



Burkhard Gnärig

Working with Civil Society Organisations

volume 02

How do I assess the work of Civil Society Organisations?



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by Burkhard Gnärig

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Foreword

Even for experienced donors it is difficult to assess the work of Civil Society Organisations (or short CSOs)¹ and the impact they have. Unlike in the private sector CSOs are not subject to market mechanisms of profit and loss, nor do they have to comply with a lot of state regulations like, for example, disclosure requirements. Moreover, in most charitable sectors quantifiable criteria to measure impact and to identify the success of a project or an organisation are hard to define. On the other hand, when looking for a potential partner to support, it is crucial to assess his or her work diligently before engaging more deeply and making a donation. Often the same or similar issues are tackled by several CSOs that come in a variety of sizes, organisation forms, budgets and people. And even if their approaches are comparable, it is not to be concluded that they are equally successful. This guide, written by a senior CSO practitioner, offers an introduction to how donors can assess the work of CSOs. The guide presents key indicators for such an assessment process. At the end of each chapter it offers some practical guidance through the stages of a donor's decision-making.

This guide is the second volume of the Active Philanthropy series 'Working With Civil Society Organisations'. These publications highlight how donors can identify which cause and which organisation they would like to support, how they can assess the work of a CSO, engage with 'their' project or assess the effect of their contribution. The guides can be read as a whole, although individual chapters can also be consulted on their own and used as background on a particular aspect.

The charitable Active Philanthropy is a platform for families and individuals interested or already engaged in philanthropy, and helps donors to develop and implement their personal giving strategy. Active Philanthropy aims to be a safe space where donors can meet in order to exchange and collaborate with and to learn from peers and where they can find practical advice for becoming (more) effective and efficient in their philanthropy. For these purposes Active Philanthropy offers a variety of services ranging from introductory readings, workshops and field trips providing practical experiences,

¹ Civil Society Organisation (CSO): sometimes also called NGO = Non-Governmental Organisation or simply Charity. We use Civil Society Organisation or CSO here because we believe that this is the most comprehensive description of the wide range of organisations that are working to provide services for the benefit of society.

to administrative support and individual consulting. The main focus is always on hands-on experiences donors can implement in their own work, and on using learning methods tailored to their individual needs.

Active Philanthropy's resource toolbox contains publications on selected funding areas, for example children or climate change, and on best practices for management issues and skills needed to be effective as a philanthropist. Whereas the themed reports are written as an entry point for donors who want to learn how to get involved in a field and how to find their particular niche, the guides on skills and methods aim at providing practical advice and step-by-step guidance in the field of philanthropy. The guides recognise the complexity of the civil society sector, but try to break it down into easy-to-follow units. Active Philanthropy's guides are either based on cases and stories of donors providing best practice and consultancy to their peers or on guidance and recommendations given by experts from the field.

Though written from a neutral perspective, some of the examples and recommendations in this guide are based on the author's personal experience. Please note that the approaches and the selection of organisations discussed in this guideline are neither exhaustive, nor are they subject to any assessment or rating by Active Philanthropy or the author.

We want to thank the author of this guide, Dr. Burkhard Gnärig, CEO of the Berlin Civil Society Center, for synthesising more than twenty-three years as a senior executive in charities and development organisations for this publication. We also owe a debt to several experienced donors that gave feedback on the first drafts of this guide. Our hope is that this guide will help donors gain a better understanding of how CSOs work, thus providing an excellent basis from which long-lasting collaborations can identify and solve some of the world's most pressing problems.



Dr. Felicitas von Peter
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Welcome

Successful philanthropists usually work with a very small number of carefully selected CSOs. Often cooperation has developed over a number of years and as both sides have been learning about each other's preferences, needs and limitations a relationship of mutual trust has developed. Trust obviously makes working together less stressful and requires less monitoring. But trust needs to be built on solid foundations. To assume that Civil Society Organisations are trustworthy just because of their good intentions is a risky strategy. Doing a solid assessment of the CSO first is generally preferable.

This paper aims at providing guidance for the philanthropist's assessment process. It assumes that preferences about the sector, the type of CSO you want to support and the focus of your support are clear². It briefly describes the following key issues which should be considered when assessing a CSO:

² Preferred sector, type of CSO, focus of support: These issues are dealt with in: Burkhard Gnärig, 'Working with Civil Society Organisations – How do I find the right Civil Society Organisation to support?', Active Philanthropy, 2008.

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The sequence in which the different items appear does not indicate the relative importance of the different elements; it rather follows a step-by-step decision-making approach which should be appropriate in most cases.

Assessor

Do It Yourself • Hire an Expert • Do It Together with an Expert

‘DIY’ to most people means the satisfaction of having done something all by yourself combined with an outcome which may not be totally perfect. Most philanthropists will not be CSO experts and therefore will find it challenging to assess a CSO all by themselves. On the other hand doing the research by yourself will provide you with a first-hand experience which probably will deepen your knowledge of the charitable sector.

Alternatively you can hire an expert who will do the assessment for you. In order to make sure that the expert eventually provides you with the exact information and recommendations you need it is essential to take some time to write down what precisely you want to find out, to discuss your ideas extensively with the selected expert and to agree with him/her on ‘Terms of Reference’ for the assessment.

Undertaking the CSO assessment jointly with an expert combines the benefits of your own personal involvement with the benefits of professional expertise. Working together with an expert will also provide you with deeper insight into the sector and thus help you beyond the assessment process.

Recommendations

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If you do the assessment of a CSO all by yourself – and if you are not a CSO expert – it is advisable to start your support with a limited financial scope and time frame.

If you want to hire an expert but don't know how to find the right one you may ask other donors or organisations without direct interest in your support for recommendations.



Sources of Information

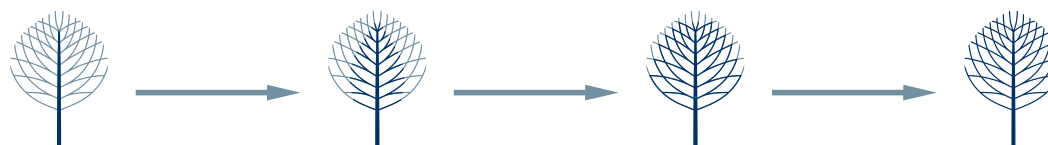
The CSO • Media • People • Charity Watchdogs

In most cases the CSO you have selected is best positioned to provide you with all the information you need. And, as long as you keep in mind that the CSO has a strong interest in appearing perfect, it is a good idea to ask the CSO directly. At the very least you will find out how the CSO deals with requests for information. You have three main options as to how you approach the CSO:

- As a member of the general public with an interest in specific information but without revealing your wish to provide support;
- As a potential supporter whose decisions depend – among other factors – on the answers you receive;
- If you plan to donate a significant amount of money you could, or even should, ask for a meeting with the organisation's Chief Executive Officer. Thus you would hear the story 'from the horse's mouth' and get a first-hand impression of the organisation's management.

For a more independent assessment the obvious and most accessible channel is the Internet. If you 'google' large international CSOs like Save the Children, Oxfam or Greenpeace you will find millions of sources which, from a broad range of different angles, look at all aspects of the respective CSO. The name of a small organisation may generate only a few dozen sources but these may not contain the information you are looking for. Whether the organisation you are researching is large or small, the problem with the Internet is how to find the exact piece of information you are looking for.

For those preferring the good old book as the main tool for their research, there is also ample choice in this field. Amazon offers more than 5,000 books on or about Oxfam, over 9,000 on or about Greenpeace and more than 12,000 on or about Save the Children. Also in this field you can find more information than you are able to digest and, at least as far as I know, there is no single book which contains all the relevant information on all the major CSOs.



In many cases it may be much more effective to get in touch with people who have a first-hand insight into the sector or, even better, into the respective organisation itself. Talking to relevant stakeholders such as long-term donors, employees or former employees of the CSO or people who have worked in partnerships with the CSO over some time is usually very helpful, especially if you know the person well and are sure that you can trust his/her judgement. Asking colleagues, friends and family whether anybody has respective contacts may be a good first step in your research.

Independent experts are a valuable source of advice. Most will charge for their time but if you want to donate a significant amount, the fees for expert advice might be money well spent. Some academics teaching relevant subjects at Universities have a good overview of the sector but in most cases don't have hands-on experience in the sector. Professional consultants with extensive practical working experience in CSOs are usually the better choice. If you need support in identifying the right expert, Active Philanthropy or similar organisations may be able to help.

So-called 'charity watchdogs' can play an important role in your assessment process. Mostly independent Civil Society Organisations themselves, they will most probably know the organisation you want to support and will at least be able to let you know whether they are aware of any reason why it might not be advisable to donate to that organisation. Their assessment is usually based on a rating system which appraises issues like transparency of information, level of fundraising and administration costs etc. Based on the results of the rating process some watchdogs award quality seals to organisations they recommend to potential donors.

Most reliable watchdogs in Europe are members of the International Committee on Fundraising Organizations (ICFO) which describes itself as ‘the association of national monitoring agencies’. And the easiest way of finding out whether one of these exists in your country is to consult the website of ICFO under <http://www.icfo.de/members.htm>. The system of charity watchdogs is much further developed in the United States. The two leading organisations are the American Institute of Philanthropy <http://www.charitywatch.org> and Charity Navigator <http://www.charitynavigator.org>. Both provide key data on all major US charities and offer a ranking³ system comparing the qualities of the different CSOs. General information on CSOs in the US (<http://www.guidestar.org>) and the UK (<http://www.guidestar.org.uk>) can be found on GuideStar. GuideStar gathers and publishes information on CSOs and runs a searchable database providing information on more than 1.7 million US CSOs and on more than 167,000 organisations in the UK. GuideStar is also currently assessing the feasibility of implementing GuideStar systems in four other European countries (Germany, the Netherlands, Hungary and the Republic of Ireland). For more information on the project please refer to <http://www.guidestareurope.org>. If you specifically want to donate to a UK-based charity, New Philanthropy Capital <http://www.philanthropycapital.org> is another useful source of information.

Most European ratings divide CSOs into those which are of an acceptable standard and those which are not. They will not give you too many specific data on the individual organisation and you will have to do further research or rely on the rating agencies’ overall assessment. Probably the most consistent system in Europe is that of the DZI (Deutsches Zentralinstitut für soziale Fragen) which goes from stating that they cannot recommend supporting a specific CSO to awarding a ‘Spendensiegel’ (seal of approval) to – at present 227 – German-based CSOs. In the US the system of rating CSOs is more complex and provides more information. In general rating CSOs by independent watchdogs is a positive development because it challenges the CSOs to be more transparent and accountable and it provides the public with a basis for finding out whether a CSO is trustworthy or not.

³ Ranking: comparison of different CSOs putting them into an order with the best ones on top. Rankings have not yet become a major instrument of CSO assessment as their usefulness is limited. Given the vast differences between CSO sectors such as defence of human rights, protection of the environment and the fight against poverty, a cross-sectoral comparison is very difficult to undertake and even within a CSO sector (e.g. environmental protection) CSOs’ approaches, their structures and resulting cost structures differ significantly and cannot easily be compared.

Quality seals like the German watchdog's 'Spendensiegel' or the 'Top Ten Lists' of the US Charity Navigator are becoming increasingly popular. They are given to organisations fulfilling specific criteria set by the watchdog. These quality hallmarks are generally based on appropriate criteria and clearly create incentives to CSOs to improve their performance. On the other hand support to a rising star among CSOs which is still far from a top rating may be more exciting to a donor than supporting a well established member of the 'Top Ten' with much less potential to improve its performance.

It has to be pointed out that independent monitoring of CSOs at an acceptable standard today is only available in a limited number of industrialised countries and only for the large and mid-size CSOs. You will usually not be able to find an independent assessment of a small African or Asian or Latin American CSO. If you look for information on that level you will either have to rely on information a northern partner CSO provides you with or you will have to hire a consultant to do an assessment for you.

Recommendations

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Given the enormous quantities of information available both on the Internet and in libraries it is essential to define very precisely what you want to know and to be strategic in your selection among the available sources of information.

If you plan to give a significant amount of money and if the project site is easily accessible, a site visit may be a good way of gathering first hand information.

Independent ratings by the relevant national watchdog may help you to find out whether a CSO is trustworthy or not. If a charity watchdog advises against supporting a specific CSO you should be very cautious in your decision whether you want to support that organisation.

Quality of Programmes

Appropriate · Sustainable · Participatory

If we talk about programmes, we talk about what a CSO does, what it stands for, we talk about the very core of what we want to achieve in our partnership with the CSO. At the same time, assessing programmes is usually not easy. The CSO's activities might take place at the other end of the world, often in remote areas and you may therefore have to rely on written information. Or the programme may be very complex and not easy to analyse. During a site visit of the programme the activities may be presented to you in a very convincing form, but you may leave the site wondering whether you have seen the real picture or just a very cleverly arranged illusion of something which you would not find at all should you come back for a surprise visit the next day.

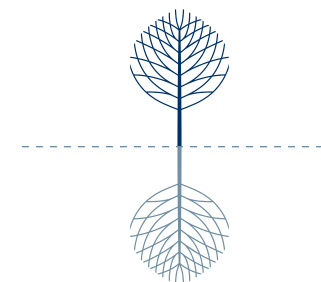
The criteria employed to assess programmes have to be quite different, according to whether you are judging environmental degradation or children's programmes, human rights or poverty reduction. Nevertheless there are a number of criteria which should be relevant for any programme such as 'scalability'⁴ or 'cultural'⁵ and gender⁶ sensitivity'. In our brief overview we will focus on three criteria, which are indispensable in practically every programme: appropriateness, sustainability and participation.

A crucial question the answer to which may seem obvious is the one of appropriateness: Does the programme address the problems identified in an appropriate manner and does it provide appropriate solutions? Surprisingly, many programmes fail the appropriateness test: some are not taking the complexities of identified issues sufficiently into account and fail because crucial elements of the 'solution' are missing: I remember a women's cooperative in Zimbabwe who learned through a development project how to bake bread. They very successfully produced and sold their bread only to find that they were running out of money: nobody had explained to the ladies how to calculate the price for the bread and instead of earning money the cooperative unknowingly subsidised each loaf of bread to the point where they ended up completely deprived of cash.

Other programmes fail because they do not consider the local culture and traditions: I have seen programmes teaching boys agriculture lessons in a society where agriculture is exclusively the women's task. The boys were extremely embarrassed to be seen with a spade in their hands and the girls of the same age were making fun of them. The boys did not learn very much and neither did they ever apply their learnings.

⁴ Scalability: The individual programme can serve as an example for other programmes addressing the same issues and thus can be 'scaled up' to a much larger approach.

⁵ Cultural sensitivity: Taking differences between cultures into account. For instance programmes which are successful in one country may fail in another one because the local culture has developed different approaches to a specific problem.



Lack of appropriateness can take many forms and can be quite difficult to detect. The following example shows the striking difference between the first impression and a careful analysis: As a consequence of boys' reluctance to work in agriculture some vocational training centres offered training as car mechanics. When I visited one of the centres where these courses took place I saw a group of about twenty boys very eagerly learning how to do basic car maintenance and repair. The boys were excited about the chance to learn a 'modern' trade and visibly engaged in the lessons. The school's headmaster was proud of the modern workshop financed by foreign contributions and explained that his problems recruiting boys for the school were finally resolved and he had a long waiting list of applicants. The foreign expert teaching car mechanics enjoyed working with highly motivated pupils. Everybody was visibly happy and the whole exercise looked like a highly successful project. Only when I enquired about the boys' job prospects the picture changed significantly: In a 50 km range there were only a handful of cars.

The next car workshops were in a town about 80 km away but the basic qualification the boys received at the school did not qualify them for a job at one of these workshops. But unfailingly students of earlier courses had left the village and moved to the town. Most had failed to find paid work and were hanging out in the streets – not sufficiently qualified for a formal job and too proud to go back to the village.

The most appropriate project for these boys, as it finally turned out, was the establishment of metal workshops where the boys learned plumbing, welding and similar trades which enabled them to maintain the villages' or their own families' technical infrastructure consisting of water pumps, water supply systems, agriculture tools, tin roofing etc. This was considered a modern trade the boys were ready to learn and it improved their own, their families' and their villages' subsistence.

⁶ Gender sensitivity: Taking gender conditions into account. For instance further down we give an example of a country where working in agriculture is the role of women and men are not supposed to be working in the fields. Projects in agriculture which ignore this gender specific distribution of work and specifically address men are lacking gender sensitivity.

Another highly relevant question is ‘Will the programme survive on its own once external support stops – or will I, or someone else, have to fund it forever?’ Sustainability is a very tricky issue: for instance if you help build a rural health post, should not the national government take over the running costs and guarantee its functioning? In quite a number of countries health budgets will not sustain additional health posts even though they may be urgently required. What do you do in such a case: build the facility and hope that eventually the government might be prepared to cover the running costs? Or support the local community with developing a first aid system they can run all by themselves? There are no simple answers and experts frequently disagree on the right approach. In any case you should have an answer to the question, what happens in three or five years’ time, when you will stop supporting the programme? There are mainly five alternatives:

- Support a programme which is limited in time with no follow-up requirements: e.g. training for a specific number of social workers which ends when they receive their course certificates.

- Support a programme the follow-up to which is secured by public funds: e.g. upgrading of the local children’s playground which will be maintained by the city council.

- The local community undertakes to sustain the programme once it has been established: e.g. many kindergartens, schools and health posts in developing countries are maintained in that way.

- After a subsidised start-up phase the programme generates sufficient income to continue without external help: e.g. starting a microcredit⁷ scheme or improving agricultural production.

- You believe that your programme is so essential/so attractive that it will be sustained once you stop supporting it: This is a risky strategy which frequently fails or, in some cases, leads to programmes which over decades are dependent on varying donors and never stand on their own feet.

⁷ Microcredits are very small loans ranging from 1 to under 1,000 Euros given to people living in poverty who would not gain access to traditional credit because they lack permanent employment and a verifiable credit history. The credits are issued by specialised financial service providers or by CSOs to promote development and self-employment in poor communities.

For all the programmes which are centred on or directly affect people participation is crucial. It is rarely a good idea to deliver benefits to people which they do not need or do not want. The history books of development cooperation are full of well meant programmes which failed only because nobody had the idea to involve the intended beneficiaries in the analysis of the problem and the design of the programme. The argument that the people concerned are not qualified to judge the complexity of the problems they face is never appropriate and successful programmes – even those with children and young people – show that the results are usually better if the intended beneficiaries participate in all stages of the analysis of the problem, the programme design and its implementation.

Recommendations

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To find out whether a programme is appropriate visit the programme if possible. Have a close look, talk to the relevant persons (e.g. in a school: the teachers, the headmaster, the students, the parents and, if possible the local community, the relevant government department...). Use as many different sources as possible to gather information on the activities you are interested in and don't rely on your first impression only.

There are quite a number of adequate answers to the question of sustainability. But you should not forget to ask the question whether and how your programme will be sustainable before embarking on it.

For most projects stakeholder participation is a crucial success factor. Ask the CSO whether and how they secure participation of affected people/beneficiaries in their programmes and whether they can give you concrete examples. When visiting projects ask how decisions are being taken and talk to beneficiaries to find out whether and how they can participate.

Reporting

Measuring · Transparency · Accountability · Audited Accounts

Philanthropists who want to be actively involved with their projects depend heavily on the CSO's reporting. If the CSO is not able or willing to share its information appropriately cooperation can become a real challenge. But besides the philanthropist's need to be adequately supplied with relevant information openness is an organisational value in itself which deserves to be assessed carefully.

In the past many CSOs have rejected the notion that their work could or should be measured. But with the growing professionalism of the sector this has changed and today most decent CSOs will be able to give you some basic data about their work. Led by their marketing departments many CSOs have started measuring the efficiency of their work by comparing inputs and outputs and looking for the most attractive cost-effectiveness ratio. Eventually, measurable standards of efficiency⁸ and effectiveness⁹ will become more widely available for assessing a CSO's performance but today

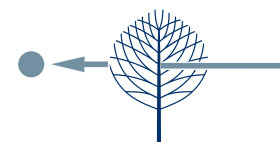
⁸ Efficiency: good results are achieved with the lowest possible inputs.

⁹ Effectiveness: the desired results are achieved.

the database for undertaking this exercise is still patchy. There are no globally agreed standards for measuring marketing, administration or programme costs which makes it difficult to compare CSOs in quantitative terms with each other.

Transparency and accountability are undoubtedly typical civil society values which are upheld by the vast majority of CSOs. Many will challenge governments and business to be more transparent and to show themselves more accountable to their stakeholders. At the same time CSOs struggle with the issues themselves, usually not because they want to hide anything but rather because they shy away from the extra efforts and the extra costs resulting from actively showing more transparency and accountability.

Transparency means that all crucial information about the CSO is easily available. This ranges from its vision, mission and strategy to information about individual projects, from its legal set-up to the people who hold key positions in the organisation and from professionally audited annual accounts to solidly kept books showing project costs. Transparency needs – and reflects – a culture of openness and it needs structures which ensure that key information is available ‘automatically’. Taken seriously transparency is a challenging concept. It produces an honest picture of the organisation including its weaknesses and mistakes. Starting with the organisation’s leadership this requires the courage to be open both inside the organisation and – to a significant degree – towards the outside world.



Accountability means the CSO's acceptance of its responsibility towards its stakeholders and the general public: the CSO is prepared to be held accountable and the CSO facilitates the process of being held accountable by systematically collecting relevant information and by being transparent about what they do. In June 2006 a group of leading CSOs launched an 'INGO'¹⁰ Accountability Charter' which sets out the framework within which the sector strives for better accountability. The Charter states:

'Our first responsibility is to achieve our stated mission effectively and transparently, consistent with our values. In this, we are accountable to our stakeholders.'

Our stakeholders include:

- *Peoples, including future generations, whose rights we seek to protect and advance;*
- *Ecosystems, which cannot speak for or defend themselves;*
- *Our members and supporters;*
- *Our staff and volunteers;*
- *Organisations and individuals that contribute finance, goods or services;*
- *Partner organisations, both governmental and non-governmental, with whom we work;*
- *Regulatory bodies whose agreement is required for our establishment and operations;*
- *Those whose policies, programmes or behaviour we wish to influence;*
- *The media; and*
- *The general public.'*

¹⁰INGO: International Non-Governmental Organisations

The Charter lays down the principles under which its signatories want to be held accountable. Signatories to the charter are obliged to report annually with reference to these principles. At present, terms of a detailed reporting process are being developed. It is recommended to have a closer look at the Charter and the specific principles. For more information, please see:
<http://www.ingoaccountabilitycharter.org/>

Finance reporting is the most developed instrument of CSOs' accountability. Any respectable organisation should be able to present their annual accounts. All larger CSOs should have their annual accounts professionally audited by an independent and reputable firm of accountants. CSOs' annual reports usually contain excerpts of the audit. If you plan to make a significant contribution to the organisation it is legitimate for you to ask for a copy of the full audit report. For CSOs working internationally it is useful to check whether only the organisation's headquarters have been audited or the field operations abroad as well. Looking at the exact brief the auditors had and whether they restricted their approval will give you some indication as to whether the organisation is in any trouble. Looking at the reserves may tell you how urgently the organisation needs your support. An adequate level of reserves should be at between six and twelve months' operating costs.

Recommendations

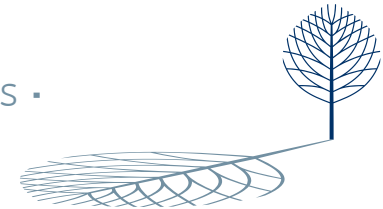
As a basis for your cooperation with a CSO the organisation's approach to transparency is crucial: does the CSO collect, process and disseminate relevant information proactively, systematically and accessibly?

The larger CSOs especially should be able to provide you with adequate information on all principles laid down in the INGO Accountability Charter.

It is advisable to look carefully at the CSO's annual accounts: are last year's accounts available? Have they been properly audited – by reputable accountants? Is a comparison with previous years available – did the organisation grow? Does the organisation have adequate reserves to enable it to function professionally – or very large reserves which might indicate that they have problems in identifying worthwhile projects? How does the current year's budget look? Is it realistic and appropriate?

Overheads

Administration Costs · Marketing Costs · Donor Services · Programme Support



One of the hot issues in the discussion between CSOs and their (potential) supporters is the question of overheads, or, from the perspective of a supporter: ‘How much of my donation goes directly into projects and how much covers administration, marketing and other expenses?’ We will see that the answer to this question is rather complex and the picture hasn’t become any clearer by statements of some CSOs – e.g. during the Tsunami fundraising campaign – which give the impression that 100% of your donation goes into projects. Here are some facts:

Except for some small local charities which are exclusively based on voluntary work, overheads are a significant part of a charity’s budget. You will easily understand why, if you think about supporting a project in Africa with the amount of 100 Euros or Dollars: you can put the money in an envelope and send it at a cost of about 3 Euros or Dollars which leaves you with 97 Euros/Dollars or you do a bank transfer which will probably cost you between 5 and 15 Euros/Dollars and may reduce your net gift to 85 Euros/Dollars. Once you have brought your donation on its way you will start wondering

who will open your letter or withdraw the amount from the bank: an honest person who transforms the cash into successful projects or somebody who throws a party for his friends. And even the honest person may want to recover his costs for the bus trip to the bank. In a more complex form and at a much larger scale these and many other steps are required to turn a donation into a successful project – and these steps unavoidably cost money.

Usually CSOs who use the slogan ‘100 % of your donation goes into projects’ admit that they have overheads but point out that they finance these through other sources (e.g. CSOs with a religious background subsidise overheads through unrestricted contributions from their members; philanthropists who have their own CSO cover overheads from their own funds). When looking at the quality of a CSO it would be unwise to leave overheads out of the assessment: all funds spent on overheads are not available for projects and an organisation which spends 40 % or 50 % of its budget on overheads is not working efficiently, no matter who covers the overheads.

What are a CSO's major overheads? In our little example given above we talked about administration costs. I believe that most of the money which is lost in a CSO's work is not because of fraud, theft, corruption or bad programme decisions – it is lost because the finance administration was not sufficiently qualified to handle the funds. Frequently, CSOs are spending too little on their finance administration rather than too much: salaries are low and do not always attract sufficiently qualified personnel. IT systems are often 'off the shelf' or 'home-made' and not geared towards the specific tasks at hand. Other areas such as human resources administration and development are frequently under-resourced as well. Sometimes CSOs invest too much in quantity rather than in quality, employing too many staff at a low qualification level rather than being prepared to pay higher salaries to a few top performers.

Marketing costs are a crucial component of most CSOs' budgets. As even the most loyal supporters stay with the organisation only for a limited time an active approach to marketing is necessary if the CSO does not want to fade away over a few years time. The last few decades have seen an enormous increase in CSOs' marketing activities and with the growing competition recruiting and keeping donors has become more expensive. There are CSOs who spend very substantial amounts on marketing – and some find ways to conceal the figures (e.g. by spreading the costs between marketing and communications budgets). On the other hand organisations who do not put enough emphasis on marketing or who are unsuccessful in their approach tend to stagnate rather than grow which sooner or later will affect the quality of their programmes.

Donor services sometimes disappear under the heading 'communication'. Keeping donors as long as possible in the organisation is cheaper and in many ways better than recruiting new ones. Therefore CSOs invest increasingly in servicing their donors. At the same time donors have to be aware that any service they request has to be paid for and that the funds which pay for these will usually come from their own donation. A good example for donor services is child sponsorship. The donor is partnered with an individual child who usually lives in a developing country far away. The child needs to be selected, registered, photographed and described in order to offer her or him to potential donors. Once the child sponsorship is underway the donor will receive one or two letters per year from the child. The child will probably have to be reminded to write to the donor and the child's letter may have to be translated from a foreign language. If the donor decides to write back his or her answer may have to be translated etc. Additionally the donor will receive reports on the child's progress in school etc. All these costly services are being provided for the benefit of the donor and occasionally more

than 50 % of his or her donation is being spent serving the donor's own need rather than for the child's. In choosing the way in which you support an organisation and in defining what kind of service you expect from the CSO you have a direct influence on the costs of donor services and thus on the organisation's overheads.

Programme support, such as the cost of staff coordinating or administering programmes, usually disappears under programme costs and how far costs are earmarked as programme-related very much depends on the CSO's individual policy. Today for most organisations the times are over in which large programme departments based in European or North American cities ate up a significant chunk of the programme funds. Meanwhile most programmes are administered decentrally, closer to the projects and in countries with lower salary levels. Looking at the size and location of programme departments and, if possible, comparing these between similar CSOs should provide some indication of the level of costs for programme support.

Implementing projects with no overheads is nearly always a myth and if a CSO gives the impression that this is what they do one should be especially careful in assessing the organisation. Most professional and trustworthy CSOs spend between 65 % and 90 % of their expenses on programmes.

CSOs' endeavour to keep administration costs low increases the risk of insufficient administration of funds. In many cases the question is rather whether the CSO spends enough on administration to ensure that funds are administered professionally than whether the CSO spends too much.

Marketing costs of CSOs are very difficult to assess: the figures given do not necessarily provide the whole picture. (If you want to assess the health of an organisation, sustained growth over a longer period of time – e.g. 5 % – 10 % p.a. over the last five years – is a useful benchmark).

Donor services are the donor's gateway to influencing a CSO's overheads directly: the fewer services you demand the more of your funds can go to projects. In looking for the right balance between your need to know and the CSO's need to limit their overheads the general rule is: the more you pay the more you need to know (and the more the CSO will be willing to provide you with information).

A closer look at programme overheads is recommended:

- are programme overheads shown separately?
- which costs are included under that heading?
- and how large is the northern-based programme department?

Values and Prospects

Vision/Mission · Strategy · Growth · Personnel Development

Looking at the organisation in general terms may tell you a lot about what kind of organisation you are about to partner with. It answers questions like: 'Is the organisation ambitious but realistic in its targets, is it striving for growth, is it systematically learning and improving its performance?'

You might wish to start with looking at the organisation's vision and mission. The vision usually describes the ideals the organisation is striving for. You might ask whether the vision is relevant and ambitious and assess whether you share the vision. The mission usually defines how the organisation wants to approach its vision. Good questions to ask would be: 'Is the mission realistic – a good starting point for the organisation's strategy? Is it attractive and will it be supported by others? Do you share the mission and do you want to walk down that road?'

Looking at the voluntary sector in general you will find a multitude of approaches to the issue of strategy. Some organisations still do not have a strategy¹¹ to speak of. Others have a strategy which has visibly been composed with the intention not to annoy any of their stakeholders: it contains everything anybody could wish for – mostly in very general terms – and it is unlikely that much of it will be implemented. Over the last few years though a growing number of CSOs have gone through professional strategy development processes and produced impressive mid-term (3 to 5 years) strategies. A good CSO strategy should focus the CSO's attention and resources on the very few issues it is able to approach successfully. Too many CSOs still want to do too much and end up doing too little. And the strategy should contain clear and measurable – quality and quantity – goals.

Growth of income is frequently overlooked as a crucial parameter for the assessment of CSOs. CSOs which do not grow at a minimum average of 3% per year probably have a number of problems¹². Firstly there is lack of innovation: As most organisations find it rather difficult to close down existing activities, those with little or no growth do not have the resources for new activities. Secondly there is inflation: as the CSO's costs (rents, energy, salaries etc.) grow year by

¹¹ Strategy: While the organisation's vision describes the world the organisation would like to see and the mission explains what the organisation wants to contribute to achieving this world, the strategy lays down the organisation's concrete plans for the next three to five years. A successful strategy will have moved the organisation forward on its way to fulfil its mission.

¹² Growth of small and/or young organisations: Generally you would expect these to grow at significantly higher rates. But as these organisations are usually not yet firmly established there may be significant fluctuation in income.

year, without growing income less and less money is available for programmes. And, being the ethical entities CSOs are, they usually find it very difficult to lay off personnel. As a result in many stagnating CSOs more and more money is going into administration and less and less into programmes. Thirdly there is decreasing quality of personnel: CSOs which don't grow usually lose the ability to pay competitive salaries and their best performers – who will easily find a new job – are the first to leave. And the lack of ambition and space for innovation in a CSO makes high performers look for more exciting challenges elsewhere. On the other hand an organisation with significant sustained growth usually attracts good staff and good partners. It will probably be hungry for success and accustomed to change. Such an organisation may be a better partner than one which is in urgent need of a wake-up call.

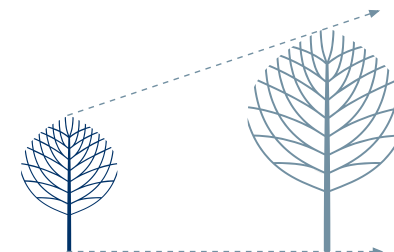
Personnel Development as a systematic approach to improving the quality of an organisation is a very recent addition to some CSOs' toolbox. Most CSOs are still hesitant to spend money on systematically developing their staff. But in the end, the quality of the staff working for a CSO very much defines the quality of the work the organisation delivers. The existence of a personnel development policy indicates the CSO's interest in the quality of its work.

Recommendations

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Working with a dynamic and ambitious organisation is an exciting and energising experience – and it will probably turn the resources you provide into better results.

The three crucial questions to ask are: Does the organisation have a consistent, ambitious and exciting strategy? Did the organisation grow at more than 3% yearly over the last five years? Does the organisation systematically train and develop their staff?



Leadership

CEO / Senior Management · Chair / Board · Ambassadors

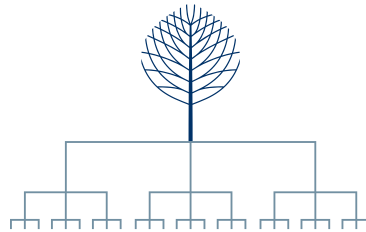
Like business or government, CSOs are highly dependent on the quality of their leadership. Often a highly complex ownership structure and a strong voluntary element together with an aversion against ‘command and control’ structures result in a diffusion of power which requires highly skilled leaders who are at the same time good diplomats. In this setting, outstanding individuals can make a real difference while average leaders may not achieve very much. It is therefore a good idea to take a closer look at the CSO’s leadership as a crucial success factor for the intended cooperation.

Leadership is required both at the governance and the management levels of an organisation. Most CSOs’ governance structures consist of an Assembly¹³ and a Board. The members of the Assembly hold the final responsibility for the organisation. They appoint a Board, made up of Board Members (or Trustees) and a Chair, who define the organisation’s overall strategic direction and supervise the management. The Management is responsible for the implementation of the Board’s strategic decisions. Headed by a Chief Executive Officer (CEO) the Senior Management Team runs the CSO on a day-by-day basis.

Ideally CSO leadership should fulfil three criteria: Firstly there should be consistent governance and management structures which avoid any unnecessary overlap between the strategic and supervisory role of the Board and the executive role of the CEO/ Senior Management. The CSO should always have a simple and straightforward answer to the question: ‘Which of the governing or managing bodies in the CSO is responsible for a specific task?’ Secondly there should be clear rules and procedures securing the quality of the CSO’s governance and management. This includes having a set of rules governing Board meetings, provisions avoiding possible conflicts of interest at Board and Management levels (e.g. people who have personal interests¹⁴ in the CSO should not be on the Board) and position specifications/candidate profiles for all governance and senior management positions. Thirdly the actual leaders of the CSO should fulfil high standards of personal integrity and professional standing.

¹³ The Assembly as an organisation’s highest decision-making body carries many different names: some organisations use Annual General Meeting (AGM), others use Members’ Meeting, others Governing Council etc.

¹⁴ Personal Interests, specifically financial interests can get in the way of a Board’s decision-making; e.g. a supplier of emergency relief material like tents, blankets, etc. who sells these goods to an emergency relief organisation should not be a member of that organisation’s Board.



If you intend to provide support at a significant level, the CEO or a member of the senior management team will probably be your counterpart in implementing your contribution. In some CSOs, usually the smaller or younger ones, the Chair and the Board as a whole may be heavily involved in management tasks. If that is the case the Chair or the Board as a whole might be the right contact for you. To find out whether to approach a CSO at CEO/senior management level or at Chair/Board level you may look at the CSO's website or do enquiries in the sector.

While the CSO's management and Board usually do not play a very public role some CSOs work with so-called ambassadors. These are high-ranking and/or well-known public figures who allow the CSO to use their name for specific, usually PR- and/or advocacy-related activities. Most ambassadors play a merely ceremonial role and the main question you may have to consider is whether you would be happy if your own name as a supporter of the CSO were to be mentioned in the same context as the name of the ambassador.

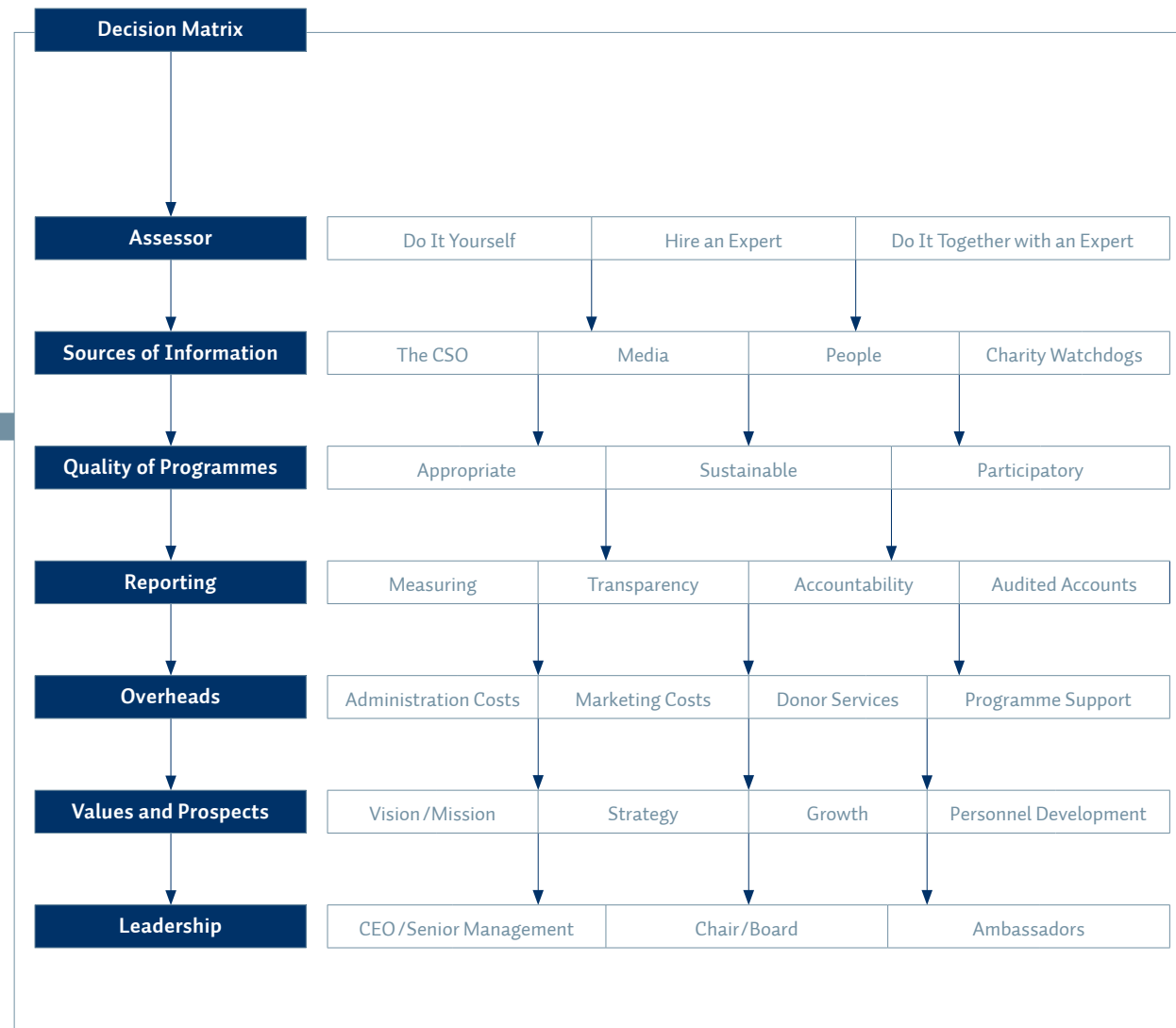
Recommendations

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Looking at existing governance and management structures and provisions as well as assessing the persons in charge is essential in assessing the quality of the CSO.

If you intend to provide support at a significant level (e.g. 5% or more of the CSO's annual budget or 1 million Euros/Dollars or more) to a CSO it is advisable to take the time to meet the CSO's leadership before taking the final decision.

Make sure that you talk to the people at the right level: who in the CSO takes the key decisions and who will you work with in implementing your support?



Decision Matrix

Dr. Burkhard Gnärig **Executive Director** **Berlin Civil Society Center**

Dr. Burkhard Gnärig is Executive Director of the Berlin Civil Society Center. As head of the Center he provides management, governance and strategy support to large international charities. Burkhard is Chair of Save the Children Germany, an organisation he helped create in 2004.

For over 23 years Burkhard has been working in senior positions in children's charities and development organisations, for the last 15 years as CEO of Save the Children, Greenpeace and Terre des Hommes. He has led both Terre des Hommes and Save the Children through a redefinition of purpose, reorganisation and significant growth.

