THE eManager

MANAGEMENT STRATEGIES FOR IMPROVING HEALTH SERVICES

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Good Governance in Civil Society Organizations

Editors' Note

THE CONCEPT OF GOOD GOVERNANCE HAS GAINED PROMINENCE in development programs over the past decade. Good governance in the health sector and other sectors that have an impact on health is recognized as essential to achieve the Millennium Development Goals and alleviate sickness and poverty in developing countries.

Because a large amount of funding for health flows into those countries, donors and ministries of health are increasingly looking to civil society organizations (CSOs) as active partners in health service delivery. Like public-sector entities, CSOs require sound leadership and management and well-functioning organizational structures and systems to manage projects and services effectively and efficiently. Lourdes De la Peza, a senior expert on organizational governance, provides a balanced perspective on the processes and issues related to governance.

In this issue of *The eManager,* you will become familiar with the concept of good governance, the characteristics of a strong structure for organizational governance, and the functioning of boards of directors. This issue will also provide you with tips and tools to improve the governance of CSOs.

The content of this issue is particularly relevant to national or regional organizations that deliver health services. Although CSOs vary in size and have a wide variety of functions, the general principles discussed are relevant to all CSOs. Some aspects of board structure and organization may need to be adapted according to the size and mandate of a specific organization. ■

Definition and Types of Civil Society Organizations

In this issue, the term "civil society organization" refers to "the wide diversity of not-for-profit, non-state organizations as well as community-based associations and groups (distinct from both the governmental and business sectors) that advance a collective or public good. These organizations are also referred to as nonprofit organizations, non-governmental organizations (NGOs), charities, voluntary organizations, for example." (Resource Alliance, "Glossary," *http://www.resource-alliance.org/resources/75.asp*).

Depending on the country, there are many types of legal structures used to constitute a CSO. Some of these include companies, associations (membership organizations), societies, foundations (in which property is dedicated for a specific purpose), charities, trusts, and cooperatives.

The choice of the type of CSO to constitute is based on the laws of each country and is best made in consultation with an attorney. In Brazil, for example, CSOs can be registered as associations or foundations. In Tanzania, a CSO can be constituted as a trust, society, cooperative, or company backed by a guarantee (the last uses the term "limited"). Regardless of their constitution, all CSOs differ from for-profit entities in that they cannot distribute profits or net earnings to individuals.

What Is Good Governance in Civil Society Organizations?

Good governance in CSOs is the exercise of power and authority, based on the established values of the organization, to achieve the mission and make proper use of resources. Good governance involves providing direction and oversight so that the organization knows where it is going; monitoring its progress; protecting the interests of the organization's beneficiaries; and ensuring accountability to society, beneficiaries, and donors through a process that is transparent, equitable, and appropriate to the needs of the beneficiaries.

The Governance Structure of Civil Society Organizations

The basis for NGO governance is generally a country's legal code, which assigns a **governance structure** depending on the type of organization (an association, trust, or foundation, to cite some examples). The most common governance structure is the board of directors; for a trust, it is the board of trustees. Other governing structures include the executive committee or the executive council. In this issue, we will refer to all governing structures as the board of directors.

The board of directors is a selected group of volunteers with the authority and ultimate responsibility for guiding the organization to

achieve its mission, and advancing and protecting its viability. Board members are not remunerated; the reasoning is that if they are not part of management and receive no financial benefit whatsoever, they will exercise independent judgment in overseeing the functioning of the organization. The board of directors delegates authority to the **chief executive officer** (CEO) of the organization, often called the executive director, who is responsible for implementing decisions made by the board.

The board members and the CEO have different but complementary roles. The roles and responsibilities of each should be very clear, such that there is a system of checks and balances in which the board provides an independent and disinterested counterweight to management control. Enlightened management, supported by sound policies and an informed board, forms the foundation of the CSO.

An organization's governance structure should be identified as required by law in its basic documents. Clear designation of the governing body by name is important to clarify where decision-making and oversight responsibilities lie within the organization. An explicit governance structure is also the first step toward establishing accountability for a CSO.

The Legal Structure of Civil Society Organizations

CSOs are founded to work for a common cause in the public interest and are usually eligible for special concessions and immunities, such as tax exemptions. For this reason, CSOs are usually required to be formally registered under the laws and regulations of the country in which they intend to operate. A CSO needs a governing board to make sure the organization's activities adhere to applicable laws and focus on achieving its mission.

To formally register a CSO or enjoy tax exemptions and other benefits, a **founding document** granting it legal identity (e.g., articles of incorporation, articles of association, or charter) is typically required. This document specifies the purpose of the organization and describes how it is set up. In addition to providing the legal basis for the organization, the founding document describes the role of the membership (in the case of a membership organization) and that of the board of directors, as well as the principal rights and responsibilities of each (please see Box 1). The founding documents are commonly supplemented by bylaws, which set out the way in which the organization, especially the board, should operate.

The **bylaws** describe the composition and operation of the governing body: the structure, size, and duties of the board; the election of board members; and the functioning of the board, including meetings and voting procedures. The bylaws also lay out the rights and responsibilities of members and the conduct of general membership meetings. (Some organizations, however, do not have members and membership meetings or membership assemblies.) The founding document is seldom changed, whereas bylaws are easily revised to reflect changing circumstances and can often be changed by a majority vote of the board.

Roles and Responsibilities

A board of directors plays four governance roles, with support from the CSO's senior management

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Box 1. Usual Elements of the Founding Document of a CSO

- Name, profession, and address of parties appearing as representatives

- Name of the organization

- Legal status of the organization

- Founding date of the organization

- Address of the organization

- Purpose and objectives of the organization

- Assets of the organization

- Membership assembly, rights, and obligations

- Governing bodies—assembly, board of directors, and committees—and their powers

- Causes of dissolution and procedures

team. These roles are (1) setting the direction of the organization, (2) overseeing organizational effectiveness and providing support, (3) maintaining good external relationships, and (4) maintaining the effectiveness of the board. Each role entails different responsibilities, as described in Table 1, which also compares the responsibilities of the board to those of the CSO's senior management team.

Table 1. Roles and Responsibilities of the Board and Management Team	
Board Responsibilities	**Management Team Responsibilities**
Setting Direction of the Organization	
1. Defines the organization's mission 2. Develops the organizational vision and strategy and approves the strategic plan 3. Promotes the organization's values	▪ Participates in defining and disseminating the mission and vision ▪ Organizes and participates in developing the strategic plan ▪ Develops an annual operational plan based on the strategic plan ▪ Promotes and applies organizational values in day-to-day activities ▪ Develops policies and guidelines for the board's consideration
Overseeing Organizational Effectiveness and Providing Support	
4. Hires, supports, and evaluates the CEO 5. Upholds a transparent decision-making process 6. Ensures financial sustainability and participates in fundraising 7. Provides financial oversight 8. Promotes the quality of services and programs	▪ Provides administrative support for hiring the CEO ▪ Implements a transparent decision-making process ▪ Leads, organizes, and implements fundraising ▪ Exercises responsible financial stewardship and provides up-to-date, reliable financial information to the board and to donors ▪ Proposes budgets to the board ▪ Works directly with the board on planning and implementing new project development ▪ Develops and implements quality assurance processes and provides reliable information about quality of services to the board
Maintaining Good External Relationships	
9. Maintains good community, government, and donor relations and, on occasion, represents the CSO publicly	▪ Builds external relationships and represents the CSO publicly ▪ Provides administrative and logistical support for public relations activities of the board
Maintaining Board Effectiveness	
10. Manages board activities and fosters the board's effectiveness	▪ Provides administrative support for board activities ▪ Facilitates communication and distribution of information among board members ▪ Helps the secretary keep the board informed about board activities

Ten Main Governance Responsibilities of Boards of Directors

1. Defines the organization's mission

The board is responsible for developing the organization's **mission,** which is an expression of its overall purpose. The mission is used by the board, management, staff, and volunteers to provide meaning to all activities and make sure all the organization's efforts focus on fulfilling the needs of the organization's beneficiaries. The mission is the central point around which the organization defines its goals and strategies.

The **mission statement** is a broad general statement that explains the organization's type, main purpose, and values. It should answer the questions: Why do we exist? What do we do? Who are our beneficiaries? Please refer to Table 2 for the elements of a sample mission.

2. Develops the organizational vision and strategy and approves the strategic plan

The board of directors must ensure that the organization reaches the population it intends to serve and meets the needs of its clients. The **strategic plan** sets the direction that the organization will take in the next three to five years to achieve its goals and objectives and fulfill its mission.

It is crucial to begin the planning process by envisioning the future that the organization would like to achieve. A CSO's **vision** differs from the organization's mission or purpose, which states why the organization exists. The vision paints a clear picture of a desired future and creates the field for working toward that vision of the future.

For more details on developing a mission statement and program strategy, please refer to "Working with Boards of Directors: Strategic Planning," The Health Manager's Toolkit, MSH, at *http://erc .msh.org/mainpage.cfm?file=2.3.1g.htm&module=chs& language=English*. For details on how to build a shared vision, refer to the toolkit of *Managers Who Lead: A Handbook for Improving Health Services* (Cambridge, MA: MSH, 2005), *http://erc.msh.org/ toolkit/Tool.cfm?lang=1&CID=8&TID=158*.

A vision is more powerful when it is the result of a participatory process, because people usually support what they help create. Good boards lead the process of creating a shared vision that is further developed and then "owned" by those who will carry it out.

The board should help the management team develop the strategic plan, provide guidance and input to the plan, confirm that the CSO's annual operational plans support the strategic objectives and strategies of the plan, and monitor adherence to the plan. During the strategic planning process, board members should analyze and provide information about the external environment, current trends in health and social policy, needs of the population, and new funding opportunities. This information is critical to developing strategic objectives and establishing strategies and programs that will fulfill the organization's mission. The board should have final approval over the organization's strategic plan, and then it should monitor and support implementation.

3. Promotes the organization's values

Organizational values guide organizational choices and decisions. They are the ethical principles of the organization that orient how the organization serves

Table 2. Sample Organizational Mission	
Why do we exist?	To reduce mortality from and expansion of the AIDS epidemic and improve the quality of life of people living with HIV (PLWH)
What do we do?	HIV & AIDS education and research and implementation of best practices in prevention and care
Who are our beneficiaries?	PLWH and populations at risk of becoming HIV-infected

clients, supports staff, and works with partners, and how it works to build social value and achieve its mission. Sometimes these values are declared; sometimes they are just in the hearts and minds of the board, staff, and volunteers. It is the board's responsibility to make the organization's values explicit, invite all board members and staff to reflect on them, and refer to them when they have to make difficult decisions. The organizational values should influence the way the board leads and also the way management and staff work.

Boards that establish and practice positive values gain the respect of management, staff, partners, and the community. Values become credible to others when board members and other leaders match positive words with positive actions. Good boards live by the values they preach and make organizational choices and decisions based on the organization's values.

4. Hires, supports, and evaluates the chief executive officer

The CEO is the person in charge of managing the day-to-day operations of the organization and the execution of its strategies. He or she acts on behalf of the board to implement its decisions; accepts the authority to hire, organize, and supervise the staff of the organization; develops appropriate policies and procedures for review by the board; and allocates resources within budgetary guidelines approved by the board. Because the CEO plays such a key role in the organization's performance, one of the most important responsibilities of the board is to select the appropriate person, monitor his or her performance and provide guidance, and evaluate him or her periodically.

5. Upholds a transparent decision-making process

Good governance implies that the decision-making process is clear and transparent. The authority of each level of the organization should be well-defined and respected. The board is responsible for reviewing and approving the procurement policy for the organization, in which the level of authority to authorize purchases must be very clear. For example, purchases under "x" amount of money can

be approved by the chief financial officer, purchases between "y" and "z" amounts of money should be signed by the CEO, and major investments costing more than "z" must be approved by the board. Clear policies, procedures, and levels of authority result in good internal control.

6. Ensures financial sustainability and participates in fundraising

To ensure financial sustainability, the board works with the CEO and the chief financial officer (CFO) of the CSO to undertake periodic financial analyses and make prudent decisions to keep the organization financially healthy and able to offer services in a cost-effective manner. The board should examine the costs of utilities—water, electricity, and telephones—and supplies, which may be a rich source of savings. The board should also consider whether underused infrastructure or human resources might be moved or reorganized for greater benefit.

The board is also responsible for developing strategies to increase revenue. Many CSOs have diversified their services and expanded their target groups to populations that can pay for some services. Offering obstetric care for deliveries, medical consultations by specialists, laboratory services, pharmacy services, dental services, and optometric care may be good sources of cost recovery. An organization that does advocacy might choose to expand into behavior change communication in the community.

Board members who know the economic and business environment of their region or country can make good recommendations about new services to offer or new business that could offset the costs of sustaining the organization. The board can help the organization consider responding to requests for proposals from donors or seeking contracts with public institutions.

Fundraising is a critical activity for all CSOs to further their financial sustainability. The board is responsible for setting fundraising goals and strategies and actively participating in raising funds. Board members are often very effective fundraisers, since as volunteers they can more easily convince prospective donors of the importance of the organization's work and continually cultivate their goodwill and interest in investing in the organization. Ideas for ways in which the board can contribute to fundraising appear in Box 2.

Box 2. Typical Fundraising Activities

- Solicit annual contributions to cover operating costs.

- Organize fundraising campaigns to fund specific capital equipment or facility improvements.

- Compete for funds by developing proposals for specific projects or special programs.

- Establish an endowment through income from interest, dividends, rental of real estate, and/or contributed gifts, which will help provide for future institutional needs.

7. Provides financial oversight

The board has the ultimate responsibility for the financial viability and accountability of the organization. The board provides important internal checks and balances to management's collection, safeguarding, and use of financial resources.

Board members and senior management work together to determine financial targets. The board, usually through a finance committee, also reviews and approves financial management procedures, approves the annual budget, and monitors the organization's financial performance and compliance with donor and government requirements.

At each board meeting, the board should receive financial reports that detail the organization's income, expenses, and any surplus or deficit. The reports should highlight any deviations from the budget, projected revenues, and any actions management is taking to correct those deviations. All financial information should be reviewed in the context of the programmatic targets during the period under review. The board members, supported by the board's financial committee, must know how to review and interpret three key financial documents: a cash flow projection worksheet, a balance sheet, and an income statement.

For more information about the financial oversight responsibilities of the board, refer to Box 3 and "Working with Boards of Directors: Financial Oversight," The Health Manager's Toolkit, MSH, at *http://erc.msh.org/mainpage.cfm?file=2.3.1k.htm&module=chs&language=English*.

8. Promotes the quality of services and programs

It is the board's responsibility to hold professional staff to the highest standards in providing services and to support them in making necessary improvements when needed. Since the management team and staff are responsible for providing high-quality services, the board should receive information from

Box 3. Six Main Financial Oversight Responsibilities of the Board

1. Determine the financial targets of the organization and monitor the CSO's progress in achieving those goals.

2. Review and approve sound financial policies and monitor adherence to those policies.

3. Review the organization's financial control systems in order to safeguard the resources of the organization and prevent them from being used wastefully or fraudulently.

4. Comply with donor or government requirements and arrange for a financial audit to be conducted by a licensed independent auditing firm at least annually, or as otherwise required.

5. Approve the annual budget.

6. Approve managers' plans to seek additional revenue from different sources.

them about service delivery and client satisfaction as well as evaluation reports that allow board members to assess the quality of programs and services.

Based on the information they receive, board members can suggest how to improve services. It is the management team's responsibility to act on the board's recommendations. To promote quality of services, the board should set quality goals, review the results, keep in close contact with the community to obtain feedback, and make sure that necessary actions to improve service quality are implemented.

For more information on ensuring quality and Continuous Quality Improvement (CQI), please see "Working with Boards of Directors: Service Quality," The Health Manager's Toolkit, MSH, at *http://erc.msh.org/mainpage.cfm?file=2.3.1o.htm&module=chs&language=English*

9. Maintains good community, government, and donor relationships

The board is responsible for maintaining close relationships with the community. Board members can be good ambassadors and advocates for the organization. Because of their range of contacts, they can often open doors that would otherwise be closed to staff. How well the organization relates to clients and community groups, partners, donors, and governmental and nongovernmental entities affects the organization's success and effectiveness in delivering services.

Since board members are volunteers and may not have much time, they should coordinate with the management team to represent the organization in different forums as well as promote and maintain a good image and excellent relationships with public and private organizations. In coordination with the CEO, board members should also seek opportunities to influence the public health agenda by proposing changes in policy. Please see Box 4 for other activities in which board members can engage to raise the organization's public profile and expand its influence.

10. Manages board activities and fosters the board's effectiveness

The board has to carry out specific activities to remain active and effective. It is important for the board to recruit members with a common commitment and prestige, in terms of integrity, and diverse backgrounds, skills, and experience. Educating new and current board members is an ongoing process that is also a board and management responsibility.

To make good use of board members' time and maintain their commitment, it is important for board meetings to be well organized and well run. It is usually the responsibility of the chair or president of the board, with the help of the CEO, to plan board meetings so that they use time as effectively as possible.

Every year, the board should formally evaluate its performance. This can be done by holding a retreat or using a self-assessment tool. The goals of the evaluation are (1) to assess the board members' ability to fulfill their roles and responsibilities in light of the organization's mission and (2) define ways to improve their performance.

The self-assessment can be used for reflection and discussion. The board should use the results of the assessment to develop a governance improvement action plan.

Box 4. Activities to Heighten the Organization's Public Image and Potential to Influence Policy

- Advocate to influential colleagues for the organization's mission and goals.

- Write letters to legislators, policymakers, and decision-makers.

- Lobby legislators and policymakers—to the extent permitted by law—on issues important to the organization.

- Speak at conferences, public events, and community meetings.

- Speak out on public affairs and make the organization's opinions heard in the media.

Board of Directors' Self-Assessment

To maintain optimal board functioning, board members should periodically evaluate themselves. During a retreat or annual meeting, they can use the following self-assessment tool.

Directions: *Circle the number of your choice for each of the items listed below.*

5=Consistently true   4=True most of the time   3=Sometimes true   2=Hardly ever true   1=Not true at all

The qualifications and experience of the current board members provide the board with the balance and expertise it needs.	5	4	3	2	1
Board members have enough knowledge about the mission, strategy, programs, and current status of the organization.	5	4	3	2	1
All board members regularly attend board meetings.	5	4	3	2	1
The agenda of the board meetings adequately reflects the organization's priorities.	5	4	3	2	1
The board functions as an effective decision-making body.	5	4	3	2	1
Board members are interested in and committed to what is happening in the organization.	5	4	3	2	1
Board members are actively involved in committee meetings.	5	4	3	2	1
Board members actively support the CEO and management team.	5	4	3	2	1
Board members are actively involved in fundraising activities.	5	4	3	2	1
Board members advocate for the interest of the organization in public events and with key stakeholders.	5	4	3	2	1
Board members maintain discretion about the organization's confidential matters.	5	4	3	2	1

Comments and/or suggestions:

Working Solutions: Governance Improvement at the WAMA Foundation in Tanzania

The WAMA (Wanawake Na Maendeleo) Foundation was created in 2006 in Tanzania to empower girls, vulnerable children, and women to participate effectively in the social and economic development of the country. For the first two years, the foundation was managed by board members and a small group of professional staff. In 2008 WAMA hired its first chief executive officer. Soon it became apparent that there was a need to strengthen governance by clearly differentiating the roles and responsibilities of the board from those of the CEO and management team.

In 2009 WAMA convened a two-day workshop for board members and staff to create a common understanding of the board's and CEO's respective roles and responsibilities, and to develop an action plan for governance improvement. Using a participatory technique, board members and staff identified the following five priorities for improvement:

1. Support and evaluate the CEO.

2. Verify that there are adequate financial resources.

3. Protect assets and provide financial oversight.

4. Build a competent board.

5. Enhance the organization's public standing.

The action plan for these areas consisted of 26 activities. For example, to support and evaluate the CEO, a proposed activity was to conduct a performance evaluation of the CEO. To do this, the action plan called for selection of the board members to carry out the performance evaluation; preparation of the CEO's performance plan; and implementation of the CEO performance evaluation.

The WAMA action plan for governance improvement was approved by the board of directors in its general meeting four days after the workshop, and the organization immediately began implementing it.

The Organization of Boards of Directors

To be effective, boards of directors need to be well organized. The duties of board officers, as well as their terms of office, should be defined. Committee responsibilities and criteria for selecting board members should be documented.

Duties of board officers. The most common officers on boards of directors of CSOs are the chairperson (or president), vice-chairperson (or vice-president), secretary, and treasurer.

- The **chairperson** leads the board, making sure that both the board as a whole and each member in particular carries out his or her duties. The chair maintains a close relationship with the CEO, oversees his or her performance, and serves as a mentor (please see Box 5).

- The **vice-chairperson** has the same responsibilities as the chair in his or her absence.

- The **secretary** supports the board chair with administrative tasks, including organizing the meetings, sending agendas, inviting members, preparing meeting minutes, communicating and following up on all board decisions, and maintaining board documents. The secretary should have support from someone on the management team so that administrative tasks are carried out.

- The **treasurer** oversees the financial affairs of the organization. He or she helps the board analyze financial reports and proposes ideas to improve the organization's financial status. The treasurer should also be the head of the finance committee.

Box 5. Responsibilities of a Board Chairperson

- Leads the board to fulfill all its responsibilities.

- Plans and leads regular board meetings and calls for special meetings, if necessary, with the support of the CEO.

- Prepares the agenda for board meetings with the support of the secretary and CEO.

- Serves ex officio on all committees.

- Makes sure that board members and the CEO support and carry out all board resolutions and counsels them when they do not.

- Serves as a coach and sounding board for the CEO.

- Ensures there is an effective process for the selection, performance evaluation, and compensation of the CEO.

- Oversees the selection, performance evaluation, and compensation of the CEO.

- Oversees efforts to create a strong board, including periodic board self-assessment.

- Promotes the work of the organization and acts as a spokesperson for the board.

For more detailed job descriptions for board officers, please consult HelpAge International, "Strengthening Your Organization: Effective Governance by a Board of Management," at http://www.aidsalliance.org/graphics/NGO/documents/english/181b_Governance.pdf.

Determining terms of office and duration of mandates. The bylaws should specify terms of office and limits on the length of service for board members. Many organizations permit members to have more than one term of office. Staggering board member departures ensures that there is a mix of old and new members. On the other hand, lack of attention to term limits has created boards that are lethargic, disconnected, and uninspired. Term limits are a way of keeping the board fresh and the commitment levels high.

Deciding how many people should serve on the board. The size and composition of an organization's board of directors will vary, but the minimum number of members should be 5 and the maximum about 10. Generally, the smaller the board size, the more efficient its operation will be. The size of the board should increase if the organization grows and needs additional areas of expertise, if the organization's base widens, or if greater community representation is desired.

Identifying the right people to serve on the board. When selecting board members, look for individuals with complementary qualities and skills. There is no need for a single person to have all the competencies needed. It is important, however, to select people who have integrity, commitment, communication and interpersonal skills, and a willingness to learn. They should also be chosen on the basis of the organization's needs.

Ideally, a board will reflect the diversity of the population that the CSO serves and have gender and age balance. The board should include people who are adept at fundraising and marketing, who understand the population and its needs, and can support the programs and services of the organization.

For more information on selecting board members and a sample chart that can be used to analyze the characteristics, skills, and experience of current and prospective board members, please refer to "Pocket Guide for Improving Board Performance," supplement to *The Family Planning Manager* (Boston, MA: MSH, 1994), at http://erc.msh.org/TheManager/English/V3_N5_En_Supp.pdf.

Job descriptions for board members. More organizations are developing job descriptions for board members. Job descriptions may be used both to recruit and orient new members and to evaluate current board members. A job description for board members should include roles, responsibilities, and performance objectives. The officers of the board should have specific job descriptions. For more information on developing job descriptions for board members and a sample job description, please refer to *http://erc.msh.org/TheManager/English/V3_N5_En _Supp.pdf*.

Board Committees

Most of the work of large boards is done in committees. Most boards have at least three basic committees: **executive committee, finance committee,** and **governance committee.** Other committees may be formed on an ad hoc basis when there is a specific need. Committees can wrestle with the key issues confronting the organization and develop recommendations to the full board. Table 3 describes the roles and responsibilities of common board committees.

Members of the CSO's management team would normally sit on all these committees. For example, the CEO and CFO would belong to the finance committee. For a CEO search, the board might decide to form an ad hoc committee that would work independently of the management team. Smaller CSOs may decide to combine some of these committees, such as the development committee and the public affairs committee, or the executive committee and the governance committee.

Table 3. The Roles and Responsibilities of Board Committees

Executive Committee Made up of the board officers and chairs of various committees	Helps to make key decisions and solve problems between regularly scheduled board meetings
Finance Committee Composed of people with financial knowledge	Monitors budgets, revenue, and expenditures and advises the board regarding approval of overall budget and capital expenditures
Development Committee	Creates development strategy for the organization and assists staff with fundraising
Governance Committee	Trains board members in their work and the work of the organization, identifies new board members, and oversees self-assessments of the board's performance
Human Resource Committee	Makes sure that HR policies are followed and staff have recourse to the board for resolution of HR issues; promotes accountability and transparency in the HR functions of the organization
Public Affairs Committee	Helps promote the organization's programs and services to the public
Program Committee	Assists in reviewing current programs and analyzing and proposing new programs

Board Functioning

Board members provide support on a voluntary basis and might have limited time to dedicate to board activities. Therefore, it is very important that board and board committee meetings are organized and conducted effectively. This will allow board members to focus on essential issues and make timely decisions.

Defining board priorities. To be effective, a board of directors must prioritize its actions and focus on issues that are truly important—those that are critical to the mission of the organization. Smart boards have the wisdom to identify activities that are not important and delegate them. Board members should fulfill their roles and responsibilities and let the managers and staff of the CSO manage the organization on a day-to-day basis.

Orientation for new board members. New board members should learn about the organization's mission, history, and current programs and services. To help them, existing members and the CEO should develop an orientation plan that describes the state of four key areas of the organization: (1) the market (community and clients), (2) programs, services, and operations, (3) finances, and (4) development. Box 6 illustrates the topics to be covered within these four areas.

The orientation of new board members may take different forms, including orientation workshops, tours of facilities, and reading of documents in an information package designed for new board members.

Box 6. The State of the Organization

The Market (Community and Clients)

- What types of clients/populations does the organization currently serve?
- Are these clients the target population according to the organization's mission?
- Are there any groups of clients that the organization would like to or should serve that are currently not reached by its services?
- Who are the organization's competitors?

Programs, Services, and Operations

- What is the organizational structure of the institution?
- What programs does it offer?
- What services does the organization provide?
- How effective and efficient is service provision?
- What is the quality of the services provided?
- What is the level of client satisfaction?
- Is service quality monitored?
- What is the status of the organization's infrastructure?
- What is the level of technical capacity of service providers?
- How do the organization's operating costs compare to those of the competition?

Finances

- How is the financial health of the organization?
- What is the organization's revenue?
- What are the sources of revenue?
- What is the operating cost?
- Is there an operating surplus?
- Does the organization have debts?

Development

- What is the level of development and satisfaction of employees?
- What is the work climate like?
- Is the organization prepared for the future?
- Does the organization have qualified staff who can be promoted to higher positions?
- How does the organization plan to fill vacancies, if any?

Running board meetings. Board business is conducted at periodic, regular meetings, usually held every two or three months. When there are issues that require urgent attention, the board holds a special meeting.

It is usually the responsibility of the chairperson or president, with the help of the CEO, to plan, organize, and conduct board meetings. Meetings must be well planned and have a relevant agenda, and all background information necessary to make decisions should be distributed to board members in advance. A good source of information about running board meetings is the website of the National Association of Parliamentarians: *http://parliamentarians.org/?cid=105*.

Maintaining Board Transparency and Accountability

Boards of directors in the nonprofit sector oversee the performance of their organizations but are accountable to many stakeholders: the public (e.g., individuals, organizations, businesses, and government entities), which places trust in them by providing donations and support; beneficiaries receiving the CSO's services; and communities that foster and support them. Accountability requires being transparent to all these groups about the organization's mission, the programs or activities implemented to advance the mission, the results obtained, and the use of funds.

The dates of board meetings should be publicized in advance. All actions of the board must be recorded in minutes. The board committee that oversees human resources promotes accountability and transparency in the HR functions of the organization. Box 7 suggests other ways in which CSOs can foster openness and hold boards accountable.

Good governance policies. One way for boards to regulate their activities and foster effectiveness and transparency is to establish and ensure compliance with specific board policies. These policies generally draw on the regulations contained in the bylaws of the organization, provide further details and explanations, and address compliance issues.

Board policies generally include a policy on:

- conflict of interest
- confidentiality and use of information
- meeting attendance
- term of office
- compensation

Box 7. Ways in Which CSOs Can Achieve Transparency and Accountability

- Select board members who are recognized as honorable members of the community and have no conflict of interest due to their political or business activities.
- Ensure that some board members have financial expertise.
- Adopt a statement of values and code of ethics.
- Develop and follow a conflict of interest policy.
- Design an effective orientation plan for new board members.
- Document processes for selecting and recruiting new members.
- Make sure that financial records are honest, up-to-date, available, and reviewed by the board.
- Conduct an annual audit using outside auditors.
- Confirm that policies and procedures for internal control are in place.
- Report annually to partners and donors on the organization's programmatic and financial results.
- Produce an annual report and newsletters.
- Set up a website to disseminate information widely.

Common Board Challenges and How to Address Them

At one end of the spectrum are boards that are weak, unproductive, and largely ceremonial, while at the other end are boards that interfere with the management of the organization and take over the CEO's responsibilities. Six of the most common challenges faced by boards—and suggested strategies to address them—are shown in Table 4.

Table 4. Common Board Challenges and How to Address Them		
Challenge	**Description of the Challenge**	**Solution**
Lack of experience	Board members have a poor understanding of the organization, lack experience in reviewing financial reports, and/or do not fully understand their roles as board members. Due to lack of experience, the board intervenes as little as possible in defining the direction of the organization and/or makes inappropriate decisions.	Educate new and old board members. Provide information about the organization's programs and how to review financial reports.
Interference with management tasks	Committed, well-meaning board members misinterpret their roles and try to interfere with the decisions made by the CEO and other senior managers. They question how business is conducted and constantly suggest changes.	Clearly define board members' roles and their relationships with professional staff, especially with the CEO and senior staff. A written board member orientation plan and effective oversight on the part of the board chair should help address this challenge.
Lack of commitment	Board members were selected without consideration of their time availability.	Carefully select board members, providing potential candidates with detailed information about their duties and required time commitment. Develop and implement a meeting attendance policy.
Power struggles	Board members have hidden agendas or previous relationships with other members that affect their objectivity when making decisions, or they force other members to take sides. For example, a board member might have a bad relationship with the CEO because of some misunderstanding in the past or may covet the position of board chair.	Establish a diversified board that makes decisions based on evidence and is not unduly influenced by external pressures.
Conflicts of interest	Board members seek some type of financial gain by providing paid services or selling services through friends or acquaintances; expect and demand other perks (e.g., use of organizational vehicles, paid trips, lavish meals); and other means. Board members also could be affiliated with another organization and have divided loyalties.	Develop, implement, and strictly enforce an explicit conflict of interest policy.
Length of term in office	Boards can become lethargic, disconnected, and uninspired. Although they are ineffective, board members are reluctant to leave the board because they are founders, think they are indispensable, or want to retain the prestige of serving on the board.	Develop, implement, and enforce a term limit and requirements for continuing service on the board. For continuity, however, do not replace the majority of the board members at one time.

Working Solutions: The National Association of People Living with HIV/AIDS, Honduras

The National Association of People Living with HIV/AIDS in Honduras (ASONAPVSIDAH) is a CSO that was established during the first national meeting of people living with AIDS (PLWA) in 2000. The association was formed by 18 self-support groups and obtained its legal status in 2002. By 2008 the association had grown to 60 groups from around Honduras.

In 2003 ASONAPVSIDAH received a Global Fund grant to carry out two projects to strengthen self-support groups to increase adherence to treatment and provide support to PLWA. The chair of the board, with the help of an accountant, took on the responsibility for managing the projects. During 2006, because of difficulties in complying with Global Fund rules and procedures, ASONAPVSIDAH lost its subrecipient status and began to be managed by an umbrella organization. The association's members were concerned about the chairperson's lack of accountability and asked him to leave. Both he and the accountant left, leaving the organization in a very fragile state.

A transparent and open procedure was put in place to recruit a CEO based on his or her professional capacity and experience working on HIV & AIDS projects.

The new chair took on the responsibility of managing the Global Fund projects and reorganizing the association. The association wrote bylaws that included clarification of roles and responsibilities among the different governing bodies and defined the rules and procedures for conducting general membership meetings, voting for representatives, and making decisions. In addition, a code of ethics was developed to prevent conflict of interest.

The association hired a consultant to provide technical assistance during its reorganization. A main problem the consultant faced was convincing the board and association members of the importance of hiring a CEO with enough professional knowledge and experience to manage the organization and its projects, which was challenging because the association required that all candidates for employment be PLWA, which limited the applicant pool. The consultant's challenge was compounded by the fact that the board itself wanted to manage the projects.

When the rule that would allow the association to hire people who were not living with AIDS was debated, some leaders argued that non-PLWA might take advantage of the association and not serve the common good. Finally, the regulation passed, and a transparent and open procedure was put in place to recruit a CEO based on his or her professional capacity and experience working on HIV & AIDS projects.

In October 2008, the new CEO was hired and began implementation of all the consultant's recommendations, including reorganization of operations. When the association held its first quarterly board meeting in February 2009, the board was impressed with the CEO's performance and began to trust him and delegate day-to-day operations to him. In March 2009 the association underwent an assessment to recover its subrecipient status for Global Fund grants and succeeded.

Reviewers' Corner

A forum for discussing concepts and techniques presented in this issue

"CSOs play an increasingly influential role in setting and implementing development agendas throughout the world.… Strong and well-managed CSOs enable civil society to influence public policies at national and local levels. Good governance depends on the technical and managerial competence of board members and their ability to make good decisions over time.… Board members must be fully committed to the fulfillment of their organization's mission and must actively seek to improve their skills. Boards should spend substantial time on the organization's interest outside formal meetings and work in complete coordination with the CEO."

—Vicente Díaz, Fundación Mexicana para la Planeación Familiar (MEXFAM)

"A concise and compelling introduction to a topic of vital importance. Today the work of nonprofit boards is subject to greater scrutiny than ever before thanks to the generous resources flowing into the sector and high-profile scandals that revealed the disasters that can result when CSOs fail to police their own behavior. …boards too often operate with an imperfect understanding of their role and a failure to appreciate the value-added they can bring to their organizations. This summary of common expectations of boards brings good governance into the reach of even the smallest organizations. It should be required reading at any health services organization."

—Marilyn Wyatt, Nonprofit Governance Consultant, Czech Republic

"It can be daunting to realize all the steps and processes needed to have a fully functioning not-for-profit organization, but this provides a good path. I especially liked the examples of how different organizations addressed specific governance problems that were impeding their performance. While many of the examples are relevant to the larger service delivery organizations, even smaller groups can adapt the size of the board and its functioning to match their own circumstances."

—Susan Wright, USAID, Ghana

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Questions for Discussion and Reflection

1. Why is it important that a CSO have good governance?

2. What can a CSO do to foster good governance?

3. What are the main roles and responsibilities of the board of directors of your organization?

4. How do they compare to the roles and responsibilities that boards of directors should have?

5. What is the relationship between the board of directors and the management team in your organization? What can be done to improve the relationship?

6. What can be done to keep your organization's board of directors strong and functional?

7. What can be done to keep your board transparent and accountable?

8. What are the most common board problems your organization has faced and how have they been managed? Should they have been managed differently? If so, how?

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