Mapping NP Governance Challenges and Recommendations

Introduction

Good governance underpins National Partners (NP)'s leadership to grow and develop impact ecosystems as an enabler of healthy and mature impact markets.

Establishing clear governance structures and policies is critical for NPs to recruit effective Board members, design and agree on work programmes, and be held to account for carrying them out.

In the NP's development stages, the Taskforce will co-create and draft a governance framework. This should be an inclusive and collaborative process, based on input from all stakeholders engaged with the Taskforce.

This resource maps common challenges faced by a Taskforce as it designs the structure of its Board in order to develop into an established NP, or by an NP that wants to renew and refresh its governance. It also includes recommendations for dealing with those challenges.

For all of these specific issues, there is an overriding framework that provides context and guidance:

1	the aim is to draw on and build on the five pillars of the impact ecosystem: supply of impact capital, demand for impact capital, intermediation of impact capital, government and policy, and market building,
2	the target characteristics are <u>UNESCAP's eight building blocks of good governance</u> – democratic participation, upholding the rule of law, transparent governance, responsive engagement, consensus-oriented, reflecting equity and inclusiveness, being effective and efficient, and practising accountability,
3	the metrics are the three governance contributions to better outcomes to societal challenges – clarity of leadership, exclusive focus on developing the impact ecosystem and adapting quickly to meet changing societal challenges.

A note on terminology

In this resource, we use the following terms:

- **GSG Impact Partnership**: Collectively GSG Impact and the National Partners work together as the GSG Impact Partnership. The majority of GSG Impact's Board is comprised of elected members from National Partners.

- **NP**: GSG National Partner, which has become a member of the GSG Impact Partnership by formal approval of their application into the GSG Impact Partnership by the GSG Impact Board of Trustees. An NP is composed of a Board and a Body.[1]

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1 Note that a Regional Partner representing more than one country will be referred to as an NP for this document.

- **NP Board**: A formal board comprised of individuals elected or appointed to govern the NP as per the governance structure of the NP.

- **NP Chair**: An individual elected or appointed to lead the NP Board.

- **NP Body (or Secretariat)**: People employed full-time to manage and coordinate the NP (eg. an NP CEO, NP Programme Manager, NP Coordinator etc.

- **Taskforce**: GSG NP Taskforce, which is a group of relevant impact ecosystem stakeholders that come together to co-design a National Partner as a new institution of reference for impact in a given country. The NP formation process typically takes 12-24 months. When appropriate (i.e. the Taskforce has identified a business plan, financial strategy, and governance policy), GSG Impact issues a formal invitation to the Taskforce to join the GSG Impact Partnership, and the GSG Impact Board reviews their formal application.

- **NP members**: Ecosystem actors who actively engage with NPs but are not Board members. They are committed to the mission of the NPs and contribute to its activities through support and participation. They can be formal members if the NP is set up as a membership organisation.

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Table of Contents

I. Board composition and selection

Challenge #1.
Board representation

It is essential but challenging to reflect the five pillars of the impact ecosystem (i.e., supply, demand, policy, intermediation of capital and market building) while ensuring gender balance and regional representation. Under the GSG Impact's NP criteria, at least 3 of the top 10 leaders in each of the 4 or 5 ecosystem pillars should be part of and fully engaged with NP.

Recommendation #1-1
Set clear criteria for Board members

The Board selection processes should integrate:

- recognised leaders from each of the five pillars of the impact ecosystem
- the skills and competencies identified in the Board skills matrix (see Annex 1 to learn more),
- the personal qualities expected of Board members, specifically a true commitment to creating and delivering an ambitious vision for the benefit of their country, transforming it into an impact economy,
- Diversity expectations include recruiting board members that are diverse in terms of, for example, ethnicity, gender, sexual orientation, religion or belief, age, and geography within a given country.

The skills and competencies will vary depending on local circumstances and needs but it is expected that (in addition to their 5 pillars of expertise):

- between them, the Board members should possess any specific competencies needed by the Board to enable the NP to successfully deliver on its national goals, such as policy-making experience, ability to influence decision-makers in government and financial institutions, experience of launching or managing large financial vehicles or instruments, fundraising, etc.

- all Board members should possess sound financial and accounting knowledge – this means the ability to read and comprehend the Body's accounts and financial material presented to the Board, and to understand the Body's financial reporting requirements,

- between them, the Board members should possess the usual skills and competencies required of boards such as strategic expertise, legal and risk management, and the ability to manage people and achieve change.
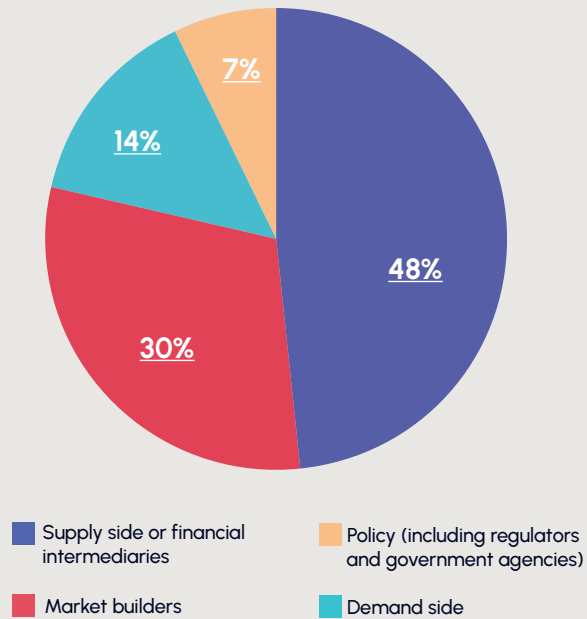
The personal qualities expected of all Board members will include integrity, low ego, persistence and courage, good interpersonal skills, genuine commitment, energy (they must be active contributors), time (they must have sufficient time to devote to the Board), and good acumen (an ability to get to the crux of an issue quickly).

Box 1 NP Board member composition

The chart (Figure 1) shows the spread of Board members across the NP community (among 33 NPs that completed the 2024 NP survey). Currently, Boards are heavily weighted towards the supply side/financial intermediaries, with many NPs actively working to expand the representation of their Board.

The spread of Board members has implications for the direction setting and influence of the Board. NPs may wish to consider how to increase representation from demand-side actors.

Figure 1. Ecosystem representation in Board membership (33 NPs)

- Supply side or financial intermediaries — 48%
- Market builders — 30%
- Policy (including regulators and government agencies) — 7%
- Demand side — 14%

Recommendation #1-2
Establish a nomination committee

The key goal in selecting Board members is to build a mix of individuals who can work as a well-rounded team. It can be difficult to remove a poor choice of Board member so it is worth investing in the process.

A separate nomination committee is a useful process because it adds a level of independence and transparency, and it can undertake focused work on the selection process. Using a board skills matrix, the nomination committee can identify the specific skills and competencies the Board needs and define targeted selection criteria. When defining needs, the nomination committee can consider where the organisation is heading as well as where it is now. The nomination committee can also quantify the time commitment and ensure that the selection process complies with governance processes and legal requirements.

A nomination committee usually comprises 3 to 5 individuals. If the NP has already been established, the nomination committee is usually a sub-committee of the Board.[2] Where the organisation is a Taskforce, there is more flexibility and the nomination committee can be selected from within and outside the Taskforce members in order to get the right mix of skills and connections on the nomination committee itself.

The nomination committee requires vision and leadership to ensure that the Board is as good and influential as possible. This can require significant engagement efforts to reach out to possible Board members by the committee members and ideally the inaugural or existing Chair. However, these efforts are absolutely crucial and need to be planned for.

For an illustrative example of this recommendation, see **Annex 3** featuring the Nigeria NP case study.

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2 For more info on Sub-Committees, see the Challenge #7.

Recommendation #1-3.

Consider adding an Advisory Board if it adds value

The NP Board is the centre of the governance structure but it can be helpful to support it with additional advisory committees. This helps to engage and train others in the work of the NP, to spread the workload, and to bring in other areas of expertise as needed.

An Advisory Board can be a useful mechanism to tap into a broader section of the impact community than is represented on the Board and to support the Board in thinking about longer-term developments to factor into the Board's strategy.

An Advisory Board may also represent an opportunity to **integrate any original members of a Taskforce who are not selected for the Board within the governance of the NP**.

Depending on the size and the composition of the Advisory Board and on the specifics of each jurisdiction, the NP may also decide that the Advisory Board (once certain circumstances are met) could select and include one or more member/s of the NP Board to increase the link between Advisory Board and the NP Board and to strengthen the participatory dimension of the NP.

When considering an Advisory Board, there are a few key principles:

- define its terms of reference clearly – what is the specific task, the specific value-add, that the NP Board is seeking from the Advisory Board?
- it is only advisory – the NP Board is still responsible for defining and deciding on the NP strategy
- be clear about when it will terminate – it may have a fixed term or it may be terminated by the NP Board at its discretion but in all cases, it only stays in place for as long as it is adding value.

Table 1 illustrates how the two Boards may differ, based on observations within the NP community.

Table 1 Differences between an NP Board and an Advisory Board

	NP Board	Advisory Board
Role	Executive function (responsible for the entity overall, for deciding on the strategy and for day-to-day decision-making)	Strategic advisory/ ambassadorial
Responsibility	• Oversees legal entity • Decision-making	• Provides feedback on strategy • No decision-making
Number of members	From 10 to 15 depending on the size of the NP*	No cap; flexible
Meetings	Typically 3-6 times a year	1-2 times a year

*See challenge & recommendation #5 for more information on the Board size.

Box 2 UK NP - Establishment of the Board and Advisory Board

• The Impact Investing Institute created two bodies, the UK NP Executive Board, responsible for the entity, the strategy and the decisions, and an Advisory Board (AB), a high-level Board composed of practitioners who represent the UK Impact ecosystem.

• The NP was constituted, as a merger of two pre-existing initiatives: the previous version of the UK NP created in 2013 during the UK's G8 Social Impact Investment Taskforce and the UK's Taskforce on Growing a Culture of Social Impact Investing. During the merger process, working groups were set up to inform the development of the new NP. Nominations for Board members came from within the working groups, plus other sources and this process was overseen by an independent panel to help select representatives from diverse sectors. Dame Elizabeth Corley, former-CEO and Vice Chair of Allianz Global Investors was the inaugural Chair of the Executive Board, and Sir Harvey McGrath, former Chair of Big Society Capital, of Prudential plc and Man Group plc) was the inaugural Chair of the high-level Advisory Group.

• Today, the Board comprises 13 members, including the Chair, Lead Experts, and Non-Executive Directors. It meets six times a year and Board members have a one-year term in the first instance.

• The AB comprises 30 leaders from across the spectrum of capital and may include supporters of the NP, and members appointed by the Chair. Individuals may represent a wide range of sectors and industries, and be based in the UK or overseas. The AB meets twice yearly, one of which is a joint meeting with the Board.

Other NPs that established an AB include Bangladesh, Belgium, Chile, Colombia, Peru, and the U.S.

Challenge #2.
Chairperson selection

Finding an effective and influential Chair to drive the NP forward and unite different stakeholders is essential. The Chair could be elected or appointed to lead the NP Board.

Recommendation #2-1
Find the right inaugural Chair

During the set-up phase of the NP, having a committed and well-known leader who has already provided the availability to be the inaugural Chairperson has proven to be the most successful first step in building an effective Board for the NP. Indeed, in less developed impact markets, it can be challenging to find a Chairperson with all the characteristics required. Therefore, it may prove more effective to start engaging with and onboarding a suitable Chairperson with the development of the NP early on.

Once the inaugural Chairperson is identified, it will become easier to attract other relevant Board members and organisations in the development process. The inaugural Chair sets the level of expectations for the Board and convinces possibly great Board members to join the Board by showing them the importance of an NP in building an impact economy.

The Chairperson can be formally appointed as the inaugural Chair by the other Board members once the governance is fully formed, but the actual process of having that person from early on can be a real success factor.

Specific governance rules apply to the appointment of the Inaugural (the first) Chair in that an election process is not required. Successive Chairpersons will be appointed following an election process

Recommendation #2-2
Selecting a Chair that can influence the market

We encourage an NP to select a Chair with the following qualities:
- a background in the private sector and credibility with decision makers, especially from the finance industry
- Demonstrated commitment to impact
- high seniority, integrity and experience,
- a strong network to attract additional organisations to the cause, and
- the ability to keep Board members actively engaged.

The preference for a Chair from the private sector, rather than a government representative is due to the private sector's greater flexibility and capacity for swift decision-making. A government-affiliated Chair may face constraints from shifts in political leadership or changes in government, which could limit their influence and effectiveness over time.

Recommendation #2-3
Appoint the Chair from within the Board

Once the NP is mature and has a strong ecosystem, it is recommended that the Chair is appointed by fellow Board members from within their number rather than by the broader NP membership or an external process. This is because the Board is the centre of the governance structure and the Chair can only be effective while they retain the confidence and respect of their fellow Board members.

The Chair has a special role in leading the Board and the NP. They are responsible for facilitating the effective functioning of the Board, liaising between the Board and the CEO/executive staff, motivating Board members and holding them to account, leading the NP's engagement with the ecosystem and acting as the public face of the organisation.

Some NPs may wish to add a formal rotation requirement for the position of Chair, for example where the energy in the NP is driven by a coalition of networks. This can be incorporated within the general structure of appointing the Chair from within the Board.

Challenge #3.
Executive and non-executive Board members

NPs face the challenge of determining whether Board members, particularly the Chair, should serve in executive roles. This issue is especially common in the early stages of the NP's development when resources are limited, and there may not be a fully established secretariat or senior CEO in place.

The Chair should be non-executive

It is recommended that the Chair does not serve in an executive role. The primary responsibility of the Board is strategic oversight and governance, not execution. If the Chair also acts in an executive capacity, such as taking on the role of CEO, it can create a blurred line between governance and management, potentially undermining accountability, transparency, and effective decision-making. Furthermore, if the Chair becomes too involved in day-to-day operations, the NP may lose its strategic focus, leading to inefficiencies and mismanagement in the long term.

This risk of the Chair taking on a dual role is especially heightened where the NP has a small membership base or limited engagement in its governance. Without a clear distinction between executive and non-executive roles, it becomes more difficult to plan for leadership succession and ensure organisational adaptability as the NP grows.

In some situations, an emergency can arise where the Chair does need to step in and provide executive support, e.g., where there is a sudden unexpected vacancy in the role of CEO or the NP faces a serious unexpected financial or reputational challenge. This should be undertaken only as a special measure and for a limited period. The Board should work with the Chair to arrange for replacement executive support as soon as possible.

A Taskforce or NP may face the challenge that they won't have enough resources if the Chair is non-executive. One solution could be to appoint executive board members, especially in the initial phase of the NP, when it doesn't have enough resources for a full secretariat and a proper senior CEO. In this case, a board member can serve as an executive supporting fundraising efforts, membership engagement, and partnership with GSG Impact.

A related question is whether a board member – particularly an executive board member – should be paid for their work as a board member. Usually, board members of non-profit organisations are not paid. Many non-profit organisations take the view that scarce resources should be used to further the organisation's mission, rather than compensating board members.

However, some level of reasonable compensation in specific cases may be necessary and appropriate to attract the skills and experience needed for good governance. This can particularly be the case for board members bringing lived experience on the demand side or as end-users of impact investing. An investment in good governance can multiply the impact of the NP. Compensating board members can help them justify and afford the time they are required to contribute to ensure good governance. It can potentially increase accountability and performance, with board members committing themselves more deeply.

Any decision to offer compensation should be carefully reviewed both as to whether it is correct in principle for the NP in its circumstances and for the reasonableness of the amount proposed. It should also be checked from a legal perspective – there are legal restrictions on remunerating non-profit board members which vary between jurisdictions.

As the NP evolves from its early, resource-constrained stages to a more mature phase, the governance model should also evolve. In the early stages, a more hands-on approach from board members, including the Chair, might be necessary. But as the NP grows and resources are secured, it is critical to transition to a fully non-executive Chair and Board. This evolutionary process strengthens governance structures, ensures sustainability, and improves decision-making quality.

Finally, although the Chair is non-executive, their role is still substantial and will require a significant time commitment in addition to the Board meetings – see Recommendation #2-1 above for a brief outline of the Chair's role.

Challenge #4.
The transition from the TF to NP

Ensuring a mix of experiences in the TFs means involving pioneers in the ecosystem, sometimes representing the niche, more expert part of the market together with mainstream actors, who may have less experience in the field but can influence the market to scale impact. Defining roles that can give value to all TF members is important.

Integrate TF members into working groups or advisory committees

The transition from a Taskforce to an NP is exciting and challenging. The work of a Taskforce is different from the work of an NP. The NP has a broader remit with more tasks and different skill sets.

The people leading the Taskforce may not be the right people to lead the NP but they will all have valuable skills, energy and experience to contribute to the work of the NP. Part of the work of the Taskforce is to consider whether to set up any advisory committees or working groups and whether members of the Taskforce (including members who will be on the NP Board) should be asked to lead or contribute to an advisory committee or working group,

As noted above advisory committees and working groups can provide helpful support to the NP and its Board. The principles set out above, when considering an Advisory Board, apply equally to the use and design of advisory committees and working groups.

Advisory committees and working groups can be part of an NP Boards succession and rotation strategy; ie a way to identify and train potential future NP Board Members and a way to keep past NP Board Members engaged.

Challenge #5.
Board size

Large Boards may have inclusive representation, but they often struggle with diverging opinions making consensus difficult, and it can be challenging to engage all members consistently. On the other hand, small Boards may have an easier decision-making process, while they may lack diversity in perspectives.

Recommendation #5
Aim for 10 NP Board members, stay below 15

There is no perfect size for any NP Board and optimal Board size is influenced by many factors including the 5 pillars, the stage of development of the impact ecosystem, the complexity of the NP's organisational arrangements, and local norms on how boards meet and conduct their affairs.

The Board needs to be large enough for the Board selection criteria and to discharge the work of the Board but small enough for all board members to meaningfully engage in and contribute to deliberations, and to gain trust and confidence in each other.

A broad rule of thumb is that 8 to 12 board members usually achieve the right balance but given the 5 pillars it is recommended that NP Boards aim at 10 Board members, and be willing to go up to 15 if that is needed for inclusivity.

Beyond 15 tends to be too unwieldy. Reconsider the selection process if the right mix of Board members leads to more than 15.

II. Legal and operational set-up and management

Challenge #6.
New entity vs. hosting organisation

The structure of the NP can either be a new legal entity or can be coordinated by a hosting organisation. Several NPs that created a new legal entity claimed that the administrative paperwork to register an entity can be burdensome, especially in countries with extensive bureaucracy. At the same time, the boundaries between a hosting organisation's core business and the NP secretariat are difficult to define which can create management difficulties for the dedicated staff of an NP.

Recommendation #6-1
Set up a new legal entity unless there are strong reasons otherwise

It is recommended that the NP aims to establish a newly incorporated, limited liability entity as part of its development path unless there are compelling local reasons against doing so.

Figure 2 Governance transition scenarios

Coalition
A few leaders interested in establishing a taskfocre

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NP Taskforce
Actively working with GSG Impact to create an NP

↓

Formally launched NP
Member of GSG Impact

↓

| **NP hosted by another organization** | **NP established as a separate legal entity** |
| It tends to become a separate legal entity later | |

Setting up a separate legal entity provides critical advantages. A corporate vehicle that sets out the basics of a proper governance structure allows the NP to continue independently and indefinitely (not limited by the involvement of particular individuals), and it protects the members from personal liabilities. **Without formal incorporation, individuals within the NP may be exposed to personal, legal and financial risks, as the organisation may not have the legal capacity to shield its members from liabilities.**

The NP can choose a form of legal vehicle that is locally appropriate and can add to or vary the governance arrangements to meet the specific local requirements of that NP. Generally, a non-profit legal vehicle is recommended. Non-profit status can be a useful tool for NPs because they provide a neutral platform to support the ecosystem. However, non-profit status may be difficult or not possible in some countries where local legal advice should be sought.

While there can be extra costs and administrative burdens in setting up a corporate vehicle, there will always be some extra costs in setting up good governance systems.

Even where the NP will be relying on a host organisation for its secretariat and other resourcing, the NP should still aim to set itself up as a separate legal entity (e.g. an impact investing advisory board inside the hosting organisation) to ensure independence and establish clear governance protocols with the host organisation that clearly outlines the roles, responsibilities, and liabilities of all parties involved.
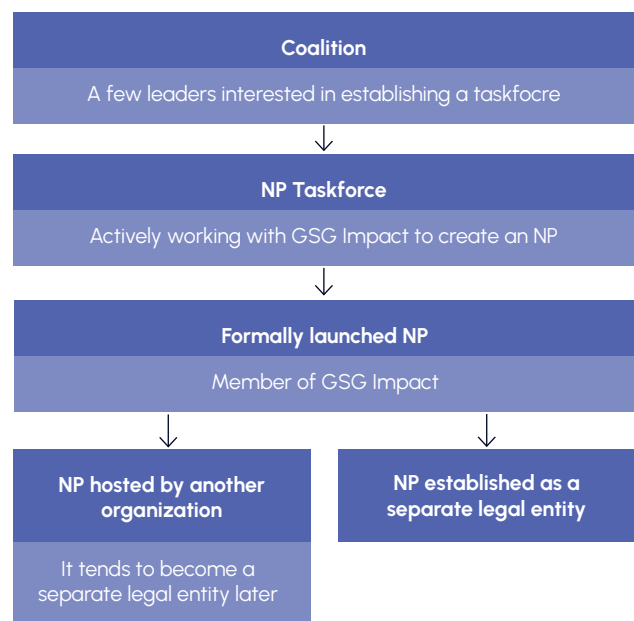
Recommendation #6-2

Set a clear governance structure with the hosting organisation

If there are strong reasons to avoid the creation of a new legal entity, the NP should be hosted by an already-existent organisation that is strongly committed to the NP mission.

The hosting organisation and the NP should sign a detailed agreement which defines how the NP is enclosed in the hosting organisation; the independence status; resources management; services provided by the hosting organisation to ensure the functioning of the NP and any other detail that can ensure a good relationship between the hosting organisation and the NP.

The minimum requirement for a hosting organisation is to provide the NP with a secretariat, which means a full-time person to coordinate the NP activities.

Box 3 Possible scenarios: France NP - Rotating hosting organisations

Where the energy behind establishing an NP is coming from a coalition of organisations rather than individuals, to ensure balanced representation and sustained engagement from those key stakeholders, the NP could implement a rotating hosting organisation system. This approach involves multiple organisations sharing leadership responsibilities for the NP, with each taking turns to hold the presidency and coordinate governance activities. By distributing leadership across key players, this system helps maintain diversity in decision-making, ensures the continued involvement of major stakeholders, and fosters collaboration.

In 2023, the France NP revised its governance structure to be led by three networks: FAIR (the Federation of Social Impact Finance Players), FIR (the Forum for Responsible Investment, the "French SIF"), and France Invest (the industry association for private equity and venture capital). While FAIR serves as the NP Secretariat, a rotating system among the three organisations for the presidency ensures balanced representation and coordination of the Board and members. This system keeps the hosting organisations actively engaged with the NP's mission, fostering balance and inclusivity within the ecosystem.

Figure 3 NP Structure (36 NPs)

- Independent legal entity
- NP hosted by an associated organisation
- Grouping or coalition of leaders and/or actors without access to a legal entity

8.3%
25%
66.7%

*For detailed information on the organisational structure of each NP, see **Annex 2.**

Challenge #7.
Decision-making efficiency

A well-defined decision-making process should include:

- Outline **decisions** that require Board approval, such as signing off key documents or policies.
- Specify the **majority** needed for approvals, whether full consensus is required, and if the Chair holds a casting vote in the absence of consensus.
- Define **any sub-committees** established to examine specific issues. Governance policies should outline the selection process for these groups, their terms, and reporting responsibilities.

In-depth supervision of key areas, such as budget, risk mitigation and project prioritisation, often requires dedicated time, expertise and resources. It is common to spread the workload of the Board by allocating particular tasks to smaller sub-committees (e.g. 3 to 4 board members) so that they can investigate in more depth and report back to the Board. This also allows the Board to draw efficiently on the differing skills and expertise within the Board.

Recommendation #7
Establish sub-committees

To streamline decision-making while ensuring comprehensive engagement, we recommend establishing specialised sub-committees within the Board structure. These sub-committees would focus on key areas such as finance and strategy, allowing Board members to contribute based on their expertise. The sub-committees generally issue recommendations for the Board which is in charge of the final decisions. Common approaches could include:

- **Financial sub-committee**, responsible for overseeing budget reviews, financial planning, and funding allocation recommendations.
- **Strategy sub-committee**, tasked with supervising and refining strategic initiatives, ensuring alignment with long-term goals.
- **Risk mitigation sub-committee**, responsible for overseeing the risk management plan

Other sub-committees can also be set-up for issues like: fundraising, governance and succession planning, or membership and ecosystem engagement.

Sub-committees vs. Working groups

- **Sub-committees:** Typically formal, involving only Board members, with a specific mandate and reporting structure, such as finance reviews or strategy oversight.
- **Working groups:** Usually broader, involving non-Board NP members and external experts. They may be led by board members but draw on a wider pool of expertise for specific projects.

Delegated authority

Clearly outline provisions for delegated authority, such as delegation to the Chair or specific sub-committees for decisions not requiring full board input. This structure allows targeted, expertise-driven decisions, improving efficiency and responsiveness across the Board.

Challenge #8.
NP membership

NPs face the challenge of building a well-defined membership[3] model that effectively supports the broader impact ecosystem. This goes beyond the early struggles of engaging key players in nascent impact markets and requires careful planning to ensure that the membership not only represents the diversity of the ecosystem but also contributes to the NP's long-term strategic goals. In many countries, corporates, institutional investors, and other stakeholders may still be refining their approach to impact integration, which can delay their active involvement. However, without a clear, structured approach to membership, NPs risk lacking the strength, accountability, and inclusiveness necessary for sustainable growth.

Recommendation #8.
Build an NP membership that is structured to support the ecosystem

A broader membership is an important and valuable part of an NP's objectives. Building the membership is a way of broadening, deepening and engaging the ecosystem. It is part of the diversity and inclusiveness strategy. It can be structured to bring strength and stability to the NP as well as supporting the NP's accountability, strategic flexibility and longevity.

The membership needs to be planned and structured.

- **While there will be benefits to members in joining the NP, those benefits are not the focus or purpose of the NP. The NP is not an industry association**. Its focus is on the growth and development of the ecosystem as a way of achieving better societal outcomes. The way membership is sought and offered, and membership applications are accepted, needs to reflect this. The value proposition for becoming a member should be clear and real but aligned with and supporting the purpose of the NP.

- **A membership that has a clear role in the governance of the NP, and respects the scope and limits of that role, can strongly support the democratic accountability of the NP**. That role needs to be set out in the NP's governance documents and the membership needs to be kept well informed on the issues that require a decision of members under the governance arrangements (e.g. changes to the NP's constitution).

- **Building a membership of this kind requires resources and can only succeed in line with the size and development of the local ecosystem at the time**. The strategy to build it should be ambitious but not unrealistic.

Box 4 Emphasising partnership to build a strong NP membership model

A few NPs have approached the challenge of structuring their membership by referring to their members as 'partners'. By calling its stakeholders "partners," the NP signals that engagement is not about receiving benefits from the NP, but about being an active participant in shaping the future of the impact ecosystem. This approach aligns with the broader goal of ecosystem development rather than catering to individual organisational benefits, which can often be a pitfall in traditional membership models.

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3 **Membership definition**: in this document we define membership broadly as all the organisations somehow engaged with the NP. Each NP has the liberty to define more specifically how this engagement takes place.. The definition in this document includes membership models where members pay to be part of the membership, but it also includes models where the membership does not necessarily entail a financial contribution.

Challenge #9.
Team capacity

Heavy reliance on one full-time or part-time employee can limit operational capacity.

Recommendation #9
In-kind support from NP members and consultancy firms

NPs with limited core teams can reduce the burden on their Secretariat by leveraging pro bono support from members or consultancy firms. By setting clear joining criteria that include providing technical assistance, NPs can engage members to contribute directly to the NP Secretariat. In some countries, consultancy firms offer voluntary hours and provide capacity-building support to NPs, particularly in enhancing management skills at the Board level.

While establishing such a partnership with a member or with a consultancy firm it's important to mitigate possible conflict of interest risks. For instance, for a profit-driven organisation, working with the NP could be useful to open new market opportunities. The NP and the project partner should define in advance the outcomes expected for the entire ecosystem by such work and work together in that direction.

Box 5 Israel NP - In-kind support from NP members and consultancy firm

In Israel, as part of the NP's membership criteria, institutional members are required to contribute both time and financial support to the NP. Additionally, to leverage the growing interest in impact investing from local players, the NP secures pro bono support from Big Four consulting firms to assist in designing its strategy.

III. Governance renewal

Challenge #10.
Balancing leadership renewal and governance stability

NPs face the challenge of renewing leadership while ensuring continuity to maintain balanced governance. To strike this balance, NPs must carefully evaluate the length of board terms and decide whether board members should be elected or appointed.

Recommendation #10-1
Build a pipeline of potential Board members

As noted above, advisory committees and working groups can be part of an NP Board succession and rotation strategy; ie a way to identify and train potential future NP Board Members and a way to keep past NP Board Members engaged.

This can also be done more broadly. **During its mandate, the Board can gradually create a pool of new leaders**, for instance by identifying and contacting young leaders showing interest and skills in the field. This pool of new people not only can support the Board when needed but could represent a good starting point for finding new people for future Boards. To engage the new leaders, Board members can offer them representative opportunities like speaking roles at events, collaborative research etc.

Recommendation #10-2
Rotate Board members

Board members should be elected (or appointed) for fixed terms with provisions for both continuity and renewal. For example, it is recommended that a Board member should be elected for a fixed term of 2 or 3 years and allowed to serve a maximum of two terms and 6 years in total.
It is good practice to stagger Board tenure so that the number of departing, new, and ongoing directors is balanced. This approach ensures that only a portion of the Board is up for reappointment at any given time, promoting continuity and stability while enabling regular turnover.

Examples of Distribution of Terms may include dividing the Board appointments into three or two groups, each group is appointed for a different duration, from a minimum of 1 year to a maximum of 3 years.

The shorter terms can be assigned on a voluntary basis, by lot or, in case of appointments after an election process, those that received the majority of votes are appointed for the longest term.

Adjustments can be made periodically after the first three years if the number of retiring directors gets out of kilter, eg due to casual vacancies.

Challenge #11.
Stagnation in mature NPs

Mature NPs may struggle to adapt to evolving market demands, innovations in impact investing, or new regulatory frameworks. Over time, their governance structures may become inefficient or unresponsive to current market realities, leading to a loss of momentum and relevance.

Recommendation #11-1
Conduct regular strategic reviews and assessments

Each NP needs to adjust its governance models to ensure they reflect the needs of the market. Hence, it is important to conduct annual or biannual strategic reviews to reassess the NP's alignment with evolving market trends, innovations in impact investing, and regulatory changes. This will ensure the NP stays relevant, adaptable, and in tune with market shifts.

Recommendation #11-2
Incorporate fresh leadership and members

Bring in Board members from emerging sectors, which helps introduce fresh ideas and keeps the NP attuned to evolving market trends. Re-examine the Board selection processes and the strength of other elements in the governance structure, e.g. the membership as a force for longer-term flexibility and accountability, and advisory committees and working groups as a mechanism for succession and renewal.

Box 6 Japan NP - NP 2.0

As the Japan NP celebrates its 10th Anniversary in 2024, the NP has entered a transitional phase called "Japan NP 2.0", which involves developing a new organisational structure with support members (both individuals and organisations) to redesign its position and influence in the market. With NP 2.0, the NP has shifted its focus towards the entrepreneur side of impact business. This was reflected in its new governance model with a new board member added, from the Impact Startup Association in Japan.

Annex 1. Board skills matrix

The Board selection processes should integrate:

a)   leaders from each of the five pillars of the impact ecosystem
b)   the skills and competencies identified in the Board skills matrix (see below),
c)   the personal qualities expected of Board members, and
d)   diversity expectations, recruiting Board members that are diverse in terms of, for example, ethnicity, gender, sexual orientation, religion or belief, age, and geography.

In relation to paragraph (b) above, the Board skills matrix set out below (Annex 1-2) illustrates how the skills and competencies referred to in that paragraph can be identified and assessed. It is not a checklist. It is intended only as an illustration of the kind of things that the skills matrix will identify and assess. It is a tool that should be developed by each NP to reflect that NP's own circumstances and needs.

The table set out below (Annex 1-1) is a useful guide on how to prepare the skills matrix. This table has been taken from guidance issued by the Australian Institute of Company Directors.

Annex 1-1: AICD Guidance for preparing a board skills matrix

Things to do	Things not to do	Things to consider
Identify the board's desired skills, experience and backgrounds of the board as a whole under relevant headings and, in the form of a matrix, map these against the skills and experience of each individual board member.	Include basic competencies expected of all directors (e.g. knowledge of director duties)	Whether changes are likely to occur in the short-to-medium term (e.g. to strategy and in the external environment) that impact on the board's desired skills/ experience/ backgrounds mix.
Tie desired board composition to the organisation's strategy and the key issues facing the organisation	Include vague or overly general sets of skills or experience.	The extent to which the board's composition takes account of different scenarios that might call for a different mix of skills, experience and/or backgrounds.
Differentiate between the skills and experience expected of the board and the chair.		How defensible the board's existing or planned future composition is, for example, if there are unsolicited approaches for board appointments.
Separately prepare a skills/ experience/ background matrix for each board committee, where they exist.		Whether is it necessary to have specialist skills, experience or backgrounds on the board, or whether it is better to draw on these within management or from external advisers (this will depend in large part on the size of the organisation and the board).
Include term expiry dates (where relevant) for each board member in the matrix to assist with succession planning		When it is appropriate to engage an external expert to undertake a review of the board and board committee compositional attributes and needs.
Use a rating scale rather than a simple yes or no response to assess the extent to which desired skills, experience and backgrounds exist on the board		The extent which any gaps identified in the matrix could be addressed through current board members undergoing professional development. Whether any self- assessment process adopted by board members ensures a consistent approach and outcome. The company secretary or company representative may choose to audit this component to ensure it is accurate and fair to all directors.
Have the board, or a designated committee (e.g. nominations committee) critically examine the matrix at appropriate intervals (e.g. annually)		What is disclosed to external stakeholders, such as a statement of existing skills,experience and backgrounds on the board. The board could consider developing an internal skills matrix that is easy to adapt for regular use and an external matrix that can be communicated to stakeholders.

[*Insert GSG NP Name*] Board Skills Matrix

Skill Indicators or Factors
Here, specific skills or markers of experience have been identified that relate to the NP's strategic objetctives.

SKILLS		Specific Skill Set	Board Chair	Board Deputy Chair	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	No gap	Somewhat	Gap
	Strategic Planning		✓	✓	✓	✓	✓	✓	✓	✓	•	73%	9%	0%
	Ecosystem building	General network development	✓	✓	X	•	X	✓	✓	✓	•	45%	18%	18%
		Building industry or community associations	X	X	X	X	X	X	X	•	•	0%	20%	70%
		Driving change	X	X	X	X	X	X	X	•	•	0%	20%	70%
	Fundraising	Government grants	•	✓	•	✓	X	•	•	•	✓	27%	45%	9%
	Finance	Foundations & philanthropy	•	✓	X	✓	X	•	✓	•	X	20%	40%	30%
		General Financial mgmt + reporting	✓	✓	✓	✓	✓	✓	✓	✓	•	73%	9%	0%
		Experience overseeing government and philanthropic funding	✓	✓	X	✓	✓	X	X	X	X	40%	0%	50%
	Legal	Senior Lawyer	X	X	✓	X	X	X	✓	X	X	18%	0%	64%
	Risk	General Risk Management experience	•	✓	✓	✓	✓	✓	✓	X	X	45%	18%	18%
		Cyber risk knowledge	X	•	X	X	X	•	X	•	X	0%	30%	60%
	Human Resources	HR Policy Expertise	X	•	X	X	X	✓	X	✓	X	18%	9%	55%
		Conflict resolution experience	✓	✓	✓	✓	✓	✓	✓	✓	•	80%	10%	0%
		Recruitment and Contracting	✓	✓	•	•	•	✓	•	✓	•	40%	50%	0%
	Governance experience		✓	✓	✓	✓	✓	✓	✓	•	X	70%	10%	10%

Annex 2. NP organisational structure

A table showing all NPs (as of Q4 2024), and their organisational forms is shown below:

| Country	Joined	NP Structure	NP Name/Website
Australia	Q1 2017	Independent legal entity	Impact Investing Australia
Bangladesh	Q4 2018	Independent legal entity	NAB Bangladesh
Belgium	Q2 2023	Independent legal entity	Impact Finance Belgium
Brazil	Q1 2017	Independent legal entity	Aliança pelos Investimentos de Impacto
Cambodia	Q1 2024	Grouping or coalition of leaders and/or actors without access to a legal entity	The Cambodian National Advisory Board (CAM-NAB)
Canada	Q1 2017	NP hosted by an associated organisation	Canada Forum for Impact Investment and Development (CAFIID) & Table of Impact Investment Practitioners (TIIP)
Central America (Region)	Q4 2019	NP hosted by an associated organisation	Plataforma de Inversión de Impacto Centroamericana (PiiC)
Chile	Q1 2018	Independent legal entity	GSG NAB Chile
China	Q3 2024	NP hosted by an associated organisation	The International Forum for China Impact Investing (IFCII)
Colombia	Q4 2019	Independent legal entity	NAB Colombia - Catalizando la Inversion de Impacto
France	Q1 2017	NP hosted by an associated organisation	FAIR
Germany	Q1 2017	Independent legal entity	Bundesinitiative Impact Investing
Ghana	Q4 2019	Independent legal entity	Impact Investing Ghana (IIGh)
Greece	Q3 2023	Independent legal entity	Hellenic Impact Investing Network (HIIN)
India	Q1 2017	Independent legal entity	India Impact Investors Council (IIC)
Israel	Q1 2017	Independent legal entity	The Israeli Forum for Impact Economy (IFIE)
Italy	Q1 2017	Independent legal entity	Social Impact Agenda per l'Italia (SIA)
Japan	Q1 2017	NP hosted by an associated organisation	GSG Impact Japan
Kenya	Q1 2024	Grouping or coalition of leaders and/or actors without access to a legal entity	Impact Investing Kenya (IIK)
Malaysia	Q3 2023	Independent legal entity	Malaysia Impact Alliance (MyImpact)
México	Q1 2017	Independent legal entity	Alianza por la Inversion de Impacto Mexico
Netherlands	Q3 2020	Independent legal entity	NAB - Netherlands Advisory Board on Impact Investing

New Zealand	Q4 2018	Independent legal entity	Impact Investing Network - Aotearoa
Nigeria	Q3 2021	NP hosted by an associated organisation	Nigerian NABII
Norway	Q3 2023	Independent legal entity	NorNAB
Peru	Q2 2023	Independent legal entity	Aliados de Impacto
Portugal	Q1 2017	NP hosted by an associated organisation	Maze
South Africa	Q1 2018	NP hosted by an associated organisation	Impact Investing South Africa
South Korea	Q4 2018	Independent legal entity	Korea National Partner
Spain	Q2 2019	Independent legal entity	SpainNAB
Sri Lanka	Q1 2023	NP hosted by an associated organisation	Lanka Impact Investing Network (LIIN)
Thailand	Q4 2023	Grouping or coalition of leaders and/or actors without access to a legal entity	Thailand Investing for Impact (TIFI)
Türkiye	Q2 2022	Independent legal entity	EYDK
United Kingdom	Q1 2017	Independent legal entity	Impact Investing Institute
United States	Q1 2017	Independent legal entity	The U.S. Impact Investing Alliance
Zambia	Q4 2019	Independent legal entity	NABII Zambia

Annex 3. Case study on the Nigeria NP governance

Introduction

The Nigeria NP joined GSG Impact in 2021 and is hosted by the Impact Investors Foundation, IIF.

The Nigeria NAB Governance Structure
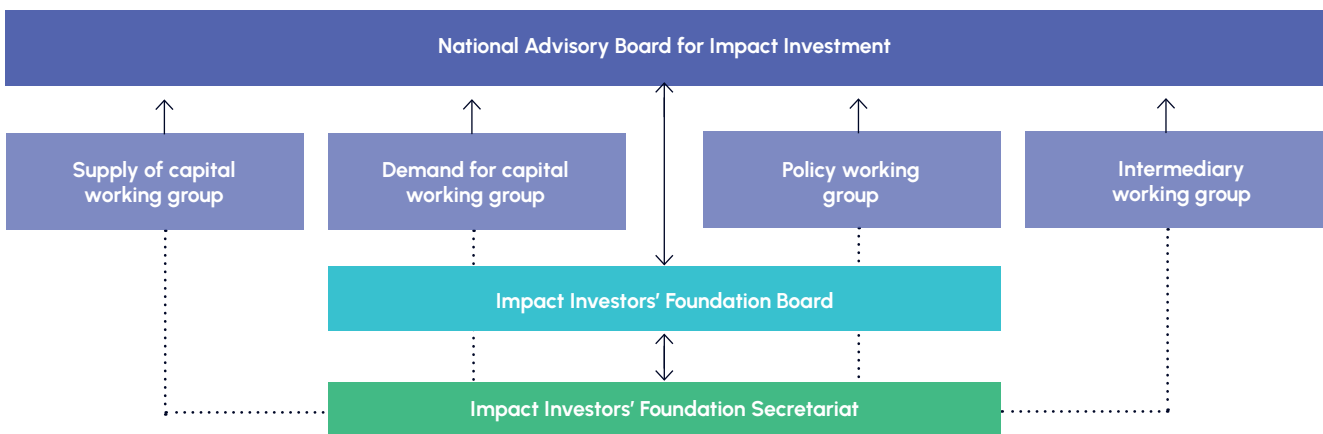
Source: Nigeria NAB Corporate Governance Brochure

Board Selection

The NP governance provides for the appointment of 10-15 individuals who hold high-level leadership positions. The individuals shall be of upright personal character, with relevant core competencies, board experience, and commitment to building the impact investing ecosystem in Nigeria.

Board members are elected to provide one or more of the following types of support; advisory, technical, or financial to the NP. The core competencies of board members shall include subject matter expertise, influence in the ecosystem, and social networks in the sector. The stakeholders shall be but not limited to the NP members, working groups, and their organisations, employees, suppliers, government, regulatory authority, and host community.

They are elected from the 4 working groups, representing the 5 pillars of the impact investing ecosystem (at least 1 member from each of the 4 working groups). Appointment of members to the Advisory Board is by nomination and election. Where the Advisory Board members elected by the working groups do not reflect diversity in terms of gender and geography, the nomination committee will select additional people to address the diversity gap. The criteria for Advisory Board members include gender diversity and geographical spread across the Nigerian geopolitical regions.

Once elected, members of the NP shall serve for 2 years, except the chair and vice-chair whose tenures shall be 3 years to ensure continuity within the transitional year.

Criteria for Board Member Selection

- Interested key stakeholders from the 5 pillars of the ecosystem
- Relevant skills, experience and deep sector expertise
- Influence with key stakeholders

Criteria & Selection Grid

	Prospective Board Members
Categories to consider	Name
Engagement	
Commitment of time or resources	
Commitment to access and open networks	
Gender	
Female	
Male	
Geographical Consideration	
North Central (Middle Belt)	
North East	
North West	
South East	
South South	
South West	

Capabilities matrixk for NAB

Sector & Focus	Skills & Experience	Networks & Influence
Impact Investment Practice		
Government & Policy		
Philanthropy		
Institutional Investment		
Banking		
Funds Management		
Advice & intermediary		
Service Delivery		
Social Enterprise		
Grass Roots & Beneficiary		

Source: Nigeria NAB Corporate Governance Brochure

Board Nomination Committee

The Nomination Committee shall be established to officiate the nomination, election and finalcomposition of the Advisory Board. The committee is drawn from the Working Groups, the NP Secretariat, the Impact Investors Foundation board and current Advisory Board members. The role of the nomination committee includes:

- Advice and support the NP Secretariat on the electoral process
- Officiate the nomination and selection of eligible members into the NP based on the listed criteria
- Follow the approved procedures to guide the Board election process
- Review the board members elected by the working groups (this should be a maximum of 8 persons) and select additional members (a maximum of 4 persons) into the Board based on gender and geographic diversity considerations.

Board Chair and Vice-Chair Selection

The chairperson and vice-chairperson are the two principal officers. The following defines
how they shall be elected and their tenure in office:

- The NP chairperson shall be elected by the Advisory Board members and the position shall be for a duration of 3 years.
- The vice chair of the inaugural board shall be the chairperson of the Impact Investors' Foundation, the host of the NP Secretariat.
- Subsequent vice-chairs shall be elected and their tenure shall be 3 years.

Inaugural Board

The inaugural board composition is based on the election guidelines developed by the Impact Investors' Foundation with the
NP Taskforce. The Inaugural board is constituted as follows:

- A maximum of 8 elected members from the 4 working groups
- 3 members from the Board of the NP host organisation, Impact Investors' Foundation
- 4 members selected by the Nomination Committee to ensure gender and geographic diversity considerations

A snapshot of the electoral process

	Step 1 Feb	Step 2 Feb	Step 3 Feb	Step 4 Mar	Step 5 *Tentative*
Key Activities	Nomination of candidates for election into the NAB **Nomination opens on Monday 08/02/21 & closes on 19/02/21**	Election of NAB members scheduled to hold via zoom **Policy (10 am) & Intermediation (12 noon) – 25/02/21 Demand (10 am) & Supply (12 noon) 26/02/21**	Three members shall come from IIF Board and the Nomination Committee would select an additional 4 members based on gender and geographic diversity considerations	Appointment of **Chairperson by NAB members and other officers - March 2 (10 am)**	On-boarding of NAB of members commences
Key Outputs	Screened list of nominees **Monday 22/02/21**	A list of 8 Board members elected into the NAB by the 4 working groups	**15 member board (8 elected members, 3 members from IIF Board & 4 members selected by the NC)**	**Chairperson, Vice Chair and secretary appointed**	**On-boarding update**

Source: Nigeria NAB Corporate Governance Brochure

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