GOOD GOVERNANCE IN CSO

CONTEXTUALIZATION AND GLOBAL EXPERIENCE

RASHEED TI-JO RESEARCH SERIES: GOOD GOVERNANCE
Rasheed (Transparency International-Jordan) was established at the end of 2013, as a non-for-profit civil society organization, through a group of activists working in the field of anti-corruption. Rasheed (Transparency International-Jordan) commenced work in Amman at the beginning of April 2014, and it represents the only official contact group of Transparency International in Jordan.

Rasheed (Transparency International-Jordan) aims to reinforce the involvement of the Jordanian citizen in anti-corruption activities, protect public, private and local governance institutions against corruption, enhance the efficiency and independence of control agencies specialized in the area of anti-corruption, strengthen the integrity of the legislative and judicial authorities, and reinforce the performance of Rasheed (Transparency International-Jordan) towards achieving its mission and vision.

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Introduction

Non-profit sector plays an essential role in generating political and socio-economic development, which shapes daily life in contemporary global society. Non-profit entities have the capacity to drive innovation and provide humanitarian relief with a diverse range of organizations’ objectives and activities that target local, national and international issues. This sector is an expansive terrain characterized by dynamic relationships between agents of action, the causes they serve and the communities. Being in-between the business and government, the third sector faces a number of regulatory and financial challenges that affect its overall activity and sustainability. However, there are other issues of concern, like good governance within non-profit institutions.

The assured good governance and self-regulation has their positive effect both on CSOs themselves that focuses on the improving their credibility and legitimacy, possibility to structure internal governance processes, discovering new ways to learn and root innovation, and their stakeholders, that includes ensuring the organization concern to take into consideration the needs of its stakeholders regarding planning, project development and operation.

Good governance means a governing structure being responsible for ensuring the transparency of decision-making processes in accordance with its mission and goals, as well as members and volunteers actively involved in these processes.

What is good governance?

The concept of “governance” is not new. It is as old as human civilization. Generally, the term “governance” means: the decision-making process and the process by which the decision is still being implemented or not implemented.

As governance is understood as a decision-making process as well as a process of implementation of such decisions, the analysis of governance focuses on the formal and informal actors involved in decision-making and implementation, and the formal and informal structures created to make and implement the decisions that are made.

Good governance has eight key characteristics. They include participation, consensus orientation, accountability, transparency, responsiveness, effectiveness and efficiency, equality and consideration of interests, and compliance with the rule of law. It implies that corruption is minimized, minority views are taken into account, and the voices of the most vulnerable are heard in decision-making. It is also appropriate to the existing and future needs of society.

Participation

Participation can be both direct and indirect through legitimate intermediary institutions and representatives. It is important to emphasize that representative democracy does not necessarily mean taking into account the needs of the most vulnerable in decision-
making. Participation should be informed and organized, which implies freedom of association and expression on the one hand and organized civil society on the other.

**Rule of Law**

Good governance requires a fair legal framework that is impartial. It also requires full protection of human rights, including the rights of minorities. Impartial application of the law requires independent justice, and impartial and non-corrupt police.

**Transparency**

Transparency means that decisions as well as their implementation are made in accordance with the procedures prescribed by laws and instructions (legislation). It also means that information is readily available and easily accessible to those who may be concerned or put into action. It also means that the information is provided in sufficient quantity, in a comprehensible form, and through the media.

**Responsiveness**

Good governance requires that all institutions and procedures endeavor to satisfy everyone in a reasonable amount of time.

**Consensus Orientation**

There are several actors in a given society and an appropriate number of points of view. Good governance requires the mediation of different interests in society in order to reach a general consensus on the best interest of the entire community and the means to achieve it. It also requires a broad general and long-term perspective on the needs for long-term stable human development and the means to meet those needs. This can be done solely on the basis of an understanding of the historical, cultural and social contexts of a particular community.

**Equity and Inclusiveness**

The well-being of a society depends on providing a sense of consideration for the interests of each member of society in it. A sense of non-isolation from the bulk of society must also be ensured. This requires that all groups, including the most vulnerable, be able to improve and sustain their well-being.

**Effectiveness and Efficiency**

Good governance means that all procedures and institutions create an outcome that meets the needs of society by making rational use of the resources provided. The concept of efficiency in the context of good governance also includes the long-term stable use of natural resources and the protection of the environment.

**Accountability**

Accountability is a key condition for good governance. Thus, both governmental authorities and the private sector as well as civil society organizations must be accountable to the public and their institutionalized representations. Who is accountable to whom depends on what decisions or actions are taken, whether they are internal or external, and whether they
relate to the organization or other institutions. In general, the organization or institution is accountable to those concerned by the decision or action. It should be also mentioned that accountability cannot be enforced without transparency and the rule of law.

The concepts of “manage/management” and “govern/governance” are broadly defined as synonymous. However, if to consider “management” in the narrow sense, namely, “as the direction of a move, the movement, the work, as the direction of a process, the impact on development, the state of something, as the direction of the activity of someone or something, the provision of instructions and instructions”, then the process of management of the activities is an integral part of the governance process, the task of which is to give something a complete look, to ensure the effective functioning of the organization as a whole system.

In the theory of political science, the concept of governance means the process of exercising power in society, the way it is exercised to meet the needs and demands of citizens. The system of public administration involves the fulfillment of various functions: planning, stimulation, control, while management is already carried out directly in certain fields and industries. One of the characteristics of the democratic process of running the country is the application of the principles of good governance, which are open and transparent decision-making by public authorities and local self-government, accountability to citizens (because they are the source of power) involving citizens in the decision-making process.

The same characteristics of a good governance system are typical of nonprofit organizations that work to improve living standards, meet the interests and needs of different segments of the population. Today, many organizations see the need to differentiate between the governance and organizational management functions of the organization, the involvement of new people in the planning and evaluation process of the organization.

The organization's governance system involves a transparent and open process of collective decision-making, accountability to the public, members and stakeholders of the organization; strategic planning process, oversight of the organization's activities and its evaluation.

At the same time, the responsibility for the day-to-day operations: implementation of the strategic plan, direct work with stakeholders rests with the management and staff of the organization, which is managed by the executive director. In light of this and the above arguments, it should be emphasized that all non-profit organizations should draw attention to the application of good governance practices and to the application of good governance principles in order to ensure the viability of the organization and the fulfillment of its mission. Indeed, governance, as a clear and transparent decision-making process, enables the non-profit organization's governing body to use resources and power in an efficient and accountable way, based on shared values (Lakey, 2000).

It is important to recognize that the boards and staff of the organization are different structures. There is a basic rule: the board governs and the staff manages, meanwhile the board and the executive are working in partnership.

Thus, among the responsibilities of a non-profit organization's governing body are:

- Clarifying the mission and goals of the organization;
• Defining activities of the executive director;
• Providing planning for the organization's activities;
• Effective resource management;
• Identifying and monitoring the organization's programs and services;
• Promotion of the organization;
• Ensuring compliance with laws and ethical standards;
• Attraction and orientation.

**Good Governance in CSOs**

In the public sector, good governance is based on a system of checks and balances between the legislative, executive and judicial branches. This means that it includes a process of regular consultations between government bodies and the general public, so civil society can hold the government responsible and accountable for their trust and ensure that their needs and interests are served.

Within the non-profit sector, good governance principles work almost the same: CSO exercises good governance practice, when it has an internal system of checks and balances, which safeguards the serve for public interest. Good governance of CSOs is based on the differences between organizational units (management and governing entities) and the distribution of decision-making powers between them. Such arrangements help to limit and mitigate control over any person or group, ensure good management of the organization's resources, and assure the CSO`s public service orientation

**Accountability**

Within the third sector accountability stands for the demonstration of the productivity and appropriate distribution of resources, and focuses on non-use of advantages and special privileges for pursuing activities contrary to the non-profit status. CSOs that are accountable are also transparent, and intent to open its records to the public, funders, beneficiaries and other stakeholders. Thus, civil society organization expresses its willingness and commitment towards democratic principles resulting in contributing to the development of civil society.

Non-profit entities are expected to exercise the high level of accountability within their surrounding environment, which includes members, donors, beneficiaries, government authorities and other stakeholders. The same is applied to the membership organizations and they are to demonstrate accountability to the larger community.

It is important that CSOs demonstrate high degree of the accountability even in states, where society does not expect it or legal and/or political situation does not support or facilitate this sector. Moreover, sometimes there is a so-called “accountability gap”, when stakeholders do not push CSO or NGO to act accountably, donors simply are not interested in where the resources have been spent or beneficiaries are not asking about who funds the entity or why it is funded. However, such situation can be used for the benefit of the CSO, as by acting responsively it is a good chance for the organization to prove commitments and desire to serve the public interests and needs.
Transparency

Transparency is the basis of social trust. The implementation of the international principles of conducting transparent, accountable and public CSO activities contributes to raising the level of trust of society, donors and partners in the whole third sector. Moreover, the implementation of clear, understandable standards and tools for assessing and controlling CSOs will also require increasing accountability from both the government and the private sector.

Transparency is the position to provide complete and accurate information about the status and activities of the organization. It is a communication activity that an organization develops, when it regularly provides relevant and accurate information about its mission, strategy, management, decisions, actions, results, obligations and consequences. This information allows stakeholders to evaluate, formulate opinions and criteria for an organization's activities over a period of time, facilitate understanding of compliance, etc. Such information may be made available on the initiative of the organization itself or at the request of an interested party. It is not enough to formally inform how the institution functions, how the work is performed, what the internal processes are, how and in what environment decisions are made or what results have been achieved in the work. The organization must ensure that information is disseminated openly, is truthful, understandable and easily accessible to anyone, who has interest in it. However, transparency cannot exist without good governance – the use of good governance practices that guarantee the quality of the organization and the effective, efficient and ethically correct operation of the institution, the tools for monitoring and reporting, all of which help CSOs achieve the organization's mission.

Registration of non-profit entity

The governing structure of the non-profit entity is established by the basic documents of this organization that are based on the state's legal code, which sets up the internal structure depending on the type of the organization. Generally, there are 2 types of non-profit institutions (Wyatt, 2004):

Association: membership-based entity, whose members are its highest governing body. This type of the non-profit organization can be formed in order to ensure public benefit or mutual interest of members. The situation regarding the regulations depends on who creates the association and how many people do that. Thus, for instance, in Latvia and Romania legal entities can establish associations, while in Macedonia they cannot; and in Hungary the minimum requirement for the number of founders for an association is 10, while in Estonia 2 founders are already enough.

Foundations: this type of the organization is expected to have some kind of property dedicated to be used for specific purposes. This type does not have members, but they are governed by the Board of Directors (who is appointed by the founders) and is usually self-perpetuating. There are some differences from state to state, like in some countries they can serve private interests and in others they are required to serve the public only; in some
countries the minimal capital for the registration is defined; in some states they are established permanently and in others – for a limited period of time.

However, depending on the state, there are also other forms of non-profit sector institutions being defined, which is a separate form of the non-membership, grant- or profit-seeking entities, and which are usually represented as hospitals, training centers, institutes, etc. However, still all the non-profit institutions are explicitly or implicitly bound by the constraint that they are not able to distribute the income or net profits.

Clear governing structure is the basic step to the establishment and further development of the stable accountability framework in civil society or other non-profit organizations. Thus, according to the legislation requirements, the governing body should be defined in the basic documents, which include but not limited by the statute, charter, act of incorporation, etc. Properly defined designation of the governing body by name is essential for the clarification of the responsibilities within the important decision being taken and overseeing the activities and operations of the entity.

Thus, third sector organizations should enhance its governance by defining, highlighting and simplifying the relation between the leadership, and even if the legislation is unclear it does not prevent the good governance, and so the organization itself can promote values and principles of good governance and, thus, strengthen its governing structure focusing on its basic documents, including the following information in them:

- Name of governing body;
- Highest and principal governing bodies and their interrelation with other organizational entities;
- Basic responsibilities and authorities;
- Duties of each board members, including loyalty and confidentiality;
- Minimum number of board members;
- Membership rules, including eligibility, dismissal, and suspension;
- Terms of office, including length of terms and limits on re-election;
- Minimum annual number of board meetings;
- Method of convening meetings, which includes who initiates them, how the dates are set, who decides agenda, etc.;
- Decision-making procedures and processes, including the number that is needed for the quorum, information on how to vote and record decisions;
- Conflict-of-interest provisions.

Controversial and ambiguous governing structures can result in the internal conflict or even in the failure of leadership. Meanwhile, a well-thought-out and designed governance structure enhances accountability and provides the basis for an effective, well-run organization.

**Separation of governance from management**

One of the fundamental and key preconditions for good governance is the separation of the management and governance bodies. Such separation ensures the possibility of checks and
balances that in its turn assures the proper running of the organization and that the important decisions are made within the public interests and needs being taken into consideration.

Thus, for instance, when the Board or General Assembly Members are people, who are at the same time are staff of the organization, it is almost impossible to make the decisions and evaluate their relevance to the mission of the organization, as they are the same people, who make those decisions. Conversely, the people, who report on their work, can be the same people, who approve this report. The people, who make the financial plan for the year, can be the same people, who execute it. A Board or General Assembly Member, who is also an employee of the directorate, can use his or her authority to make decisions that are beneficial to his / her department and not to organizations in general, etc. So, it is clear that the Board that is represented by the even partly voting staff members has a risk to fail in acting persuasively as a check and balance instrument for the managerial levels.

The demarcation of the governance and management includes the division of both duties and employees. Mainly management body runs day to day activities of the organization, while governance – sets strategic guides and policies as well as performs the overseeing role. There is an important line between the areas of activities of two bodies: usually, Board is responsible for setting values and standards, assuring resources and protecting the mission as well as extending outreach, while staff performs daily activities. However, it does not mean that they have to lie up from the other area of running the organization. On the contrary, they should cooperate and contribute to each other.

**Partnership**

The Board is a collective body that represents the interests of various CSO stakeholders. Collective leadership helps an organization stay focused on the mission and resist attempts to impose solutions that are beneficial to individuals or groups. In this sense, the board complements the leadership of the Executive Director. As stated in the previous paragraph, the basic principle of good governance is the separation of governance and management functions, but it is also an important basis for building partnerships between Board Members and employees. There are board-dominated organizations and staff-led organizations, but no CSOs operate more efficiently than one that implements a governance model, where functions are separated and partnerships prevail.

The following table highlights the main functions of the governing and managing staff under the mutual cooperation (Kuzminsky, 2006):

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<th>No.</th>
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<td></td>
<td><strong>Board</strong></td>
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<tr>
<td>1.</td>
<td>Identify and accept a clearly defined mission</td>
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<td>2.</td>
<td>Supervision of ethical and professional standards</td>
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Promoting effective action through internal rules

Follow the established rules, develop and submit additions as needed

Intensive exchange of information and the formation of the effective communication channels

Search, selection and appointment of Executive Director. Delegation of relevant authority and support of the Executive Director

Know the distribution of responsibilities of the organization and understand how to make decisions

Responsibly receive, invest and effectively spend resources

Ensure the legal use of resources for their intended purpose

Identifying the organization’s resource requirements and facilitating their engagement process

Responsibly receive, invest and effectively spend resources

Ensure the legal use of resources for their intended purpose

Control over the financial state of the organization

Keep records of funds in accordance with accepted rules of use

Report regularly and transparently to stakeholders

Provide a mechanism for managing personnel based on democratic approaches

Maximize the value of human resources through teamwork and learning to evaluate achievements

Ensure communication between all stakeholders and society

Meet the needs of stakeholders through the implementation of effective programs and activities

Push and respond to environmental changes

**Monitoring, Evaluation and Analysis**

Monitoring and evaluation are essential components for assessment of the overall performance. Monitoring – the process of accompanying and tracking progress – is meant to provide awareness of difficulties, successes and adjustments in the field in a timely manner, and to allow for appropriate modifications in the design of the overall process. Evaluation, in contrast, focuses on whether effects are as planned, permitting an assessment of the adequacy of the overall design of the process as well as the quality of implementation (Bornstein, 2006).

This is an important issue for good governance of non-profit sector entities is a need for a tool that would focus all the staff on the new priorities and would be able to provide an assessment and evaluation of the overall performance of the organization. Solving this problem has been reflected in the implementation of performance management systems as one way of focusing people on achieving goals.
Monitoring and Evaluation of the achievements

Most non-profit entities have well-developed systems for monitoring financial performance, but their performance monitoring systems are relatively weak. One of the reasons for this is that the performance appraisal is much more complicated than the financial results. Unlike financial management, performance management does not have a standardized monitoring system.

Organizations that can showcase their results are also able to offer the most efficient way to use the funds, and will certainly receive more resources than those that are unable to support their activities with evidence. Donors and stakeholders want to see the performance of the organization, as well as the civil society, whose interests the organization represents, since the performance of the organization depends on the implementation of change.

Performance monitoring makes it possible to see the impact of the decisions made and to increase responsibility for the work. Introducing a performance management system focuses people on achieving results and encouraging employees to think about the relationship between what they do and what they achieve. It also forces them to be more realistic about the goals they set, and to make them more critical about what can be achieved with the available resources and over a specific period of time. Moreover, such a system helps to focus on agreed priorities and deepens understanding of the need to use resources effectively to achieve the desired results.

Benchmarking

In order to improve the performance of an organization, an important element is benchmarking – a systematic process of improving performance by comparing the activities of similar organizations and using relevant information as a catalyst for improvement, i.e. finding and comparing best practices. However, it should be noted that benchmarking is not a source of innovation, but only helps to understand the appearance of existing processes and services in comparison with other organizations.

SWOT Analysis

Situational SWOT analysis is used when an organization decides to change its operations, assess the market situation, plan for the future with respect to Strengths, Weakness, Opportunities, and Threats (SWOT).

The following rules should be observed when conducting a SWOT analysis:

Carefully identify the scope of each SWOT analysis. Focusing SWOT analysis, for example, on a particular segment or activity, identifies the most important strengths, weaknesses, opportunities, and threats of the organization.

Understand the differences between SWOT elements: strengths, weaknesses, opportunities, and threats. Strengths and weaknesses are the internal features of the organization, and therefore are under its control. Opportunities and threats are related to the characteristics of the market environment and are not subjected to the influence of the organization.
Strengths and weaknesses can be considered as such only if they are perceived by consumers, i.e. civil society.

Being objective and using a variety of inputs. It is important to understand that SWOT analysis is not just a list of the employees’ views; it should be as much as possible basing on objective facts and research data.

Avoid spatial and ambiguous statements. Very often, SWOT analysis is weakened by the fact that it contains similar statements that most likely mean nothing to the majority of potential consumers (i.e. civil society). The more precise the wording is, the more useful the analysis is.

*Elements of the internal environment: strengths and weaknesses:*

These are the strengths of an organization that it can apply to achieve its overall purpose, such as providing services to a specific category of people or implementing programs to change ideas, attitudes, and behavior. It is extremely important to consider everything that is relevant to the organization. For example, an organization should evaluate the capabilities of its leaders, employees, and volunteers; their operational and financial situation. The CSO must also identify and understand its weaknesses. These deficiencies need to be eliminated or reduced in order to achieve the goals. Internal deficiencies may include unprepared staff, lack of equipment, or poor placement, decrease in funding, reputation problems, etc.

The strengths and weaknesses can hide a variety of aspects of the organization. Most often, the strengths and weaknesses include the following categories: marketing, product, promotion, organization resources, and types of planning involved in various projects.

*Elements of the external environment: opportunities and threats.*

Opportunities and threats are beyond the control of the organization. In this way, they can be regarded as external. The main elements to consider include: socio-political, legal, economic, and state environment. In addition, the following factors as civil society, partners, competitors, philanthropists, sponsors, volunteers also influence the organization's activities.

*Self-Regulation Tools*

There are three generally used methods of monitoring and evaluation process within the non-profit sector:

*Self-regulation and self-evaluation* is the process, when the organization assesses itself including the evaluation of the action plan development and implementation stages. This process may result in sharing findings with the public or using it as a tool for internal development of the organization.

*Peer-review* that defines a system of cooperation between CSOs and other non-profit entities conducting activities in the same area of expertise in order to set a series of standards and principles, and the monitoring and evaluation process of assessing the compliance with those standards is done by the group of colleagues from the same area.
**External evaluation** refers to the systems of assessment conducted by the accredited institutions aiming at the developing standards and measuring the organization's compliance with them. Under this method, CSOs are subjected to be examined by the externally accredited evaluators by providing payments for the service. In case if the evaluation process showed the compliance between the performances of the organization with the standardized measurements, then the CSO is given an official certificate. However, it should be mentioned that this method requires more financial resources than the previous ones, but still some well-funded CSOs go for this type in order to promote their status before other organizations (Ozhabes, 2013).

**Financial Management**

Financial management is not just about accounting. It is an important element of program management and should not be considered as a separate activity to be monitored by the financial service. Financial management involves planning, organizing, controlling and monitoring the financial resources of an organization in order to achieve its goals.

It is useful to identify a set of best practice principles that can be used as a standard for developing proper financial management systems in non-profit entities. These principles help to make sure that the organization is using its resources effectively and that its staff is working in due course. There are seven principles of financial management that represent a separate goal that has to be worked towards (Nova Heneratziia, 2015):

1. **Consistency**

   Financial policies should be consistent across time. This ensures the efficiency and transparency of operations and, in particular, of financial reporting. At the same time, no one forbids to improve systems if the organization changes. Inconsistent application of approaches to financial management can be a sign of manipulation of the financial position of the organization.

2. **Accountability**

   The organization should explain how it has used its resources and what it has achieved as a result of its use to its stakeholders, including beneficiaries. All interested parties have the right to know what their funds went to and how their powers were used. CSOs are required to explain their decisions and actions and publish their financial statements.

3. **Transparency**

   The organization should be open about its work, providing information about its activities and plans to stakeholders. Transparency requires the preparation of credible, complete and timely financial reports and their submission to stakeholders, including beneficiaries. If the reporting organization is opaque, it may seem that it has something to hide.

4. **Viability**

   In order to ensure financial viability, spending must be matched by organizations at both operational and strategic levels. The viability reflects the financial integrity and reliability of
the non-profit institution. Trustees and organization leaders must develop a financial strategy that outlines how the organization will fulfill all its financial obligations and implement its strategic plan.

5. **Honesty**

CSOs representatives should work honestly and properly. For instance, executives and board members should set an example, following established policies and procedures, and state their personal interests that may conflict with their responsibilities. The honesty of the financial records and reports depends on the accuracy and completeness of the financial records.

6. **Oversight**

The organization is obliged to take care of her trusted financial resources and monitor their intended use. A governing body (such as a Board) is jointly responsible for this. In practice, the governing body ensures proper financial oversight through careful strategic planning, financial risk assessment and the creation of appropriate systems and controls.

7. **Accounting standards**

The system of financial accounting and documentation must comply with internationally accepted accounting standards and principles. Any accountant from any country in the world should be able to understand the system used by the organization for financial accounting.

These 7 principles can be turned into a checklist to identify the strengths and weaknesses of the organization.

**Strategic Planning**

Strategic vision is a way of thinking about the organization in the future, its role and place among others. The purpose of strategic thinking is to create a strategy that will be harmonious and coherent, coordinated and integrative basis for decision-making, especially decisions about the management and use of resources. The main purpose of strategic planning is to identify ways in which organizations can “outsmart” and bypass competitors in terms of development, as well as improve its own effectiveness (Klimanskaya, 2010).

Strategic planning is different from operational and tactical. The last two types of planning are related to how work should be done, and strategic planning determines what needs to be done. Thus, tactical and operational plans are associated with setting measurable goals and milestones that must be implemented by working groups and individual employees within the organization and within short and clearly defined periods.

Such planning provides the basis for actions that need to be understood by both the organization as a whole and its specific employees. It creates an opportunity to evaluate business situations on a single basis, discuss alternatives, using a common terminology, and make decisions that need to be done in a certain period of time based on a single set of values.
and understanding. Thus, the only real objective of strategic planning is to provide the opportunity for strategic management of the organization.

**Best Practices for Ensuring Good Governance within the Civil Society Organizations**

*Models for self-regulation and good governance*

Each model was developed in accordance with the current situation and needs of the particular state or region from where it originates. It is common that these models are considered to be an instrument for enhancing and strengthening the accountability and transparency of the civil society organization.

CSOs and other non-profit entities have some basic motivations for adopting and implementing these models on a voluntary basis, and they include promoting the prestige of the organization among other non-profit institutions as well as sending a message to the society, government authorities, target groups, funding agencies, etc. that they are efficient and reliable entities.

*International Civil Society Organizations (INGO) Accountability Charter*

INGOs Accountability Charter was firstly discussed at the International Advocacy for NGOs Workshop in 200, which was hosted by the Transparency International. During this workshop, the main issues of the agenda were focused on the importance of the accountability and legitimacy of civil society organizations, especially due to their increasing impact in the global arena and improved access to the policy and decision-making circles.

The signing of the Charter is intended to demonstrate the commitment of non-profit institutions to ensure that their activities are transparent. The purpose of the document is to establish common standards of accountability and develop common ethical standards. Despite the fact that the activities of CSOs are regulated by the legal norms of the countries where they operate, this Charter is the first of its kind initiative designed to develop international intersectional standards for activities in the non-governmental sector.

The Charter sets out the fundamental values and principles of the work of non-profit entities, which, among other things, include managerial practice and its effectiveness, fundraising and working with various stakeholders. A special place in the Charter is given to respect for the principles enshrined in the Universal Declaration of Human Rights, independence, a responsible attitude to upholding human rights, the effectiveness of programs, non-discrimination, openness and an ethical approach to fundraising.
**The Code of Conduct for Civil Society Organizations, International Red Crescent and Red Cross in Disaster Relief Activities**

This document was designed in order to assure specific standards and norms for civil society organizations that are active in the area in terms of efficiency and independence. However, it should be noticed that this Code of Conduct is voluntary, but not binding.

It consists of 10 fundamental pillars, which all signatories agree to comply with on the voluntary basis. They include the following:

1. The right to receive and offer humanitarian assistance;
2. Relief activities cover all those in need regardless of language, religion, ethnic origin or nationality;
3. Assurance that the aid will not be subjected to the political or religious standpoint;
4. Ensuring that the provided assistance will not be used as a mean for the state foreign policy;
5. Respect of cultural and traditional diversity;
6. Willingness to building relief efforts on local capacities;
7. Inclusiveness of beneficiaries in the management of the relief process and related campaigns;
8. Strive to reduce future vulnerabilities to disaster along with meeting the basic needs;
9. Accountability before those who seek help and those who provide resources;
10. Recognition of victims as dignified human beings, and not as hopeless objects.

Nowadays, this Code of Conduct has become a standard agreed upon by entities operating in the area of disaster relief. There is no monitoring mechanism as the implementation is conducted on the voluntary basis, however, all civil society organizations, which operate in the field of disaster relief are expected to follow these principles and standardized norms.

**PQASSO- Practical Quality Assurance System for Small Organizations**

The PQASSO system was developed by Charities Evaluation Services (CES) specifically for non-profit and civil society organizations. PQASSO is a user-friendly system that allows evaluating and improving the quality of all areas and activities of the organization.

PQASSO is a practical guide that outlines 12 areas, which are subject to quality assessment. This includes user-oriented services, staff management, organization and results management as well as three levels of quality achievement.

These quality norms are designed and used as a guide for the organization in order to develop and become stronger as well as to become more effective and efficient in terms of operations. CSO or NGO can assess itself according to the defined standards and highlight what is needed for the improvement, establish and develop its plans in accordance with its capacities.
and as a result take a solid position. The idea is not in simply satisfying a set of the quality norms, but to wisely use them for further enhancement and better management.

This system also provides options for the external assessment along with the self-evaluation, and such external assessment is conducted by the experts, who had special training. In case of positive evaluation results, the organization is provided with the PQASSO Quality Mark that assures the accreditation for the standards, and it is awarded with the certificate and PQASSO Quality Mark logo. Usually, non-profit entities apply for such evaluation in order to promote its position, seek recognition and credibility before the independent funding entities and other stakeholders. This certificate is valid for three years, and after the expiry date, the organization should apply for a new evaluation process.

ISO (International Organization for Standardization) 9000: 2008 Standards

This is the biggest international standard for quality management system, which aims to support the non-profit entity in focusing on the specific targets regarding the quality of its activities and provided services. This system is currently used by more than million entities and institutions around the globe. Although, the majority of users are from the private sector, but it also may be used by CSOs that operate in different areas and are of different size.

ISO 9000 is based on the 8 quality management norms, which are the following:

- Focus on client – service receivers are the main supporters for the organization and, thus, there is a need to properly understand and define the existing and future needs of clients` (in case of CSO – society`s) and even overflow them;
- Leadership – it determines the common goals and direction that is to be taken. Leaders are to establish and sustain the environment in which other people will be able to participate and contribute to the process of achieving the defined goals;
- Participation and inclusion – employees of different levels represent the nature of the organization and their inclusiveness and participation are ensuring the possibility of mobilization of talents and skills for the benefit of the entire organization;
- Process approach – in case of proper and efficient management of the activities and allocation of resources, there is a higher possibility of achieving desired results;
- Systematic approach to management – in order to effective achievement of defined goals, it is important to define, understand and manage co-related processes as a whole system;
- Ongoing progress – ongoing enhancement in the overall activity of the organization should be defined as a steady goal;
- Realistic approach to decision making – efficient and rational decisions are made based in the analysis of the available data and information;
- Relations of mutual benefit with targeted service receivers – organization is interconnected with the society and their common benefit contributes to the increased value for both of them.

Thus, using such models and tools for self-evaluation in order to sustain accountability and transparency are essential for the sustainability of good governance within the third sector.
entities. Moreover, it should be mentioned that both CSOs and NGOs as well as civil society benefit from such practice, and it can be defined as following:

1. Benefits and advantages accruing to CSOs:
   - Raise of the prestige before civil society and government authorities;
   - A valuable means of promotion for the organization that may lead to the facilitation of the CSO to access to funding sources;
   - Improvement of the legitimacy and publicity of CSOs before target groups;
   - Support in affecting the most appropriate interventions and services provided to meet the needs of the target groups;
   - Assurance of the efficiency of resources allocation and optimization of operational costs as well as reduction of the total cost of the overall performance;
   - Support in realizing the clearly defined goals and actions;
   - Enhancement of human cooperation and communication within the organization;
   - Increase of the motivation of staff and volunteers, which improves teamwork;
   - Enhancement of the effectiveness by improving the foresight of possible mistakes and their minimization, which results in adaptation to changes within the organization.

2. Benefits and advantages for civil society:
   - Contribution to the development and empowering of civil society;
   - Strengthening the prestige of civil society and building trust to it;
   - Increasing the motivation of both national and international funding entities to invest in civil society.

Legal Framework Development on Good Governance Principles

**Malta**

**Reforming the Legislative Framework of NGOs in Malta**

The legal framework for NGOs in Malta has been substantially reformed by the Voluntary Organizations Act 2007 (VOA, 2007) and the Civil Code Act (Amendment) 2007 (CCA, 2012).

These laws carry out clearly delineated, but complementary functions. Amendments to the Civil Code specify the legal framework for non-profit entities, creating, in particular, a mechanism for acquiring legal entity status. The Law on Voluntary Organizations identifies and defines a large subclass of “voluntary organizations” that have the right to register at their discretion, and the registration entails enhanced supervision and gives the right to additional state benefits.

Both laws together have a significant impact on increasing the accountability and transparency of the Maltese non-profit sector. Their principled approach as a whole meets their requirements, namely: not to impede or interfere with legitimate activities, promote transparency, integrity and public confidence, act with targeted, flexible, proportional and effective methods. More specifically, these laws make it possible to fulfill the following
requirements: creating a national system of state registration, taking measures to mitigate the risks posed by unregulated organizations, proper supervision and control of the sector, accountable reporting system of non-profit sector as well as gathering information, monitoring and investigation in cases of abuse.

**Poland**

**Surveillance Model for Socially Beneficial Organizations in Poland**

The Law on Public Benefit and Volunteer Activities of 2003 introduced a new category of non-profit entities in Poland – the Socially Beneficial Organization (SBO). In return for a more favorable tax regime and other tax incentives, it introduces higher standards of accountability and transparency for the SBOs. Among all the countries of Central and Eastern Europe, this is perhaps the most unusual attempt to introduce the status of non-profit institutions (including civil society organizations) as a means of raising standards of accountability and transparency. Of particular interest is the introduction of a two-agency model, in which the Ministry of Social Security is responsible for control and supervision, and the newly created Council for Public Beneficial Activities performs very broad and diverse functions, contributing to the development of relations between the SBOs’ sector and the authorities (CoF, 2019).

Thus, the principled approach to the development of the Law on Public Benefit and Volunteer Activities of 2003 meets the requirements not to impede or interfere with legitimate activities, promote transparency, integrity and public confidence, act with targeted, flexible, proportional and effective methods, and also fully involve the non-profit sector in the implementation of recommendations. More specifically, this law fulfills the following requirements: granting rights to state financing, tax and other benefits to those non-profit entities that comply with standards of accountability, maintaining the work of the national system of state registration, proper supervision and control of the sector, proper reporting of non-profit entities and verification of their activities, conducting intelligence, monitoring and investigations by the competent authorities and exchanging information between them, cooperation with domestic and foreign state law enforcement agencies.

**Netherlands**

**Regulation of public and useful activities in the Netherlands**

Starting January 1, 2008, NPOs are required to acquire ANBI (Algemeen Nut Beogende Instelling) status in the Dutch tax authorities in order to be eligible for preferential taxation of income and donations. Previously, the law did not require such official recognition. This example analyzes the criteria entered with this status and the process for applying them. This is an example of a Western European country with a liberal registration system and its efforts to increase the accountability of organizations enjoying tax benefits (CBF, 2007).

Their task is to ensure that non-profit organizations, enjoying tax benefits, deserve this privilege and comply with certain minimum standards. The main difference of the new system is that from now on, organizations are required to undergo certification in order to qualify for
tax benefits. The new provisions also codify and clarify new qualifying criteria. Religious organizations are exempt from these requirements.

Preferential tax status, the award of state grants and the right to conduct public fundraising can be granted to all NPOs that comply with the registration requirement and take measures to ensure transparency and accountability. Such status also meets the requirements not to impede or interfere with legitimate activities, promote transparency, integrity and public confidence as well as act with targeted, flexible, proportional and effective methods and also fully involve the NPO sector in the implementation of recommendations.

The new system helps to increase transparency and accountability in a variety of ways. Most importantly, organizations are subject to review by the tax authorities before benefits are granted. First of all, the applicant’s compliance with the regulatory provisions is checked. Verification is carried out on the basis of a standardized application form for benefits, filled out by the applicant. Before deciding on the status of an organization, tax authorities may ask other questions. Several applications for ANBI status were rejected due to non-compliance by applicants with the requirements of the law.

**Bulgaria**

*Central Registry of Publicly Useful Organizations*

The Central Registry of Socially Useful Organizations was created in 2001, and with the adoption of amendments in 2006, its role has increased even more. This is a central registration, oversight and coordination body that places high demands on accountability and transparency in a number of NPOs, which in return receive additional financing and tax benefits from the state. This example shows how the state can introduce a registration and supervision system for a key group of privileged NPOs if creating a nationwide centralized system is too difficult (Fonovic, 2009).

In particular, it envisages a national public registration system for the non-profit sector wishing to gain access to state benefits. Registration is more of notification nature than permissive. The authorities have also improved the exchange of information among government agencies, who are participants in the process. Thus, this system meets the requirements of these documents in that it does not prohibit or impede legitimate activities, but rather encourages transparency, strengthens the ethical principles of the work of the non-profit sector and public trust in them.

To monitor the activities of the Socially Useful Organizations, the Central Register (the registration, supervision and coordination body, whose goal is to increase the level of accountability and transparency of the non-profit entities) must receive the annual and financial report of organizations. Information that should be in annual and financial statements includes:

1) socially useful activities and information on significant events, the funds spent on it, how much they correspond to the goals and program of the organization, and the results;

2) the amount of funds received under grants and as income from activities carried out in order to raise funds;
3) the type, size, value and purpose of any donations received or provided, information about the donors;
4) annual financial report – certified if it must pass an independent financial audit;
5) results of the financial performance;
6) declaration of payable taxes, fees, customs duties and other payments to the budget.

Extracts from court decisions on the registration of changes in the composition of board members or other similar bodies, a list of members of the executive team and any changes in the charter are also provided.

**Estonia**

**Ethical Code of Non-Profit Entities in Estonia**

The Code of Ethics of Estonian NGOs (Code) was adopted in 2002 in parallel with the implementation of a number of initiatives to expand cooperation between the state and the non-profit sector. The Code establishes principles for the transparent and accountable functioning of the sector. The process of preparing the Code appears to be the most successful attempt among Central and Eastern Europe countries to develop common standards of conduct for the entire sector (NENO, 2002).

This brief document outlines 23 principles of conscientious work, compiled under eight headings, which are the following:

1) democratic governance;
2) civic courage and care;
3) sustainable development and prudent use of funds and resources;
4) responsibility and accountability;
5) openness and transparency;
6) independence and prevention of conflict of interests;
7) compliance with obligations and recognition of authorship of ideas;
8) tolerance.

The Code emphasizes that the charters and internal documents of NPOs should be guided by clearly set goals and objectives. Responsibility for the work of the organization rests with its highest governing bodies and employees as well as the participation of volunteers and ordinary members of the organization is highly regarded as one of the foundations of civil society. The Code encourages responsible spending of funds for the purposes for which they were intended. Progress reports and financial statements of an organization are published at least once a year, and accountability is defined as responsibility to founders, members, stakeholders, donors and the public; openness and transparency are ensured by free access to information on the activities and financing of non-profit entities.
Civil society organizations play an essential role in advocating on critical issues and policies, they participate in national development and deliver necessary services as well as present the buffer between government and people. In order to successfully perform their activities, CSOs must be supported by the regulatory and legal frameworks, which will support their missions and operations, but not restrict by providing government excessive supervision authority limiting their abilities to operate.

The fundamental legal basis for creating a civil society organization is the right to freedom of association. Thus, Jordan has signed the primary source of this right, which is International Covenant on Civil and Political Rights, and by ratifying this document, Jordan is obliged to promote the enjoyment of this right and create the environment that enables the full exercise of this right. In addition state is also obliged to refrain from interference in the practicing this right by people, having just specific narrowed circumstances for exceptions (ICCPR, 1966):

(1) Everyone shall have the right to freedom of association with others...

(2) No restrictions shall be placed on the exercise of this right other than those which are prescribed by law and which are necessary in a democratic society in the interests of national security or public safety, public order, the protection of public health or morals, or the protection of the rights and freedoms of others.

Moreover, the domestic legislation also mentions the right to freedom of assembly, and thus, under the Article 16 of the Constitution of Jordan (COJ, 1952):

(1) Jordanians shall have the right to hold meetings within the limits of the law;

(2) Jordanians shall have the right to establish societies, unions and political parties provided their objective is lawful, their methods peaceful, and their by-laws not in violation of the provisions of the Constitution [...].

The significance of the right to assembly and necessity of civil society participation is also being mentioned in several other documents. Ones of such are series of discussion papers published by King Abdullah II, stating that “enhancing the role of civil society is one of the key requirements for democratization efforts” and “[CSOs] need to play a greater role in contributing analyses and ideas to the search for solutions to the challenges facing the Kingdom. To facilitate that, we must continue investing in research and civil society organizations, scaling up successful initiatives and promoting dialogue, volunteerism, accountability, transparency and the right to access information” (King Abdullah II, 2014).

Another document highlighting the importance of the right to freedom of assembly and CSOs is the Comprehensive National Plan for Human Rights for the years 2016-2025. Under the 8th Goal of First Pillar focusing on Civil and Political Rights, government states the aim to align the domestic legislation and policies with the international standards, to strengthen the participation of CSOs in the public affairs administration as well as to strengthen the principles and practices of good governance within CSOs and their internal activities (CNPHR, 2016). Thus, it evokes to enhance the contribution of CSOs and their participation in the public policy and
public affairs, to review and simplify the process of forming associations as well as to reaffirm the necessity for protection of the rights to assembly and association, and to coordinate the Jordanian legal framework with internationally and constitutionally guaranteed rights.

Although, there is a legal mechanism for ensuring the establishment of CSOs in Jordan, however, their activities are strictly overseen by governmental bodies and all operations fall under the limiting regulating legislations.

**Registration and Overseeing**

There are several institutions overseeing the CSOs sector in Jordan:

1. Registrar at the Ministry of Social Development – which receives applications for registration and oversees registered societies under the Article 5 of The Societies Law;
2. Companies Control Department at the Ministry of Industry and Trade – which registers not-for-Profit Companies (NPCs) and oversees them under the Article 4 of the Regulation No. 60 of 2007 on Not-For-Profit Companies;
3. Supervising Ministry – which is determined in light of the CSO’s objectives, and oversees the operations and activities of CSOs depending on their objectives under the Instructions No.147 of the year 2010 on the Ministries Relevant to Societies;
4. Council of Ministers – which approves a) foreign funding; b) in case of societies, approves non–Jordanian nationals or juridical entities to become founders of or members in a society (under the Article 11.1 of The Societies Law); c) approves the registration of a closed society (foundations) (under the Article 11.2 of the same law); and d) the registration of a private society of one member (under the Article 11.3 of the same law).

According to the Societies Law, registration applications are to be submitted to the registrar or Ministry of Social Development (MoSD) field office, and after this the application will be forwarded to the board made of representatives from a number of sectors and ministries. Under the legislation, this board has 60 days to come up with a decision regarding the registration, and if there is no decision made within this timeframe – the application will be accepted automatically. However, if the rejection decision is made, it should be justified, and it can be appealed in the Administrative Court.

Meanwhile, the registration process of NPCs is different: it requires the application being submitted to the Controller of Companies of the Companies Control Department (CCD) including company’s incorporation documents as well as any other documents that may be demanded by the Controller or inquired by applicable law.

**Reporting**

Under the Societies Law, CSOs must:

- Submit the resolution of 2/3 of the Board of Directors regarding the creation of a new branch including the information of the address of this branch. In return, the Registrar or the Supervising Ministry should provide the confirmation note;
• Notify about the General Assembly Members’ meeting and venue 14 days prior to the date of the meeting, otherwise such meeting will be considered unlawful;
• Provide with an annual plan and report as well as audit financial statements properly followed by the certified accountant, which is appointed by the General Assembly. As for the annual reports, they must be submitted within the first quarter of the following fiscal year;
• Provide the General Assembly resolutions and decisions within 15 days of the issuance.

Meanwhile, according to the Article 12 of the Regulation No.60, a NPC must submit to the Controller of Companies an annual report which includes the following:

• Activities and operations that are carried out;
• Sources of funding;
• Financial statements properly signed by its authorized signatories and compiled by a certified auditor.

**Audits and Meetings**

Under the Article 18 of the Societies Law, supervising bodies (ministries) are allowed to:

• Send a representative in order to attend the General Assembly meeting of the CSO (Article 14);
• Audit CSO’s records and accounts and appoint a certified accountant for this purpose at the expense of the Fund and with the approval of its management committee (Article 18);
• Form committee/s for arbitration in case of the rise of dispute within CSOs members (Article 18).

As for the NPCs, under the Regulation No.60, the Controller of Companies may audit a NPC’s financial records and statements in order to verify its financial disclosures, including sources of funding and expenditures, and to assure compliance with its objectives (Article 12).

**Foreign Funding**

Under the Article 17 of the Societies Law and Article 9 of the Regulation No.60, in order to get foreign funding, firstly CSO has to get approval from the Council of Ministers. In order to do so:

• the source of funding must be legal and not violate public order or morals;
• the funder’s conditions must not conflict with the provisions of the Societies Law or the CSO’s bylaws;
• the funds must be used for the specific purpose for which they were given.

After the preliminary review and check, the application is to be sent to the Foreign Funding Unit that is made of the Ministry of Planning, the Ministry of Interior and the supervising body that provided the first review. All members of this Unit must approve the
application, which is done anonymously, and in case of the full approval send it to the Council of Ministers for final decision. The Council has up to 30 days in order to issue its decision. In case no decision is made within this timeline, the approval must be issued automatically.

Conclusions

1. If a civil society organization (CSO) is by its very nature an association of citizens for the common good, then that goal must be fundamental in its activities. On the other hand, by providing direct or indirect financial support to CSOs, citizens can confirm that they share common interests with this organization, and since CSOs receive support and funding from citizens, they (or more broadly the society) have the right to monitor CSOs’ compliance with some of their obligations under this “contract”. CSOs who are aware of this role and place in society, independently seek to provide everyone with the opportunity to make sure that they carry out activities that are in the public interest and spend resources responsibly. Such behavior is consistent with the notion of “accountability”, a voluntary obligation, or a desire to take responsibility for explaining their actions.

For CSOs, accountability means a regular demonstration that they use resources wisely and do not use privileges for activities that are contrary to mission and non-profit status. Accountable CSOs are also transparent. Even CSO members must be accountable to the whole society, not just their members, as they depend directly or indirectly on its support. With such actions, CSOs demonstrate their commitment to democratic values and contribute to the development of civil society. The main mechanism for ensuring accountability of CSOs is a functioning governance system. For the most part, the term “governance” means a way of understanding, delegating, and exercising power in a society or organization. Good governance is a way of governance in which power and resources are not accumulated in the hands of one person or group.

2. A well-defined organizational structure is the first step to establishing stable and functional accountability mechanisms within CSOs. The highest governing body in any civil society organization should be a General Assembly (participants, members). The supreme governing body, the division of powers between its members, their powers and the procedures for their activities must be recorded and laid down in the Charter. In addition to the Charter, CSOs may have several documents that describe the authority and regulate the system of government in the organization. It should be remembered that all these documents should be not contradictory, consistent and strictly follow the main structure of the governing body of the organization, which is enshrined in the Charter. These can be documents such as: Regulations on the Board / Supervisory Board, Regulations on the Executive Directorate and Executive Team, Regulations on Conflict of Interest, Organogram (organizational chart), Code of Conduct, etc.

3. Governance (Board of Members) and management (Executive Team and staff) should be different bodies (consisting of different individuals) with different functions. Board function is strategic decisions and run of the organization between General Assembly Meetings. The function of the Executive Directorate and staff is the operational, ongoing management of the organization to achieve the strategic goals set by the Board. Management body is subordinate to the Board and reports to it.
4. CSOs should build their own monitoring, analysis and evaluation system. It should include effective channels of feedback, consultation, external evaluation and self-assessment in addition to the performance monitoring system and benchmarking that helps to understand why performance is different and what needs to be changed in the organization in order to reach or exceed the sample. These mechanisms will allow building a system that seeks to improve the efficiency, development and improvement of the organization and provided services.

5. An important basic principle of good governance is the separation of the main functions of governance and management bodies. The main task of the governing body is to ensure that the organization adheres to its mission and strategy, while management is responsible for implementing the strategy and achieving the mission, as well as for implementing the decisions of the Board. However, this does not mean that they exist separately from each other. On the contrary, in order to harmonize responsibility between the board and management, the principle of collective leadership must be embedded and implemented.

There should be established an efficient partnership between Board and staff in addition to the well-defined mechanisms for cooperation between the governing and managing bodies of the organization in order to promote collective leadership and efficient development of both the organization itself and the quality of the providing operations and activities. An effective Board works in partnership with staff, generates added value, anticipates and prepares decisions, and balances the interests of various stakeholders.

6. Management of finances can and should be carried out in any non-profit organization, regardless of its size, complexity of structure or sphere of activity. A well-developed strategy for financing its activities is an essential issue for the productive performance of the non-profit entity that reflects strategic and operational planning. When there is already a worked out budget of the organization, it is important to focus on the preferred kind of funding structure. Different opportunities and foreign funds as well as grant programs, sources of funding related to local self-government, administration and other state structures (ministries, special funds) should be analyzed. Various sources of funding are an opportunity to independently create activity programs that do not depend on the priorities of the donors, who are changed from time to time.

7. Legislation that forms the ground for legal operations of CSOs should be complied with the international norms and standards in order to provide the non-profit sector with the possibility of efficient and productive activity. Although, the Jordanian legislation sets up a number of regulations regarding CSOs in the country, however, in practice these entities may face plenty of challenges. Thus, for instance, Jordanian the legal framework does not fully ensure a transparent and fair process of registering new non-profit organizations. Moreover, in case of the already registered CSOs, they may face extensive government scrutiny, bureaucratic obstacles, repeated audits and inspections, which are poorly justified. The analysis of the legislation also shows that there are challenges for the non-profit sector in Jordan to access to foreign funds that may lead to the financial failure of the organization to continue its activities and its further dissolution.
Sources


7) Instructions No. (147) of the year 2010 on the Ministries Relevant to Societies were issued pursuant to Article 4 of the Societies Law., for the purpose of determining the Supervising Ministry based on the society’s objectives.


