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Arab NGO Network for Development
شبكة المنظمات العربية غير الحكومية للتنمية


RESERVE POLICY





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Mission:

The Arab Non-Governmental Organizations Network for Development is an independent civil, democratic network established in 1997 with the aim of strengthening and empowering civil society and promoting the values of democracy, respect for human rights and sustainable development in the Arab countries, in line with the International Bill of Human Rights, individual freedom and dignity, respect for pluralism, equitable distribution of wealth, and preservation of civilizational and cultural heritage. in the region and to achieve the development priorities of local communities.

The network consists of nine national networks and 23 non-governmental organizations operating in 12 Arab countries.

The work of the network is organized according to three main axes:

Supporting the capabilities and role of civil society organizations in advocacy and lobbying in the field of economic and social policy making in the Arab region.

Strengthening the spaces available for the participation of civil society organizations in making economic and social policies, at the national, regional and international levels.

Enhancing and developing the knowledge materials available in the Arab region related to the role of civil society.

Vision:

The Arab NGO Network aspires to create democratic, active and effective civil societies in the Arab region. These societies will be able to influence public policies, and will be open and interactive with other cultures and societies. These societies respect and protect the dignity and freedom of the individual and his political, social, economic, civil and cultural rights, within a state of law and institutions, where peace, security and stability flourish.

The network's internal vision is based on responding to challenges and changes at the regional and global levels, as it aims to establish a special presence and efficient and effective positions in relation to decision-making locally, regionally and globally. The Arab NGO Network works to maintain a democratic, flexible, and growing body of Arab NGOs working in the areas of social and human development, democracy, human rights, and the environment. The Arab NGO Network is committed to implementing the values of good governance and developing best practice models for capacity building and institutional structuring.

Background notes on Core funding style and reserve:

ANND has found that a lack of core funding can cause or compound other organizational challenges, including staff shortages; inappropriate premises; and a lack of capacity to meet rightsholders and network members' demand. This often results in staff and members being preoccupied with seeking multiple pots of project funding. These challenges require precautionary measures to ensure the organization's sustainability and survival in difficult economic times, and in situations of having less donor funding. The reserve fund policy is for the purpose of withstanding unexpected costs and have the ability meet the running expenditures of ANND that are irrelevant/not driven by the to the programs/ projects implemented; costs which are referred to as the core costs. ANND shall put, in its best efforts, investment in core funding strategies to ensure its sustainability.

Strategic funding is funding from regular, reliable funders who make an open-ended commitment to an organization.

The five main elements to Core Funding are:

- Strategic Funding
- Apportioning Overheads into Project Budgets
- Self-Generated Income
- Developmental Funding
- Cost Reduction Minimization

ANND's first priority is to ensure that the core funds of the organization are met on a sustainable basis. This will require a subtle mix of different strategies.

The Reserve Policy Scope: Apply to all ANND Executive Office and members:

Strategic reserve is the reserve of a commodity or items that is held back from normal use by ANND in pursuance of a particular strategy or to cope with planned or unplanned future needs. These costs will always need to be funded. They're fundamental to the organization's survival but can't be directly associated with any specific outcome in ANND strategy.

The purpose of this policy is to establish general guidelines to maintain a prudent level of financial resources including providing stability and flexibility to respond to unexpected adversities and/or opportunities. In addition, this policy is intended to document the appropriate unrestricted operating reserve level to protect the organization and maintain adequate cash flow for the operations.

If unrestricted fund reserve balances fall minimally below the stated target amount, ANND will strive to restore the reserve to the stated level within 12 months.

The purpose of the Operating Reserve Policy for ANND is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in

expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of ANND for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve Policy will be implemented in concert with the other governance and financial policies of ANND and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans. With that, ANND is cautious that unrestricted funding can also come with some limitations. Donors might, for example, designate the money for operating expenses like rent or to help strengthen the organization through support for leadership development, as well it can be limited in time.

Eligibility and Modality:

- Eligibility

To be eligible for using reserve funds, ANND Executive Director must meet at least one of the following criteria:

- The amount requested is dedicated to an action clearly aligned with ANND strategy and connected to the yearly implementation plan.
- Using the reserve for bridge funding between grants (staff, key costs)
- Investment to meet minimum operational standards.
- Invest to enhance the capacity of grant acquisition.
- Invest to enhance quality management (evaluations...) and capacities.
- Invest to meet minimum organizational survival standards
- cover cash flow shortages caused by a short-term unexpected expense.
- Filling gaps activities in restricted funded programs/ project specially when a match funding is required.

- Modality

- The Executive Director addresses the request for the coordination committee of the General Assembly by highlighting the specific need as an agenda item in the general assembly meeting. Or in a scheme for a special meeting in case of emergency.

Utilization:

When do we use it?

- The reserve funds are used when there are insufficient financial resources to meet the operating and managerial expenditures, irrelevant to programs/projects flow. It is used to scaffold the organization to new grant acquisition in the waiting period of insufficient financial recourses.
- The reserve funds are used to retain and develop the capacity of the employees to first: secure their employment period with the availability of financial resources. Second: to train and develop their capacity in alignment with the organization's needs when there is no urgent need for the reserve fund to finance significant and immediate financial obligations.
- The reserve funds can be used to finance additional activities necessary for a grant funded project's success, had ANND reasonably deemed it necessary.
- The reserve fund is also used as a mitigation for unexpected/expected increases in prices of current and future purchases and to cover for the unbudgeted price increase.
- It is used to enable the organization to use easily accessible financial resources to meet a high-risk beneficiary case that needs immediate support/intervention.
- the reserve fund can be used, partly or fully, for income generating activities/ fundraising, only when there is no urgent need for the resource. The income generating activities can be invested in institutions that are in adherence to ANND's spirit, mission, and vision, and for fundraising activities. Had the reserve funds available being below the three months' worth of operating expenses threshold, the funds generated from the fundraising/ investment must be allocated to the reserve fund to satisfy the minimum required level. the funds left after the full replenishment of the minimum reserve threshold can be used as the management sees fit.
- The restricted reserve funds should be met in respect to the donor's requirement and deadlines. Had there been a need for additional funds needed for the requirements of the restricted reserve fund's activities, the unrestricted reserve funds can be used.
- Had the reserve funds exceeded six months' worth of operating expenses, the management must be notified and spend the excess in projects or for internal developmental activities.

Below are categories for the uses of reserve funds:

Management	Research and Programmes	Support services
Costs associated with governance, board meetings etc.	Innovation- costs associated with developing new activities and ways of operating (before attracting funding)	IT and technology incorporation and adaptation
User engagement and consultation	Fundraising and grant acquisition (donor mapping and engagement)	Finance and audit
Monitoring and evaluation	Staff training and development	Premises (when urgent)

Management and Oversight:

The reserve funding is managed and administered by the Executive director after consultation with the finance manager, and the general assembly. Network members will be consulted prior to any critical decisions being taken that have implications on them. The finance manager can send a memo to the executive director notifying him/her of the need of core funding. The process flow for management and oversight is:

1. The request phase: it starts with the convening of the relevant parties to be aware about the need for core funding. The executive director informs the general assembly members. Then the General assembly members, the executive director, core network members and the finance manager shall conduct a meeting to bring forward the need of the core funding, inform about the current amount of reserve funds available. The request is cosigned by the executive director and the finance manager. The next step is set in motion after adding the funds into the current budget the funds in the designated budget line.
2. There should be a specific budget line dedicated for the reserve funds to be included in the financial report provided to the core funding donor. This budget line is to be reported on a yearly basis with the activities done with the use of the reserve funds. This budget line can be reported on for potential donors targeted for future core funding proposals.
3. The executive director has the authority to access the reserve funds but must send a note to the finance manager about the amount to be withdrawn and the reason for the use of the money. After spending the amounts withdrawn from the reserves, the executive director or his delegates must provide the finance manager with the required invoices, receipts and other financial documents related to the activities done that are financed by the reserve funds.
4. Financial reports are provided for the core funding donor with the relevant financial supporting documents in addition to a brief description of the need and use of the reserve funds along with the remaining balance, the funds generated from investments and/or fundraising activities financed by the reserve funds. The plans to replenish the reserve funds must be included in the report.
5. The reserve funds balance, and previous uses must be easily accessible and clear for anyone of the staff that requests it to ensure transparency.
6. The reserve funds are subject to auditing and review.
7. The reserve funds can be carried forward

Oversight, review and further improvement:

1. Requests for reserve funding, usage reports and audit report will be shared with the general assembly members for accountability and transparency
2. The ANND executive director will report to the network annually on the reserve balance and usage.
3. The effectiveness of the reserve funding will be reviewed every fiscal year with proposed modifications implemented in the following fiscal year if needed.

4. To maintain a strategic amount in the reserve, the list of donors with core funding policy need to be updated as well the engagement with donors need to be planned on yearly basis.

The below should be checked before requesting any reserve fund use:

- Plan your core funding models before you plan your overall budgets.
- Cherish your original funders, but don't expect them to fund your growth.
- Ensure that all projects have accurate budgets and that all overhead costs are allocated and paid for.
- Maximize your opportunities to allocate core costs into project budgets.
- Invest in self-generated income from day one. Never stop experimenting ways and tools.
- Turn your key funders into advocates and collaborate with them to open up new funders for your ANND
- Appreciating donor accountability is one way of retaining your relevance.

Governance: Authority to use

After ANND general assembly vote in the 18th of March 2023, the collective decision regarding governance is the following:

Authority for use of Operating Reserves is delegated to the Executive Director in consultation with the coordination committee members. The use of Operating Reserves will be reported to the Executive director/ general assembly at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the Operating Reserve Fund to the target minimum amount. The Executive Director must receive prior approval from the /general assembly of if the Operating Reserves will take longer than 12 months to replenish.

Reporting and monitoring:

The Executive Director is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the Executive Director will maintain records of the use of funds and plan for replenishment. He/ she will provide regular reports to the Finance manager/ general assembly members and the network of progress to restore the Fund to the target minimum amount.

Carry forward reserve:

There are many types of reserves, and ANND should make sure in the budgets and yearly allocation regarding the following dynamics and type core funding.

- Restricted by topic or year
- unrestricted
- Carry forward yes or no
- Limited time, unlimited time
- On yearly basis the finance manager the finance manager will send a note to the executive reserve funds and the restricted remaining that should be used and the measures for protecting the unrestricted from embezzlement.