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Governance Guidelines for Egyptian Associations

for Membership-based Associations



This guide has been designed to comport with the participatory approach used by the Center for International Private Enterprise (CIPE) in enhancing stakeholder engagement. A cross section of associations from across Egypt, who are considered to be the real owners of the guide, participated with their feedback for the drafting of this guide. Al-Ahram Center for Political and Strategic Studies (ACPSS), The Federation for Economic Development (FEDA) together with CIPE were keen to draft a realistic guide that would reflect the actual circumstances of Egyptian society by taking into account the current practices of its civil society, in addition to the political and economic context in Egypt, in order not to publish a theoretical guide disconnected from reality.

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Al-Ahram Center for Political and Strategic Studies (ACPSS) is an independent research unit functioning within the framework of Al-Ahram Foundation. The Center devotes a large part of its activities to studying the Egyptian society from its various political, economical, military and social viewpoints. The center maintains complete independence in directing its research activities, and is keen on pertaining a philosophy of criticism; and is concerned in proposing an intellectual, investigative vision for the issues at hand. It also provides for the freedom of speech of its scholars and researchers in accordance to the guidelines of subjectivity and scientific research.



Federation of Economic Development Associations (FEDA) membership includes those associations working in the field of economic development through supporting small and medium enterprises. FEDA believes that only SMEs can contribute significantly to sustainable development efforts through policy discussions and participation in the policy making process, advocating for the interests of SMEs. FEDA membership exceeds 100 associations and NGOs in 18 governorates.

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Preface:

Partnership for the Development of Association Governance

To achieve successful economic development in Egypt, a new concept of development partnership is needed to bring together government, private sector and civil society. This partnership is to be considered as a social contract among the three parties, in which each party duly plays an important role and adds a valued contribution. Building the social contract requires redefining the scope of work for each of the partners, and coordinating their activities. Since fostering a diversity of interests is enriching from both an economic and development point of view, the expansion of multilateralism in the society is an important aspect of fulfilling the social contract. Encouraging relationships based on mutual effort and benefit requires subdividing the work according to the respective parties' comparative advantages, strengths and weaknesses. Needless to say, real partnership among the three parties requires building a great deal of trust and respect, which in turn requires the rule of law, well-established institutions, a mature civil society, and a developed business community. To ensure an equitable partnership, there is a need to strike a balance

amongst the social, economic and political powers of the various parties. Successful partnership also requires that all parties be independent, yet united by the firm belief that their cooperation is beneficial for all, rather than an imposition by the state.

Accordingly, such partnerships between civil society, government, and the private sector demonstrate the importance of developing methodologies for institutionalizing and managing civil society organizations to enhance their efficiency. Such considerations attach an exigency to the association governance in Egypt, to empower them to play an equitable and independent role in the context of the above-mentioned partnership, as well as mobilize the capacities of millions of NGO members to efficiently contribute to the process of socio-economic development in Egypt.

Governance is a management tool that comprises a set of formal and informal measures for decision-making and implementation, providing that the basic values and bylaws of the association are fully observed. Such measures include the set of systems, rules, procedures and mechanisms which determine relationships within the association. In other terms, these are the policies, rules, mechanisms and practices which set the controls and monitor performance of the

association, including its organizational structure, through which all objectives and methods of implementation and performance monitoring are formulated. Governance also includes a set of ethical values and standards, based on which the association's activities should be performed. These include: integrity, transparency, responsibility, accountability, efficiency, fairness, and equality.

Good governance requires a separation of the respective roles and responsibilities of each of the parties namely, between the members (general assembly) and the management, and between implementation and monitoring and evaluation. The aim is to eliminate conflicts of interest, combat corruption, ensure democracy, as well as enhance members' role in decision-making, monitoring, and evaluation of performance, while holding the management accountable for this performance.

The current situation of NGOs and associations in Egypt necessitates the urgent application of rules and mechanisms of good governance. In the context of Egypt's transition towards a market economy, good governance will enable Associations to assume their role as major partners in the development process in Egypt. This issue is outlined as follows.

Guide to Association Governance in Egypt

This Guide to Association Governance in Egypt has the major objective of ensuring that associations are managed in a manner conducive to their independence and effectiveness; hence, achieving their missions, expressing the interests of their members, creating value from their activities and enabling them to play those roles entrusted to them within their communities. This is achievable through:

- Striking a balance between the membership and management, and between implementation and accountability through role differentiation of the various parties.
- Institutionalizing the association's activities, through agencies having specific functions and mandates, with well-defined relationships, as established by the association's statutes and bylaws.
- Ensuring that the association's activities are in compliance with its mission.
- Attaining sustainability and development of the association's activities, in accordance with short- and long-term plans.
- Enhancing the effectiveness of the association's development role.

- Avoiding conflicts of interest within the association, in order to combat corruption.
- Establishing democratic governance within the association.
- Establishing a sound, effective and integrated relationship between the association and its members and between the association and other related parties, particularly in the case of development associations, state agencies, beneficiaries and the private sector.
- Establishing and spreading a culture of governance in the society, and bringing large-membership associations under the umbrella of this culture.

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Governance begins by establishing an effective link between authority, responsibility and accountability within the association. In other terms, the authority, represented by the board of directors, should assume its responsibility and duly function within a framework of control, which is practiced by other bodies (the general assembly and the internal audit

committee). Also, the board should be held accountable for the associations' performance. Democratic governance can thereby be achieved within the association.

To assume the assigned responsibilities, the board of directors should be composed of members who demonstrate competence, transparency and disclosure when practicing their management role. The board should provide full information about the NGO and associations' activities, and disseminate all resolutions made, such that other parties would be capable to evaluate the performance and hold the board accountable for the results of these activities. These practices would ensure desirable participation by all parties in the NGO associations activity, result in integrity, and avoid conflicts of interest and hence, combat corruption.

Accordingly, the activities of the NGOs and associations should be governed by an integrated system of ethical values and standards. These include: responsibility, accountability, efficiency, participation, transparency, disclosure, integrity, fairness, and non-conflict of interests. As previously mentioned, governance begins with due separation and balance between the respective roles of membership, as represented by the general assembly, together with the elected board of directors on the one hand, and the executive body (the staff) along with the elected external auditor and the

internal audit committee on the other hand. There is need for a clear-cut differentiation of respective roles, together with a concise definition of the levels of authority, and the various forms of mutual monitoring among the different parties. This guide to governance provides relevant rules, mechanisms and procedures, as outlined below:

1.Members as Owners of the Association

1.1. Members are the *raison d'être* and the actual owners of the association. Therefore, they should act as active and cognizant owners, and should hold the association's executives accountable for their actions and performance.

1.2. Members have the basic right to:

- Obtain relevant and material information on the association in a timely manner and on a regular basis.
- Participate and vote in general assembly meetings.
- Become a part of the decision-making process through their participation.

1.3. Basic member responsibilities include:

- Being active in the organization;
- Paying dues in full, and in a timely manner;
- Remaining loyal to the association; and

- Observing the association's bylaws.

1.4. Members should be engaged in electing and replacing the board, according to clear and transparent rules and procedures.

1.5. Members have the right to participate in, and to be sufficiently informed on, all resolutions related to the fundamental changes in the association's structures, such as: amendments to bylaws, articles of incorporation, and/or similar governing documents of the association.

1.6. Members should have the opportunity to participate effectively and vote in general meetings and should be informed of the rules, including the voting procedures that govern the general assembly meetings.

1.7. The governance framework should empower all members to exercise their ownership rights.

1.8. Members should act as owners of the association. This should be exercised through the procedures of the general assembly, being the framework for the members to assume their role. Members should also let boards fully exercise their responsibilities, such that the board be held accountable for their responsibilities.

1.9. The association's governance framework should ensure fair and equitable treatment of all members, according to the following rules:

- All members of the same membership tier (associate, principal, honorary) should be treated equally.
- Criteria for the division of different membership tiers should be clearly specified and made available to all members.
- Processes and procedures for general assembly meetings should allow for equitable treatment of all members. Procedures should not make it unduly difficult or expensive to cast votes.
- Members of the board and key executives should be requested to disclose to the board whether they, directly, or indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the association.

2. General Assembly

2.1. The general assembly is composed of all active members, who have been on the membership list for at least six (6) months.

2.2. The general assembly should convene at a minimum of once every year throughout the four-month period following the end of the association's fiscal year. During the meetings, the general assembly should review the balance sheet, the income statement, the annual report of the board of directors and the auditor's report. In addition, the assembly should undertake to elect new board members to replace those having completed their term, as well as elect members of the control and internal audit committee, assign the auditor and set the audit fees, and discuss any other topics on the agenda, as deemed necessary by the board of directors.

2.3. The general assembly should hold regular meetings every four months to follow-up on the association's activities, review problems, and propose action and procedures for addressing those problems and developing activities of the association. In addition, the general assembly might be invited, as needed, to special meetings, to discuss such topics as: amending the bylaws, dissolving the association, making a merger with another association, ending the term of some or all of the board members, or any other topics that would be stipulated by the association bylaws as subject to discussion in special meetings.

2.4. A written invitation to attend the general assembly meeting should be sent to all members who are eligible to attend. The invitation should be addressed to the registered addresses of the members, specifying the meeting's date, time, venue, and agenda. Recipients of the invitation should include:

- The board of directors,
- Any appointee by 25 percent of the association's valid membership base, in case of the board of directors declining to send a timely invitation for a general assembly meeting,
- The appointed delegate, as stipulated by Clause (40) of Law 84 for the year 2002, or
- The competent administrative body, as deemed appropriate.

2.5. Ideally, the general assembly meeting should be held in the headquarters of the association. If this is not possible, another venue is to be designated, and mentioned in the invitation and the agenda.

2.6. An absolute majority (half plus one) of the members is required for the validity of the general assembly meeting. In the instance that an absolute majority is not attained, the

meeting should be postponed to another session within a minimum of one hour and a maximum of 15 days from the date and time of the first meeting, according to the bylaws of the association. In this case, the meeting would be valid if attended, in person, by a minimum of 10 percent of the members, or by 20 members, whichever is less.

2.7. Should a member have a personal stake in a certain resolution that is subject to voting, this member should not participate in the voting process. An exception to this is in the voting for electing the association's management.

2.8. An absolute majority of attendees (half the number attending plus one) is required for the validity of the general assembly resolutions. In the case of special meetings, the validity of resolutions requires the absolute majority of members, unless the association's bylaw states otherwise.

2.9. Attached to the invitation should be a memo about each topic on the agenda. Each memo should provide sufficient information about the topic concerned, such that all members are capable of arriving at an opinion and participating in the discussions.

2.10. Members have the right to participate in, and to be sufficiently informed on, resolutions entailing fundamental changes in the association's structure, such as amendments to bylaws, articles of incorporation, or similar governing documents of the association.

2.11. All members should have the right to obtain from the board further information on the topics of the agenda. In addition, members should be entitled to review the association's books and records for the purpose of enhancing their backgrounds about the topics concerned. The board should enable members to get such information.

2.12. The board of directors should set meetings with members of the association on specified dates, with the purpose of addressing members' inquiries about topics of the agenda hence, enabling members to engage in effective discussion during the meeting of the general assembly.

2.13. The meeting chairperson should allocate sufficient time to discuss all topics on the agenda, and provide an opportunity to all members willing to participate in the discussion, such that they can express their opinions freely. This would help clarify all standpoints regarding a certain topic, prior to the casting of votes on any proposals submitted.

2.14. All proposals concerning a certain topic should be subject to voting, following discussions. The two highest ranking proposals should be subject to a second round of voting.

2.15. The secretary general of the association should personally assume, or oversee, the recording of meetings, the preparation of their minutes, including the major opinions and suggestions, and the results of voting on the individual topics. Minutes of the meetings should be documented in the general assembly books, and duly signed by the chairperson of the meeting and the secretary general.

Resolutions of the general assembly should define the actions to be taken, the persons in charge of implementation, and the time schedule, in an aim to ensure ease of monitoring and accountability

2.16. Resolutions of the general assembly should define the actions to be taken, the persons in charge of implementation, and the time schedule, in an aim to ensure ease of monitoring and accountability.

2.17. Minutes of the meeting should be presented at the next general assembly meeting for ratification.

2.18. The board of directors should be responsible for putting the general assembly resolutions into action, monitoring implementation, eliminating obstacles, and holding the executives in charge of implementation accountable.

3. Board of Directors

3.1. Every NGO should have a board of directors, the composition of which should be consistent with the association's structure and base of membership. The size of the board should be consistent with its structure. Associations should avoid having boards that are too small and fail to properly reflect membership structures, as well as boards that are too large for the organization's size. Therefore, it is preferable that the board be composed of an odd number of members, not less than five, and not exceeding 15, as would be specified by the association's bylaws. Members should be elected for a three year term. Replacement of one-third of the board membership should be done annually, on a random selection basis.

3.2. In the context of the association's management, there should be a balance between the respective roles of the

executive staff and the volunteers. The executive staff should handle all technical jobs.

3.3. The board should not transfer its responsibilities to the staff. These include:

- Ensuring compliance with the bylaws of the association.
- Reviewing, endorsing, and monitoring the implementation of the association's strategy, major plans of action, risk policy, annual budgets, and business plans;
- setting performance objectives for key executives and the organization overall;
- monitoring implementation and association performance; and
- overseeing major financial expenditures and partnerships.

3.4. With respect to the candidacy for board membership, all rules should be consistent, transparent, and competition-friendly. Procedures should be clear, and should encourage voting.

3.5. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the association and its members, while complying with all relevant laws and regulations.

3.6. Members of the board of directors should be politically impartial.

3.7. In order to fulfill their responsibilities, board members should have access to accurate, relevant, and timely information. Board members should also receive relevant training at appropriate intervals of their term and general orientation upon assuming the position.

3.8. A coherent system for the procedures related to reporting on cases of corruption and violations should be in place, so that the association would be capable to address such cases and take the necessary action and relevant remedies in a timely manner.

3.9. The association should have a mechanism for monitoring any potential conflict of interests among members of the board, in order to eliminate any commercial or financial transactions between the association and the board members.

3.10. Candidates for board membership should fully exercise their civil rights. Bylaws of the association would set other requirements for candidacy.

3.11. An announcement should be made for candidates to run for the board of directors' elections. All general assembly members should be notified of this by a suitable means of communication. On day following the deadline for candidates' applications, and sixty (60) days prior to the elections date, the board of directors should announce, on the association's premises, a list of all candidates. The list should be final, i.e. after exclusion of disqualified candidates, as well as those who declined to run for the elections, provided this has taken place in accordance with the legal conditions and within the set time frame.

3.12. Members of the board of directors should be elected through a closed casting of votes, under the supervision of a committee to be selected by the general assembly from its members. Minutes of the voting process should be prepared, indicating the voting procedures, and the results. The minutes should be duly signed by the members of the committee, the chairperson, and the secretary general of the association.

3.13. It is forbidden to combine board membership and a salaried job in an administrative body, or in a public agency that would be mandated to oversee, direct or control the association's operations and/or financing.

3.14. It is forbidden for any person to have a dual status as a board member and a salaried employee, or to be involved in commercial transactions with the association.

3.15. The board of directors should assume the management affairs of the association. In this context, the board should perform any additional duties above those stipulated by the law, or the association's bylaws, provided that the general assembly endorses such activities, in advance. The following outlines major functions of the board:

- Preparing the association's management and operations manuals.
- Establishing, as necessary, all committees required for streamlining work procedures, and determining the respective functions of those committees.

3.16. In its first meeting, the board of directors should elect, as well as define the functions and authority of: the chairperson, his/her deputy, the secretary general, and the treasurer.

3.17. The board of directors may delegate some of its functions to an executive committee. Membership of the committee would include: the chairperson, his/her deputy, the treasurer, the secretary general, and any other selected

members of the board. The committee's membership should not exceed five members. The committee's resolutions should be recorded in a special record for future reference.

3.18. The association's secretary general should document minutes of the board meetings and resolutions in the board's books and records. The documentation should clarify all actions required, the individuals in charge, and the time schedule. This should help the board monitor implementation and ensures accountability of the parties in charge.

3.19. Responsibilities of the Association's leaders

Chairperson of the Board

- Chair the general assembly sessions, board meetings, as well as the meetings of internal committees.
- Act on behalf of, and represent the association vis-à-vis the judiciary and administrative bodies, with respect to all contracts and agreements endorsed by the board, or the general assembly.
- Sign, jointly with the secretary general, all resolutions and minutes of meetings.
- Sign, jointly with the treasurer, all checks and financial documents.

- Make decisions related to urgent matters, which should subsequently be submitted to the board.

Secretary General

- Prepare agenda of the board meetings, send invitations to the members, act as secretary to the meetings, prepare minutes of the meetings and the resultant resolutions, and present such to the next board meeting for ratification and implementation.
- Prepare a membership directory, including members' names and addresses.
- Keep minutes of the general assembly and board meetings, and sign them jointly with the chairperson.
- Prepare an annual report on the association's activities, and present it to the executive committee, and subsequently to the board of directors.
- Prepare agenda of the general assembly meetings, address invitations, and record resolutions and elections-related procedures.
- Oversee all administrative and personnel-related work, keep books and records, and handle all correspondence within the association.
- Review all remarks made by the Central Audit Agency, and the competent administrative bodies, and prepare

responses to those remarks, which should be sent to the competent bodies through the board of directors and the executive committee.

Treasurer

- Oversee all of the association's financial affairs, including revenues, expenses, annual inventory, settle cash advances, approve eligible expenses, keep expense documents, and review financial documents and records.
- Implement the financial resolutions issued by the board of directors and the executive committee.
- Sign, jointly with the chairperson or his/her delegate, all payment orders and checks.
- Prepare revenue and expense ledgers, and balance sheets, in preparation for review and reporting by the external auditor.
- Work jointly with the secretary general on the preparation of the next year budget and present the draft budget to the board of directors.
- Review the remarks made by the Central Audit Agency, and the competent administrative bodies in charge of financial aspects. Prepare responses to the remarks, for presenting them to the board of directors, then back to the official bodies in due time.

3.20. With regard to the administrative affairs, the executive staff should function under the supervision of the association's manager and the secretary general. Regarding financial affairs, the treasurer plays the supervisory role and, along with the staff, s/he should handle the book-keeping, as stipulated by the law, and follow the relevant instructions and guidelines.

3.21. The board should establish specialized committees for the different fields of the association's activity. Each committee should be chaired by a member of the board, who would undertake to attract principal and associate members for participation in the committee's activity, and for enhancing the members' expertise. Such a practice would assist in the development of qualified leadership for assuming the roles of board membership and thus, avoid any scarcity of leadership talents, when board member replacement becomes due. The number and specialization of the committees is determined by the association's type of activity.

3.22. The board of directors should hold training courses for the elected board members at the beginning of their tenure. The courses should aim at providing members with the necessary knowledge and skills required for assuming the board members' roles in an efficient manner. To this

end, the training courses should include explanation of the NGO law, best management practices, communication skills, team building, meeting management, membership development campaigns, as well the campaigns for expanding the base of participation and for fundraising.

3.23. The board should hold orientation sessions with the new members to introduce them to the association's objectives and activities, as well as the roles they would assume in promoting and developing the association's activities and expanding its membership base. Members should also receive information about their rights and obligations within the framework of the association's bylaws. The panel discussions should focus on the new members, but should also invite the largest possible number of the old members, in an aim to enhance their participation and render their membership an active one. In the course of the panel discussions, members should be invited to participate in the specialized committees, as would match their interests and qualifications.

3.24. The board of directors should organize open seminars for the association's beneficiaries. In the course of those seminars, the board should present detailed information on the association's objectives, the major fields of activity, and the channels available for the beneficiaries to receive the

services of the association. Beneficiaries should be polled about the services provided, their actual needs, and the adequacy of the association's activity to meet such needs.

3.25. The board of directors should sponsor opinion polls to investigate the beneficiaries' perceptions regarding the association's activities, the extent to which these meet their needs, and their priorities with respect to the services provided. The poll should be conducted on a regular basis to ensure consistency of the communication between the association and its beneficiaries.

3.26. The board of directors should review and amend – as appropriate – the action plans, as well as revisit the priorities of the different activities, based on the results of opinion polls and discussions with the beneficiaries.

3.27. The board of directors' annual report, intended for submittal to the general assembly, should provide comprehensive data and information about the association's activities. Such a presentation would highlight problems of the activity, in addition to the future prospects and their priorities. Accordingly, contents of the annual report should include the following:

- Activities performed, level of plan achievement, and beneficiaries.

- A review of the association's financials, including revenues and revenue sources, as well as expenses and channels of expenditure.
- Meetings of the board of directors, their numbers, regularity, and the level of members' participation in these meetings.
- Meetings of the committees, their numbers, regularity, and the level of members' participation in these meetings.
- The executive management and its role in servicing the association.
- The association's relationships with the competent administrative bodies.

Accordingly, the annual report should be structured as follows:

- Overview of the association's activities;
- Future Outlook for the coming year's activities;
- Results of the association's activities; and
- Changes in the association's structure.

Based on the above structure and content of the annual report, members would be able to effectively participate in the appraisal of the association's performance, and to hold the board of directors accountable for the results. In other terms, members' participation would be enhanced and expanded.

4. External Auditor

4.1. The general assembly should select, appoint and set the fees for an external auditor for the association, who should be a chartered public accountant.

4.2. Effective the date of appointment, the external auditor should assume the audit responsibility, as related to the accounts of the concerned fiscal year.

4.3. Responsibilities of the External Auditor: Review of the association's records, books and documents, whenever s/he deems appropriate. In addition, the auditor is entitled to request any data or clarifications s/he consider necessary for performing the audit job, including an inventory of all assets and liabilities of the association. The board of directors should positively respond to the auditor's requests.

4.4. In such a case where the external auditor is unable to duly perform his/her duties, s/he should report on this in writing and present his/her report to the board of directors, requesting empowerment. Should the board of directors fail to facilitate the external auditor's job, the latter would send the report to the competent administrative body.

In all instances, the board of directors should present to the general assembly the report of the external auditor, indicating all actions taken thereby.

Should the external auditor face difficulties in performing the audit duties, s/he may notify the competent administrative body of the request for a special meeting for the general assembly to discuss the matter and decide on the appropriate action.

4.5. The external auditor should setup a financial system that ensures sound performance of work within the association.

4.6. At the end of the association's fiscal year, the external auditor should oversee the inventory of the association's treasury, the settlement of cash advances, and should submit a report about the inventory findings to the board of directors.

4.7. One month prior to the date of the meeting of the general assembly, the external auditor should present to the board of directors a report on the balance sheet and the income statement. The report should be supported by remarks on the balance sheet and the income statement. The external auditor is entitled to attend the general assembly meeting, present his/her report and comment on the issues related to his work as the appointed auditor for the association.

4.8. If the external auditor underperforms, the board of directors should undertake to extend an invitation for a regular meeting of the general assembly, attaching a board report for discussing the matter and deciding on the appropriate action.

4.9 The association's external auditor should not be a member of, or be involved in any commercial or financial transactions with the association. In addition, relatives of the auditor should refrain from engaging in any commercial or financial transactions with the association.

4.10. The external auditor should function in a completely independent manner, free from any influence or pressure that would be exercised by the association's management. Accordingly, the auditor should be held fully accountable for all reports issued thereby.

5. Internal Audit Committee

5.1. The general assembly should elect a five member internal audit committee. This should have a three year term. In its first meeting, the committee should elect a committee chairperson.

5.2. Members of the internal audit committee should not be engaged in any other activities within the association,

nor to be members of the board of directors or of any specialized committee within the association.

5.3. The internal audit committee should be assigned the preparation of an annual report for submittal to the general assembly in its regular annual meeting. The report should cover an appraisal of the association's performance, along with proposals for upgrading this performance, and addressing problems encountered in the association's activity. Below is the structure of the report:

- An informative presentation of the association's activity and the extent to which objectives of these activities were achieved.
- Performance of the board of directors, regularity of the board's meetings, extent of participation of the board members in the meetings, capability of the board to implement the association's plans, achieve its objectives, and address problems encountered in its activities.
- Performance of the chairperson of the board, the secretary general, and the treasurer, with respect to their responsibilities, their respective roles in managing the association's activities, and the level of achievement attained in each of these objectives.

- Performance of the association's manager and staff, and their roles in implementing the work plans.
- Role of the board in utilizing the association's membership base to enhance the different activities, as well as raising the members' awareness regarding their rights and duties, with view to ensuring effectiveness of their participation in the association's activities.
- Role of the board in establishing a regular link with the beneficiaries of the association's activities, and in polling their opinions regarding the services offered and their priorities, as would be determined by their needs.
- Problems facing the association's activities, their underlying causes, and the board's role in finding appropriate solutions to such problems.
- Proposals for developing the association's activities in the future.

5.4. Members of the internal audit committee should have the right to attend all meetings of the board of directors, the executive committee and the specialized committees. They should also be entitled to review all records and documents. The board of directors and other executives should respond - in writing - to any inquiries about the status of the association, as would be raised by the internal audit committee.

Members of the internal audit committee should have the right to attend all meetings of the board of directors, the executive committee and the specialized committees

5.5. The board of directors should attach to the agenda of the next general assembly meeting the report prepared by the committee about the association's activity. In addition, the board should review the committee's report, and add all relevant remarks, in preparation for all responses during the discussions of the general assembly.

5.6. Upon completion of the general assembly discussions of the report, voting shall be cast on the actions and measures proposed by the report, along with any other proposals that might be raised during the discussions.

6. Disclosure and Transparency

6.1. The governance framework of the association should ensure that timely and accurate disclosure is made on all tangible matters regarding the association, including its financial situation, performance, membership, and governance.

6.2. Disclosure should include, but not be limited to, data on:

- Financial and operating results of the association, including all revenues and expenses;
- The association's vision, mission, and objectives;
- Members' rights and responsibilities;
- Related party transactions;
- Remuneration guidelines for key executives;
- Information about board members, including their qualifications and compensation for their involvement by financial or any other means; and
- Issues that affect how the association functions.

All channels used for disseminating association-related information should ensure availability of the disclosed information in a timely, cost-effective manner for all parties requesting such information

6.3. All channels used for disseminating association-related information should ensure availability of the disclosed information in a timely, cost-effective manner for all parties requesting such information.

6.4. The principle of disclosure should extend to cover all relationships with other parties, as well as all forms of coordination and alliance with organizations operating in the same field, with a focus on the implied costs and benefits for the association.

6.5. All relationships with government officials or politicians should be disclosed in a fully transparent manner.

6.6. In the context of disclosure, communication, and building of the association's public image, a spokesperson should be designated to speak on behalf of the general assembly, vis-à-vis the community, the official bodies and the media. The scope and limits of representation should be determined for the spokesperson.

7. Conflict of Interests and Combating Corruption

This guide presents rules and methods conducive to transparency and disclosure about the association's activities and pledges, in addition to procedures and mechanisms for eliminating conflict of interests between NGOs and combating corruption. In fact, there is a close link between transparency and disclosure on the one hand, and the elimination of conflict of interests and corruption on the

other hand. These rules and methodologies are presented in full, as major determinants of NGO governance.

7.1. The board of directors should be obliged to make full disclosure of the association's activities and resolutions, and to be fully transparent about all aspects of the association's performance.

7.2. All members should have the right to request further information from the board of directors, regarding the topics listed on the agenda of the general assembly meeting. In addition, members should be entitled to review the documents and records of the association, to enhance their comprehension of the topics concerned.

7.3. It should not be eligible for any person to have a dual status as a board member and an official salaried employee in any administrative body, or any other public agency under which jurisdiction the association would be operating or funded.

7.4. Members of the board of directors are prohibited from engaging in commercial or financial transactions with the association.

7.5. The association's external auditor should not be a member of, or involved in, any commercial or financial transactions with the association. In addition, relatives of the auditor should refrain from engaging in any commercial or financial transactions with the association.

Annex 1:

Major Problems and Shortcomings Experienced by NGOs and Associations in Egypt

1. Limited membership: The average size of NGO membership is 20 members, while the largest does not exceed 500 members. Typically, the majority of members are related – as subordinates, friends, or relatives to the association’s founder. In such cases, members usually refrain from playing any active roles in the association, or monitoring the performance of the board, or contributing to the formulation of the association’s policies. This situation is accentuated by the fact that members are usually unaware of the bylaws, or their rights and responsibilities.

2. Ineffective general assemblies: The general assembly -comprising all members- is the highest authority of the association. It is the body receiving the activity reports, the balance sheet and the income statement. The general assembly is also responsible for electing the board of directors, which hold the board accountable for its performance. In most cases, however, general assemblies

are ineffective. Members' participation in the meetings is limited, as attendance usually does not exceed 10 persons. This is due to the fact that attendance can be delegated. Delegated attendees are usually members of the board of directors so they tend to make resolutions in their own favor. Put differently, members of the board are self-appraising, often leading to the overall ineffectiveness of the general assembly. To conclude, the limited base of membership, along with the ineffectiveness of the general assembly result in the absence of true and effective control over the association's management, hence the prevalence of corruption along with limited possibilities for expansion and constraints to effectiveness.

3. Prevalence of corruption in the NGOs: Many cases of corruption have been documented in NGOs and associations in Egypt. Corruption results from the fact that some NGOs and associations have actually diverted from servicing the community to profiting from it, in the form of unethical actions on the part of some members benefiting from the NGOs and associations' activities. Factors contributing to the prevalence of corruption include: weak control mechanisms, unscrupulous accountability, a mediocre culture of integrity, and partiality among NGO executives. To combat this detrimental state, which has resulted in discrediting civil service work as a whole, it is

insufficient to rely solely on the NGO law and the related institutional control mechanisms. Instead, it is important to enhance a culture of participatory work, collective control, integrity and transparency within the service sector, as an extension of the Egyptian societal culture. Official bodies are challenged with the weak participation of citizens in civil service activities, while addressing this pervasive phenomenon of corruption.

4. Dominance over NGO activities by the board of directors:

One of the major weaknesses of the NGOs in Egypt is the lengthy tenure of certain board members, reaching up to two decades in some cases. No periodic replacements take place. This results in unwarranted dominance of the board over the association's activities, and the tendency of the chairperson to make resolutions unilaterally. The outcome usually takes the form of corruption, absence of democracy, and weakness of internal control. Such a situation also weakens the spirit of camaraderie and teamwork within the association.

5. Absence of voluntary work culture and scarcity of qualified leaders:

The authoritarian style which has typified the government system and the society in Egypt, in general, has resulted in the near total absence of voluntary work culture, together with a decline of citizens as members

of or participants in the activities of NGOs. Given this unfavorable situation, along with the limited number of NGOs, the possibilities for discovering competent leadership to guide NGOs are weakened significantly. The outcome is a lack of potential candidates for succession to the leading positions of NGOs. Resultantly, NGOs are dominated by a few people who monopolize authority, with subsequent adverse results.

6. Antagonistic treatment by the administrative bodies:

Activities of the NGOs and associations come under the jurisdiction of several governmental bodies, above which is the Ministry of Social Solidarity. The ministry is mandated with registering and monitoring the activities of NGOs and associations. In addition, local administrative bodies represent the framework within which NGOs and associations can operate. Many local officials demonstrate hostile attitudes towards NGOs and associations, by means of posing bureaucratic hurdles and declining to exert efforts for streamlining their activities. In many cases, local administrators act as custodians for these associations. The outcome is an adversarial climate that predominates the relationship between NGOs and associations and administrative bodies and which leads to the impediment and shrinkage of the NGOs and associations' activities. The state security apparatus sometimes weaken and

constrain civil society work, using such practices such as raising skepticism about the intentions of the NGOs and associations members.

7. Low levels of financing: The sources of financing available for most NGOs are confined to the grants and subsidies provided through the Ministry of Social Solidarity, or directly by the citizens, in addition to the revenues generated from the associations' activities themselves. In view of the meager levels of the ministry's grants, together with the lack of business owners' enthusiasm towards their social responsibilities, and the low levels of the grants provided by citizens, NGOs face difficulties in financing their existing activities or expanding them. Therefore, many NGOs seek finance from foreign sources to compensate for the mediocre levels of financing from local sources. This trend takes a particularly extreme form in cases where NGOs are incorporated only for the sake of receiving foreign financing, regardless of the prospects of their sustainability. Usually, such NGOs disappear once the financing is phased out. This negative phenomenon contradicts the requirements of civil service work which, by nature, should be based on local capacities. Thus, donors need to take the necessary measures to verify whether that the association concerned has been established for the sole reason of obtaining foreign financing.

8. Weak linkages with members and/or beneficiaries: Leaders of NGOs and associations do not pay much attention to the creation of relationships with the beneficiaries of the association's services, nor do they open channels of communication with those beneficiaries. Such channels are advantageous for enabling the association's management to poll beneficiaries' opinions regarding the association's services, the extent to which their needs are met, and their perceptions regarding the priorities of such services. The absence of proper communication channels has resulted in a lack of a well-informed and realistic planning. This, in turn, has resulted in wasted efforts and resources, due to the channeling of such resources towards non-urgent, or non-essential uses. Unless the association's management undertakes to investigate its beneficiaries' viewpoints and open regular communication channels with them, the association's activities will fall short of meeting the beneficiaries' needs and priorities. Thus, the management becomes incapable of achieving the association's aims. Also, the beneficiaries in such circumstances are unable to assume their essential roles in monitoring and evaluating the association's performance.

9. NGO Law: An NGO law was issued in 2002. The law eliminated some of the shortcomings of a preceding law. It established – in principle – the role and participation of the civil society organizations, particularly NGOs. The law,

however, still imposes strict administrative controls over the incorporation and activities of NGOs. It also stipulates administrative intervention and controls over financing, giving the Ministry of Social Solidarity the right to exercise pervasive controls, a major part of which is left to the discretion of government officials. The law of 2002 establishes administrative control and intervention over civil service work, rather than providing mechanisms for the enhancement and expansion of the NGOs' role in servicing the society. This law was issued during a period of state inefficiency to provide adequate and efficient public services in education, health, housing, and social services. As such, the NGO law is insufficient to fill the gap created by such changes. The NGO law no. 84 for the year 2002 demonstrates the fact that the state deals with NGOs in a manner characterized by skepticism about their roles and objectives. The state is skeptical about the spreading of NGOs' roles, whether directly or indirectly, into the political arena. Such skepticism imposes a constraint on the normal development of civil service organizations' role in enhancing the processes of change and the economic, social and political development of the country. For the present, the law falls short from addressing many of the problems faced by the NGOs, such as the lack of a clear mechanism for ensuring the accountability of boards of directors in cases of violations or underperforming.

10. Societal framework of NGOs' activities: The functioning of NGOs and associations is particularly influenced by their political and cultural contexts. From a political perspective, the existence of an authoritarian regime, and the accompanying style of adversarial government-citizen relationship has a negative impact on the NGO's overall ability to operate as a democratic organization. In other terms, the status of NGOs in Egypt has largely been a reflection of its societal characteristics. Another demonstration of this phenomenon of simulation is the lengthy, unlimited term of membership and chairmanship of the boards of directors. From a sociological perspective, it is clear that the socio-cultural environment in Egypt is uninviting with respect to involvement in voluntary or collective work. Therefore, it is important to pay sharp attention to the role the socio-cultural context plays in development projects, particularly local development projects. This would ensure consistency between the tangible aspects and formal institutional frameworks on the one hand, and the social, cultural and behavioral aspects on the other hand.

In sum, the governance-related objective of building democratic NGOs in Egypt has been obstructed by the rule of authoritarian regimes. Efforts to encourage good governance must be applied in light of political, economic and social determinants, which may positively or negatively

affect the governance process. Many of those determinants are deeply rooted in the society, which itself simulates authoritarian practices, and cannot be easily changed in the absence of coherent planning accompanied by immediate and long-term programs. Political will is a key ingredient needed to effect real change, even if there is a price to be paid for such change.

Hence, when adopting good governance, the following community-related issues should serve as a necessary background for planning:

- The existing political system, which requires an ambitious program for political reform.
- The existing regulatory framework, the reform of which requires a new constitution, entailing major amendments in the laws complementing the constitution.
- The prevalent cultural values, which determine the citizens' behavior, and the necessity of encouraging the values which enhance participation and voluntary work.
- The existing local administration system and the importance of a shift towards greater decentralization.

Annex 2:

Requisites for the Adoption of the Guide to Association Governance in Egypt

As a method for managing NGOs, governance should be an open system that interacts with the society within a framework of determining factors, and in accordance with forces that affect the system's interaction. Concurrently, this open system yields outputs which in turn impacts the entire society. Thus, properly governed NGOs are not operating in the abstract, but rather interact within a local context and environment, represented by sources of human resources, as well as cultural, historical and political inputs, all contributing towards the functioning of the governance system.

Major societal factors contributing to the lack of governance of NGOs in Egypt include the following:

1. An authoritarian political system that dominated the entire society and reflected on the status of all organizations, including NGOs.
2. A structure of cultural values dominated by individualistic and opportunistic attitudes, rather than a voluntary work spirit.

3. A historical legacy conducive to passiveness and dependence.
4. The existing regulatory framework – including laws governing the civil society organizations, and the NGO law, in particular. This framework weakens the civil society organizations.

If NGO governance is to succeed, these political, social and legal constraints should be addressed. In this regard, the following actions shall be performed:

1. Introduce a comprehensive political reform, to empower all Egyptians and render them capable of practicing their basic rights and freedom. These include the right to establish civil and non-government organizations, with limited intervention of the administrative bodies into these organizations and the civil society, as a whole.
2. Enact an overall regulatory reform to empower Egyptian citizens, encourage the establishment of civil society organizations, and clear the existing legislation of all constraints impeding such endeavors. Also, eliminate criminal penalties on violations committed within the context of voluntary activities. Such penalties are in fact a discourages citizens from participation in voluntary civil service activities.

3. Enhance positive cultural values, particularly those related to community service, supporting members' interests, team spirit, positive attitudes and work ethics, and participatory activities, veering away from passiveness and dependence.
4. Increase citizens' awareness about voluntary work culture, with an emphasis on NGOs' activities in such fields as: supporting specific segments of the community, activities in economic, social and cultural development, environmental protection, and/or participation in supporting the marginalized and special-need segments of the population.
5. Change government agencies' perceptions regarding NGOs, emphasizing the concept of their functioning as service agencies, rather than as authoritarian bodies. Particular emphasis in this regard should be directed to the local administration bodies, which are actually the executive partners of NGOs. Lacking effective cooperation between both parties would impede attainment of desirable outcomes.
6. Amend the NGO Law, with emphasis on:
 - Simplification of NGOs' incorporation procedures, and limiting administrative intervention in the

process. Incorporation shall be completed by mere notification.

- Minimize administrative bodies' intervention in the process of NGOs' incorporation; Reasons of intervention should be clearly defined in writing and published.
- Associations' property should not be confiscated or expropriated, nor should the dissolved associations be dictated to direct their financial resources to certain uses.
- A resolution to merge or dissolve associations or boards should be entrusted to the competent court, in an expedited manner and after hearing the management's viewpoint and the association's defense.
- The minimum membership base should be: 20 members for village- or district-level associations, 100 members for governorate-level associations, and 500 members for national-level associations.
- The term of an elected board of directors should be limited to three years rather than six, with an annual replacement of one third of the members rather than every two years. A shorter term would ensure rotation of the authority within the associations

hence, engaging a larger number of members, as well as expanding the leadership base, both within the associations and the entire society.

- Set a ceiling on the term of any board member, bring it to two consecutive terms, with maximum of six years for the two terms together.
- Stipulate that the general assembly meeting be held every four months, with the purpose of enhancing the members' control over the performance of the board of directors.
- Set a stipulation –by law– for establishing an internal audit committee, in accordance with the guidelines provided in this Guide. This would help the general assembly hold the board of directors accountable, and enhance the effectiveness of the control mechanisms within the association.
- Incorporate in the law a clause that sets a mechanism for ensuring accountability of the board of directors, along with the procedures to be taken in this regard, such as: ending the term of inactive members of the board, withdrawal of confidence from the board in cases of non-compliance with the general assembly's resolutions, or in cases of low performance.

- Limit the role of the relevant administrative body (the Ministry of Social Solidarity), and curtail its intervention in the interest of the civil work independence.

7. Direct boards of the associations to:

- Raise members' awareness of their respective rights and obligations, and encourage them to participate in the specialized committees, as well as the different activities of the association.
- Publish resolutions of the board, together with activity-related data and information, such that members get the opportunity to follow-up on all developments and keep the management accountable for the results of their activity.
- Undertake to expand the membership base, with a focus on women and youth.
- Hold training courses for members engaged in the association's activities, in an aim to provide the knowledge and expertise required to qualify them for assuming higher responsibilities and leadership roles.
- Establish regular linkages with members and beneficiaries, and solicit their opinions regarding the association's activities.

- Enhance mutual commitment of partner and networked associations, regarding their joint activities.

Annex 3:

Summary of the Efforts that Led to the Guide to Association Governance in Egypt

Governance is an issue that is internationally recognized as a major priority in the development process. Accordingly, Al-Ahram Center for Political and Strategic Studies (ACPSS), the Federation of Economic Development Associations (FEDA), and the Center for International Private Enterprise (CIPE) have adopted the concept of governance through promoting it in private and public institutions, particularly for the purpose of this manual, associations Governance is an efficient tool for curbing corruption through promoting transparency and establishing accountability measures. Furthermore, applying good governance enhances the sustainability of NGOs and associations, which reflects the strength of the civil society overall.

In this regard, this guide is considered to be an effective tool for facilitating good governance in Egypt. This guide's partners have followed an empirical participatory approach in developing it, ensuring the engagement of all stakeholders

and target beneficiaries, in addition to experts in the field of governance. Such a participatory approach guarantees that the guide is not a replicate of international best practices but instead integrates local practices with international experience to draft a realistic guide tailored to Egypt.

The phases of the program are as follows:

First: Experts Meetings:

1. Democratic Governance Roundtable:

CIPE, together with FEDA, organized an experts roundtable on May 25, 2010 bringing in experts, partners and colleagues from business, academia, civil society, and media organizations, with a strong background in applying good governance as well as previous experience on corporate governance. The meeting aimed at refining the concept and goals of governance in Egypt, as well as outlining the plan for the program implementation. The participants agreed on the following:

- The best term for explaining the concept of good and transparent management is “governance” and the participants approved its translation in Arabic;
- The need to work on identifying the main measures of principles of good governance; and

- The need to initiate the process of drafting a guide for democratic governance to be applied in Egypt and not just listing international experiences.

2. Democratic Governance Listening Session with Experts:

Building on the outcome of the roundtable, CIPE held a listening session in Cairo on Democratic Governance and Building Democratic Institutions on June 28, 2010. approximately 20 members of Egyptian civil society, including media, academia, business associations and political parties, participated in the session. The output of the session is considered as the departure point of the program and the beginning of the process of implementation.

The meeting recommendations were as follows:

- *Conceptualizing Governance*: participants agreed that good governance in the public realm should be applied in managing the society or its public institutions, such as political parties and associations. Governance involves a set of formal and informal arrangements that determine the modes of operations inside an organization. These arrangements include set of laws and ethical standards that define relationships within the organization. This also includes the organizational structure itself, which

guarantees achieving the institutions' goals and ensures auditing and monitoring measures. Governance is also considered to be a major tool in fighting corruption.

- *Governance measures and principles:* application of governance in any society requires an environment where authority can be held accountable and where its actions can be assessed and monitored. Hence, achieving the goal of securing adequate supervision requires the authority to perform their responsibility according to the following standards: efficiency, transparency, integrity, participation, accountability and avoidance of conflict of interest.
- *Challenges in applying good governance:* participants pointed out challenges in applying good governance, such as conflict of interest, the incompetence of the assigned executive bodies, and resistance to change.
- *Governance priority areas:* participants identified the following priority areas for applying governance in Egypt: transparency and disclosure, administrative reforms and simplifying procedures, budget transparency, determination of the legal framework for public/private partnership, legislative reforms, and applying governance on media and associations.

- *External factors affecting the application of democratic governance:* participants identified the following as distortions to the application of governance: the political system, the legislative framework, the dominant cultural values, and the current local administrative system.

In this regard, the participants agreed that the implementation phase should include qualitative and quantitative research to survey NGOs and associations across Egypt to gain an in-depth understanding of the challenges they face and to identify opportunities. This is done through organizing a series of listening sessions throughout Egypt to harness the feedback of NGOs and associations' representatives and to maintain a sense of reality while drafting the guide.

Second: Roundtables and Listening Sessions:

Accordingly, CIPE, Al-Ahram Center for Political and Strategic Studies, and the Federation of Economic Development Associations organized five listening sessions in (Alexandria, Cairo, Ismalia, Luxor, and Mansoura) gathering more than 100 participants from the leadership of NGOs and associations from around 20 governorates.

The sessions were geared towards understanding the current status quo of NGOs and associations in Egypt through an in-depth analysis of their practices. In addition, the sessions aimed to capture the challenges faced by the NGOs and associations in order to pave the path for implementing governance while taking into consideration the legal framework.

After introducing the concept of good governance, the following three major questions were shared with the participants for their feedback:

1. To what extent are good governance standards applicable to Egyptian NGOs and associations?
2. What are the main challenges for applying good governance and how to overcome it?
3. Does applying good governance require a change in legislation?

The discussions illustrated that there is some confusion surrounding the concept of governance believing governance is a term that applies only to corporations, and not to non-governmental and voluntary membership associations. Although some participants claimed that governance is already applied in their organizations,

they showed high enthusiasm to further understand its application and to share their experiences with others. They agreed that governance is a useful analytical tool that will positively impact the performance of their organizations. Moreover, challenges such as the board of directors' control over the executive body of the NGOs and associations, the lack of a culture of volunteerism, and the lack of sufficient funding were brought forward in the meetings in order to be considered while drafting the manual. The meetings presented a good opportunity for the NGOs and associations' representatives to express their opinions and share their thoughts on recommendations for developing the conditions of NGOs and associations in Egypt.

Third: Publishing the Guide:

CIPE, Al-Ahram Center for Political and Strategic Studies, and the Federation of Economic Development Associations, in cooperation with Mr. Abd El Ghaffar Shokr, drafted the guide through the following phases:

1. Researching International Standards in Applying Governance:

The first expert sessions entailed that the researchers acquire knowledge of international standards and practices.

In addition, to draft the code, the researchers and the participants reviewed *Governance Principles for Business Associations and Chamber of Commerce* by CIPE and the World Chambers Federation, which was published in 2011.

2. Conducting a study on the current status of associations and NGOs in Egypt:

This was done through the roundtables which revealed the state of affairs of NGOs in Egypt. Roundtables were efficient tools to survey the NGOs and understand the challenges they face and how the guide could be adopted.

3. Conducting a study on the “Challenges facing the Application of Governance in Egypt:

Mr. Negad El Boraie, chairman of the The United Group, conducted a research assessing Law 82 for the year 2002 of NGOs with regard to applying the principles of good governance. The study helped in dealing critically with the issue of governance in Egypt and was used while drafting the guide.

4. Roundtable to discuss the guide’s first draft:

CIPE together with Al Ahram Center for Political and Strategic Studies, and the Federation of Economic Development Associations organized a roundtable with

stakeholders and participants who engaged in the process of drafting the guide, to review the first draft of it. The guide was revised according to their comments and recommendations.