



**"Creating a stronger
foundation: Revising
rules and reforming
governance in CSOs for
an enhanced Support
and impact"**



AUTHORITY-CSOs' MEET

24-25 MAY 2023

Civil Society Organizations Authority



CIVIL SOCIETY ORGANIZATIONS AUTHORITY

AUTHORITY-CSOs MEET 2023

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Background:

Civil Society Organizations (CSOs) existed in the country ever since the immemorial times but relatively in the form of community based for self-help and to coordinate community rituals and festivals. Few formal CSOs namely, National Youth Association of Bhutan (now Bhutan Broadcasting Service), National Women Association of Bhutan, Royal Society for Protection of Nature and Youth Development Fund (now Bhutan Youth Development Fund) were established during 1970s and 80s and few more in early 2000.

As the country was in transiting to the democratic governance system, the CSO Act was enacted by the 87th Session of the then Parliament of Bhutan in 2007, as a legislative framework to expedient the registration and establishment of the CSOs. The Authority was then established formally in 2009 and subsequently it's Secretariat in 2010 as working registry & administrative unit. The acumen is to strengthen the civil society to uphold the customary humanitarian Bhutanese values to help the vulnerable section of the society aligned with the newly constituted democratic structure. As the custodian of the law, the Authority's protagonist is to administer the overarching mandates of instituting the CSO's establishment, regulating in line with the legislations enforced and as the nodal agency to represent the sector and facilitate to create conducive environment for the CSOs to perform at the pinnacle.

The CSOs are a commendable development sector in Bhutan. It is undeniable that the contributions of the sector to the Bhutanese society have been very coherent and notable. Establishment of CSOs has been rapid in the recent times in diverse thematic areas. There are two types of local CSOs, namely Public Benefit Organizations (PBOs) and Mutual Benefit Organizations (MBOs) whose readings are self-explanatory. The Authority has registered a total of 64 CSOs, out of which 52 are currently active (40 PBOs and 12 MBOs).

Authority-CSOs Meet 2023

In a bid to adapt to changing times and ensure governance, the first ever Authority-CSOs Meet was held on 24th & 25th May 2023 at Thimphu. The meeting was chaired by the Hon'ble Chairperson of the Authority, His Excellency the Home Minister and attended by the members of the Authority and 44 heads & representatives of the registered CSOs. The event was organized in three different groups of similar objectives for the purpose of greater understanding between the newly constituted Authority and the CSOs through sharing of their views and issues in an open consultation meet.

The meeting focused on updating the existing regulations in line with the CSO (Amended) Act of Bhutan 2022 and revisited the pressing needs which holds significant importance in the current socio-economic landscape. The participants engaged in intense deliberations, examining the challenges faced by both the Authority & CSOs and explored innovative approaches to revamp the existing framework and strengthen collaborations to foster greater social impact in a rapidly changing world. Institution of endowment fund by every CSOs for their long-term sustenance and merger of similar objective-CSOs were other discussions held during the meet.

Purposes of the Meet

The authority in 2019 and 2021 made an effort to organize Government-CSOs Meets. Nevertheless, the outcome of the meets were not as much as desired. Therefore, the Authority to leverage coordination within the sector, observed the undermentioned importance:

- I. **Collaboration and Networking:** The primary objective of convening the Authority-CSOs Meet was to facilitate collaboration and networking between the two entities. The meeting was intended to create an environment to exchange ideas, share experiences and build partnership for addressing common challenges and achieving shared goals.
- II. **Mutual Understanding:** Another objective was to foster mutual understanding between the Authority and the CSOs. The meeting was to encourage open dialogue, enabling both the sides to gain insight into each other's perspective, priorities and approaches. The understanding can lead to better coordination, synergy and improved outcomes in their respective areas of work.
- III. **Policy Dialogue:** The meeting could provide a platform for policy dialogue between the Authority and the CSOs. It was intended to serve as an opportunity to discuss existing policies, identify gaps and explore constructive policy reforms or innovations. Through constructive discussions, the meeting could contribute to shaping policies that better address societal needs, promote inclusivity and facilitate sustainable development.
- IV. **Strengthening Trust and Collaboration:** Ultimately, the objective of convening Authority-CSOs meet is to strengthen trust, collaboration and partnership within the sector. By fostering an environment of trust, transparency and mutual respect, the meeting can lay the foundation for long-term and meaningful collaboration, creating positive impact in the community we serve.

To suite the context of the meet, **"Creating a stronger foundation: Revising rules and reforming governance in CSOs for an enhanced Support and impact"** has been the theme of the CSO-Authority Meet 2023.

The detail rationale on the prescribed agendas are as undermentioned:

1. Revision of CSO Rules and Regulations 2017

With the amendment of CSO Act by the 7th Session of the Third Parliament of Bhutan on 15th June 2022, few provisions have been amended by the means of insert, altered and deletion of provisions. The revision of the regulation is initiated to stay relevant with the amendment and also for several significant reasons.

- i. **Enhanced Transparency and Accountability:** Revised regulations can strengthen transparency and accountability measures within the sector. Vibrant guidelines on governance practices, financials and reporting are intended to ensure that CSOs operate in a transparent and accountable manner and can enhance public trust and confidence.
- ii. **Improved Governance and Management:** Updating regulation can lead to better internal governance and management practices. It can outline clear guidelines for the Board of Trustee, decision making processes and conflict of interest policies. These provisions can assist to prevent misuse of power, promote ethical behavior and endure efficient management of resources.

- iii. **Compliance with Changing Legislations and Regulatory Frameworks:** The regulations need to be periodically revised to stay aligned with the evolving legal and regulatory frameworks & policies. In the course of time and reform of legislations, revision of the regulation is pertinent to adapt to the changes to remain compliant and continue to work effectively.
- iv. **Strengthening Operational Effectiveness:** Revised rules can help streamline administrative procedures and remove unnecessary bureaucratic hurdles for CSOs. Simplified registration processes & criteria, regulations and facilitations can contribute to operational effectiveness of the CSOs.
- v. **Protection against Misuse and Fraud:** Revised rules can safeguard against potential misuse of funds, fraudulent activities or involvement of illegal practices. Stringent penalties for non-compliance can protect CSOs from reputational risks and ensure that resources are utilized for intended purposes.
- vi. **Foster Collaboration and Partnership:** Revised regulations can encourage collaboration between CSOs and government agencies, and other stakeholders. By creating provisions for partnership, joint projects and sharing resources, CSOs can leverage expertise and resources more effectively. This can lead to improved coordination, reduction in duplication of efforts and better outcome for the communities they serve.

Generally, the revision of CSO Rules and Regulation is crucial for promoting good governance, transparency, compliance and effectiveness within the sector. It is intended to ensure that CSOs operate in line with legal requirements, adapt to changing contexts and maximize positive impact on society.

The Authority presented the assessment of the proposals for revision of the Rules and Regulations 2017 during the meet and the record of the discussions are attached as annexure.

2. Endowment Fund for CSOs

In line with the Section 16 of the Civil Society Organizations Act (Amendment) 2022, all CSOs are mandated to have endowment fund. This is for the reason that, endowment fund plays a significant role in supporting long-term sustainability and impact of the CSOs. Following are the several reasons why the fund is important for CSOs.

- i. **Financial Stability:** Endowment fund provides a stable and reliable source of income for the CSOs. These funds are typically invested and the returns generated from the investments can be used to support the organization's ongoing operations, programs and initiatives. This stability helps CSOs withstand financial uncertainties, fluctuations in funding and economic challenges.
- ii. **Independence and Autonomy:** An endowment fund enables CSOs to be less dependent on the short term project based funding or external donors. With well managed endowment,

CSOs have more control over their financial resources and can make strategic decisions based on their long term vision and objectives. This independence reduces the risk of mission drift/switch and allows CSOs to focus on their core mission.

- iii. **Programmatic Flexibility:** Endowment fund can provide CSOs with flexibility in designing and implementing programs. Since they have a stable and predictable income stream, CSOs can take a more proactive approach in addressing social issues and pursuing innovative solution. CSOs can invest in long-term projects, research, capacity building and advocacy efforts that may require sustained funding beyond the scope of traditional project grants.
- iv. **Continuity and Legacy:** Endowment fund contributes to the long-term continuity of the CSOs. By ensuring a stable base, CSOs can continue their operations and initiatives even during challenging times or leadership transition. Endowment fund can also allow CSOs to build legacies, as they can allocate a portion of the fund to support specific causes or initiatives in perpetuity, leaving lasting impacts.
- v. **Attracting Donors and Supporters:** The Fund can serve as a powerful tool for attracting donors and supporters as it signifies the CSO's commitment to long-term sustainability and responsible financial management.
- vi. **Counteracting Funding Instability:** CSOs face funding uncertainties, such as change in donor priorities and economic downturns. Endowment funds act as a cushions during periods of financial instability by bridging the funding gaps and navigating challenging times without compromising their mission.

It is worth noting that establishing and managing an endowment fund requires careful planning, investment expertise and well managed governance. Therefore CSOs should develop clear policies and guidelines for fund management, promote transparency and regularly review investment strategies to maximize returns while adhering to ethical considerations.

And, as prescribed by the Act and for the CSOs mobilize endowment fund for their own sustenance, the Authority is prepared to expedite:

- Coordination with Central Bank (RMA) for better saving interest rates as SCR,
- CSOs to venture into Social Enterprises to raise fund,
- Initiating online fundraising for CSOs through Authority's webpage
- Requesting the Ministry of Finance for increase an in tax exemptions on donations.

Also by:

- Liaising with DRC for CSOs to operate with saving accounts
- Advising larger CSOs to help new CSOs with Funds

Records of the discussion are attached as annexure.

3. Merger/Consolidation of CSOs

Chapter 11 of the CSO Act pronounces on the prospect of merging CSOs of similar purpose into a single registered CSOs and continue to operate on the objectives. The merger or consolidation of CSOs with similar purposes can bring several benefits.

- i. **Pooling Resources:** Merger can consolidate CSOs resources, expertise and network which can lead to an increased efficiency and effectiveness in achieving their shared objectives. CSOs can then pool programmatic knowledge, human resources and infrastructure to deliver services more effectively, reach a larger audience and have a greater impact on the communities.
- ii. **Improved Financial Sustainability:** Merging CSOs can enhance their financial sustainability by combining their fundraising efforts and diversifying the funding source. By merging, CSOs can access a larger range of donor networks, attract bigger grants and increase overall financial strength. This will provide stability and long-term sustainability for the merged CSOs.
- iii. **Enhanced Organizational Capacity:** Merging allows CSOs to leverage on each other's strengths and fills gaps in organizational capacities. CSOs can share best practices, expertise and knowledge leading to an improved program design, monitoring and evaluation.
- iv. **Streamlined Administration and Operations:** Merging reduces administrative overhead and streamline operations by eliminating duplications of functions. This can achieve a cost effective and an efficient operations.
- v. **Expanded Advocacy and Influence:** Merged CSOs can have a strong voice and greater influence and social impact. This increased influence can lead to greater success in influencing policies and addressing systemic issues.
- vi. **Enhanced Impact and Credibility:** Merged CSOs can operate and reach out to wider regions or can expand geographical coverage and reach out to greater communities, thereby providing comprehensive range of services. This can address regional disparities and aloe holistic approach of addressing social issues. The merger of CSOs can thereby rise the prospect of collaboration and recognition by the government and the donors and the credibility of CSOs are improved.

However, it is also important to note that a successful merging will require careful planning, open communication and shared vision among the organizations involved. It is crucial to assess compatibility in terms of vision, mission, values and organizational culture to ensure a smooth integration process.

While the merger/consolidation of the CSOs are purely optional and voluntary, CSOs to secure the benefit of the merges/consolidation with same thematic/objectives, the Authority proposed to:

- Expedite the merger proposals from the CSOs,
- Encourage and assist the switch of CSO type with their relevance.
- Promote collaborations within the CSOs to pool the resources.

Annexure 1: Records of the discussions.

Date of the meeting:	24 th and 25 th May, 2023	Time: Morning group: 09:00-13:00 : Afternoon Group: 14:00-17:00
Minutes recorded by:	Ms. Chimi Denka & Ms. Dechen Om	
Venue:	Jambayang Resort, Thimphu	
Members present:		
24th May, Morning		
<ol style="list-style-type: none">1. Hon'ble Chairperson, Lyonpo Ugyen Dorji2. Mr. Sherub Dorji, Member Secretary, CSOA3. CSOA Staff4. 17 CSOs (<i>Refer Annexure 4</i>)		
24th May, Afternoon		
<ol style="list-style-type: none">1. Hon'ble Chairperson, Lyonpo Ugyen Dorji2. Mr. Sherub Dorji, Member Secretary3. CSOA Staff4. 11 CSOs (<i>Refer Annexure 4</i>)		
25th May, Morning		
<ol style="list-style-type: none">1. Hon'ble Chairperson, Lyonpo Ugyen Dorji2. Mr. Sherub Dorji, Member Secretary3. CSOA Staff4. 16 CSOs (<i>Refer Annexure 4</i>)		
Members Absent:		
24th May, Afternoon, Group 2		
<ol style="list-style-type: none">1. Bhutan Media Foundation2. Centre for Research on Bhutanese Society3. GNH Centre Bhutan4. Music of Bhutan Research Center5. Guide Association of Bhutan (joined with the third group on 25th May, 2023).6.		
25th May, Morning, Group 3		
<ol style="list-style-type: none">1. Bhutan Ecological Society2. Gyalyum Charitable Trust3. Jangsa Animal Saving Trust4. Ogyen Choling Foundation		
1. Agenda rundown by the officials of the Authority's Secretariat.		
2. Welcome address by Mr. Sherub Dorji, Member Secretary, CSOA.		

3. Key Note Address by Hon'ble Chairperson, Lyonpo Ugyen Dorji, Minister. Ministry of Home Affairs

The Honorable Chairperson acknowledged the presence and support of the CSOs and thanked them for their valuable time and presence. The Honorable Chairperson also highlighted the significance of the meet and the main objective of the whole consultation meet. The Chairperson expressed the primary mandates of CSOA in line with facilitation, regulation and registration. The Chairperson then briefly reflected on the ongoing reforms in the government organizations and lay down his expectations from the consultation meet through open discussion in order to promote the whole civil society sector.

Discussions/Agenda

Agenda 1: Consultation for revision of the CSO Rules and Regulations

- The proposed Amendment of CSO Rules and Regulations 2017 was presented by CSOA legal officer. The discussions took place under each respective provisions which were earlier proposed by CSOs and then reviewed by the Authority. Highlighting key discussions:

Sections	Provisions (Existing)	Civil Society Organizations		Authority
		Proposed for Revision	Reasons	Assessment and Findings
14 (3)	Disqualification of Trustee A person is disqualified to be a trustee, if he/she currently holds a senior office or position in a government-controlled company or Government-controlled organization.	Suggestion is to remove entire section	This clause limits collaboration, and coordination between Government and CSOs to leverage on each other's expertise and experiences.	This section in the Act has been repealed by the Civil Society Organizations (Amendment) Act 2022.

Discussions:

- The Legal officer informed that the section in the Act has been repealed by the Civil Society Organizations (Amendment) Act 2022. Therefore Section 14(3) to be repealed in the Rules and Regulations 2017.

16	Meetings of the Board A Board shall, for the purpose of section 57 of the Act, conduct its meeting at least once every three months including an Annual General Meeting.	A Board shall, for the purpose of section 57 of the Act, conduct its meeting <u>at least twice a year, including an Annual General Meeting for MBOs.</u>		Changing the frequency of the Board meeting will contravene Section 57 of the Act. Section 57-The meetings of the Board of a CSO shall be held at least once every three months, provided that the secretary
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serves the notice of meeting at least two weeks in advance.

Discussions:

- The suggestion from CSOs was to reduce the frequency of board meetings to two times a year, as holding them four times a year is not feasible.
- The Authority proposed finding a middle ground to avoid violating any laws and regulations. Few options were proposed,
 - I. The Authority highlighted that since it is mandated by the Act, the CSOs should continue to conduct the board meeting quarterly. The meetings can be conducted virtually as per convenience and the records properly maintained.
 - II. The Authority also conveyed that the concern will be raised to the Parliament as and when the Act is tabled for next amendment.

17	<p>A Civil Society Organization shall hold an Annual General Meeting annually and the notice calling such meeting must specify the meeting as Annual General Meeting.</p> <p>(CSOs referred CSO R&R 2010)</p>	<p><u>MBOs</u> shall hold an Annual General Meeting annually and the notice calling such meeting must specify the meeting as Annual General Meeting.</p>	<p>PBOs do not have members to hold annual general meetings, therefore it must be specified for MBOs only.</p>	<p>In the CSO R&R 2017, it is clearly mentioned that a Member based CSO shall hold an AGM.</p> <p>Section 17- Subject to section 16 of this Regulation, a <u>member based CSO</u> shall hold an Annual General Meeting.</p> <p>MBOs are member based but there are PBOs based on membership.</p> <p>(Example the Royal Society for Senior Citizen and Construction Association of Bhutan are PBOs but also have membership)</p>
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Discussions:

- The representatives of CSOs suggested that Annual General Meetings (AGMs) should be held annually by Mutual-Based Organizations (MBOs) exclusively. This suggestion is based on the fact that Public Benefit Organizations (PBOs) do not have members to facilitate AGMs.
- The legal officer clarified that their reference to the CSO Rules and Regulation 2010 might have caused confusion, as the CSO Rules and Regulation 2017 clearly states that this requirement applies specifically to member-based CSOs. Similar to MBOs, there are also PBOs that operate based on membership structures.

- To this few CSOs acknowledge the presence of hybrid type of CSOs, i.e., membership based PBOs. The Authority directed the Secretariat to define the new type in the revised Rules and Regulations.

51(1)	<p>Notification for nomination of Eminent Members</p> <p>The Member Secretary shall, at least three weeks prior to the election under section 48 of this regulation, by notification inform (1) Civil Society Organizations to nominate a candidate;</p>	<p>The Member Secretary shall, at least three weeks prior to the election under section 48 of this regulation, by notification inform (1) <u>Core Coordination Committee (CCC) to facilitate the nomination of candidate from CSOs and submit to CSOA;</u> and</p>	<p>CCC must coordinate and ensure maximum engagement as opposed to poor response to the CSOA notification when CSOs are approached individually.</p>	<p>Core-Coordination Committee is now known as Bhutan Civil Society Network.</p> <p>The legal Status of BCSN is questionable therefore it is too early to mention BCSN in the R&R.</p> <p>Some of the Mandates of BCSN overlap the mandates of the CSOA.</p>
52	<p>An Executive Director of a Civil Society Organization may, within ten working days of the issuance of notification under section 51 of this regulation, under the seal of the organization submit:</p>	<p><u>CCC Chairperson</u> may, within ten working days of the issuance of notification under section 51 of this regulation:</p>		

Discussions:

- CSOs suggest that the Member Secretary shall, at least three weeks prior to the election under section 48 of this regulation, by notification inform Core Coordination Committee (CCC) now, Bhutan Civil Society Networks (BCSN) to facilitate the nomination of candidate from CSOs and submit to CSOA; and CCC Chairperson may, within ten working days of the issuance of notification under section 51 of this regulation. In response, the Authority suggests that the legal status of BCSN is questionable therefore it is too early to mention BCSN in the R&R.
- The discussion then revolved around the registration and legal status of the BCSN. Different opinions among the members regarding the necessity and benefits of getting legality were discussed. Some members argued that registration is essential for trust, transparency, and accountability, especially when dealing with government and donors. Others believed that BCSN is an association of CSOs and the current role and facilitation provided by BCSN are sufficient without the need for separate registration.

- The Authority acknowledged the significance of BCSN and its facilitation functions but expressed its concern regarding conflicting views among the CSOs within the network regarding legality and lead to internal misunderstandings. To avoid so and to enhance the value of the network, it was suggested that the network should consider registering as a CSO. The Authority highlighted the importance of registering the Network and ensuring legal basis for facilitation in collaboration with agencies, donors and with the government. The Authority also cited that the registration as CSOs would enhance its credibility and stability.
- The Authority also expressed that BCSN’s objectives overlaps 40-60% with the Authority’s mandates, therefore asked to reassess its objectives to avoid conflict and duplication.
- While certain CSOs acknowledge the monitoring role of CSOA, they express concern about unregistered organizations operating freely and potentially engaging in illegal/unlawful activities. As a solution, some CSOs propose registering all unregistered organizations and subjecting them to regulation by the Authority.
- In response to this proposal, the Authority highlighted that registered CSOs already encounter challenges related to their credentials and sustainability. Therefore, it is imperative to address these issues before considering the inclusion of more CSOs. The Authority emphasized the need to prioritize resolving existing challenges before expanding the scope of CSOs. And that opening flood gate of unregistered CSOs might not really be the needed mechanism to address the existing challenges.

87	A Public Benefit Organization shall submit to the Authority a new <u>two-year plan</u> , three months before the expiry of the current three-year plan.	A Public Benefit Organization shall submit to the Authority a new <u>three-year plan</u> , three months before the expiry of the current three-year plan.	A three-year plan with confirmed funding would ensure a 3-year valid certificate	1. Submission of 3-year plan is admissible 2. a 3-year valid certificate is not Admissible because all reporting’s are to be submitted annually.
88	Non-submission of the two-year plan under section 87 of this regulation may result in the cancellation of the Certificate of Registration or accreditation.	Non-submission of the <u>three-year plan</u> under section 87 of this regulation may result in the cancellation of the Certificate of Registration or accreditation.	To maintain consistency in the article	Admissible

Discussions:

- CSOs suggested that the Public Benefit Organizations (PBOs) must submit a new three-year plan to the Authority three months before the current plan expires. Failure to submit the three-year plan as required by

Section 87 of the regulation may lead to the cancellation of the PBO's Certificate of Registration or accreditation. In response, the Authority suggested that submission of 3-year plan is admissible. However, 3-year valid certificate is not admissible because all reporting's are to be submitted annually.

- The CSOs raised the concern regarding the disconnection between the three-year work plan and the annual renewal of the registration certificate and proposed aligning the three-year work plan with a three-year valid registration certificate. In response, the Authority emphasized the importance of linking the renewal of certificate to other submitted documents, such as the work plan, report, and annual fee.
- Some CSOs raised concerns about the potential negative perception of annual certificate renewal resembling a trade certificate, which could impact CSOs image to donors and hinder their ability to secure long-term projects.
- The Authority reiterated the need to maintain the connection between certificate renewal and other requirements and that it is a matter of how to convince the donor and ensure the sustainability of the organization to gain trust. However, the Authority suggested the Secretariat to explore this issue further from a legal standpoint and look into any kind of facilitation that can be provided.
- The Authority further conveyed that, with the IMS integrated with the BIT System, the annual submissions, payment of fees and renewals (e-Certificate) will be executed online.

152	<p>Trustee's Report</p> <p>A Board of a Public Benefit Organization shall prepare a Trustees' report in accordance with the guidelines issued by the Authority, containing at least:</p> <p>(1) details of the governance structure, organizational chart and management team;</p> <p>(2) details of the activities during that year and an outline of the circumstances that facilitated or impeded the planned activity;</p>	Suggestion is to remove entire section	<p>The definition of Trustee's report is ambiguous because it contains long term strategies and plans (4), which is already submitted in the form of three-year Strategic Plan (ref Art 87 comments).</p> <p>Details of the governance structure, organizational chart and management team (1) and annual activities (2) and fundraising activities (3) are covered under the annual report.</p>	<p>In the existing provision there in the composition of trustee's report had 5 elements.</p> <p>Section 152 is simplified as there are duplications and retained only those which were necessary.</p> <p>Therefore, a trustee's report comprises of;</p> <p>Trustee's Report</p> <p>1. Details of the activities during that year and an outline of the circumstances that facilitated or impeded the planned activity endorsed by the Board. (Because this is not covered by the 3-year workplan, all ad hoc activities carried during that year can be submitted)</p>
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	<p>(3) a report on activities executed to raise funds from the public;</p> <p>(4) long term strategies and plans of the organization;</p> <p>(5) List of its registered members, in case of Public Benefit Organization based on membership.</p>			<p>2. A list of its registered members, in case of CSO based on membership. (For membership based CSOs, the members may change yearly)</p> <p>3. Minutes of the AGM for Membership based CSOs. (This is inserted from Section 154 of the R&R)</p>
153	<p>An annual report shall comprise:</p> <p>(1) audited financial statements;</p> <p>(2) Auditors report; and</p> <p>(3) Trustees' report</p>	<p>An annual report shall comprise:</p> <p>(1) Annual Activities Report</p> <p>(2) Audited financial statements</p>	<p>Auditors report is a bulky report that cannot be accommodated in the CSOs annual report.</p> <p>Audited Financial statements should suffice in the annual report.</p> <p>Instead of a trustee's report the annual report with the signature of the Chairperson should suffice.</p> <p>Performance and Compliance report can be submitted as an annex to the Annual Report</p>	<p>Annual Report should contain:</p> <ol style="list-style-type: none"> 1. Audited financial statements 2. Auditors report (the financial report only contains a statement. While the Auditor's report contains the issues) 3. Trustees' report 4. Bank statement evidencing the availability of the endowment fund. (This is as per the CSO Amendment Act 2022 Section 16 (The Authority shall prescribe endowment funds for the CSOs from time to time).

Discussions:

- The CSOs suggested removing the entire section 152 on the Trustee's Report. In response, the Authority has simplified section 152 and retained only those necessary elements of the report.
- Many CSOs expressed their opinion that it is not reasonable for trustees to submit reports individually since all the necessary information was already covered in the annual report.

- The Chairperson made a note that if the annual report and trustees' report are the same, the authority could integrate their components together. For which, the Chairperson suggested the authority to review this integration from a legal provision and perspectives.

154	An annual report along with the minutes of the Annual General Meeting shall be submitted to the Authority within three months of the completion of the independent audit.	An annual report shall be submitted to the Authority within three months of the completion of the independent audit. In addition, MBOs shall submit the minutes of the Annual General Meeting.	PBO don't have AGM	Minutes of the AGM are deleted from Section 154 and inserted under section 152. Section 154 will read as – An Annual report shall be submitted to the Authority within three months of the completion of the independent audit.
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Discussions:

The Legal officer proposed that minutes of the AGM are deleted from Section 154 and inserted under section 152.

Section 154 will read as – An Annual report shall be submitted to the Authority within three months of the completion of the independent audit.

155	Submission of annual report along with the annual fee is the condition precedent for renewal of Certificate of Registration.	<p>Option 1: Submission of annual report is the condition precedent for accessing CSO's right to exemption on import tax and visa fee on foreign experts.</p> <p>Option 2: Submission of annual report is the condition precedent for keeping the status of the CSO active on CSOA IMS. If a CSO is inactive for 2 years CSOA may revoke the Certificate of Registration after issuing 60 days written notification.</p>	<p>This projects a restrictive environment and poses an uncertainty/deterrent for all organizations and partners to think and work in the long-term. (Ref Art 87)</p> <p>Therefore, Registration Certificate should be treated as a sacred document and not like a trade license</p> <p>Collection of Annual fee may be done away with since CSO are for non-profit.</p>	<p>Retaining Section 155.</p> <p>Since the CSOA IMS will be Integrated with the BITS system, after submitting the Annual reports and Annual fees an E-certificate will be generated automatically.</p> <p>All other fees will be revised except for Annual fee which shall remain Nu. 3000.</p> <p>With Social enterprise allowed for all CSOs it is a value addition.</p>
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			CSOA IMS should be made a mandatory verification system for donors or development partners to work with a CSO.	
<p>Discussions:</p> <p>As per section 155, the prerequisite for renewing the Certificate of Registration is the submission of an annual report along with the annual fee. Following concerns and issues were raised by the CSOs:</p> <ul style="list-style-type: none"> • There have been suggestions from several CSOs to reconsider the requirement of submitting an annual report and pay an annual fee as a prerequisite for renewing the Certificate of Registration (CoR). • Many CSOs have expressed concerns regarding the reasoning behind imposing an annual fee on non-profit organizations that do not prioritize profit generation. • Whereas, some CSOs propose that the collected amount remains with the authority and use as a collective fund for facilitation and meetings of CSOs. The Chairperson found this idea worth exploring and has expressed the need to delve deeper into it during authority deliberations. Chairperson further emphasized the importance of incorporating the perspective of the Ministry of Finance to gain further insights and information on the annual fee collection. • The Authority shared that as discussed earlier, the system integration will issue of e-certificate upon the necessary annual submission and further informed that renewal fees of Nu. 3000/- should not be a financial burden with the CSOs allowed to venture into social enterprises to raise funds. 				
186	<p>The Authority shall jointly with the Department of Revenue and Customs initiate the promulgation of a regulation exempting Public Benefit Organizations from payment of customs duties or other taxes.</p> <p>Provided that Mutual Benefit Organization shall not be entitled to receive any of the exemptions under this</p>	<p>The Authority shall jointly with the Department of Revenue and Customs initiate the promulgation of a regulation exempting Public Benefit Organizations and Mutual Benefit Organization from payment of customs duties or other taxes.</p> <p>Notwithstanding the above article, the</p>	<p>MBOs are also not for profit organizations. They must be seen differently from their members.</p>	<p>In the Act Section 38 is Amended.</p> <p>Section 39 and Section 40 is repealed.</p> <p>Section 38 of the CSO Amendment Act 2022, Tax exemption for CSOs shall be in accordance with the taxation laws of the country.</p>

	regulation, except in cases permitted in the regulations	Member of MBOs will not be eligible for the same exemption		
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Discussions:

- Various organizations expressed gratitude for the authority's support thus far and emphasized the ongoing need for their assistance in tax exemption.
- CSOs provided examples, such as that of Tarayana Foundation, to highlight the burdensome nature of high taxes. They highlighted the importance of tax exemption for CSOs, as it allows for direct allocation of funds to beneficiaries.
- Similar concerns were raised regarding the steep costs associated with green tax and the overall tax burden on CSOs.
- One suggestion from CSOs involved issuing recommendation letters to the DRC for waiving taxes on charitable imports. For which, the Chairperson acknowledged these concerns and proposed creating a list of equipment for tax-exemption in the annexure and cross-referencing it with taxation laws.
- Additionally, the Chairperson encouraged CSOs to write and share relevant cases with the authority within a week to facilitate further discussions and decision-making regarding tax exemption for CSOs.

Agenda 2 Endowment Fund

The discussion for the endowment fund started with presentation on a brief background on the significance of the endowment fund and facilitations the Authority can provide to enhance generation of the endowment fund. The discussion was mainly anchored upon the floor amount a CSO must possess as an endowment fund, in order to strengthen its sustainability and impact. It was mainly intended to consult the already operating CSOs while prescribing a certain amount for an endowment fund for all the upcoming CSOs along with the already existing ones.

- While many of the CSOs appreciated the idea of an endowment fund and agreed that it is timely to mandate all CSOs to have an endowment fund, a few of the organizations raised concerns such as lower interest rates in the banks not allowing them to garner much returns. Some CSOs also mentioned about the difficulties to raise an endowment fund simply based on donations.
- In addition, a few CSOs requested a rest period for the already registered CSOs so that they can accumulate to meet the floor set for an endowment fund. To this, the Authority fully acknowledged the execution of the rest period provided with logical rationale and proper regulations to monitor the superficial process of fund generation. Since it is very difficult to raise funds in Bhutan, a few CSOs requested for tax exemptions to be made on the donors especially those who reside in Australia who might readily chip in if exempted from tax.

Similarly, the CSOs pointed out a number of restrictions in place from various agencies such as the Department of Law and Order, Thromde, RBP and others.

- One common argument from the CSOs was to set the minimum requirement for the endowment different for each CSOs since every CSO is on a different level in terms of financial and operations and that setting the same bar might not really be the same for the struggling CSOs. In fact, setting a certain bar for the endowment fund might discourage a lot of upcoming CSOs who are passionate about making a positive impact on society. To this, the Authority responded that setting a bar will discourage only those who have no alternative plans for sustainability, one with a strong plan can thrive with the endowment fund even if the newly registered CSO finds difficulty to get a project for the first year after registration.
- A few CSOs also proposed to raise an endowment in joint where all CSOs can contribute to one account and share the gains from the investment or the CSOs can compete for the funds annually.
- A few CSOs raised the concern for the need of proper guidelines for social enterprising along with the need for the government to regulate and segregate on the entities that should get CSR. The CSOs also requested for the flexibility to raise funds through any other online portals whether individual's or the Authority's rather than restricting it to just the CSOA website.
- In order to give a rough idea on the basis of the endowment fund, the authority set a rough estimation of Nu. 7 million, that will garner interests of about Nu. 0.60 million per year which will suffice rentals, salary of three staff for a year and other basic minimum operational costs (exclusive of projects). To this, the CSOs said it would be quite difficult to raise that much amount. Some CSOs pointed out the difficulties especially for the unregistered CSOs who are already functioning as Community based Organizations (CBOs). In line with this, the CSOs mentioned about CBOs not being regulated and hence will also be beyond reach of CSOA. The CSOs highlighted the risks involved with setting the bar for an endowment fund such as it might push CSOs to commit unhealthy acts. Rather they feel that they can sustain fine through the projects like they have been doing so far. Some CSOs also suggested setting the floor of the endowment fund based on the strategic plan submitted by the CSOs or the audit report of individual CSOs.
- While many CSOs appreciated and agreed on the idea of an endowment fund, a few CSOs acted otherwise, mentioning that setting an endowment fund might just be a demotivating factor for CSOs since saving a huge chunk of money in the bank will just weaken the impact, they can bring in the society as the amount that otherwise would have been invested in projects will be in the bank lying idle to garner a few interests. In a way, it is limiting a particular CSO from achieving its objectives.
- A few CSOs also raised the idea of liability insurance instead of an endowment fund as it feels like endowment funds will lead to blockage of money flow. The Honorable Chairperson refuted the idea by saying that it does not fit the idea of an endowment fund which is meant to be very practical.

- The discussion on this agenda closed with a quick survey to roughly estimate the floor for an endowment fund where the mode from the first group was Nu. 0.20 million with maximum being 2.50 million and minimum being Nu. 0.20 million in the cluster of 17 CSOs. The second group of 11 cluster CSOs had mode as Nu. 1.50 to 2.00 million with highest estimate of Nu. 500 million per year and lowest estimate being Nu. 1 million. The third group of 16 cluster CSOs suggested Nu. 0.10 million in common with highest estimates of about Nu. 0.60 million. The agenda also concluded on a note that more ground work needs to be done in order to set the floor for the endowment fund.

Agenda 3 Merger/Consolidation of CSOs

The presenter highlighted the merger/consolidation provision from the CSO Act 2022 and the pros of merging and consolidation. The Honorable Chairperson also appreciated the idea of merging and consolidation and further provided an enhanced logic and intention behind merging. Then the consultation and discussions on merger opened and explored the following points:

- While a few CSOs agreed that merging and consolidation strengthens the sustainability and credibility of the organizations, many organizations highlighted the existing evident differences between the mandates and objectives of organizations even though it falls under the same thematic groups. The CSOs claimed merging won't be feasible since the organizations drive, operational mechanisms are usually different even though they may be working for the same cause. Some also asserted the obstacles to merging such as CSOs having different patrons.
- Few CSOs also raised concern regarding unclear boundaries between CSO and Trade Unions and that a few already registered CSOs might actually be fitting more into Trade Unions rather than CSOs. In this line, the CSOs raised concerns if the Authority could look and explore into it.
- Instead of merging and consolidation, many CSOs proposed collaboration and doing projects together. Some CSOs asserted that the CSOA can deregister the non-functional and non-compliance CSOs instead of merging.
- Few CSOs also raised concerns whether merging of CSOs is mandatory, to which the Authority clarified that merging to be optional and voluntary but is one of the many strategies to strengthen the sustainability and credibility of the CSOs in general. Merging won't be enforced unless the CSO is observed to be in a critical situation and failing to meet the mandatory compliances as per the existing laws or if there are duplication of mandates. The Authority also highlighted the official opening of the merging platform to stay relevant and to compliment the ongoing transformation initiatives.

Any Other Business

1. *SDF Waiver*

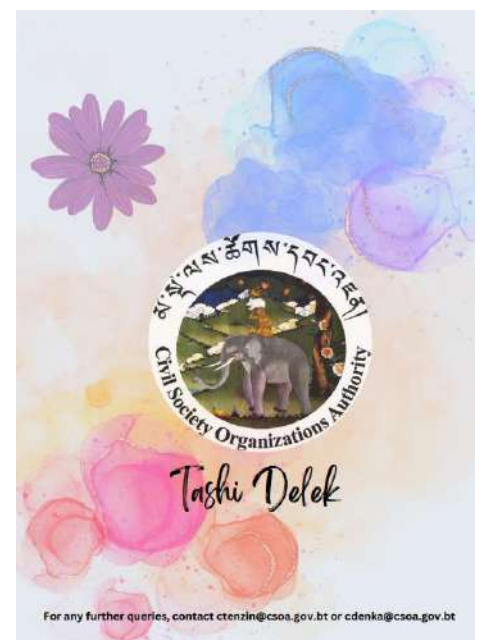
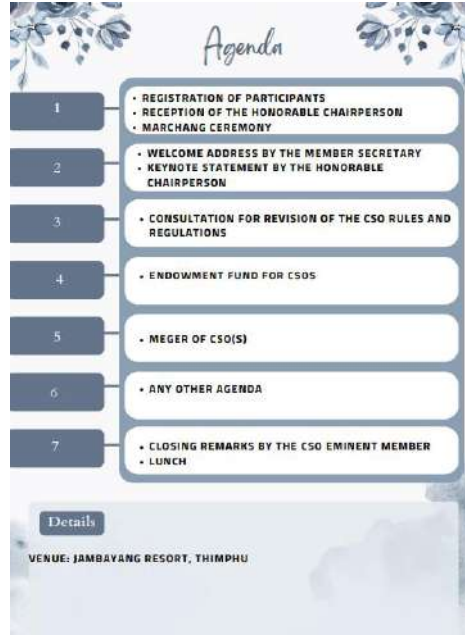
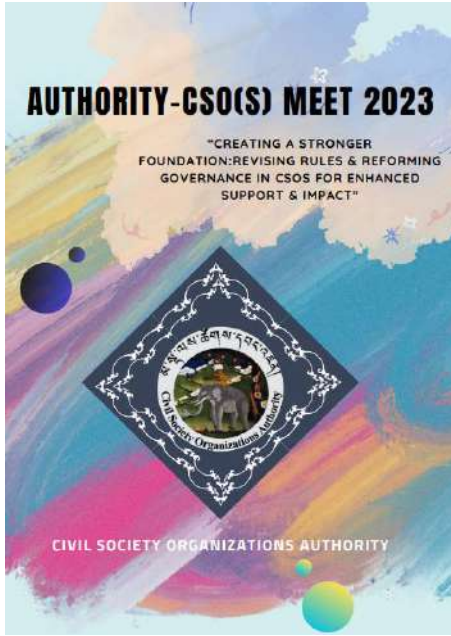
- The Authority conveyed that they are actively working to facilitate SDF Waiver for the CSOs but cannot entirely assure the waiver since there are many agencies & policy updates. However, the Authority is quite positive about the grant of SDF Waiver since the CSOs mostly operate for charity purposes. Therefore, as advised by the Hon'ble Cabinet Secretary vide letter no. S-08/C4CS/14/19 DATED 12 April 2023, the Authority advised CSOs to write to the Security Cluster for the waiver of SDF.

2. *Fundraising*

- The CSOs raised concern on freedom to raise funds online through social media platforms for better outreach to the ones who are willing to donate. To this, the Authority mentioned that soon the Framework for Fundraising for CSOs will be launched and is currently almost done with refining the draft stage. The framework will act as the main guiding document for anything related to fundraising. Entirely, making a separate exception for CSOs and letting them raise funds online will not only mislead the other organizations who are also requesting for the same privilege but also affect the credibility of the CSOs as there will be many cases where such random fundraising will take place faking it to be CSOs.

Closing remarks: The meeting concluded by closing remarks submitted by the Member Secretary of the Authority and the Eminent Member of CSOs (meet with Group 2). They conveyed their appreciation to all the members present for the support for cause and the commitment to making a positive impact.

Annexure 2: Group Invitations & Agenda



Annexure 3: Pictorial Story



Annexure 4: CSOs Groups List (**Grouping was done on theme based with a few necessary adjustments*)

Group 1: Gender and Vulnerable Groups, Sanitation and Health-13 CSOs, Chithuen Phendey Association, Bhutan Taxi Association, FIAB, Tarayana Foundation

1. Royal Society for Senior Citizens
2. Ability Bhutan Society
3. Disabled People's Organization
4. Nazhoen Lamtoen
5. Draktsho Vocational Training Center for Special Children and Youth
6. Respect, Educate, Nurture and Empower Women (RENEW)
7. Pel Dukdraling Foundation
8. Phensem Parents Support Group
9. Bhutan Kidney Foundation
10. Bhutan Toilet Organization
11. Bhutan Cancer Society
12. Bhutan Stroke Foundation
13. Lhak-Sam
14. Chithuen Phendey Association
15. Bhutan Taxi Association
16. Financial Institution Association of Bhutan
17. Tarayana Foundation

Group 2: Art, Culture and Recreation, Education and Youth Development, Good Governance, Media and Democracy- HAB, GNHC

1. Music of Bhutan Research Center
2. Royal Textile Academy
3. VAST Bhutan
4. Film Association of Bhutan
5. Loden Foundation
6. Organization for Youth Empowerment
7. Bhutan Youth Development Fund
8. Menjong Foundation
9. Centre for Research on Bhutanese Society
10. Bhutan Centre for Media and Democracy
11. Bhutan Media Foundation
12. Journalist Association of Bhutan
13. Guide Association of Bhutan
14. Evaluation Association of Bhutan
15. Bhutan Transparency Initiative
16. Handicrafts Association of Bhutan
17. GNH Centre Bhutan

3. Environment and Climate Change, Socio-economic Development and Livelihood, Wellbeing (Caregiving, Rehab, Animal Welfare) - Ogyen Choling Foundation, PSA

1. Association of Bhutanese Tour Operators (ABTO)
2. Hotel and Restaurant Association of Bhutan
3. Association of Bhutanese Industries
4. Construction Association of Bhutan
5. Bhutan Association of Women Entrepreneurs (BAOWE)
6. SABAH Bhutan
7. Gyalum Charitable Trust
8. Lho-Mon Society
9. Royal Society for Protection and Care of Animals (RSPCA)
10. Bhutan Animal Rescue and Care (BARC)
11. Jangsa Animal Saving Trust
12. Duedroi Rangwang Zhidey Tshogchung
13. Barnyard Bhutan Animal Rescue and Sanctuary
14. Royal Society for Protection of Nature
15. Clean Bhutan
16. Bhutan Ecological Society
17. Ogyen Choling Foundation
18. Phuentsholing Sports Association

Annexure 5: Attendance Sheet

Date: 24th May, 2023 (9:30AM to 1PM)

Authority-CSOs Meet 2023
Attendance Sheet

SL NO	CSOs (Group I)	Participants Name	Designation	Email ID	Contact Number	Signature
1	Ability Bhutan Society	Kenzon Tshen	ED	ed3685@gmail.com	12627315	[Signature]
2	Bhutan Cancer Society	Pema Yangchen	PO	bhutan.cancer.society@gmail.com	17846070	[Signature]
3	Bhutan Kidney Foundation	Tashi Namgyal	ED	ed@bkfbhutan.org	17691745	[Signature]
4	Bhutan Stroke Foundation	Dawa Tshering	ED	tsheringdawa@gmail.com	17528955	[Signature]
5	Bhutan Taxi Association	Ishwang Chak Ligden Tshomo	ADM & AFO	ismwac123@gmail.com	17187835	[Signature]
6	Bhutan Toilet Foundation	Chhaya Pasa	ED	pasachhaya@gmail.com	17605080	[Signature]
7	Chithuen Phendey Association	Chhaya Pasa	ED	chhaya.pasa@gmail.com	17605080	[Signature]
8	Disabled People's Organization	Kinley Wangchuk	ED	kinleywangchuk@gmail.com	17399369	[Signature]
9	Draktsho Vocational Training Center for Special Children and Youth	Deki Tan	ED	detsang@nstrmt.com	77273111	[Signature]
10	Financial Institution Association of Bhutan	Letao Wangchuk	ED	latao.wangchuk@gmail.com	77610316	[Signature]
11	Lhak-Sam	Wangda Dorji	ED	wangda.dorji@gmail.com	17854195	[Signature]
12	Nazhoen Lamtoen	Thunley Folegyel	ED	thunleyfolegyel@gmail.com	92111050	[Signature]
13	Pel Drukdraling Foundation	Yangchen Dekin	PO	dakeryangchen90@gmail.com	17371924	[Signature]
14	PHENSEM Parents Support Group	Karma S. Dorji	ED	phensem.psgb@gmail.com	17607554	[Signature]
15	RENEW	Meenakshi Lai	PSG Director	tsayangosha@gmail.com	17666955	[Signature]
16	Royal Society for Senior Citizens	Shenley Namgyal	ED	shenley.namgyal@gmail.com	17597847	[Signature]
17	Tarayana Foundation	Sarama Tam	"	SaramaTam@gmail.com	17638857	[Signature]

+ Bhutan Cancer Society Tshering Pem Intern - -

Authority-CSOs Meet 2023
Attendance Sheet
Date: 24th May, 2023 Time: 2.00PM to 5.00 PM

SL NO.	CSOs (Group 2)	Participants Name	Designation	Email ID	Contact Number	Signature
1	Bhutan Centre for Media and Democracy	Chenecho Thamu	ED	chenecho.thamu@brend.bt	77201100	
2	Bhutan Media Foundation					Absent part of station
3	Bhutan Transparency Initiative	Desang Dama	P. officer	desangdama@btnc.com	17569878	
4	Bhutan Youth Development Fund	Sonam Chupkel	HR/ADM officer	sonamchupkel@bhutyouth.org	17300189	
5	Centre for Research on Bhutanese Society					out of station
6	Evaluation Association of Bhutan	Kelzang Choden	P. Officer	choedenkelzang06@gmail.com	17447759	
7	Film Association of Bhutan	Tashi Dendor	ED	od.fal2013@gmail.com	17824124	
8	GNH Centre Bhutan					absent
9	Guide Association of Bhutan	Sonam Yachen	OA	sonamyachen02@gmail.com	17839225	
10	Handicrafts Association of Bhutan	Choten Dorji	Executive Director	chotendorjia@gmail.com	77654508	
11	Journalist Association of Bhutan	Yeshi Pelmo	Program officer	yeshipelmo18@gmail.com	17334027	
12	Menjong Foundation	Karma Tenzam	P. officer	karmatenzam22@gmail.com	17647750	
13	Music of Bhutan Research Center					absent
14	Organization for Youth Empowerment	Soman Tashi	PO/PC	keztarapoon25@gmail.com	17701988	
15	Royal Textile Academy	Tashi Yangki	Asst. Designer	tyangki@rta.btnc.com	17825949	
16	VAST Bhutan	Pasang Deme	ED	ed.vastbhutan@gmail.com	17110869	

Attend with 3rd group

Klono OYE Nima Wangchuk intern wangchukk@gmail.com 17287410

Authority-CSOs Meet 2023
Attendance Sheet
Date: 25th May, 2023 Time: 9.00AM to 1PM

SL NO.	CSOs (Group 3)	Participants Name	Designation	Email ID	Contact Number	Signature
1	Association of Bhutanese Industries	Kema Pemangdel	CSO	gshelung@btnc.com	17425020	
2	Association of Bhutanese Tour Operators (ABTO)	Sonam Dorji	ED	ed@abto.org.bt	17111130	
3	Banyard Bhutan Animal Rescue and Sanctuary	Tashi Yangden	Secretary	tyodrel@bbswale.com	17110846	
4	Bhutan Animal Rescue and Care (BARC)	Hendrik		hendrik@barc.bt	17605878	
5	Bhutan Association of Women Entrepreneurs (BAOWE)	Bhening Peelden	PC	baowe@bhamen@gmail.com	17640383	
6	Bhutan Ecological Society					
7	Clean Bhutan	Kezang Tshomo	V. Manager	keztsho@gmail.com	17544897	
8	Construction Association of Bhutan	Tshering Yonken	ED	ed@cab.org.bt	17670311	
9	Duedroi Rangwang Zhidhey Tshogchung	Tashi Wangchuk	Trustee	tashiwangchuk1970@gmail.com	17677751	
10	Gyalum Charitable Trust					
11	Hotel and Restaurant Association of Bhutan	Sangata Rana	ED	sravani202@gmail.com	17620803	
12	Jangsa Animal Saving Trust					
13	Lho-Mon Society	Cham Dorji	P-D	chamandorji@gmail.com	17577034	
14	Ogyen Choling Foundation					
15	Phuentsholing Sports Association	Sonam Chogyel	GS	sschogyel@gmail.com	17603656	
16	Royal Society for Protection and Care of Animals (RSPCA)	Tashi P. Thang	ED	tashipayden@gmail.com	17110411	
17	Royal Society for Protection of Nature	Sonam Wangmo	Admin/HR	swangmo@rspnbtnc.org	17620745	
18	SABAH Bhutan	Karma Deme	Program off.	karmademe652@gmail.com	77763612	
19.	Loden Foundation	Kuenzang Choden	Off ED	kchoden@loden.org	17411717	
		lobrang Jurney	Admin Officer	ljurne@loden.org	77050770	

out of station

Acknowledgement

On behalf of the Authority, the CSOs and the entire team, the Secretariat would like to express our heartfelt to “Project Nyamdrel: Support to Parliament of Bhutan and CSOs”, a cohesive programme of EU-Helvetas Swiss Inter-cooperation and International IDEA for your generous contribution and support towards funding our recent meet. The valuable support made it possible for us to organize a successful and impactful event, enabling us to bring together for the very first time to collaborate and make a difference in our community.

We are thrilled to have your unwavering support for our initiative, which is aimed to foster collaboration, knowledge sharing and networking among the different registered CSOs working towards a common goal. The support helped us cover the financial expenses including venue rental, logistical arrangements, and refreshments, ensuring DSA payments for the entitled attendees who had to travel from outside the capital city and seamless experience for all attendees.

The Authority-CSOs meet proved to be a significant milestone for our collective efforts. It provided a platform for representative from diverse thematic CSOs to exchange ideas, share best practices and discuss innovative approaches to address the pressing issues in our society. The event facilitated valuable discussions, inspiring talks and fruitful corrections that will undoubtedly contribute to the growth and effectiveness of our respective CSOs.

We deeply appreciate the support in our cause and the commitment to making a positive impact. The support has not only reinforced the event but also demonstrated the unwavering dedication to the betterment of our community.

Once again, we extend our sincerest thanks to the Project and its spirited employees for the support and trust. The contributions have not only empowered us to organize a successful event but also strengthened the bond between our agencies. We are extremely grateful for the continued partnership and look forward to explore future opportunities for collaboration and collective action.

Kadrinche la!