Effective Governance: A Toolkit for Microfinance Association Boards

The SEEP Network

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Many thanks as well to all of the microfinance associations who generously provided examples of their documents to build the tool resource library so that all microfinance associations large and small, new and well-established, can benefit from the guidance offered.
Introduction

“Governance” refers to the overall direction, effectiveness, supervision, and accountability of an organization. It is not one individual or one group of individuals, it is a process. This process involves a system of checks and balances and works towards a set of objectives based on accountability. Governance is not static; it evolves as the institution evolves and requires leadership and commitment from all stakeholders. One of the key elements of effective governance is the ability of the board of directors to guide this process.

The SEEP Network began supporting the development of microfinance associations in 1998. Its experience has shown time and again that governance, particularly the functioning of the boards of directors, is critical to association success. It is for many, however, an area of weakness.

Microfinance associations deal with many of the same issues as their counterparts in the nonprofit sector. Board continuity, accountability, and performance of individual directors are examples of common concerns. At the same time, however, microfinance associations face a unique set of challenges. Operating in a sector characterized by rapid growth, organizational diversity, and a broad range of financial and social objectives, microfinance associations can struggle to obtain genuine leadership.

Much depends on the boards of these organizations. This guide seeks to provide board members and managers with a better understanding of what it takes to build and sustain an effective governance process. It is accompanied by a comprehensive collection of tools, templates, and resources adapted to the needs of microfinance associations.

Understandably, organizations using this guide will represent wide experience and will vary greatly in their level of development. For example, some associations do not have an independent legal structure. Therefore, their boards do not have the same kinds of legal responsibilities as would a formal board of directors. However, while aspects of this guide may need to be adapted to specific levels of development and particular country context, the core issues addressed should be relevant to all associations.

In collaboration with associations from around the world, The SEEP Network has established standards of excellence for microfinance association in six key capacities: governance, operations, financial viability, human resources, external relations, and service delivery. These standards reflect the optimal state of association functions and are considered essential for success. The standard of excellence for governance encompasses three areas:

- **Membership**: Association membership is representative of the market and is defined and held accountable by common standards of performance and practice.
- **Democratic participation**: The association has a participatory decision-making process supported by transparent and consensus-oriented systems.
- **Board of directors**: The board is accountable to the membership and provides effective leadership in fulfilling the association’s mission.

The term “governance” in this toolkit applies primarily to the areas of the board of directors and democratic participation.

The document is divided into five sections, with links to specific tools and resources. The first section, “Structuring the Board,” describes how a microfinance association is typically organized and explains the common roles and responsibilities.

2. The SEEP Network, “Network Capacity Assessment Tool (NCAT), version 5.0.”
of entities within this structure, such as board members (including specific positions within the board), the general assembly, and the secretariat. This section also discusses how an association’s bylaws can help form the foundation for good governance.

“Building the Board” looks at board composition, recruitment of board members, the process for electing board members, and why term limits are useful. This section also discusses how to fill board vacancies and the importance of providing good orientation and training for board members and recognizing their contributions.

In the section “Operating the Board,” associations learn how to effectively set up and use board committees to facilitate and enhance the work of the board. This section also presents the basics of the board meeting process, how often meetings should be held, in what format they can take place, and how they should be documented. This section also looks at special board meetings, such as board retreats, to help strengthen the work of the board.

“Guiding the Board” provides guidelines for how the board conducts its business, including the importance of setting policies documented in a board manual, having a code of conduct, and laying out legal requirements that board members have to follow. The regular use of board self-evaluations can be a useful way to understand where the board needs to refocus or build upon.

The final section, “Board Tools,” provides links to The SEEP Network website, where microfinance associations will find a wide number of useful templates and example documents to help strengthen their governance activities.
Structuring the Board

In its most basic sense, governance can be thought of as “the process by which a group of people make decisions that direct their collective efforts.” The governance structure is how this group of people is organized, including who is selected to make the decisions for the group, how the decisionmaking group is put together, how the different structures link together, and what the roles and responsibilities of the individuals involved are.

In a microfinance association, the board assumes responsibility on behalf of the members and, for that reason, its authority and legitimacy comes from the decision of the collective of its members (see figure below).

Typical Governance Structure for a Microfinance Association

General Assembly
(composed of all member organizations)

Board of Directors
(composed of member representatives)

Secretariat
(composed of executive director and staff)

General Assembly

The general assembly is the highest authority in a microfinance association and comprises all member institutions. The primary right and responsibility of the general assembly is to elect the board of directors, which then acts on behalf of the general assembly. For some associations, the general assembly also has the responsibility of approving the annual budget, strategic plans, and major changes to the association’s bylaws.

Association members, who make up the general assembly, represent the core of a microfinance association. While members expect specific benefits, they also have certain responsibilities. For most microfinance associations, members must meet minimum membership criteria and respect association norms, such as minimum performance standards. If an association has a code of ethics or conduct, members must agree to abide by the principles of the code.

For sample roles and responsibilities of microfinance associations, go to Board Tools.

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Board of Directors

The board of directors is constituted of individuals elected by the general assembly (and/or appointed by the board) to represent the interests of the general assembly, to act on its behalf, and articulate the association’s direction by establishing its vision, mission, strategy, and guiding principles. Effective governance processes ensure the board is accountable to its membership and provides the necessary leadership.

Secretariat

The secretariat of a typical microfinance association is made up of permanent staff employed to implement the association’s strategic plan. One of the secretariat’s primary responsibilities is effectively managing the operations and assets of the organization on a day-to-day basis. The association secretariat leads the organization in providing effective and high-quality service and informing the board fully and accurately regarding the status of programs and services. It is the secretariat’s role to recommend appropriate policies for consideration by the board and to put into practice policies adopted by the board. The secretariat develops operational plans and budgets, and assists the board in strategic planning and analysis. As the head of the secretariat, the executive director is responsible for hiring professional staff as needed to effectively carry out the board’s directions.

Bylaws: Rules for Guiding the Governance Structure

Bylaws define the specific relationships, activities, roles, and responsibilities within this structure. Each association must develop a unique set of bylaws to guide its work. Bylaws are an important part of an association’s foundation because they instruct the board how to lead the business of the association and ensure that it is effectively and democratically governed. Even for nascent microfinance associations, bylaws are an important starting point for forming a well-functioning organization.

Bylaws typically include general board functions, responsibilities, and descriptions of specific board positions. They also clearly document common board operating procedures, such as voting and conducting meetings.

There are a few things to keep in mind when writing association bylaws:

• Keep the bylaws clear and brief.
• Keep bylaws general so that they do not need to be frequently changed, but specific enough to help the board navigate likely or potential situations.
• Lay out the basic structure of the board and the expectations for the people who will serve on the board.
• Do not include policy positions in the bylaws.
• Include procedures and authorities for amendment of bylaws.
• Consult a local lawyer to ensure that the document is compliant with local laws, if using the bylaws to register as a legal entity.
• For nonregistered associations, bylaws can serve the same purpose, but do not need to be legally binding.

In addition to the bylaws, other important documents (which may be combined into one document) are a constitution, which authorizes the association to exist, and articles of incorporation, which create the legal structure for the association in a particular country. Some associations use these terms interchangeably.
Specific Roles and Responsibilities of the Board of Directors

There are many variations of microfinance association board roles and responsibilities, depending upon the mission and history of the association as well as its organizational needs.

The following are major roles and responsibilities of a board of directors that reflect the broad purposes of governance:

1. Hiring, Supporting, and Evaluating an Executive Director

Hiring the executive director is one of the board’s most important responsibilities. The board has to agree on the executive director’s profile and undertake a careful search process to find the most qualified individual. A transition to a new executive director is a time for the board to consider a number of factors, including the needs of the organization and its members, the environment in which the association operates, and future leadership requirements.

Once the new director is hired, it is extremely important that the board ensures that the executive director has the personal and professional support he or she needs. This support includes reacting consistently to issues or problems as they arise, encouraging the director to be decisive, and supporting less popular decisions (those that some members or other stakeholders may disagree about). Finally, the board needs to be available and ready to respond to a director’s request for assistance when necessary.

The board should review and approve the executive director’s performance plan and evaluate his/her performance regularly based on the plan. This process, frequently overlooked or conducted irregularly by microfinance associations, ensures that the board meets its duty to lead the organization and that organizational goals are met. It also fosters continued development of the executive director. The board is also responsible for setting compensation and determining any adjustments to compensation, based on performance or other factors included in the association’s personnel policies.

Finally, it is critical that the board work with the executive director to have in place a transition plan during any transition from one executive director to the next, whether a normal succession or in the event of a management crisis, such as an unexpected absence or a major internal problem. This may include identifying and preparing capable staff and specialists to fill the role of executive director.

Tips for Hiring an Executive Director

- Consider the creation of a transition committee to oversee the process.
- Develop (or review) carefully the job description for the executive director.
- Take the time needed to select the right person.
- When time is limited, such as when there has been an abrupt departure of the executive director, the board should consider hiring an interim executive director who would not be a candidate for the position.
- Consider different options. Executive transition offers an opportunity to do some creative thinking about the future of the association.
- Get help when needed. Outside professionals can help to design and implement the transition process.

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(even the board itself) to be ready to temporarily assume management responsibilities if necessary. More than one microfinance association has faltered or even failed due to a lack of a transition plan.

2. Strategic and Operational Planning

Another fundamental board responsibility is to establish and review periodically the mission and vision of the association. Each individual board member should fully understand and support the resulting statements of purpose. The board also must ensure effective organizational planning. At least once every three to five years, the board should engage in a strategic planning process. Starting with an internal and external assessment of the association, the board should give priority to member needs and the future direction of the industry in the country or region. All board members should formally agree to the resulting plan. The goals of the plan serve as the basis for developing the business plan, including establishing financial goals, budgets, and other important association activities. Finally, it is the board’s responsibility to monitor the implementation of the plans.

To support operations, the board should set broad policies and objectives, with a clear understanding of the differences between its role and that of the secretariat. This distinct separation of roles and delegation of power is an important issue. It is a common challenge, particularly in the case of association boards, which are made up primarily of executive directors of member MFIs, who are used to managing the day-to-day activities of their own organizations. The chair of the board should set the tone for the board’s engagement with management. For more information, see Delegation of Authority under the section “Guiding the Board.”

3. Financial Oversight and Fundraising

Another central board function is protecting the association’s assets. In order to fulfill this fiduciary responsibility, the board, in collaboration with the executive director, is expected to provide effective and consistent financial oversight and support for raising funds for the association.

Monitoring the association’s management of its financial resources is a critical task. In addition to approving the annual budget, the board should monitor revenues against expenditures on a quarterly basis. This allows the board to understand the actual financial position of the association and compare it to goals and past-year budgets, and to identify any potential issues, such as shortfalls in revenue or changes in expenditures. Close financial monitoring is especially important for microfinance associations operating in volatile economic environments. For larger associations with a higher volume of transactions, it may be preferable to monitor financial statements and cash flow statements monthly. In order to best fulfill their financial monitoring role, many association boards establish a finance committee (see Board Committees in the section “Operating the Board”), which works with the association financial manager and executive director. The finance committee then reports to the full board at quarterly meetings.

The board’s financial responsibilities also include overseeing the external audit process (often managed by a board audit committee), making sure that the association has an appropriate level of liability insurance (if necessary), approving investment policies, and tracking investment performance of the association.

The board is also responsible for presenting a financial report for the previous year, as well as a proposed budget for the upcoming year, to the membership at the annual general meeting. This process reinforces the important role of the general assembly to review the work of the association staff and the board of directors, and demonstrates an association’s commitment to transparency. Some microfinance association bylaws stipulate that these budgets must be approved by the general assembly.

The board also maintains overall responsibility for assuring the long-term financial health of the organization. For many boards, this includes actively raising funds and helping the executive director achieve financial sustainability goals.
through revenue-generating activities. If the association finds that it has insufficient funds to implement its strategic plan, then the board needs to work with the management to adapt a plan that meets the association’s fiscal reality.7


The board is responsible for high-level monitoring of the association’s programs and services, and for working with the executive director to strengthen them as needed. The board should also ensure that an appropriate monitoring framework is in place, with clear indicators and milestones that are consistent with business and annual plans, and then periodically review the performance of the organization. A critical part of this process is a regular assessment of how well members’ needs are being met. (For more information on assessing member satisfaction, see SEEP’s Network Member Feedback Tool.8 The board is not only responsible for staying informed of issues related to member satisfaction but also for considering and acting on the recommendations that result from member needs assessments. The board must provide the ultimate leadership and oversight necessary to help strengthen the programs and services offered by the association.

5. Risk Management and Ethical and Legal Compliance

Effective risk management means that the association manages its business in accordance with sound financial practices and applicable laws, regulations, and professional requirements. It is an ongoing activity that helps improve service and prevent negative outcomes.9 Boards are also responsible for ensuring adherence to applicable standards and ethical and legal guidelines.

- **Compliance** – Adhering to the legal and regulatory requirements for the association’s organizational registration.
- **Transparency** – Ensuring reliable and accurate information about association income and expenditures, decisionmaking processes, staff evaluation and compensation, and the conduct of association activities provided to the membership.
- **Accountability** – Establishing a code of conduct or ethics, a conflict-of-interest policy, clear personnel policies and grievance procedures, and regular external annual audits of financial statements and internal control systems. (For more information, see Ethical Guidelines in the “Guiding the Board” section.)

6. Leadership in External Relations

Board members can play an important role in developing and maintaining relationships with external stakeholders, including various levels of government, media, donors, and the public. By doing so, the board can assure that the association maintains a highly regarded reputation and acts as an effective advocate for the sector. Board members are often called upon to represent the interests of the association (for instance, during legislation of government policies or meetings with potential funders). When engaging with external stakeholders, the board members should represent the interests of the association as a whole, not those of their own institution or any group of members.

A well-defined communications and advocacy strategy can be helpful in determining how best to utilize the strengths and connections of the board. See The SEEP Network’s Policy Advocacy: a Toolkit for Microfinance Associations10 for further guidance on developing a policy advocacy strategy.

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Building the Board

Once the structure of the board has been established, the next step is to put in place a solid foundation by building a strong, effective board of directors. While there is no formula for creating a model board, a number of key elements should be considered when putting together a diverse group of leaders to work on a common task—governing a microfinance association.

Board Composition and Size

Many microfinance associations set a specific number for board members in their bylaws. In a sample of SEEP microfinance association members, the size of the board ranged from three members (minimum) for the Association of Microfinance Institutions of Uganda, to ten for the Pakistan Microfinance Network. Board size may be set as a specific number of representatives or it may be pegged to the size of the association as it grows. In some instances, the minimum size of a board in the bylaws is set by legal requirements in particular countries.

To determine the optimal size of a board, the first items to consider are the needs of the association, in addition to the board’s lifecycle, its mission, its fundraising role, and the geographical distribution of the association. A smaller board is often easier to assemble and can make decisions more quickly (allows more time for each member to participate). A larger board offers more perspectives and ideas, but may make it more difficult to organize meetings and make decisions efficiently. At the same time, a large board can delegate work to committees. The exact size of the board is less important than the ability of the board to function as a team.

Board Qualifications

The qualifications of the board members should be in line with the needs of the association. A balance of financial, legal, and managerial skills should be considered when planning the incorporation of new members into the board. The board must provide effective guidance to senior management and it should be able to critically analyze management’s plans and reports.

Key Areas of Skills and Experience to Look for in Board Members

- knowledge of the operating environment, and of the most relevant social, economic and strategic issues faced by the association;
- experience serving on other boards;
- knowledge of microfinance, microfinance institutions, and associations in particular;
- knowledge of the regulatory environments in which microfinance operates;
- connections to people in different key services, such as legal services, auditing, or accounting;
- connections to potential donors and funding sources; and
- belief in the association’s mission and commitment to its goals.

11. The bylaws of participant associations were reviewed for this purpose.
Representation and Diversity

Representation for the boards of microfinance associations is a particularly important issue. It refers to the degree to which the composition of the board reflects the general makeup of the association’s membership. Important member institution characteristics may include legal structure, geographic presence, size of the institution, products and services offered, and/or principal markets served.

A board that adequately represents the diversity of its member institutions demonstrates an important and necessary commitment to democratic participation. Member MFIs are able to contribute unique and valuable perspectives that improve the overall governance process. As the BoardSource website notes, “constituent opinions, ideas, and judgments are crucial to a board’s ability to resolve competing claims for organizational resources and to arrive at a commonly accepted policy, consensus, or cooperative action.”

With this goal in mind, association bylaws may designate board positions for a range of member types or they may consider open positions that can be filled through board appointment. These processes can ensure a representative board while preserving the general assembly’s right to elect individual board members.

A common representation challenge for boards of growing associations is the difficulty of moving beyond a core group of founding members. Establishing clear terms (length of service) and term limits (reelection rules and limits) that are respected can help to ensure that the board is reflective of the current membership.

Diversity is a similarly important issue for microfinance boards. A diverse board is one that includes individuals with the necessary range of skills, education, experience, and perspectives. Some associations choose to incorporate appointed or elected positions with certain attributes they deem necessary for effective governance. These positions may be filled either from within the membership or outside it. For example, appointing external board members can be an effective way to bring exceptional skills, experience, connections, and perspective to the board, beyond what MFI representatives can typically offer. In doing so, however, associations must be careful to avoid appointing individuals with potential conflicts of interest.

Some associations believe that gender diversity can help make the board more effective and have chosen to define criteria aimed at fulfilling this particular diversity goal. For example, REDCAMIF, the regional network in Central America, decided that because the microfinance sector focuses heavily on empowering women, it was important to amend their bylaws to ensure the inclusion of at least one female director.

In some cases, associations may have a short-term need for a specific set of skills or experience and may choose to bring in external advisors to either serve on the board in a nonvoting capacity, to advise the board on a particular issue, or to serve on a specific committee. These individuals are not an official part of the board, but can help to expand the breadth of knowledge and experience available. However, because these individuals do not represent member MFIs, they may not always have a complete understanding of member needs.

Strategies for Building Representation and Diversity on Microfinance Association Boards

**Representation**
- Designate specific board positions for a range of member institution types.
- Designate open positions to be appointed by the board to balance a member-elected board that is not sufficiently representative.
- Establish board-member terms and term limits to ensure sufficient turnover of leadership and allow opportunities for new members.

**Diversity**
- Create a nominating committee tasked with evaluating the past and present make-up of the board to identify gaps or attributes that could diversify and strengthen the board.
- Designate elected or appointed positions for specific board member attributes (skills, education, experience, perspectives, background).
- Incorporate non-voting positions for external advisors on a short term basis

Recruitment

Recruitment may take place for both elected and appointed board members (although elected seats are ultimately decided by the general assembly). Microfinance associations may find it useful to create a nominating committee composed of people with different perspectives, members of the board, and staff, to lead recruitment efforts. The principal role of the nominating committee is to ensure that the best candidates are considered. In order to be effective, the committee must be familiar with the association’s recruitment policies and the needs of the board with respect to diversity and representation.

Since it is good practice to stagger board member elections and appointments, there is a continual need to identify and recruit individuals for future vacancies. As a result, board recruitment becomes a semi-permanent process. The development of medium-to long-term plans for board leadership can help ensure continuity in recruitment and development efforts.

Regular board assessments provide an analysis of current board composition and member skills, which is useful for the recruitment strategy. A nominating committee’s recruiting strategy should cross-reference these assessments with the association’s strategies and thus define the selection criteria for new members, which can ideally focus on areas for improvement. (For more information, see Board Assessments in the “Guiding the Board” section).

Election

Election of board members usually takes place at the annual general assembly of the association, and the procedures are normally codified in the bylaws. As with board appointments, associations often choose to stagger the elections of individual board members to allow for some continuity on the board and enable existing board members to train new ones.

While each association may follow a slightly different process, the following is a common way to elect new board members.

1. The chair of the board or an appropriate representative presents the open positions to the general assembly, as well as the process that will be followed to select the best candidate for the position. It may be a good idea to read the roles and responsibilities of board positions aloud to remind both general assembly members and potential candidates what will be expected of them.

2. Candidates make a brief presentation of their reasons and qualifications for seeking a particular position (preferably also provided in writing to general assembly members prior to the meeting, so that they have time to review each candidate’s experience and level of interest/commitment to serving on the board).

3. General assembly members vote (usually one vote per member institution). Most associations conduct voting by secret ballot.

4. Ballots are counted by a member of the board (who is not a candidate for a position), preferably with an independent person as well, to ensure transparency.

5. In the case of a tie, a second vote should be taken. To make the number of voters an odd number, the institution filling the chair of the board (or second highest board position) should either vote or abstain from voting, as necessary.

6. The results of the ballots are presented to the general assembly as soon as possible.
Terms and Term Limits

Board terms and term limits are essential to effective governance and ensure the democratic participation of a broad range of members. Both should be stipulated in the board’s bylaws. In the nonprofit sector in the United States, 70 percent of organizations have three-year terms for board members. This is in line with the average among microfinance associations, where the terms range from two to four years. Staggering the terms of board members is an effective way to ensure gradual turnover on the board and that valuable historical knowledge of the association is not lost after each board election. Successful board transitions, an indicator of a mature microfinance association, are vital to the continuity and health of an organization.

Term limits restrict the number of times that an individual can be reelected to the board. While reelections are commonly allowed within microfinance associations, they are normally limited to no more than two consecutive terms. Some microfinance associations allow for a resting period, after which a board member can be reelected to the board. However, to ensure a continuing cycle of fresh leadership, it is recommended that associations minimize the number of nonconsecutive reappointed board terms.

Filling Board Vacancies

In the case that a board member(s) steps down or is asked to leave before the end of their term, an association should have a policy for how to handle this situation. Some associations allow the board of directors to select a temporary replacement to serve until the next annual general assembly meeting. The majority of associations, however, leave the position vacant until the next general membership meeting.

Removing a Board Member

Removing a board member can be a difficult and unpleasant process. The need usually arises when the person is not able to fulfill individual or group responsibilities, or demonstrates illegal or unethical behavior. The process of removal may be undertaken by the chair or by a special committee—the latter is required when the member concerned is the chair. The full board should be involved in the final decision regarding any removal. With the exception of extremely serious cases, removal should be an action of last resort and removal procedures should be included in the association’s bylaws.

As a first step, the chair should communicate with the board member in question, assess the situation, and ask the board member to change the problematic conduct within an established timeframe. If the case requires, the individual should be notified that the committee may perform a special assessment. After an objective assessment, a second chance for the board member may be warranted, if possible and if desired by the individual in question. However, second chances are not appropriate for intentional illegal or unethical behavior. When the individual is given another opportunity, but relapses into the negative behavior, the chair (after communication with the board) should ask the individual to resign. This is the least disruptive solution. If the individual does not agree to resign, the chair should bring the removal to a vote in plenary after deliberation.

Once the board has decided to remove a member, the person should receive a letter announcing the board decision. When possible, the separation should occur in a cordial and respectful manner, and the board can even try to get meaningful feedback from the departing board member, if this is useful and appropriate. The full process should be documented to protect the liability of individual board members and the association.

Orienting and Training Board Members

Special orientation for new board members and training for all board members has the ultimate goal of ensuring that they know for what they are accountable and to whom they are accountable.17 Because the quality of their work and decisions depend on their skills, competencies, and knowledge, boards should seek out ways to address gaps in their collective knowledge.

Board member orientation begins in the recruitment process through printed material and face-to-face interaction. Prospective board members should have a clear understanding of the organization’s mission and general knowledge of its strategic plan, programs, services, and financial health. Prospective board members should also be aware of the specifics of how the board operates, frequency and location of meetings, board responsibilities, length of board terms, and fellow board members.19

The board should provide orientation to new representatives, highlighting key documents on board responsibilities, such as the organization bylaws, the most recent annual audit, board member manual, association budget, membership information, and descriptions of current programs and services. Information about existing board committees and how to join should also be included. The association should develop set procedures for board orientation that delineate standard documents with which all board members should be familiar and can easily access.

Permanent board training or education may start with creating and/or changing board members’ attitude towards the need and ways of gaining new knowledge. Sometimes board members need a “refresher course” to remind them what it really takes to govern and lead the association. Not only new members need training, but the whole board benefits from an ongoing education program. This program can be organized and developed within the board itself, using available human resources. Training should not be costly or burdensome.

Fees and Compensation

In general, board members are volunteers and do not receive honorariums for their service. In 2007 in the U.S. nonprofit sector, only 3 percent of board members were paid a fee.20 More commonly, board members are reimbursed for travel and other expenses related to carrying out their duties (e.g., telephone charges). In an international sample of 12 selected microfinance associations, none pays fees or honoraria to their boards.

20. BoardSource, Nonprofit Governance Index, 12.
Operating the Board

How the board organizes itself and conducts its work helps determine board effectiveness. Some microfinance association boards choose to keep board operations simple, with only basic rules and tasks carried out on an as-needed basis. Other boards, particularly those with growing membership, have found the need to delegate work among board members and to adopt a more formal set of rules to guide board interactions.

Board Committees

One effective way to optimize the work of the board is to establish board committees. Many microfinance associations establish board committees to make more effective use of their time by allowing board representatives to work on specific issues, determined by their skills or interests. Depending on the nature of the issues, a board committee may be standing (permanent) or ad hoc (temporary to accomplish a specific task).

Benefits of Board Committees

Committees help the board fulfill its role of governance by maximizing each board member’s expertise, time, and commitment. Committee work is in addition to, and does not supplant, the responsibility of each board member. Nor are committees intended to support association staff in daily activities. In practice, however, in the case of many small microfinance associations without dedicated staff, board committees often fill the role of association staff.

Committee Structure and Organization

Board composition and style of governance have an impact on the use of committees. In general, the number of committees should be sufficient to enable the board to carry out its governance roles and responsibilities in an efficient and effective manner. Too many committees can create an unwieldy structure and, in some cases, can lead to micromanagement of the association staff. Approval of the terms of reference for each committee will help better define their mission and to set up parameters for their evaluation.

Committee Terms of Reference and Work Plans

Terms of reference are documents outlining the board’s delegation of authority to a person or group to perform specific tasks related to its governance role. They clarify the board’s expectations, and how and when it expects these to be accomplished. Terms of reference for all standing committees should be clearly stated in the board policy manual.

Committee Leadership: Profile of a Committee Chair

- Is a member of the board.
- Sets tone for the committee work.
- Ensures that members have the information needed to do their jobs.
- Oversees the logistics of committee’s operations.
- Reports to the board’s chair.
- Reports to the full board on committee’s decisions and recommendations.
- Works closely with the executive director and other staff, as agreed to by the executive director.
- Assigns work to the committee members, sets the agenda, runs the meetings, and ensures distribution of meeting minutes.
- Initiates and leads the committee’s annual evaluation.

For a sample terms of reference for a microfinance association committee, go to Board Tools.


Committees receive their authority from the board, so the board should be clear on the type or degree of authority that goes along with specific committee assignments, including when the board reviews or approves committee actions.  

When organizing and starting a board committee, it is helpful to develop a work plan for each committee, including specific goals, objectives, and deadlines. In order to link the committee’s work to the association’s overall targets, committee goals should be aligned with an association’s overall strategic plan. During board meetings, each Committee should report on the status on implementing its work plan. This will keep board members active, focused, and accountable for their work.

**Standing and Ad Hoc Committees**

The two basic types of committees, standing and ad hoc, have been used effectively by a variety of microfinance associations and, depending on the needs of each individual organization, each type of committee has the potential to contribute to strengthening and deepening the work of the board.

**Potential Standing Committees and Roles**—Ordered according to their frequency of use (on average) by existing microfinance associations, the list below describes potential standing association board committees. Each association must determine which committees should exist and what they should do.  

<table>
<thead>
<tr>
<th>Standing Committees</th>
<th>Typical Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>Oversees operations of the board; often acts on behalf of the board for activities that occur between meetings. Actions are later presented for full board review. Committee comprises the board chair, other officers, and/or committee chairs (or sometimes just the officers, although this may be too small). Often performs evaluation of executive director. Authority should be clearly stated in bylaws.</td>
</tr>
<tr>
<td>Finance</td>
<td>Oversees development of the budget; ensures accurate tracking, monitoring, and accountability for funds; ensures adequate financial controls. Often led by the board treasurer. Reviews major grants and associated terms and association audit (if not a separate committee).</td>
</tr>
<tr>
<td>Membership</td>
<td>Sets minimum criteria for new members; sets and monitors performance benchmarks for existing members; sets policies for noncompliance. Monitors member satisfaction.</td>
</tr>
<tr>
<td>Advocacy</td>
<td>Guides development, implementation and monitoring of association advocacy strategy.</td>
</tr>
<tr>
<td>Fundraising</td>
<td>Oversees development and implementation of any fundraising plan. Identifies and solicits funds from external sources working with the development officer if available. Sometimes called Development Committee.</td>
</tr>
<tr>
<td>Product and Services/ Program Development</td>
<td>Guides development of service delivery mechanisms; may include evaluation of the services. Serves as link between the board and the staff for program’s activities.</td>
</tr>
<tr>
<td>Marketing</td>
<td>Oversees development and implementation of the marketing plan, including identifying potential markets; their needs; how to meet those needs with products, services, and programs; and how to promote and sell the programs.</td>
</tr>
<tr>
<td>Public Relations</td>
<td>Represents the organization to the community. Enhances the organization’s image, including communications with the press.</td>
</tr>
<tr>
<td>Personnel/Human Resources</td>
<td>Guides development. Reviews and authorizes personnel policies and procedures. Sometimes leads evaluation of the executive director; sometimes assists executive director with leadership and management matters.</td>
</tr>
<tr>
<td>Board Development (or Nominating)</td>
<td>Ensures effective board processes, structures, and roles, including retreat planning, committee development and board evaluation. May assume role of a nominating committee, such as keeping list of potential board members, and orientation and training of new members.</td>
</tr>
<tr>
<td>Evaluation</td>
<td>Ensures sound evaluation of products, services, and programs, including, e.g., outcomes, goals, data, analysis, and resulting adjustments.</td>
</tr>
</tbody>
</table>

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Potential Ad Hoc Committees—Below are some potential ad hoc committees and their functions. Again, associations should determine which ones to create and what should be the actual functions of each committee based on their own needs.25

<table>
<thead>
<tr>
<th>Ad Hoc Committees</th>
<th>Typical Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>Conducts specific research and/or data gathering to make decisions about a current major function in the organization.</td>
</tr>
<tr>
<td>Audit*</td>
<td>Plans and supports audits of major functions, e.g., finances, programs or organization.</td>
</tr>
<tr>
<td>Ethics</td>
<td>Develops and applies guidelines for ensuring ethical behavior and resolving ethical conflicts or developing codes of conduct.</td>
</tr>
<tr>
<td>Events (or programs)</td>
<td>Plans and coordinates major events, such as fundraising, team-building or planning or the annual conference, for example. Sometimes is a subcommittee of the Fundraising Committee.</td>
</tr>
<tr>
<td>Nominations</td>
<td>Identifies needed board member skills, suggests potential members, and orients new members. Sometimes is a subcommittee of the Board Development Committee.</td>
</tr>
</tbody>
</table>


Board Meetings

Meetings are special times for boards to interact as a group, reflect together, and exercise their governance role. It is important for associations’ leadership that board members walk away from meetings feeling positive about the time invested. For microfinance associations, board meetings can be especially challenging due to outside factors, such as distance and the high demands placed on executive directors of microfinance intuitions (the profile of the majority of association board members).

Meeting Agenda

The meeting agenda26 should be prepared in advance with the help of key participants in the meeting. The chair and the secretary of the board should take the lead on the preparation. The meeting’s agenda and the minutes of the previous meeting should be sent ahead of time to all expected participants.

The agenda should clearly state the aim or outcome, so that every member of the board is aware of the meeting’s objectives. In addition, the agenda may be presented in a way that, for each topic, describes the type of action needed and the type of output expected (decision, vote, action assigned).

Meeting Process or Rules that Guide Meetings

**Quorum:** This is the minimum number of members present in a meeting necessary to conduct business and make decisions. Quorum is set in the organization’s bylaws, and is often two-thirds of all members. Setting a board attendance policy can help ensure board member participation. If a quorum cannot be achieved, the board meeting needs to be rescheduled.


The issue of achieving a quorum at face-to-face meetings is a frequent challenge for microfinance associations, particularly when members of the board of directors come from distant parts of the country or region. Even achieving a quorum at virtual meetings can be a challenge, due to complications with communications, technology issues, and other circumstances. To address this issue, some associations use a system of alternates, such as a proxy, whereby when a board member is unable to attend a particular meeting, another designated person can be permitted to represent him or her.

Voting procedures: Parliamentary procedures (or “rules of order”) for voting help boards to achieve their goals. It is necessary for every member to have a basic understanding of these procedures. The larger the board, the stricter the rules may need to be. However, smaller microfinance association board meetings can run quite smoothly with informal rules. In general, association boards make decisions by majority vote, although it is usually the prerogative of the board to decide what voting procedures to adopt internally at their meetings.

An Effective Board Meeting

- All board members are present because the meeting date is fixed well in advance.
- Most of the members join an informal board dinner the night before, allowing them to exchange information and build board unity.
- The chief executive officer (CEO) sends the board an agenda package five working days before the meeting.
- All the members review the package before arriving at the meeting.
- The agenda is clear. It balances routine oversight and treatment of special issues.
- Committee chairs give succinct, substantive reports.
- The chair, although conscious of time management, seeks to air all views.
- The CEO supplies information as needed to advance the discussion.
- Discussions are candid and most members speak.
- The chair assists the group to reach a consensus on decision issues.

In the case of a tie vote, the issue may need further discussion or the board’s composition may need to be reconsidered in order to have an odd number of members. Some decisions, such as changing the bylaws, have higher thresholds for voting, such as two-thirds or three-quarters. Bylaws should specify whether votes can only take place during meetings or whether votes can take place through email consultations—and if so, what the requirements are.

Types of meetings: Board meetings can take place either in person or virtually. Physical meetings have the advantage of building personal interaction and relationships—an important aspect of creating a strong board. However, in-person meetings can also be more costly and time consuming if they include travel to the meeting. Virtual meetings can be used effectively, but should not be relied upon for all board meetings.

For tips on managing in-person and virtual board meetings, go to Board Tools.

**Frequency of Meetings**

Frequency of meetings is generally stipulated in a microfinance association’s bylaws, but in practice boards should determine this based on board composition, structure, and needs. The actual frequency of meetings, according to the bylaws of a sample of microfinance associations, ranges from two to four meetings every year. The majority of associations require four meetings per year. It is recommended that at least two of these meetings be in person, although this is contingent upon individual associations’ budget for travel, the size of the country or region where the particular association is located, and the ability of board members to come together twice a year. At a minimum, one face-to-face meeting should take place before the annual general meeting of the association members.

**Board Minutes**

Minutes of board meetings must be kept of each meeting because they constitute the official record of the actions and decisions made by the board and should be available for independent organizational audits. Minutes also are a historical record of accomplishments and goals, and allow new and current board members to keep up to date on current issues and dialogue.

The level of detail depends on the needs of each board or can be stipulated in the association’s bylaws. In general, minutes are not transcripts of what was said, but rather a record of major points discussed and decisions made. Board members should not have to worry about individual liability, so names or direct quotations should be omitted. The best guide is to provide enough information to make the minutes a useful resource. Some boards find it useful to create categories for the information recorded from the meeting, such as decisions reached, actions to follow up, and open issues.

Some boards allow the meeting to be recorded to help the secretary (or the person who writes the minutes), but specific policies regarding the management of the tapes (or files in case the recording is digital) should be established in advance so, again, personal liability is not an issue.

**Reports to the Board**

Boards should require regular reports from the secretariat in order to stay abreast of the work of the association. Ideally, these reports should be prepared by the executive director, with the support of relevant staff, on a quarterly basis.

At a minimum, a quarterly report to the board should include a financial report (detailing the current financial status of the association, a budget to actual, and a narrative describing significant variations under or over budget) and a program report with highlights of activities and milestones.

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28. A sample constituted by the 12 associations participating in the Citi Network Strengthening Program.


in each major program area. For boards with a finance committee, the financial report may be reviewed and analyzed first by the finance committee and then shared with the full board.

The board should also receive regular updates from any standing or ad hoc committees. Committee reports should be short and may include an overview (a status update, issue description, and background), support research (overview of the work and options explored), and recommendations.

**Board Retreats**

Retreats are special meetings held to address relevant issues that boards cannot handle adequately in a regular meeting. In many cases, the board retreat is held once a year and its usual goals are team building and board planning. These goals, however, should be defined according to the size of the board and the specific culture and circumstances of an association. Common situations and issues that can benefit from a retreat are:

- a board self-assessment;
- orientation for new board members;
- refresher course for board members’ understanding of their responsibilities;
- exercises to strengthen board relationships and team-building;
- preparation for strategic planning and refocusing on the mission and vision; and
- a critical issue (e.g., a policy advocacy crisis or a major division among board members).31

Guiding the Board

Once the framework and the work of the board has been defined, it is useful to consider guidelines for how board members are expected to interact with one another, as well as with other important entities in the governance structure, including the executive director and the general assembly. These guidelines should also include board self-assessments, which help keep the governance process on track.

Board Policies

Board policies are guidelines for how the board members can best work together. Policies help establish:

- when and how often the board will meet,
- the size of board committees,
- how to recruit and familiarize new board members,
- how to manage time for meetings to ensure a high level of interest and attendance,
- how the board will engage with the executive director, and
- how to avoid conflicts of interest.32

Board Manual

A board manual or handbook is an important resource and tool to guide the work of the board. It ensures that each new board member is adequately prepared for and informed about board policies and enables a smooth transition for new directors. A board development committee may manage the development of the board manual or the executive director and staff of the organization can work with the chair of the board to put the manual together. The resulting document should be thorough and easy to follow. Once completed, it should be reviewed and updated on an annual basis. All board members should become familiar with the contents of the manual through a board orientation session.

On the following page is a list of documents that may be included in a board manual. This list will vary, depending on a microfinance association's size and level of maturity, among other things.

Board Attendance

Setting policies for board attendance can help ensure the full contribution of all board members. Attendance policies establish requirements for attendance and the consequences for non-compliance. It important that all board members receive a copy of this official policy, and that the policy is annually reviewed and maintained in the board manual.

32. [http://managementhelp.org/boards/boards.htm](http://managementhelp.org/boards/boards.htm)
Ethical Guidelines

Ethical guidelines for board members usually take the form of codes of conduct or codes of ethics. These types of guidelines can play an important role in influencing board member behavior. Establishing written policies will help ensure that each board member is aware of acceptable conduct and will positively influence the overall culture of the association.

“The leadership of all organizations, including not-for-profit organizations, is ultimately responsible for the creation of the culture which will permeate the organization and its membership. A strong, ethically grounded organization is only possible when it is governed by a strong ethical board; in turn, the strength of the board is grounded in the ethical conduct and approach of each of its board members.”


Sharing a board code of ethics with potential new board members, and having new board representatives sign a declaration of agreement, will ensure that board members are fully aware of their ethical responsibilities from the very beginning.

Guidelines for Writing a Board Code of Ethics

- Be clear about the objectives the code is intended to accomplish.
- Get support and ideas for the code from all levels of the organization.
- Be aware of the latest developments in the laws and regulations that affect your industry.
- Write as simply and clearly as possible. Avoid legal jargon and empty generalities.
- Respond to real-life questions and situations.
- Provide resources for further information and guidance.
- In all its forms, make it user-friendly because ultimately a code fails if it is not used.

Conflict of Interest

At the board level, a conflict of interest is any situation in which the board member may put his or her personal or professional interests above that of the association. Perception of a conflict of interest matters too, however innocent or unintended. In the case of a microfinance association, where information about membership needs is critical to the work of the association, board members must commit to use such information for the purposes of the association and not to the benefit of their own organizations. The board is expected to conduct the association’s business in an objective manner.

Steps to Avoid Conflicts of Interest

Loss of public confidence and a damaged reputation are the most likely results of a poorly managed situation of conflict of interest. Boards should take steps to avoid even the appearance of impropriety, such as these:

- Adopt a conflict-of-interest policy that prohibits or limits business transactions with board members and requires board members to disclose potential conflicts.
- Disclose conflicts when they occur, so that board members who are voting on a decision are aware that another member’s interests are being affected.
- Require board members to withdraw from decisions that present a potential conflict.
- Establish procedures, such as competitive bids, that ensure that organizations receive fair value in any transaction.

Delegation of Authority

While some associations allow the executive director or chief executive officer to have a board position, most associations establish a clear separation between the board and the management by not giving the executive director a full voting position on the board.

A simple and common principle for nonprofit organization boards is that the board primarily governs the organization, while the executive director and staff manage the organization. The board sets the vision, strategies, policies, and goals, and the executive director and staff figure out how to achieve or implement them. This principle helps the board to stay clear of the day-to-day activities of the association. It is also important to carefully manage expectations regarding the lines of authority between the board and the executive director. When a new manager is hired or several new board members join, it may be useful to review the following and adapt as relevant to the association.

35. http://www.ethics.org/resources/code-construction.asp#note1
The Executive Director Expects the Board to:

<table>
<thead>
<tr>
<th>The Executive Director Expects the Board to:</th>
<th>The Board Expects the Executive Director to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determine overall strategic plan and policies for the organization.</td>
<td>Lead the organization in providing effective and high quality service.</td>
</tr>
<tr>
<td>Give advice and counsel.</td>
<td>Offer professional advice to the board.</td>
</tr>
<tr>
<td>Consult with the executive director (ED) on all matters considered by the board.</td>
<td>Recommend appropriate policies for consideration.</td>
</tr>
<tr>
<td>Delegate responsibility for all operational functions to the ED.</td>
<td>Implement all policies adopted by the board.</td>
</tr>
<tr>
<td>Share all significant correspondence with the ED.</td>
<td>Inform the board fully and accurately regarding the status of programs and services.</td>
</tr>
<tr>
<td>Support the ED and staff in carrying out their professional duties.</td>
<td>Interpret organization and program needs and issues, and prepare proposals for the board to consider.</td>
</tr>
<tr>
<td>Support all ED and staff decisions and actions that are consistent with policies.</td>
<td>Develop operations plans and budgets.</td>
</tr>
<tr>
<td>Represent the organization to major stakeholders.</td>
<td>Effectively manage the operations and assets of the organization on a day-to-day basis.</td>
</tr>
<tr>
<td>Hold the ED accountable for program results—financial, personnel, and day-to-day operations management.</td>
<td>Recruit capable staff, supervise their performance, and develop staff capacity, skills, and knowledge.</td>
</tr>
<tr>
<td>Supervise and evaluate the performance of the ED.</td>
<td>Assist the board in strategic planning and analysis</td>
</tr>
</tbody>
</table>

Legal Considerations

It is important that board members are aware of any legal obligations that they are expected to follow. These vary by country and by the legal form under which the association is established. Many of the requirements involve the proper reporting of income and payment of taxes, if applicable, or the proper payment and treatment of employees. Each board member should be given a full description of any legal obligations prior to their agreement to serve on the board. Relevant legal information should be included in any contract or written agreement between the association and the board member to ensure that the information has been shared with the specific individual.

Communications

Good governance relies on good communication, which in turn informs good decisionmaking. Clear communication channels are essential for effective and smooth functioning of the board, management, and staff of an association. Communication to and from the board should strike a balance between too much and too little, so that the best decisions can be made in good time. According to BoardSource, everyone (board members, board chair, management, and association staff) is responsible for setting up an effective board information (communication) system that “should focus decision making, stimulate participation, and support an appropriate balance of responsibility between board and staff.”

The board, too, must decide 1) what information it needs to do its job, 2) how often it wants this information, and 3) in what form it will receive it.

Confidentiality

During the normal conduct of association business, a variety of confidential information is used, such as membership needs assessments, new product development strategies, and confidential member information. In addition, compensation and employee information is discussed and records maintained. Often, employee information is protected by privacy legislation in a country and the association is required to comply.

Confidentiality can be necessary in some situations to protect the best interests of the association or to avoid disclosing information that could harm an individual or an associated institution (member, donor, partner). The need for confidentiality exists when information is designated as “confidential” (e.g., stamped or announced). It also applies when the need for confidentiality is obvious or evident (nature of the material or context of the situation), or required by applicable law, even though the information is not specifically designated as confidential.

Board Assessments

Boards of directors need to review how well they meet their governance responsibilities in order to ensure that associations are well-run, sustainable, and true to mission. The following assessments—self-assessment, individual assessment, and SWOT assessment (strengths, weaknesses, opportunities, threats)—can be used together to evaluate the performance of the board or they can be used individually.

Self-Assessment by a Full Board

Board self-assessments allow associations to shift their focus from routine governance matters and reveal critical areas for improvement.

There are a number of positive outcomes from a board self-assessment process:

- **Performance assessment:** Identifies areas of strength and weakness in order to make changes that improve the organization’s ability to meet its objectives and best serve its constituents.
- **Continuous improvement:** Always looks at every opportunity to upgrade the performance and effectiveness of the board over time.
- **Accountability:** Shows the board’s commitment to good governance; holds directors accountable for their performance.
- **Composition:** Tailors the overall composition of the board and its committees to best serve organizational objectives.
- **Alignment:** Better aligns the board with the strategy and goals of the organization; improves the common understanding of board roles and responsibilities.

Tips for Maintaining Confidentiality

- Train and educate board members, staff, and volunteers who have access to confidential information about their responsibilities
- Carefully preserve the confidentiality of any information that is designated “confidential” or appears to be of a confidential nature.
- Do not disclose confidential information (even within the organization) to anyone who does not need to have the information.
- Set policies regarding confidentiality so that expectations and responsibilities are clearly defined.
- Always designate information as “confidential” if there is an expectation that it be maintained as such by board members, staff, or volunteers.
- Encourage board members, staff, or volunteers who are uncertain whether information is confidential to ask questions before disclosing anything.

• **Communication:** Provides an objective, fact-based vehicle for board member communication regarding performance and responsibilities.

• **Transparency:** Improves board transparency and adds credibility in the eyes of members and key stakeholders.

Self-assessments may not be an easy task for all board members, who may resist fully participating in various ways. It is crucial to help all board members understand how their full involvement is a major contribution to the board's effectiveness and to the association's mission achievement. Some associations may even wish to require that the board conduct periodic self-assessments, thus ensuring a high level of transparency and awareness by new board members of the purpose and process of the self-assessment.

Performing a self-assessment can be done in different ways. Some associations prefer to carry it out themselves, while others choose to request external support. In some cases, associations may ask the chair of the board to lead the process, but others prefer to create an ad hoc commission to lead the process. How the assessment is conducted depends on the size of the association, the time frame, the availability of resources, and the working style of every board. It may be advisable to ask an outside agency, which can bring a neutral perspective to the review. A well-known advisor to most of the board members or a former member of the board is a suitable candidate to consider.

Some associations find it useful to perform the assessment annually (normally around the time they undergo annual reviews of their financial plans or staff performance) or even when they prepare the annual report to the general assembly. Other associations may prefer to perform it every two or three years. It is especially useful for a board to conduct an assessment before a strategic planning exercise or after a major event or a major crisis, or if the board has become static and needs motivation.

**Self-Assessment of Individual Board Members**

There are different ways to perform an assessment of the board of directors at the individual level. Some boards may use the same general questionnaire, but direct the answers to the individual performance of the members in order to have a picture of each member person's contribution to the board. Other boards may design a questionnaire to explore the performance of the members holding leadership positions, but add additional questions regarding core tasks common to all board members. Yet others may focus on personal commitment to the board's general responsibilities. In any case it is important to carry on evaluations of the board as a whole, from a team perspective, and to perform evaluations at the individual level as well.

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SWOT Analysis of Full Board

An effective framework for visioning, developing and confirming goals is the SWOT analysis, an acronym for strengths, weaknesses, opportunities and threats. This type of analysis identifies internal strengths and weaknesses and examines external opportunities and threats, and then analyzes how they relate to each other. SWOT analysis is a flexible concept that associations can use in various scenarios—strategic planning, organizational assessment of policy advocacy capacity, decisionmaking, problem solving—or as a tool for board assessment.42

Board SWOT Analysis

<table>
<thead>
<tr>
<th></th>
<th>Strengths</th>
<th>Weaknesses</th>
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</thead>
<tbody>
<tr>
<td></td>
<td><em>Helpful to achieving the goals</em></td>
<td><em>Harmful to achieving the goals</em></td>
</tr>
<tr>
<td>Opportunities</td>
<td>Use strengths to take advantage of the opportunities</td>
<td>Overcome weaknesses that prevent taking advantage of the opportunities</td>
</tr>
<tr>
<td>Threats</td>
<td>Use strengths to reduce the likelihood and impact of threats</td>
<td>Overcome weaknesses that can make threats a reality</td>
</tr>
</tbody>
</table>

When conducting a SWOT analysis, there are various aspects of the components to consider:

**Strengths and weaknesses:** What are the capabilities of the board? What does the board do well? What could it improve upon? Review positive and negative aspects related to the internal structure, such as planning, internal coordination, board leadership, control mechanisms, training, information management, etc. Consider these questions from an internal perspective and try to incorporate the views of staff and association members. The board may want to consider or compare its strengths in relation to other association boards or nonprofit boards familiar to them.

**Opportunities and threats:** Perform an environmental analysis (possible effects of external forces) and identify those points that pose opportunities for your board and those that pose threats or obstacles to performance. Consider this from an external angle and, again, try to incorporate the views of staff and association members. A useful approach for looking at opportunities is to look at strengths and ask whether these open up any opportunities. Similarly this can be done for the threats and weaknesses.

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Board Tools

This section contains a list of documents that can be accessed through The SEEP Network website: http://www.networks.seepnetwork.org/ppp-design2/board-tools.html

This list includes a wide range of useful templates, tools, and example documents intended to enhance, build, and reinforce the governance practices of microfinance associations at all stages of development.

Structuring the Board

Governance Structure

- **Sample Microfinance Association Governance Structure Matrix** – A comparative look at the structures of 12 microfinance associations.

Bylaws - Rules for Guiding the Governance Structure

- **Template for Creating Bylaws** – Provides a list of common categories that can be listed in an association’s bylaws. This would be particularly useful for networks just getting started.
- **Sample Microfinance Association Bylaws** – Offers a selection of actual bylaws from a number of microfinance associations located in different regions and at different phases of development (nascent and mature).

Specific Roles and Responsibilities of the Board of Directors

- **Sample Quarterly Report to the Board** – An example of an informative and concise board report.
- **Sample MFA Roles Board of Directors** – A matrix with a snapshot of the responsibilities of the board of directors for 12 microfinance associations.
- **Sample Board Attendance Policy** – Guidance on attendance policies, potential problems, and solutions.
- **Sample Board Code of Conduct** – A sample code of conduct for board members from the Council of Microfinance Equity Funds Consensus Statement, which has been adapted for microfinance associations.
- **Roles and Responsibilities: Sample List for Boards Members and the Executive Committee** – Looks at the common roles and responsibilities for members of a board of directors.

Building the Board

Board Composition

- **Simple Board Matrix 1** – A quick checklist to help a board assess their level of diversity in terms of gender and skills.
- **Simple Board Matrix 2** – Another quick checklist to help a board assess their level of diversity in terms of gender and skills and plan for the next three years.
- **Sample MFA Governance Structures** – A matrix with a quick look at the profiles of a sample of microfinance associations.

Recruitment

- **The Nominating Committee: Recruiting Prospective Board Members** – A guide describing the composition of a nominating committee and its duties.
- **Board Development Analysis Grid** – A simple grid to help an association (particularly a nominating committee) compare information on potential board members.
Operating the Board

Board Committees

- **Sample Committee Terms of Reference** – A concise sample list of the principle roles and responsibilities of a board committee.
- **Tips for Setting Up A Board Committee** – A list of tips and ideas to guide the process of setting up a board committee; includes important questions to ask before beginning.

Board Meetings

- **Managing In-person and Virtual Meetings** – A list of suggestions to make board meetings more efficient and worthwhile.
- **Simple Board Meeting Feedback Form** – A brief survey to quickly and easily assess the effectiveness of board meetings.

Guiding the Board

Board Policies

- **Template for Creating a Board of Directors Manual** – Provides common categories that may be included in a board of directors’ manual.
- **Sample Board Orientation Checklist** – A quick checklist to walk a board through the steps of orienting new members to the board.
- **Board Code of Conduct Template 1** – A sample code of conduct template that can be adapted to an association’s particular needs.
- **Board Code of Conduct Template 2** – A different sample code of conduct template for adaptation to an association’s particular needs.
- **Sa-Dhan Code of Conduct** – A sample of a microfinance association code of conduct

Board Assessment

- **Board of Directors Self-Evaluation Tool** – A tool to help individual board members evaluate and reflect on their own personal performance as a board member.
- **Individual Board Member Evaluation Form** – Another short survey to assess individual board member performance.
- **Individual Board Member Report Card** – A short survey to help board members identify their own strengths and weaknesses in a number of key areas of governance.
- **The Corporate Fund Nonprofit Board Self-Assessment Guidebook** – A comprehensive guidebook that walks the user through the entire process of conducting a self-assessment; answers the question: “Is the board doing what it should be doing to ensure the organization has the funds it needs to produced, market, deliver and evaluate its programs?”
- **Individual Board Member Evaluation Form** – A brief evaluation form to quickly self-assess each individual board member’s performance.
- **Center for Public Skills Training Board Assessment** – Focuses on competencies and characteristics that can develop the profile of an effective future focused board. The results of the assessment can be used to develop action plans to strengthen the visionary leadership capacity of a board.
Additional Resources

**Corporate Governance Codes, Principles & Recommendations** – Compiled by the European Corporate Governance Institute, here are the full texts of corporate governance codes, principles of corporate governance, and corporate governance reforms from countries around the world. [Click on Index of Codes.](#)

**Board Governance Training for Microfinance Institutions Toolkit** – This MicroSave toolkit offers guidance to board of directors for implementation of effective governance.

**Principles and Practices of Microfinance Governance** – Developed by ACCION International, this guide describes good governance practices for microfinance institutions that can also be relevant for microfinance associations.
About SEEP

The SEEP Network is a global network of microenterprise development practitioners. Its 80+ institutional members are active in 180 countries and reach over 35 million microentrepreneurs and their families. SEEP’s mission is to connect these practitioners in a global learning environment so that they may reduce poverty through the power of enterprise. For 25 years, SEEP has engaged with practitioners from all over the globe to discuss challenges and innovative approaches to microenterprise development. As a member-driven organization, our members drive our agenda while SEEP provides the neutral platform to share their experiences and engage in new learning on innovative practices. The SEEP Network helps strengthen our members collective global efforts to improve the lives of the world’s most vulnerable people.