is a good practice for the CSO to also develop a separate operational budget covering administration and staffing costs. Shortfalls in the operational budget must be accompanied by a plan to cut costs or increased fundraising or a combination of both. The board at its annual meeting must receive an operational budget from the Finance Chairperson and use that to plan resources for the fowling year.

## 4.9 Financial reporting

Boards of CSOs must ensure that their organizations follow the General Accepted Accounting Principles (GAAP) rules promulgated by the Finance Accounting Standards Board (FABS) in their reporting. These accounting principles form the basis of the International Accepted Accounting Standards (IAAS) applied universally which stipulate that:

* All financial statements should explain the financial position of the organization and must give a true picture of the state of affairs;
* At the end of each month there should be preparation of financial statements;
* These statements usually should include a statement of financial position (balance sheet), an income statement and a statement of cash flow; and
* Financial statements, while are of use to board and management, are also relevant to stakeholders of the organization

Other financial reports the Board and management should ensure are produced and used to determine the financial health of the CSO include financial analysis reports; and cash flow report variance report. These are covered in more detailed in the Financial Management Policy Manual developed separately.

Article 27 of the NGO Law makes it mandatory for CSOs to keep annual financial records and submit financial reports to the Ministry of Economy. Audits are supposed to be done based on international standards and copies submitted to the Ministry of Economy, Ministry of Finance and donors. The board and management are held liable for an illegal financial activity of the CSO[[40]](#footnote-40).

## 4.10 Statutory reporting

Chapter 4 of the NGO Law sets out reporting requirement for NGOs operating in Afghanistan. It is the duty of the board to ensure these reporting requirements are adhered. The reporting process as set out by the law is as follows:

* **Submission:** *Annual Activity Report* must be submitted to the Ministry of Economy within three months of end of the fiscal year;
  + A *semi-Annual Activity Report* must be submitted to central and regional offices of the Ministry of Economy in a given format that is updated from time to time. A receipt must be obtained after submission and must be kept in a safe place in the office. The executive director must always check out for the updated format from the ministry. The semi-annual report can be written in one the official languages of the country. A copy of this report must also be sent to a respective line ministry.
* **Analysis and assessment of reports**: according to the NGO Law, the Ministry of Economy analyzes and assesses the report and within 90 days of receipt of the same, inform the NGO of the outcome. The ministry also sends a copy of a summary of international NGOs report to the Ministry of Foreign Affairs.
* **Monitoring**: The Ministry of Economy and line ministries will supervise and monitor CSO projects focusing on quality and quantity aspects as per project design and contract. The CSO must provide facilities for such supervision and monitoring by the Ministry of Economy and line ministries.
* **End of project**: the CSO has an obligation to inform the Ministry of Economy and line ministries in writing about the end of the project in line with the project contract end date/

## 4.11 Audit management

An audit is an independent examination of records and activities of the CSO. An audit report outlines the auditor’s opinion on the state of affairs of the CSO. An audit can either be internal or external. For a CSO audit are essential and must be done at least once a year. Audits are important as they demonstrate the organization’s commitment to transparency and accountability. An audit ensures compliance to international standards as well the CSO’s policies and procedures. Article 27 of the NGO Law makes annual audits mandatory and are supposed to be done based on international standards. Copies of audit reports must be submitted to the Ministry of Economy, Ministry of Finance and donors. The board must ensure annual audits are done and recommendations from the audits are used to improve the organization’s systems and processes.

## 4.12 Asset management

The executive director must ensure that the CSO has an updated Asset Register. At minimum the asset register must have:

* Name and description of the asset;
* Name of supplier and details of maintenance contract, if applicable;
* Serial number or registration number;
* Date of purchase and receipt number;
* Cost of asset;
* Rate of depreciation;
* Annual depreciation charge;
* Net book value; and
* Disposal process and date of disposal.

Proper asset management is one issue many CSOs face. If assets are not manger well, penalties may be imposed on the CSO by donors or funding can be cut. It is important that the relevant committee (e.g. finance committee) of the board review the asset register at least twice a year. Keeping an asset register also shows a commitment of the CSO to the principles of transparency and accountability.

## 4.13 Internal controls

Effective mechanisms that allow for accountability must exist within the CSO. The CSO board and management must encourage responsible behavior that allow preventive and corrective action for penalizing mismanagement. The systems set must enable compliance with the NGO Law, Article 14 and/or the Associations Law, Article 9.

Control procedures and policies within the CSO help safeguard assets, detect fraud and error and assure the accurateness and completeness of the CSO’s accounting records. Below are some of the control systems expected in a CSO:

* **Segregation of duties:** duties divided among several staff for transparency;
* **Physical controls**: this includes things like receipting and banking cash on a regular basis; locking the safe always; use of passwords, regular petty- cash counts; and use of non-cash payment methods to avoid the risk of staff carrying a lot of cash to the field. These alternatives include mobile and bank transfers;
* **Authorization and approval:** ensuring that there are authorization thresholds and all transactions are approved and authorized by person with authority to do so only; and
* **Supervision:** bay-to-day should be checked and supervised to minimize errors

## 4.14 Risk management

The board is responsible for the total risk management of a CSO. However, it can delegate the design, implementation, and monitoring of the risk to management. The risk management systems should identify potential risk areas, measure the risks when they occur, find ways of anticipating and preventing further risk. This risk may include human resources related, operating environment related, technology, security, natural disasters and compliance. Every CSO must develop and incorporate a Whistleblower Policy given the recent developments in the sector with safeguarding issues- sexual exploitation, sexual harassment, exploitation of children and vulnerable adults, fraud among other issues. Risk management should be done continually and the system reviewed from time to time.

# **Chapter 5: Next Steps**

## 5.1 Introduction

It is our hope that the earlier chapters did capture a handful of issues, challenges and opportunities pertaining to good governance of CSOs in Afghanistan. While the handbook seeks to provide a guide to CSO boards, management and staff with regard to good governance, we acknowledge that the handbook may fall short of some expectations or issues one would have wanted discussed.

## 5.2 Enforcing the manual

If any CSO adopts this handbook it may be useful to take the following steps:

* Creating awareness in Afghanistan of this handbook;
* Facilitate mainstreaming of to the CSO and its members;
* Monitoring and evaluating the impact of the handbook;
* Compiling the feedback emanating from those who used the handbook; and
* Convene annual review meetings for CSO in governance processes.

## 5.3 CSO Adaption of the manual

Any CSO in Afghanistan may adapt this handbook as a guide for good governance. We hope the handbook will help improve governance CSO.

# **Annexes**

## Annex 1: Organization structure of a CSO

## Annex 2: Sample Terms of Reference for the Board

* 1. The board shall at all times not be less than five or more than nine members in office. The executive director shall be full time Secretary of the board;
  2. If as a result of death, resignation, incapacitation or failure or inability to act by any board member the number of members is reduced to five, the Chairperson or in his absence, the remaining members shall there upon communication in writing, appoint an additional member. This will be any person willing and fit to act;
  3. The board will be appointed among people sympathetic to the purpose, vision and mission of the CSO. For the purpose of proffering direction to the CSO, holding and administration of the CSO’s funds and assess;
  4. Appointed board members shall hold office for duration of two years and will be eligible for re-appointment for additional terms;
  5. A member is entitled to resign anytime from the board, provide they do so in writing to their core-members;
  6. Members shall, from time to time, be free to co-opt or appoint any person to join them in terms of the constitution;
  7. The members, may by two-thirds majority, dismiss any of their members for misconduct or failure to act or discharge their duties;
  8. Any retiring members of the board shall be eligible for re-appointment for a further term of two years, with no option for further appointment thereafter;
  9. The board, shall at any time terminate the appointed of a member, provided they vote that by two-thirds majority;
  10. Any vacancy of the board shall be filled as follows: any person may be nominated for appointment, with her/his consent, provided that such nomination is supported in writing by at least two members of the board. The board shall decide who to fill the vacancy from the nominated. In the event that the board fails to decide on the nominee to fill any vacancy within six months of the vacancy occurring, the appointment shall be made among persons nominated as aforesaid by the Chairperson of the board whose decision will be final;
  11. If the total membership of the board falls below five as a result of the expiry of two year term of office of any of the appointed members, the term or terms of office of any or all such appointed members whose individual or collective retirement would have that effect shall be extended until the appointment to fill any vacancies;
  12. The board shall take no decision unless there is quorum of two-thirds of the members present or voting, including the Executive Director. Decisions made by simple majority vote, but in the event of tie, the Chairperson has a deciding vote;
  13. The board shall appoint a Chairperson and Vice Chairperson from among themselves. No person shall hold the post of Chairperson for more than two years in a row and for than once during her/his tenure in office;
  14. The board shall meet at **least three times a year**, in such a way that not more than four months will lapse in between board meetings. In addition, any two members of the board can request for a board meeting anytime in writing, to which the Secretary has to call for the meeting in response, within 21 days;
  15. Any member of the board who fails to attend two successive meetings of the board, without reasonable circumstances, shall cease to be a member;
  16. All meetings of the board shall be minuted. The Secretary shall keep all minutes of the board. Within a week after a board meeting, minutes must be prepared by Sectary and signed by the Chairperson and Vice Chairperson and circulated to all members. At the next meeting, all members of the board shall confirm the minutes as a true record or otherwise of what transpired at the meeting;
  17. The board shall hold an Annual General meeting and as many ordinary meetings as it deems necessary;
  18. No less than half the members of board shall form a quorum. If half an hour into a meeting, the quorum is not reached, the meeting shall remain adjourned until another time when a quorum is reached; and
  19. The Annual General Meeting of the board shall be held in September of every year. The purpose of the meeting, among others is to consider the balance sheet and financial statements, affairs of the organization and appointment of external auditors;

## Annex 3: Board Charter[[41]](#footnote-41)

1. **PURPOSE OF CHARTER**

The Board Charter sets out the role, composition and responsibilities of the Board of Directors

(“the Board”) of …………………………………….

The conduct of the Board is also governed by the Constitution of ……………., a copy of which is located at (website)

A number of operational matters relating to the Board such as number of meetings per year, notification of interests, and election of directors are governed by the Constitution and are not reproduced here.

2**. PURPOSE OF THE BOARD**

The Board has two broad purposes, compliance and performance:

**COMPLIANCE:** conform with or exceed all legal requirements

**Legal**

• monitor constitution

• comply with directors’ responsibilities

• comply with laws

• monitor insurance requirements

Accountability

• monitor financials

• Compliance audits

**PERFORMANCE:** assist the organization to perform to its best potential

**Strategy and policy**

• approve Vision/mission and ensure it is embedded into the organizations operations

• approve strategic plan and policies and monitor regularly

**Accountability**

• Overall performance of the organization

• Board evaluation, succession planning

• Report outcomes to stakeholders

• manage the Executive Director

**Public Relations**

* + represent and participate
  + keep stakeholders informed
  + project a strong and positive image
  + promote the vision
  + facilitate cohesion
  + protect the interests of stakeholders
  + speak with one voice regarding Board decisions

**Risk management**

* + Ensure up-to-date and effective risk profile and management strategy
  + monitor critical risks
* The Board, while meeting its responsibilities, is mindful of the organizations mission and the objects of the organization as embodied in its Constitution.

**3. ROLES AND RESPONSIBILITIES**

The Board has delegated authority from the General Assembly for the operations and administration of the organization to the Executive Director.

**The functions of the Board are** to:

Provide effective leadership and collaborate with the Executive management team in:

* + articulating the organization’s values, vision, mission and strategies
  + developing strategic (direction) plans and ordering strategic priorities
  + maintaining open lines of communication and promulgating through the organization and with external stakeholders the values, vision, mission and strategies
  + developing and maintaining an organization structure to support the achievement of agreed strategic objectives
* Monitor the performance of the Executive Director against agreed performance indicators
* Review and agree the business (action) plans and annual budget proposed by the

**Executive management team**

* Monitor the achievement of the strategic and business plans and annual budget outcomes
* Establish such committees, policies and procedures as will facilitate the more effective discharge of the Board’s roles and responsibilities
* Ensure, through the Board committees and others as appropriate, compliance obligations and functions are effectively discharged
* Initiate a Board self-evaluation program and follow-up action to deal with issues arising and arrange for directors to attend courses, seminars and participate in development programs as the Board judges appropriate
* Ensure that all significant systems and procedures are in place for the organization to run effectively, efficiently, and meet all legal and contractual requirements
* Ensure that all significant risks are adequately considered and accounted for by the Executive management team.
* Ensure that organization has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate and social responsibility.
* The Board has no operational involvement in the conduct of organization’s business activities and delivery of services. Its role is confined to setting and reviewing policy.

**4. MEMBERSHIP AND TERM**

* The Constitution provides for a maximum of ….. Directors and a minimum of …. Directors (so that a quorum can be formed to transact business at meetings).
* The Board consists only of non-executive directors, the majority of whom are independent.
* That is, no member of the Board may be a member of the paid staff of the organization.
* Directors are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the organization.
* Membership of the Board shall be disclosed in the annual report including whether a director is independent or not independent.
* The Board has not adopted a tenure policy, but according to the Constitution, each director must be re-elected by the membership after ….. years on the Board.

5. BOARD/Executive Director relationship

The roles of the Executive Director are strictly separated.

The Executive Director is responsible for:

* + Policy direction of the operations of the organization
  + The efficient and effective operation of the organization
  + Bringing material and other relevant matters to the attention of the Board in an accurate and timely manner.
* The Executive Director is not a member of the Board.

**6. BOARD CULTURE**

The Board actively seeks to have an ‘engaged culture’ which is characterised by candour and a willingness to challenge. The following table is used to provide evidence of an engaged culture

**Agendas**

* + The agendas of the Board limit presentation time and maximise discussion time.
  + There are lots of opportunities for informal interactions among Board members.

**Norms**

* + Board members are honest yet constructive.
  + Members are ready to ask questions and willing to challenge leadership.
  + Members actively seek out other members’ views and contributions.
  + Members spend appropriate time on important issues.

**Beliefs**

* + “If I don’t come prepared, I will be embarrassed.”
  + “If I don’t actively participate, I won’t be fulfilling my responsibility.”
  + “I’ll earn the respect of fellow Board members by making valuable contributions and taking responsibility for what I do.”
  + “If I can’t carry my load, or if I can’t agree with what’s going on, I should resign.”
* Values
  + The Board serves the community by actively participating in governance.
  + The Board is responsible to various stakeholders.
  + Board members are personally accountable for what goes on at the organization.
  + The Board is responsible for maintaining the organization’s stature in the sector.
  + Board members respect each other.

**7. REPORTING**

* Proceedings of all meetings are minuted and signed by the President or the chairman of the meeting.
* Minutes of all Board meetings are circulated to directors and approved by the Board at the subsequent meeting.
* Resolutions are first put to the Board in draft form (as a “Board Paper”) and, once passed, are recorded in a Resolutions Register.

**8. REVIEW OF CHARTER**

* The Board will review this charter annually to ensure it remains consistent with the Board’s objectives and responsibilities.

**9. PUBLICATION OF THE CHARTER**

* Key features of the charter are to be outlined in the organization Annual Report.

## Annex 4: Sample Job Description for Board Chair

**Chair - [ORGANIZATION NAME]**

**Remuneration:**  The role of Chair is not accompanied by any financial remuneration, although expenses for travel may be claimed

**Location:** [LOCATION]

Time commitment: [NUMBER] Board meetings per year. The Chair is also expected to have regular meetings with the Executive Director, and also represent the CSO at various events and meetings with key stakeholders.

**Reporting to:**  Board

**Job Description**

**Objective**

The Chair will hold the Board and Management Team to account for the CSO’s mission and vision, providing inclusive leadership to the Board, ensuring that each member fulfils their duties and responsibilities for the effective governance of the charity. The Chair will also support, and, where appropriate, challenge the Executive Director and ensure that the Board functions as a unit and works closely with the entire Management of the charity to achieve agreed objectives. He or she will act as an ambassador and the public face of the charity in partnership with the Executive Director.

**Principal responsibilities**

**Strategic leadership**

* Provide leadership to the charity and its Board, ensuring that the CSO has maximum impact for its beneficiaries
* Ensure that Board fulfil their duties and responsibilities for the effective governance of the CSO
* Ensure that the Board operates within its charitable objectives, and provides a clear strategic direction for the CSO
* Ensure that the Board is able to regularly review major risks and associated opportunities, and satisfy itself that systems are in place to take advantage of opportunities, and manage and mitigate the risks
* Ensure that the Board fulfils its duties to ensure sound financial health of the CSO, with systems in place to ensure financial accountability

**Governance**

* Ensure that the governance arrangements are working in the most effective way for the CSO
* Develop the knowledge and capability of the Board
* Encourage positive change where appropriate address and resolve any conflicts within the Board
* Appraise the performance of the Board and the Board on an annual basis
* Ensure that the Board is regularly refreshed and incorporates the right balance of skills, knowledge and experience needed to govern and lead the charity effectively, and which also reflects the wider population
* Work within any agreed policies adopted by the CSO

**External Relations**

* Act as an ambassador for the cause and the charity
* Maintain close relationships with key members of the Government and with key influences
* Act as a spokesperson for the organization when appropriate
* Represent the charity at external functions, meetings and events
* Facilitate change and address any potential conflict with external stakeholders

**Efficiency and effectiveness**

* Chair meetings of the Board effectively and efficiently, bringing impartiality and objectivity to the decision-making process
* Ensure that board members are fully engaged and that decisions are taken in the best, long-term interests of the CSO and that the Board takes collective ownership
* Foster, maintain and ensure that constructive relationships exist with and between the board members
* Work closely with the Executive Director to give direction to Board policy-making and to ensure that meetings are well planned, meaningful and reflect the responsibilities of trustees
* Monitor that decisions taken at meetings are implemented.

**Relationship with the Executive Director and the wider management team**

* Establish and build a strong, effective and a constructive working relationship with the Executive Director, ensuring s/he is held to account for achieving agreed strategic objectives
* Support the Executive Director, whilst respecting the boundaries which exist between the two roles
* Ensure regular contact with the Executive Director and develop and maintain an open and supportive relationship within which each can speak openly about concerns, worries and challenges
* Liaise with the Executive Director to maintain an overview of the CSO’s affairs, providing support as necessary
* Conduct an annual appraisal and remuneration review for the Executive Director in consultation with other Board
* Ensure that the Executive Director has the opportunity for professional development and has appropriate external professional support

**Additional information**

The Vice-Chair acts for the Chair when the Chair is not available and undertakes assignments at the request of the Chair.

The above list is indicative only and not exhaustive. The Chair will be expected to perform all such additional duties as are reasonably commensurate with the role.

**Person Specification**

**In addition to the qualities required of a Board member of the CSO, the Chair must also meet the following requirements:-**

**Personal Qualities:**

* Demonstrate a strong and visible passion and commitment to the charity, its strategic objectives and cause
* Personal gravitas to lead a significant national organization
* Exhibit strong inter-personal and relationship building abilities and be comfortable in an ambassadorial role
* Demonstrate tact and diplomacy, with the ability to listen and engage effectively
* Strong networking capabilities that can be utilized for the benefit of the charity
* Ability to foster and promote a collaborative team environment
* Ability to commit time to conduct the role well, including travel and attending events out of office hours

**Experience:**

* Experience of operating at a senior strategic leadership level within an organization
* Successful track record of achievement through their career
* Experience of charity governance and working with or as part of a Board
* Experience of external representation, delivering presentations and managing stakeholders
* Significant experience of chairing meetings and events

**Knowledge and skills:**

* Broad knowledge and understanding of the Civil Society sector and current issues affecting it
* Strong leadership skills, ability to motivate staff and volunteers and bring people together
* Financial management expertise and a broad understanding of charity finance issues
* Good understanding of charity governance issues

**Terms:**

The charity’s Chair (and board members) will serve a two-year term to be eligible for re-appointment for one additional term.

**In addition to chairing the main Board meetings, the Chair has the right to attend the three sub-committees, which all meet quarterly.**

## Annex 5: Sample Terms of Reference for Board Committee[[42]](#footnote-42)

| **Format for Committee Terms of Reference** | |
| --- | --- |
| Role or purpose | A general statement of the committee’s purpose or role should be set out. The role should be relevant to the work of the board. |
| *Example* | The role of the Governance Committee might be expressed as: “To advise the board on matters relating to the board’s governance structure and processes, evaluation of board effectiveness, recruitment, education and evaluation of board members.” |
| Duties and responsibilities | A specific list of activities the committee is to undertake, usually without setting out in detail the process the committee is to follow. |
| *Example* | Governance Committee responsibilities might include:  • Review by-laws and recommend revisions as required;  • Conduct a process for succession, interviewing and recommending candidates for election to the board; and  • Evaluate effectiveness of board governance structures, processes and recommend changes as required. |
| Membership and Voting | Set out the number of appointed and *ex officio* committee members and whether they are voting or non-voting. |
| *Example* | Voting members include:  • Chair of the board;  • At least four directors appointed by the board;  • Executive Director as an *ex officio* member.  Non-voting member:  • Vice-Chair |
| Chair | Describe who the Chair will be. |
| *Example* | A voting member of the committee appointed by the board. |
| Frequency of meetings and manner of call | Specify if a minimum number of meetings must be held and who may call a meeting. |
| *Example* | At least quarterly at the call of the committee Chair. |
| Quorum | If there are non-board members on the committee, the quorum should reference the board members. |
| *Example* | A majority of the committee members, provided a majority of those present are board members;  OR  A majority of the committee members entitled to vote. |
| Resources | Specify if a member of management is to be assigned to the committee as a resource and committee support. |
| Reporting | Specify how the committee reports. It will usually be to the board, but a sub- committee may report to a committee. |
| *Example* | To the board. |
| Date of last review |  |

## Annex 6: Sample Board Evaluation Form

Indicate your extent of agreement with the statements below by circling the appropriate number.

|  |  |  |
| --- | --- | --- |
|  | **Linkage with membership** | **Strongly**  **Agree Disagree** |
| 1 | As a group, our board is proactive in its efforts to understand the views of the CSO members. | 1 2 3 4 5 6 |
| 2 | The members of the board put the interests of the CSO above their personal and constituent interests. | 1 2 3 4 5 6 |
| 3 | The board holds itself accountable to the CSO stakeholders for its performance. | 1 2 3 4 5 6 |
| 4 | The board communicates with the members in a timely, transparent manner. | 1 2 3 4 5 6 |
|  |  |  |
|  | **Strategic Direction** | **Strongly Strongly**  **Agree Disagree** |
| 5 | Board members share a common vision of what is best for the CSO now and in the future. | 1 2 3 4 5 6 |
| 6 | The board thinks and acts strategically. | 1 2 3 4 5 6 |
| 7 | The content of board meetings is at an appropriate level for a governing body. | 1 2 3 4 5 6 |
|  |  |  |
|  | **Board Structure and Processes** | **Strongly Strongly**  **Agree Disagree** |
| 8 | New board members are adequately briefed and equipped to contribute early in their term. | 1 2 3 4 5 6 |
| 9 | Committees are appropriately sized, include the right members, and have clear responsibilities. | 1 2 3 4 5 6 |
| 10 | Committee reports are timely, comprehensive, succinct, and valuable. | 1 2 3 4 5 6 |

|  |  |  |
| --- | --- | --- |
| 11 | There is a climate of trust on the board. | 1 2 3 4 5 6 |
| 12 | Board members support board decisions outside the boardroom, even when they disagree with them. | 1 2 3 4 5 6 |
| 13 | Individual views of board members are respected by their colleagues. | 1 2 3 4 5 6 |
| 14 | The Nominating Committee is provided appropriate guidance on the qualities needed for board candidates. | 1 2 3 4 5 6 |
| 15 | Board members respect confidential information outside of board meetings. | 1 2 3 4 5 6 |
| 16 | Board meetings afford adequate time for a full discussion of issues. | 1 2 3 4 5 6 |
| 17 | Board meetings are general efficient. | 1 2 3 4 5 6 |
| 18 | The board receives adequate training on governance principles and practices. | 1 2 3 4 5 6 |
| 19 | Individual board members are held accountable for their performance. | 1 2 3 4 5 6 |
|  | **Board Relationship with Executive Director** | **Strongly Strongly**  **Agree Disagree** |
| 20 | The board acts in accordance with its role as policy makers and not as operation implementers. | 1 2 3 4 5 6 |
| 21 | The board holds the Executive Director accountable for accomplishing his/her objectives. | 1 2 3 4 5 6 |
| 22 | All board members understand the process for evaluating the Executive Director’s performance. | 1 2 3 4 5 6 |
| 23 | The board’s current process for evaluating the Executive Director is appropriate and fair. | 1 2 3 4 5 6 |
| 24 | All board members have adequate opportunity to input their views regarding the Executive Director’s goals. | 1 2 3 4 5 6 |
| 25 | The goals for Executive Director evaluation appropriately reflect what is important for his/her role at the club. | 1 2 3 4 5 6 |

|  |  |  |
| --- | --- | --- |
| 26 | The board receives timely information that is sufficient for it to monitor operational performance. | 1 2 3 4 5 6 |
|  | **Overall Evaluation** | **Strongly Strongly**  **Agree Disagree** |
| 27 | Overall the board is efficient and effective | 1 2 3 4 5 6 |

# **Sources**

AICS, 2018: Analysis on CSO’s capacity building strengths and areas of improvement based on CSOs’ certification assessment findings

Amagoh, F. and Kabdiyeva, A. 2012. Management issues for improving NGO sustainability in Kazakhstan. *World Journal of Social Sciences*, **2**(30), May 2012, 31-40.

Afghanistan Law on Non-Governmental Organizations, Act 1384, [2005]

Dambach, Davis, & Gale, 2009. Structures and Practices of Non-profit boards. Second Edition.

One World Trust: Effective Accountability? The drivers, benefits and mechanisms of self-regulation, 2012. Available at: <http://www.oneworldtrust.org/component/content/article/93-showcase/361-effectiveaccountability>

Turner, 6. 2016. The functions and impact of civil society. [Online, available] <https://medium.com/@gabbyturner/the-function-and-impact-of-civil-societies-and-civil-society-organizations-4dc481c8496>

https://www.ungpreporting.org/glossary/civil-society-organizations-csos/

<https://community.mega.com/t5/Blog-EN-Business-IT/Integrated-Corporate-Governance-Reflections-from-Corporate/ba-p/9005>

Wyatt, 2002, <https://www.globalpolicy.org/component/content/article/176/31378.html>

https://www.balancedscorecard.org/BSC-Basics/Strategic-Planning-Basics

Saungweme, M. 2014. Factors influencing financial sustainability of local non-governmental organizations: the case of Zimbabwe. Master of Philosophy in Development Finance. Cape Town: University of Stellenbosch. [Online] Available: <http://scholar.sun.ac.za/handle/10019.1/97293>

<http://www.icnl.org/research/monitor/afghanistan.html>

<http://www.strengtheningnonprofits.org/resources/e-learning/online/partnerships/default.aspx?chp=3>

1. AICS, 2018: Analysis on CSO’s capacity building strengths and areas of improvement based on CSOs’ certification assessment findings. [↑](#footnote-ref-1)
2. Amagoh & Kabdiyeva, 2012; Okorley, Deh & Owusu, 2012: 43 [↑](#footnote-ref-2)
3. Willett, 2002 [↑](#footnote-ref-3)
4. Law on Non-Governmental Organizations, Act 1384, [2005] [↑](#footnote-ref-4)
5. Hulme, 2001: 130 [↑](#footnote-ref-5)
6. Ehsan, 2013: 4 [↑](#footnote-ref-6)
7. Ibid [↑](#footnote-ref-7)
8. Ibid [↑](#footnote-ref-8)
9. Afghan Institute for Civil Society, 2018:10 [↑](#footnote-ref-9)
10. <http://www.library.up.ac.za/law/docs/king111report.pdf> [↑](#footnote-ref-10)
11. <https://www.icaew.com/technical/corporate-governance/codes-and-reports/cadbury-report> [↑](#footnote-ref-11)
12. <https://medium.com/@gabbyturner/the-function-and-impact-of-civil-societies-and-civil-society-organizations-4dc481c8496> [↑](#footnote-ref-12)
13. <https://www.ungpreporting.org/glossary/civil-society-organizations-csos/> [↑](#footnote-ref-13)
14. <http://www.icnl.org/research/library/files/Afghanistan/assoclaw.pdf> [↑](#footnote-ref-14)
15. Law on Non-Governmental Organizations [↑](#footnote-ref-15)
16. <https://community.mega.com/t5/Blog-EN-Business-IT/Integrated-Corporate-Governance-Reflections-from-Corporate/ba-p/9005> [↑](#footnote-ref-16)
17. Wyatt, 2002, <https://www.globalpolicy.org/component/content/article/176/31378.html> [↑](#footnote-ref-17)
18. Dambach, Davis, & Gale, 2009. Structures and Practices of Non-profit boards. Second Edition. [↑](#footnote-ref-18)
19. One World Trust: Effective Accountability? The drivers, benefits and mechanisms of self-regulation, 2012. Available at: <http://www.oneworldtrust.org/component/content/article/93-showcase/361-effectiveaccountability> [↑](#footnote-ref-19)
20. Law on Non-Governmental Organizations, Act 1384, [2005] [↑](#footnote-ref-20)
21. <http://www.icnl.org/research/library/files/Afghanistan/assoclaw.pdf> [↑](#footnote-ref-21)
22. <http://www.icnl.org/research/monitor/afghanistan.html> [↑](#footnote-ref-22)
23. Ibid [↑](#footnote-ref-23)
24. Ibid [↑](#footnote-ref-24)
25. Ibid [↑](#footnote-ref-25)
26. <http://www.muscatcollege.edu.om/vision-and-mission/> [↑](#footnote-ref-26)
27. <https://www.oxfam.org.au/what-we-do/about-us/our-vision-values-and-goals/> [↑](#footnote-ref-27)
28. <https://www.balancedscorecard.org/BSC-Basics/Strategic-Planning-Basics> [↑](#footnote-ref-28)
29. <https://ttngonews.com/trinidad-tobago-ngo-networking-collaborative-opportunities/> [↑](#footnote-ref-29)
30. Saungweme, 2014: <http://scholar.sun.ac.za/handle/10019.1/97293> [↑](#footnote-ref-30)
31. <http://www.strengtheningnonprofits.org/resources/e-learning/online/partnerships/default.aspx?chp=3> [↑](#footnote-ref-31)
32. <http://www.acbar.org/page/9.jsp?title=ACBAR-Steering-Commitee> [↑](#footnote-ref-32)
33. <http://www.tact.org.af/> [↑](#footnote-ref-33)
34. Article 24 (2) Law on Non-Governmental Organizations [↑](#footnote-ref-34)
35. <https://www.rhrinternational.com/thought-leadership/blog/how-conduct-proper-board-evaluation> [↑](#footnote-ref-35)
36. <http://www.ngopulse.org/article/ten-steps-successful-fundraising-and-mobilisation-resources> [↑](#footnote-ref-36)
37. <https://www.thebalancesmb.com/how-to-develop-a-grant-proposal-writing-process-2501979> [↑](#footnote-ref-37)
38. Article 22, (1) and (3), Law on Non-Governmental Organizations. [↑](#footnote-ref-38)
39. Saungweme, 2014 <http://scholar.sun.ac.za/handle/10019.1/97293> [↑](#footnote-ref-39)
40. Article 27, Law on Non-Governmental Organizations [↑](#footnote-ref-40)
41. Source : [www.consciousgovernance.com](http://www.consciousgovernance.com) [↑](#footnote-ref-41)
42. http://cooptools.ca/committee\_terms\_reference\_template/ [↑](#footnote-ref-42)