



MOZAMBICAN CSOs RISE TO THE CHALLENGE: GOOD GOVERNANCE IN PRACTICE

Shifting Accountability from Donors Back to CSOs

Early in its ten-year institutional strengthening project, the Capable Partners Program (CAP) in Mozambique struggled with poor performance by a number of civil society organizations (CSOs) that had received grant funds to implement HIV/AIDS programs. Warnings to CSO leadership were sent, suspension letters were issued, and yet, in some cases, there was still no change. CAP met with the Boards of Directors of these program Partners and organizational development (OD) Clients¹ as a last effort and was surprised at what it discovered.

In many of these organizations, CSO Board members were also employees of those same organizations. Without a clear separation between the roles and responsibilities of staff and the Board and Fiscal Council, it was impossible for these organizations to be held accountable by anyone other than their donors. In fact, Mozambican CSOs widely believed that donors should be accountable for project activities, not their own organizations' Board and Fiscal Councils. When CAP first began working with its CSO

¹ CAP distinguished between Partners and OD Clients. CAP provided HIV/AIDS implementation grants to the former. OD clients received grants and support for program implementation and financial reporting from other sources. CAP provided both Partners and OD Clients with assistance on their core organizational systems (e.g., internal governance, policies and procedures, financial management).

Learning to Address a Sensitive but Critical Issue

A 2015 survey of 20 CAP Mozambique Partners regarding changes to their internal governance showed significant improvements in core systems. Furthermore, it showed that leadership had begun taking more care to ensure accountability for their grants and project activities. These important gains were hard-won. For CAP Mozambique, as an international donor-funded project, tackling internal governance issues with Mozambican CSOs was a challenging and sensitive process.

Partners, only seven organizations (of 20 CAP Partners surveyed) were being guided by current strategic plans, and only seven had Board-approved policies and procedures (see figures on the following pages).

CAP encountered governing bodies that had little understanding of what was going on inside their organizations. In the case of one CSO (eventually terminated for poor performance and suspected financial mis-management), the Board of Directors was not even aware the organization had received funding from CAP. The lack of knowledge about the role and function of governing bodies was perpetuating a lack of accountability within Mozambican CSOs. Only ten CSOs (out of 20 surveyed) had ever conducted Board or Fiscal Council visits to field activities.

Like most donors, CAP expected its CSO Partners to have internal checks and balances in place to ensure effective project implementation and transparent use of funds. However, most local CSOs were unaware of these expectations, uninformed about their roles, and ignorant as to how to execute their responsibilities. Both donors and CSOs alike expressed frustration with the lack of accountability as project activities were not realized, funds

were not accounted for, and grants were terminated. Donors were reluctant to offer funds to local CSOs for fear of seeing them misused again and had little confidence in the capacity of local CSOs to independently manage projects and funds. In the process, the Government of Mozambique's willingness to engage with and "hear" civil society was also negatively affected. This crisis of confidence jeopardized the sustainability of project activities as well as the effectiveness of organizations and civil society itself.

Rather than continuing to simply terminate grants with CSOs that lacked necessary systems, accountability, and transparency, CAP made the strategic decision to tackle the highly sensitive governance issue head on. CAP knew that in order for its investment in Mozambican civil society to evolve into lasting change—ensuring that grant funds were transformed into quality programs to improve lives and that organizational changes were sustained beyond the life of CAP—it would have to learn how to increase the capacity of CSO Boards and Fiscal Councils to recognize their duties as stewards of their organizations.

The Right Mix: Knowledge + Tools + Practice + Incentives for Change

For CAP, as an international donor-funded project, tackling internal governance issues with Mozambican CSOs was not a straightforward process. First, there was a learning curve to understand how Mozambican CSO Boards and Fiscal Councils are structured and intended to operate, the legal framework regulating Mozambican CSOs, and typical challenges and opportunities related to CSO governance. Next, CAP experimented with the best mix of interventions that would increase understanding about the importance of good governance, provide tools to operationalize this new understanding, and support internal processes associated with the practice of good governance.

CAP Mozambique

CAP Mozambique was funded by the U.S. Agency for International Development (USAID) and the President's Emergency Plan for AIDS Relief (PEPFAR) and implemented by FHI 360. It was designed to strengthen the capacity of leading Mozambican organizations to contribute to the fight against HIV/AIDS and gender-based violence. From 2006 to 2016, CAP Mozambique integrated intensive capacity development of its Partners with grants to provide the organizations with opportunities to apply what they learned and demonstrate their capacities to affect HIV/AIDS at the community level. CAP Mozambique not only enhanced technical capacity, but also addressed organizational structures and systems, including financial and administrative systems and internal governance.

Self-assessments and training create a foundation

CAP's Governance, Leadership, and Management (GLM) course became the foundation for all subsequent work on CSO governance. Malawian CSO expert Chiku Malunga traveled to Mozambique to design and conduct the initial trainings, which provided a framework for understanding the roles and responsibilities of CSO governing bodies and, by default, the staff of the organization as well. These trainings were eye-opening for CAP's Partners, who had not understood that the roles of staff and governing bodies should be separate—or what the consequences might be if they were not. CSOs began requesting support in organizing and conducting their General Assemblies. In these (typically) annual events, new members are elected to governing bodies; annual reports, workplans, and budgets are approved; and other strategic and administrative matters are resolved.

Obstacles to change surfaced. Some Board members did not want to give up control of project implementation. Others refused to relinquish their staff positions (and forfeit salaries or other incentives). Although the separation of Board and staff roles is a concept embedded in Mozambican CSO law, the drive to make concrete changes was coming from a donor. CAP knew it needed to tread carefully, and that real changes would only result if they came from the organizations themselves.

CAP used its Participatory Organizational Assessment Process (POAP), an institutional strengthening process that fosters transparency and accountability, to mobilize CSO staff and Board members to discuss internal governance issues and decide when and how to tackle them. Board members as well as staff from all CAP CSOs engaged in self-assessments and prepared capacity development plans. Governance was a hot topic. Skilled facilitation enabled each organization to discuss internal problems—and solutions—often for the very first time in an open and safe space. Links were made between poor programmatic performance and the lack of transparency and accountability. It became clear to the CSOs that tackling their internal governance issues was imperative to improving the quality of their work.

Operationalizing good theory with practical tools

As CAP dove deeper into this process, it became clear that CSOs also lacked the tools they needed to build stronger internal governance. Tailored training with CSOs helped them sort out the roles and responsibilities within their organizations. This in turn led CSOs to revise their statutes (which describe the characteristics of the given organization, the governing bodies and the policies that regulate them, and procedures for revising the statutes and holding General Assemblies). Often, CSO statutes had been written by individuals outside the organizations without organizational input. Sometimes these statutes were not consistent with Mozambican law. Clarifying policies and procedures in these statutes was a key first step. Over time, CAP worked with Partners to develop several tools and to articulate clear processes to operationalize the very general statutes.

Governance Structure of CSOs in Mozambique

The Mozambican Law of Associations prescribes three governing bodies for Mozambican associations: the General Assembly of Members, the Board (Conselho de Direção), and a Fiscal Council (Conselho Fiscal). The Board provides regular oversight, while the General Assembly meets at least once a year. The Fiscal Council ensures that the other bodies adhere to their own processes (including documented policies and procedures to guide the governing bodies).

"Before, we elected people [Board members] based on our familiarity with them."

—CSO Partner
Auxilio Sem Fronteras

In 2015, CAP assembled these tools into a comprehensive one that provided a guide for developing association bylaws fully aligned with Mozambican law. Titled Regulations for Governing Bodies and Members (*Regulamento de Órgãos Sociais e Membros—ROSME*), it provides an easily accessible guide for Mozambican CSOs to improve internal governance. As Mozambican civil society is relatively nascent, this is a key step in professionalizing the sector in the country.

With all of these positive improvements in internal governance focused on transparency and accountability, a key issue had yet to be addressed. Many Board members were selected based on their relationships with individuals in the organization (familial or otherwise), and some had few qualifications for their roles. As CAP OD Client Auxilio sem Fronteiras (ASF) said, “Before we elected people based on our familiarity with them.” CAP worked with CSOs to develop Board Profiles, which outlined the tasks and responsibilities for different governing members, and advised CSOs to present these Profiles for consideration at annual General Assembly meetings as tools for transparent recruitment.

CAP also helped organizations develop the tools necessary to hold CSO staff accountable. Training, technical assistance, and financial resources were provided to CSOs to create strategic plans and human resources policy and procedure manuals.

Grants create incentives for change

As with each step in this journey, the incentives for committing time and energy to make changes were not always clear to participating CSOs. Not all donors were concerned about their grant recipients’ strategic goals, and many donors opted to impose their own policies and procedures on CSOs rather than accept each organization’s policies or foster their creation.

CAP’s approach was different. It supported organizational autonomy by putting resources into improving CSO capacity to create their own tools and apply them. It then held them accountable. The grant award was a key mechanism to motivate CSOs to change. For example, CSOs that wanted to include salary increases within their multi-year grant awards, or during grant modification processes, quickly learned that increases were not accepted unless accompanied by Board-approved salary scales, policies, and a performance evaluation process. Other incentives were created as well. For example, only organizations with Board-approved strategic plans were invited to participate in CAP Mozambique’s resource mobilization program to identify potential new funding sources.



CAP STAFF SHARES FINANCIAL ASSESSMENT RESULTS WITH PARTNER BOARD AND STAFF. (FHI 360)

Fiscal Councils learn to ensure accountability

CSO capacity and interest in governance was growing, and yet one critical piece was still missing. The majority of organizations had limited understanding about the role of the Fiscal Council—the governing body responsible for ensuring that CSO statutes and internal policies and procedures are being followed. Even some of CAP’s most sophisticated Partners assumed the Fiscal Council was a sub-committee under the Board of Directors, when in fact the Fiscal Council is the body with the highest level of accountability for the organization.

CAP Mozambique trained CSO staff, Board members, and Fiscal Council members on CSO financial management and internal controls using the course titled *Practical Financial Management for NGOs*, developed by Mango, a British NGO focused on strengthening the financial management and accountability of other NGOs. CSOs began to internalize that their own governing bodies—not their donors—are ultimately responsible for what their organizations do or do not do.

During the course and through follow-up technical assistance, CAP Mozambique walked Partners step by step through key processes to learn for themselves how to operationalize the guidance they were receiving. Fiscal Council members, for example, were tasked with choosing an organizational procedure, checking the files and interviewing staff to see if/how the procedure was being implemented, and following up if they were not. For most, it was the first time that they deeply examined the organization for which they were responsible. Over time, CAP Mozambique Partners realized the value of a Fiscal Council’s contribution to improving financial systems, whereas before the Council was seen as a dispensable body whose presence neither helped nor hindered the organization from functioning effectively.

CAP CSOs Model Good Governance in Practice

CAP CSOs are more accountable than they were before, and they accept that accountability rests with them. Governing members are reviewing proposals before they are submitted to donors, visiting field activities, approving annual reports and workplans, conducting internal audits, reviewing and approving organizational policies and procedures, and much more. For most Mozambican CSOs, these changes have been revolutionary.

CAP measured changes in governance through three processes: a mid-term evaluation (21 organizations surveyed), the POAP (24 organizations assessed), and a governance survey conducted with 20 CSOs participating in CAP training/TA.



PARTNER STAFF EXPLAINS RESULTS TO THE TEAM.
(MAURO VOMBE | FHI 360)

“There [has been] a major upgrade in Partner governance—in the division of responsibilities between Board and staff, and internal coordination applied to the entire organization. The impact of this is much better leadership and coordination at the district level, better ability to problem solve, and ‘more union,’ which allows for a more sustainable presence in the community.”

—CAP Partner responding to mid-term evaluation survey

“[For us], management of project funds has become more transparent now that it is clear who does what.”

—CAP Partner Ophavela

CAP’s capacity development work with 21 Partner CSOs was assessed in 2013 through an external mid-term evaluation.² The evaluation found that:

Strong support to organizations’ governance structures and internal controls helps the Partners become more transparent, systematic, and stable, allowing them to improve services in the areas of HIV/AIDS prevention and OVC care. Project implementation is carried out in a more enabling environment, and there is an increased probability that the Partner will continue to support the communities after the CAP project is completed due to well-functioning organizational systems.

When examining one cohort of Partners, 13 organizations (of 24 assessed) improved their scores in the POAP with regard to internal governance. Ten organizations improved their scores in the area of transparency and accountability. These scores were determined by the organizations themselves through self-assessments; however, organizations were required to show concrete evidence—statutes, registration, policies and procedures manuals, and so forth—to back up the scores.

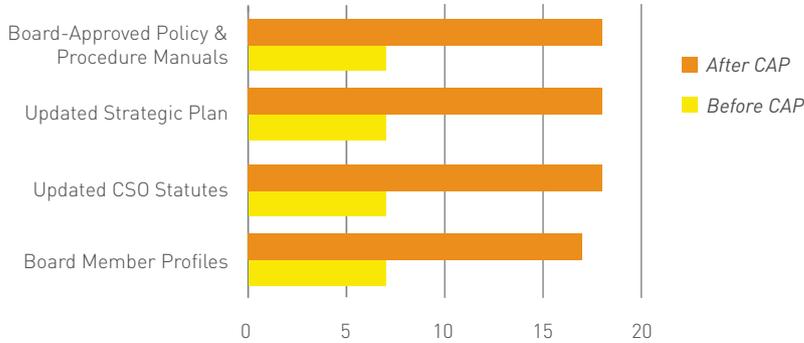
To measure change from the CSOs’ perspectives, CAP Mozambique surveyed 30 people from 20 CSO Partners to identify improvements in internal governance and the effects on their organizations. CSO Board members and executive staff (usually the executive director) were asked to describe various governance processes both before and after CAP interventions. Before CAP’s support, only seven CSOs said they had a clear understanding of the roles and responsibilities of governing members and staff, whereas all 20 said they had a clear understanding following CAP support. Associação Rubatano, a CAP OD Client, described the positive effect on their project: “The quality of activities on the ground improved, because the community health workers were no longer Board members and could spend more time working in the community.” Other Partners echoed this sentiment, claiming that Board members could now focus on resource mobilization and strategic direction, and also help promote the organization among donors.

Figure 1 (see next page) describes several areas of improvement. Following CAP support, 18 CSOs had Board-approved strategic plans and 18 had Board-approved policy and procedure (P&P) manuals. This accomplishment took some CSOs more than two years to achieve. But as a result, CSOs also gained bargaining power with donors—they now have firm foundations from which to negotiate benefits, travel policies, and other policies as new grant awards are developed. The existence of written policies has increased transparency and reduced conflicts. As CAP OD Client Centro Aberto Barué e das Irmãs Reparadoras do Sagrado Coração de Jesus (CA Barue) explained: “All of our members [now] have the same rights.”

Eighteen CSOs, compared to seven CSOs prior to CAP’s support, now have updated statutes. These organizations are now complying with Mozambican law and have clear guidelines for governing member roles and responsibilities.

² Blid N., D’Alessio O’Donnell C., Souto M., Parviainen R. (2013) External Evaluation for Capable Partners Program (CAP)–Mozambique Final Evaluation Report.

FIGURE 1: NUMBER OF CSOs WITH TOOLS TO SUPPORT CSO PERFORMANCE BEFORE AND AFTER CAP SUPPORT (N=20)



“Our new finance manual has lots of instruments that we used before, but they were not written down as policies. [Our] manuals are based on the laws of Mozambique.”

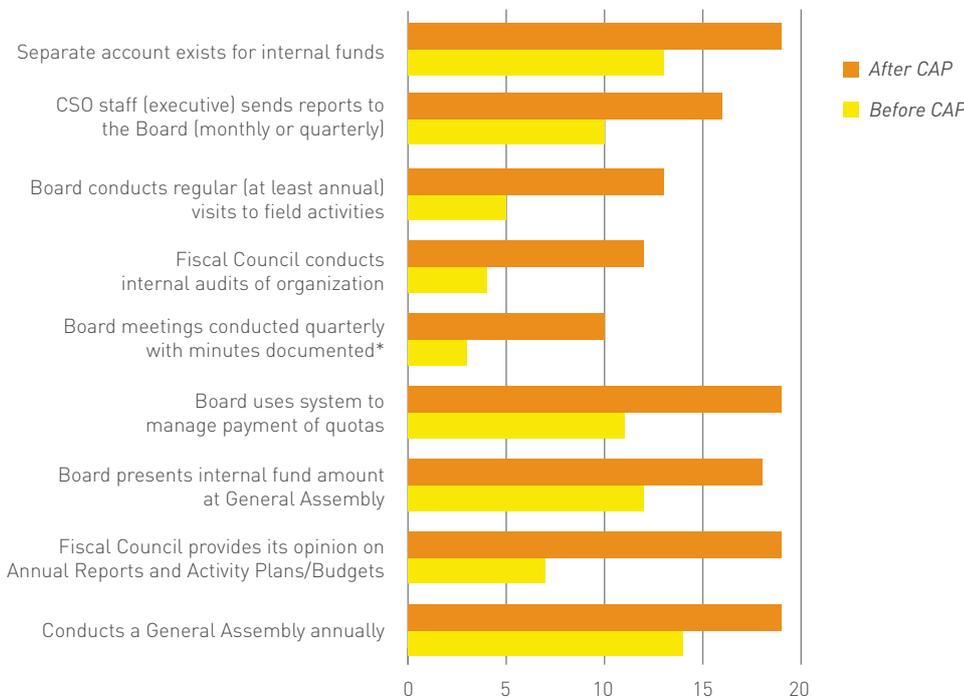
—CAP Partner AMME

Figure 2 provides information about changes in governance practices among CSOs relative to their participation in CAP Mozambique. Over time, all of the organizations made substantial gains in areas such as sharing of financial and programmatic reports with their Boards and visits by Board members to observe field activities on at least an annual basis. According to CA Barue and Associação Rubatano, Board members also contribute to implementation problem-solving during these visits. CAP OD Client Associação Shingirirai

“As our Board and Fiscal Council members began to monitor more closely, they began to act like the stewards of the organization and this helped a great deal with project performance.”

—CAP Partner IBFAN

FIGURE 2: NUMBER OF CSOs FACILITATING GOOD GOVERNANCE PRACTICES BEFORE AND AFTER CAP SUPPORT



* These data represent only Board meetings held quarterly. Other organizations hold meetings monthly, semi-annually, or as needed.

mentioned that “Project staff concentrate on implementing their project plans because they know that Board members will be coming to check on activities.”

The financial training and follow-up TA helped raise the number of CSO Fiscal Councils conducting internal audits from four to 12. For CAP Mozambique Partner Associação Nacional para o Desenvolvimento Auto-sustentado (ANDA), this has been an especially positive experience: “The mistakes are discovered and dealt with jointly. For example, the Fiscal Council found that many personnel files were incomplete. They told us about the problem and made the time to work with staff to complete the files.” According to Associação Rubatano, the internal audits increased transparency and ultimately trust within the organization. “In the past, some of our members didn’t believe that our food distribution program was really helping orphans and vulnerable children, but after they checked, their doubt disappeared.”

Boards are better organized, meet more frequently, and conduct business professionally. Ten CSOs, compared to three before CAP support, hold and document Board meetings

on a quarterly basis. “Now that our Board meetings are regular we don’t have stalled processes. There is no accumulation of problems that impedes decision-making,” reported CAP Mozambique Partner Conselho Cristão de Moçambique-Sofala (CCM-Sofala). Nineteen organizations now conduct annual General Assemblies, as required by Mozambican law. For most organizations, however, the real change has been in the quality of this event. “We always held them, but the difference now is that we actually discuss our projects and not just our own activities,” said CAP Mozambique Partner Congregação da Irmãs Franciscanas Hospitaleiras da Imaculada Conceição (CONFHIC).

A challenge faced by Mozambican CSOs is how to generate unrestricted reserve funds—emergency resources that can be used during times of crisis or to fund activities that donors are not willing to fund. Most CSOs establish quotas for members to pay toward such reserve funds, but few have systems in place to ensure these are paid. CAP Mozambique helped organizations create these systems. At the end of CAP’s assistance, the number of CSOs with separate accounts for discretionary funds grew from 13 to 19; the number with systems to manage payment of quotas

grew from 11 to 19; and the number of Boards presenting their internal fund amounts at General Assembly meetings grew from 12 to 18.

CSOs interviewed found the link between good governance and improved project implementation an obvious one. According to CAP Mozambique Partner International Baby Food Action Network–Mozambique (IBFAN):



PRESIDENT OF FISCAL COUNCIL FOR ANDA EXPLAINS RESULTS WITH BOARD MEMBERS. (MAURO VOMBE | FHI 360)

As our Board and Fiscal Council members began to monitor more closely, they began to act like the stewards of the organization, and this helped a great deal with project performance. We had struggled for a long time with how to meet our targets for health referrals, but since the governing bodies got involved we began seeing positive results.

A Critical Investment: Strengthening CSO Governance Requires Patience, Commitment, and Intent

CAP's investment in improving CSO governance clearly paid off. Donors have demonstrated increased confidence in CSOs' capacity to manage money accountably and projects professionally. Even organizations that have struggled with poor performance linked to weak governance and organizational systems have experienced a turn-around. According to CAP CSO Partner Associação Ecuménica Cristã (Kubatsirana), "CAP helped revitalize Kubatsirana in a moment when few donors believed in the organization."

When confronted with poor grant performance, one of CAP's challenges was to know whether problems were due to a lack of capacity or intentional abuse. But as capacity was developed, performance improved across CAP's CSO Partners. When new issues arose, it was no longer possible to rationalize mistakes by blaming capacity—and organizations were forced to address performance and integrity issues. As a funder, in cases of abuse found through CAP's own audit processes, CAP was faced with decision points about whether to terminate grants or take lesser measures. CAP's duty was always to ensure that U.S. government funds were appropriately accounted for; but even the most challenging of circumstances were emphasized as valuable teachable moments for the CSO Partners.



PARTNER STAFF AND BOARD MEMBERS LEARN ABOUT FINANCIAL MANAGEMENT TOGETHER. (FHI 360)

Lessons for Future Investments

For future investments in civil society, it is important that program designers and policy makers consider the following:

- **Anticipate that Partners may not initially understand or appreciate the need for change**—The process of change for CAP Partners began with guided self-assessment and education about the reasons for adhering to certain established practices. CSOs

may not even understand the consequences of their current governance systems (or lack thereof) and the benefits they may gain through change. A true appreciation of the need for change only came after a year or more of capacity development efforts.

- **Engage willing Partners**—Some of the changes required were at first hard for Partners to swallow. Board members who were asked to relinquish their dual roles as staff had to give up salaries. Transparent recruitment of Board members meant that friends and family were not elected. If CSOs are not committed to making hard choices required along this journey, any changes they make in the short term will not be sustainable.

The capacity development process should begin with clear expectations that change will be required, will be monitored, and may be challenging. A pre-requisite for CSO participation should be a commitment to engage in institutional strengthening activities and a willingness to be held accountable.



NIIWANANE'S EXECUTIVE DIRECTOR DISCUSSING RESULTS WITH BOARD MEMBERS. (MAURO VOMBE | FHI 360)

- **Provide tools to operationalize the theory**—Tools based on Mozambican laws were hard to find and yet essential to ensure that CSO governance structures and processes conform to these. CAP's ROSME and other tools helped CSOs operationalize the principles they learned about in training and TA and provided valuable references. It is critical to invest in practical, relevant, field-tested tools to support CSOs in applying new knowledge.

- **Develop incentives that make it in the CSO's self-interest to change**—

For CAP, it was imperative to use the grant mechanism to hold CSOs accountable for improving governance. CSOs were required to submit evidence of improvements to engage in specialized training and TA; and decisions regarding salary increases and personnel benefits

were made based on approved policies and procedures (that also met CAP's standards). Few incentives exist to motivate CSOs to improve internal governance, so the CAP grant mechanism was invaluable for this purpose.

- **Be patient with change**—Working on governance issues was extremely sensitive and politically charged. CSOs were often unaware of governance issues or accustomed to letting them slide and had to navigate new relationships and roles—while also implementing projects. Individuals who are complacent or prefer the status quo must be motivated to make changes that will benefit the organization as a whole. Even the most willing Partners will face setbacks in this process. Support CSOs during this journey by celebrating their successes and sticking around for those who demonstrate a sincere commitment to change.

Knowledge, skills, tools, and processes: these were the building blocks that helped Mozambican CSOs learn the importance of good governance and how to operationalize it. And yet, why did CSOs choose to engage? Building trust as a donor by providing adequate support and yet holding CSOs accountable, advocating for CSOs to own their organizational development through the POAP, engaging all levels of an organization through tailored training and TA, using the grant as a mechanism for accountability, and providing practical steps to operationalize new knowledge and tools—those were the success factors that led to concrete results for CAP’s CSO Partners.

If Mozambican CSOs are to be leaders in their nation’s development, they must be able to ensure their own organizational integrity and legitimacy. Such transformation takes time. CAP CSO Partners in Mozambique have made significant progress and are now models for other up-and-coming organizations.

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