EUROPEAN ASSOCIATION FOR PHILANTHROPY & GIVING EAPG

ACROSS CAUSES
ACROSS SECTORS
ACROSS BORDERS

Demand for Effectiveness

Round Table discussion notes

25th May 2010

The demand for effectiveness

The desire to show that a philanthropist's gift or a non-profit's work is effective is vital for pushing the sector and everyone in it toward better performance and accountability. The pressure for effectiveness goes in many different directions. What role can and do intermediaries play in helping philanthropists assess performance and effectiveness?

The discussion panel comprised

Nick Roseveare, Chief Executive, Bond, and Panel Chair

Richard Child, Director, Paradigm Norton and EAPG Trustee

Michael O'Donnell, Head of Programme Support and Impact at Plan International

James Plunkett, Director, Social Investment Group

Caroline Underwood, Director of Philanthropy and Partnerships, Save the Children

The panel was asked to consider the following:

- Philanthropy is changing, particularly for those engaged in international development. Donors are becoming more strategic in their approach to funding and looking for organisations demonstrating innovative approaches and robust strategies. They are also becoming more actively engaged in their investments (money, time and expertise), and are setting specific targets. With this increased engagement comes their need to assess impact.
- How are intermediaries engaging in this area?
- What are the challenges intermediaries encounter in helping their clients assess impact and effectiveness?
- How can these challenges be addressed and resolved?

Nick Rosevear

Opened the discussion by briefly describing how Bond, the membership network for international non-government organisations, had identified that there was a need for the international development sector to improve the quality of how they described and demonstrated the effectiveness of their work to donors and others.

Richard Child spoke from the position of the intermediary (Financial Planner/IFA/Wealth Manager)

This is a regulated industry, therefore, when making any Investment recommendation a regulated intermediary has to explain "why" to their client. For a traditional investment discussion with clients we need to know:

- Overall situation of client
- Their life goals
- Attitude to investment risk
- Degree of interest in various sectors, eg: ethical/SRI
- Tax position – client and investment
- Costs/charges
- Fund manager track record
- Strategy of the fund – what is it aiming to achieve?

Mindset

An intermediary whose professional advice to their client is regulated has to approach the advice giving process with a “regulated” mindset. It goes without saying, then, that advice concerning what we might call a “charity product” may be approached with a similar degree of scrutiny.

What part does the intermediary play in the advice giving process?

We have an exhaustive approach to understanding a client’s investment risk, we also have developed a questionnaire which helps that client to define their giving passions and interests. However, before every charity decides to approach us to see if they can be included on our “best advice list,” I have to explain that we don’t have one. We see our role as one of:

- Alerting them (the client) to the concept of giving;
- Helping them to understand their own potential to give (amounts/frequency/method); and
- Taking them as far through the process as they wish us to, but not necessarily directly to a charity. We do not have expertise in choosing and evaluating charities.

What is our guidance to clients in helping them to assess impact and effectiveness?

Not surprisingly, the list of criteria we view important for our clients to consider about charitable investment is the almost the same as for a traditional investment:

Overall situation of client	Does the charity seem to “fit” with the client?
Their life goals	Is there a connection between what the client is aiming to achieve in life and their philanthropic leanings?
Attitude to investment risk	Is the client prepared to take a risk on a new venture or do they wish to play safe with something more established?

Degree of interest in various sectors	If they wish to invest abroad, for example, are they prepared for perhaps a greater degree of volatility and a lower degree of certainty?
Tax position – client and investment	
Costs/charges	What are the costs and charges as a proportion of annual revenue?
Fund manager track record	Who is managing the project/running the organisation and what do we know of their track record?
Strategy of the fund– what is it aiming to achieve?	Does the project have a history of declaring its aims and then delivering them? (May need to refer to earlier projects with same organisation)
Reporting mechanisms	How does the organisation relate to its donors?

The challenges which need to be addressed and resolved by charities are:

- Clear reporting focussing on outcomes.
- Accessible financial statements (pie charts!!)
- Regular communication with donors (if plans have altered donors need to know)
- Relationship – it is vital to make donors feel a part of the operation
- Involvement. We invite clients to events, to help them to feel special and to foster loyalty. Charities should consider doing likewise.

Michael O'Donnell, Head of Programme Support & Impact, Plan UK

Michael prepared the following brief speech:

Thank you for inviting me to talk on an issue that I personally find fascinating, and which goes right to the heart of what the development sector is about.

I should start by briefly explaining a little about Plan International for those of you who don't know our work so well. Plan is a community development organization focused on children, established during the Spanish civil war. We have programmes in 48 country offices in Asia, Africa and Latin America, who are managed centrally from our international headquarters, based in Woking, and we have 18 national offices – such as the UK office where I work – based mainly in the global north who work on fundraising, advocacy, campaigns and technical support.

We work on a long-term basis in communities, responding to the priorities that they themselves identify, which means that we work across quite a wide range of sectors. Over the last 10 years, we have shifted from primarily a service-delivery model (building classrooms or drilling wells, for example) to a more rights-based approach. A typical Plan project nowadays might be something like our community scorecards work in Malawi and Bolivia, where we facilitate a process of communities reviewing budgets, scoring the quality of services provided in the local clinic or school, and then presenting their concerns and engaging with the service provider or district administration to address identified shortcomings.

Plan's largest source of funding is voluntary income raised mainly through child sponsorship, which supports work in whole communities rather than with individual children. In the UK sponsorship accounts for about 60% of our funding, though grants account for a rapidly growing share of our income.

WHAT IS PLAN TRYING TO ACHIEVE?

So what is Plan trying to achieve and how do we measure it? We're one of those charities that someone like New Philanthropy Capital would describe as "complex", as we work on a wide range of issues rather than being very specialized.

At a global level within the Plan family, last year we agreed a new programme framework outlining in broad terms what we do under 8 thematic areas. Within those areas, what we're ultimately trying to achieve are changes that create the potential for the rights of children and youth to be respected, protected and fulfilled, as opposed to directly fulfilling those rights ourselves. Those changes are what we call the outcomes of our work, while the fulfillment of children's rights are the impacts. We don't try to measure our impacts directly, as we think there are just too many other influences on those for us to reliably attribute impacts to our work, but we do keep an eye of national data sources for things like poverty, maternal mortality or completion of basic education to ensure that things are going in the right direction.

The focus on outcomes is a pragmatic balance between what is really within our sphere of influence, and what is meaningful to measure in terms of describing the effectiveness of our approach to work.

In the past, when we were more service delivery-oriented, Plan focused on measuring quantifiable outputs, and we did that quite systematically. So this allowed us to report, for example, that in 2006 Plan trained 82,321 community health workers and traditional birth attendants worldwide.

As useful as it is to know that, it doesn't tell us what difference that has made to children's lives. And we found focusing on things we could count was skewing the work: too many of our programmes were doing the classic thing of aiming for the targets without keeping the purpose in mind. So we found in some places that water points would be constructed for example, but there hadn't been enough consultation with women and children about where best to locate them, and not enough effort was put into working out how the maintenance would be done, so many water points ended up not being used or falling into disrepair. This is a well-known flaw with such targets, and as much as I'm an ardent supporter of increasing aid effectiveness, I do worry that the current push from some donors towards counting and adding up progress on specific targets across the world won't approach this in a smart enough way to avoid such common problems.

PLAN'S APPROACH TO EFFECTIVENESS

Now we have a new Programme Effectiveness Framework, which classifies the range of outcomes of our interventions into different dimensions according to different actors who we work with. So we work with children, communities, civil society and government, and for each of those we talk about different dimensions of change that we think we can influence, such as knowledge, awareness or capacity, and – for governments – things like changes in legislation, policy and accountability.

This will give us some common indicators that can be quantified and aggregated in a more meaningful way, but that won't capture the whole story. Actually our focus is less on that and much more about understanding how changes take place. So we place a strong emphasis on describing the theory of change or the logic model behind interventions, and basing our monitoring on testing those theories.

Let me give you an example. We have a programme of work around ensuring that children and young people are included in decision-making processes in the delivery of things like healthcare and education. The theory is that we believe that such involvement is not only a right and benefit in and of itself, but that young people have something different and valuable to contribute to decision-making, and that if decision-makers listen to them and have the will and capacity to act on their inputs, it can improve the quality of service delivery. So our intervention has to address any weak parts in that chain, and our M&E has to focus on whether all those things happened in practice, and if not, why not, and could the intervention be changed in future to correct that.

So for us, effectiveness is not simply a question of "does this intervention work", but rather how does this intervention have an effect on different people in different places at different times and why.

To answer that, Plan invests a lot in monitoring and evaluation. We have an enormous number of individual project evaluations – 588 documents in our database as of this afternoon, to be precise. And to make those more digestible and usable, we also do periodic thematic evaluations on issues such as primary education or child survival, summarising results and lessons across projects, but mainly in a qualitative way.

We're also constantly experimenting with other ways of getting at our effectiveness. For example, we're increasingly trying out value-for-money exercises. We have done these at a large scale for our recent universal birth registration work and for our water and sanitation work. Both of these studies showed large variations in costs across countries, and understanding these differences has helped us refine policy in those areas.

We also have possibly the world's largest longitudinal database of information on children, covering 1.5 million of our sponsored children. This has previously only been used to keep supporters aware of changes in their sponsored children's lives, but we're now looking into how it can be used to give further information on what we have achieved.

WHAT ARE THE CHALLENGES IN ASSESSING IMPACT?

So a key question today is what are the challenges in assessing impact. I think the biggest challenge is actually ensuring that results are used and that lessons are learned from, but I'll fly through some of the technical challenges in assessing impact in the first place nonetheless.

There are genuine difficulties in this related to capacity, resources and technical complexity.

To give you a quick taste of the challenges, let's say you had a programme of teacher training to improve the quality of education in an area. So your desired impact might be improved test scores for children. To understand the impact of your contribution, you need to compare the schools you supported with schools that you didn't support. But those other schools must not have received support from anyone else that could have affected education quality, and they must not have had any very different baseline characteristics from your intervention schools which might also have made their quality very different from your intervention schools, such as better classroom and teaching materials, better management practices or more funds, or students from better off families who had greater opportunities earlier in life.

And you need to ensure that you sample enough schools and children to ensure that your results are representative, and really you'd want to be able to see if there were different results for boys and girls, maybe of different ages and wealth groups or ethnicities. To do all of that we need money, and most importantly the staff with the rights skills, and then we need the time for all other staff to learn and reflect on the results.

You can do that sort of M&E in a very robust way, and increasingly people like the World Bank, MIT's Poverty Action Lab and 3ie1 are doing the sorts of randomized controlled trials

[1] The International Initiative on Impact Evaluation

that are considered the gold standard in this area. But the Bank spends $150-300k on each one of these, and they are incredibly technically complex, so not suited to your average NGO project.

Alternatively, you can do more qualitative work, talking to those involved and getting feedback from the children and communities involved in the project, backed up with perhaps less comprehensive quantitative data. This information is less generalisable and comparable across contexts, and won't get quoted by many of the most respected journals such as The Lancet, but it is more feasible with the resources available and no less useful. Whichever way you choose, it's not easy, but those are all challenges that can be overcome where there's the will to do so.

And it is that willingness and the incentives to monitor, evaluate, learn and improve performance which are, to my mind, the more interesting and tricky challenges.

If the way to get ahead as a development organization and as an individual within a development organization is not by proving that you do quality work that impacts on people, and if your organisational culture does not adequately value and celebrate effectiveness, then we face a serious uphill challenge in improving our effectiveness as a sector.

There are three levels to this. First, donors have a huge responsibility to reward success and learning, and not to continue funding for work that does not demonstrate success or which looks set to replicate mistakes made by others. I think donors are doing better on this front in general, but the rhetoric on this is still far ahead of practice. Along with this, of course, donors must adequately fund research and M&E. One interesting paradox I have personally observed in moving last year from an organization that was more dependent on grant income, to Plan with our heavy reliance on sponsorship income, is that the unrestricted nature of sponsorship money gives Plan much more flexibility to spend on M&E, research and innovation, but there is less demand from our supporters to prove our effectiveness in robust ways (they relate better to personal stories, for example). Grant funding on the other hand requires us to compete more with other agencies on the basis of quality, yet grants typically give us less money for M&E and learning. I personally think that it is the exposure to competition that has had the greatest effect on raising our game – so if we could get both competition and adequate resources for learning, standards should be even higher.

The second aspect of incentives is that much more needs to be done to ensure that it matters to an organization if the community on whose behalf it works is not happy with their performance. In other words, more downward accountability. Plan has taken some good measures like some country offices publicly publishing their annual budgets and spending reports in communities and there has been good progress with things like the HAP-International accountability standard. But overall, there still isn't enough comeback if we don't do a good job. It could be argued that donors would do better at encouraging effectiveness by demanding that we demonstrate more responsiveness to communities than to donors.

Thirdly, within our own organizations we need to reward effectiveness. That means Boards, CEOs and managers asking as much about what we have achieved with our money as how much money we have brought in. That could mean well-designed, formal key performance indicators for effectiveness, but also softer things like ensuring that leaders celebrate good evaluations as much as celebrating that new million pound grant that was just secured, or asking how projects are progressing in terms of monitoring results as much as asking if they are on budget or on time.

That side of the story won't suddenly solve everything, but it's amazing how much additional energy, effort and resources can be put into addressing other challenges when the right incentives and culture are in place.

CONCLUSION

I'll conclude by saying that my belief is that effectiveness is actually less about your current monitoring and evaluation system and more about learning from the past and from others, and ensuring that such learning is reflected in new project design. Yes, you need to monitor to ensure your work is on track, but you will massively increase your chances of success if you know what has worked before and why, and what hasn't worked, and if your donors and managers incentivize you and support you to spend the time necessary to do that learning.

James Plunket, Director Social Investments Group

Described how they looked at the whole value chain (James' presentation is attached at the end of this document).

James described a move from transactional relationship between donor, intermediary and charity to relational.

Caroline Underwood, Director of Philanthropy and Partnerships for Save the Children UK

Caroline began by sharing the following three points:

- All charities are constantly seeking improvement
- Some of the work is about advocacy – which can be difficult for donors to understand, particularly if seeking long-term sustainable change.
- When a donor asks "which part of the programme have I supported" this is sometimes difficult to answer particularly if the funds are used to leverage/release other money, we need to articulate this so they can understand the value.

Caroline then outlined the challenges charities faced:

- We, charities, tend to make measuring effectiveness and more complicated that it really is. Therefore we need to simplify some of our messages, use less jargon and illustrate them more clearly
- We need to understand donor motivations: different donors want different things
- Some large individual donations are, by comparison with a major funder such as government for example, quite small and the level of service a charity can offer needs to be carefully managed. Therefore, if an individual donor desired quarterly reports then we need to know.

Caroline concluded with the following thoughts:

- There will be more intermediaries between charities and donors. Today, 50% of private donations in the USA come through private advisors. Therefore, it is essential that we, charities, speak the same language AND keep it simple.
- Risk appetite. Some donors have a high appetite for risk – therefore target approaches according to risk profile by identifying programmes, activities or core activities that might will appeal to different risk profiles.
- Stewardship. Donors like to be thanked. Charities must improve on saying thank you, on involving donors and keeping in touch.
- Measurement and effectiveness: keep it simple, keep it relevant, and keep it focussed.

Key Points from the discussion:

1. Vocabulary. It was agreed that there is a need to communicate to philanthropists in clear, understandable terms, and when describing their effectiveness to become more transparent, to use simple and clear language, and to take the lead from advisors if required. It was emphasised that charities must avoid SPIN and marketing speak. Charities are good on the BIG messages, for example £5 buys a mosquito net, but they tend to be much weaker when describing the next level. Why? Possibly because of the complex nature of the work and of the message. Therefore, it is important to remember the long-term impact of a donor's investment.

2. It was also pointed out that in any project it is possible to find and communicate individual success stories even if they are not representative of the overall impact of the project. Addressing problems of development in sustainable ways (and not just quick band-aids), is complex, and robustly monitoring the effectiveness of that is also complex. It is important that philanthropists and their intermediaries have an understanding of that and are supportive of agencies in carrying out the sort of M&E and learning that is necessary for effectiveness, and not to go too far to the other extreme and incentivize simplicity in action and in communications at the expense of real effectiveness on the ground.

3. Intermediaries do undertake due diligence. They will look into areas such as good leadership, financial and sound management programme and other activities; how the charity reports to donors and on what; and stewardship. Risk profile of the donor and the organisation.

4. Philanthropy – is a growing trend, need to involve and listen to donors.

5. Charities need to tell the stories: beneficiaries and donor stories.

6. More communication is required between charities and donors.

7. Remember, it is shared vision, mission and dream, and NOT just about money.

How client advisors can fulfill the philanthropic objectives of donors and beneficiaries

How client advisors can fulfill the philanthropic objectives of donors and beneficiaries

The Social Investment Group

The Social Investment Group

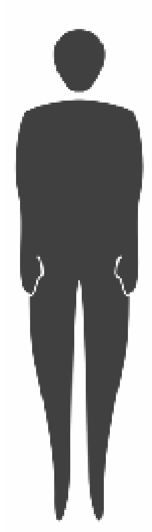
Independent philanthropy advisors

Independent philanthropy advisors

Advisors

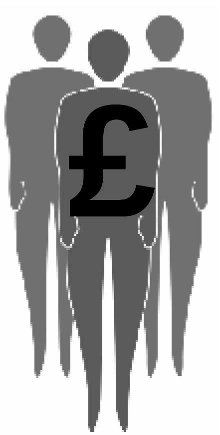
the social investment group

Key relationships with intermediaries



Benefactors

- Private Philanthropists
- Corporate donors
- Foundations



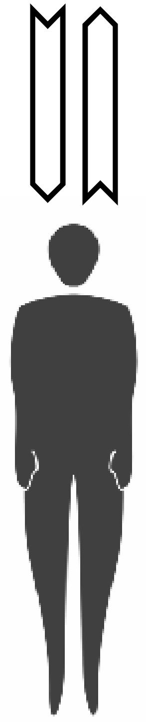
Beneficiaries

- Charities
- NGOs
- Social Enterprises

Client Advisors

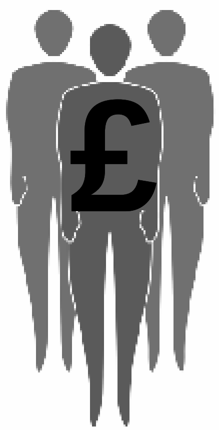
- Accountants
- Banks
- Family Offices
- Lawyers
- Wealth Managers

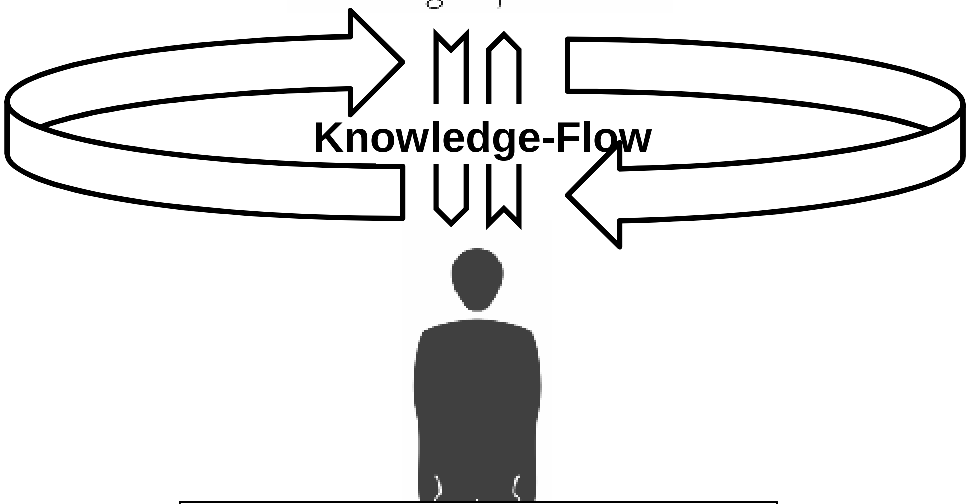
the social investment group

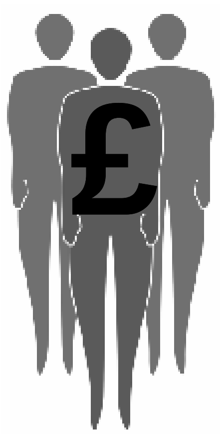


Services for intermediaries

- Providing market data and analysis
- Training and education forums for private client advisors
- Developing marketing campaigns to private and corporate clients
- Promoting philanthropy services
- Running client engagement events – seminars, breakfast / tea meetings
- Supporting Continual Professional Development







Benefits for client advisors

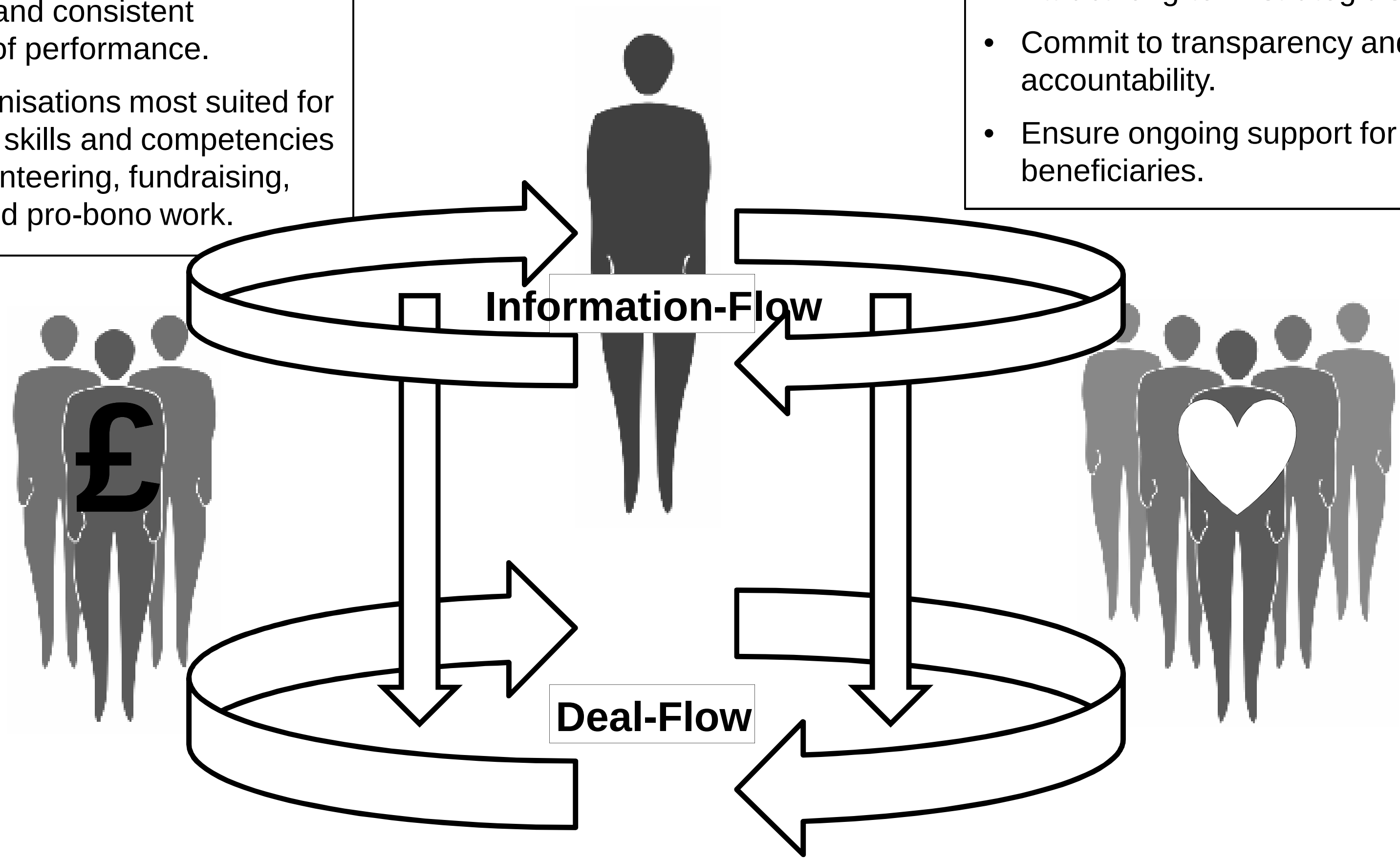
- Added value to client relationships
    - *Transactional to relational*
- Deeper relationship with clients (and their families).
- Open conversations about broad lifestyle issues.
- Create new revenue streams.
- Increase client referrals.
- Employee engagement.
- Support brand values and ethics.

Benefits for donors

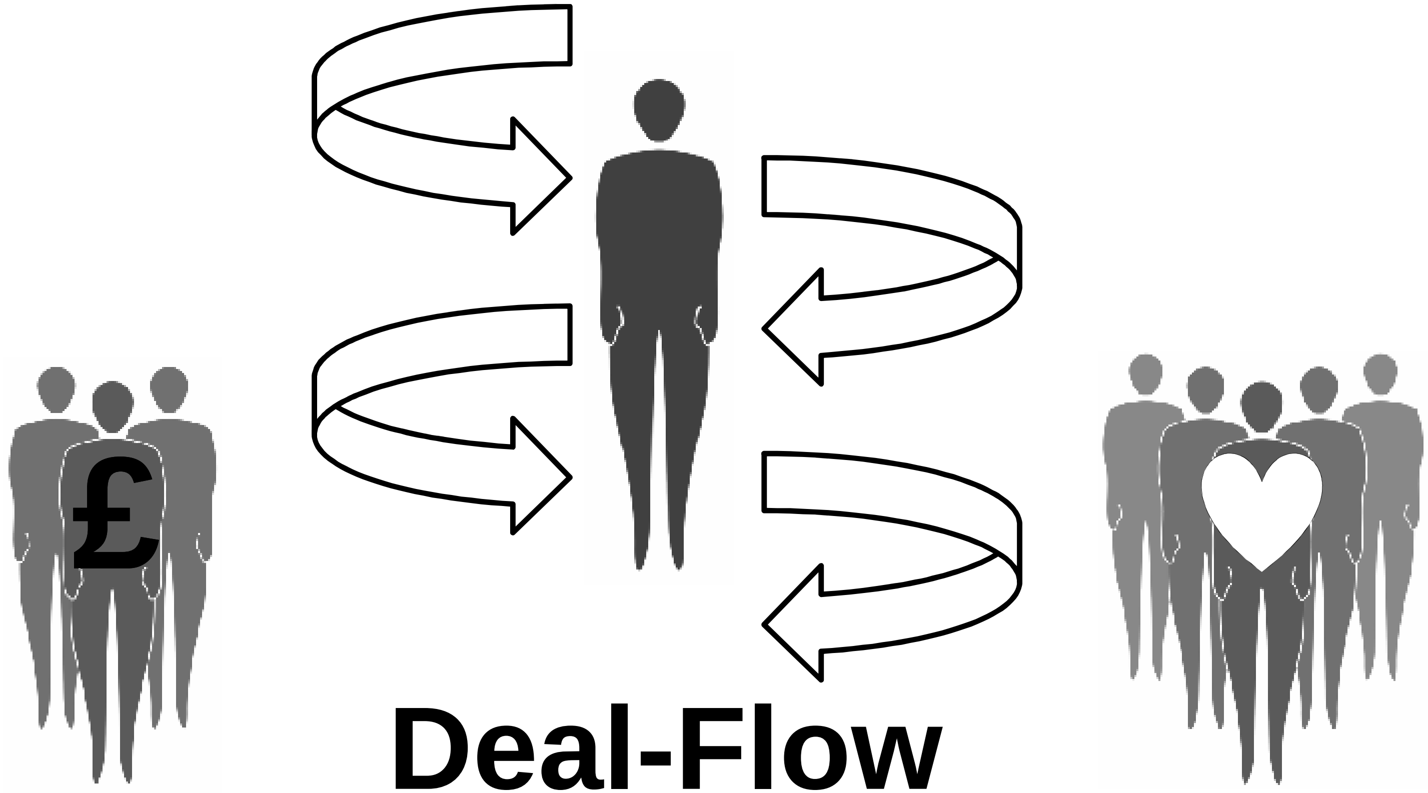
- Benchmark and monitor existing Philanthropic and Corporate Social Investments.
- Select charities and identify social “partners” with shared goals, where investments have significant impact.
- Access up-to-date statistics with transparent and consistent disclosures of performance.
- Identify organisations most suited for donations of skills and competencies such as volunteering, fundraising, advocacy and pro-bono work.

Benefits for charities

- Compare to others and peers.
- Offer best value to donors and investors.
- Find and work with informed and committed partners with shared values and priorities.
- Attract long-term strategic support.
- Commit to transparency and accountability.
- Ensure ongoing support for net beneficiaries.



Knowledge
&
Information



Deal-Flow

Benefits for everyone