

# THE GRANTMAKING GUIDE



**NEXT GENERATION**

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# THE GRANTMAKING GUIDE

REANA ROSSOUW

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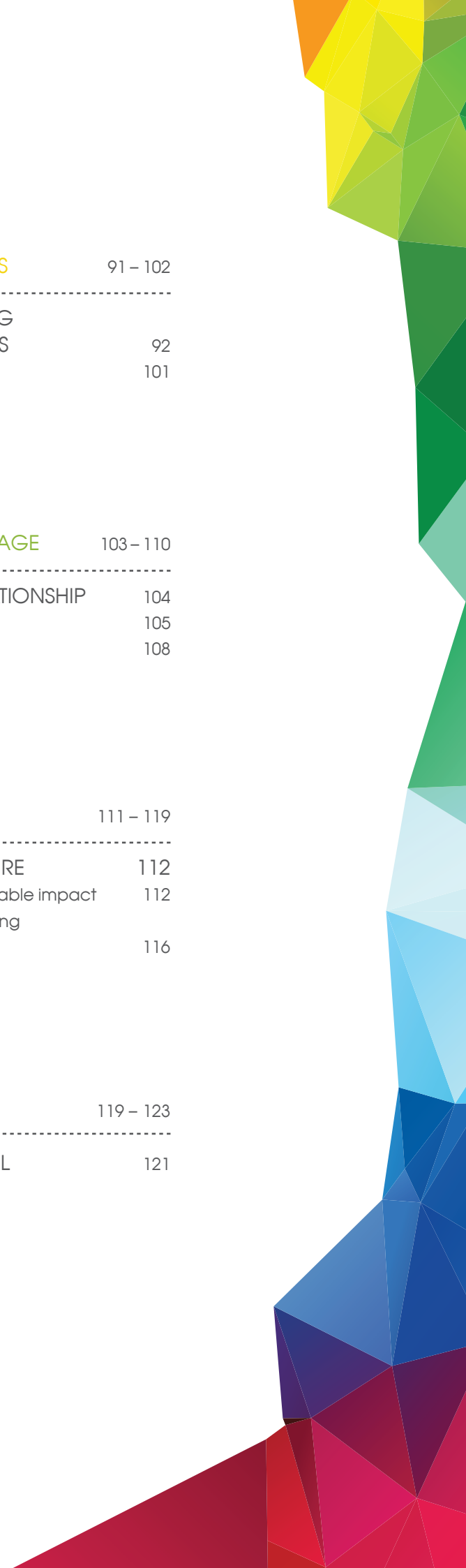
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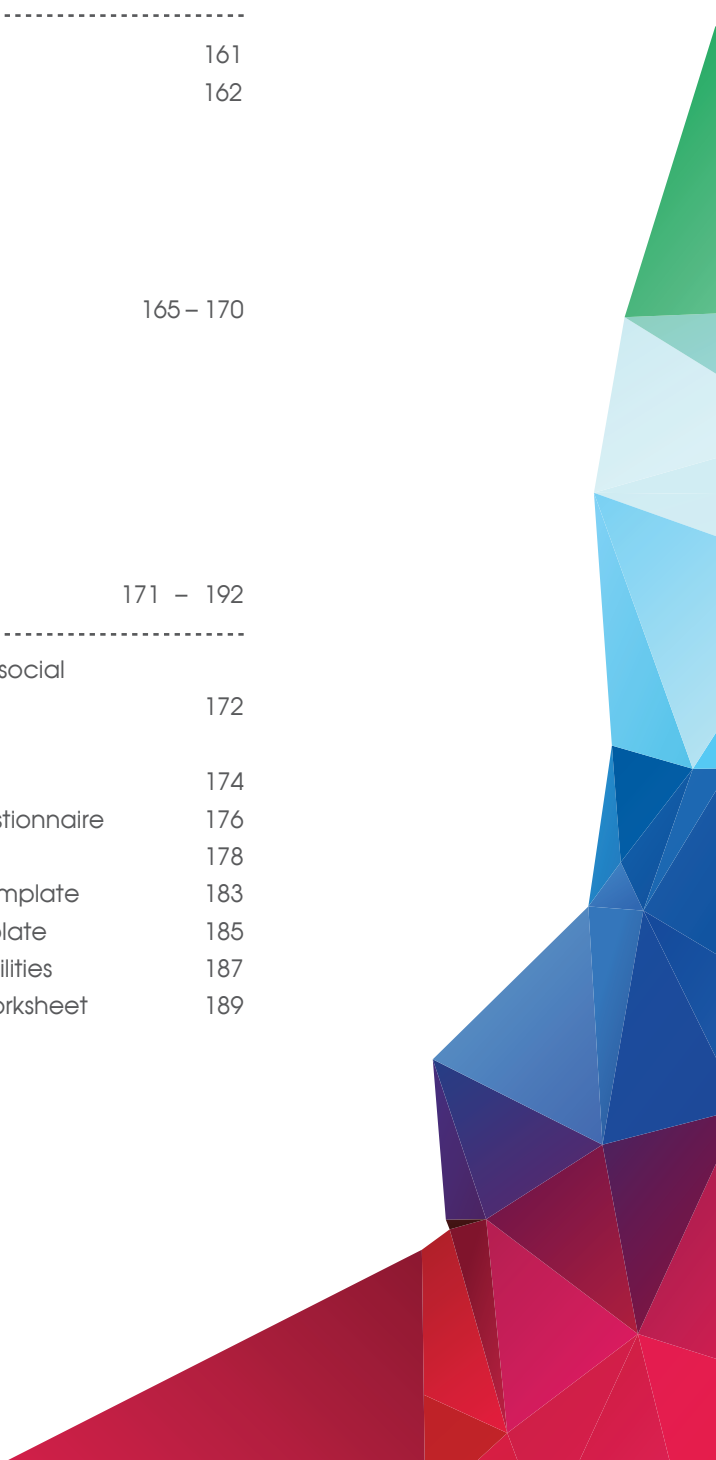
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She has worked in several industry sectors, including donor, philanthropy and corporate grantmaking, information and communication technology, mining, agriculture, manufacturing, retail and media, among others. Her experience in these sectors is the basis of her expertise in creating and implementing strategies and brands for innovation, growth and sustainability.

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### REANA HAS BEEN ACKNOWLEDGED FOR HER CONTRIBUTIONS BY THE INDUSTRY, BUSINESS PARTNERS AND PEERS:



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# THE COMPANY

Next Generation Consultants is a management consulting firm that specialises in various aspects of social innovation to address the most pressing economic, social and environmental challenges in addition to the success of the business, the environment or the communities involved.

The company offers advisory and consulting services, research and development services, impact and return on impact assessments and capacity development and training. Based in Johannesburg, South Africa, Next Generation works across Africa utilising innovative solutions to contribute to the future sustainability of the continent, its enterprises and its people.

Next Generation consists of independent industry specialists and subject experts. Teams are dynamically put together to ensure that clients' requirements are met with insight, relevant experience, global understanding and industry knowledge. The company's experience is with multinational, public and private entities, as well as small, medium and family-based businesses in the

for-profit and not-for-profit sectors. Next Generation has proved its ability to work seamlessly in complex, multidimensional environments to deliver innovative services and solutions.

In the field of measuring impact and return on investment of development programmes and interventions, Next Generation has done groundbreaking work. The Investment Impact Index™ is widely recognised as pioneer work in the community development, socio-economic development and humanitarian aid sectors in Africa.

Striving to contribute to Africa's continuous economic transformation, the company aims to improve the competitiveness, growth and sustainability of all companies in an economically, environmentally and socially responsible way. It is committed to transform business into successful, profitable, sustainable and responsible enterprises that deliver shared value. The company upholds the same standards, frameworks, guidelines and codes of conduct for ethics, compliance, transparency and fairness as its clients.

NEXT GENERATION IS AN ACTIVE MEMBER OF THE FOLLOWING ORGANISATIONS:



Africa Market Research Association (AMRA)

Southern African Market Research Association (SAMRA)

South African Monitoring and Evaluation Association (SAMEA)

Institute of Directors (IOD)

“ NEXT GENERATION HAS PROVED ITS ABILITY TO WORK SEAMLESSLY IN COMPLEX, MULTIDIMENSIONAL ENVIRONMENTS TO DELIVER INNOVATIVE SERVICES AND SOLUTIONS. ”

THE COMPANY IS PROUD AND HUMBLED BY THE RECOGNITION OF ITS PERFORMANCE OVER THE LAST FEW YEARS:



Nominated for 2017 South African Business Awards by Global Media.



Nominated for the Global Women Leadership Achievement Awards (India) in 2016



Nominated by Impumelelo magazine as a leader in the African Transformation and Empowerment Awards (2015)



Nominated for the Best South African Company SMME Awards – African Growth Institute (2007-2015)



Nominated for the Most Empowered South African Companies – Topco (2014 and 2015)

The awards and recognition Next Generation has received are indicative of the consultancy's success and serve as an inspiration to think bigger, reach higher and be bolder in service of clients.

Next Generation's deep understanding of the continent, its people and social conditions has led to the development of uniquely African business models, strategies, stakeholder engagement and human rights management approaches.



## SERVICES



### Advisory and consulting

- Social innovation strategies
- Circular economy strategies
- Shared value strategies
- Social capital strategies
- Social enterprise and entrepreneurship strategies
- Social and impact investment strategies
- Human rights and stakeholder management strategies

### Research and development services

- Industry research
- Reviews, opinions, sector comparative research and benchmarking
- Baseline studies and due diligence
- Socio-economic and perception surveys
- Social impact, opportunity and management assessments
- Performance measurement and management services

### Impact and return on investment assessments

### Capacity development and training

- Tailored, onsite solutions
- Annual master class events

01



SECTION ONE  
INTRODUCTION



## ABOUT THIS GUIDE

This guide for development practitioners focuses **on the practice of grantmaking for corporate and business funders, as well as social investors**. It has been developed based on Next Generation's work over 20 years.

Development practitioners are aware of the need to improve the performance of current and future programmes through planning and implementing their interventions better.

There is also increased pressure on development organisations to demonstrate the impact of their activities by implementing effective monitoring and evaluation (M&E).

The purpose of this guide is to strengthen the practice of grantmaking, aimed at social investment practitioners.

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The publication of this guide is based on extensive consulting assignments for numerous clients in Africa.

This guide is an output of an initiative aimed at building the practice, knowledge and capacity for grantmaking across the development sector.

## CONSULTANTS' NOTE

Companies globally engage in community investment and development efforts to promote local development and benefit stakeholders in their operational areas.

For the private sector, community investment and development – subsets of the greater corporate sustainability and responsibility (CSR) agenda – are linked to competitiveness and to creating an environment conducive to inclusive investment and development.

In a country like South Africa, where social and political risks and expectations are high, benefits that are channelled effectively through community investment programmes can help companies to:

- gain a social licence to operate
- access land and resources
- reduce reputational risks
- boost productivity
- meet legislative requirements or global compliance standards
- successfully compete in the economy

Good practice in this area continues to evolve. Companies are moving away from philanthropic donations and ad hoc practices to more sophisticated and strategic ways of planning and delivering their community investment programmes. There is greater emphasis on the business case – on viewing community investment and development through a lens of risk and opportunity and on creating shared or blended value by aligning business goals and competencies with the development priorities of community stakeholders.

Other trends in the development sector include a focus on:

- building social capital
- local/community ownership and asset-building
- deep and meaningful stakeholder engagement
- collaborative programme design, implementation, management and evaluation
- communicating results and outcomes of interventions to all affected stakeholders
- optimising the business value derived from community investment and development

The diagram overleaf indicates how the practices of community investment and development developed.

“

COMPANIES ARE MOVING AWAY FROM PHILANTHROPIC DONATIONS AND AD HOC PRACTICES TO MORE SOPHISTICATED AND STRATEGIC WAYS OF PLANNING AND DELIVERING THEIR COMMUNITY INVESTMENT PROGRAMMES.

”

## INTRODUCTION

### FIRST WAVE: PHILANTHROPIC

Discretionary spending with a peripheral focus.

Corporate social investment (CSI) is predominantly corporate donations (cash and gifts).

Management of corporate giving is ad hoc, once-off and at the whims of company owners.

There are no formal structures and community involvement is low.

Corporate-community interaction is passive.

### SECOND WAVE: TRANSACTIONAL

New governance (i) – alignment with core business.

Business partnerships are in line with the social policy of government, involving charities, community organisations and other businesses.

CSI is strategic and linked to commercial initiatives, e.g. cause-related marketing, sponsorships and employee involvement.

Management of CSI is becoming professional and more structured.

CSI is designed to produce specific outcomes like enhanced company image or brand awareness, motivated by enlightened self-interest.

Community involvement is moderate.

Corporate-community interaction reflects a transactional relationship.

### THIRD WAVE: INTEGRATED

New governance (ii) – integrated with strategy.

Alignment of and between business partnerships, strategies and external stakeholder demands.

CSI includes various development and investment models to ensure sustainable development links with business strategies.

CSI is professionally managed, reflecting well-organised, cross-functional links with other business functions and units.

CSI is a tool for building a company's competitive advantage, simultaneously showing community value (social capital).

Measurement and reporting are imperative to business success.

Community involvement is high.

Corporate-community relationship is interactive.

## WHAT IS STRATEGIC COMMUNITY INVESTMENT?

We define strategic community investment as: *"Voluntary contributions or actions by companies to help communities address their own development priorities and needs, and take advantage of opportunities created by private investment in ways that are sustainable and support business objectives."*

The term "investment" implies an expectation of a return on investment and signals that company support for community development should be viewed like any other business capital investment.

While a company's biggest contribution is its positive economic impact through normal business activities – e.g. employment creation, manufacturing, selling, exporting products and services, and paying taxes and royalties – voluntary community investment programmes offer an important additional avenue for enhancing positive business impacts as well as delivering socio-economic benefits.

Through strategic community investment, companies can contribute even more by supporting the national development priorities of the country through:

- capacity-building
- increasing access to social services and infrastructure
- supporting sustainable livelihoods development
- transferring skills
- microfinancing

These value-adds often happen in contexts where poverty levels are high and where business and communities compete for the use of land and natural resources.

Community investment goes hand in hand with a company's stakeholder engagement efforts. Experience shows that upfront investments in relationship-building with local communities and other development partners can pay significant dividends during times of conflict or crisis.

## A NEW ERA IN CSI AND SED

Corporate social investment and development are part of a new and broader domain of corporate behaviour, brought about by external compliance developments that place it in a context of governance, empowerment, transformation, ethics and business sustainability. There is growing acknowledgement that it is no longer adequate for business to focus purely on short to medium-term profitability. While profitability remains the platform on which businesses stand, it will be weakened if growth is not accompanied by transformation, empowerment and inclusivity. Business is compelled to generate sustainable profits, while addressing the interests and expectations of a wider spectrum of stakeholders.

Business needs to look closely at its sphere of influence in order to address the negative impacts of its operations on society and the environment and to build win-win relationships with all stakeholders. Business is currently measured according to its impact on a triple bottom line, i.e. economic, environmental and social aspects. But more importantly, it is expected to report publicly and transparently on its impact and material risks in respect to the triple bottom line, typically through sustainability and integrated reports.

In this context, CSI provides an opportunity to create, support and enhance the social capital

that companies require to compete successfully in a complex and competitive environment.

### BEING A GOOD CORPORATE CITIZEN

In South Africa, the corporate spotlight is also turning to social, environmental and broader economic issues beyond the traditional financial bottom line. Companies are increasingly being called upon to respond – either voluntary or through enacted legislation – to a range of non-traditional business imperatives and responsibilities. This trend has significance in the socio-economic development context and terms such as corporate sustainability and responsibility (CSR), community relations (CR), corporate social investment (CSI), local economic development (LED), socio-economic development (SED) and enterprise supplier development (ESD) describe various aspects of business's broader role in society.

Although these terms have entered the corporate lexicon, they are often misunderstood and incorrectly applied. We will define the three primary frameworks that are relevant for South African businesses in socio-economic and community relations, investment and development contexts and describe how they differ and where they overlap.

## INTRODUCTION

### CORPORATE SUSTAINABILITY AND RESPONSIBILITY (CSR) – AN OVERARCHING VALUE-BASED FRAMEWORK

Corporate sustainability and responsibility, or corporate citizenship, refers to the growing recognition that businesses have considerable responsibilities to society beyond those to their shareholders and investors – typically extending to their employees, customers, communities, governments and future generations. In this sense, CSR is also viewed as the corporate contribution to a society's sustainable development goals.

This requires companies to adopt value-based systems and management practices that address the changing expectations of broader society, in addition to their own competitive interests. Among others, this must include:

- a focus on improving the quality of life of employees and their families
- respecting internationally accepted human rights and standards
- addressing the fundamental rights of customers
- showing concern for local communities and society at large
- taking steps to reduce their environmental footprint and to repair their impact on the natural environment

In South Africa, it must also extend to the seven facets of the transformation agenda covered in the DTI's BEE scorecard, including BEE ownership and management, employment equity, skills development, preferential procurement, enterprise and supplier development and socio-economic development (which includes social and community investment).

The terms CSI and CSR are often confused in South Africa, and incorrectly used interchangeably. Many people mistakenly conflate the two, understanding CSR narrowly as being a company's CSI activities

and contributions. CSI is however one small, albeit influential, element of the broader CSR context. In the same way, companies' socio-economic development and enterprise development obligations are small subsets of their broader CSR agenda.

### CORPORATE SOCIAL INVESTMENT (CSI) – A VOLUNTARY SOCIAL GIVING ACTIVITY

Corporate social investment comprises voluntary activities through which companies make financial and non-cash contributions, beyond their business operations (i.e. outside the corporate walls), to communities, organisations and individuals (beneficiaries) for socio-economic development and welfare. CSI has a strong developmental theme and is largely focused on empowering and improving the lives of under-privileged and/or previously disadvantaged individuals and communities. CSI excludes corporate activities undertaken with the direct or immediate aim of advancing profits or brand equity.

Though small in comparison to government expenditure on social aspects, the private sector's CSI contributions totalled more than R8 billion in 2016. While South African companies voluntarily select the projects and development sectors they wish to support, they often align their social spending with government priorities. Typically, companies chose to align their social investment strategies and portfolios with the national development plan, while companies operating globally align their community investment portfolios with the sustainable development goals.

In South Africa, CSI has become an integral part of the business agenda. This is reflected in CSI's evolution over the past decade from ad hoc philanthropic gestures to strategic business considerations (as indicated in the diagram on page 14). Through its de facto inclusion in the BEE scorecard (via the socio-economic development element), CSI is formally recognised as a valuable part of the business sector's contribution to broad-based transformation and empowerment.

CSI programmes do not operate in isolation of other CSR considerations. Although CSI is a specialist development function with an external focus beyond the boundaries of the business, it should underpin core business objectives and goals and is often aligned with core business competencies. CSI can also support the organisation's other transformation activities by providing much-needed developmental expertise, for instance to preferential procurement, skills development and enterprise/supplier development activities.

#### SOCIO-ECONOMIC DEVELOPMENT (SED) – A DISCRETIONARY TRANSFORMATION FRAMEWORK

The Broad-Based Black Economic Empowerment (BBBEE) Act and scorecards, gazetted in 2007, define socio-economic development as "... monetary or non-monetary contributions actually initiated or implemented in favour of beneficiaries ... with the specific objective of facilitating sustainable access to the economy for those beneficiaries". This is in contrast to earlier drafts in which Code 700 was known as the "residual" element and specifically referred to CSI.

Socio-economic development (SED) emphasises developmental initiatives that equip disenfranchised

or excluded individuals with the skills and/or resources to play an active role in the economy. CSI has a broader ambit, covering these activities as well as the spectrum of welfare-based initiatives. SED (as defined in Code 700) and CSI are therefore not synonymous, but overlap considerably.

The eligibility of companies' welfare-based contributions is an area of ongoing debate and concern. Whereas the notion of economic inclusion may seem at odds with welfare-based forms of CSI, much lies in the interpretation of what constitutes "facilitating sustainable access to the economy". The codes and associated interpretive guide are silent on a number of significant issues, but examples of Code 700 suggest that government will apply the definition of economic inclusion more broadly.

It seems that companies and BEE verifiers will need to make informed interpretations about which CSI expenditure is likely to qualify for the SED element of the scorecard. Code 700 carries a 5% weighting for which companies can qualify if their SED contributions are at least 1% of their net profit after tax. Of critical importance is the principle of "line of sight" to black beneficiaries, as rating agencies will be required to verify that 75% of beneficiaries are black.

## GOVERNANCE AND COMPLIANCE PERSPECTIVE FOR CSI

In South Africa, community investment and development have also moved from a voluntary corporate activity to a much more compliance-driven one. This move was because of numerous statutory developments, some of which are explained below.

A key driver in South Africa to shift CSI from the periphery of business into the boardroom is the increasingly powerful spotlight that exposes corporate behaviour via a host of local and international initiatives. Pressure is placed on corporate entities in the form of levies, industry charters and non-financial reporting requirements. Some of these initiatives include:

- **King IV on corporate governance (2016):** This report is South Africa's code of conduct about corporate governance issues that require companies to produce an integrated report that explains their journey towards greater sustainability, while focusing on managing risks and minimising impact related to the triple bottom line (i.e. economic, environmental and social impacts). Of importance to practitioners in the CSI industry is the fact that particular attention is paid in the integrated report to a business's value creation strategy as it relates to the six capitals (economic, social, environmental, manufactured, intellectual and human). As such, practitioners have to indicate how their social development efforts contributed to the social and relationship capital of a company.

- **Global Reporting Initiative (GRI):** The GRI is an international body that aims to standardise triple bottom line reporting globally, across social, environmental, economic, governance and ethical dimensions. The framework is underpinned by 10 reporting principles, as well as indicators (to report progress against) and specific sector supplements that focus on reporting elements of a specific industry, e.g. financial services. For CSI practitioners, the GRI guidelines provide specific indicators of what must be reported on as far as a company's social investment, development and impact are concerned. In their sustainability report, guided by the GRI guidelines, companies should also provide detail as it pertains to their strategy and management approach to social and community investment and development, including monitoring, evaluation, impact assessments and governance over social and community investment and development programmes.
- **AA1000 AS and AE:** The AA standards are international voluntary codes that provide guidance on the stakeholder engagement process as well as the stakeholder engagement assurance process, focusing on specific principles, i.e. materiality, inclusiveness and responsiveness. CSI practitioners are advised to use this stakeholder standard in their engagement with their community stakeholders and to report on the outcome of their engagement processes in their sustainability and integrated reports.
- **JSE-SRI Index:** This is a socially responsible investment index on the JSE, comprising companies that don't conform to and report on a range of governance, ethical, social, environmental and economic sustainability issues. Company reports (e.g. sustainability and integrated reports) are required to provide specific company data on economic, environmental, social and governance issues, and progress and performance against specific targets.
- **The Broad-Based Black Economic Empowerment (BBBEE) Act:** This legislation makes provision for a BBBEE scorecard by which companies' transformational progress will be measured, based on a range of relevant activities. This scorecard typically measures and reports on the socio-economic development (SED) as well as enterprise and supplier development (ESD) activities of an empowered company, but also includes aspects such as procurement, skills development, management contribution and ownership control.
- **Companies Act:** The Companies Act of 2008 was updated in response to specific requirements as they relate to King III. For CSI practitioners, it signifies and highlights important governance issues, specifically to manage, monitor and report on CSI spend, impact and engagement with relevant stakeholders. In relation and response to King III, the act requires the formation of a social and ethics committee that oversees the role, function, mandate, execution and implementation of specific strategies that relate and pertain to CSI.
- **Industry charters:** In line with the Code of Good Practice on BBBEE, many industry sectors have committed to additional transformational processes. Since 2002, several industry charters, including the Financial Services Charter, have come into effect, setting varying social spending targets as a license-to-operate requirement.

## GETTING IT RIGHT

After conducting numerous impact assessments for various grantmakers, Next Generation Consultants understands that there are clear reasons why grantmakers experience low community impact and low business return on investment of their community investment/development programmes.

The following are some of our observations and we would appreciate hearing from other practitioners to grow a body of knowledge and ultimately eradicate poverty on our continent – feel free to communicate and contribute.

### WHY DOES SOCIAL/COMMUNITY INVESTMENT FAIL?

#### **Limited understanding of an often complex local**

**context:** Companies sometimes embark on social investment initiatives without fully understanding the socio-cultural context or how their presence and actions can affect the complex dynamics among local community stakeholder groups. This has led to a range of unintended consequences, including the exacerbation of tension or creation of conflict among communities.

#### **Insufficient participation and ownership by local**

**stakeholders:** Delivery of social/community projects without sufficient involvement of local communities and local government in decision-making around development priorities has resulted in projects with low relevance to and ownership by local stakeholders (and therefore low impact).

#### **A perception of “giving” rather than “investment” (including lack of clear objectives):**

The tendency to view social investment as charity, rather than as an investment linked to business and operational objectives, has resulted in vague mandates and a lack of direction and purpose for socio-economic development strategies and programmes.

**Detachment from the business:** Social investment programmes have tended to be planned and implemented in isolation from business activities and other day-to-day actions that affect all company stakeholders. This has limited social investment’s effectiveness in helping the company address key social risks and opportunities at the site level or to take advantage of business efficiencies and competencies in support of local communities, in effect contributing to a low return on investment.

#### **Responding to local requests in an ad hoc manner:**

Ad hoc approaches are typically opportunistic and focus on short-term outputs rather than catalysing long-term change. In many cases, the risk is that all these disparate contributions to local causes do not add up to anything that either the company or host communities or even government can point to as a tangible or lasting socio-economic development benefit.

#### **Lack of professionalism and business rigor:**

Few social investment programmes are held to the same standards that companies apply to other business investments (in terms of professional rigor, a clear business rationale, planning and budgeting processes and accountability for results). This often reflects the low priority given to social investment by senior management when there is no perceived link or added value to the company’s bottom line.

**Insufficient focus on sustainability:** It is only in recent years that the sustainability of social investment activities supported by companies has become a key factor in project selection and design. In the past, short-term objectives took priority over longer-term considerations and sustainable development principles. Outcomes and criteria were not given much emphasis.

#### **Provision of free goods and services:**

While well-intended, the consequences of providing free goods and services, or infrastructure and money for that matter, have not proven to be in the interests of either the company or local stakeholders. The lack of requirements for matching contributions (whether financial or in-kind) have

## INTRODUCTION

made it difficult to generate shared ownership or financial sustainability, and have instead fostered dependency.

**No exit or handover strategy:** Commencing activities without planning in advance for the company's eventual withdrawal has rendered many company-supported programmes unsustainable and created difficulties for the company around its "social licence to exit" in times of financial cutbacks or project end.

**Overemphasis on infrastructure and under-emphasis on skills/capacity-building:** Traditionally, social investment programmes have been dominated by company-led bricks-and-mortar projects (particularly in the mining industry), with a significant lack of investment in participatory processes such as skills building and organisational development necessary to effect and maintain long-term change.

**Lack of transparency and clear criteria:** Unclear criteria have led to numerous cases of conflict among communities over who gets what and why. When

transparent criteria are lacking, company practice in distributing benefits may be perceived as secretive, unpredictable and susceptible to manipulation.

**Failure to measure and communicate results:** In many cases, the effectiveness of social investment programmes is unknown because they have not been systematically tracked or measured the way most other business activities or expenditures would be. Common shortcomings include the lack of proper baseline/impact data (i.e. social impact studies) and a focus on measuring the volume of spend (inputs) or outputs (number of beneficiaries) rather than the quality of the outcomes.

It is important that grantmakers and funders understand that good monitoring, evaluation and impact assessment processes will assist with more effective grantmaking. Programme design, outcomes and impacts are directly linked to management aspects – considering better management practices can therefore increase programme effectiveness and lay the foundation for more effective grantmaking.

## CSI AND RISK MANAGEMENT

*SPENDING MONEY IS EASY. SPENDING LIMITED RESOURCES EFFECTIVELY AND EFFICIENTLY IS EXTRAORDINARILY DIFFICULT; DOING SO IN WAYS THAT PLEASE EVERYONE IS IMPOSSIBLE AS LONG AS DEMAND FOR MONEY EXCEEDS SUPPLY.*

Grantmakers are subject to a range of contradictory demands. For example, they are expected:

- to innovate without risking failure
- to ensure that funding decisions are sound and to make investments with the minimum bureaucracy, speedily, with easy access for small local groups, and at minimum cost
- to avoid duplicating funding or to only fund already well-supported causes
- to fund causes that command widespread support from the general public



These expectations give rise to two major challenges:

**How to design grantmaking processes** in ways that provide a basis for sound and fair decisions, minimise risks of failure and fraud and still retain the grantmakers' commitment to other principles such as innovation, openness, transparency, accountability and accessibility to small and marginalised groups with little or no track record.

**How to increase public, political and media understanding** of what grantmaking can and cannot achieve, the inherent risks and the dilemmas and trade-offs involved.

Meeting these challenges is the basis for a more informed debate about efficient and effective grantmaking, and appropriate performance measures for different types of grantmakers and grants, with different goals.

The purpose of grantmaking organisations is to spend money in pursuit of the objectives they attempt to fulfil by working through independent intermediaries. This is an inherently risky process for a number of reasons:

- Grantmakers cannot inspect the quality of the finished product before the decision to purchase or fund.
- Grantmakers do not have in-depth, specialised market or development knowledge. The idea that they may obtain all the knowledge they need via the demands and applications of intermediaries overlooks the fact that grant applicants come to beg, not to buy. In many cases, grant applicants do not perfectly reflect the needs of end users, i.e. beneficiaries.
- Grantmakers work through (often hundreds or thousands of) grantees and intermediaries with whom they have typically had little previous contact and about whom they have little direct knowledge.
- Grantmakers typically set out to fund new and untried services and suffer from the "liability of newness".
- Grantmakers need "unbiased" knowledge of intermediaries who have an interest in presenting only the information which they choose to present and which is most supportive of their application.
- In seeking knowledge about intermediaries and their proposals, in pursuit of making the best use of their resources in achieving their mission, grantmakers are hindered by the lack of an established body of knowledge about the factors associated with success and with what works.
- Grantmakers depend on intermediaries over whom they typically have little, if any, direct oversight or control other than via the terms of the grant. At the same time, despite or perhaps because of their financial independence, the aim of grant recipients is often to maintain maximum autonomy and flexibility, keeping the strings attached to the grant as loose as possible.
- Grantmakers are expected to overcome these risks with low costs, bureaucracy and overheads.

## INTRODUCTION

Grantmakers can attempt to reduce some of these inherent potential risks, but in doing so they are likely to reduce some of the advantages and benefits of grantmaking.

Grantmaking organisations derive their power not so much from their resources, but from their resource independence. Unlike statutory organisations, grantmaking organisations are not constrained by considerations of government or public approval.

Until very recently, grantmakers and donors made grants with little consideration of efficiency and effectiveness, requiring low levels of accountability from intermediaries. Although this approach had a number of disadvantages, it also enabled grantmakers to:

- fund groups and causes that do not command voter or popular support
- experiment and innovate without fear of failure
- give grants unrelated to performance measurement considerations or criteria
- adopt a hands-off approach to the way in which intermediaries work
- spread grants widely and often thinly
- determine the size and duration of the grant
- according to the rules and needs of the donor (e.g. formal and informal guidelines concerning the maximum size and length of the grant) rather than what might be required to achieve an outcome
- support a wide range of new, small organisations that would be unlikely to comply with requirements for, say, receiving public money
- give grants with minimum bureaucracy prior to and after grantmaking
- minimise overhead costs

These characteristics provided the basis of how donors saw their role and others' expectations of them. Grantmakers and others saw the "good donor" as one that took risks, did not interfere in intermediaries' management and kept bureaucracy and overheads to a minimum.

“

GRANTMAKING  
ORGANISATIONS DERIVE  
THEIR POWER NOT SO MUCH  
FROM THEIR RESOURCES,  
BUT FROM THEIR RESOURCE  
INDEPENDENCE.

”

DEALING WITH RISK

Funders adopt different approaches to handle risk, proactive as well as reactive.

TYPES OF RISK

All funders face various types of grantmaking risks:

<b>person risk</b>	backing the individual maverick innovator
<b>personnel risk</b>	putting staff or volunteers in danger
<b>organisational risk</b>	poor management by the intermediary, threatening efficiency and effectiveness
<b>political risk</b>	challenging the established order; getting too close to lobbying; risk of media disapproval
<b>environmental risk</b>	factors in the external environment that might cause the project to fail
<b>means-end or innovation risk</b>	lack of proven or any theory of the relationship between means and end
<b>procedural risk</b>	failing to follow agreed or expected procedures in grantmaking
<b>funding risk</b>	grants that are too small and/or apply to a period that is too short to be effective, or grants that are too big for the organisation to handle
<b>reputational risk</b>	grants that for any of the reasons above threaten the grantmaker’s reputation

The significance of each type of risk will vary among grantmakers depending on a number of factors, including their legal and organisational status, values, goals, organisational culture and approach to grantmaking.

GOALS, VALUES AND ORGANISATIONAL CULTURES

Goals and values will have a profound effect on what is considered to carry negative rather than positive risk. For example, some grantmakers may value their reputation for accessibility and low bureaucracy, while others may value their reputation for taking political risks, challenging the established order.

Organisational culture will also have an effect on perceptions of positive and negative risk. In many ways, risk-taking is built into the culture of grantmakers in that they may describe themselves as

such. It is however often unclear what types of risk they see themselves as taking.

Between organisations, and within any one organisation, staff and trustees may have different cultures of risk in terms of the type as well as level of risk they are prepared to take. They may all agree that they are risk-takers, but mean different things.

Starting with the list above, it may be useful for staff and trustees to identify what they mean by risk-taking, and then consider the level of risk they consider appropriate for each type.

Grantmakers also need to consider how their views on risk-taking fit with other organisational values. For example, is it possible to be a learning organisation without taking risks? Is it possible to be innovative without taking risks? Is it possible to be accessible without taking risks? Are there some organisational goals and values that discourage risk-taking?

For example, how does an emphasis on achieving pre-specified outcomes, targets, performance measurement and accountability fit different types of risk-taking?

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### SKILLS AND OTHER RESOURCES

The grantmaker's skills and other resources will affect what types of risk it assumes, e.g. does the organisation have the time, resources, knowledge, networks and tolerance of overhead costs to manage a large programme of small grants effectively?

### IDENTIFYING RISKS AND TOLERANCE

Each type of risk and ways of dealing with it carries different potential for harm and benefit.

The organisation's first step in dealing with risk is to identify:

the risks it is taking, and what type they are

the risks it is prepared to take, and what type they are

which risks it can reduce without losing other benefits or increasing other harms

The types of risk grantmakers are most vulnerable to, which they care most about and which they can tolerate will vary. Responding to all risks as though they have the same probability, level of impact and involve the same potential for harm and benefit is a recipe for a system paralysed by its own procedures.

### MAKING CHOICES

The discussion above has suggested that:



grantmaking is by its very nature a risky business



risk is ever-present and has the potential for benefit as well as harm



risks take different forms and their nature depends on where you stand and what your goals are



dealing with one type of risk may reduce other benefits and increase other harms

Grantmaking involves choosing between goals and ways of reaching them, between values and principles and between the expectations of different stakeholders. To a greater or lesser degree, depending on their type, grantmakers face a range of strategic, operational and relationship choices.

## STRATEGIC CHOICES INCLUDE:

- focusing on the alleviation of symptoms versus understanding their causes
- focusing on short-term quick wins versus longer-term change
- maintaining independence of government versus working with government to achieve lasting change and greater leverage, or subsidising state activities
- allowing donor control where this is not compatible with responding to the greatest need and/or making the most effective use of money
- remaining true to the funder's formal and informal intentions versus responding to change and innovation
- balancing professionalisation of giving with space for out-of-the-box thinking
- balancing responsible stewardship of funds with real risk-taking and innovation
- maximising income versus remaining true to principles and mission
- maximising income for grantmaking versus spending on infrastructure and organisational capacity to increase effectiveness

## OPERATIONAL CHOICES INCLUDE:

- balancing the pressure to make grants quickly with the time needed to ensure well-planned applications, sound selection processes and effective grants
- funding those with reputation and proven track record versus funding the new and untried
- funding those known to the grantmaker versus equal chances for all applicants
- regular monitoring of grant recipients versus allowing flexibility of grant recipients to respond to changing circumstances
- funding only those with the capacity for sustainability versus taking chances on change
- responding to open applications versus proactively choosing priorities
- responding to demands and needs versus staying close to priorities set and principles chosen
- giving a small number of large grants for maximum impact versus a larger number of small grants for maximum spread
- giving longer-term grants (tying up resources) versus retaining flexibility via shorter-term grants funding core costs versus funding project costs with an obvious time limit

The important point is that all grantmaking is a matter of making choices and trade-offs: You cannot have it all ways, and each way carries positive as well as negative risks.

“

GRANTMAKING INVOLVES CHOOSING BETWEEN GOALS AND WAYS OF REACHING THEM, BETWEEN VALUES AND PRINCIPLES AND BETWEEN THE EXPECTATIONS OF DIFFERENT STAKEHOLDERS.

”

### WHAT'S NEW?

Corporate social investment (CSI) is business involvement in and commitment to social initiatives to meet the needs of the communities in which they operate. It provides a way for companies to demonstrate a commitment to acting responsibly and making a positive contribution to society. Beyond this, companies also recognise that supporting local communities is good for business.

CSI is more than making financial contributions to charities. It is also about companies giving local people or charitable organisations access to:

- equipment or infrastructure (e.g. computers and meeting spaces)
- human resources (e.g. time, skills and knowledge)
- business capacity (e.g. marketing and customer reach)

### WHAT'S NEW IN THE CSI REALM?

As successive governments have increasingly leveraged the support of charities and businesses to address social, environmental and economic problems, multi-partner initiatives are characteristic of a more networked model of governance.

As businesses grow, stakeholders increasingly demand higher standards of corporate behaviour. Accepting that they should respond to these demands has led companies to develop sustainability programmes. These programmes refer to the social, environmental and ethical responsibility and accountability of companies for their impact, including the impact on the communities in which they operate. CSI is increasingly seen as part of a broader sustainability strategy and is often managed from corporate sustainability departments. In this way, CSI is becoming part of core business activities rather than fulfilling a marginalised philanthropic function.

#### CSI TODAY

This new form of sustainable CSI is manifested in:

- a rise in company societal investment
- an increase in company foundations
- a growth in forums and working groups, as well as specialised partnerships for CSI
- multiplying CSI initiatives
- longer-term CSI relationships
- management and governance systems for CSI
- an increase in CSI measurement and reporting

## WHAT IS DRIVING CSI?

Developments in CSI reflect external drivers as well as company-level motivations. The external drivers are government, civil society and markets.

- Government has reshaped the CSI environment with policy guidelines and fiscal incentives for community giving. Government departments have encouraged businesses to report on their ethical performance and have also entered into partnerships with businesses in specific policy areas, e.g. the Department of Education and Business's Joint Education Trust.
- Civil society organisations such as the Bench Marks Foundation, Amnesty International and Right to Know scrutinise company behaviour and also work in partnership with businesses and business associations.
- Similarly, the media increasingly covers not only stories of corporate misconduct but also how businesses are seeking to manage and account for their responsibilities.
- Market pressures have shaped corporate practice as suppliers, customers, consumers, employees and investors increasingly build expectations of socially responsible business practice into their judgements about any individual company.

As a result, CSI in a particular company increasingly reflects that company's stakeholder relationships. For highly visible companies (e.g. retail, banking, energy and mining), reputation, legitimacy and community goodwill are vital drivers. For those in sectors perceived as hazardous, risk minimisation is a driver.

## COMPANY-LEVEL MOTIVATIONS FOR CSI

Despite sector differences, four broad company-level motivations for CSI can be distinguished: Compliance, the new moral marketplace, competitive advantage and comparative advantage.

### COMPLIANCE

Businesses increasingly need to comply with government's tacit or mandated expectations of CSI and broad-based black economic empowerment. Companies are seeing government as a potential partner or customer as well as a regulator, providing more reasons for business to consider government as a CSI stakeholder.

### NEW MORAL MARKETPLACE

The communication revolution of the internet allows information about company activities to be gathered and disseminated almost instantaneously, creating a potential risk for businesses. Should a company fall below socially acceptable standards of performance, its stakeholders will know about it. In this new moral marketplace, these stakeholders – employees, consumers and investors – may then bring moral considerations to their decisions to work, buy and invest.

### COMPETITIVE ADVANTAGE

Through CSI activities, companies perceive that they can boost the intangible assets of reputation and trustworthiness, and gain a competitive advantage.

### COMPARATIVE ADVANTAGE

Companies also judge that CSI can contribute to a comparative advantage, as community investment initiatives can enhance their own capabilities and competencies, such as employee performance or business innovation. When a company invests in the community, it also invests in itself.

These external drivers and company-level motivations overlap. It is clear that companies believe there is a win-win in aligning community investment initiatives with their business strategies.

## CSI MODELS

The range of CSI models companies employ has expanded in recent years. By using a wide range of models, companies seek to attract more interest, increase employee participation and ultimately make a bigger difference to their beneficiaries.

- Most leading companies engage in long-term relationships with charities and other partners. For example, Transnet is an active government partner in primary healthcare. For the past 15 years, it has taken healthcare services in partnership with major pharmaceutical companies and universities to rural areas and has facilitated access to medical services and products to more than 20 million people across South Africa.
- Employee volunteering schemes are becoming increasingly popular, as they deepen the relationship with the community for individual employees as well as the company. Employee volunteering is sometimes combined with a corporate giving policy.
- Decentralising the implementation of CSI encourages employees to participate because they are able to influence the choice of beneficiary and are motivated to make a difference in the community where they live.
- Community-driven development is another emerging model. Companies build capacity in local charities so that they can become more self-reliant and better equipped to lead community development work and to collaborate in multi-stakeholder partnerships.

The range of CSI models companies now use reflects an effort to create CSI programmes that engage all their stakeholders.

## CAUSES AND ISSUES COMPANIES SUPPORT IN THEIR CSI INITIATIVES

In general, companies seem to support a relatively narrow set of causes and issues that have not really changed over time. However, as CSI has matured, companies have brought a focus to their activities that reflect their core business. For example, education has long been a CSI issue, but Woolworths's focus on education aims to increase understanding of food and nutrition, while South32 Aluminium's goal is to increase environmental awareness.

Flagship CSI initiatives in most cases involve long-term partnerships with multiple charities, as well as alignment with key business focus. They are also distinguished by the relatively high level of resources committed by the companies and by their tangible outputs.

Similarly, charities try to partner with companies that can bring an appropriate capacity, brand or market orientation, such as the Johnson & Johnson and Avril Elizabeth Home partnership. Business partnerships include companies that:

- have international impacts
- operate in relevant sectors (e.g. health and hygiene)
- can bring positive brand value
- have a powerful promotional capacity

CSI initiatives increasingly involve multiple partners and are linked to wider government agendas, reinforcing CSI's role in new governance. To satisfy the interests of the different stakeholders involved, these partnerships increasingly address clusters of issues, such as the Pick and Pay Goodness Campaign or the Woolworths Good Business Journey strategy that addresses the combined issues of the environment, local communities and customer health.

## BENEFITS OF CSI

CSI offers a range of benefits for companies, charities and public sector organisations, employees and communities.

- For companies, CSI provides a tangible way to demonstrate that they are responding to societal expectations. This can further positive stakeholder relationships and renew their licence to operate.
- CSI can also contribute to improving the brand, supporting marketing efforts and helping to increase sales and market share. Product innovations, better relationships with suppliers and improved employee morale and skills are all benefits claimed for CSI.
- For charitable and public sector organisations, the benefits include finance, in-kind support and skills and knowledge. Working with companies can also enhance a charity's reputation in the corporate sector, perhaps leading to other fruitful partnerships.
- Employees benefit from CSI when it allows them to contribute to their community and to develop their skills and competencies. It can complement their out-of-work interests and enable them to meet some of their own values and citizenship aspirations.

Communities benefit from CSI initiatives in a number of ways:

- improvements in community environments, infrastructure and facilities
- enhanced social cohesion and spirit of cooperation
- stronger civil society institutions, through capacity-building in the non-profit sector

## CSI CHALLENGES FOR COMPANIES

The challenge for companies specifically is to not only understand the benefits of CSI, but to be able to communicate them effectively to gain buy-in at senior management level.

CSI is seen as an investment and is therefore increasingly professionally managed, often in the form of a community relations function, which can be based in a CSI department or operate through a company foundation. This more established status in companies means that there is sometimes board-level representation for CSI. Organising CSI in a company foundation institutionalises it, but at the possible risk of reducing alignment with company strategy.

In some cases, CSI has acquired an intra-firm consultancy status and is therefore built into a wider range of company activities. These can be through the marketing, finance or human resource departments.

As stakeholders demand more information on company performance, CSI has become the subject of more measurement, benchmarking and evaluation. Companies often combine internal measurement tools designed around their own performance indicators with third party tools such as the Investment Impact Index™ (developed by Next Generation Consultants). This helps companies to report their own performance and benchmark it against others to identify their effectiveness.

Intermediary partners are also expected to assess the impact of CSI. In the past, intermediaries would simply take the company cheque, but those days are gone. Now they are expected to be able to quantify the impact of a company's support, though being able to do so is still not commonplace.

CSI is increasingly embedded in company reporting, with different communication vehicles used for different stakeholder groups. As a result, company websites will cover CSI for a general audience. Key stakeholders such as opinion formers will receive a sustainability report that will cover

## INTRODUCTION

CSI, while it may be addressed in the integrated report for shareholders. Management reports on CSI will be produced for employees.

Multiple networks are further institutionalising CSI. These networks consist of large companies, their employees, SMEs, business associations and national and local charities and CSI broker organisations. Resources move through these networks, including finance, in-kind donations, information and volunteers. There is a two-way flow of resources: Charities provide information about communities to companies, while donations and support move in the opposite direction. Despite the competitive aspects of CSI partnership building, the sector is collaborative in nature and resources are often shared.

## STRATEGIC CSI DEVELOPMENTS

In large companies, CSI has shifted from the margins of business practice and governance. This reflects a combination of company responsiveness to new drivers from government, civil society and markets for business responsibility, and new evaluations of the relevance of CSI for business strategies.

A culture of corporate community giving has taken root and community investment is at the heart of many sustainability strategies. At the same time, CSI has been encouraged as a facet of new societal governance that encourages multi-sector partnerships in which the key actors – business, charities and governments – bring their distinctive values and competencies to partnerships to address community issues for mutual benefit.

CSI initiatives that best integrate the market and the social objectives tend to reflect strategic rather than discretionary modes.

To maximise CSI effectiveness, companies need to treat it with the seriousness that they would address other core business activities. Leading companies integrate CSI internally through the improved professionalism of their management and governance, often by according CSI (or CSR) an organisational identity and a cross-company role.

The expansion of CSI, along with the growth of sustainability, has brought companies further into the sphere of governance. Leading companies reflect their awareness of this by introducing systems of internal democracy (e.g. employees evaluating and selecting community partners) and participating in wider social and public policy arenas; and by external reporting to their stakeholders about their CSI and how it relates to wider business activity.

## BEST PRACTICE IN CSI

While companies need to make their own judgments about their CSI according to their stakeholder relations and market context, it is clear that many companies are interested in improving their own sense of best practice and developing business-wide standards.

## IMPORTANCE OF CSI STAKEHOLDERS

A clear understanding of the way general CSI drives impact on particular companies can be best acquired through the development of stakeholder relations.

CSI initiatives that reflect stakeholder values best equip companies to evaluate their current and potential impacts, and combine these with wider business imperatives and opportunities.

## FEATURES OF CSI PARTNERSHIPS

When developing CSI programmes, leading companies tend to seek to collaborate with carefully selected organisations, be they charities, public institutions or other business organisations, to which core resources and competencies (e.g. employees, finance, knowledge and brand) are directed.

These partnerships are increasingly multi-partner and long-term, with a more commercial approach. The partnerships that intermediaries and communities value most are characterised by frankness about mutual goals and capacities and by a readiness to help meet each other's goals by delivering as promised. They tend to be long-term and run across each organisation.

## IMPLICATIONS FOR INTERMEDIARIES

Intermediaries can best exploit new CSI opportunities by adopting more strategic approaches to achieving their own goals and aligning them with their partners' business goals; in a sense by becoming more business-like.

## EVALUATING CSI

The logic of its greater institutionalisation brings with it the imperative to evaluate CSI. Leading companies invest in a variety of forms of evaluation of their CSI to inform future investment decisions and to win buy-in in the company and from potential partners.

## FIVE KEY ISSUES FOR DEBATE AND AREAS FOR FURTHER RESEARCH

- The adoption of CSI is sporadic among small to medium-sized companies. Are the challenges different for them and should larger corporates take more of a lead to encourage SMEs' CSI engagement? Larger corporates not only have more resources but arguably more pressure from stakeholders to demonstrate corporate responsibility. Given this and the fact that there are many dynamic factors that influence CSI – market conditions, charity and business strategies, employment levels – how will community investment change? Will we see a surge of smaller companies seeking strategic partnerships with charities of a similar size and resource capacity and what role, if any, should leading companies take to champion this development?
- It's a challenge to get CSI taken seriously in companies. How can we get senior management to understand the commercial value of community investment in the wider realm of sustainability? Even in businesses that are keen to invest in the community, there can be a reluctance to allocate the resources needed to manage, evaluate and report on CSI programmes. How can CSI professionals make the business case internally and rationalise any substitution of goals? There is a continuing imperative to link CSI to business strategies. How can this be done effectively, engaging the right people in the right way? This issue is particularly important for companies that are developing or redeveloping their approach to CSI and development.
- How can businesses strike the right balance between meeting national/international strategic goals and empowering employees at the local level to make choices about charity partnerships? On one side we see an institutionalisation of CSI with more strategic partnerships between companies and the community, and on another a rise in delegated decision-making about local charity partners. Are these approaches in conflict or can

corporates successfully combine decentralised strategies with global or national ones?  
Does empowering employees at the local level fragment company involvement at the expense of a clear focus on core values and partnerships with national charities?

- Small charities do not have the capacity to deal with large companies. What steps can be taken to bring smaller charities along so that they do not miss out on the rise in CSI? As pressure on companies to measure and evaluate CSI increases, their charity partners need to allocate resources to manage the relationship and to provide feedback on the impact of the company's support. It can be argued that the capacity to find these resources gives larger charities a competitive advantage. If this is true, how can we be sure that CSI addresses real community issues and does not just support charities that can give detailed feedback? Are significant numbers of charities missing out on CSI opportunities due to their size or the cause they support? What steps can we take to avoid excluding them?
- With the additional pressure on companies to measure and evaluate their programmes, how can we ensure that community investment doesn't become a box-ticking exercise? Is the potential strain on company resources to measure and evaluate their CSI programmes leading to the creation of generic CSI programmes? How relevant are the current benchmarks for CSI, given that relatively few companies appear to subscribe to them? While there has been an increase in the number of models companies use in community investment, the major causes supported through strategic partnerships have remained largely the same. Even when companies focus on relevant aspects of the issues, do customers perceive a difference between various companies' initiatives? If not, how can companies create distinctive CSI programmes with confidence?

# 02



## SECTION TWO DETERMINING A STRATEGIC FRAMEWORK

### DEVELOPING A BUSINESS CASE FOR CORPORATE SOCIAL INVESTMENT

#### FOCUS ON THE BUSINESS CASE

For a strategic approach to corporate social investment and development, it is essential to link a company's community investment objectives and its business objectives. This step is often bypassed, due to a general assumption that anything "good" done for communities, such as building a clinic or donating to a local cause, will translate into goodwill with the local population (which, in turn, will benefit the company).

This outcome cannot be taken for granted. As many companies have discovered, it is quite possible to invest considerable resources in community investment and yet have little to show for it (e.g. in terms of improved local support or less social risk).

Leading companies can increasingly articulate a clear business case for pursuing a community investment programme, internally and to

their shareholders. Yet not all companies are comfortable doing this. Depending on the corporate culture, some companies may be reluctant to make their underlying interests explicit. They may even object to the notion that community investment needs a business case.

In the past, separating community investment from business interests was done so that, in theory, community investment programmes could focus on doing good without being self-serving.

In practice, the separation from core business weakens community investment in terms of its relevance, sustainability and effectiveness. Experience suggests that closer alignment between business operations and community investment programmes produces better outcomes for the company as well as local communities.

#### COMMUNITY INVESTMENT PROGRAMMES PERFORM BETTER WHEN ALIGNED WITH BUSINESS

When community investment is aligned with a company's business strategy, it is likely to receive more internal support and resources from management and shareholders.

When community investment programmes are integrated with business operations (rather than implemented separately), more effective coordination with other business units on day-to-day interactions and issues that can impact the company-community relationship is enabled.

When the staff and management understand the link between community investment and business objectives, core competencies and resources across the business can be more readily accessed and leveraged for the benefit of local communities.

When community investment is geared towards specific business objectives, activities tend to have greater focus and direction than when the purpose is not well-defined.

When community investment has a clear business case, the programmes are more resilient to budget cuts (versus pure philanthropy, which tends to disappear during economic downturns).

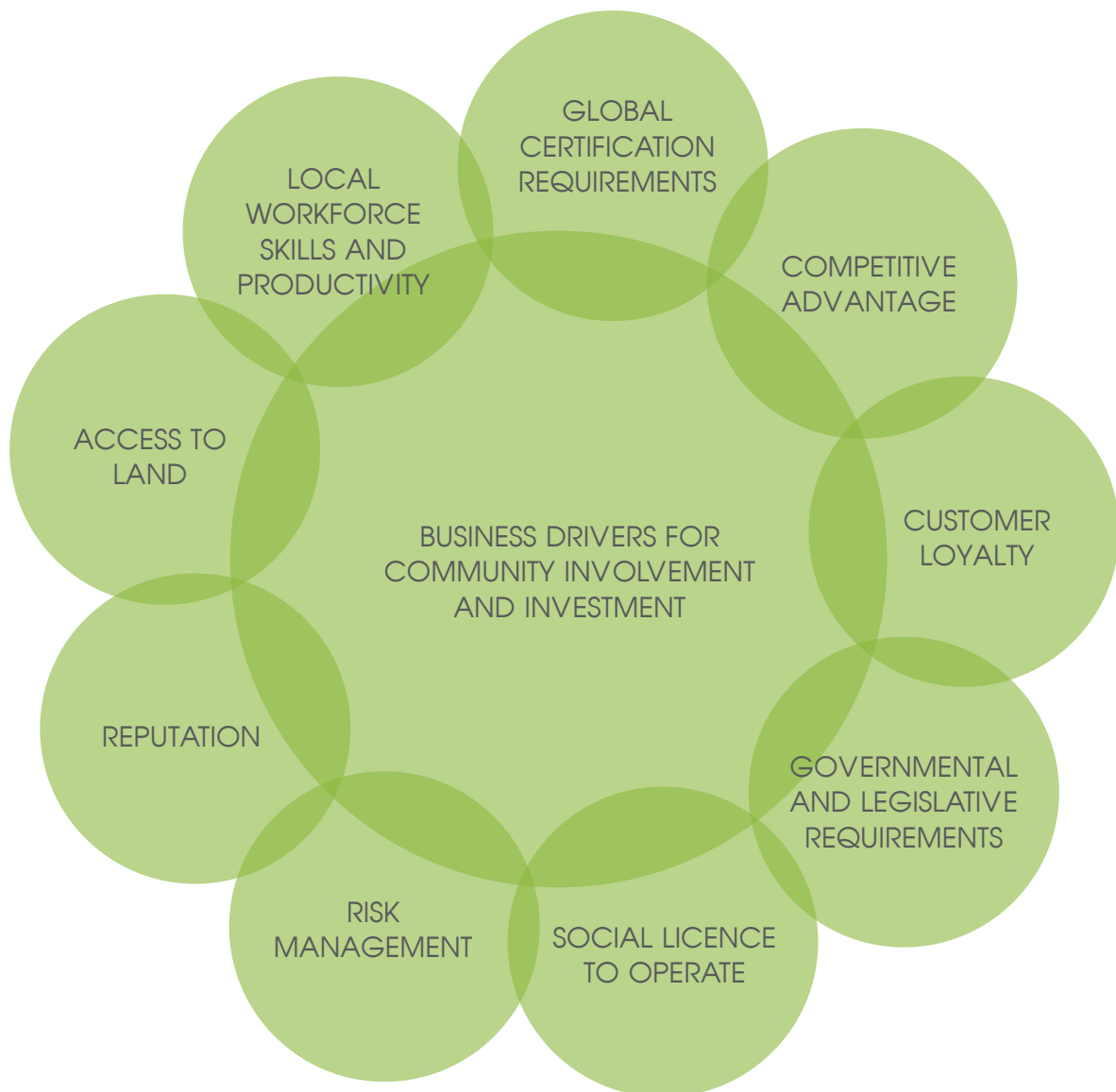
When a company is clear about why it supports community investment and what it hopes to achieve, the return on investment can be more readily measured and articulated.

### LINK COMMUNITY INVESTMENT STRATEGY TO BUSINESS DRIVERS

Channelling development benefits to local communities through community investment can generate a wide range of direct and indirect business benefits. The pursuit of these benefits, or business drivers, is what motivates companies to support community investment programmes. Once a company identifies the key business drivers to which community investment can most readily contribute (such as gaining a “social licence” to operate in the case of a mine or a hotel, or meeting global certification standards in the

commodities sector), these can be used to drive the strategy.

It can be argued that many of the business drivers for community investment are the same as those for broader sustainability or social performance programmes. In most cases, community investment will not be the only, or even the primary, vehicle a company should use to address community issues; rather, community investment will be a supplementary, strategic tool to enhance local benefits.



# DETERMINING A STRATEGIC FRAMEWORK

## Developing the business case

The key ways in which community investment can help a company meet its business objectives and reduce risks (relative to costs) constitute the business case for community investment. To define the business case for your community investment programme, follow these key steps early on:

- 1 Identify your company's broad business objectives** and the steps necessary to reach them.
- 2 For each business objective, identify the underlying business drivers** or benefits that could be facilitated by community investment.
- 3 For each driver, consider if and how community investment could contribute.** Be specific.
- 4 Prioritise areas where community investment is likely to make the biggest contribution** to facilitating business strategy and objectives.
- 5 Formulate the business case** by describing the key ways in which community investment can help the company meet its business objectives and reduce risks.
- 6 Develop and quantify the business case for community investment**, based on estimated costs versus estimated value of community investment in helping the company achieve specific business objectives.
- 7 Use the business case to strengthen corporate commitment and secure resources** for community investment.
- 8 Ensure the link between your community investment programme and the business case** by checking that your community investment strategy objectives and business objectives are aligned.
- 9 Think about, and discuss internally, what other company actions may be needed** (in addition to community investment) to successfully deliver on the business case.

## DETERMINING A STRATEGIC FRAMEWORK

The following table can assist with developing the business case for community investment and development:

### Making the business case for community involvement and investment

Business objectives	Business drivers	Business benefits	Business case
Expansion of business operations into new markets or new customer segments or obtain new licences	<ul style="list-style-type: none"> <li>• Risk management</li> <li>• Social licence</li> <li>• Government approval</li> <li>• Access to land, markets, customers</li> </ul>	<ul style="list-style-type: none"> <li>• Builds trust, credibility and local support</li> <li>• Enables access to markets, land, customers</li> <li>• Lowers risk of activism, opposition to expansion and growth</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated costs of community investment relative to estimated value of business benefits generated</li> </ul>
Maximise value for all stakeholders	<ul style="list-style-type: none"> <li>• Risk and reputation management</li> <li>• Social licence</li> <li>• Government approval</li> <li>• Local workforce productivity</li> <li>• Capital (social, environmental, economic)</li> </ul>	<ul style="list-style-type: none"> <li>• Lowers risk of disruption, boycotts or activism</li> <li>• Visibly demonstrates local benefits, i.e. new social capital is created</li> <li>• Increases access to capital</li> <li>• Development impact</li> <li>• Improves skills and lowers absenteeism</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated costs of community investment relative to estimated value of business benefits generated</li> </ul>
Achieve the highest global standards on health, safety, security, environmental and social sustainability	<ul style="list-style-type: none"> <li>• Risk management</li> <li>• Adherence to global industry and sector standards, governance and compliance</li> <li>• Reputation</li> <li>• Competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>• Lowers risk of anti-company sentiment, protests, boycotts or stoppages</li> <li>• Diffuses social tension by demonstrating company commitment to local development challenges</li> <li>• Compliance to standards and legislation</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated costs of community investment relative to value of business benefits generated</li> </ul>
Be the company of choice or preferred supplier in the industry or sector	<ul style="list-style-type: none"> <li>• Competitive advantage</li> <li>• Reputation</li> <li>• Access to land or finance</li> </ul>	<ul style="list-style-type: none"> <li>• Creates competitive differentiation through sustainability</li> <li>• Record of accomplishment</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated costs of community investment relative to value of business benefits generated</li> </ul>

## DETERMINING A STRATEGIC FRAMEWORK

### TRY TO QUANTIFY COMMUNITY INVESTMENT'S BUSINESS VALUE

Maximising business value involves value creation as well as value protection. Companies can take actions or make investments that create direct value, such as decreasing input costs or boosting worker productivity. They can also protect existing value through actions or investments that reduce organisational reputational risks and avoid incurring costs related to such risks.

Quantifying the business case for community investments that create value (e.g. community HIV/Aids programmes that reduce healthcare premiums and lower absenteeism) is straightforward. However, the financial valuation of community investments that protect value by building intangibles such as trust and goodwill – or by decreasing the potential risk of delays, disruptions or negative effects on corporate reputation – is more challenging. Even though these metrics can be difficult, quantifying the benefits generated by community investment programmes and other types of sustainability investments is helpful to strengthen the business case.

### UNDERTAKE A COMPANY DIAGNOSTIC

A useful starting point for many companies wanting to adopt a more strategic approach to community engagement and investment is a company diagnostic or assessment. This exercise can be undertaken as part of an internal strategy workshop with key internal stakeholders from relevant business units, and may include some or all of the following steps:

- Establish the vision for community investment.
- Review and assess existing company activities, portfolios and programmes.
- Ensure cross-functional coordination and internal alignment.
- Identify core competencies and non-financial resources to support community investment.

### ESTABLISH THE VISION

Developing a community investment strategy typically begins with a collective vision or sense of purpose that can vary significantly from one company to the next, due to differences in corporate culture. What is the company's view of itself? What does it stand for and how does it want to be perceived by the local community and other stakeholders? What does it see as its role in promoting local development? (Benefactor? Catalyst? Implementer? Advocate?) What legacy does it want to leave behind? These are important questions to be clear about upfront, because they will drive the type of approach a company will take and can significantly influence or even predetermine the type of community investment activities a company will support.

For some companies, the vision and even the specific areas of intervention (investment portfolios or focus areas) for community investment are decided at a corporate level. For example, one company might have a corporate policy that states that it will contribute to literacy and access to clean water in places where it has operations.

Another may have a CEO whose personal commitment to biodiversity conservation and HIV/Aids prevention influences the type of programmes the company will support. Other companies may choose to delegate these decisions to their local operations to determine community investment priorities based on the local context. Regardless of the approach, it is important to acknowledge these factors upfront and communicate them clearly to local stakeholders when commencing discussions on community investment priorities.

### REVIEW AND ASSESS EXISTING COMPANY ACTIVITIES AND PROGRAMMES

It is important for a company to review its performance in the three key areas of (i) impact management, (ii) stakeholder engagement and (iii) local appointments and procurement to assess whether there are concerns or room for improvement, and to act.

For companies that already provide support to local communities, a self-assessment should include stocktaking activities to determine which initiatives are working well and which are not. This exercise identifies gaps (if any), builds on successes and points out activities that may need to be made more sustainable or realigned more closely with the business case.

Some companies also find it useful to get the community perspective on these questions, including how successful (or not) existing initiatives have been and how the company and its efforts regarding community investment are viewed. One way of doing this is to conduct stakeholder engagement and perception surveys.

### ALIGN INTERNAL FUNCTIONS TO SUPPORT COMMUNITY INVESTMENT

Goodwill generated by community investment programmes can quickly evaporate if actions undertaken by other parts of the business generate conflict or negative perceptions of the company among local communities. Most companies have day-to-day interactions with local stakeholders that are separate from community investment activities. These may include engagement around issues such as land acquisition or rehabilitation, compensation or management of environmental and social impacts. These activities can also involve interaction with employees regarding job opportunities, recruitment and procurement.

While responsibility for community relations usually rests with the community relations manager, a community's daily interactions with other

business units (over which this person may have a low level of control) can significantly influence local attitudes about the company, positively or negatively. Cross-functional coordination and shared accountability across departments or business units is needed to manage community investment and community relations more broadly and effectively. It is also important that all staff should be aware of the company's community investment strategy and understand their role as ambassadors of good company-community relations. In this regard, senior management support is key.

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DEVELOPING A COMMUNITY INVESTMENT STRATEGY TYPICALLY BEGINS WITH A COLLECTIVE VISION OR SENSE OF PURPOSE THAT CAN VARY SIGNIFICANTLY FROM ONE COMPANY TO THE NEXT, DUE TO DIFFERENCES IN CORPORATE CULTURE.

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## DETERMINING A STRATEGIC FRAMEWORK

### THE IMPORTANCE OF CROSS-FUNCTIONAL COORDINATION

- Cross-functional coordination ensures that day-to-day interactions with communities by other business units support the overall community investment strategy and do not undermine community investment efforts.
- It creates understanding and buy-in for community investment from functional units, including clarification of roles and accountability for supporting business objectives related to community relations.
- It brings together the perspectives and expertise of different functional areas in the company to assess existing impacts, benefits and opportunities for community investment.
- It also helps leverage a wide range of resources, skills and competencies.

This table provides insight into potential links and interfaces between business units and communities:

#### Potential interface between business units and local communities

Functional teams	Community interaction
Business development/feasibility	Initial contact with communities (buy-in and support)
Human resources	Local employment, appointments and salaries
Land acquisition	Land negotiations, resettlement and compensation
Procurement	Local contracts, sourcing of goods and services
Engineering and logistics	Project infrastructure and development
Environmental and social management	Environmental and social impacts – avoidance, mitigation and compensation
Community liaison	Broader stakeholder engagement processes and grievance management
Government relations	Liaison and coordination with relevant authorities and government units
External and internal relations and communication	Working with media and key external audiences or internal communication with employees

### BUILD ON CORE COMPETENCIES AND BUSINESS LINKS

Companies are encouraged to assess the full range of their business competencies to see how they might take advantage of them to help advance local social development efforts. In other words, what else can companies bring to the table besides money, and what comparative advantage do they have over other actors? A strategically minded company tends to support community investment programmes and activities in areas where it has the most to offer as a business and where there are links to its business interests.

In addition, leveraging non-financial company resources can increase efficiency and multiply the value that business can deliver. This is important because community development needs inevitably outstrip community investment budgets.

### ASSESS THE LOCAL CONTEXT

#### KNOW WHAT YOU'RE GETTING INTO BEFORE ENGAGING

Once a company has defined its business case, vision, role and the competencies and resources it can best offer to support community investment and development, it should aim to understand the local ecosystem it is entering and the implications for community investment. There are often multiple variables specific to the local context that need to be understood before a company engages with local stakeholders on community investment. These can range from historical legacies and conflict settings to transformation, empowerment and gender issues, and to issues relating to local governance or the availability of capable local partners. Local context analysis considers how community investment efforts can be helped or hindered by these broader challenges. Tools such as stakeholder mapping and analysis can help

a company to directly link site-specific risks, issues and opportunities with its community investment strategy.

The injection of new resources through community investment can help communities improve their livelihood and rebuild their social and economic infrastructure. It can also enhance their ability to work collaboratively to achieve shared goals. At the same time, who a company chooses to talk to, work with and target for community investment benefits can profoundly impact power structures and social outcomes. This means that companies need to guard against inadvertently creating perceptions of bias, causing conflicts around resource allocation or deepening tension between and in local government and community structures. Such decisions should be grounded in local knowledge of the types of issues discussed in this chapter.

#### MAP THE COMMUNITY INVESTMENT LANDSCAPE

Companies do not need to start from scratch to build their knowledge of the local operating context. There are many existing sources of information that can be readily accessed. For example, many companies undertake socio-economic baseline studies as part of their environmental and social impact assessments, they use stakeholder identification and analysis techniques to identify potential risks and prioritise stakeholder groups for engagement and they conduct public consultations on company, organisational and operational impacts. This usually provides a good picture of the local context, the likely impacts and which stakeholders will be affected and how.



## DETERMINING A STRATEGIC FRAMEWORK

### COLLECT TARGETED DATA TO INFORM COMMUNITY INVESTMENT

Because much of the assessment work related to local communities tends to be programme/portfolio/project-centric and undertaken using a risk lens, it does not always focus on gathering some of the broader pieces of information needed for community investment planning.

Going this route means that an opportunity lens should also be used. This type of social analysis needs to place the company as one player in a dynamic and complex network of interrelated local actors and institutions and to examine the nature of these relationships and systems in shaping local development processes and outcomes.

#### **Assessment work of this nature typically covers the following areas:**

Identification of potential opportunities to enhance or generate local benefits (assuming that risk mapping has already been done at an earlier stage).

Mapping of potential partner organisations and institutions, and their capacities.

Mapping of other development initiatives and programmes at the local, regional and national levels (including government priorities and plans).

Analysis of social networks and systems and the potential for collaboration and programme synergies (including key actors and their role in social mobilisation and delivery).

Analysis of stakeholder groups and sub-groups that need to be included in the community investment process, along with their capacity-building needs.

Identification of obstacles, gaps or deficiencies in the prevailing system that could prevent or pose risks to collaborative planning and delivery of community investment programmes.

### MAP PROJECT ISSUES, RISKS AND OPPORTUNITIES

Related to stakeholder analysis is the identification of the key issues and sources of risk and opportunity in the company's area of influence. This type of mapping will help a company to formulate its specific business case for community investment at the site level and determine the degree to which its community investment strategy might respond to such risks and opportunities. While community investment is not meant to be used as a primary risk mitigation tool, it can nevertheless be effective in addressing

certain project risks and other issues of concern to a company, or as a means of targeting particular stakeholder groups.

### CONSIDER APPROACHES FOR UNDERSTANDING COMMUNITY DYNAMICS AND RELATIONSHIPS

Relationships in and among stakeholder groups constantly change and evolve. Because such dynamics can have direct implications for community investment outcomes and overall relations between the company and its stakeholders, it is useful to try to understand the range of interests, motivations and interrelationships.

Before looking at the tools and approaches for understanding community relationships and dynamics, it is important to highlight three points.

1. NGOs, CBOs, local governments and communities are complex entities.
2. Their interests and needs vary, and may be at cross purposes at times.
3. These types of assessments are a form of intervention. Given the importance of managing expectations around community investment, if a company is not yet prepared to fully engage communities on the topic, it may wish to keep the process low-key by using existing channels (e.g. ongoing consultation processes or survey work around its environmental and social impact assessment) to collect this additional data.

### IDENTIFY LOCAL INSTITUTIONS AND POTENTIAL PARTNERS

Assessing who is who and which organisations could be potential partners for community investment is an important part of understanding the local context. Partnerships are a cornerstone of strategic community investment. Ideally, they should be pursued in the early planning stages as part of a company's sustainability and exit strategies. Partnering supports local capacity and helps avoid the risk of creating dependence on the company. Where possible, it is good practice to explore working through existing organisations or programmes before creating new ones.

### USE THIS INFORMATION TO FACILITATE STRATEGIC PLANNING

Mapping the social, institutional and stakeholder landscape will enable a company to gauge the extent to which the local setting is conducive to sustainable community investment and to plan accordingly. This knowledge will feed directly into the planning process for community investment by helping to:

- **Define the programme/portfolio scope for community investment.** The more supportive the local context, the more ambitious the scope of the community investment programme and activities can be.
- **Determine the capacity-building strategy.** The timing, level of effort and specific strategies for local capacity-building will largely be driven by the needs, characteristics and challenges of the local context.
- **Determine the choice of implementation model.** The legal and regulatory context, as well as the existence of local capacity, programmes and partners that the company can work with or through will help determine which delivery mechanisms work best in each context.
- **Develop the parameters for a handover or exit strategy.** One of the key considerations of a viable handover or exit strategy is the level of readiness and capability of local development actors to sustain and drive the development agenda in their communities after the company withdraws or reduces its support.

## STRATEGIC PLANNING

### FIVE PHASES OF COMMUNITY PLANNING FOR COMMUNITY INVESTMENT

There are several approaches which enable information gathering for community development planning while building community ownership through active discussion, debate and self-reflection around the issues raised. Companies frequently engage experienced NGOs, consultancies and other organisations with expertise in participatory techniques, facilitation skills and local knowledge to conduct this process.

Typical community planning around community investment has five phases:

- 1 Establishing the dialogue with communities (raising awareness of the need or opportunity for change).
- 2 Participatory assessment of community assets (analysis of the present state and baseline conditions).
- 3 Facilitation of community visioning (brainstorming and agreeing on a desirable future state).
- 4 Prioritisation and ranking (of actions or interventions to achieve the community's vision).
- 5 Action planning (defining practical steps to achieve the vision).

#### ESTABLISHING THE DIALOGUE

The way a company (and facilitation team) initiate the discussion on community investment with communities is critical for setting the right tone and managing expectations.

This is an important opportunity for the company to frame the issues and share its thinking – its vision and values, how it sees its role in helping to promote sustainable local development, and how it wishes to engage and work with communities, local government and other partners to achieve shared goals.

It is also a good time to set out initial parameters for company support and seek community input.

#### ASSESSMENT OF COMMUNITY CONTEXT AND ASSETS

When it comes to identifying potential areas for community investment, good practice has moved away from traditional surveying of community needs and wants (which inevitably results in long wish lists and the expectation that the company is responsible for meeting these needs). Instead, more strategic approaches seek to reframe the conversation by encouraging communities through participatory assessments to consider their own existing resources and assets and to uncover opportunities to build on these inherent strengths to meet their development goals.

A good participatory assessment process empowers local communities to examine the ways in which their own assets and strengths can be leveraged, supported and improved to achieve their development goals and aspirations.

## An assessment will typically cover the following:

- Assessment of the local context through a community investment lens (demography, livelihoods, institutions, services, infrastructure, health, education, and so forth).
- Identification of the various groups and sub-groups in the community (how they interact, differences in their realities, interests, issues and priorities, and how these may conflict or converge).
- Community strengths or assets – what can the community contribute and what role can it play in driving its own development?
- Active facilitation to enable all voices in the community to be heard and included in decision-making (not just the most vocal or influential voices).

## VARIABLES OF THE LOCAL CONTEXT

<b>Community priorities: potential entry points</b>	<b>Risk factor: impact on success of community involvement</b>	<b>Stakeholder groups: power dynamics and capacity</b>	<b>Community assets: individuals and institutions</b>
Jobs, tender, business opportunities	Corruption, bribery	Individuals, neighbours	Human and intellectual capital
Infrastructure – roads, schools, clinics	BEE, transformation, equality, equity	Internal	Natural and financial capital
Gender and youth development	Low capacity	External	Social, relationship and network capital
	Community activism	Shareholders	Manufactured and physical capital

## DEVELOPING THE STRATEGIC FRAMEWORK



### SETTING THE PARAMETERS

The engagement process with local stakeholders and the outcomes generated through community planning will have provided the company with a good sense of priority areas for potential investment. By now, a company should be in a good position to develop the basic parameters of its community investment strategy, having acquired a sound understanding of the following elements (covered in Chapters 1 to 5):

- The business case for community investment (business objectives and key drivers to be supported).
- Issues of highest concern to local stakeholders.
- Local stakeholders' perceptions of the company.
- Community priorities that can potentially be addressed through community investment.
- The level of risk and opportunity these issues pose for the company (relative to business objectives).
- Availability and capacity of local institutions and potential partners to implement sustainable community initiatives.
- Current development initiatives or programmes in the area, including government development priorities at the local, regional and national levels.
- A sense of what other actors (communities, government, donors, NGOs and other development partners) can contribute to

a multi-stakeholder development process. Given the potential reputational implications of community investment and the need to account to shareholders, companies have a right as well as an obligation to set parameters for the use of their resources. Setting conditions (in consultation with stakeholders) regarding the type of activities the company will support and the way projects are designed and implemented will increase the likelihood of achieving desired outcomes while avoiding undesirable ones. Good practice also encourages discussion and validation of such parameters with local stakeholders before they are formalised.

### SET THE OBJECTIVES FOR THE STRATEGY

In terms of the overall strategy, community investment objectives should be fairly high-level and linked to the business case. These objectives will set the stage and provide the rationale for the type of programme areas and activities that the company will support.

### DEVELOP GUIDING FUNDING PRINCIPLES AND CRITERIA

Guiding principles are the fundamental "rules" that all community investment proposals and projects should adhere to in order to receive support from the company. Sometimes known as operating principles or selection criteria, they reflect a company's values and approach for managing community investment. These might

include an emphasis on sustainability, partnerships and participatory approaches, or its prioritisation of certain elements such as skills training over infrastructure, or the need for matching contributions to demonstrate shared ownership.

Early clarity on community investment principles and selection criteria is the most effective way for a company to manage stakeholder expectations and requests for support. Conflicts tend to arise when the rationale for how community investment projects or budgets are distributed is not transparent or is perceived as unpredictable and subject to manipulation. Clear criteria help communities understand the basis on which decisions about community investment resources are made and why benefits might not always be shared evenly among stakeholders.

Good practice pointers on using guiding principles and criteria include the following:

- **Put your principles and/or criteria in writing**, consult about them and disseminate them widely to promote transparency.
- **Screen all community investment decisions against these principles and criteria** to ensure that the community investment programme remains consistent with the strategy.
- **Be consistent** in the application of principles and criteria to ensure fairness.
- **Use principles to decline ad hoc requests** for support or financing that do not meet the established criteria or fit the community investment strategy.

### DEFINE ELIGIBILITY CRITERIA

Eligibility criteria for community investment should establish at the outset (i) who is eligible to benefit, who is not, and why; ii) how resources will be allocated among the eligible communities; and iii) where allocations are not equal, the rationale for some communities receiving more than others.

Defining who is eligible to participate in community investment programmes can be a delicate issue. Criteria that local stakeholders perceive as unfair can increase social risks and the potential for conflict. Similarly, tension and resentment may arise in communities who feel arbitrarily left out.

### **Good practice pointers on developing eligibility criteria include the following:**

#### CONSIDER THE PROJECT FOOTPRINT AND IMPACT

Eligibility criteria for community investment are most commonly determined by looking at the company's influence area (direct as well as indirect impact) and determining which communities fall within these boundaries. This information is typically contained in environmental and social impact assessments or project risk assessments, and is part of the basic stakeholder identification and analysis that most companies undertake. In some cases, limiting eligibility to impacted communities might be too narrow.

#### CONSIDER SOCIAL RISKS AND RELATED ISSUES

While physical proximity to the company sites and degree of operational impact are reasonable determinants, the question of who benefits can be sensitive and may at times become politicised. In understanding social risks, it is important for companies, particularly those with larger operations, to also consider the cultural, economic and/or administrative links that local stakeholders might have with other groups.

Conflicts arising from perimeter communities who feel excluded from development have on some occasions led companies to expand eligibility criteria to include surrounding areas and communities outside their immediate footprint.

## DETERMINING A STRATEGIC FRAMEWORK

The area of eligibility may be expanded to include:

- Political boundaries of a community, municipality, district or province.
- Environmental boundaries of an ecosystem or river basin.
- Economic regions or corridors.
- Cultural boundaries of a particular ethnic group or tribe.

### VALIDATE CRITERIA WITH STAKEHOLDERS

While it is important for a company to define eligibility criteria before it begins engaging communities on community investment, it is equally important to consult with local stakeholders to validate these criteria and ensure that they are perceived as fair and acceptable.

Consultation is also critical for reaching local consensus on how community investment resources are to be divided among the eligible communities. Where resource allocation is not

equal, funding formulas involving criteria such as population size, degree of impact or proximity to the company or operational site can be agreed to in advance by companies, communities and local government.



CONSULT WITH LOCAL  
STAKEHOLDERS TO VALIDATE  
THESE CRITERIA AND ENSURE  
THAT THEY ARE PERCEIVED AS  
FAIR AND ACCEPTABLE.



## GUIDING PRINCIPLES AND SELECTION CRITERIA FOR SCREENING COMMUNITY INVESTMENT PROJECTS

### PRINCIPLES

- When possible, rehabilitate or complete existing infrastructure before investing in new construction.
- Where appropriate, engage government agencies to provide their legally mandated services, including education, healthcare and infrastructure.
- Involve community members as active participants in project planning and execution.
- Use every project as a capacity-building opportunity (skills acquisition through encouraging and assisting local youth to become contractors to build community projects, formation of community-based organisations, etc.)
- Reinforce community pride in ownership of development project outcomes.

**To structure the grant, you need to consider:**

The maximum or minimum amount of a grant.

Whether you will consider multi-year grants.

Funding operating costs of an organisation.

Decide on deadlines for the application process.

### AMOUNT AND LENGTH OF GRANT

The maximum amount of a grant that will be considered or the length of time of the grant (single-year or multi-year) will vary from organisation to organisation. These decisions will be influenced by many factors, including the total investment size as well as an organisation's grantmaking style and philosophy.

### WHAT TO INCLUDE: OPERATING COST

Well-managed and supported operations can be a key determinant of a charity's effectiveness. Operating costs (sometimes referred to as core, indirect or overhead costs) are basic organisational expenditures incurred to varying degrees by every charity regardless of size, mission or field of interest. Included are the cost of things like office rent, telephone and internet, bookkeeping and audits, fundraising, board meetings and staff training.

Most grants provided by social investors are allocated for specific projects. The direct costs of a project are fairly easy to quantify and estimate. The challenge arises with respect to the charity's indirect or overhead costs.

Many organisations do not provide any support for overhead costs, particularly if they have not been identified by the charity. In effect, they are requiring the grantee or some other funder of the charity to subsidise their grantmaking. Recognising this, some organisations allow for some amount or proportion of the project grant to be used for overhead costs.

Experience suggests that even when providing some contribution to overhead costs, most social investors are still not covering all indirect costs. In part, this may result from the inability or unwillingness of the charity to properly estimate its cost base. In recognition of this problem, some social investors are now using an approach called full cost accounting, which requires applicants to include related organisational overhead costs in their application for a project grant.

### DEADLINES

It is a good practice to establish and publicise deadlines for the submission of grant applications. Those deadlines usually dovetail the schedules for the meetings of the directors, trustees or boards of the grantmaking organisation. Detailing any deadlines as clearly as possible on a website is extremely helpful to grant seekers.

### SELECTION CRITERIA

Each proposed project is scored low, medium, or high on each of the following criteria, and proposed projects are ranked based on these scores.

#### IMPACT

- High value-added: broad social and/or economic benefit, e.g. significant increase in household income, creates jobs, enhances peace and stability.
- Spreads benefits equitably among beneficiaries.
- Strengthens peaceful and orderly society.
- Addresses youth unemployment or underemployment.
- Improves opportunities for women and sustainability.
- Encourages self-reliance and avoids dependency.
- Responds to existing or potential market (for economic projects).
- Strengthens capacity of individuals, CBOs, NGOs and/or local government.
- Opens partnership opportunities with CBOs, NGOs, other donors and/or government.
- Creates opportunity for government engagement and support project management.
- High likelihood of success (from feasibility studies).

## DETERMINING A STRATEGIC FRAMEWORK

- Designed to build out from success, scalability or replicability.
- Optimises and/or complements existing resources and capabilities.
- Beneficiaries are involved in programme design and execution.
- Project planning and execution are transparent.
- Strengthens long-term positive relations among stakeholders.

### EXCLUSION CRITERIA

Providing clarity about which activities will not be eligible for funding is almost as important as providing information about the criteria a grantmaker will use to make grant decisions. Information about grant exclusions can reduce the number of grant applications an organisation receives. Many social investors now choose to exclude capital on building projects, such as from their eligible grant proposals list.

The following examples can be used as guidelines:

These requests are generally not considered	Grants are generally not made for the following
Acquisition of equipment for administrative use	Annual fundraising campaigns
Activities expressly intended to benefit an individual	Building funds
Activities or events associated with Christmas	Bursaries or scholarships
Libraries, museums, art galleries, historical societies and cultural centres	Capital campaigns
Fundraising campaigns to which the organisation already contributed	Conferences, seminars or workshops
Sponsorships	Deficit financing
Sports competitions	Emergency funds
Conferences, seminars, conventions and festivals	Endowments
Daycare centres and toy libraries	Festivals or events
Social or political pressure groups	Film projects
New religious movements	Land acquisition
Audio and video productions	Matching funds
Projects submitted by a university faculty without prior approval or recommendation by the institution's development office	Public awareness or public education (as a project's primary purpose)
Publications and translations	Seed funding
Websites	Sponsorships
	Individuals

## SELECT INVESTMENT AREAS

### SELECT INVESTMENT AREAS TO CREATE SHARED VALUE



Selectivity is fundamental to a strategic approach. While the focus of community investment should be to catalyse, support and enable local communities to identify and address their own development priorities and aspirations, this does not mean that a company can or should try to respond to everything. The goal is to create shared value by investing in those areas that are high priority for communities and government and that also make business sense (in terms of what unique value a company can offer over other actors and alignment with business objectives).

Practically speaking, aligning interests may not always be achievable right away, or may not be possible for every investment. There may be pressing issues that don't fit neatly within the triangulation of interests but need to be addressed nevertheless. Or there may be interim steps, such as capacity-building, that are needed to enable all parties to move towards areas of common interest.

## DETERMINING A STRATEGIC FRAMEWORK

### USE SCREENS TO SELECT LOCAL DEVELOPMENT PRIORITIES

Community planning and engagement processes will typically generate a set of development priorities ranked per their level of importance to local stakeholders. Using this as a starting point, companies may find it helpful to employ screens or filters as a decision-making tool to refine investment options and prioritise shared areas of interest. Some companies choose to first undertake this screening process internally, based on the input from communities and local government, to build internal alignment and management buy-in before soliciting feedback from stakeholders. Other companies opt to undertake the screening and prioritising process jointly with stakeholders.

#### **Examples of common screens include:**

- Level of stakeholder priority (high, medium, low).
- Level of risk or opportunity presented (high, medium, low).
- Fit with community investment strategy objectives and guiding principles.
- Fit with government development priorities and plans.
- Local capacity and availability of implementing partners.
- Ability of company to add value – competitive or comparative advantage.
- Fit with sustainable development goals (or corporate priorities).
- Cost-benefit (number of people benefiting versus cost).

### SCREEN COMMUNITY PRIORITIES AGAINST LEVEL OF RISK AND OPPORTUNITY

Companies may find it useful to review community development needs and issues considering project level risks and opportunities to see where community investment might readily contribute:

- What is the level of risk to the company (of not addressing this need)?
- What is the level of opportunity (e.g. achievability in terms of ease of execution and likelihood of success)?

### SCREEN FOR FIT WITH OBJECTIVES AND GUIDING PRINCIPLES

Some issues or programme areas may be a high priority for stakeholders, but not a good fit with what the company hopes to achieve in terms of its community investment strategy.

Screening against pre-established objectives (linked to the business case) and guiding principles (linked to the overall approach and values) helps to ensure that potential investment areas most aligned with the strategy receive priority.

### SCREEN FOR FIT WITH GOVERNMENT DEVELOPMENT PRIORITIES AND PLANS

A socio-economic survey and scrutiny of local or national development plans and the local context assessment will inform the company about government development plans and priorities at the local, regional and national levels. Aligning community investment areas with existing government plans for local, community and social development can help leverage resources, enhance impact and promote sustainability of activities.

### SCREEN FOR AVAILABILITY OF LOCAL CAPACITY AND PARTNERS

Mapping local institutions and potential partners provides a good sense of current programmes and which potential partners and institutions are active in various technical sectors (e.g. health, education, capacity-building, water, agriculture, microfinance) that local communities may identify as priorities. Where development needs are outside the realm of company competencies, the availability of local partners with sufficient delivery capacity (including local government) becomes an important factor. There may be contexts, however, where there is little or no capacity to deliver on high-risk or priority areas. In these cases, a company may decide to proceed regardless of the existence of partners and try to build local capacity along the way.

### SCREEN FOR OPPORTUNITIES FOR COMPANY VALUE-ADD

The alignment of business competencies with stakeholder needs is a key feature of a strategic approach to community investment, because it encourages a company to prioritise areas where they have the most to offer and can make a unique contribution. This has the advantage of increasing internal efficiencies by leveraging functional resources across the business in support of community investment, and reinforcing the links between the business and community investment.

### SCREEN FOR FIT WITH SUSTAINABLE DEVELOPMENT GOALS OR CORPORATE PRIORITIES

Some companies may have corporate-level commitments that will influence (or even predetermine) the type of activities or thematic areas they will support through their community investment programmes. A common example is company support for projects contributing to the sustainable development goals.

### RANK REMAINING OPTIONS BASED ON COST-BENEFIT

The final screen is about assessing bang for the buck. It requires making rough initial estimates of the investment costs to the company for each of the remaining options and evaluating these against potential benefits (e.g. overall impact, number of people benefiting, community satisfaction or support to business objectives). Priority should be given to options that combine higher impact (or reach) with lower costs.

### SELECT THE BEST OPTIONS AS CORE INVESTMENT AREAS FOR COMMUNITY INVESTMENT

Selecting the best options based on the screening process is the last step. At this stage, investment areas to be supported through community investment should be reasonably specific, but with the recognition that local stakeholders must still define the projects to be implemented in accordance with guiding principles and criteria.

## DETERMINING A STRATEGIC FRAMEWORK

### BUILDING THE INVESTMENT PORTFOLIO

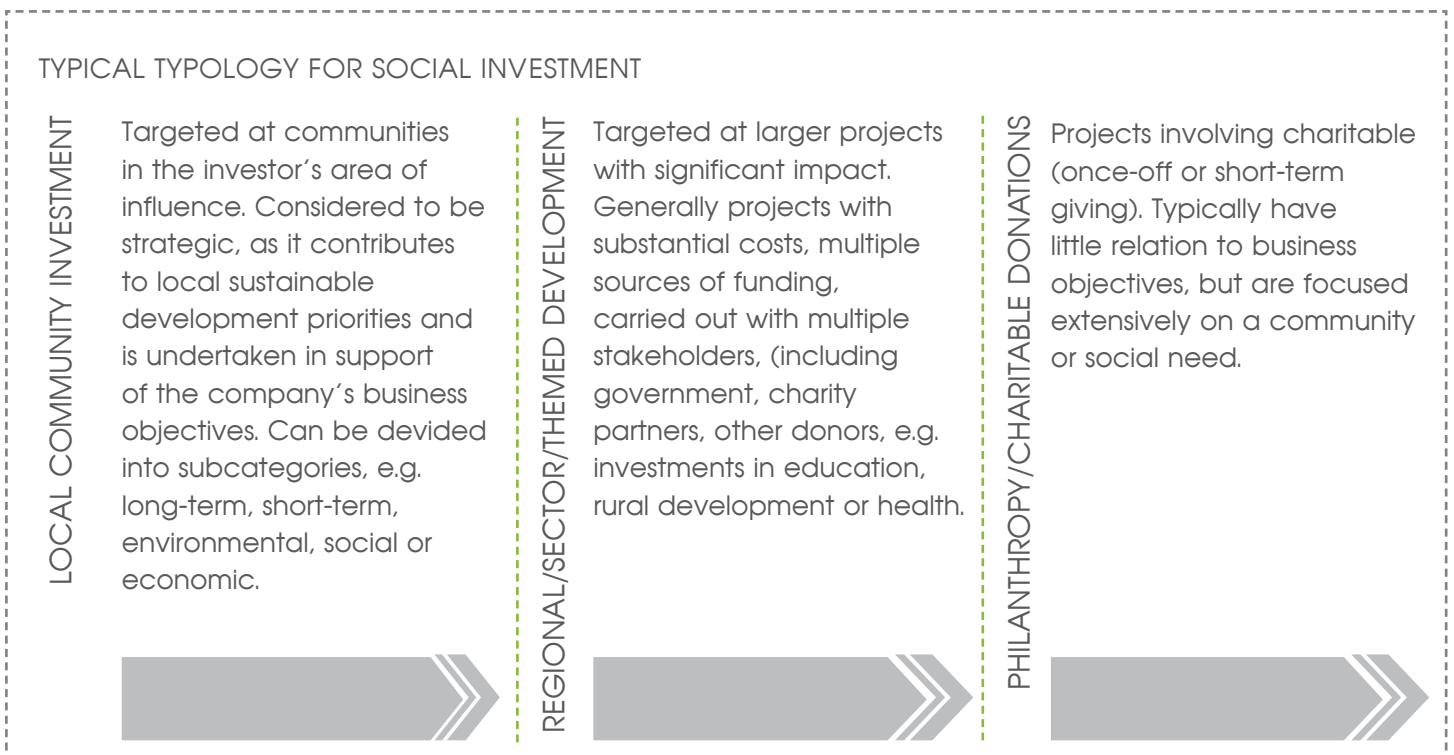
#### BUILD A COMMUNITY INVESTMENT PORTFOLIO THAT SUPPORTS YOUR STRATEGY

Putting together a successful portfolio of community investments is in many ways similar to building a financial portfolio. It is important to consider factors like allocation, diversification, risk, time horizon, and short-term and long-term objectives, as well as the investment mix that can help a company achieve its overall goal. Many companies aim to maximise value derived for the business and its stakeholders from the envelope of community investment resources.

#### DECIDE ON INVESTMENT CATEGORIES

Creating a typology of investments and allocating budget to selected categories enables a company to exercise greater control over how its community investment resources are spent.

This also promotes stronger links between decision-making and business drivers, and enables mid-course rebalancing among investment categories where necessary.



#### FOCUS ON KEY AREAS FOR GREATER IMPACT

A study of 60 international companies operating on five continents concluded that there is no correlation (and sometimes even an inverse correlation) between the amount of money a company spends on community projects and the quality of its relationship with the community. Experience also suggests that companies that focus on high-quality initiatives in a few, well-defined areas tend to achieve greater impact and recognition than companies with community investment programmes that spread resources across many different types of activities.

## THINK SHORT-TERM AND LONG-TERM (BUT EMPHASISE LONG-TERM)

Any good strategy will have short-term as well as long-term objectives. Different types of investments can be used to respond to business needs at various stages of the project. Each has its advantages and disadvantages. For example, the benefits of quick impact projects and donations need to be weighed against the risks of creating dependency.

While it is not realistic to expect every activity a company supports to have sustainable, long-term impacts, experience has shown that lasting development impacts and goodwill are not usually achievable through short-term projects. For this reason, productive investments that build social and human capital (such as skills training, enterprise development, institutional strengthening, knowledge transfer and economic empowerment) should ideally form the bulk of the community investment portfolio. Because these types of initiatives take time to show results, companies often complement their long-term strategy with a small number of high-profile, strategic, short-term projects (often infrastructure) that facilitate an immediate business need.



## EMPHASISE CAPACITY-BUILDING INVESTMENTS

Traditionally, capacity-building has been viewed as a means to an end – something that needs to be done to enable implementation of a specific project or activity.

Current good practice encourages capacity-building as an investment and one that encompasses a much broader spectrum of interventions than just training. There is growing consensus that the achievement of long-term development impact and a company's ability to exit on positive terms are directly tied to the existence of strong, capable local institutions and a self-reliant population. For this reason, capacity-building investments which directly contribute to these goals are strategically important and should ideally comprise a significant, if not dominant, portion of a company's community investment portfolio.

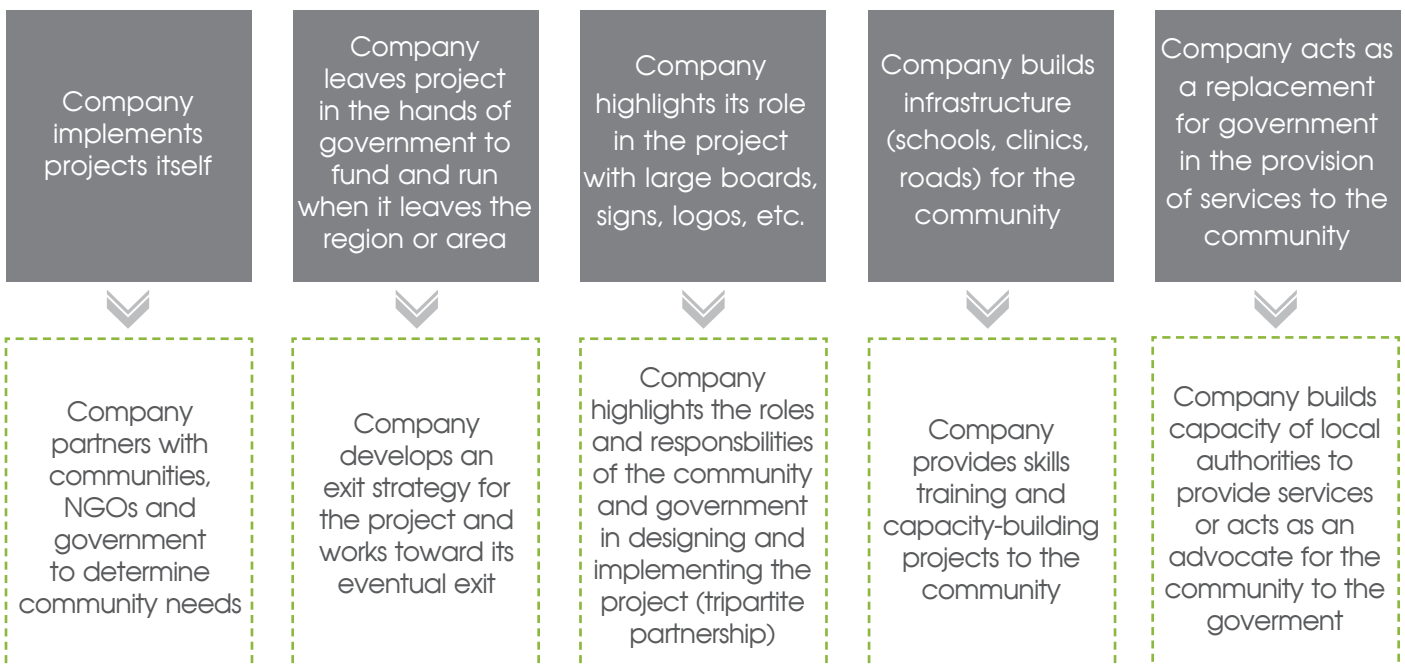
## DETERMINING A STRATEGIC FRAMEWORK

### BE SELECTIVE WITH INFRASTRUCTURE INVESTMENTS

Bricks-and-mortar projects are often criticised for not contributing to sustainability, local capacity or long-term goodwill. The reality, however, is that infrastructure is usually the second highest priority (after jobs) for communities and local government. Companies can face intense pressure to deliver basic services and infrastructure where local government is absent or weak, or where it is a requirement of the operating agreement.

It is important that infrastructure investments should not be allowed to dominate the community investment portfolio; complementing such investments with others that build capacity and productive skills; not providing free services; choosing options for construction that build community involvement and ownership; and joint planning with stakeholders for ongoing maintenance, operations, handover and exit.

### FROM DEPENDENCY TO DEVELOPMENT



### BUILD SUSTAINABILITY INTO PROJECT DESIGN

Companies have a clear business interest in avoiding the creation of dependencies and ensuring that the project benefits they support through community investment can become self-sustaining. While a company's guiding principles often include sustainability elements or criteria, the issue of sustainability is so critical to the effectiveness of community investment that it deserves special emphasis. Asking a few key questions at the project design stage can be a simple but effective means to avoid supporting community investment activities that are unsustainable in the long run.

### ASK THE TOUGH QUESTIONS UPFRONT

- Will the project or activity be able to continue in the absence of company support? How?
- What measures will be taken to ensure that the company does not support unsustainable activities?
- How will the company restructure existing community investment activities that are not sustainable?
- What steps will be taken to raise awareness of the importance of sustainability among local stakeholders who might not otherwise see this as a priority?
- How will the company transfer knowledge, capacity and skills to local groups and individuals?
- Does the company have guiding principles and project selection criteria that promote sustainability?

### DON'T START WITHOUT A HANDOVER OR EXIT STRATEGY

Abrupt or poorly managed exits can do serious damage to a company's reputation and its relationships with local stakeholders, compromising the goals of community investment.

Handover or exit planning is a means to ensure that community investment programmes can become self-sustaining, enabling a company to reduce or withdraw its support without negative consequences. In many cases, the assumption that a company can hand over to government, NGOs or communities is not realistic without significant preparation and capacity-building.

By helping stakeholders to see the end at the beginning and plan for it, handover and exit strategies enable a shared understanding of how roles and responsibilities will evolve, and prepare

people to embrace change. In concrete terms, such a strategy means ensuring that the project will ultimately be run by capable partners (e.g. local government, NGOs or community groups) and will continue to generate benefits (without reliance on the company, either financially or in terms of ownership and management structures).

### DEVELOP A TURNAROUND STRATEGY FOR UNSUSTAINABLE PROJECTS

Companies wishing to reorientate an existing community investment programme to make it more strategic or sustainable may benefit from developing a turnaround strategy.

Key steps include:

- **Analyse why a community investment programme needs to change** to understand what kinds of changes are required.
- **Set the strategic objectives for the new programme.**
- **Review and categorise existing activities** (e.g. which activities can continue unchanged, which ones require changes to continue and which ones need to be stopped).
- **Replace unsustainable or non-strategic activities with alternatives** that respond to local priorities.
- **Plan for the turnaround**, including how to gain internal and external buy-in to the process, how to build the capacity of partners to develop and maintain a more sustainable programme going forward, and how to manage and communicate the process to minimise social risks.

While planning and implementing a mid-course correction via a turnaround strategy may seem straightforward, many companies have found it quite challenging. Lessons from experience suggest the following:

## DETERMINING A STRATEGIC FRAMEWORK

### TURNAROUND TAKES TIME

Turning around an existing community investment programme takes time and can be a difficult process. Where communities and governments have come to rely on company support, free services and infrastructure, or donations and grants, a sudden withdrawal or change of terms can be perceived negatively as a company reneging on its commitments or promises to local communities. A turnaround strategy requires careful, sensitive planning and could take several years of transition. In some cases, it may be useful to contract with a third party (such as an NGO or a consultant) to help redesign a new, more sustainable programme and support the transition process.

### COMMUNICATION AND BUY-IN ARE KEY

Good communication and getting buy-in for the new strategy are very important as many individuals (in as well as outside the company) are likely to have invested themselves heavily in the success of the existing community investment programmes. This needs to be recognised and openly addressed. Many groups or individuals may resist change. Getting them to see the benefits of the new approach and take ownership of it is essential.

### CAPACITY-BUILDING IS NEEDED FOR TURNAROUND TO SUCCEED

The importance of capacity-building of partner organisations – existing, new or potential – cannot be overemphasised. In a turnaround situation, there will often be a direct correlation between increasing the capacity of local partners and decreasing funding and involvement by the company. Such processes require time, patience and resources.

## SETTING BUDGETS

### PRELIMINARY BUDGET

There is no set rule for how much to spend on community development, and evidence suggests that there is no direct correlation between the amount spent and the quality of the relationship with local communities. Ideally, a community investment budget should be needs-driven (i.e. determined by a socio-economic assessment and business needs related to achieving social objectives). However, many community investment programmes are budget-driven, based on predetermined formulas or a discretionary allocation by management.

When trying to estimate budget numbers, it may be useful to consider several factors:

- The company's community investment budget from previous years (for existing programmes).
- The objectives of its community investment strategy.
- The social context in which the company is operating.
- The type of business and the nature or scale of impacts.
- The life stage or life cycle of the business or project cycle.
- Potential benchmarks (i.e. community investment budgets of other companies in the same region or sector).

Whatever the amount, it is important for community investment budgets to provide steady, multi-year funding and enable flexibility to respond to changing circumstances.

### CONSIDER THE SOCIAL CONTEXT

The local socio-economic context often drives budget considerations. Aspects to consider include:

- Is the project in an area with a high level of poverty?
- What is the capacity of government to meet the basic needs of the population for service delivery and infrastructure?
- Are there specific risks, such as conflict or civil unrest?
- Are there high social expectations in the population (and government) that the company “gives back” through community development?
- Are other companies giving high levels of support?
- Is the wealth generated by the company flowing to another region, province or country?
- Are local benefits visible?

### CONSIDER THE TYPE OF BUSINESS AND NATURE OF IMPACT

Different types of industries impact local communities in different ways, which may have implications for community investment budgets. Aspects to consider include:

- To what degree does the company compete with the community for land and access to other natural resources?
- Does the company build its business on resources that the community considers its own (e.g. tourism or forestry)?
- Does the company represent a major percentage of the local economy?
- Does the company originate from outside the region or country?
- Is the company starting with a local population that has major concerns about the company, or negative perceptions about the impact of the business?

- Will the project generate significant environmental and social impacts on the local population?

### CONSIDER THE LIFE STAGE OR LIFE CYCLE OF THE ORGANISATION OR THE PROJECT CYCLE

Changing business needs and drivers for community investment at various stages of the business or project cycles can influence budget requirements. Aspects to consider include:

- **Planning** – where a company is establishing relationships and trust, needs to gain permits, access to land, or social licence to operate, and may face opposition or expectations from stakeholders, requiring quick, upfront investments to demonstrate tangible benefits.
- **Construction or development** – where the company is generating greater attention and higher expectations for benefits, or where disturbances or grievances exist due to project-induced impacts.
- **Operation** – where the stakeholders already understand company activities, know that the company has started to generate revenue, and may have ongoing concerns or unmet expectations that could generate social risk.
- **Expansion** – where the company may need renewed support from stakeholders who will already be aware of the benefits or impacts the company has generated.
- **Project end, downsizing or closure** – where legacy and reputation are important and the company may have strained relations with communities or government who still have influence over its future and can affect the licence to exit.

### CONSIDER POTENTIAL BENCHMARKS

In setting their budgets, some companies find it useful to look at the budgets of other companies that operate in similar contexts, as well as global benchmarks for their industry.

### SELECT THE RIGHT IMPLEMENTATION MODEL AND PARTNERS

Once the key parameters of the community investment strategy are established, the next step is figuring out how best to deliver the investment portfolios and subsequent programmes. This is a strategic choice guided by distinct variables, such as the company's objectives, project time horizon, budget and the characteristics of the local operating context, including the availability of partners. Because different implementation models have different advantages and disadvantages (that may serve one set of objectives over another), it helps to understand the options when determining the best fit for delivering your community investment programme.

Beyond the choice of implementation model, there are common themes related to implementation effectiveness that are also worth thinking through upfront.

These pertain to how a company will maintain its involvement and oversight; the sustainability and exit considerations for the model chosen (particularly from a financial standpoint); how to build capacity to support participatory decision-making and governance; and how to select the right partners.

Forming strategic partnerships that can help a company leverage and maximise its community investments is good practice. (Company engagement in multi-stakeholder partnerships is increasingly common.) It is driven by the basic underlying tenet that each partner has something valuable to contribute and that, by systematically working together, the partners can achieve their goals more effectively than by working alone.

#### COMMON IMPLEMENTATION MODELS

An implementation or delivery model is the organisational structure through which a company carries out its community investment programmes or supports others in doing so. In practice, many companies use hybrid approaches – a combination of different mechanisms to deliver their programmes.

“

FORMING STRATEGIC PARTNERSHIPS THAT CAN HELP A COMPANY  
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”

## Common implementation models

Model	Description
Inhouse implementation	A company creates an internal department or unit to work directly with communities to design and implement community investment projects.
Company foundation	A company establishes an independent foundation as a separate legal entity to carry out its community investment and development programmes. Foundations can have a grantmaking authority (i.e. financing of community programmes others implemented) or serve as an implementing function (implementing their own projects and programmes).
Third-party implementation	A company engages a third party, such as a local or international NGO, to work with local communities in designing and implementing community programmes, or it supports an existing initiative being implemented by others.
Multi-stakeholder partnership	A company establishes or joins a voluntary or collaborative alliance, network or partnership. This implies cooperation between two or more actors in a manner that share risks, responsibilities, resources and competencies, and involves a joint commitment to common tasks and goals.
Hybrid	A company uses a combination of two or more implementation models to deliver various components of its community investment and development programmes.

### CONSIDER TIMEFRAME, BUDGET AND LOCAL CONTEXT

Decision-making around how to deliver community investment is driven by internal as well as external factors and considerations. Some of these factors may impose limitations on the choice of implementation model in a given setting or have implications in terms of efficiency and effectiveness. Three important elements for companies to consider:

- 1 **Time horizon:** How long will the company be operating in the area and how quickly does it need its community investment programmes up and running?
- 2 **Budget:** How much will the company spend per year on community investment, and how secure is this funding?
- 3 **Local context:** What is the level of local implementation capacity and what is the potential for partnerships? Are there government or legal requirements for establishing certain vehicles to receive or channel funds for local development?

## DETERMINING A STRATEGIC FRAMEWORK

### A road map for deciding how to implement

Aspect	Inhouse implementation	Third-party implementation	Foundation	Multi-stakeholder partnership
Time horizon	Short to medium	Short, medium, long	Long	Medium to long
Budget	Variable cost, depending on the size of the inhouse team	Budget can be any size	Requires significant funds (or multi-year commitment)  Involves set-up costs (legal, administrative)  Overhead and operating costs can be significant	Variable cost, depending on the number of partners and the scope of the programmes
Local context	Where local capacity and partners are lacking  Where quick results are needed	Relies on the availability of strong local organisations or existing programmes to support community involvement and investment	Where regulatory requirements mandate the creation of an independent foundation or trust to receive funds  Where revenue for community investment projects are significant	Relies on the existence of partners with similar values and development objectives in the same region or target area or investment themes
Pros	Helps promote close links across business operations and better coordination with other mitigation efforts (e.g. environmental remediation, resettlement)	Creates flexibility by bringing in specific technical expertise as needed on a short-term or long-term basis	Helps attract partners and outside funding  Can promote greater community participation in project development and management and strategic decision-making	Helps to leverage outside skills, knowledge, networks and other resources  Can increase likelihood of success through enhanced ownership and sustainability

## DETERMINING A STRATEGIC FRAMEWORK

### A road map for deciding how to implement

Aspect	Inhouse implementation	Third-party implementation	Foundation	Multi-stakeholder partnership
Time horizon	Short to medium	Short, medium, long	Long	Medium to long
Pros	<p>Helps develop internal capacity for and experience in community development</p> <p>Helps secure sense of ownership and accountability over community investment activities</p> <p>Helps leverage corporate strengths and capacities</p> <p>Helps create direct connection to the community</p> <p>Helps to have community investment benefits directly associated with the company</p> <p>Helps to increase consistency by not being dependent on consultants and outside parties</p>	<p>Helps to leverage outside knowledge, skills and networks</p>	<p>Can operate on a broader level (e.g. national, international)</p> <p>Can help a company separate legal liability (its own or versus the actions of the community or its programmes)</p> <p>Allows better separation or mitigation of community investment activities</p> <p>Enables implementation of community investment programmes that can outlive the company's presence and/or participation</p> <p>May provide tax or legislative incentives, i.e. governance, compliance or regulatory requirements</p>	<p>Increases ability for increased impact and scalability, i.e. extended reach</p> <p>Enables risk, resource and cost sharing</p>

## DETERMINING A STRATEGIC FRAMEWORK

### A road map for deciding how to implement

Aspect	Inhouse implementation	Third-party implementation	Foundation	Multi-stakeholder partnership
Time horizon	Short to medium	Short, medium, long	Long	Medium to long
Cons	<p>Community involvement and investment may be mixed with community relations, social mitigation, resettlement and other non-community involvement activities</p> <p>Requires local capacity-building to ensure sustainability of projects after company participation ceases</p> <p>Overhead costs can be high due to inhouse staff required</p>	<p>NGOs may have little experience working with the private sector</p> <p>Different approaches and expectations can be problematic to manage</p> <p>Third parties may have their own agendas, and may not always adhere to company objectives</p> <p>Community may associate benefits brought by community investment activities with the implementing partner and not the company</p> <p>Building institutional memory and retaining lessons learned can be a challenge</p> <p>Costs can increase if international expertise is required</p> <p>Working through existing programmes creates a risk that the company may have little influence over the programme design and outcomes</p>	<p>Costs involved in establishing and operating a foundation</p> <p>Time necessary to build institutional capacity and establish credibility</p> <p>Separation from the company might lead to community investment activities being divorced from the company's core business strategy, less credit going back to the company for achieved results, and/or increased risk resulting from loss of direct engagement</p> <p>Finding appropriate leadership can be challenging since board members will need to make long-term commitments</p>	<p>It can be time-consuming to agree on shared goals, objectives and measures of success, as well as to secure specific commitments</p> <p>Company has to give up a certain amount of control over decision-making and outcomes</p> <p>It is often a challenge to establish mechanisms for sharing roles, responsibilities, costs and ownership</p> <p>Different interests or objectives among partners can create conflict, especially when non-traditional partners come together</p>

### KEY QUESTIONS FOR IMPLEMENTATION PLANNING

When thinking about how to implement community investment, certain fundamental questions are applicable, regardless of the type of model selected:

- Does your implementation model support your objectives?
- How will you maintain ownership, visibility and oversight?
- How will participatory decision-making and governance be fostered?
- Should you pilot before scaling up?
- How will transparency, accountability and sustainability of funding arrangements be ensured?
- What capacity-building is needed to support the chosen model and encourage local delivery?
- What is the exit or handover strategy for the chosen model?

### DOES YOUR IMPLEMENTATION MODEL SUPPORT YOUR OBJECTIVES?

The chosen implementation model(s) should help a company meet its community investment strategy objectives. If a company wants to engage partners and attract external funding, for example, a multi-stakeholder partnership model or a well-structured independent foundation is more likely to facilitate external support than a company-run community investment programme. Similarly, if a company wants to support existing local institutions and organisations, engaging NGOs as third-party implementers or piggybacking on existing programmes might be preferable to setting up a new structure. Where quick impact projects

are required in the short term to meet high expectations or gain government approval, a company may choose to implement community investment projects itself, while longer-term arrangements for community investment delivery are developed.

### HOW WILL YOU MAINTAIN OWNERSHIP, VISIBILITY AND OVERSIGHT?

Irrespective of the chosen model, maintaining ownership, visibility and quality oversight of any company-supported community investment initiatives is needed for risk and reputation management as well as to account to shareholders on how company resources are managed and spent. Visibility ensures that stakeholders associate the community investment programmes with the company so that the business derives the benefits it seeks in terms of positive perceptions and relations.

However, the amount of inhouse capacity (staff and expertise) and resources (time and money) required to effectively set up and monitor community investment programmes is often underestimated, even when the company is not directly involved with implementation. Experience in emerging market contexts shows that companies find themselves having to provide a much more intensive level of support and oversight than originally anticipated.

### HOW WILL PARTICIPATORY DECISION-MAKING AND GOVERNANCE BE FOSTERED?

A key feature of strategic community investment and development is building representative and participatory decision-making and governance structures as a means to empower local communities and develop capacity. Companies do this by involving representatives from local communities, government and civil society on governing boards, committees, councils, forums and other multi-stakeholder decision-making bodies. Meaningful participation often requires capacity-building, training and mentoring

## DETERMINING A STRATEGIC FRAMEWORK

over time so that imbalances in power and access to information among stakeholders can be addressed. Where there are already local structures or processes around local development planning, these should be explored as potential channels for participation.

### SHOULD YOU PILOT BEFORE SCALING UP?

A pilot is an opportunity to learn on the job, and it can contribute significantly to capacity-building. A pilot project often provides valuable learning about what works, what doesn't, and the actions required before scaling up activities. Depending on the context, it can be worth starting out small, testing ideas, and building trust and confidence among partners before commencing full-scale programme implementation.

### HOW WILL TRANSPARENCY, ACCOUNTABILITY AND SUSTAINABILITY OF FUNDING ARRANGEMENTS BE ENSURED?

Corruption, lack of transparency and misuse of community investment funds pose major challenges for companies. One way companies tackle these issues is to make public all finances, contracts, payments and expenditures related to community investment and development. Another way is to make specific individuals or bodies accountable, and to build checks and balances into the system.

If a company's contribution is not sufficient to meet programme goals, there may be an opportunity to attract external funding. It is important to think through how external funds will be raised, as this can have implications for other aspects of the strategy, including choice of implementation model. Establishing multi-stakeholder partnerships, seeking employee contributions (cash or in-kind) or establishing structured employee volunteering programmes can be used as potential strategies for leveraging company funds.

Lack of financial viability once a company reduces or withdraws funding support can also

pose a challenge. This can be addressed through measures to ensure the adequacy and continuity of funding, particularly in difficult economic times or unforeseen circumstances.

### Questions to consider at this phase include:

- How does the company intend to fund the programmes? Over what timeframe?
- Will the company be the only contributor or will it also try to attract external funds?
- How much funding will the programmes need?
- In what form can it receive funding contributions (e.g. cash, stock, infrastructure and/or in-kind)?
- How long will the company's financial contributions last? If an endowment is provided, for example, is it expected to be permanent or time limited?
- What contingencies are in place for unforeseen events or expenditures?
- What is the company's exit strategy and how will the programmes transition to alternative sources of financing?

### WHAT CAPACITY-BUILDING IS NEEDED TO SUPPORT THE CHOSEN MODEL?

Regardless of the model chosen, capacity-building to support local delivery will be a key consideration.

### WHAT IS THE EXIT OR HANDOVER STRATEGY FOR THE CHOSEN MODEL?

All the key questions for implementation planning should be addressed in a company's exit or handover strategy to ensure long-term sustainability of the implementing model. In addition, it's a good idea to consult stakeholders and get their agreement on the exit strategy upfront.

### Tips for developing handover and exit strategies

**Design a handover or exit strategy for all projects.** Think, from the start, about who or what type of organisation(s) will take over funding and management of the project, at what stage this should happen and what will be needed to sustain the activity without company support. For projects involving infrastructure or service provision, what mechanisms are needed to foster local ownership, cost sharing, responsibility for maintenance and capacity for handover?

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**Build the exit mechanism and timeframe into the project design.** Consider whether the long-term partner(s) will run the project from the start, or whether they will be phased in over time. What mechanisms are required to make that happen and what types of training and short-term or medium-term financial support is needed? The phasing out of company support may have to be staggered over time to allow stakeholders to adapt.

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**Facilitate community participation and ownership from the start** to ensure that all groups in the community are engaged in selecting, planning and implementing community projects; that all stakeholders know about and agree to the company's exit strategy and what it will mean for the project; that every project requires community as well as local government contributions (cash, labour, land, fees and/or materials) for any service provided in order to maintain it; and that the partners can take credit for the project so that the company is seen as supporting development rather than delivering it.

**Identify local partners and build their capacity.** For company handover to be viable, local partners might need short-term financial support, help with planning and fundraising, as well as management skills training.

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**Work through existing local institutions where possible.** Despite the challenges, strengthening existing local or community institutions is usually more straightforward than trying to create and sustain new ones.

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**Engage local government and invest in their capacity-building.** The local government is often responsible for providing many of the key inputs (e.g. teachers for schools or medical supplies for clinics). Involving local government in planning projects with communities and investing in their capacity development can help create a viable counterpart for project handover. At the same time, strengthening the ability of communities to lobby local government can help to get village priorities incorporated into the government's development plans.



# 03



## SECTION THREE SETTING UP THE GRANTMAKING FUNCTION

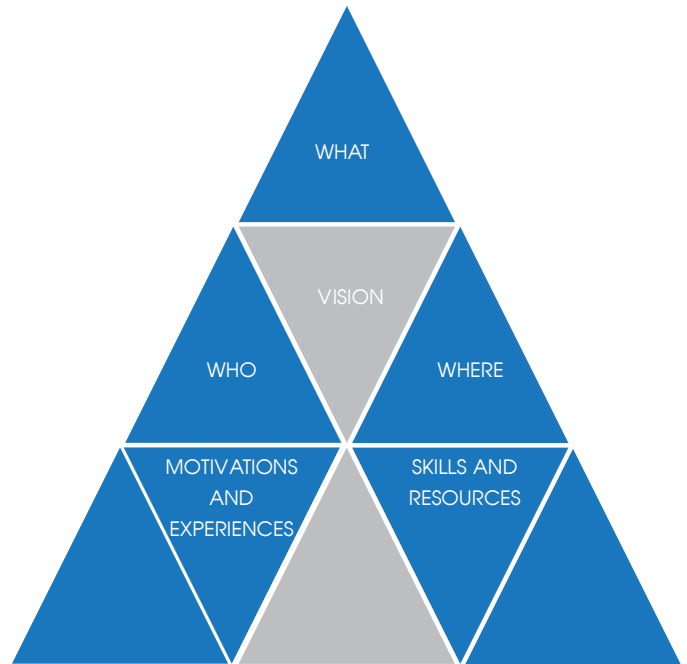
## SETTING UP THE GRANTMAKING FUNCTION

### WHAT DO YOU WANT TO ACHIEVE?

The opportunities for community investment and development are limitless. In almost every field of human activity, thoughtful and focused giving can make life better. Faced with such a wide range of possibilities, even the most clear-sighted social investor or grantmaker could be forgiven for hesitating before answering the question: What do we want to achieve?

A vision describes what your organisation wants the world to look like. It is both idealistic and long-term, and serves as an inspiration and motivation for driving the community investment endeavours.

- It defines what success for community investment and development looks like.
- It signals to others what your community investment is trying to achieve in an easy-to-understand way.
- It helps you focus community investment activities on what is most important to your organisation.
- It serves as a starting point for all future community investment and development activities and decisions.



### MOTIVATIONS AND EXPERIENCES – WHAT IS THE FOCUS?

- Is there an opportunity that is underfunded or ignored in your region, sector or country?
- Has your organisation encountered a pressing social or environmental issue in your business?
- Does your organisation have strong convictions (e.g. values, culture, ethics or morals)?
- Are you looking for a means to unite your company around a common project (employee participation)?
- Has an event, such as a natural disaster or emergency, triggered your organisation's desire to help?

### SKILLS AND RESOURCES – WHAT CAN YOUR ORGANISATION BEST CONTRIBUTE?

- Does your organisation have experience, expertise or knowledge that can be applied to a social or environmental issue?
- What resources can you contribute to your community investment endeavours, such as cash, property, skills, goods or time?
- Do you want to involve business resources, such as employees, customers or suppliers?
- Do you have networks and relationships that can help further your community development ambitions?

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## CHOOSING A FOCUS

Armed with an understanding of your organisation's motives for engaging in community investment and of what you can contribute beyond your ability to fund, it is time to decide on the focus of your action. Keep in mind that your focus may change over time, as your understanding of the cause you are addressing deepens and your exposure to community development increases. So how does one find out the future focus of philanthropic activities? You need to answer three questions:

### WHAT?

The theme or topic you will engage on and more specifically the cause you want to address, for example:

- make progress on a **health** issue
- address **environmental** concerns
- promote **social** justice
- expand **education** opportunities
- support **arts and culture**
- provide **disaster relief**
- increase **social welfare**

### WHERE?

The geographic footprint of your interventions – global, regional, country or community.

- At home or abroad? For example, in a local area (where your operations are).
- At what level? For example, in a province (where your customers or employees are).

### WHO?

The beneficiaries of your community investment and development activities:

- age group, e.g. children, youth, adults or the elderly
- gender, e.g. women or girls
- populations, e.g. rural, immigrant, ethnic or religious communities
- socio-economic communities, e.g. the destitute, budding entrepreneurs or small business owners

The vision will be of central importance to the community development journey. It is a concise description of an enduring purpose, not contingent on current conditions, capable of infinite fulfilment and not to be confused with the mission, which is more narrow and tactical.

A vision statement will be crucial to explain and share with others what your organisation is doing. It is the written manifestation of the intentions and enables one to check constantly if you are staying true to the course. The best vision statements make a bold, clear-sighted statement about how things should be, while leaving room for innovation and evolution in how to achieve it.

They are generally:

- aspirational – describing how things should be, rather than as they are
- focused – setting out the what, where and who that will anchor efforts
- concise – summing up intentions in a crisp and understandable way
- memorable – catching the attention of potential partners and inspiring their actions

The overall vision will be closely related to the mission. The main difference between the two is that the mission is more concrete, possibly with a set timeframe and an indication of how your organisation will act.

## SETTING UP THE GRANTMAKING FUNCTION

### WHICH APPROACH TO FOLLOW

An approach describes the role the organisation wants to play in a chosen cause, and the level of commitment, ambition and ownership you are willing to take on.

- It helps clarify the kind of grantmaking organisation you want to be.
- It provides guidance for charting the grantmaking, i.e. developing a strategy.
- It allows a focus on strengths, which maximises effectiveness.
- It acts as a filter to decide which opportunities are more (or less) appropriate.

There are three basic approaches you could adopt as a grantmaker. It is important to note

that they are not mutually exclusive and most likely you will adopt a combination of two or more approaches, depending on the objectives. The balance between them may also change over time.

Grantmaking can have many dimensions, which means that grantmakers can choose the form and approach. These different forms of engagement can be fluid. The table below provides an overview of the characteristics often associated with each community investment approach, rather than a prescriptive model for activity, and philanthropists may choose different approaches for different issues they are addressing. Over the course of the grantmaking life cycles, grantmakers will typically use these approaches simultaneously.

What is the approach?	When is it appropriate?	Vehicles for impact: What gets funded?	Systems and structures: Which are needed?
Adding resources	When strong organisations are already running effective programmes, but need additional resources to expand, extend or replicate their work	Giving to existing non-profits  This giving can occur directly, or through intermediaries such as foundations or NGOs	Little structure required for smaller donations  Screening systems and due diligence required for larger and numerous donations  Creating a foundation is not always the right choice
Building capacity	When the problem and potential solutions are well understood, but there are few actors capable of acting on them meaningfully	Providing organisations with direct funding for their capacity-building needs  Funding third-party organisations that provide capacity-building or networking services to others	Requires experts and programme staff  More complex measurement and evaluation systems may be needed
Campaigning for change	When the issue is complex and intractable, solutions are not well-understood, and many different actors need to work together in order to get results	Positioning an organisation as a leader in the field and thus funding a specific campaign, and organisations that are part of the campaign  Funding organisations that conduct advocacy, do research or convene activities and actions	High profile and credible programme leadership required  Ongoing review of strategy key to evaluate procedures  Collaborative platform (e.g. public private partnerships) may be developed or strengthened

### ADDITIONAL QUESTIONS TO ADDRESS

By selecting a vision and approach, organisations have made important progress on narrowing down what they want to do in their community investment work. But many decisions must still be made in order to action these:

- **Strategy:** Which of the specific needs and opportunities in your organisation's area of interest will you address? And which strategy will your organisation pursue to reach your goals?
- **Identification and assessment:** What projects should you fund? How can you find the right people and organisations? And how should you assess them?
- **Learning and evaluation:** How will your organisation know if you are moving in the right direction? How will you track your progress and measure the impact of your community investment?
- **Vehicle:** Will you need to create your own foundation? What other structures are available and how do you choose the right one for your goal(s)?
- **Governance and staffing:** Do you need to hire staff to achieve your vision? If so, how many do you need and where can you find them?
- **Assets:** How can you leverage all your organisation's assets, whether liquid or fixed, to maximise the impact of your community investments?



“ A STRATEGY SETS OUT WHAT NEEDS TO HAPPEN FOR THE GOALS TO BE REACHED, HOW THOSE ACTIONS FIT TOGETHER AND WHERE YOU WILL ACT. ”

### DEVELOPING A STRATEGY

A strategy sets out what needs to happen for the goals to be reached, how those actions fit together and where you will act.

- It helps you focus on the goals, set priorities and make choices between competing options.
- It gives you a basis to choose who to work with and which opportunities to support.
- It allows you to recognise success when you see it.
- It helps you learn from your grantmaking and improve what you do.

### KEY QUESTIONS WHEN DEVELOPING A STRATEGY

#### STEP ONE

##### Select goal and objectives

- What is the hypothesis of the specific issue you are trying to solve (used to develop your approach)?
- Based on the vision, what are the objectives? What exactly do you want to achieve?
- What impact do you want to have on these priorities? Which specific goals do you want to achieve?

# SETTING UP THE GRANTMAKING FUNCTION

## STEP TWO

### Identify possible activities

- What will it take to solve the issues you have identified? What are the different ways in which the issues could be addressed? What changes would need to take place?
- What are the available options to bring about these changes? What has worked well in the past?
- What resources are needed to carry out the necessary activities?
- Who else is working on this? Are there gaps that other players or actors have not addressed?
- Are there opportunities for collaboration?

## STEP THREE

### Choose a course of action

- Which of the options identified in step 2 best fit your organisation's community investment approach?
- What can you be most helpful with, given your resources, networks and expertise?
- What activities will you pursue?
- Who should you collaborate with? How can you build on what others are doing?

## STEP FOUR

### Map the logical model

There are many competing names for what we call logical model, such as logical framework or logical chain. The model includes a planning phase in which you set the goal and objectives and plan the activities. Those will be supported by the resources you can contribute. Thereafter, in an evaluation phase, you can look at your outputs (i.e. the results of your activities), the outcomes (which are your desired objectives) and the impact (your desired goal).

Input:  
Resources

Activities

Outputs

Outcomes:  
Objectives

Impact:  
Goal

### PRACTICAL CONSIDERATIONS:

#### Start with the end goal

A common mistake in grantmaking is to identify activities to support and only then look for an issue to apply them to, risking a misaligned strategy that fails to realise your vision. To avoid this, start with a clear goal and then reflect on the best way to achieve it.

#### Iterate

On many issues, the "right" strategy may not be obvious or even known. Each of the four steps to develop a strategy will help you learn more about your cause. You may need to go through the process several times before you have a feasible strategy that you feel comfortable with.

#### Involve stakeholders

To succeed, your grantmaking must touch others' lives. Whether they are hospital patients or teachers, beneficiaries will often have unique insights on how to have an impact. Asking for their advice and input will be invaluable in helping you to decide on your focus.

#### Note your assumptions

Developing a strategy does not require being able to predict the future. It does however involve making assumptions. Where possible, these should draw on evidence about what works. It is important to note them explicitly, so that you can update them as you learn.



# SETTING UP THE GRANTMAKING FUNCTION

## IMPLEMENTATION

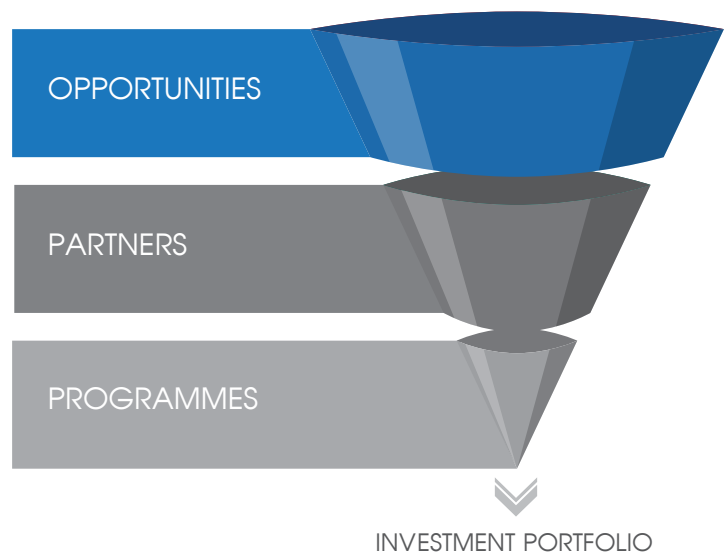
An identification and selection process enables grantmakers to make smart, systematic decisions about who to support and how, translating the vision and strategy into concrete activity.

- It allows you to identify the partners best suited to carry forward your vision and goals.
- It helps potential partners understand whether and how to get in touch with you.
- It provides you with a clear, systematic way of choosing between opportunities.
- It gives you a basis to assess the potential risks and benefits of the available options.
- It enables you to focus on the most promising options.

## FINDING OPPORTUNITIES

This process involves two key components:

- Finding potential opportunities and partners.
- Assessing whether they are right for you.



Potential projects may fall into four categories:

If a potential partner fits very well with the vision but does not seem to have the operational capacity to deliver, consider providing support, e.g. infrastructure, tools, products, services or coaching.

CONSIDER CAPACITY-BUILDING SUPPORT

Consider projects or partners that show a good fit with the vision as well as a strong capacity to deliver. Remember that finding the perfect fit is rare and some work and compromise will be needed on both sides.

CONSIDER FUNDING

It can be tempting to get a high performing organisation to embrace the vision so that you can extend its capacity towards the objectives and goals. However, it will not serve anyone, so don't be tempted to try and fit retrospectively.

DO NOT BE TEMPTED

These organisations are not potential partners. If they are applying for funding, it may mean that the vision and strategy have not been articulated or communicated strong enough.

REJECT PROPOSAL

## SETTING UP THE GRANTMAKING FUNCTION

Selecting projects can happen in a variety of formats:

Direct identification	Closed request for proposals (RFP)	Open request for proposals (RFP)	Open application
You do not accept any unsolicited applications.	You develop a request for proposal that specifically lays out your project or portfolio approach and goals.	You develop a request for proposal that specifically lays out your project or portfolio approaches and goals.	You develop general parameters (guidelines and criteria) for the types of projects or portfolios and partners that suit your strategy.
You rather determine which organisations might be good partners and approach them directly about working together.	You only invite a handful of organisations to propose, namely those that you consider a good fit.	You make the RFP publicly available and allow anyone to submit a proposal.	You publish these (e.g. online) and accept proposals from any qualifying organisation.

PROACTIVE GRANTMAKING

REACTIVE GRANTMAKING

### PRACTICAL CONSIDERATIONS:

#### **Consider the burden on you**

Proactive as well as reactive identification processes can impose a considerable burden, whether they entail mapping the available options or sifting through multiple proposals. It is important to ensure that you have appropriate time and support.

#### **Consider the burden on partners**

Due diligence and application processes can stretch potential partners. Try to minimise the burden on them by only asking for information you need and focusing detailed requests on high-potential applicants.

#### **Consider the signalling effect**

Whether you intend it or not, a public request for proposal can draw attention to your grantmaking and your chosen cause(s). If you do not desire this, you may want to steer towards a proactive approach.

#### **Balance risk and opportunity**

There is always a risk that a project, programme or intervention will not lead to results, or that the potential partner will be unable to execute it. You should balance these risks against the potential impact if the effort is successful.

#### **Don't set arbitrary funding horizons**

It can be tempting to dictate fixed funding durations. However, you may not know at the outset how long real impact might take. Be open to multi-year funding, but contingent on milestones.

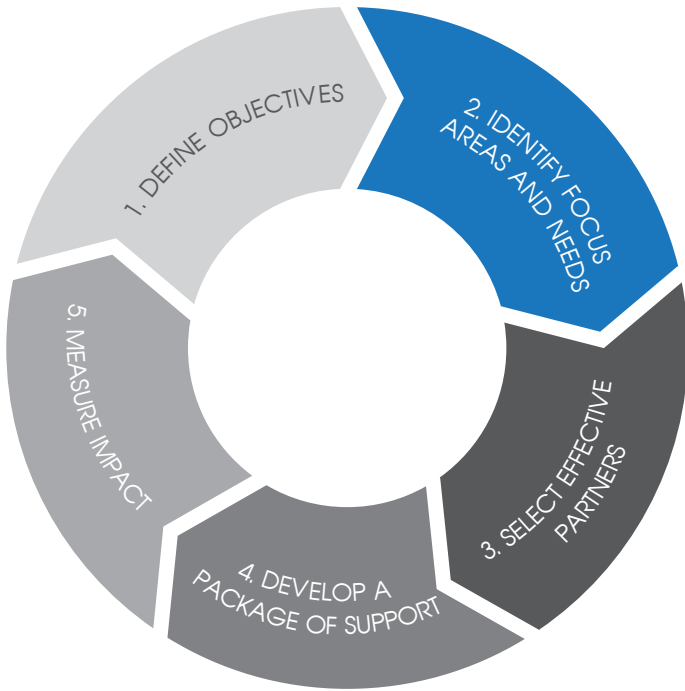
#### **Avoid unreasonable demands**

Depending on its stage of development, the information available about an opportunity can vary. It may be difficult, for example, to predict future funding needs for a highly innovative project. Periodic reviews can help manage such risks.

#### **Consider your exit from the start**

It is highly likely that your support will end at some point. To avoid undoing your good work, it is important to consider at the due diligence and assessment stage how to handle your exit and how progress will be sustained beyond your grant.

## DEFINING OBJECTIVES



Objectives are central to a funder’s success – by defining objectives, you clarify the purpose of your giving and grantmaking. Setting objectives can

be particularly important for corporate funders, as charitable funding is often diverting resources from the company. Corporate funders also usually try to achieve several things through their giving, bearing in mind the company’s board, staff, clients, customers and shareholders. Objectives therefore need to be compelling to different stakeholders and aligned with the company’s values and vision.

If you are not clear or realistic about what you want to achieve, you may find it hard to get the backing of your stakeholders and you may be disappointed with what your funding achieves.

The table below discusses objectives that are common to many corporate funders. It is important to note that an independent corporate foundation may find that its objectives look quite different from those of an inhouse company funder. For example, finding employee engagement or business development opportunities may not be as big a priority for a corporate foundation as for a funder based in a business or inhouse community development division.

### Objectives for giving

Objective	Comments
Achieve impact	All funders wish to achieve impact, but some investors focus more on the volume of their giving than on the results of the activities. Think carefully about the impact you wish to have.
Attract and retain talent	Corporate responsibility is a key component of corporate sustainability and a serious concern for today’s workforce, and many people consider this when making decisions about where to work or what to fund.
Develop employee’s skills	Volunteering and providing pro bono support can help employees develop their skills by using their expertise in a new context.
Build brand and profile	Developing a reputation as a responsible and socially conscious business can enhance brand loyalty.
Reflect corporate identity and culture	Social investment programmes can reflect a company’s culture and corporate identity through the issues they tackle or through their approach to supporting communities and organisations. This can encourage staff and other stakeholders to participate and buy into the giving and funding programmes.

## SETTING UP THE GRANTMAKING FUNCTION

### Objectives for giving

Objective	Comments
Enhance client and stakeholder relationships	Community investment can offer opportunities to deepen relationships with existing clients, for instance through match funding, joint ventures, cause-related marketing or pro bono projects.
Create business opportunities	Community investment and development can support business development and growth as it assists with opening markets or entering new markets, client sectors or industry sectors.

### IDENTIFYING FOCUS AREAS

Corporate funding programmes are usually most effective if they are focused on geographical areas or social or environmental issues, such as health or education. A clear focus will make it easier to build specialist knowledge, decide which charities to fund and take a strategic approach to achieving change.

Identifying and narrowing those focus areas can be difficult, as there are a huge range of issues that need funding. To help you make this decision, there are three things to consider:

#### **1. Aligning business and charitable interests:**

Search for an issue, need or location that fits your corporate identity and strategy.

**2. Looking at what you should invest:** Aside from cash, consider skills, passion and any other resources your company might be able to donate, and how these can be used to support charities.

**3. Understanding needs:** Think about the scale and urgency of the social or environmental needs you are interested in, and where you will be able to make a real difference.

Once you have chosen the focus for your funding, you can work out how to structure it so that it best meets your objectives.

### ALIGNING BUSINESS AND CHARITABLE INTERESTS

If your funding focus is linked to your company's identity, culture, strategy and passions, you will be able to develop a coherent and compelling story about what you are funding and why. This should help to inspire staff, clients, customers and other stakeholders about your giving programme, and it may also help to distinguish your giving from other corporate funders.

Aligning business and charitable interests is particularly important for funders based in a company; corporate foundations generally have more autonomy over how they focus their giving.

There are various ways in which corporate funders can align their giving to their business. They could align their giving to:

- **The products and services they provide,** e.g. a supermarket could focus on nutritional projects.
- **The geographical areas in which they work,** e.g. they could support charities working in communities surrounding their offices, plants or factories.
- **The skills of their employees,** e.g. a bank could support maths education or financial literacy.
- **Their external stakeholders,** e.g. they could fund charities in partnership with clients, customers or suppliers.

## SETTING UP THE GRANTMAKING FUNCTION

Your company's community investment goals will influence the issues you fund:

### Considering business goals when identifying a funding focus area

Business goals	Description	Considerations
Finding a fit with corporate identity	Brand and corporate values are key to business, and corporate investors often like to support organisations that have a clear fit with the sector in which they work. For instance, a number of financial services companies will consider financial literacy programmes.	Fit with strategic and corporate culture is important, but there is a risk that neglected causes, such as mental health or domestic violence, might be overlooked. Bear in mind that you may achieve greater impact by supporting more difficult causes or activities for which it is harder to fundraise (e.g. research or advocacy), as there is often a greater need for funding. Funding less popular causes can be a good way of showing leadership and ensuring that your funding is distinct from that of your competitors and peers. Consider tackling some of the more neglected issues in an area that fits your corporate identity, such as prison rehabilitation programmes or financial inclusion programmes for refugees or in hostels for the homeless.
Reflecting geographical presence	Corporate investors should consider how their support for organisations and communities reflect their geographical reach and presence, and addresses local needs in different geographical areas.	You may wish to have an overarching vision or theme that links to giving across different regions, but which is broad enough to allow you to respond to local needs. It is recommended that you do research to understand the social and environmental needs in the regions where you operate (e.g. through social economic surveys and baseline studies, stakeholder engagement with local communities or considering the local growth and development plans of government).
Distinguishing yourself from competitors	Many corporate funders are keen to distinguish themselves from their competitors in a region, sector or country.	Engaging with other corporate funders can help to avoid duplication and identify opportunities for partnerships or matched funding. It is a good idea to map competitors' funding activities.

## SETTING UP THE GRANTMAKING FUNCTION

### Considering business goals when identifying a funding focus area

Business goals	Description	Considerations
Deepening relationships with clients	Deepening client relationships by working with clients or organisations that represent clients' interests (or invoke specific sympathies in various development themes).	Engaging and understanding customer priorities, interests and needs is a significant way to understand which causes are important to clients.
Responding to employee needs	To inspire and motivate employees, it is important to understand the issues and causes that are close to their hearts and interests.	Employee volunteering, engagement, participation and involvement in community programmes can help motivate and inspire employees. There are many ways to facilitate this process, from matched giving to volunteering skills and time, or through collective action or team building.

## UNDERSTANDING NEEDS

As well as considering their business's demands, corporate funders should think about where there is a significant need and where they can have the greatest charitable impact.

Social needs are often very difficult to compare – for example, how would you compare domestic violence and cancer? The problems are very different, but there is an urgent need for funding in both areas. However, some needs may seem more closely aligned with your business, or if you are funding in a particular location, you may find that some needs stand out as being more pressing or relevant.

Once you have chosen a broad issue (such as mental health, homelessness, youth or education), you need to narrow your focus even further. We recommend that you carry out research to map and prioritise needs in your chosen issue area.

You should make the most of your company's business acumen, using market research, financial analysis, due diligence and problem-solving skills to create an effective programme.

Key areas to consider when assessing social or environmental needs are:

- The size and nature of the need: How many people are affected by the issue, and how severely? What is the cost to government expenditure and where is the greatest need?
- How the public and private sectors are tackling the problem: What is the government doing to address this issue, where are the limits of its responsibility and are there funding gaps as a result of public spending cuts? What is the role of private sector organisations?
- The role charities play in tackling the problem: What types of charities are working in this area, what are their objectives and what are the most effective interventions?
- What other funders are doing: Is there potential to collaborate with other funders and is there a risk of duplication? Could you match funding a programme that would not otherwise be able to get off the ground?

# 04



## SECTION FOUR GRANT MANAGEMENT AND ADMINISTRATION PROCESSES

# SETTING UP THE GRANTMAKING FUNCTION

## INTRODUCTION

*Clearly written grant administration procedures help ensure a smooth-running grant programme. Many mature grantmakers and social investors have developed a grant administration manual. These manuals cover all elements, including proposal review procedures, responses to applicants, grant reporting requirements and grant monitoring and evaluation. They provide a valuable guide for existing and incoming staff.*

*The grant selection process should provide the decision-makers (CEO and/or board) with sufficient information on which to base a decision. In reviewing grant proposals, staff usually evaluate the aims, objectives and methodology of the proposed programme or project, as well as the organisation's human, technical and resource capacity and prospects for sustainability. It is an advantage if they have first-hand knowledge of the institutions and individuals. They then prepare a recommendation for support or rejection. In some cases, the recommendation for support may be conditional, requesting additional information. Where grants in a new programme area are presented, it is useful for the relevant programme officer to attend the board meeting to answer questions.*

*Grant evaluation should involve staff of the grantee or partner organisation and contain recommendations for strengthening the organisation and/or programme. The evaluation should identify project achievements and problems encountered, and recommended solutions. If there is a high level of involvement of the grantee organisation staff in the evaluation process, the organisation is more likely to commit to taking the steps required to implement the proposed recommendations.*

*There are no easy answers to the challenge of grant evaluation. Foundation staff need to meet the challenge of developing qualitative indicators to evaluate programmes in fields that have proved difficult to evaluate in the past, such as non-formal education, health education, children and youth programmes. These should be shared more broadly with the foundation community.*

## FULL GRANTMAKING CYCLE

### APPLICATION FORM

A standard application form generally contains the following information:

- Organisation
- Project name
- Type of project or sector
- A copy of the organisation's constitution
- Physical address
- Postal address
- Telephone number, fax number and email address
- Directions to the project location
- Name of auditor
- Address
- Organisational and project background
- Socio-economic background
- Historical background
- Major achievements to date
- Management committee
- Description of the process in which the management committee is elected and appointed
- Staff
- Programme purpose
- Overall objectives of the programme
- Objectives specific to this request
- Activities to be supported
- Expected results
- Means of measuring if the expected results have been achieved
- Budget
- Current donors
- Other income
- Networking activities
- Current sustainability plans
- Future sustainability plans

# SETTING UP THE GRANTMAKING FUNCTION

## TRACKING GRANT PROPOSALS

Once applications are received, they are date-stamped and sorted according to:

- Proposals that need to be declined immediately, as they fall outside the funder's programme area.
- Applications that require guidance from the funding organisation in order to submit a more detailed proposal.
- Project proposals that fall within the grantmaker's funding criteria and that will be acknowledged in writing as having been received. These submitters will be informed that a project officer will be in touch with them for more information or to make an appointment for an onsite field visit.

In general, grantmakers strive to respond to all applications within a month. Files are opened for these categories and regularly followed up on by the project coordinator and/or the relevant project officer.

## SCREENING PROCESS

If the grantmaker decides a pre-selection onsite field visit is in order, the following procedures apply:

- As a rule, the grantmaker does not fund projects that have not been visited and appraised by a project officer.
- At the appropriate time, a project officer will liaise with projects in the province where s/he works regarding a suitable date and time to conduct onsite visits.
- When the project is visited, the request or needs identified in the proposal, along with the budget, are assessed in terms of local material conditions, programme quality, support and services available in the broader community, project sustainability and overall developmental impact on the community, sub-region or region. In addition, it is assessed whether projects are (in real terms) community-driven or owned, whether there is the prospect for the replication

of programmes in regions and across regions, or the possibility of cluster-type projects that promote symbiotic relationships and resource-sharing.

- After visiting a project, the project officer will write a summary of the project, and where appropriate, make a recommendation for funding. Decisions on whether to recommend funding are then made by the project coordinator, the executive director and, finally, the trustees.

## PROJECT OFFICER RECOMMENDATION

A recommendation includes information as requested in the application form, plus the following data.

- Project officer (name)
- Date of (site) visit
- Province
- Urban or rural
- Organisation's awareness of funder
- Geographic location
- Goal
- Programme impact
- Staff capacity
- Networking programme support (non-financial)
- Budget (itemised)
- Recommendation

## BOARD COMMITTEE REVIEW

The next steps in the process are to forward the approved recommendation to the grantmaking subcommittee, and then the board of trustees.

Subject to the approval of the project coordinator and executive director, recommendations for funding from project officers are forwarded to the grantmaking subcommittee for scrutiny two weeks before it sits. At the meeting, project officers present applications to the trustees, who accept or reject them for funding.

## SETTING UP THE GRANTMAKING FUNCTION

Once the grantmaking subcommittee approves or declines an application, the minutes of the meeting are prepared and forwarded to the board of trustees two weeks before it sits for final discussion and approval or rejection.

### EVALUATION OF PROJECTS

The evaluation of projects follows rigorous guidelines. Approximately six months after the disbursement of funds, projects and programmes are given an initial evaluation. The purpose of evaluation is to monitor and assess funded projects in relation to financial accountability, and to assess programmatic progress.

This process involves the steps below. First, grantees evaluate themselves by completing a standard evaluation form that contains the following headings:

### ASSESSMENT OF OBJECTIVES

#### Objectives

1. Programme name.
2. Please describe in detail the objectives of the programme being evaluated.
3. Please discuss your progress in achieving these objectives:
  - a. What problems did you experience during the implementation of your programme?
  - b. How did you manage to overcome these problems or how do you intend to overcome these problems?
4. What are the positive results of this programme?
5. Results during and after project implementation:
  - a. How many people in your target group were positively affected by this programme?
  - b. Discuss in detail the benefit of this programme to this group.

*Job creation (this is an example – different programme areas will be assessed differently)*

7. Were any jobs created as a result of this project?
  - a. How many were created?
  - b. Please provide the names and addresses of employers.
  - c. What types of jobs were created?

*Training (this is an example and depends on actual programmes funded)*

8. Have people been trained as a result of your programme?
  - a. How many staff members were trained?
  - b. How many community members were trained?
  - c. Who provided the training?
  - d. What type of training was received? List the courses and workshops.
  - e. What were the aims of the training?
  - f. How did it improve understanding of your project?
  - g. What future training will be needed?

#### Funding

9. Have you received further funding from other sources?
  - a. For this programme? List sources and amounts.
  - b. For your other programmes? List sources and amounts.

#### Sustainability and future plans

- 10.a. What is the intended lifespan of your organisation? Please explain your answer.
- b. If funding was obtained for a specific programme, what was its intended lifespan? Please motivate your answer. What are your financial and other plans to sustain your organisation or programme? Please explain all your answers.

11. Does your organisation have a funding deficit? If yes, please explain what you will do to overcome this situation.

### Networking with other organisations

12. During programme implementation, have any links been forged with other NGOs? If yes, please describe these and the benefit to your organisation.

### Financial reporting

- Summarised breakdown of expenditure, e.g. total training, equipment or travel expenses thus far.

Project officers then conduct an evaluation visit to assess progress and where appropriate, after consultation, make interventions to maximise the development impact of the project.

Finally, evaluation forms from grantees are returned to the funder. They are compiled with the project officer's written evaluation report and presented at an evaluation subcommittee meeting. The project officer's report contains the following headings:

- Organisation
- Project name
- Province
- Sector
- Grant period
- Conditions as set out in terms of grant
- Results of the programme
- Problems encountered
- Solution(s) to problems encountered
- Positive effects
- Did the project receive media coverage?
- Is the project self-sustainable?
- Number of people positively affected
- Number of jobs created
- Number of people trained
- Future needs
- General comments

Should the evaluation subcommittee be satisfied that a project is progressing and that the grant

is making a significant difference, it recommends a further term of funding when the funding period is longer than one year.

### BOARD RECOMMENDATIONS, LETTERS OF ACCEPTANCE AND REJECTION

Recommendations to the board:

- Project title
- Project description
  - Project status: New ( ) Ongoing ( )
    - If new, how does this project relate to the funder's vision, mission and goals?
    - What has it done in the past?
  - Objectives
    - Short, medium and long-term objectives
    - Milestones that can be monitored
  - Target clients
  - Interventions
- Evaluation of the proponent
  - What is its programme expertise?
  - Does it have a track record in implementing a similar project?
  - Management
    - What is the management structure of the organisation?
    - Is decision-making centred around a single person?
    - If so, what plans (if any) are there to develop a stronger management resource base?
  - Should the funder's proposed assistance be linked to these plans?
- Project goals
  - An appraisal of the chances of achieving the goals.
    - What is the environment for implementation? Is it favourable or hostile?
  - Comparative performance

## SETTING UP THE GRANTMAKING FUNCTION

- Compare the activities and track record of the proponent with those of other organisations that also work in that field (e.g. street children).
  - What, if anything, is unique about the proponent or its approach to the problem it addresses?
5. Duration of support
- a. How long should the project be supported? Why?
  - b. How will the proponent continue once funding is ended or withdrawn?
6. Total project cost
- a. What are the other sources the proponent intends to tap apart from funding and its counterpart?
  - b. If there are already other funds, how long have they been supporting the proponent?
  - c. In what areas has this other funding been used?
  - d. How would the above relate to the proposed funding?
  - e. Comments or assessments from the other donors.
  - f. What is or how much is the proponent's counterpart?
  - g. How much is requested?
  - h. Where is the funding going?
  - i. How does the cost compare with similar projects funded?
6. Assessments of performance of partners (e.g. existing grantees being recommended for supplemental support)
- a. How long has the partner been with the network? What and how much is the total support provided to date?
  - b. How would you assess the partner's performance so far?
  - c. Assessment of the impact of the project
    - This should go beyond an enumeration of the number of children or youth attended

to, training programmes conducted, etc. Where possible, it should attempt to describe changes in attitudes, income, lifestyle, health, etc.

- d. Financial sustainability
  - Does the project have a developed sustainability plan? How realistic is it?
  - What are the milestones of the plan to be considered? At what stage is the proponent in the implementation of this plan?

“

THE PURPOSE OF  
EVALUATION IS TO MONITOR  
AND ASSESS FUNDED  
PROJECTS IN RELATION TO  
FINANCIAL ACCOUNTABILITY,  
AND TO ASSESS  
PROGRAMMATIC PROGRESS.

”

### LETTER OF ACCEPTANCE

The following sample letter notifies an organisation of approval of its proposal.

This letter indicates that the applicant met with a board committee to explain the proposed programme and answer questions. Few grantmakers take this approach. A more common practice is for staff members to seek any required clarification from the applicant by telephone, email or letter or during a visit to the organisation. In some cases, the board defers a decision, pending additional information or clarification to be obtained by the staff.

## SETTING UP THE GRANTMAKING FUNCTION

*We are pleased to inform you that the board of trustees at its meeting on (date) approved your proposal entitled (proposal name). The project will have a maximum funding of (amount), which will go to activities spelled out in the proposal.*

*During the discussion of your project, the board made comments that we would like to share with you. It noted with satisfaction your beginning effort to reach out to the community where some of the partner organisation children come from in order to minimise relapse of children reconciled with their families.*

*Your fundraising activities to make partner organisation sustainable did not go unnoticed. The board members thought that you were on target in tapping government sources for some of your activities. They have always believed that one way of insuring NGOs' financial sustainability is to work closely with local government units. They have funds that can be channelled to organisations like yours, if they are made aware that NGO efforts are meant to support the government's plan to improve the conditions of its constituents, the street children in your case. You could help to dramatise this symbiotic relationship between the public and the NGO sectors, especially in a place like (place), where, the board realises, extraordinary efforts are needed.*

*We would also like to thank you for participating in the meeting. You certainly have been able to communicate the significance of your project, making us visualise more vividly what is happening to the children.*

*Ms/Mr (name), the programme officer, will guide you through the requirements (e.g. the MOA) that will have to be satisfied to access this funding assistance. All the best and we wish you success in this endeavour.*

### LETTER OF REJECTION

A number of letters can be used to reject proposals. In this example, the board welcomes another meeting to discuss a revised proposal and suggests points for consideration:

*This has reference to the organisation's application for a grant amounting to (amount) for (title of proposal), which was reviewed by the board in its meeting on (date).*

*The board has several concerns regarding the proposed programme, but could review your revised proposal at its next meeting. Specific concerns.*

*Please know that the board would simply like to help increase the chance of the project succeeding and staying in place, and are optimistic that you will consider the following points, revise your proposal and resubmit it for review.*

*Please do not hesitate to contact us should there be a need for further clarification on any of the preceding points. We look forward to hearing from you.*

## SETTING UP THE GRANTMAKING FUNCTION

### FOR GRANTEE REPORTING

It is advisable to develop a comprehensive set of documents providing guidelines on grantee reporting requirements. Such documents help avoid misunderstanding between grantmakers and grantees. These documents accompany the grant letter, which stipulates when grant payments will be made, sets out narrative and financial reporting requirements, as well as restrictions on the use of funds.

*Dear Sir/Madam*

*We hereby inform you that the attached terms of agreement is the document that will regulate the relations between your institution and the funder relative to guiding the implementation and execution of the referred project.*

*We would like to emphasise that all those involved in executing the project from the technical as well as financial functional areas must have a complete knowledge of this document.*

*In our experience, this procedure ensures a more effective flow of activities related to the implementation of the project. In the annex, we make suggestions that will facilitate project reporting, for the coordinating team responsible for the proposal as well as for the funder.*

*We would like to take this opportunity to inform you that due to the high volume of reports the funder analyses, it is of fundamental importance that the technical and financial reports be presented using the specific summary form. We emphasise that we will not accept reports that have not been completed according to this procedure.*

*The terms of agreement are in two sections. The first section is a one-sheet form that asks for this grantee information (in addition to address, telephone, etc.):*

- duration of project*
- objective*
- goals*
- amount requested*

*The second section asks for:*

- 1. Particulars for bank deposits and a timeline for disbursements – number, date, amount and percentages applied to each budget line item.*
- 2. Confirmation that the funds will only be utilised in accordance with the original authorisation assurances that all involved in the project will observe and comply with the general conditions in the agreement, seek to achieve the objectives agreed to in the original proposal, strive for maximum impact, send technical and financial reports, raise matching funds and send copies of all materials used or produced in the project to the foundation.*

*Attachments to the reporting package include summary forms for technical and financial reports, guidelines for filling out the forms, including definition of terms; a two-page list of 25 conditions of the grant; terms of agreement and two annexed tables indicating the timeline for the use of funds. The funder asks its grantees to use the following summary forms for technical and financial reports:*

## SETTING UP THE GRANTMAKING FUNCTION

### SUMMARY TECHNICAL REPORT FORM

DUE DATE:

GRANTEE:

NAME OF PROJECT:

GRANT PERIOD:

BRIEF SUMMARY OF PROGRESS  
DURING PERIOD:

BRIEF SUMMARY OF  
PROBLEMS ENCOUNTERED:

ANNEXED DOCUMENTS:

### SUMMARY FINANCIAL REPORT FORM

PROJECT NO:

DUE DATE:

GRANTEE:

NAME OF PROJECT:

GRANT PERIOD:

BUDGET:

EXPENDITURE (BY ITEM)

RECEIPTS (DEPOSITS, TRANSFERS, EXPENDITURE,  
BALANCE):

### PROJECT MONITORING AND EVALUATION REPORTS

Suggested template for monthly or quarterly reporting considerations:

- Project name
- Project type
- Project site
- Ecosystem/resource base
- Status (new or ongoing)
- Start-up date
- Proponent's name and address
- Contact person
- Total amount of grant
- Cumulative releases (to date)

- Amount of funds utilised
- Funds balance (or released amount)
- Grant balance (unreleased amount)

#### Summary assessment

- Brief overall description of the project
- Major accomplishments of project objectives
- Major difficulties or problems encountered
- Recommendation for project continuation

#### Accomplishments per objective

- Objective
- Critical activities

Accomplishments	Problems encountered	Solutions and recommendations
Results obtained from critical activities and project inputs	Problems or difficulties in project operations	Action or steps to solve problems and results
Concrete indicators or measures of accomplishment	Hindrances to full accomplishment of objectives	Recommendations or decisions to mitigate problems and improve operations – when these will take effect
Level of attainment (quantitative or qualitative)	Assessment of causes of problems	

Annex detailed results, descriptions, documentation or plans

## SETTING UP THE GRANTMAKING FUNCTION

### Other problems and solutions or recommendations

Problems or setbacks pertaining to overall operations or a combination of objectives and components:

1. Internal, e.g. project management, operations, staffing, controls or documentation.
2. External, e.g. developments in project environment, other institutions or policies affecting the project.

Solution or recommendations of proponent regarding above problems. Resources or inputs needed to put recommendations into effect.

### Funds usage and management

- Summary of funds usage
- Total grant amount
- Cumulative releases
- Funds utilised (of released funds)
- Variance in funds usage

Item	Budget	Expenditure	Variance %	Reason for variance
	In project plan of action	In financial report		

- Problems/solutions related to funds and financial management
- Proposed budget modifications

### Recommendations

- For project improvement, continuity
- For grantee development and capacity-building
- For linking project results and learning

05



SECTION FIVE

THE FUNDAMENTALS  
OF MEASUREMENT

## SELECTING EFFECTIVE CHARITIES

Choosing a charity to fund can be a daunting prospect. There are more than 100 000 registered charities in South Africa, tackling a multitude of problems in many different ways.

Once your organisation has identified an area you wish to focus on, it is tempting to rely on criteria such as brand or admin costs when choosing a charity. But if you want to make the biggest impact with your money, it is important to try and judge charities by their effectiveness.

### A FRAMEWORK FOR ANALYSING DEVELOPMENT ORGANISATIONS

NPC's framework for analysing charities can help you find effective charities to fund. It is based on six parts: activities, results, leadership, people and resources, finances and ambition.

Funders rarely have the time or resources to carry out an in-depth charity analysis. This framework aims to be practical and appropriate for corporate funders' needs.

Investing time in charity analysis minimises the risk of making poor funding decisions, which may have reputational implications as well as waste money. Even more importantly, taking time to choose good charities means that you use your money to make the greatest possible difference to people's lives.

#### Six aspects of effective charities and development organisations

Area for analysis	Description	Questions to ask
Activities	The way the organisation achieves its objectives	What do they do, and why?
Results	The change the organisation makes in people's lives and its attitude to learning from the experience	What impact does the organisation have on the lives of the people it supports, or the issue it focuses on?
Leadership	How the organisation is managed and governed, its purpose and strategy	Does the organisation have a clear vision and strong management and governance?
People and resources	The organisation's staff, other resources and external support	Does the organisation use its people and resources as effectively as possible to deliver its mission?
Finances	The money the organisation has and how it uses it	Does the organisation have the money it needs to sustain its activities and is it managed well?
Ambition	The organisation's goals and strategy, and the impact these are likely to have	Does the organisation aim to achieve long-term change by setting realistic, achievable goals?

## ACTIVITIES

When choosing a charity to give money to, funders need to assess whether the charity has a sensible range of activities that focus on the most important needs. This is easier for funders that have analysed the needs and have specialist knowledge of the issue the charity is tackling.

Many corporate funders support particular projects or activities linked to a charity, rather than supporting the whole organisation. Even when this is the case, it is important to have a broader understanding of a charity's activities, for several reasons:

- Few projects or activities are completely independent or isolated. If they are, find out what value there is in them being run by that particular charity, rather than another organisation.
- Understanding the range of activities a charity runs helps funders understand whether their support for a particular project will have a wider impact on the organisation.
- If other activities in the organisation get into trouble, there could be a knock-on effect on the project you are funding, in operational as well as reputational terms.

### Analysing activities

Assessment criteria	Summary	Key questions
Focus on greatest needs	An effective organisation focuses its work where it can make the biggest difference.	<p>How does the organisation identify areas of need?</p> <p>How does it target its services to respond to those needs?</p> <p>Is there a clear demand for the organisation's services?</p>
Range of activities	An effective organisation will have a good explanation for the range of activities it presents.	<p>Does the organisation have a clear logical justification for what it does (e.g. theory of change or impact framework)?</p> <p>Can it explain the rationale behind its activities?</p> <p>Are there any gaps in the organisation's work that might prevent it from achieving its aims?</p> <p>Does it coordinate with other organisations or signpost beneficiaries elsewhere to fill gaps in provisions?</p>
Links between activities	Effective organisations make the most of the links between their organisations, e.g. a counselling service might provide statistics or cause studies that can be used in campaigning activities to influence policy.	<p>What are the links between the organisation's programmes and activities?</p> <p>Are there links it is not making the most of?</p> <p>Do the organisation's activities gain extra value from being part of the organisation, i.e. is the organisation more than the sum of its parts?</p>

## SELECTING EFFECTIVE CHARITIES

### Analysing activities

Assessment criteria	Summary	Key questions
Ability to adapt and innovate	Social problems are never static, so good organisations are flexible and respond to change, but they also resist the urge to create new projects just for the sake of doing it.	<p>How does the organisation research, adapt and comply with a changing environment?</p> <p>Is it able and flexible enough to change and close down activities that are no longer relevant?</p> <p>Does it have the capacity to constantly evolve?</p>

### RESULTS

Corporate funders should assess the results of a charity before supporting it, otherwise they have no indication whether their support will have a positive impact. They should also look at the charity's attitude about learning from its experience and consider whether there are external events that could affect the organisation's ability to achieve its objectives.

Corporate funders are accountable to the companies they are associated with, and to the

employees and stakeholders of those companies. They must be able to communicate the results of their charitable giving to these stakeholders, which means that their grantees must be committed to measuring their results.

You may wish to focus on the results of the particular projects you fund, but you should also try to get a broader sense of the way the charity uses its results to improve services.

### Analysing results

Assessment criteria	Summary	Key questions
Results culture	The best organisations show a good understanding of their impact and are committed to learning from the data they collect, be it good or bad.	<p>Does the organisation have a systematic approach to measuring its results?</p> <p>Does it use data about results to improve services?</p> <p>Is it open to learning from mistakes as well as reporting successes?</p>
Evidence of positive results	Funders should look for data about outputs as well as outcomes.	<p>Can the organisation provide evidence of positive results?</p> <p>Can it demonstrate improvement in results over time?</p> <p>Can the organisation provide a mixture of qualitative and quantitative data about the outputs and outcomes?</p>

## Analysing results

Assessment criteria	Summary	Key questions
Quality of evidence	Funders should consider whether the evidence of an organisation's results is high quality and reliable, bearing in mind that the level of evidence will depend on the organisation's maturity and size and on the type of work it does.	<p>What methods does the organisation use to measure its results?</p> <p>Can it explain why these methods are appropriate and robust?</p>
Sharing results	Sharing information about results can increase the impact of an organisation and help other organisations learn and improve.	<p>Does the organisation share its results to build understanding about what works?</p> <p>Is it strategic in its approach to sharing information?</p>

## LEADERSHIP

Effective charities have strong management and governance, with a clear purpose and strategy to achieve their goals. You can get a sense of leadership from the governance structure and the quality of strategy documents, such as annual reports. However, getting to grips with the leadership of a charity usually requires meetings with the chief executive, senior managers and trustees.

The amount of time you spend assessing leadership will depend on the type and size of the grant or investment. For instance:

- If you plan to give a charity a small grant restricted to a project, you could focus your

analysis on the management of the project and only do a quick check to see whether the management and governance of the organisation overall seems sensible.

- If you plan to give a charity a large, unrestricted grant or investment, or run a flagship volunteering programme with it, you should take more time getting to know the management and trustees.

In the current economic climate, we recommend that you pay attention to leadership, as the strength of the management and trustee board may determine the charity's ability to overcome challenges.

“ YOU CAN GET A SENSE OF LEADERSHIP FROM THE GOVERNANCE STRUCTURE AND THE QUALITY OF STRATEGY DOCUMENTS, SUCH AS ANNUAL REPORTS.

”

## SELECTING EFFECTIVE CHARITIES

### Analysing leadership

Assessment criteria	Summary	Key questions
Management team	A good chief executive and management team should provide a clear and consistent message about the direction of the organisation.	<p>Can the chief executive explain the organisation's strategy for the future?</p> <p>Are they up to speed with the organisation's day-to-day activities and open about their challenges?</p> <p>Is the chief executive supported by a strong management team?</p> <p>Is the organisation reliant on a key individual and is there a succession plan in place?</p>
Governance	Trustees are responsible for steering the organisation, supporting the management team, overseeing the financial and practical aspects of running the organisation and appointing the chief executive.	<p>Does the board have a good size and do trustees meet regularly?</p> <p>Does the board include an appropriate range of skills and experience?</p> <p>What is the relationship between the chair and the chief executive, and between the board and the management team?</p> <p>Does the board display fair gender, age and demographic representation?</p>
Vision and strategy	Good organisations have clearly defined aims and a convincing plan for how they will be achieved.	<p>Does the organisation have a business plan and documented strategy that includes measurable milestones and a clear understanding of risks?</p> <p>Is business planning a regular process that takes place at an organisational as well as a service level?</p> <p>Is data about impact and the views of employees, volunteers, service providers and service users fed into the business planning process?</p> <p>Is the strategic plan realistic, particularly in the current economic climate?</p>
Priorities	Organisations have limited resources and have to make important choices about what to spend money on. Good organisations regularly review and take the external environment into account.	<p>Can the organisation explain why it invests more resources in some activities than others?</p> <p>Does the organisation think carefully about the external environment when setting and reviewing its priorities?</p>

## PEOPLE AND RESOURCES

When choosing a charity to give money to, funders should look at the quality of the charity's people and resources, including its staff, volunteers, property and external support, and how it uses them.

This area is particularly interesting for corporate funders because it can give them an indication of how they might be able to provide employee engagement opportunities and donations in kind. This sort of support is not without risks, so funders should ask:

- Do the organisation's staff and volunteers have relevant qualifications and checks (for instance,

in child protection)? Steer clear of any organisation that does not have appropriate safeguards in place, as it could negatively affect beneficiaries.

- Does the charity provide suitable training and supervision to volunteers? Without this support, it is difficult for volunteers and the charity to get the most out of volunteering.
- Does the charity take appropriate measures to ensure the safety of its staff and volunteers, such as when working with people who are potentially violent?

### Analysing people and resources

Assessment criteria	Summary	Key questions
Staff	Staff are organisations' greatest asset. High quality, committed, motivated and well-trained staff are central to success.	<p>Are staff appropriately qualified and are they given opportunities for training and development?</p> <p>Do staff seem motivated and committed?</p> <p>Are the knowledge and skills of staff used effectively?</p> <p>Are they involved in decision-making?</p>
Volunteers and pro bono support	Volunteers are a valuable part of many organisations' work. However, they can be constrained in terms of time, skills and reliability. They can also be expensive to recruit, train and manage.	<p>Is the organisation clear about what it requires of volunteers (e.g. does it ask for a minimum time commitment)?</p> <p>Is it clear about the value of volunteering to the organisation?</p> <p>Does it commit adequate resources to recruitment, training and supervision of volunteers?</p>
Other resources, such as IT, property and branding	Organisations usually have a range of non-financial assets, such as buildings, intellectual property, branding and IT equipment.	<p>Does the organisation use property (physical and intellectual) appropriately to contribute to its mission and goals?</p> <p>Are IT systems adequate to do the job required?</p> <p>How well does the organisation use resources in kind, such as the use of facilities or event space?</p>

## SELECTING EFFECTIVE CHARITIES

### Analysing people and resources

Assessment criteria	Summary	Key questions
External leverage	Leverage refers to the ability to use their resources to bring in more support from external sources. This might mean collaborating with other organisations, attracting pro bono support from businesses or convincing a local authority to work with them.	<p>Does the organisation have good relationships with stakeholders and make the most of its networks?</p> <p>Does it take a proactive approach to identifying opportunities?</p> <p>Does it have a good track record of bringing in external support and resources and does it use them effectively?</p>

### FINANCES

The degree to which corporate funders wish to analyse an organisation's finances depends on considerations such as the size of the grant or investment they plan to provide and the size and complexity of the charity. Funders should pay close attention to financial stability, especially

given the economic downturn and the impact of public and government spending cuts on charities. Even if a funder only plans to fund one project that seems financially stable, broader financial problems could represent a serious threat.

### Analysing finances

Assessment criteria	Summary	Key questions
Financial security	Financial security refers to the predictability of an organisation's income and expenditure, the strength of its balance sheet and its outlook.	<p>How reliable is the organisation's income and does it have a strategy for addressing risks to major income streams?</p> <p>Is it heavily reliant on a small number of income sources? If so, does it plan to diversify its income?</p> <p>Does the organisation have a clear reserves policy and an appropriate level of reserves?</p> <p>Is the organisation's short-term cash flow secure?</p>
Quality of financial management	An effective organisation should understand and control its income and expenditure, balancing day-to-day needs with long-term objectives. The quality of financial management is likely to vary, depending on the size of the organisation. For larger investments, it may be worth reviewing management accounts.	<p>Are the organisation's published financial statements well-presented, transparent, accurate and unqualified by auditors?</p> <p>Does it have good internal financial information, produced in a timely manner?</p> <p>Do the organisation's projections for future income look realistic?</p>

## Analysing finances

Assessment criteria	Summary	Key questions
Efficiency	Good organisations control costs and ensure that waste is kept to a minimum. Efficiency is not about spending as little as possible on administration, fundraising or salaries. Organisations have to invest in these functions to be effective.	<p>Does the organisation have a good understanding of its costs and how these are likely to fluctuate?</p> <p>Does it have good processes to manage its expenditure and control costs?</p> <p>Can management justify expenditure and control costs?</p> <p>Can management justify expenditure, explain how it controls costs and point to efforts to improve efficiency?</p>

### Administrative costs:

When working out what an organisation might achieve with invested funds, grants or loans, admin costs are not helpful because they are not a predictor of impact or effectiveness. To work effectively, organisations need to have decent administration. No investor would invest in a company that has antiquated or inefficient IT systems, and the same is true for development organisations.

Admin costs are crucial to what a development organisation achieves, and spending more on back-office staff can even lead to improved results.

In addition to being potentially misleading, administrative expenditure is not straightforward

to interpret. Development organisations present admin costs in a variety of ways. For example, one organisation might report the salary of an office manager as an admin cost, while another might report it as a cost within the organisation's activities.

It is therefore risky to use reported admin costs to judge an organisation and its effectiveness. Investors should ask themselves whether the organisation is spending wisely on fundraising and administration, and whether the ratio of spending to income is reasonable. Comparing the cost ratios of similar organisations may be helpful, but bear in mind that simple financial indicators of efficiency should always be considered in the broader context of the organisation's results.

## AMBITION

Good charities aim to achieve long-term change by setting realistic goals, and they should be able to articulate clearly which ambitions are doable and appropriate for them. Ambition is often best assessed through conversations with a charity's board and management, though good websites and strategy documents should also help.

Some corporate funders may be tempted to fund new projects as a way of being innovative

and distinguishing themselves from competitors. But bear in mind that charities can be ambitious and effective without expanding their services or creating new projects. Instead, they might be ambitious to improve their results or influence and inform others. In this difficult economic environment, corporate funders should look carefully at any plans for expansion to check that they are financially viable, and be wary of charities that appear over-ambitious.

## SELECTING EFFECTIVE CHARITIES

### Analysing ambition

Assessment criteria	Summary	Key questions
Potential to grow or replicate	The ability to grow or replicate a service increases an organisation's potential impact. It might expand its own services or encourage other organisations to take up its approach.	<p>Can the organisation present a well-argued business case for growth?</p> <p>Can it explain the risks associated with growth plans?</p> <p>Does the organisation have a track record of managing growth?</p>
Potential to improve results	Good organisations seek opportunities to improve their results.	<p>Does the organisation have a track record of systematically measuring its impact and using its experiences to develop its activities?</p> <p>Can it give examples of how it has learned from mistakes?</p>
Potential to solve problems more widely	Ambitious organisations seek to exert influence beyond their day-to-day services and to share information that will help other organisations improve the way they work.	<p>Does the organisation share its results with others working on similar issues?</p> <p>Does it seem to be primarily collaborative or competitive?</p>
Willingness to change	Trustees and managers need to look beyond the concerns of their organisation to its wider purpose and put the interests of beneficiaries first.	<p>Do the management and board put the needs of beneficiaries above the needs of the organisation?</p> <p>Is the organisation at risk of being too ambitious and losing sight of the people it exists to help?</p> <p>Is it ambitious enough? Does it risk underachieving or being left behind by social and technological change?</p>

“ AMBITION IS OFTEN BEST ASSESSED THROUGH CONVERSATIONS WITH A CHARITY'S BOARD AND MANAGEMENT, THOUGH GOOD WEBSITES AND STRATEGY DOCUMENTS SHOULD ALSO HELP.

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### GETTING THE INFORMATION YOU NEED

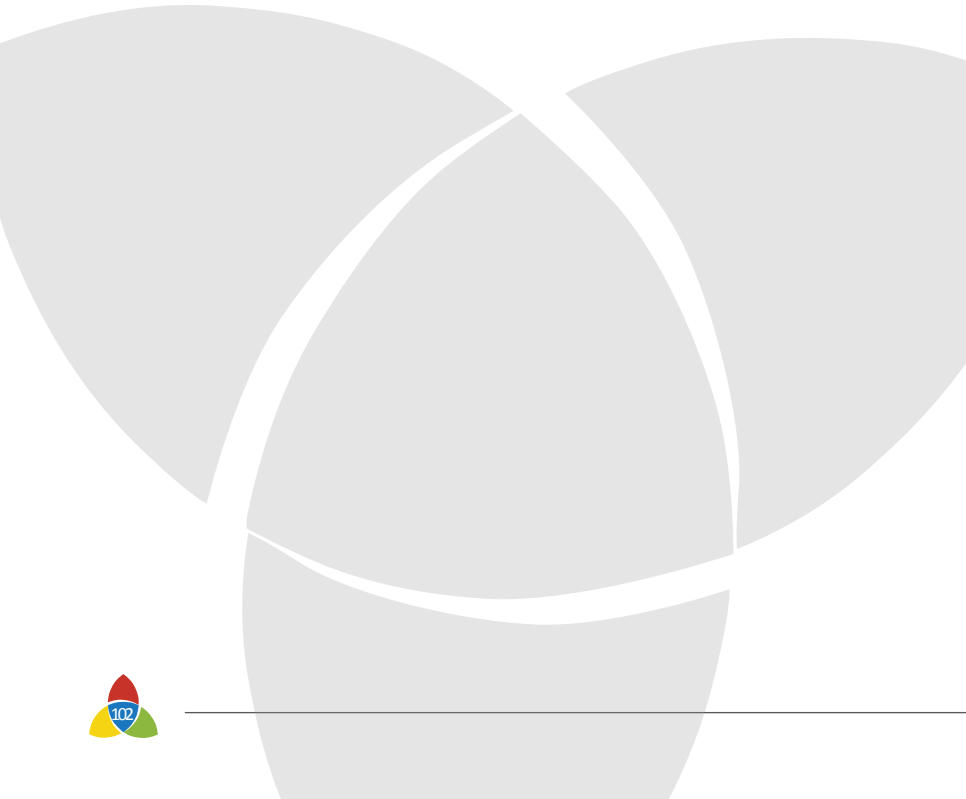
When choosing a charity to support, most corporate funders will already have application and selection processes in place, which may involve a combination of written documentation, visits to projects and interviews with management or trustees. In our experience, irrespective of how comprehensive the application form is, there will still be questions that can be best assessed through conversations.

#### **Information can be gathered from several sources:**

- Look at publicly available information, such as the annual report and any other information that the charity might publish on its website, including a vision statement, strategy documents, business plans and evaluation reports.
- Meet key people in the charity's offices, including the chief executive, management team and chair of trustees.
- Request information that is not publicly available, such as management accounts, detailed strategy and evaluation documents, staff surveys and a risk register.
- Visit a project and speak to frontline staff, volunteers and beneficiaries of the charity's services.
- Talk to other individuals and organisations that have worked with the charity, including other funders.

Analysing a charity before making or renewing a grant takes time, particularly when you consider the range of sources you may wish to consult. In our experience, thorough analysis of a charity can take anything from 5 to 20 days, depending on the experience of the analyst and the complexity of the charity. That said, you can cover some key points in a day by focusing on the elements of the charity analysis framework that are most important to you as a funder.

Think carefully about how the time you have available will affect the number of charity relationships you can realistically manage. Bear in mind that information about charities gets outdated quickly, so it is important to have regular contact with grantees and to encourage them to notify you of any significant developments that may affect your support.



06



SECTION SIX  
DEVELOPING A  
SUPPORT PACKAGE

## DEVELOPING A SUPPORT PACKAGE

Corporate funders should structure their support for charities so that they meet their own strategic objectives while helping charities maximise their impact. We recommend that funders think about this on a programme level (in terms of the mix of financial and non-financial support they can offer), as well as on an individual level (in terms of the support package that is most appropriate for each charity).

Ideally, funders will have built up a clear picture of the resources at their disposal while developing their corporate giving strategy. This enables them to take a strategic approach to planning the mix of support they can offer charities. Corporate funders often have a specific budget for financial resources, but may be more reactive and ad hoc about the way they allocate donations in kind. By being precise about the range of non-financial resources they can offer, funders can put together more strategic packages of support.

When thinking about how to package support for a charity, it is important to consider how financial and non-financial resources fit together, rather than allocating them separately. It is worth bearing in mind that non-financial support will not be appropriate for every charity, so funders should not make it a requirement that all the charities they support are able to accept volunteers or donations in kind. For example, some charities may not be able to provide regular employee volunteering opportunities, and should not be put in a position where they feel they will lose out on funding as a result thereof.

## THE CORPORATE-CHARITY RELATIONSHIP

It is important that charities and funders agree from the start how the relationship will work. In particular:

**Be clear about expectations on both sides.** Before a grant agreement or any other documentation is processed, the funder and charity should be clear about what they expect from the relationship and how they think it will work.

**Put the agreement in writing.** Draw up a contract, grant agreement or memorandum of understanding so that the terms of the relationship are clearly defined. There should also be accompanying documents, such as a payment schedule and a reporting form or template.

**Agree milestones for the charity.** The funder should set clear milestones or objectives for its support, talking to the charity about what is appropriate and achievable. It is good to have a mixture of organisational and project objectives, as well as qualitative and quantitative objectives. It is also important to agree upfront how the charity will measure progress against these milestones and what data it will include in reports to the funder.

**Set milestones for the funder too.** In some cases, it may be appropriate to agree funder milestones, for instance to provide a certain number of volunteer hours each month.

**Make clear what will happen if milestones are not met.** In the contract, grant agreement or memorandum of understanding, explain what will happen if the charity does not meet a milestone. This may be as simple as reserving the right to review and even discontinue funding.

**Define the terms of engagement.** It may be helpful for the grant documentation or equivalent to cover the terms of engagement. For instance, who the relationship managers are on both sides, how formal any communication should be, when it is appropriate to notify each other of developments that might affect the relationship, and when it is appropriate for the charity to contact the funder to discuss additional support.



**Emphasise that honesty is valued.** There is often a difficult power dynamic between funders and charities. A charity may feel like it should not draw attention to problems in case the funder decides to withdraw its support. But funders tend to have greater trust in a charity that is open about challenges, and may even be able to help the charity overcome the challenges. Funders should therefore stress from the beginning of a grant that they request an honest, open relationship.

More broadly, funders and charities should try to ensure that their objectives are aligned as far as possible. It can be tempting for a charity to put together proposals that it thinks will be attractive to a funder, but which are not aligned with its strategy and experience. Funders and charities should be honest about these issues, and careful to avoid situations where a charity's work becomes skewed in pursuit of corporate support.

### FINANCIAL SUPPORT

Most funders provide financial support for charities in the form of grants, so we focus on providing effective grant funding. However, non-grant financing is another increasingly popular option.

#### GRANTS

When thinking about how they structure grants (e.g. the size and duration of funding), funders need to consider not only what is feasible for them, but also about what will enable charities to support their beneficiaries as effectively as possible.

#### WHY GRANT STRUCTURE MATTERS

Well-structured funding helps charities to be strong and sustainable. It can give them:

- the ability to recruit and retain the best staff
- opportunities to plan ahead, take risks and innovate
- resources to track results
- the flexibility to respond to social, political or legal changes

Funding that is not appropriate for a charity's needs or does not match its capacity can limit its ability to develop as an organisation. At worst, it can create uncertainty, making recruitment and retention of staff difficult. This affects the quality of service offered to beneficiaries.

### THREE KEY QUESTIONS TO CONSIDER

Corporate funders face particular constraints when structuring their funding. For example, if they rely on a proportion of the business's profits for their charitable giving, there may be uncertainty over how much funding they can allocate from year to year. Wherever possible, corporate funders should consider three key questions when structuring their funding:

- 1 Will restrictions on the grant limit its impact?
- 2 What size of grant is appropriate for the charity?
- 3 Is multi-year funding feasible?



## DEVELOPING A SUPPORT PACKAGE

### WILL RESTRICTIONS ON THE GRANT LIMIT ITS IMPACT?

Where possible, funders should provide unrestricted funding. Restricting a grant to specific projects, services or purposes can limit its effectiveness. An example would be funding a disabled children's charity to take a group of disabled children to a theme park for a day of respite, without covering the costs of transport, staffing, planning or insurance.

Restricted funding can mean that charities:

- find it difficult to pay for infrastructure and organisational development, such as new IT systems that will make their work more efficient
- find it difficult to innovate and experiment
- cannot respond to unexpected events
- spend resources on managing restrictions that might otherwise be spent pursuing results

We recognise that corporate funders have reasons for placing restrictions on grants. This table outlines some of these reasons and suggests ways of addressing them.

“ WHEN THINKING ABOUT HOW TO PACKAGE SUPPORT FOR A CHARITY, IT IS IMPORTANT TO CONSIDER HOW FINANCIAL AND NON-FINANCIAL RESOURCES FIT TOGETHER, RATHER THAN ALLOCATING THEM SEPARATELY. ”

### Recommendations on how to provide more unrestricted funding

Reason for giving unrestricted funding	Recommendations
The funder does not know the organisation well enough	<p>If you are going to give a significant grant, we recommend investing in a more detailed analysis of the organisation.</p> <p>Alternatively, in the short term, give a smaller, restricted grant to develop the relationship with the organisation, build trust and monitor results over time. Move to unrestricted funding if you are pleased with the progress. If you are confident in an organisation, you should be able to trust that it will know how best to use your funding.</p>
The funder believes it is easier to monitor grants when they are restricted	<p>Unrestricted grants are less likely to be used to pay for a single project or function, so monitoring their impact is more complicated than with restricted grants. But it is not impossible – the organisation should still be able to explain how it spent the money and how it contributed to its ability to improve support for its beneficiaries.</p> <p>The impact of unrestricted grants can be tracked by setting clear milestones, covering the organisation as well as the impact of its work on beneficiaries.</p> <p>If the organisation has promising results but lacks a robust approach to measurement, you might consider supporting it to improve its measurement systems.</p>

### Recommendations on how to provide more unrestricted funding

Reason for giving unrestricted funding	Recommendations
<p>The funder wants to avoid the organisation becoming dependent on its support</p>	<p>You can avoid dependency by setting a clear timeframe for the grant and outlining an exit strategy. In this way, the organisation will make plans to find alternative sources of funding.</p> <p>Unrestricted funding can actually reduce dependency, e.g. it may enable an organisation to invest in its fundraising team and cultivate new funding streams.</p>
<p>The funder wants to mitigate risk to its reputation</p>	<p>The main way to avoid reputational risk is to analyse an organisation and to get to know it. Bear in mind that although restricted funding can help you retain control over what your funding is spent on, broader problems in the organisation may still affect your reputation.</p>
<p>The funder wishes to distinguish its impact from that of others</p>	<p>Ask whether it is really necessary to distinguish your impact from that of other funders, as collaboration between funders can be very productive.</p> <p>If necessary, try to use the lightest restriction that achieves your objective. Be flexible and approachable and make it clear to the organisation in which circumstances restrictions might be altered.</p> <p>Consider providing a grant that combines an element of unrestricted funding and an element of restricted funding so that you can support the core development of the organisation, while focusing on a specific project.</p>
<p>The funder wants to support organisations working in a specific area</p>	<p>If national or international organisations have projects in the area you are interested in, it may be appropriate to restrict the grant to this area. However, do not impose restrictions on how the grant is spent in that area unless there is a good reason.</p>
<p>The organisation needs funding for discrete projects</p>	<p>Restricted grants can be appropriate for discrete projects such as a once-off piece of research, a pilot project or a capital investment.</p>
<p>The organisation requests funding for an existing project or programme</p>	<p>Check that the budget for the project or programme has built in the full costs, including all the overheads, and that the grant will cover these costs adequately.</p>

## DEVELOPING A SUPPORT PACKAGE

### NON-FINANCIAL SUPPORT

Corporate funders can provide three main types of non-financial support: Employee volunteering, work experience or employment for the beneficiaries of the charities they support, and donations in kind, for instance of a company's products, services or facilities.

We recommend that funders draw up a list of non-financial resources in the same way as they would develop a budget for funding, to give a clear idea of what is feasible to offer.

This section will be primarily of interest to corporate funders who are based in a company and manage employee volunteering or donations in kind, such as corporate responsibility or community investment teams, rather than corporate foundations.

### VOLUNTEERING

There are many ways in which employees can get involved in supporting charities. Volunteering opportunities will partly depend on the objectives and motivations of the company, for example, is it interested in developing employee skills or providing team-building opportunities? Corporate funders should ask the charity which volunteering opportunities will be most useful to them. Volunteering can be very expensive for a charity to manage and can divert resources from core work. It is important that charities feel able to reject offers of volunteering if they would not be helpful, and they should not feel worried about losing out on funding if they cannot provide volunteering opportunities.

#### Volunteering opportunities:

- **Skills-based volunteering** gives employees the opportunity to use core skills from their day jobs, and is arguably the most valuable way in which they can donate their time. This could mean lawyers helping charities with legal issues or marketing experts helping to develop marketing strategies. It could also be broader operational support, for example, the IT department could help with website problems or the HR team could advise on employment issues.

- **Mentoring** is a popular form of employee engagement. Companies might arrange for employees to work on a one-to-one basis with young people in local schools or youth clubs. This is not a type of volunteering that should be entered into lightly – mentors need to be carefully matched with young people and need to commit to regular meetings. Mentoring that is not handled properly can do more harm than good.
- **Team-based volunteering** can offer team-bonding opportunities by giving groups of employees the chance to work together on a brief and tangible project, such as painting a school or clearing an area of waste ground. While these projects can be useful for charities, funders should be careful not to put charities in a position where they feel they have to create activities they do not really need to satisfy a funder's requirements.
- **Employee fundraising** gives employees the chance to complete an activity (such as a sponsored marathon) to raise money for charity.
- **Board-level volunteering** (including volunteering as a charity trustee or school governing body) is becoming increasingly popular, and companies can help their employees find such opportunities.

Once you have decided what type of employee volunteering schemes you would like to run, we recommend that you consider providing further support to ensure that volunteers as well as charities get the most out of the experience. For example, you might provide training for volunteers on specific skills or roles, such as how to be an effective trustee or mentor.



### VOLUNTARY PLACEMENTS IN A BUSINESS

Corporate funders should consider whether their business might offer useful work experience placements or employment for people who might otherwise lack such opportunities. For example, companies can run summer courses for local students to introduce them to law and banking with law firms and banks. This may lead to internships or other employment opportunities down the line. Similarly, mental health charities may partner with companies to provide work experience placements for people who need support getting back into employment after a period of mental or physical illness.

### DONATIONS IN KIND

There are many other ways in which companies can provide non-financial support to charities:

- **Office resources and facilities**, such as providing office space for events or donating old office furniture.
- **Products or services** that the company provides, which may range from giving clothing to homeless shelters or food for famine relief projects to providing free advertising space or free transport.

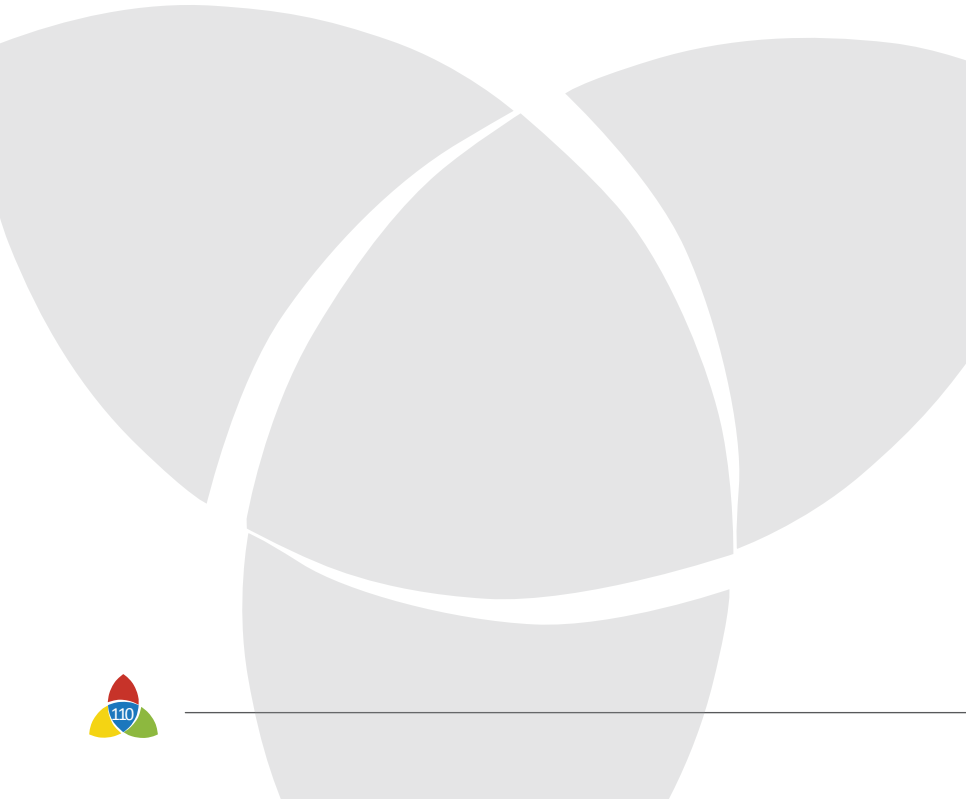
As with employee volunteering, it is important that the charity identifies the support it would find valuable, with the company coming up with ideas of how it might help. The gifts will then be useful and sustainable for the organisation. There are several pitfalls to be aware of when providing donations in kind, as the table below explains.

In addition to donating goods and space, companies can support charities by playing a convening role:

- **Hosting and sponsoring events/conferences:** You could organise events or workshops for grantees. This would provide good opportunities for learning and discussion, and give charities a chance to network.
- **Facilitating partnerships:** You could play a valuable role by brokering partnerships between charities and other organisations working on similar issues, encouraging them to share information and helping them to avoid duplication.

### Considerations when giving donations in kind

Pitfall	Considerations
Donation contains hidden costs	The true costs of administering and managing non-financial gifts are sometimes only recognised by the charity once the resource is in place. Costs might include depreciation, transport, storage, insurance and maintenance, and they often go unacknowledged, unbudgeted for and unasked for. When offering donations in kind, funders should ensure that they talk to the organisation about how these costs will be covered before the organisation accepts the donation. Any reporting the funder requires on donations in kind should be made clear at the start.
Donation does not fit organisation's needs	Funders should make it clear that if the organisation does not want the gift, it will not harm the relationship if they do not accept it.
Donation has poor quality	Gifts should only be offered to organisations if they are in a safe and usable condition, or they could prove costly for the organisation to fix.



07



SECTION SEVEN  
MEASURING IMPACT

Communicating impact is likely to be a particular priority for corporate funders. They need to justify and be transparent about how they use company resources, and they usually have multiple stakeholders to report back to, including the board, management, shareholders, staff and customers.

### WHAT FUNDERS SHOULD MEASURE

There are a range of objectives against which corporate funders may wish to measure their impact. These may include more business-focused objectives, such as developing employee skills, retaining talent and raising brand awareness, and more charitable objectives, such as improving educational attainment or employability in the local community.

#### HOW FUNDERS CAN MEASURE THEIR CHARITABLE IMPACT

When it comes to their charitable objectives, corporate funders could think about what they measure on two levels:

- The impact of their support on individual charities and their beneficiaries.
- The overall impact of their funding programme.

#### MEASURING THE IMPACT ON CHARITIES AND THEIR BENEFICIARIES

The most straightforward way for corporate funders to measure their impact is to look at:

- The impact of a grant on a charity (e.g. in terms of building its capacity or systems).
- The impact of a grant on the beneficiaries a charity is working with.

While the first of these may seem less interesting, it can have a significant effect on a charity's ability to help people in a sustained way.

Measuring impact is easier for the funder if the charity has a rigorous approach to measuring the results of its work. If it does not have such an approach, you may consider helping them develop one, or make improving measurement a condition of the grant.

### MILESTONES

Funders should agree milestones with charities at the start of a grant. Milestones should be realistic, measurable and aligned with the funder's expectations and what the charity believes is achievable. They should always include goals relating to the charity's results, and ideally request qualitative as well as quantitative data. They should cover outputs (such as the number of people supported) as well as outcomes (the changes achieved in beneficiaries' lives).

Milestones should also include organisational goals, such as building up the level of financial reserves or strengthening the management team. This gives the funder an idea of whether it has a wider impact on the charity. By regularly measuring progress against these goals, the funder should be able to assess the impact of its support.

#### Tracking progress against milestones has challenges:

- **Flexibility:** The more precise the milestones, the clearer the charity and funder can be about their impact. But be wary of taking an inflexible approach to milestones. A charity's circumstances may change, so it is important that they can update or adjust milestones if appropriate.
- **Attribution:** Charities as well as funders need to be careful about what impact they attribute to a particular grant. If a grant only covers the costs of part of a service or project, clarify that the grant contributed to the outcomes, but is not solely responsible.
- **Unrestricted funding:** Corporate funders are often concerned that they will not be able to measure the impact of an unrestricted grant. While it is not straightforward, we believe that by agreeing milestones with a charity at the outset of the relationship, it is possible to assess impact quite precisely.

As the diagram below indicates, agreeing milestones is often an iterative process. Milestones may sometimes be agreed in a single meeting, but will often require more discussion. Do not underestimate the time involved in agreeing on milestones.

#### DEVELOPING A REPORTING FRAMEWORK



When discussing milestones, find out whether the charity has other funders that are interested in similar issues. If the reporting requirements are comparable, you could think about agreeing common milestones and reporting requirements, as this will save the charity time.

#### DEFINING A REPORTING AND PAYMENT SCHEDULE

Once milestones have been agreed, funders should develop a reporting timetable. For bigger grants, we recommend that funders ask charities to submit a full report against milestones each year, with updates (perhaps by phone or email) every six months. For the latter, you could ask grantees:

- Is the work on track to meet the annual milestones?
- What were your major developments and achievements over the last six months?
- Have there been significant changes or challenges to the project or context in which you work?
- If so, how are you managing them?

State on the payment schedule or grant agreement that the grant is dependent on the grantee meeting the agreed milestones and that the funder reserves the right to review its commitment and grant size each year, subject to progress against milestones. If milestones are not met, there may be a perfectly good reason, so make sure that you investigate this before withholding funding.

It works well to leave a gap of several weeks between receiving the report and the payment of the next installment of a grant, so that funders have time to review the report and go back to the charity with questions.

“ MILESTONES SHOULD ALSO INCLUDE ORGANISATIONAL GOALS, SUCH AS BUILDING UP THE LEVEL OF FINANCIAL RESERVES OR STRENGTHENING THE MANAGEMENT TEAM. ”

## MEASURING IMPACT

### MEASURING THE OVERALL IMPACT OF A FUNDING PROGRAMME

Many funders would like to be able to assess the overall impact of their support for charities, rather than just measuring impact on a charity-by-charity basis. This is not easy. Although it may seem straightforward to aggregate data about outputs (such as the number of people supported), these types of figures need to be treated with care. For example, a charity that does campaigning and awareness-raising work may reach many more thousands of people than a charity that provides debt counselling advice, but the level of interaction is likely to have a much lighter touch, with a smaller impact on their lives. Data about outcomes can be even more difficult to aggregate, as charities may be measuring very different things, so there is a risk of comparing apples and pears.

In our experience, only certain funders are in a position to make meaningful statements about outcomes across their funding programme. These are specialist funders with objectives that can be measured by specific metrics, such as increasing educational attainment or reducing infant mortality.

Coordinating measurement across a field or around specific interventions in this way can offer great benefits. It allows charities and funders to compare the impact of different approaches, enabling them to allocate resources to create maximum impact. It also helps charities learn which approaches to measurement are available and appropriate, and prevents them working in isolation to develop their own frameworks.

This kind of coordinated measurement requires expert knowledge and a significant investment of time and resources on the part of funders as well as charities. Funders should also be wary of imposing additional monitoring requirements on charities. If a charity is asked to report against a new metric, funders should consider providing financial or capacity-building support.

It is important to highlight that taking this type of approach requires funders to think about measurement early on, when they plan the funding programme and develop its goals and objectives. It is difficult, if not impossible, to assess overall impact retrospectively in a meaningful way, without the right framework and metrics having been put in place at the beginning of the process. This highlights the importance of a strategic approach to corporate funding and defining precise objectives and focus areas from the outset.

### FUNDING REVIEWS

Even if it is not feasible to compare outcomes across a programme, we would still recommend that funders review the overall impact of their programme. This might involve holding focus groups or surveying grantees and employees to assess the programme's impact and gather feedback about their experience. It might also lead to the production of a review report, which can be a useful tool for communicating the impact of corporate giving to the board, staff and other stakeholders, and demonstrating why it is worthwhile.

### LEARNING FROM EVALUATION

Evaluation is a way of systematically gathering and reviewing information in order to learn. It means asking smart, timely questions about your community investment work so that you may understand and increase your impact.

- It allows you to understand more about the issue you seek to address.
- It allows you to check whether your approach has an impact.
- It enables you to be more effective in how you act.
- It helps you understand how to replicate and scale your successful initiatives.

- It can demonstrate your credibility to other funders, government and society.
- It can provide supporting evidence for policy or advocacy work.

Learning is a continuous cycle of activity that runs throughout your grantmaking. By constantly adapting and improving what you do, you can increase your impact through your community investment and get results more quickly. The cycle has three stages: Implement, evaluate and adapt. Evaluation and learning are crucial elements of any non-profit work, affording the best opportunities for improvement, even for those who have already been active for many years.

Implement your grantmaking in an informed way, drawing on what you and others have learned about your cause and how to address it.

Evaluate what is working (and why), how you are progressing towards your goals and whether the assumptions you made in your strategy are still true.

Adapt how you work, based on what you learn by adjusting your efforts to increase their impact, sharing lessons to help advance the field, and demonstrating the value of your work to influence policy and attract other funders.

## WHEN AND WHAT YOU SHOULD EVALUATE

For each of the three types of results (outputs, outcomes and impact) you can identify indicators and means of verification. This table aims to provide more detail about the measurement process:

	Monitoring activities	Tracking progress towards objectives through evaluation	Understanding impact through impact assessment
Do I always need to do this? When is it appropriate?	Monitoring is appropriate when you mandate someone else to act through a grant, partnership request or similar (almost always).	Tracking progress is appropriate if you are pursuing or funding a multi-phased or multi-step process.	Impact assessment is appropriate if your philanthropy, grantmaking or social investment seeks to initiate or change something (e.g. an innovation, a pilot study or a representative project)
What type of questions should I ask?	<p>Are partners doing what they said they would do?</p> <p>Are things costing more or less as planned? Why?</p> <p>What does it mean for the work plan?</p>	<p>Are things going according to plan?</p> <p>Are you getting the results you hoped for?</p> <p>Why, or why not?</p> <p>How should you adapt or improve your way of working?</p>	<p>Do the outcomes you achieve seem to have the desired effect?</p> <p>Is your theory of change or logic model framework correct?</p>

## MEASURING IMPACT

	Monitoring activities	Tracking progress towards objectives through evaluation	Understanding impact through impact assessment
Why do I need to know?	To ensure that your resources are used efficiently, as you intended.	To see whether things are unfolding as planned and if you need to make changes to achieve your intended outcomes.	To refine your strategy and theory of change or logic model framework, and to validate your work so that others can build on it.
Where do I find the information (means of verification)?	Regular reports from partnerships and organisations.  A simple, standardised process (e.g. a quarterly report or a regular phone call) may be appropriate.	Regular reports from partners or organisations.  Periodic questions to beneficiaries and/or other stakeholders.  Some questions will need to be tailored to the specific initiative.	Data collected via an evaluator – may be commissioned by you or another organisation.  Will include information from partners, grantees, beneficiaries, stakeholders and third parties.  Where appropriate, a baseline study or socio-economic survey should be set at the start of an initiative.
What do I do with the answers when I get them?	Guard against corruption.  Demonstrate compliance with local laws.  Ensure that your money or other resources are used wisely.	Work with partners to improve implementation.  Focus resources on the most promising activities.  Share processes, lessons and insights with the sector.	Refine your strategy and identify new opportunities.  Demonstrate value to others, e.g. policymakers.  Share lessons.

### KEY ASPECTS TO CONSIDER WHEN PLANNING YOUR EVALUATION

#### FOCUS ON OUTCOMES

It is important to not only focus your evaluation on the output of your activities, but to at least also evaluate your objectives and the outcome you have achieved. If you only measure your outputs, you might not really see the result of your project. For example, the fact that women have completed

the vocational training course might not be enough to achieve the goal of improving the job opportunities for women in a certain region.

#### TIMING MATTERS

It is important to understand that in order to see changes at the level of outcomes and impact, a longer period may be required. The outputs can usually be seen as soon as the project is finished, but for example in the case of women's vocational

training, whether or not the training has helped them in the workforce is probably only evident at least six months after they have completed the training.

### BE CREATIVE

In some cases, finding indicators for certain behavioural changes, particularly in the area of civil and political rights, can be more challenging than for other more direct socio-economic improvements. For example, for a project to ensure the human rights of prisoners in jail by training prison wardens, the perfect indicator for success would be the number of inmates who did not get mistreated thanks to the project. However, this would be almost impossible to assess. An alternative would be to run reports through selected interviews by inmates of how treatment has improved in the few months following the project, and self-reports by prison wardens of what they believe they have learned in the course and how they apply it. This could also be verified by an external observer regularly visiting the prison. In general, one has to be creative with indicators and find those that are a good measure of success and are at the same time relatively easy to verify.

### LESS IS MORE

A small number of key measures generally provide sufficient insight. Having a complicated system with multiple indicators and a huge burden of collecting information for means of verification does not necessarily yield better results. If the system is too complex, at some point people will stop bothering to collect the data. Collecting the information also takes time and effort which could be devoted to other activities, so striking a balance is crucial. A good question to ask yourself is if we were moving the needle on this topic, what would the world look like? Which things would we be able to observe? This approach usually guides you to meaningful measures.

### QUALITATIVE CAN BE AS GOOD AS QUANTITATIVE

Most evaluations try to focus on hard quantitative data. In many cases, qualitative data or even anecdotal evidence is good enough to demonstrate that things are improving. For example, when you ask an NGO how they know if they have a good reputation, not every employee will be able to quote a study they conducted to measure their reputation, but many would mention that when they talk about the NGO they work for, most people respond with a positive association. This is anecdotal evidence and is often sufficient to prove a point.

### CONTRIBUTING TO RESULTS IS USUALLY ENOUGH

Seeking causal attribution between your activities and specific outcomes may be desirable, but it is not always feasible and usually costly. In many cases knowing that your project contributed to a certain cause with many others should be enough.

In some instances it is almost impossible to know for sure. For example, you may work on a project to improve women's participation in the workforce, and it could be that an economic boom in the country leads to greater opportunities for women.

Even without the vocational training project, more women would have entered the workforce. Or it could be that because of the project more women were ready to take advantage of the opportunities related to the economic boom. Pinpointing the exact contribution would be difficult and costly, and this endeavour may outweigh its benefits.



### CONSIDER INSTITUTIONAL EFFECTIVENESS

Many organisations only focus on evaluating their projects or programmes. Another angle is to also evaluate the institutional effectiveness. Knowing what you achieved is not enough. Having a clear idea of how you went about and achieved the results is also valuable. For example, on the institutional effectiveness side a foundation could look at the state of relationships with different stakeholders, including the grantees they support, the reputation of the foundation or how efficiently they managed their operations. It is important to find measures that are meaningful to the organisation.

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### PRACTICAL CONSIDERATIONS

#### **Define clear objectives**

Without knowing what you want to achieve, there is no way of knowing how close you are to your objectives, or even if you are headed in the right direction.

#### **Only ask if it is worth finding out the answer**

For learning and evaluation to be worthwhile and cost-effective, the amount spent on asking a question should not exceed the value of knowing its answer.

#### **Be cooperative rather than adversarial**

Learning should be done with partners and grantees. As such, the resources used get more value for money. This ensures that partners also benefit, and may improve cooperation.

#### **Give partners the flexibility to innovate**

It is important to hold partners accountable for outcomes. Being overly prescriptive about how to achieve them can stifle innovation and reduce the likelihood of success.

#### **Tell partners in advance what you want to know**

It may be tempting to keep partners on their toes by asking surprise questions. However, this limits their ability to find the right information in good time and undermines the trust relationship needed for successful cooperation.

#### **Share successes and lessons learned**

The purpose of evaluation at some level is always to learn. The more grantmakers and the organisations they support are willing to share this learning with others, the more we can all benefit and use scarce resources efficiently.

08



SECTION EIGHT  
PARTNERSHIPS

## PARTNERSHIPS

Grantmaking networks and partnerships range from loose associations of individuals to formal groups of funders working together in areas of common interest:

- They provide opportunities to meet likeminded people and organisations and can enable you to learn from the efforts of others.
- They connect you to grantmakers with complementary experience.
- They can help increase the resources dedicated to your cause.
- They enable you to collaborate with others on specific issues.

The sustainability of community development activity demands effective partnerships between government, business and civil society. None of these groups possess the full range of resources required to promote community development at the local level. They all have distinctive roles and responsibilities in the community development process, with distinctive skills and capacities. Working together, they can make significant and sustainable contributions to the local development process that will outlive the lifespan of any funder. Successful partnerships are built on a shared commitment to address regional or sector or cause-related development needs.

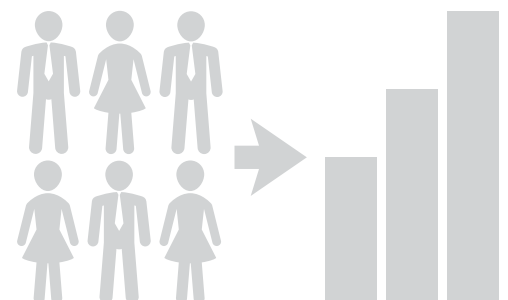
Partnerships offer a model of participatory development involving all sectors of society. They bring together unique resources and qualities:

- Government contributes credibility to partnership arrangements, strategic coordination through local development plans and public investment, and can act as a catalyst, broker and mediator.
- Business contributes employment and infrastructure opportunities, financial resources, capital equipment, a results-led work ethic and attention to performance quality.
- Community/charitable organisations and NGOs contribute local knowledge, capacity to mobilise community participation, as well as tools and methods to ensure relevance to local conditions.

The greatest opportunities for community development, and the best hope for programme sustainability, lie in bringing together the development capacities and resources available collectively in the region and specific development sector. This ensures better coordination of development activities, more efficient use of development resources and the active support and participation of key stakeholder groups.

### PURPOSE

A partnership assessment framework enables an assessment of the development capacities and resources available in a region or development sector, anticipated future capacity needs and any critical gaps. The framework can help in the assessment of the need for (or success of) capacity-building initiatives to improve development performance and partners to work with to achieve those goals. It is used to assess existing and future partnership capacity needs, anticipated benefits of the partnership to the organisation, programmes or projects, and the sustainability of potential partner organisations. Over time, an institution may be considered sustainable if it can fulfil its functions on a permanent basis with decreasing levels of external support – specifically if it is able to secure necessary inputs and support, provide a continuing stream of development activities and services that are valued by its stakeholders, and survive for as long as it is needed.



## PARTNERSHIP ASSESSMENT TOOL

### WHEN TO USE THIS TOOL

#### **This tool should be used:**

- in the organisational start-up or programme design phase, so that partnerships will be in place by the time community development plans are made and operations commence
- during operations, when actively planning community development programmes to ascertain what other skills and capacities exist locally and avoid duplication of effort
- for closure planning purposes to ensure that the partnerships invested in are likely to be sustainable and to continue to benefit the local community after the company exits

### HOW TO USE THIS TOOL

Analyse potential partners for suitability to team up with your organisation and for capacities in community development.

- 1 Based on existing knowledge of stakeholders, develop a list of all possible community development partners.
- 2 Identify where particular partners have a leadership role in specific development initiatives and where initiatives fall outside a given partner's mandate, interest or influence sphere.
- 3 Identify where partners have shared mandates, interest and influence over possible development initiatives.
- 4 Make a list of potential partners identified as having common interests and capacities with your organisation.
- 5 Approach potential partners with a view to reaching broad agreement to explore ways of addressing priority development initiatives through partnership.

There are many ways to segment grantmaking networks and partnerships. The table on the next page gives a basic idea of the types of models one can encounter, when they might be useful, as well as the benefits to the investor. A key value of philanthropy resides in diversity. Many more options exist than those presented on the next page, but these ones, but these provide basic solid information on getting started in developing your networks and partnerships.

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THE SUSTAINABILITY OF COMMUNITY DEVELOPMENT  
ACTIVITY DEMANDS EFFECTIVE PARTNERSHIPS BETWEEN  
GOVERNMENT, BUSINESS AND CIVIL SOCIETY.

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## PARTNERSHIPS

	What?	When?	Why?	
<b>Learn</b>	<p><b>Grantmaking association</b> These exist globally, at the continent and country level. Typically based on a membership model, these associations convene their members at conferences and other learning events to discuss various philanthropic topics.</p>	Useful at any point, but especially helpful as and when you start up.	<p>To network with peers.</p> <p>To learn about trends.</p> <p>To find potential partners.</p> <p>To share lessons with others.</p>	<b>Network</b>
	<p><b>Knowledge exchange networks</b> These types of networks focus on specific aspects of grantmaking, e.g. impact investment.</p>	If you want to learn more about a specific aspect, topic or approach.	To strengthen your craft as a social investor or grantmaker.	
	<p><b>Affinity groups</b> These groups, often hosted by regional associations, coalesce around certain issues, e.g. education or health. Members meet regularly to exchange lessons learned or co-sponsor research.</p>	Once you have chosen your investment portfolios and focus areas.	<p>To learn from others working on the same issue.</p> <p>To identify potential partners.</p>	
<b>Fund jointly</b>	<p><b>Funding partnerships</b> These partnerships refer to two or more grantmakers or investors, and foundations pooling their resources for a specific project or set of projects.</p>	If specific projects would benefit from more resources, or your own are insufficient.	To increase the amount of funding going into specific project.	<b>Partner</b>
<b>Act collectively</b>	<p><b>Thematic initiatives</b> These partnerships go beyond funding a project together to tackling an entire issue (systematically) in a concerted way (e.g. joint education), including projects, capacity-building, research and advocacy.</p>	If your vision is to solve a particularly complex, challenging problem at scale.	Complex social problems can't be solved in isolation; they require a well-resourced, multi-faceted approach.	

Many benefits can be gained from working in partnership, but it also depends on the type of partnership. This table indicates benefits for three partnership options.

Partnership benefits		
For government	For business	For community
Alignment of private sector infrastructure with government development plans	Greater efficiency of production, reduced delays, facility downtimes and/or security costs	More participatory design of community projects
Greater visibility of government discharging its civic duties	Greater return on investment	Transparency and accessibility to company and government
Coordination between government departments	More robust social licence to operate	Relevance of interventions closer to true livelihood needs
Cost-sharing, risk-sharing	Better management of community expectations	Greater sustainability of community projects
Improved capacity, resources, etc. to deliver development programmes	Meeting compliance requirements for social management, investment and development	
	Direct cost savings in managing social issues	
	Shareholder and investor confidence	
	Improved recruitment, retention and employee engagement	

## **PRACTICAL CONSIDERATIONS**

### **Plan for joint action**

If you decide to join forces on an issue, you will need a common vision of success (what are we trying to achieve?), a clear delineation of activities (who will contribute what?) and a commitment to continuous learning.

### **Take the time to build trust**

If you're considering working with others, realise that just like with other relationships, mutual trust is critical, but can take time to develop. Don't expect a co-funding relationship to emerge after one conversation. Be patient, but persistent.

### **Be flexible**

If you're going to address your grantmaking goals with other funders, all the actors involved will have to be open to adapting their way of operating. Be conscious of this as you enter such relationships.

### **Be open to shared learning**

Networking with likeminded investors and grantmakers is not a passive activity. Be deliberate and open to sharing what you're learning and what you'd like to learn from others, so that you can get the most out of interactions.

09



SECTION NINE  
COMMUNICATION

## COMMUNICATING ABOUT COMMUNITY INVESTMENT

If measuring value is important, communicating that value is equally important. For business benefits derived from community investment to be optimised, stakeholders at the local, regional and international level need to know about these investments and the value they create. For example, if a community investment programme is designed to help improve a company's reputation, secure a social licence to operate or support risk management, communicating actively and repeatedly about the programme must be an integral part of the strategy.

Multiple benefits can be derived from communicating effectively about how a company invests in people, communities and causes. Strategic communication supports a company's business goals and decision-making related to community issues. It promotes dialogue, participation and a regular flow of information, enhancing transparency and recognition.

While communication is always important, it is particularly significant for community investment if a company:

- faces political, regulatory or reputational risks linked to the sector in which it operates
- has good stories to tell
- has limited or no communication capacity (and therefore limited relationships with media, civil society organisations and the general public)
- has a high national or international profile
- faces aggressive stakeholders, NGO campaigns or public criticism
- faces high expectations for local benefits or mistrust and scepticism from local stakeholders
- needs to strengthen internal or shareholder support for community investment and make the case for resources

## USE COMMUNICATION TO SUPPORT BUSINESS OBJECTIVES AND COMMUNITY INVESTMENT STRATEGY

In a business context, a communication strategy for community investment serves as a tool for:

<b>decision-making</b>	supports management's decision-making; allows for efficient use of resources
<b>risk management</b>	promotes information flow and transparency to manage risks and leverage opportunities
<b>branding</b>	disseminates community investment successes and achievements to enhance public reputation

It is with these purposes in mind that internal and external communication goals related to community investment should be set:

- How can communication support community investment-related business objectives, such as acquiring a social licence to operate, enhancing reputation or meeting global industry standards?
- How can communication support internal objectives, such as securing support and resources for community investment from management and shareholders, or promoting understanding and buy-in of community investment strategy across the company?

Deciding what to communicate is a critical component of every community investment strategy. This diagram indicates the storylines and messages that could be considered:



ASSESS THE COMMUNICATION CONTEXT

Much like the community investment programme itself, communication does not happen in a vacuum. Understanding the local and international contexts in which a company operates, such as historical legacies or global campaigns targeting a certain industry (e.g. mining or extractives), is critical in defining an effective communication strategy. Telling a good story is often not enough – companies need to know who they are talking to, how, and in which moment in time.

Think about:

- Main challenges to which the communication strategy should respond. What are the issues or perceptions that may need changing?
- National/local context for the project and key messages
- Public opinion
- International context (e.g., global campaigns)
- Key stakeholders and audiences
- National and regional opinionmakers and commentators
- International stakeholders and influencers



## COMMUNICATION CHANNELS

- Media – print, TV, radio, internet
- Community meetings
- Industry meetings
- Government briefings
- Roundtables, conferences, summits
- Booklets, brochures, case studies, research papers
- Public announcements

### Tips for communication planning

Communication is an ongoing process that should ideally begin when a company starts any community activity and well before community investment programmes yield results. A good communication plan identifies key actors and relevant audiences, connects the company to its stakeholders and customers, defines and delivers specific messages that will resonate with target audiences and follows a long-term plan of action.

## SET UP A COMMUNICATION FUNCTION TO SUPPORT COMMUNITY INVESTMENTS

### INVESTMENT TEAM

Ideally, a company will have established a communication function distinct from its community investment team (although the two should work closely together). The rationale is that communication is a distinct skill set that goes beyond engaging with communities at the local level to target a much broader group of stakeholders (including the media, international NGOs and investors).

Necessary steps include:

- Assessing technical capacity (internal and external communication skills and resources).
- Training communication personnel in community investment-related matters.
- Drawing up a communication budget.

## IDENTIFY TARGET AUDIENCES AND TAILOR KEY MESSAGES

Following an analysis of the local context, agreement on the communication objectives for community investment and an assessment of capabilities, a company is ready to strategise how best to achieve its communication goals. Who are the company's target audiences? What are the key messages? How should the messages and information be tailored to meet the needs and interests of each target group? How can communication be used to create two-way dialogue and solicit feedback?

## DEVELOP MESSAGES IN ALIGNMENT WITH THE COMMUNITY INVESTMENT PROJECT CYCLE

Companies may find it useful to think about communication planning in terms of each stage of the community investment strategy process and to

align communication objectives and key messages accordingly.

- **Early engagement:** Focus on managing expectations, setting the right tone for collaboration and partnership, as well as clarifying the company's vision and role in supporting communities and local government in the development process.
- **Planning stages:** Don't keep quiet during the project planning and design period, which may allow rumours, misinformation and frustration to take root. Keep the momentum going and counter long lead times before community investment programmes can show results by actively communicating about aspects of the multi-stakeholder process for designing the community investment programme itself. This can include forming committees, the participation criteria, the process for selecting representatives, identifying local partners, as well as anticipated timetables, activity schedules and next steps.
- **Setting the parameters for community investment:** Communicate the company's decision-making process and rationale (e.g. shared value creation) for identifying and selecting which investment areas it will support, which it will not support and why. Messages about sustainability, local ownership and exit or handover of community investment projects should also be emphasised.
- **Implementation planning:** Use communication to foster transparency, build trust and garner feedback on questions about delivery mechanisms, resource allocation, decision-making processes and governance structures for community investment implementation.
- **Results measurement:** Communication is most powerful at the stage when a company's community investment programme delivers tangible benefits that can be seen, felt and measured. At this stage, actively and repeatedly communicate community investment outcomes to key stakeholder groups at various levels to maximise the desired business benefits from such investments (be it reduced social risk or enhanced reputation).

## DETERMINE COMMUNICATION TOOLS AND CHANNELS

Following an analysis of the current situation, agreement on the communication objectives and an assessment of capabilities, companies need to establish how they might achieve their goals. Which tools and channels will be most effective for conveying key messages?

Identify:

- media outlets (influential newspapers, radio, TV, internet, opinionmakers)
- community meetings
- government briefings
- partners to support their communication efforts, e.g. local organisations that can provide research, grassroots networks or unique communication vehicles (such as culturally appropriate meeting styles, easy-to-understand flyers or radio programmes for rural areas); along with endorsements by third parties, partners and/or influential people or organisations, this can effectively spread and amplify key messages and information about community investment

### PLAN FOR THE WORST: PREPARE A CRISIS COMMUNICATION PLAN

Planning ahead enables a quick response when a crisis arises (e.g. accidents, major complaints or stakeholder-related disruptions). Such advance planning involves setting chain-of-command channels, identifying company spokespersons, preparing Q&As and cultivating media contacts to disseminate immediate responses.



## COMMUNICATION

### MEASURE THE SUCCESS OF THE COMMUNICATION STRATEGY

How does a company assess whether its communication strategy for community investment has succeeded? In many cases, direct feedback and anecdotes will reveal whether communication efforts have been effective. However, other sources may also prove useful:

- Results of public perception surveys
- Number of third-party endorsements
- Positive civil society and NGO feedback
- Positive tone of media coverage
- Level of political support
- Community grasp of community investment-related processes and issues
- Level of management and/or investor support

# 10



## SECTION TEN STAKEHOLDER MANAGEMENT

# STAKEHOLDER MANAGEMENT

Stakeholders are people or groups who can affect the outcome of a project, or are affected by it. Stakeholders may be individuals, interest groups, government agencies or corporate organisations. They may include politicians, commercial and industrial enterprises, labour unions, academics, religious groups, national social and environmental groups, public sector agencies or the media.

Stakeholder identification is the discovery of a project's stakeholders, their interests and the ways in which those interests affect a project's viability. Stakeholder identification contributes to project design by learning about the goals and roles of different groups, suggesting appropriate forms of engagement with them.

Checklist for possible stakeholders:

## Communities

- Local community near your site
- Local community near your head office
- Regional community
- National community
- International community

## Specially impacted

- Nearest neighbours
- Elderly, ill, incarcerated, disabled people
- Indigenous people
- Racial minorities or oppressed groups
- Children, schools or orphanages
- Others

## Government officials

- Local officials
- Regional officials
- State officials
- National officials
- Opposition officials
- Others

## Industry

- Individual companies
- Competitors
- Suppliers

- Customers
- Industry associations
- Business associations
- Others

## Regulators

- Local agencies
- Regional agencies
- State agencies
- National agencies
- International organisations
- Others

## Environmental non-governmental organisations and community-based organisations

- Local groups
- Regional groups
- State or national groups
- International groups
- Individual green activists
- Others

## Other advocacy groups

- Health and safety groups
- Human rights groups
- Social justice groups
- Political groups
- Others

## Other civic organisations

- Churches and religious organisations
- Trade or labour unions
- Educational organisations
- Fraternal organisations
- Charitable organisations
- Organisations serving children
- Organisations serving the elderly
- Professional and trade associations
- Others

## Internal

- Board of directors
- International advisory board
- Top management
- Shareholders
- Legal teams
- Health, safety and environment people
- Employees
- Retirees
- Families of employees
- Human resources or employment department
- Others

## Specially concerned people/groups

- With interest in your site
- With interests in your company
- With interests in your industry
- Who are already involved
- Who want to be involved
- With emergency response
- Who you wish to involve
- News media
- Others

## STAKEHOLDER ANALYSIS

Once stakeholders have been identified (note that this is not a static process and that you will constantly encounter new ones), it is often helpful to consider their interests in the project and how much they might like to be involved. The stakeholder analysis tool uses a series of questions to enable you to assess how important the project might be to each stakeholder and how much they might want to participate in community development programmes. Understanding how stakeholders relate to each other will help to understand the web of relationships surrounding the project.

## PURPOSE

The purpose of this tool is to refine understanding identified stakeholders by:

- defining the characteristics of stakeholders to understand their level of interest in the project
- drawing out stakeholders' interests in relation to key development issues and programme objectives
- identifying conflicts of interests between stakeholders to help manage relationships during the project
- identifying relations between stakeholders that may facilitate development partnerships
- assessing the capacity of stakeholder groups to participate in development activities
- assessing appropriate levels of engagement with stakeholders (e.g. informing, consulting or partnering) at different stages of the project cycle.

The identified level of interest of each stakeholder helps you to design a consultation matrix and to decide how much time to devote to engaging with each stakeholder or group. The engagement levels required by each group of stakeholders as revealed through this analysis may be more than consultation. They may include partnership or involvement in community development plans.

## STAKEHOLDER MANAGEMENT

It is important to always ask stakeholders how much involvement they desire and to learn about their views and expectations. The more you know about various stakeholders, the more successful you are likely to be in building good relationships with them.

### HOW TO USE THIS TOOL

Ask the questions in the matrix overleaf for each stakeholder that is analysed and assign them to one of the three categories of interest and impact. The result will be three lists of stakeholders, according to the assessed importance of the project to them and their likely level of interest.

1	Obtain a list of stakeholders from using using the tool on the next page.
2	Individually or in a team, consider each question in the matrix and decide which stakeholders are least or most interested in or impacted by the project or which ones have an average interest.
3	Arrange the stakeholders into the three categories, depending on how often they appear in each category. Ideally, each stakeholder or group should only be in one category at the end, although different lists for different issues might be drawn.
4	Use the category lists to assign priorities to stakeholders for engagement activities in the consultation matrix.

“ STAKEHOLDER IDENTIFICATION IS THE DISCOVERY OF A PROJECT’S STAKEHOLDERS, THEIR INTERESTS AND THE WAYS IN WHICH THOSE INTERESTS AFFECT A PROJECT’S VIABILITY.

”

## Stakeholder analysis matrix

Questions to ask	Stakeholders			
		Most	Average	Least
Who will be affected by negative impacts of the project?				
Who will benefit from the project?				
Who will be responsible for implementing measures to mitigate the negative impacts?				
Whose cooperation, expertise or influence would be helpful to the success of the project?				
Who are the most vulnerable, least visible and voiceless for whom special consultation efforts may have to be made?				
Who supports or opposes the changes that the project will bring?				
Whose opposition could be detrimental to the success of the project?				
Who might have resources to contribute?				
Who will make decisions?				

## CONSULTATION MATRIX

There is a significant difference between relationships in which stakeholders are engaged in consultative or participatory ways and those in which stakeholders are seen as passive beneficiaries of development programmes. Understand these distinctions to decide what level of engagement you would really like to undertake, and how successful that level of engagement might be, with project stakeholders.

- The lowest levels of engagement involve information provision.
- A moderate level of engagement is represented by facilitators and stakeholders working together on mutually beneficial projects.
- The highest level of engagement is partnership, where the facilitator relinquishes control of the engagement process and all parties work together toward shared goals.

The consultation matrix is the basis for developing a comprehensive, well-thought through consultation plan. It is a helpful tool for ensuring that information gets to the people who need it at the right time, that feedback from stakeholders reaches the right people in the company and government, and that stakeholders are informed of the results of their input.

Stakeholders should be asked what level of consultation they desire: information provision, involvement in meetings or partnership on community development programmes. Matching the level of interaction with stakeholders' wishes will guarantee an effective programme. Ideally, consultations between all stakeholders should be frequent, open and mutual. Consultation is not a one-way street.

### **Key principles for achieving comprehensive consultation:**

- Consult often.
- Consult everyone who wants to be consulted.
- Listen as much as you talk.
- Record your interactions in a database, including comments and responses from stakeholders.

### PURPOSE

The purpose of the stakeholder consultation matrix tool is to establish a comprehensive system for project consultation and communication and to ensure that consultation activities are appropriate for the specific needs of different stakeholder groups. For example, if you discover areas of current or potential conflict between your group and other stakeholders during early consultations, you should note that, so that you can ensure that efforts are made to resolve and manage such conflicts. The tool should enable you to keep up to date with consultations with stakeholders. You will be able to tell when you last spoke to a stakeholder and what you or your colleagues talked about. This information is often stored in field officers' heads. Unfortunately, if those officers move on to other jobs, the information leaves with them, so it is important to keep records to build continuity in relationships with stakeholders.

### WHEN TO USE THIS TOOL

This tool should be used when stakeholder engagement activities begin, which usually means prefeasibility, for indirectly affected stakeholders such as financiers, government agencies, NGOs and other institutional bodies. For stakeholders who are directly affected by the initiative, such as

people living in the project area, the plan should be made for consultations prior to commencing disruptive activities (e.g. roads, bridges or dam building). Employees also become an important stakeholder group that must be consulted from the commencement of operations, especially in the context of closure. The plan should be revised at least annually, or whenever the scope of activities changes.



## HOW TO USE THIS TOOL

Using the consultation matrix tool can plan the nature of communication with each stakeholder and ensure that the level of engagement correlates with the level of interest and impact assessed.

Schedules need to be drawn up for the frequency of each type of consultation (e.g. monthly site tours or quarterly media releases), and records need to be kept of which stakeholders are engaged by which method and how often. Records should also be kept of responses to stakeholders, especially if project or programme modifications are made due to stakeholder input.

- 1 Make sure that all key stakeholders are included on the list. Revise your stakeholder analysis whenever changes in the project or community occur.
- 2 Consider stakeholders' consultation needs according to their assessed level of impact and interest in your community development project, based on the stakeholder analysis.
- 3 Identify appropriate consultation methods for each stakeholder or group. The consultation methods you apply are likely to fall on a broad continuum – from simply informing stakeholders about your activities to partnering with them in programme design or giving them final decision-making power. Consultation methods should always be determined by stakeholders' level of impact and interest in the project. Appropriate formats should be used, e.g. audio-visual methods for people who are not highly literate. Local languages should always be used, through an interpreter if necessary.
- 4 Use the consultation matrix to plan consultation throughout the programme, recognising that stakeholders' needs and interests are likely to change. Monitor and evaluate the effectiveness of your consultation activities. Revise the consultation matrix to reflect changing needs, circumstances and experience. Remember that consultation is an interactive process and that messages from stakeholders are just as important as those going out.
- 5 Keep a record of consultation activities, including messages from and feedback to stakeholders. This will help you to keep track of who you have consulted and ensure that you do not neglect or fatigue stakeholders. When agreements are reached through consultation with stakeholders, it is useful to generate a signed record, whether minutes of a meeting or a formal agreement. All parties should receive copies of such records and the company should ensure that one is kept in its database. Lists of stakeholders contacted, records of the dates and nature of the contact and feedback should be systematically documented and filed in a database, whether electronic or paper-based. People should consent to notes or recordings being taken of meetings, otherwise it would be inappropriate to do so. Privacy legislation must be adhered to, ensuring that stakeholder data is not passed on or used for any purpose other than keeping track of interactions. If people provide confidential or personal information that is entered in the database, it should be marked as confidential and treated as such.

# STAKEHOLDER MANAGEMENT

## Consultation matrix

Consultation methods to be used for different stakeholders at key stages in a community development programme. List key stakeholders in relevant boxes – many others are possible.

COMMUNICATION AND CONSULTATION NEEDS

Level of impact and interest	Level of participation	Consultation methods	Assessment	Planning	Programme management	Monitoring and evaluation
Most	<b>Partnership</b> Ongoing stakeholder involvement in project decision-making	Working parties, mediation, external committees	National environmental council; corporate board of management	Community development committees in each interested community	Regional community advisory group, development partners, donors, NGOs, regional enterprises	Regional project evaluation group, government, community, company
Most, average	<b>Participation</b> Substantive discussion and debate, encouraging participation	Focus groups, workshops, public meetings	Women's enterprise groups, youth associations, small business groups, local townspeople, neighbours, communities	Women's enterprise groups, youth associations, small business groups, local and regional government	Community advisory group or steering committees from each community with a community action plan	Review groups, including government, community, NGOs
Most, average, least	<b>Investigation</b> Research into community needs or issues, limited opportunity for dialogue	Newsletters, media releases, in-depth interviews, presentations to key stakeholder groups	Local community, key community members, regulators, community groups, all levels of government	Local community, key community members, all levels of government, observers, supporters, participants	Local community, key community members, regulators, neighbouring communities	Local community, representative groups, individuals
Most, average, least	<b>Information</b> One-way, informing stakeholders of proposals and project direction	Media releases, newsletters, website, fact sheets, site tours, exhibitions	International media, local schools		Environmental activist groups, local media	Regulators

11



SECTION ELEVEN  
CONDUCTING  
RESEARCH

### SOCIAL BASELINE STUDY

Gathering and compiling baseline data that describes the social and economic environment and the characteristics of populations in the area around a company is usually known as a social baseline study. It investigates:

**Demographic factors:** Numbers of people, their location, population density, age, ethnicity, health, income and so on.

**Socio-economic determinants:** Factors affecting income and productivity, land tenure, access to productive input and markets, family composition, kinship reciprocity, access to wage opportunities and labour migration.

**Social organisation:** Organisation and capacity at the household and community level affecting participation in local institutions, as well as local decision-making processes and access to services and information.

**Economic organisation:** Local and regional businesses and commercial structures, infrastructure supporting economic activity, government and other economic or industrial development plans for the area.

**Socio-political context:** Stakeholder organisations' development goals, priorities, commitment to development objectives, control over resources, experience and relationship with other stakeholder groups.

**Historical context:** Historical issues and events (e.g. migration and relocation).

**Needs and values:** Stakeholder attitudes and values determining whether development interventions are needed and wanted, appropriate incentives for change, and capacity of stakeholders to manage the change process.

**Human rights context:** Prevailing human rights issues, country risks and so on.

**Institutions:** Role, governance, resources and capacities of local institutions, as well as regulatory framework.

**Cultural background:** Cultural norms and practices, and places of high cultural value.

### PURPOSE OF THE TOOL

The purpose of this tool is to enable community relations teams to understand local communities' situation, their hopes and fears about the projects, and their potential impact, positive as well as negative. It is also used to gather data that can be used to measure future change.

Without good understanding of the local social and economic context, programme facilitators may underestimate project risks, fail to identify opportunities for contributing to social and economic development, introduce programme activities that are culturally or socially inappropriate or fail to understand local causes of poverty and inequality.

A good baseline study provides the grounding data needed for assessments of change after project initiation. By measuring conditions at the outset of a project, it is possible to take later measurements, compare them with the baseline data and determine whether change has taken place.

### WHEN TO USE THIS TOOL

A baseline study needs to be undertaken before a project starts. If an existing project is acquired and no baseline study was conducted by the previous project managers, it is a good idea to do a baseline study from the time you start, perhaps to be termed a delayed baseline.

Some companies already include a less complex assessment of the likely costs of programmes to mitigate potential social problems in their due diligence process (not a full social impact assessment, but a rough estimate). The results of the desktop study (step 1) could be used for this purpose. If the costs of implementing adequate social programmes will outweigh the potential benefits of a project, as assessed at a high level at this early stage, it may be prudent to walk away from the project.

If the initial desktop estimate does not deter investors from proceeding with the project, gathering primary data to complete the baseline survey should begin as soon as possible after the go-ahead decision. The baseline study is not, however, the end of the process of knowing the local community. Development facilitators need to update their understanding of local social conditions – to identify emerging concerns and changing needs – throughout the life of the project.

Socio-economic information is available in a variety of sources, such as universities and government departments. Ideally, experienced consultants who are familiar with international social assessment standards will team up with local consultants and researchers to conduct the social baseline study. Even better, if time and resources permit, participatory research methods where community members conduct their own analysis may be used.

In general, as participatory methods are much more time-consuming than the data gathering efforts of professional researchers, and companies are pressured by project deadlines to finalise their reports, community-directed research tends to take place as part of participatory planning programmes, as described in tools 6 to 8 in section 15.

## CONDUCTING RESEARCH

1

Desktop social profile – engage researchers to locate available data in cooperation with local officials and community leaders to draw up a social profile (this could be part of a due diligence assessment).

2

Decide what further information needs to be acquired through primary research.

3

Engage experienced social scientists and local tertiary institutes or research organisations to design a survey to capture quantitative (questionnaires to many people) as well as qualitative (focus groups and key informant interviews) information.

4

Draw a comprehensive community profile, test with community participants and adjust as needed.

5

Use the completed social and economic baseline study as the basis to conduct a social impact and opportunities assessment, and for monitoring and evaluation.

## SOCIAL IMPACT AND OPPORTUNITIES ASSESSMENT

There is a concern among some community development commentators that the process of social impact assessment (SIA) limits itself to identifying negative impacts and mitigating them rather than also considering the positive aspects of the presence of a project. SIAs should identify positive as well as negative impacts and look for methods of enhancing the opportunities that can flow from the positive impacts, as well as offsetting the negative ones. These opportunities can form the basis of a sustainable community development programme if harnessed in a cooperative participatory planning programme with full engagement from the local community, government and other stakeholders. In addition, the purposeful identification and enhancement of opportunities that can add value to a project's presence in a community from the start will make the challenges of engagement, local participation and a more collaborative and sustainable community development effort throughout the life cycle of the project easier.

Management measures are then proposed for the impacts identified, to enhance the positive impacts (opportunities) or mitigate the negative impacts. Closure planning should also form part of the planning for impact management measures from the earliest stage.

The impact management programmes should be designed to be sustainable, to survive the cessation of, for example, mining operations and not simply be

a positive measure during the life of a mine, leaving people no better off when it closes.

Impacts should ideally be assessed twice – once without the ameliorative effect of mitigation measures and then again after proposed management measures are included in the equation. This should be done to determine whether a project is able not only to manage its negative impacts through good community development programmes but to have a positive contribution to sustainable development. This comparative assessment will highlight the importance of good community development and encourage companies to invest in social programmes.

For example, a large mine may have a significant negative impact on local employment for small-scale miners, who will no longer be able to mine the deposits they used to. However, if employment programmes are implemented to provide alternative livelihoods for these miners, the impact may be neutral or even positive. If the mine, in cooperation with government and employment and training agencies, can establish an effective training and education programme that allows local people to acquire skills that enable them to obtain lifelong employment from a variety of sources, the overall impact of the project on employment and income may be positive. The project, in partnership with government agencies, will then have created opportunities for the broader community.

### PURPOSE OF THE TOOL

The purpose of this tool is to assess the potential social and economic impact of the proposed project on stakeholders. Having identified likely impacts, it can then be used to propose measures to offset potential negative impacts and maximise positive ones. Going beyond the basic SIA model, a community development-focused SIA approach should include opportunity assessment to enhance positive development impacts of the project, as well as identifying impacts that need to be mitigated.

### WHEN TO USE THIS TOOL

Ideally, an SIA should be conducted as soon as possible after the social baseline study. They usually form part of the same large exercise, although in some cases a baseline study may be conducted as a separate undertaking.

### HOW TO USE THIS TOOL

The assessment would normally be undertaken by experienced social scientists with a good understanding of projects and their potential effects, as well as sound knowledge of community dynamics and the local population. If good baseline data has been collected, the assessment will be based on a solid foundation. The participation of local, regional and national stakeholders, through interviews, focus groups and surveys will also provide information about local values and experiences, invaluable for a comprehensive assessment. These surveys and interviews are not just for the purposes of data collection to populate the baseline study, but should capture people's hopes, fears and expectations to give life to the assessment of impacts and identification of opportunities.

1

Review social baseline study and determine areas of concern to the communities, potential impacts, as well as areas where the project might present opportunities.

2

Assess potential impacts and opportunities and identify areas needing impact management programmes.

3

Propose measures to manage and, if necessary, mitigate the identified impacts and enhance opportunities.

4

Reassess the impacts and opportunities, taking the proposed management measures into account.

5

Work with community and other partners on participatory development plans that address community priority programmes (enhancing opportunities), as well as required mitigation programmes (mitigating impacts).

6

Review management measures and programmes regularly, and adjust as required.

“ THIS COMPARATIVE ASSESSMENT WILL HIGHLIGHT THE IMPORTANCE OF GOOD COMMUNITY DEVELOPMENT AND ENCOURAGE COMPANIES TO INVEST IN SOCIAL PROGRAMMES.



### COMPETENCIES

Good community development is dependent on having people with suitable skills and understanding to run programmes, and on giving community development staff the training support they need to perform their jobs well. If responsibility for managing community development is given to people whose primary duties and expertise are in other areas (e.g. environmental science or human resource management), it is unlikely that community development programmes will run properly. The competencies assessment is a process to measure and record the skills of an individual or group. It is a highly flexible tool that can be performed through a facilitated workshop process, on a one-to-one basis or individually.

#### PURPOSE OF THE TOOL

The purpose of this tool is to identify additional resources, permanent or temporary, that may be needed over time. This tool can be used to select consultants for short-term or intermittent inputs to programmes, as well as to choose permanent staff. This tool helps to identify and develop the knowledge, skills and attitudes needed to ensure that the right team and resources are assembled to achieve community development goals, whatever the size of the organisation. It can also help to assess the skills available in an existing team or in the local community so that training and development needs can be recognised for staff and community members, as well as gaps to be filled by additional personnel.

A range of knowledge and skills will be needed in the team to achieve development objectives. In general, look for people with humanities or social science training, or community organisation experience. Direct knowledge of the local community and cultural context would be beneficial, but more important is experience in working well with communities and the ability to grasp the local issues quickly. An assessment of a person's skills needs to include more than formal training, as someone with appropriate experience may be more suitable than someone with the right degree but little experience.

#### WHEN TO USE THIS TOOL

This tool is needed when forming the community development team, as early as possible, ideally when strategies are developed. As the scale of operational activities increases, it may be necessary to expand the team to cover additional areas of community development activity (e.g. you may need to hire a small business development expert).

#### HOW TO USE THIS TOOL

The tool can be used by an individual or collectively by a team to list required skills, estimate the level of expertise needed for each skills area and assess the current level of skills against requirements. Then steps can be taken to fill any gaps that were identified.

- 1 Individually (e.g. if you are a single community development worker) or in a team (if there are several), think about the predicted impact of the operation and the baseline conditions of the local communities and consider what areas of community development programmes you expect to become involved in (e.g. mechanical training, women's micro-enterprises or agricultural extension).
- 2 Having listed likely programme areas, consider the role that could best be played by your team (e.g. would your team run training programmes for mechanics or would you work with a local vocational training school to help them upgrade their services). Decide whether you need technical skills, training skills or organisational development skills, and list the full range of skills your team will need.
- 3 Write the list of required skills in the central column in the competencies assessment worksheet overleaf.
- 4 Estimate the level of expertise desired in the required skills and record it in the left-hand column on the worksheet.
- 5 Assess the levels of skills and knowledge possessed by you and your colleagues in the right-hand column on the worksheet.
- 6 Compare the results of the left-hand and right-hand columns and note discrepancies (e.g. you may have estimated that you need a small business expert with level 3 knowledge and skills, but your team has only level 1 knowledge in this area, or none at all). This means that you may need to appoint an extra team member or a consultant or have one of your existing team trained to acquire these skills. You might also decide that it would be best to team up with a local organisation that offers the required skills, such as a vocational training school, rather than acquiring the expertise yourself.
- 7 Collate the gaps identified and assess which actions need to be taken to make the team effective and ensure that the necessary support for the programmes is available.
- 8 Prepare a training needs list and a human resources request list to be presented to the relevant administration people in your organisation.

In addition, list the range of consultants you will need to appoint for temporary inputs and the kinds of organisations you might need to form links with.

Knowledge, skills and attitudes for community development			
	Knowledge	Skills	Attitudes
<b>Description</b>	Community development demands a broad base of knowledge in many areas, e.g. local social conditions and dynamics of change, institutional development, economic development and programme design and management. It includes basic information, how to acquire information and the ways in which information can be applied.	Skills help move projects from knowledge to action. Skills are learned, practical and repeatable processes through which positive outcomes are achieved. Skills do not need to be well-developed at the beginning of the community development process, but as planning becomes implementing and sustaining action, skills demands will increase.	The spirit or perspective from which community development is approached shapes decisions and actions. It is critical for building trust and empowering local communities. Attitude may be individual, may be evident in groups, or may be common throughout the organisation.
<b>Key points</b>	<p><b>Understanding of:</b></p> <ul style="list-style-type: none"> <li>Community needs, priorities and values.</li> <li>Social and economic development, as well as natural resource management.</li> <li>Partnership brokering and maintenance.</li> <li>Group processes and dynamics.</li> <li>Project management.</li> <li>Financial management.</li> <li>Team building and team management.</li> <li>Problem-solving and decision-making.</li> <li>Training and skills development.</li> <li>Organisational development and design.</li> </ul>	<p><b>Demonstrated capacity in:</b></p> <ul style="list-style-type: none"> <li>Planning and programme design.</li> <li>Research, assessment, analysis and evaluation.</li> <li>Team building, staff and financial management.</li> <li>Communication, consultation and facilitation.</li> <li>Problem-solving and conflict resolution.</li> <li>Organisational design and development.</li> </ul>	<p><b>Respect for:</b></p> <ul style="list-style-type: none"> <li>Local people and communities.</li> <li>Development as a social process, not simply dependent on technical skills and expertise.</li> <li>The value of process and sustainability, not quick results.</li> <li>Local empowerment and development.</li> <li>Local knowledge and perspectives.</li> <li>Facilitation and not leadership.</li> <li>New ideas, approaches and opportunities.</li> <li>Patience, flexibility, resilience and perseverance.</li> <li>Constructive criticism and self-evaluation.</li> </ul>

# 12



## SECTION TWELVE STRATEGIC PLANNING FRAMEWORK

# STRATEGIC PLANNING FRAMEWORK

Strategic planning is the process through which you understand why you want to contribute to community development, define your development objectives, how you plan to achieve those objectives, and how you will know when you have succeeded. Initially, you need to conduct internal strategic planning in your organisation.

As you establish closer working relations with local and regional stakeholders and progress toward detailed activity planning, you will need to share and review your strategic plans in consultation with regional partners to ensure consistency with regional plans.

## PURPOSE OF THE TOOL

Strategic planning takes fundamental decisions and actions that shape how your community development programme operates, what it does and why it does it, with a focus on the future.

This means:

- Preparing the best way to respond to changing and sometimes hostile environments.
- Being clear about your organisation's objectives and resources and consciously incorporating both into your response to a dynamic environment.
- Setting goals (planning a desired future), developing an approach to achieving those goals and measuring whether they have been achieved.

The strategic planning process applies a sequence of questions that help you examine experience, test assumptions, gather and incorporate information about the present, and anticipate the environment in which you will operate in future.

Strategic planning will lead to decisions about what you want to do, why and how. Naturally, some decisions and actions are more important than others. Much of strategic planning lies in making the tough decisions about what is most important to achieve success.

## WHEN TO USE THIS TOOL

This tool should be used as early as possible, when building your community development team and starting to make programme plans. The real measure of success in your strategic plans will be in seeing community development programmes that can continue independently when your organisational or funding support is withdrawn.

## HOW TO USE THIS TOOL

Strategic planning includes five key elements:

- **Vision statement:** Defines objectives, values and principles.
- **Mission statement:** Describes what is going to be done, and why.
- **Strategic objectives:** Describe the results that are aimed for in the medium to long term.
- **Strategies:** Describe the means by which the objectives will be achieved.
- **Goals:** List the measures to be achieved by implementing strategies in pursuit of the objectives.

Strategic planning will provide the foundation for detailed programme planning as you improve your understanding of the local environment and explore opportunities for partnership with regional stakeholders. This is where you begin to address critical management issues related to resource allocation, deadlines, budgets, responsibilities and performance.



1

**Develop vision statement:** Your vision reflects your understanding of the ideal conditions for the community or for the part your project plays in the community (e.g. how things might look if community development were perfectly addressed, with harmonious and mutually supportive relationships between the company and other sectors of the community). This is best articulated and communicated through a vision statement that clarifies (for yourself and for your team and organisation) your objectives, values and principles.

Vision statements should generally be (a) easily understood by community members and shared by all team members, (b) broad enough to include diverse perspectives, (c) inspiring and uplifting to everyone involved in your effort, and (d) easy to communicate.

2

**Develop mission statement:** The mission statement grounds your vision in practical terms and describes what you are going to do, and why. Similar to a vision statement, it also looks at the big picture, but it is more concrete and action-oriented. The mission statement may identify broad objectives and indicate in broad terms how you might reach your goals.

Mission statements are generally (a) concise (longer than vision statements, but still getting the point across in one sentence), (b) outcomes-orientated (fundamental outcomes your organisation is working to achieve are explained), and (c) inclusive (key goals are described in broad terms). Good mission statements do not limit the strategies or community sectors that may become involved in the project.

Clearly defined vision and mission statements are important:

- They help your organisation focus on what is really important.
- They let other individuals and organisations have a snapshot view of who you are and what you want to do.
- They are helpful in having focused members bound together in common purpose.
- They provide a basis for developing the other aspects of your action planning process – objectives, strategies and action plans.

3

**State your objectives:** The next element is to state your objectives – the results you want to achieve in the medium to long term. Objectives should reflect the expectations and requirements of all major stakeholders and the underlying reasons for establishing the development initiative. These objectives could cover, for example, coordination and service delivery, capacity-building and institutional development. These are, however, the underlying objectives. The detailed short-term objectives will be developed later in the programme planning phase.

4

**Develop strategies for achieving objectives:** These are the guidelines by which your mission, objectives and so on may be achieved. They can cover the community development programme as a whole, including such matters as coordination, participation and sustainability, or they can relate to primary matters in key functional areas, such as health provision, education and training of community leaders.

# STRATEGIC PLANNING FRAMEWORK

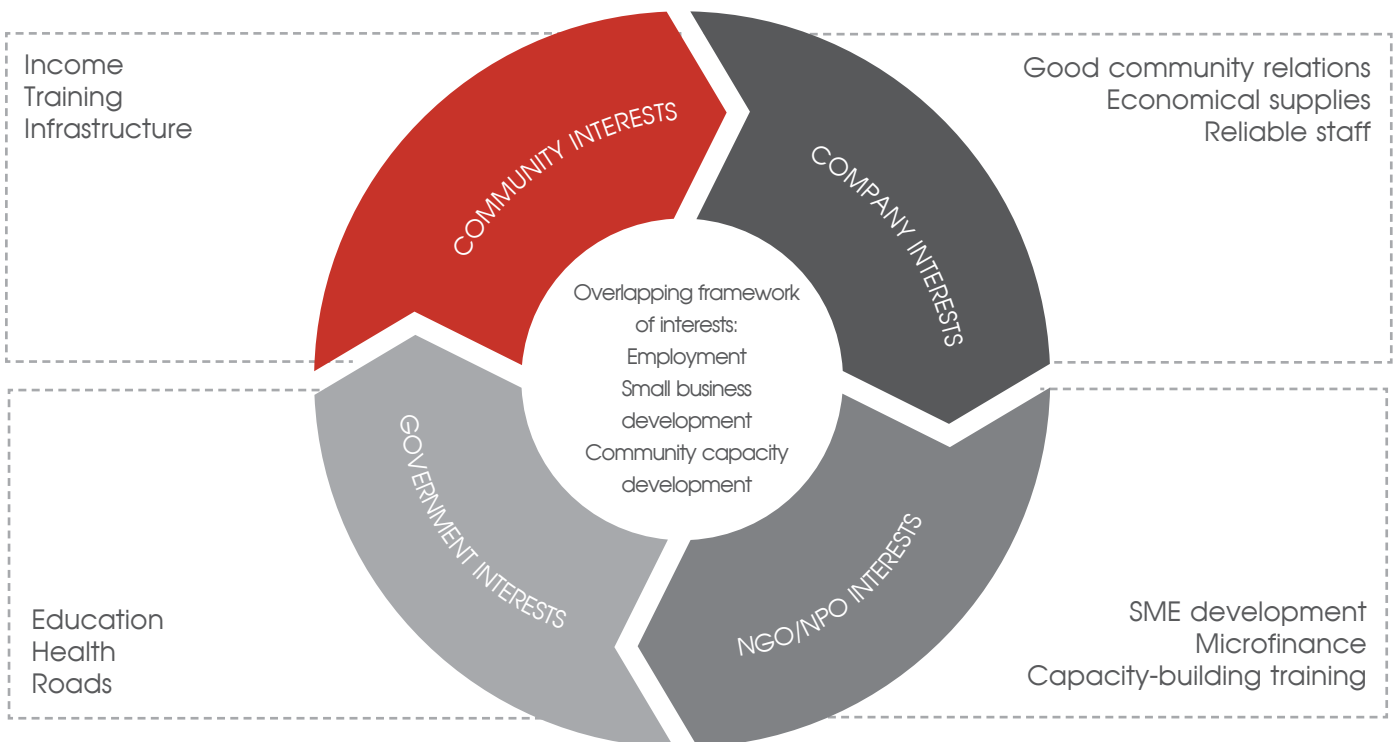
5

**Define goals:** The goals are specific interim or ultimate time-based measurements to be achieved by implementing strategies in pursuit of your defined objectives (such as to establish a regional development partnership with key stakeholders over the next three years). Examples include achieving 100% vaccination in three years' time or increasing school completion rates by 20%.

Goals should be quantifiable, consistent, realistic and achievable. They should be based on the impacts and opportunities identified, and therefore grounded in knowledge gathered through the social baseline study. Detailed programme-specific goals will be developed in conjunction with community members when community action plans are designed.

6

**Development programmes:** The final element is the development programme itself, which sets out the implementation plans for key strategies. This covers resources, objectives, time scales, deadlines, budgets and performance targets.



# 13



## SECTION THIRTEEN MONITORING AND EVALUATION

# MONITORING AND EVALUATION

## OVERVIEW OF MONITORING AND EVALUATION TOOLS

Monitoring and evaluation (M&E) ensure that development programmes are going in the right direction to achieve their goals.

**Monitoring:** The ongoing, methodical collection and analysis of data about development activities, providing programme managers and stakeholders with early indications of progress and goal achievement. Monitoring can be said to be the measurement of outputs, is undertaken more frequently than evaluation and is often done by people involved in the community development programmes.

**Evaluation:** Primarily concerned with longer-term results of development activity or the measurement of outcomes. It aims to identify how and why activities succeeded, failed or were changed to improve the effectiveness of future undertakings.

Through M&E, four fundamental questions are explored:

- What worked, and why?
- What did not work, and why?
- What could have been done differently?
- What adjustments and changes are required now?

The process developed to answer these questions depends on the complexity of the community development activities and the depth of knowledge and understanding required. Evaluations of community development are challenging because they have quantitative as well as qualitative dimensions: Basic information about what has been undertaken is important, but so is information about community members perceptions of the process, the results achieved and the overall benefits of community development.

### The benefits of effective M&E include:

- **Improved management:** It supports your commitment to stay on track and achieve results. It also gives you an opportunity to critically review management systems and processes and to identify what is working well and what needs some development.
- **Improved accountability:** Your partners want to know how you have used programme resources and what you have achieved to assess whether they should continue to support your activities.
- **Participation:** M&E provide an opportunity to bring communities and other stakeholders into the programme management process, to review programme performance from their own perspective and to influence future programme direction.
- **Learning and development:** M&E are important learning processes, enabling you to reflect on your experience and assess how that experience can be incorporated into other activities and longer-term programme development.

The M&E system recommended here builds on the logical framework programme management process and uses indicators that were developed. By applying these indicators in the logical framework process, using verifiable indicators to measure outputs for monitoring purposes and verifiable indicators for measuring outcomes for evaluation, project managers and stakeholders can assess the implementation of project activities and the validity of assumptions and achievement of agreed project goals.

M&E can be used at any time in the life of a community development activity or investment to measure:

- Changes resulting from investment in the community relations activity.
- Differences between expected and actual outcomes.
- Reallocation of remaining resources to improve outcomes.
- Justification for allocation of further resources.
- The performance of the community development team.

## LOGIC MODEL FRAMEWORK

The logical framework approach (often abbreviated as the logframe) is a highly effective and flexible method of planning, monitoring and evaluating development activities. It is a time-consuming process, as it involves methodically moving through each step of a management plan and checking that it flows logically from what precedes it and can contribute to the expected outcomes. It is this meticulousness that makes the logframe process worthwhile. It is included in the M&E section because it is a very effective means of conducting both activities. However, the logframe process could also fit comfortably into the programme management section, as it is a powerful and useful management tool.

## PURPOSE OF THE TOOL

The logframe approach helps programme facilitators to:

- Describe the goals that the activity is designed to deliver.
- Think through and state the important assumptions that need to be made about external factors that are likely to affect the achievement of the objectives.
- State what indicators to use to measure the achievement of the objectives.
- State what measurement method will be used to measure each indicator.
- Specify the activities that need to be undertaken and their timing to achieve the objectives.
- Specify the resources needed: personnel, training, equipment and material inputs.

## WHEN TO USE THIS TOOL

Planning a project with M&E as part of the logframe process, involves developing verifiable indicators. As with any other management framework, a logframe matrix should be reviewed and updated as needed when programme circumstances (personnel or funding) change, or at least annually.

## HOW TO USE THIS TOOL

The logframe is presented as a 4 x 4 matrix. Using a step-by-step process of developing programme goals, outcomes that will lead to the goals, more immediate results (outputs) that will contribute to the longer-term outcome, and the inputs or activities required to achieve those results, appropriate indicators with specific targets and means of measuring progress against those indicators, an M&E framework is produced.

# MONITORING AND EVALUATION

## A NOTE ON TERMINOLOGY AND PROCESS

It is important not to become overly concerned with terminology. Different advocates of logframes use different words to describe the same basic functions. Do not be distracted by trying to determine whether something should be called a goal or an objective. Instead, go through the logic checking process described in step 1 to make sure that your planned activities will lead to the

kind of results you hope for with your community development programme. If the logic works, your management framework will also work.

Examples of equivalent terms used in logical frameworks follow:

- goal = objective
- outcome = purpose (longer term)
- outputs = results (shorter term)
- inputs = activities

### Step-by-step logical framework development process

	Action	Description
<b>Step 1</b>	Define goals and elements (column 1)	<p>Start with the narrative summary or description column, working from the top down. Describe the elements of your programme, as defined in each box of column 1.</p> <p>Review what you have done several times until the vertical logic makes sense.</p> <p>Continue to ask “if” and “will” questions at each level, working from the bottom up:</p> <p>If these inputs are provided, will these outputs be achieved?</p> <p>If these outputs are achieved, will these outcomes be achieved?</p> <p>If these outcomes are achieved, will it contribute to achieving the goal?</p> <p>When the answer is yes to these questions, you can be reasonably sure that the vertical logic is sound.</p>
<b>Step 2</b>	Identify important assumptions (column 4)	<p>Work from the bottom up. Think of external factors for which the project has limited or no control over that need to be in place for the results to be achieved.</p> <p>Write these down for each level.</p> <p>Now check them by asking these questions:</p> <p>If the project provides these inputs and the assumptions relating to inputs hold true, will the outputs be achieved?</p> <p>Will project outputs plus assumptions lead to the outcomes?</p> <p>Will project outcomes plus assumptions lead to the goal?</p>

## Step-by-step logical framework development process

	Action	Description
<b>Step 3</b>	Identify measurement models (column 2)	For each level, identify indicators that are measurable that will indicate achievement of each objective. Start from the bottom and work up.
<b>Step 4</b>	Identify measurement methods (column 3)	For each level, state how the indicators will be measured. Make sure that what is proposed is practical and can be done. Existing reporting systems often do not report on the right things, so improving these systems will make them more effective.
<b>Step 5</b>	Check the logic	Ask the questions for steps 1 and 2 to check the vertical and horizontal logic of the logframe and suggest improvements that could be made.

## The logical framework matrix

Narrative summary (column 1)	Indicators (column 2)	Measurement of indicators (column 3)	Important assumptions (column 4)
<b>Goal:</b> The goal to which the community development programme contributes	Changes that will indicate that the goal has been achieved (higher level of skilled employability in community)	Statement of how data about the goal should be collected and measured	Assumptions about achieving the goal
<b>Outcomes:</b> The longer-term results of the community development programme	Conditions that will indicate that the outcomes have been achieved (increased skills level in community)	How data on outcomes will be collected and measured	Assumptions about achieving outcomes
<b>Outputs:</b> The direct measurable results of community development projects	Extent and nature of outputs (number of trained people)	How data outputs will be collected and measured (monthly reports and structured output indicators)	Assumptions about achieving outputs
<b>Inputs:</b> The activities and resources allocated to the implementation of community development projects	Implementation activities and budgets (by type and quantity)	How inputs will be monitored	Assumptions about providing inputs

## THEORY OF CHANGE

Theory of change (ToC) as an approach is a guiding framework for all stages of thinking, action and sense-making when we intervene intentionally in social change processes.

A theory of change is a process-orientated approach to analysing the complex systems in which funders and their partners work, and for planning actions you think will influence parts of the system positively. The process helps to navigate unpredictable and complex processes and to track changes in the system to which interventions may have contributed. It is important to distinguish between ToC as a way of thinking (overall approach), a process (doing a ToC analysis or enquiry) and a product (the result of a ToC process).

ToC is a thinking and action approach to navigate the complexity of social change. It is a way of looking at the world that calls on and fosters people's capacities for critical questioning, not taking things for granted, dealing with uncertainties and acknowledging the inevitability of diverse perspectives.

ToC is a process. If used well, a ToC enquiry is an ongoing process of analysis and reflection. It is not a once-off exercise in the design phase of a programme, but involves an ongoing action-learning cycle.

A ToC is also a product, because a ToC enquiry results in specific outcomes – in a narrative and/or visual form – that represent the theory of change of an organisation, a team, a project or programme. It is a "living" product because it will change over time. A ToC is a temporary snapshot, a reflection of the thinking at a specific moment, which will not and does not need to be complete. As a product, a theory of change offers a framework for sense-making that needs to be used, revisited and adapted as the project or programme moves on, other actors come in, changes in the context occur and learning takes place.

## DIFFERENCE BETWEEN TOC AND LOGFRAME

The logframe (logical framework approach) is a management instrument that is widely used in the development sector for planning, monitoring and evaluation. The terminology used in logframe and ToC approaches is similar, but there are important distinctions.

### Comparing and contrasting ToC and logframe

Theory of change	Logframe
Critical thinking, room for complexity and deep questioning	Linear representation of change, simplifies reality
Explanatory: A ToC articulates and explains the what, how and why of the intended change process, and the contribution of the initiative	Descriptive: A logframe states only what is thought will happen or will be achieved

## Comparing and contrasting ToC and logframe

Theory of change	Logframe
Pathways of change, unlimited and parallel result chains or webs, feedback mechanisms	Three result levels (output, outcome and impact)
Ample attention to the plausibility of assumed causal relations	Suggests causal relationships between result levels without analysing and explaining them
Articulates assumptions, underlying strategic thinking of design of a policy, programme or project	Focuses on assumptions about external conditions

### CORE COMPONENTS OF A TOC PROCESS AND PRODUCT

There are multiple ways to develop theories of change, depending on purpose, stakeholders involved, specific preferences or needs, capacities and available time.

1. What is the desired change, why and for whom?
2. Analysis of the system and the current situation:
  - Context analysis: social, political, economic, ecological and other dimensions.
  - Stakeholder and actor analysis: power and gender dynamics, drivers of change, opportunities for change.
3. Mapping pathways of change:
  - Who and what must change in order to realise the longer-term desired change?
  - How do we think the change process might evolve from where we are now?
4. The assumptions underlying our theory of change:
  - What do we assume about the needs, interests and behaviour of stakeholders and other key actors?
  - What do we assume about cause-effect relations in the logic of the change pathways?

#### 5. Strategic options:

- What is the best way for the organisation or project to contribute and what should its role be (position, capacity, added value)?
- What do others do? Is there a need and opportunities for multi-actor collaboration?

#### 6. Strategic planning for the project period (theory of action).

#### 7. Monitoring, evaluation and learning framework and process:

- How to document the change process.
- What to monitor and how.
- Learning agenda.
- When and how to revisit the ToC and reflect on what works.



# MONITORING AND EVALUATION

## THEORIES OF CHANGE AT DIFFERENT LEVELS

Worldview: Personal beliefs and understanding how change happens and why

Worldview: Social and political theories and development perspectives that inform our thinking

### **Organisational ToC:**

Vision, mission, organisational values, strategic preferences and role of the organisation in social change, and its contribution thereto.

### **Project or programme theory of action:**

Analysis and intervention logic of a project or programme to achieve a specific change objective in a specific context, including its assumed contribution to longer-term social change (relates to thematic or organisational ToC).

### **ToC for a specific policy domain or theme:**

How an organisation or team expects change to evolve in a specific (sub)system, sector or thematic area, why and its own role and contribution.

## USING TOC THINKING FOR DIFFERENT PURPOSES

ToC thinking and the stepwise approach offered in this guide can be used for different purposes and at all stages of a project, programme or initiative. A ToC process is most effective when tailored to suit your purpose, so agreeing about the purpose prior to starting is critical.

The purpose also influences who needs to be involved in the process. The most common purposes of ToC thinking are described below.

### PROGRAMME OR PROJECT DESIGN

A ToC process for programme or project design takes place as part of the preparation or inception phase. It entails a broad analysis of the system that needs transformation, identifying and involving key actors, initial programme design and strategic choices, and identifying critical assumptions. It forms the basis of adaptive management and monitoring, evaluation and learning (MEL) during implementation. The ToC products are used for internal and external communication about the initiative.

### REVIEW AND/OR QUALITY AUDIT OF AN EXISTING INITIATIVE

A ToC process to review or quality audit an existing programme or project aims to improve its quality, revisit and sharpen strategies, clarify underlying assumptions and adjust strategies and operational aspects to changed realities. The outcomes of the review may be used to adapt plans and implementation, improve the MEL process or framework, and support communication about the programme and its results. A review can also be done to prepare for a new phase of an initiative.

### STRATEGIC LEARNING DESIGN AND KNOWLEDGE GENERATION

A ToC process is an effective way to identify knowledge gaps, as well as learning or research questions. It helps create a structure to build an evidence base about what works, for whom, why and under which conditions. The assumptions identified in all steps of the process offer entry points to question, document and monitor what we think will happen and what happens in reality. The ToC analysis also helps to identify who should participate in the learning process.

### EVALUATION

A programme or project ToC provides a good basis for a mid-term review or an ex-post evaluation, as it makes explicit what the initiative aimed to achieve, why and how it was supposed to work, and key assumptions. The evaluation will seek to substantiate the validity of the ToC, offering important information and insights for a possible next phase design or for learning with similar initiatives. The findings contribute to the body of knowledge on the topic of intervention, such as the role of women in conflict resolution. Evaluation findings based on a clear ToC provide a sound basis for accountability to funding agencies, by evidencing the initiative's contribution to the overall goal or offering in-depth and relevant lessons learned.

If an initial ToC has not been developed for the initiative, the evaluation can start with reconstructing its implicit ToC. This offers a good base for the evaluation and will support an improved and shared understanding of the initiative by the team and other stakeholders. This often leads to improvement of implementation and/or a next phase.

### MULTI-ACTOR COLLABORATION AND COLLECTIVE IMPACT

#### MONITORING

For a multi-actor initiative, jointly undertaking a ToC process is critical to reach a shared understanding, decision-making and ownership of the initiative design and operations. An important product of such a ToC is a collective MEL process and framework for impact monitoring, a condition for joint learning and demonstrating success. In practice, aligning the systems and MEL practices of the project partners for collective impact monitoring often proves challenging. The ToC process can help define clear and agreed roles and responsibilities of each actor.

#### SCALING UP AND SCALING OUT

A ToC process can help funders or partners to analyse the suitability and feasibility of replicating or scaling up and/or out an initiative in a different context. The results will provide insights into the need to adapt the ToC, why and in what way, and will identify assumptions that need to be tested in the new context.

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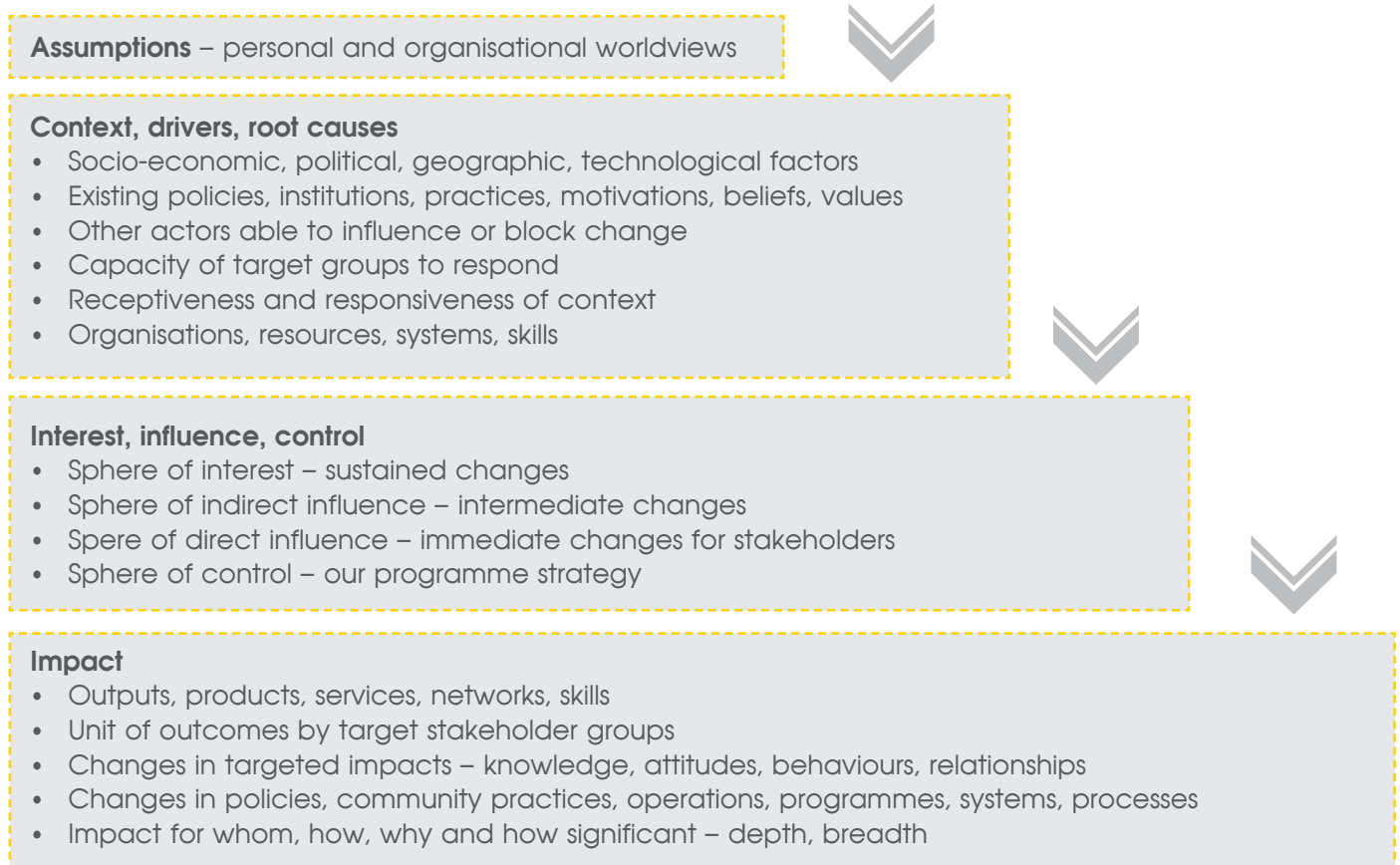
A TOC PROCESS TO REVIEW OR QUALITY AUDIT AN EXISTING PROGRAMME OR PROJECT AIMS TO IMPROVE ITS QUALITY, REVISIT AND SHARPEN STRATEGIES, CLARIFY UNDERLYING ASSUMPTIONS AND ADJUST STRATEGIES AND OPERATIONAL ASPECTS TO CHANGED REALITIES.

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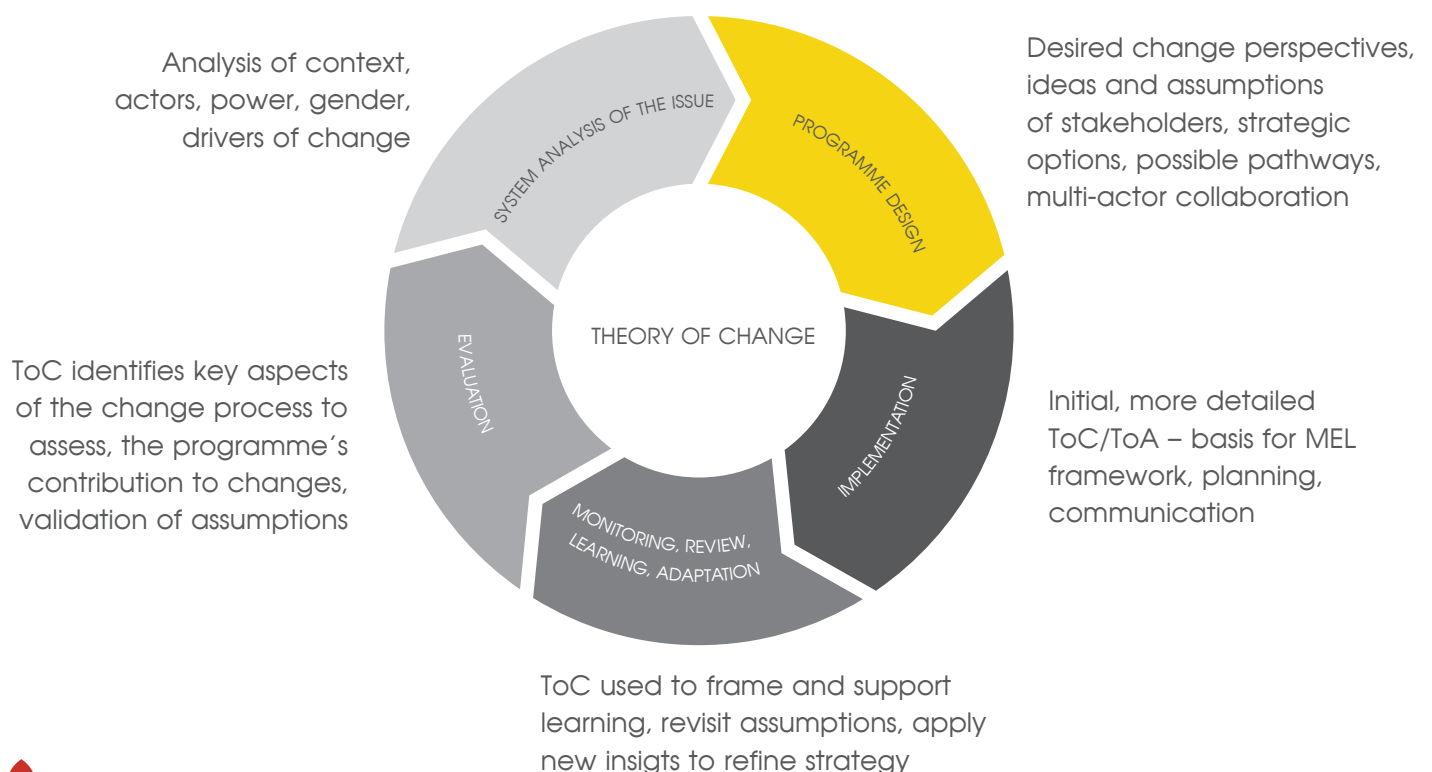
# MONITORING AND EVALUATION

## VISUALISATION OF A TOC PROCESS AND PRODUCT

Sometimes visualising the components of a ToC helps to better understand the whole picture:



## THEORY OF CHANGE AND THE PROJECT CYCLE



## INDICATOR DEVELOPMENT

### DESCRIPTION

Effective management, monitoring and evaluation depend on identifying effective performance indicators. Effective performance measurement needs to use appropriate units to measure change; to distinguish between inputs, outputs and outcomes; to measure effectiveness and efficiency; and to assess qualitative as well as quantitative dimensions of change.

**Inputs:** Input indicators measure inputs such as money or time contributed to, for instance, development activities and/or processes conducted, number of meetings or studies. Input indicators are important in managing resources and ensuring accountability of development facilitators but do not tell us anything about how successful, or otherwise, development activity has been.

**Outputs:** Output indicators measure the direct results of community development projects (e.g. number of children vaccinated, number of people trained in agricultural methods or school completion rates).

**Outcomes:** Outcome indicators measure longer-term changes that are the desired return on investment in the project (e.g. measurable change in the community's quality of life, health or economic well-being). Outcome indicators are the best measure of how successful, or otherwise, development activity has been.

### PURPOSE

The purpose of this tool is to develop a set of objectively verifiable indicators to measure the performance of community development programmes.

### WHEN TO USE THIS TOOL

Frequent monitoring can enable programmes to be reorientated if they do not succeed at first. This tool should be used as often as possible, at least once a year, or whenever circumstances change.

1

Brainstorm ideas for indicators, focusing on means of verification.

2

Prepare a list of indicators for each programme. These can be included in a logframe management matrix or used in any other management framework.

Examples of quantitative indicators may include (a) the frequency of meetings and the number of people involved; (b) growth rates; (c) yields and prices; (d) uptake of activity inputs (loans, school enrolment, seeds, clinic visits, children vaccinated); and (e) adoption or implementation of activity outputs (technologies, manuals, newsletters or guidelines in use).

Qualitative indicators may relate to (a) the participation level of a stakeholder group; (b) stakeholder or consumer opinions and satisfaction; (c) aesthetic judgments about local amenity or lifestyle choices; (d) decision-making ability; (e) attitudinal change; (f) emergence of leadership; (g) ability to self-monitor; (h) development of groups and of solidarity; (i) behavioural changes; and (j) evidence of consensus. It is generally easier to measure behavior than feelings; behavior can be observed. If an objective is to increase people's confidence in meetings, it may be appropriate to measure this by observing how often they speak and whether they speak clearly.

## MONITORING AND EVALUATION

### Format for using logistical frameworks for monitoring and evaluation

Project structure	Indicators	Progress	Comments and recommendations
Insert inputs from logframe	Insert indicators of achievement from the logframe for each input or activity	Provide a report against each indicator	Provide any comments, explain if progress is not as planned, provide timebound action points for programme managers and participants
Insert outputs from logframe	Insert indicators of achievement from the logframe for each output	Provide a report against each indicator	Provide any comments, explain if progress is not as planned, provide timebound action points for programme managers and participants
Insert outcomes from logframe	Insert indicators of achievement from the logframe for each outcome	Provide a report against each indicator	Provide any comments, explain if progress is not as planned, provide timebound action points for programme managers and participants
Insert goal from logframe	Insert indicators of achievement from the goals	Provide a report against each indicator	Provide any comments, explain if progress is not as planned, provide timebound action points for programme managers and participants

### INDICATOR SELECTION

Indicator selection is used, which develops the monitoring, evaluation and learning approach. An indicator provides a marker of whether a certain change has happened or whether certain conditions exist.

#### SELECTION CRITERIA FOR INDICATORS

Commonly used criteria for indicator selection:

#### **Relevant and specific**

The indicator should be clearly related to areas in which the project is expected to make a difference. Factors and measures that are largely subject to external influences should be avoided. The relevance to the project should be clear, together with the reasons for wanting to monitor the change or factor.



**Credible**

There must be a reasonable case for the view that changes in the selected indicators are related, directly or indirectly, to the intervention.

**Unambiguous**

The indicator should be clearly defined, so that measurement and interpretation can be unambiguous. For example, in “(improved) access to (...) services” the notion “access” addresses different aspects (such as physical, financial, geographical, gender, class or cultural barriers): What will be monitored and measured?

**Consistent**

Ideally, the same indicators should be measured over a long period to track long-term processes. If an indicator is not relevant anymore, if the context, priorities or objectives have changed, or there are important unexpected effects, it might be necessary to revise or replace the indicator.

**Sensitive**

This means that there is a short reaction time to change: The faster results lead to change in the indicator, the more useful it is for monitoring. For example, the outcome of elections that are held every 5 years is not a sensitive indicator of political changes.

**Easy to collect**

An important selection criterion is whether it is feasible to collect information on the indicator(s) within a reasonable time and at a reasonable cost. Monitoring of information that is too difficult, time-consuming or costly to collect, will be quickly dropped.

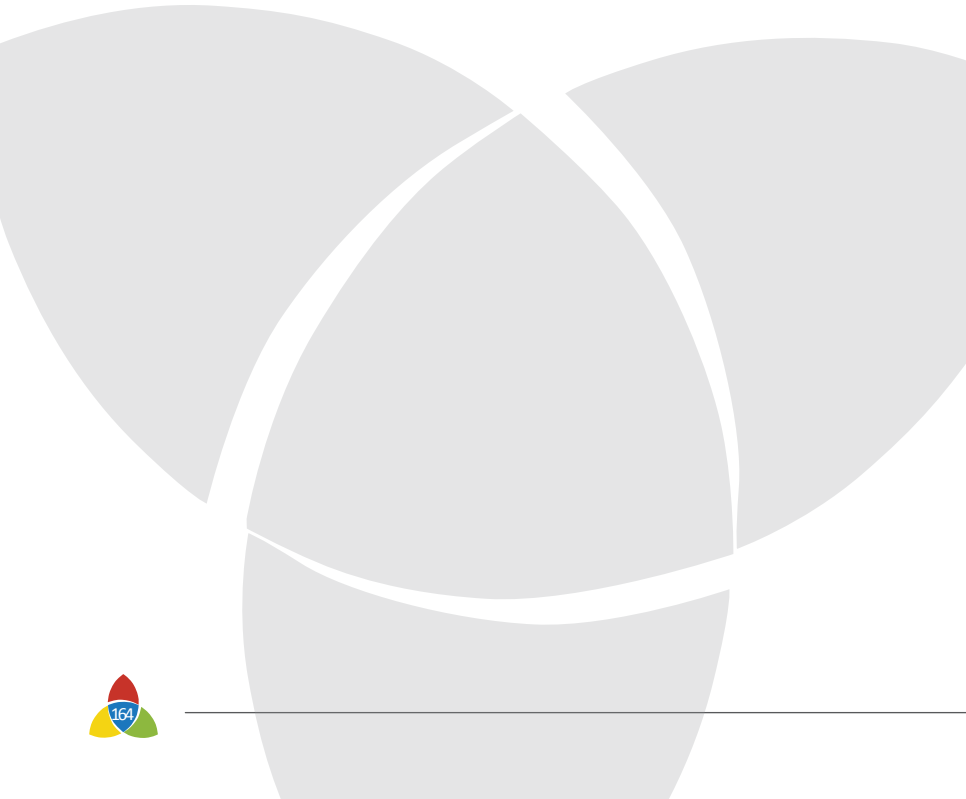
**Relevant and measurable**

This exercise can be used in a group context to quickly identify potentially good indicators for a specific outcome. Note that more information will be needed to develop a consistent set of appropriate indicators for the MEL framework of a project or programme.

“

THE INDICATOR SHOULD BE CLEARLY RELATED TO AREAS IN WHICH THE PROJECT IS EXPECTED TO MAKE A DIFFERENCE. FACTORS AND MEASURES THAT ARE LARGELY SUBJECT TO EXTERNAL INFLUENCES SHOULD BE AVOIDED.

”



14



SECTION FOURTEEN  
GLOSSARY OF TERMS

## GLOSSARY OF TERMS

Term	Definition
Arbitration	A process in which a neutral third party issues a decision to settle the case, after reviewing evidence and listening to arguments from both sides. Arbitration is often used in commercial and labour or management disputes.
Baseline data	Information gathered prior to a project that demonstrates the magnitude of the development problem, the extent to which it exists in the community and, over time, will enable measuring the progress to address the problem. Baseline data can indicate the incidence of a problem in the community (e.g. the community has an adolescent pregnancy rate of 15.8 pregnancies for every thousand teenage girls). It can reveal the prevalence of a problem (45% of teens in the community report that they did not use contraceptives the last time they had sex). It can also measure community attitudes toward a problem (65% of local people do not consider teen pregnancy to be an important problem for the community).
Capacity-building	A managed process of (a) skill upgrading, both general and specific, (b) procedural improvement and (c) organisational strengthening. Capacity-building aims to develop the ability of individuals, groups, institutions and organisations to identify and solve development problems.
Civil society	The network of associations, social norms and relationships that exist separately from government or market institutions. Civil society may include religious organisations, foundations, professional associations, labour unions, academic institutions, media, pressure groups and environmental groups. Civil society reflects social diversity and may provide the intellectual, material and organisational basis for community interaction with the state and business sectors.
Community	A social group with shared beliefs and values, stable membership and the expectation of continued interaction. It may be defined geographically, by political or resource boundaries or socially, as a community of individuals with common interests.
Community-based organisations	Groups of individuals in a village or group of villages or residential area with similar interests, established to work together to achieve common objectives. Can refer to organisations that provide care or services in the neighbourhood as well as initiatives by individual citizens and groups in the community.
Community development	The process of increasing the strength and effectiveness of communities, improving peoples' quality of life and enabling people to participate in decision-making and to achieve greater long-term control over their lives. Community development aims to empower and help communities to improve their social and physical environments, increase equity and social justice, overcome social exclusion, build social capital and capacities, and involve communities in the strategic, assessment and decision-making processes that influence their local conditions.
Community profile	A picture of the community that reflects its demographic, economic, human, social, visual and natural resources, as well as its needs and assets.
Competency	An attribute that contributes to the successful performance and achievement of organisational goals. Competencies may be defined organisationally or individually, and may include knowledge, skills and abilities, plus other characteristics such as values, motivation, legitimacy, initiative and control.
Consultation	A tool for managing two-way communication between project developers and stakeholders. The goal is to improve decision-making, reduce risk and build understanding by actively involving individuals, groups and organisations with a stake in the project. Their involvement increases the project's long-term viability and enhances its benefits to locally affected people and other stakeholders. To be meaningful, consultation should be carried out in a culturally appropriate manner, with locally appropriate timeframes and in local languages.

Term	Definition
Conflict resolution	The process by which the participants, with the assistance of a neutral person or people, systematically isolate disputed issues to develop options, consider alternatives and reach a consensual agreement that will accommodate their needs.
Empowerment	Increasing people's ability to participate in decision-making; that is, the ability to negotiate with, influence, control and hold accountable the institutions that affect their lives. In its broadest sense, empowerment is the expansion of freedom of choice and action, and implies transferring decision-making responsibilities and operational resources to project beneficiaries.
Evaluation	Systematic investigation of the worth, value, merit or quality of an object. It is an assessment of the operation or the outcomes of a programme or policy, compared to a set of explicit or implicit standards as a means of contributing to its improvement. Criteria for evaluation may include relevance, effectiveness, efficiency, impact and sustainability.
Focus group	A group selected for its relevance to a particular area of investigation that is engaged by a trained facilitator in discussions designed to share insights, ideas and observations about the area of concern. Focus groups are typically open-ended, discursive and used to gain a deeper understanding of respondents' attitudes and opinions. A key feature is that participants are able to interact with and react to one another. The group dynamic often provides richer insights and data than what would have been achieved by interviewing the participants individually.
Gender	The socially constructed roles ascribed to males and females, and the resulting socially determined relations. Gender roles are learned, change over time and vary widely in and across cultures. Gender is a key variable in social analysis. It is important to understand the social, economic, political and cultural forces that determine how men and women participate in, benefit from and control project resources and activities. Social analysis should highlight gender-specific constraints, risks and opportunities.
Impact	Any effect, whether anticipated or unanticipated, positive or negative, brought about by a development intervention.
Indicator	Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention or to help assess the performance of a development actor.
Input	The activities and resources allocated to the implementation of community development projects.
Institutional analysis	Analyses the institutional capacities and relationships critical to operational success, and identifies gaps or weaknesses in institutional resources, performance or sustainability. Over time, an institution may be considered sustainable if it can secure the necessary support, provide continuing development activities and services that are valued by its stakeholders, and maintain its functions with decreasing levels of external support.
Logical framework	A simplified chain of relationships that demonstrates the logic and assumptions underlying a programme or intervention and how it intends to achieve its expected results. It states the logic of the programme, identifies the assumptions on which it is based and outlines the logical connections between the activities undertaken, the outputs to be produced, the immediate or short-term outcomes that are expected and the ultimate or long-term impacts the programme is designed to achieve.
Mission statement	A brief statement that outlines the specific task(s) for which a group has charged itself.

## GLOSSARY OF TERMS

Term	Definition
Monitoring and evaluation	A management tool that provides managers with feedback on project effectiveness during implementation. This enables project managers to move away from prescriptive planning towards a more flexible planning approach that capacitates those in charge of projects to learn and adapt to changing conditions and experience on the ground. Managers use participatory monitoring and evaluation to systematically evaluate progress throughout the project cycle, ensuring the incorporation of the perspectives and insights of all stakeholders, beneficiaries, as well as project implementers. Stakeholder participation in the identification of problems and solutions helps develop ownership and commitment to any corrective actions that may be decided on.
Negotiation	A discussion among two or more people or parties with the goal of reaching an agreement.
Non-government organisations (NGOs)	Private organisations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services or undertake community development. NGOs operate independently of government, are often value-based and guided by the principles of altruism and volunteerism. Broadly, NGOs may be operational, when their primary purpose is the design and implementation of development-related projects, or advocacy-focused, when their primary purpose is to defend or promote a specific cause or seek to influence development policies and practices.
Objective	An expression of an effect that a programme is expected to achieve if completed successfully and according to plan. Objectives are often viewed as a hierarchy, beginning with strategic goals, purposes, outputs and activities.
Organisation	Formal structures with designated roles and purposes. Organisations and individuals pursue their interests in an institutional structure defined by formal rules (constitutions, laws, regulations and contracts) and informal rules (ethics, trust, religious precepts and other implicit codes of conduct). Organisations, in turn, have internal rules to deal with personnel, budgets, procurement and reporting procedures that constrain the behaviour of their members.
Outcome	The objectives of community development – the longer-term results aimed for at the end of a programme.
Output	The direct results of an intervention, a deliverable for which management is responsible.
Participation	A process through which stakeholders influence and share control over development initiatives and the decisions and resources that affect them. Participation can improve the quality, effectiveness and sustainability of projects and strengthen ownership and commitment of government and stakeholders.
Participatory appraisal	A range of participatory approaches and methods that emphasise local knowledge and enable local people to conduct their own appraisal, analysis and planning. It uses group animation and exercises to facilitate information-sharing, analysis and action among stakeholders. Although originally developed for use in rural areas, it can be employed successfully in a variety of settings, enabling development facilitators, government officials and local people to work together to identify and address local development needs.
Partner	The individual and/or organisation with which one collaborates to achieve mutually agreed upon objectives.
Partnership	Negotiated relationships between two or more entities that have voluntarily entered into a legal or moral contract.
Primary data	Newly collected qualitative or quantitative data to address a specific research objective. Primary data may include original information gathered from surveys, focus groups, independent observations and test results.
Problem census	A tool used to gain a balanced and comprehensive understanding of community needs. The problem census is particularly useful in understanding the causes of local development problems, identifying all possible solutions to those problems and, by enabling the broadest community participation, developing programme goals and strategies that reflect the needs and aspirations of all sections of the local community.

Term	Definition
Programme management	Management concerned directly with the production and delivery of services. Skills and procedures include project cycle management, programme formulation, communication, financial and human resource management, as well as technical reviews and evaluation.
Quality of life	People's overall well-being. Quality of life is inherently subjective and difficult to measure (whether for an individual, group or nation) because it includes material well-being as well as intangible components such as the amenity and quality of the environment, national security, personal safety, and political and economic freedom.
Qualitative surveys	Research that is more subjective than quantitative research and that uses different methods of collecting information, mainly a relatively small number of individual, in-depth interviews and focus groups. Qualitative surveys are exploratory and open-ended, and allow respondents greater freedom to influence the research scope and design. Participants are asked to respond to general questions, and the interviewer or group moderator probes and explores the responses to identify and define perceptions, opinions and feelings about the relevant topic or idea being discussed. The quality of the findings from qualitative research is directly dependent upon the skill, experience and sensitivity of the interviewer or group moderator. Qualitative research is often less costly than quantitative surveys and is extremely effective in understanding why people hold particular views and how they make judgments. While qualitative research does not produce results that are statistically reliable, the findings can be strongly indicative of the population as a whole, if participants are broadly representative.
Quantitative surveys	Research concerned with the measurement of objective, quantitative and statistically valid data. Simply put, it is about numbers. In quantitative surveys a relatively large and scientifically calculated sample from a population is asked a set of closed questions to determine the frequency and percentage of their responses. Quantitative surveys can be used with reasonable levels of confidence to assess community attitudes across large populations. Weaknesses of quantitative surveys, however, are that they are relatively expensive, questions are strictly ordered and determined by the questioner and are closed; that is, respondents cannot introduce topics into the survey and cannot expand on or qualify their responses.
Ranking	An exercise in which respondents identify what is most important to them (e.g. in identifying development needs, communities may rank livelihood as more immediately important than education). Ranking allows facilitators to understand local preferences and to understand how values differ among different groups. Identifying local preferences and priorities is critical to choosing appropriate and effective development strategies and interventions.
Secondary data	Qualitative or quantitative information that has already been assembled, having been collected for another purpose. Sources may include census reports, journal articles, technical or academic studies, and other publications.
Semi-structured interviews	Interviews that are partially structured by a flexible interview guide with a limited number of preset questions. The guide ensures that the interview remains focused on the issue at hand, while providing enough flexibility to allow participants to introduce and discuss topics that are relevant to them. Semi-structured interviews are a deliberate departure from survey-type interviews with lengthy, predetermined questionnaires.
Stakeholders	People or groups who are affected by or can affect the outcome of a project. Stakeholders may be individuals, interest groups, government agencies or corporate organisations. They may include politicians, commercial and industrial enterprises, labour unions, academics, religious groups, national social and environmental groups, public sector agencies or the media.
Stakeholder analysis	A process that seeks to identify and describe the interests and relationships of all the stakeholders in a given project. It is a necessary precondition to participatory planning and project management.

## GLOSSARY OF TERMS

Term	Definition
Standard of living	The level of well-being of an individual, group or the population, as measured by the level of income or by the quantity of various goods and services consumed.
Strategic plan	An outline of the programme or organisation's long-term goals, and of the specific strategies, approaches, methodologies and resources through which those goals will be achieved.
Strategic planning	A process by which a future vision is developed for an organisation, taking into account its political and legal circumstances, strengths and weaknesses, threats and opportunities. Strategic planning articulates the organisation's sense of mission and maps future directions, given the organisation's current state and resources.
Strategy	A planned course of action, with the aim of achieving certain goals and objectives. Strategy may be developed for any aspect of an organisation's activities or, at the broadest level, for the organisation itself.
Sustainable development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Progress measured in social or economic terms is accomplished without irreversible environmental degradation or social disruption. The benefits should not only outweigh the social and ecological costs, but should also be founded on a rational use of human and natural resources that can be maintained indefinitely.
Sustainability	The ability of an organisation to secure and manage sufficient resources to enable it to fulfill its mission effectively and consistently over time without excessive dependence on a single funding source. Sustainable organisations have (a) the ability to scan the environment, adapt to it and seize the opportunities it offers (b) strong leadership and management (c) the ability to attract and retain qualified staff (d) the ability to provide relevant benefits and services for maximum impact in communities (e) the skills to demonstrate and communicate this impact to leverage further resources (f) community support and involvement (g) commitment to building sustainable (not dependent) communities
Survey	The collection of data from a population for the purpose of analysis of a particular issue. In a sample survey data is collected from a representative sample of the population.
Triangulation	A process of using multiple data sources, data collection methods, evaluators or theories to study an issue from different perspectives, validate research findings, help eliminate bias and detect errors or anomalies in results.
Vision	A description of the large-scale development changes (economic, political, social or environmental) to which the programme hopes to contribute.
Vulnerability	A condition characterised by higher risk and reduced ability to cope with shock or negative impacts. It may be based on socio-economic conditions, gender, age, disability, ethnicity or other criteria that influence people's ability to access resources and development opportunities. Vulnerability is always specific to a particular location and time. Development initiatives should assess vulnerability and target interventions to particularly vulnerable and marginal members of the community.

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SECTION FIFTEEN  
TOOLS

**Tool 1: Template for preparing a social investment strategy**

The scope and level of detail of the strategy should be scaled to fit the needs and stage of the project/ programme or organisation.

Aspect	Description
Introduction	Brief project/programme/portfolio/organisational description, company operations, community context and key social and environmental issues or impacts.
Business case	Business rationale for supporting community programmes and anticipated business benefits.  Key site-level issues, risks and opportunities to be addressed through community investment and development.
Local context	Key findings of socio-economic baseline assessment and stakeholder engagement.  Stakeholder analysis, prioritisation and identification.  Key challenges and opportunities posed by the local context.  Institutional mapping, institutions, organisations and key partners.  Key government development plans.
Community engagement and planning	Processes, mechanisms and timetable for multi-stakeholder engagement on community investment.  Key phases, activities and timeline for community planning and input into community investment priorities and strategy.  Key results from activities that assessed and ranked local development priorities.
Objectives, guiding principles and criteria	Goals and objectives of community investment strategy (linked to business case).  Guiding principles, eligibility criteria and selection criteria.
Focus areas	Process and criteria (e.g. screens) used to select areas for community investment.  Key focus areas selected for community investment (and supporting rationale for each).  Typology of investments and allocation (short-term versus long-term).
Company core competencies and resources	Ways in which a company can leverage its assets, resources and unique role in support of community investment focus areas (e.g. staff, expertise, facilities, equipment, infrastructure, contacts, advocacy).

Aspect	Description
Sustainability, handover and exit strategy	<p>Proposed criteria/measures to avoid creating dependency and to ensure that programmes can become self-sustaining once the company reduces or withdraws its support.</p> <p>Strategy and timetable for decreasing company support and building local self-sufficiency to manage and finance projects and programmes.</p>
Implementation planning	<p>Proposed delivery model(s) or structures (and rationale for selection).</p> <p>Potential partners.</p> <p>Roles and responsibilities.</p> <p>Implementation schedule.</p> <p>Governance structure and composition (to ensure multi-stakeholder representation and decision-making).</p>
Internal coordination and alignment	<p>Coordination of community investment with other company policies/programmes/strategies affecting communities.</p> <p>Mechanisms for coordination among business units interacting with local stakeholders.</p> <p>Cross-functional roles/participation/accountabilities for units interacting with local stakeholders.</p>
Capacity-building	<p>Company readiness (management support, internal preparedness and skills to engage).</p> <p>Capacity-building needs identified (e.g. target groups and skills needed).</p> <p>Capacity-building activities undertaken to date.</p>
Staffing and budget	<p>Staff resources to support community investment (coordination, oversight, management).</p> <p>Budget assumptions and main sources of financing (including any plans for external funding and arrangements to secure long-term financial sustainability).</p> <p>Community investment budgets (multi-year) and contingencies.</p> <p>Operational financial requirements (marketing, engagement, monitoring and evaluation activities).</p>
Results measurement	<p>Monitoring and evaluation activities to be undertaken.</p> <p>Participatory methods and mechanisms to be used.</p> <p>Key indicators to be tracked (including business benefits) and baseline data required.</p> <p>Resource and budget requirements.</p>

Aspect	Description
Communication	Internal and external communication plans. Timetable, target audiences, communication channels to be used.

## Tool 2: Template for preparing a communication plan

This template provides a suggested structure for preparing a communication plan to support a company's community investment strategy. The scope and level of detail of the communication plan may be scaled to fit the needs and stage of the projects/programmes and organisational strategies.

Strategic communication is the use of internal and external outreach tools to achieve measurable outcomes in support of business objectives. A good communication strategy:

- identifies key internal and external audiences
- connects the company to its stakeholders and customers
- defines and delivers specific messages that will resonate with target audiences
- is designed to reach measurable results
- follows a long-term plan of action

Aspect	Description
Local context – challenges and constraints	Key challenges of local, national and international contexts to which the communication strategy should respond (e.g. local opinions, historical legacies or global campaigns against the industry).
Key audiences and their information needs	Key stakeholder groups that have an interest in and/or need to be informed/influenced by the communication activities.  Stakeholder analysis of a) internal and external audiences, b) primary, secondary and influential/high value target groups (e.g. political decision-makers and local opinion leaders).  Main information needs of the target audiences (aligned with the community investment programme cycle).
Goals and objectives of communication plan	Overall goal of the communication plan considering context, challenges, opportunities and audience needs (linked with the company's overall business objectives).  External (e.g. strengthen social licence to operate) and internal (e.g. create buy-in) objectives of the communication strategy.
Key messages	Key messages and their tone (e.g. factual and visual information that resonates with target audiences).
External and internal communication channels	Existing internal and external communication channels.  Channels that allow two-way communication.  Most suitable channels (by stakeholder group) to communicate the key messages (e.g. rural radio, influential papers in the area, opinion makers/commentators).

Aspect	Description
Key activities and timetable	<p>Dates/events for planned communication activities.</p> <p>Dates/events that communication activities need to be coordinated with.</p> <p>Activities to support long-term communication strategy (e.g. maintaining and monitoring a website, maintaining good media relations).</p> <p>Risks/constraints that could affect the delivery of the communication activities (authorisations and scheduling requirements, endorsements from other parties) and mitigation measures.</p>
Crisis response	<p>Crisis communication team (e.g. senior executive, legal counsel, project managers, communication person).</p> <p>Designated company spokesperson in a crisis situation.</p> <p>Media contacts to disseminate responses without delay.</p> <p>Communication protocols (e.g. emergency communication tree).</p> <p>Written scripts for questions and answers about the company’s programmes, along with other communication material.</p>
Resources and staffing	<p>Staffing resources to support communication function.</p> <p>Budget/resources to carry out planned communication activities (e.g. preparation and production of communication material, translation services, advertising costs, delivery of events).</p> <p>Opportunities to attract external partners/sponsors around planned communication activities.</p>
Key spokesperson and extended partners	<p>Key spokesperson(s) and designated backups.</p> <p>Main media contacts.</p> <p>Implementing partners/local organisations whose research, on-the-ground networks and unique communication vehicles can be leveraged.</p>
Success measurement	<p>Key indicators to monitor progress against the expected results:</p> <ul style="list-style-type: none"> <li>• Public perceptions (positive/negative)</li> <li>• Number of third party endorsements</li> <li>• Level of community buy-in for community investment and development (increasing/decreasing)</li> <li>• Nature of civil society/NGO feedback</li> <li>• Tone of media coverage (positive/negative)</li> <li>• Level of political support (increasing/decreasing)</li> <li>• Operational statistics (e.g. reduced number of production interruptions due to local unrest)</li> </ul> <p>Measures to ensure that performance information is used to adjust the communication plan (messages, tactics, tools and resources) as needed.</p>

## Tool 3: Institutional mapping questionnaire

The institutional mapping activities below can be used when undertaking a local context analysis of the purposes of identifying organisations, community members, development groups, local institutions, as well as associations, local organisations and other potential partners.

### Mapping interest groups

These groups may include work groups, youth groups, cooperatives, worker associations, women’s organisations, tax groups, development organisations or local development committees. The objectives of institutional mapping are to discover roles and activities of these various groups.

### Products that can be obtained

- Brief information on interest groups that exist in the communities.
- A map or sketch showing the spatial distribution of the various interest groups that operate in the communities.
- A register of these groups for the purpose of future planning and engagement.

### Useful questions

- What are the interest or activity groups that operate in the community?
- What other organisations are there and what are their relationships with the community?
- How many members do they have, what are their aims and objectives, how do they engage and how do they ensure representation?
- What activities do they undertake, how do they relate to other local stakeholders and/or the community and/or government, and are they recognised as a representative organisation?
- What are the relations like between these organisations and the community?
- Is there any conflict between the community and interest groups in the area? If so, what is the cause? How can these conflicts be resolved?

### Sample format

Organisation and date established	Activities carried out	Role or function in local development and community	Number of members in the area

### Mapping Institutions

Development institutions include public development institutions, private entities and NGOs. The main objective of institutional mapping is to identify the activities these organisations undertake (or have undertaken), the policy and development approach they adopted and, based on this information, to identify their potential contribution to the objectives and targets of the projects or programmes under consideration.

**Products that can be obtained**

- Summary of the development institutions that work in the area, by sector.
- A table or drawing to show what development institutions do, and the type of relationship they maintain with the community.
- A record of development institutions that work in the area, for the purpose of defining their role and function in local development.

**Useful questions**

- Which public (local) institutions, local governments, private firms and NGOs have a significant presence in the communities?
- In which sectors does each institution operate and what concrete activities have they carried out or are they currently carrying out?
- What do the officials of each institution think of the organisations participating in decision-making in the projects and programmes that they execute?
- How do members of the community rate these institutions?

**Sample format: Development institutions**

Institution	What activities does it carry out?	Who does it work with?	Level of participation in decision-making

**Mapping the management capacity of local organisations**

Where needed, institutional mapping may also explore questions around the expertise and capacity of local organisations that operate in the area. The objective of the exercise is to find out whether local organisations require strengthening and, if so, in which areas.

**Products that can be obtained**

- Identification of the areas of training and technical assistance required by different entities and local institutions.
- Summary of the social capital and/or the management capacity of local communities and organisations.



## Useful questions

- Which local organisations are there? Do they have legal status? Do they have different functions?
- If there are several local organisations, is there tension or conflict among them?
- Do members of the community or organisations help finance the organisation's activities?
- How frequently do their boards and directors meet?
- Are meeting minutes kept?
- Are balance sheets prepared and accounting records kept?
- Are such records manual or computerised?
- Are external audits performed?
- When and at which event was the current board of directors/trustees appointed?
- How and with which mechanisms do grassroots members assess their leaders' performance?
- How often is community work done? Who participates in community work?
- Which tasks are carried out collectively and free of charge?
- Do organisations and their communities have experience in managing development projects?
- How are important decisions that affect all organisation members taken?
- What mechanisms do community members have to supervise the work of their leaders?

## Tool 4: Capacity assessment tool

Capacity components	Ranking			
	Clear need for increased capacity	Basic level of capacity in place	Moderate level of capacity in place	High level of capacity in place
Overall strategy	<p>Strategy is non-existent, unclear or incoherent (largely a set of scattered initiatives).</p> <p>Strategy has no influence over day-to-day behaviour.</p>	<p>Strategy exists, but is not clearly linked to mission, vision and overarching goals, lacks coherence or is not easily actionable.</p> <p>Strategy is not broadly known and has limited influence over day-to-day behaviour.</p>	<p>Coherent strategy has been developed and is linked to mission and vision, but is not fully ready to be acted upon.</p> <p>Strategy is mostly known and day-to-day behaviour is partly driven by it.</p>	<p>Organisation has clear, coherent medium to long-term strategy that is actionable and linked to overall mission, vision, and overarching goals.</p> <p>Strategy is broadly known and consistently helps drive day-to-day behaviour at all organisational levels.</p>

Capacity components	Ranking			
	Clear need for increased capacity	Basic level of capacity in place	Moderate level of capacity in place	High level of capacity in place
Goals and performance targets	<p>Targets are non-existent or few.</p> <p>Targets are vague or confusing, or too easy or impossible to achieve.</p> <p>Targets are not clearly linked to aspirations and strategy, and may change from year to year.</p> <p>Targets are largely unknown or ignored by staff.</p>	<p>Realistic targets exist in some key areas.</p> <p>Targets are mostly aligned with aspirations and strategy.</p> <p>Targets may lack aggressiveness or be short-term, lack milestones, be mostly focused on inputs or are often renegotiated.</p> <p>Staff may or may not know and adopt targets.</p>	<p>Quantified, aggressive targets in most areas.</p> <p>Targets are linked to aspirations and strategy and mainly focused on outputs or outcomes, with some inputs.</p> <p>Typically, multiyear targets, but may lack milestones.</p> <p>Targets are known and adopted by most staff.</p>	<p>Limited set of quantified, genuinely demanding performance targets in all areas.</p> <p>Targets are tightly linked to aspirations and strategy, output/ outcome-focused, have annual milestones and are long-term.</p> <p>Staff consistently adopt targets and work diligently to achieve them.</p>
Funding model	<p>Organisation is highly dependent on a few funders, largely of the same type (e.g. government, corporates or foundations).</p>	<p>Organisation has access to multiple types of funding (e.g. government, foundations, corporates or development agencies) with only a few funders from each type, or has many funders from only one or two types.</p>	<p>Solid base of funders in most types of funding sources.</p> <p>Organisation has developed some sustainable revenue-generating activity.</p>	<p>Diversified funding across multiple source types.</p> <p>Organisation is insulated from potential market instabilities (e.g. fully developed endowments, impact investments, venture capital or operational capital) and/or has developed sustainable revenue-generating activities.</p>
Performance measurement	<p>Very limited measurement and tracking of performance.</p>	<p>Performance is partially measured and progress is partially tracked.</p>	<p>Performance is measured and progress is tracked in multiple ways, several times a year.</p>	<p>Well-developed and integrated system (e.g. balanced scorecard) is used to continually measure the organisation's performance and progress.</p>

Capacity components	Ranking			
	Clear need for increased capacity	Basic level of capacity in place	Moderate level of capacity in place	High level of capacity in place
Fundraising	Generally weak fundraising skills and lack of expertise (either internal or access to external expertise).	Main fundraising needs are covered by a combination of internal skills and expertise, with access to external fundraising expertise.	Regular fundraising. Needs are adequately covered by well-developed internal fundraising skills. Occasional access to external fundraising expertise.	Highly developed internal fundraising skills and expertise in all funding source types to cover all regular needs. Access to external expertise for additional extraordinary needs.
Partnerships and alliances development and nurturing	Limited use of partnerships and alliances with public sectors, non-profit or for-profit entities.	Early stages of building relationships and collaborating with other for-profit, non-profit or public sector entities.	Effectively built and leveraged, key relationships with a few types of relevant partners, some relations may be precarious or not fully win-win.	Built, leveraged, and maintained strong high-impact relationships with various relevant partners. Relationships are deeply anchored in stable, long-term, mutually beneficial collaboration.
Local community presence and involvement	Organisation's presence is not recognised or generally not regarded as positive; a few members of local community are constructively involved in organisation.	Organisation's presence is somewhat recognised and generally regarded as positive in the community; some members of the community are constructively engaged with the organisation.	Organisation is reasonably well-known in the community and perceived as open and responsive to community needs; community members (including a few prominent ones) are constructively involved in the organisation.	Organisation is widely known in the community and perceived as actively engaged with and extremely responsive to it; many members of the community (including many prominent members) are constructively included in the organisation (i.e. board or fundraising).

Capacity components	Ranking			
	Clear need for increased capacity	Basic level of capacity in place	Moderate level of capacity in place	High level of capacity in place
Organisational processes – use and development	<p>Limited set of processes (e.g. decision-making or planning reviews).</p> <p>Use of processes is variable, or processes are seen as ad hoc requirements.</p> <p>No monitoring or assessment processes.</p>	<p>Basic set of processes in core areas.</p> <p>Processes are known, used and truly accepted by only a portion of the staff.</p> <p>Limited monitoring and assessment of processes, with a few improvements made.</p>	<p>Solid, well-designed set of processes in place in core areas.</p> <p>Processes are known and accepted by many, and are often used.</p> <p>Processes are occasionally monitored and assessed, with some improvements.</p>	<p>Robust, lean and well-designed set of processes (e.g. decision-making, planning or reviews) in place in all areas.</p> <p>Processes are widely known, used and accepted.</p> <p>Processes are continually monitored and assessed, with systematic improvements.</p>
Staffing levels	<p>Many positions are unfilled, inadequately filled or experience high turnover and/or poor attendance.</p>	<p>Most critical positions are staffed (no vacancies) and/or experience limited turnover or attendance problems.</p>	<p>Positions are almost all staffed (no vacancies), with low turnover and few attendance problems.</p>	<p>Positions are all fully staffed (no vacancies), no turnover and no attendance problems.</p>
Staff	<p>Decisions are largely made on an ad hoc basis by one person and/or whoever is accessible – highly informal.</p>	<p>Appropriate decision-makers are known, the decision-making process is fairly well-established and the process is generally followed, but often breaks down and becomes informal.</p>	<p>Clear, largely formal lines and systems for decision-making, but decisions are not always appropriately implemented or followed.</p>	<p>Clear, formal lines and systems for decision-making that involve as broad participation as practical and appropriate, along with dissemination and interpretation of decisions.</p>

Capacity components	Ranking			
	Clear need for increased capacity	Basic level of capacity in place	Moderate level of capacity in place	High level of capacity in place
Physical and technological infrastructure	<p>Inadequate physical and technological infrastructure, resulting in less effectiveness and efficiency (e.g. insufficient workspace, limited number of telephone facilities.</p> <p>Limited use of computers or other technology in day-to-day activity.</p>	<p>Adequate physical and technological infrastructure that can meet the organisation's most important needs (e.g. basic telephone and fax/internet facilities accessible to most staff).</p> <p>Equipment sharing is common, satisfactory use of IT infrastructure.</p> <p>A number of improvements could help increase effectiveness and efficiency (e.g. individual desks and computers).</p>	<p>Fully adequate physical and technological infrastructure for the current organisational and communication needs</p> <p>Solid hardware and software, high usage of IT by staff.</p> <p>Infrastructure does not impede effectiveness and efficiency.</p>	<p>Physical and technological infrastructure is well-tailored to organisations' current and anticipated future needs.</p> <p>Well-designed and thought out to enhance organisations' efficiency and effectiveness.</p> <p>Reliable telephone, fax and internet facilities, accessible by all staff.</p> <p>Networked computing hardware with up-to-date software applications, used regularly by staff.</p>

### Tool 5: Exit/Handover strategy template

This template can be used when exiting a programme responsibly, with sustainability rated as critically important.

Concept	Aspect
<p><b>Exit strategy concept</b></p> <p>Engage with communities, local government and other partners upfront to get their input and buy-in</p>	<p>1. Which elements of the community investment project need to be sustained? Check all options that apply:</p> <ul style="list-style-type: none"> <li>Activity or programme</li> <li>Funding</li> <li>Facility or infrastructure</li> <li>Benefit or benefit stream</li> <li>Service</li> <li>Institution</li> <li>Management capacity</li> <li>None (because the project will naturally phase out)</li> </ul> <hr/> <p>2. Is the company going to be providing initial management, financial support or both?</p> <p>Yes or no</p> <hr/> <p>3. Will financial support be a once-off allocation or ongoing? If ongoing, what is the specific anticipated duration?</p> <ul style="list-style-type: none"> <li>One-time allocation</li> <li>Ongoing</li> </ul> <hr/> <p>4. Could the benefits be maintained without continual support from the company?</p> <p>Yes or no</p> <hr/> <p>5. If the answer above is no, reconsider company support for the activity. (For existing activities, consider turnaround measures to make them more sustainable. If the answer above is yes, describe how this will be done. Are there other stakeholders that could take over and sustain this benefit stream or activity (e.g. through community payments for services delivered by the government taking over the project or by another mechanism, and with what resources?).</p> <hr/> <p>6. What kind of training and capacity-building and/or resources are required for this stakeholder to be able to take over and sustain this activity?</p> <hr/> <p>7. What timeline is needed for successful handover?</p>

Concept	Aspect
<p><b>Options</b></p>	<p>8. Based on the above, which of the following exit/handover strategy approaches are most appropriate? Check all options that apply:</p> <p>Phasing down over time:</p> <ul style="list-style-type: none"> <li>• Company reduces activity level/financing level over time – maybe in preparation for phasing out or transferring responsibility.</li> <li>• Special challenges include timing, sensitising target population, maintaining benefit stream, building capacity of organisation taking over responsibilities, viability of activity with reduced support, managing reputational risks.</li> </ul> <p>Transfer of responsibility (handover):</p> <ul style="list-style-type: none"> <li>• Successor institution identified that will continue providing activity or service.</li> <li>• Company assists successor institution in securing needed resources and delivery or management capacity.</li> <li>• Special challenges include timing and transition, capacity-building, whether scope, scale and quality of activities can continue, viability of handover, managing reputational risks to company if handover is unsuccessful.</li> </ul> <p>Phasing out:</p> <ul style="list-style-type: none"> <li>• Company discontinues support and involvement.</li> <li>• No new sponsor is identified (or needed) to continue the activity.</li> <li>• Special challenges include impact on the target population, safety net considerations, reputational risks from abrupt or poorly planned and managed exit.</li> </ul>
<p><b>Workplan</b></p>	<p>9. Summarise the details of the approach(es) you selected. This may include:</p> <ul style="list-style-type: none"> <li>• Identifying where possible, viable successor organisation(s).</li> <li>• Key activities and milestones.</li> <li>• Timetable (phasing if necessary).</li> <li>• Training, capacity-building, mentoring (technical, management, financial, reporting, fundraising, etc.).</li> <li>• Equipment (if necessary).</li> <li>• Financing (if additional external financial support is required).</li> <li>• Community consultation and involvement during exit process.</li> <li>• Managing the special challenges (#10).</li> <li>• Identifying key milestones and indicators for the transition or exit (#11).</li> <li>• The above will be more accurate if a successor organisation has already been identified, which will ideally be the case.</li> </ul>
<p><b>Managing risks</b></p>	<p>10. Describe how the special challenges and risks (listed in #8) associated with the selected exit option(s) will be addressed. Include this in the workplan.</p>

Concept	Aspect
Monitoring	<p>11. Describe how the degree of readiness for the exit or handover will be tracked and assessed. Provide relevant indicators. The amount of time, advance preparation and capacity-building required to ensure a viable transition/exit is almost always underestimated. Setting key milestones and targets for handover is advisable for tracking progress and enabling mid-course adjustments where needed.</p>
Monitoring	<p>Readiness indicators should include targets and be aligned with the exit strategy workplan. Examples include:</p> <ul style="list-style-type: none"> <li>Financial indicators that measure the extent to which the necessary financial resources are in place at predetermined time intervals (e.g. by year X, the successor organisation will have secured contributions from external partners in the amount of Y).</li> <li>Organisational capacity indicators that measure the progress in building the capacity of partners to manage or take over the project activities after the company's exit/handover.</li> <li>Activity indicators that measure the progress in delivering certain activities (e.g. training, development of partnerships, external fundraising) that are part of the exit strategy workplan.</li> </ul>

### Tool 6: Turnaround strategy template

This tool is aimed at analysing programme-related problems during project implementation.

Concept	Aspect
Problem analysis	<p>1. What are the problems facing the existing community development programme? Check all options that apply:</p> <ul style="list-style-type: none"> <li>Projects that are not sustainable if the company withdraws.</li> <li>Projects that are not aligned with a (new) community investment strategy or do not support business objectives.</li> <li>Lack of sufficient community involvement and ownership.</li> <li>Gap between stakeholder expectations and community investment results.</li> <li>Lack of capacity of implementing parties (internal/external).</li> <li>Creation of dependency or relationship.</li> <li>Ad hoc collection of different projects with lack of clear focus or impact.</li> <li>Projects are not aligned with the company's core competencies.</li> <li>Projects are not demonstrating value or return against time and resources invested.</li> <li>External factors (e.g. project inputs, government change and local conflict).</li> <li>Other (specify).</li> </ul>

Concept	Aspect
<p><b>New community investment strategy</b></p> <p>Objectives, guiding principles and criteria</p>	<p>2. Summarise key aspects of the company’s new community investment strategy (objectives linked to the business case, guiding principles, eligibility or funding criteria, alignment with core competencies), using the processes in this guideline document.</p>
<p><b>Assess and categorise current portfolio of community investment projects</b></p>	<p>3. Assess current community investment portfolio in the light of strategy set out in #2. Sort projects into three categories (and associated sub categories) based on their relevance to new community investment objectives and principles.</p> <p>Green = high relevance to new strategy</p> <ul style="list-style-type: none"> <li>• Retain</li> </ul> <p>Yellow = possible relevance to new strategy</p> <ul style="list-style-type: none"> <li>• Can be continued, with redesign, to meet new strategy objectives.</li> <li>• Objective remains relevant, but implementation needs to be revisited (e.g. project implementation needs to be transferred to a competent local partner).</li> </ul> <p>Red = not relevant to new strategy</p> <ul style="list-style-type: none"> <li>• Stop immediately (e.g. activity has negative effects or is wasting significant resources).</li> <li>• Use phased approach (is ceasing activity).</li> <li>• Use phased approach to cease activity, but replace with alternative (e.g. a donation programme that is very popular with the community, but creates dependency or is not aligned with new priorities; if stopped, it needs to be replaced with another programme delivering benefits but in a more sustainable manner and in consultation with local stakeholders).</li> </ul>
<p><b>Turnaround workplan</b></p> <p>Effective engagement of internal and external stakeholders in the redesign process to gain their understanding and support will be critical to turnaround success</p>	<p>4. Develop a turnaround plan. Suggested elements include:</p> <ul style="list-style-type: none"> <li>• Assessment of existing activities – consider each existing project separately in terms of how it needs to be addressed, while keeping track of the community investment programme’s direction as a whole.</li> <li>• Engagement with external stakeholders to create local buy-in for the redesign process (e.g. be transparent and try to minimise any negative impact on the local communities).</li> <li>• Engagement with internal stakeholders to create staff and management buy-in for the redesign process (e.g. be transparent and prepared to “sell” the new programme to senior management based on an internal business case for the turnaround strategy).</li> </ul>

Concept	Aspect
<p><b>Turnaround workplan</b></p> <p>Effective engagement of internal and external stakeholders in the redesign process to gain their understanding and support will be critical to turnaround success</p>	<p>Based on engagement process:</p> <ul style="list-style-type: none"> <li>• Timeline for phasing out old projects and phasing in new ones (consider how best to do this with the minimum disruption).</li> <li>• Identification of partners for existing, redesigned and/or new activities.</li> <li>• Capacity-building programme for partners and/or communities.</li> <li>• Transition process that prepares partners or successor organisations to take over and sustain existing programmes in the medium to long term and to be ready to take on new ones.</li> </ul>
<p><b>Monitoring progress</b></p>	<p>Define indicators to be used to monitor progress of the turnaround strategy:</p> <ul style="list-style-type: none"> <li>• Status indicators (that measure programme milestones and show progress against stated workplan objectives, targets and timeline progress given in #4).</li> <li>• Company-community relations indicators (that show how key stakeholders perceive turnaround activities, and the effect on local perceptions of the company).</li> </ul>

**Tool 7: Assessing strategic capabilities**

This self-assessment tool provides a more detailed look at how the five elements of a strategic framework for community investment might be incorporated and applied in practice. Companies can determine the general degree to which their programmes and practices are consistent with strategic social investment and development by undertaking this survey.

Company self-assessment	Yes	No	Partial
<b>Criteria</b>			
<b>Strategic</b>			
We have a written strategy linked to a clear business case and assessment of risks and opportunities.			
We screen all initiatives against well-defined objectives, criteria and guiding principles, and say no to requests that do not fit these parameters.			
We look beyond financial resources and consider how to make the best use of our company’s competencies, assets, expertise and relationships in support of social investment and development.			

Company self-assessment			
Criteria	Yes	No	Partial
<b>Strategic</b>			
We focus selectively on a few key areas for greater impact where the company can most effectively leverage its role and competencies to address community priorities.			
Our choice of implementation model is driven by strategic factors, such as time horizon, budget, availability of local partners and fit with our objectives.			
<b>Aligned</b>			
We align the strategic focus of our business with the development priorities of local communities, civil society and government to create shared value.			
The link between social investment and business objectives is understood by staff and management, and we involve all business units that interact with local stakeholders in the design of the social investment strategy (and assign cross-functional responsibilities to meet objectives).			
We coordinate social investment with all other company policies, practices and programmes that affect communities, including impact management, stakeholder engagement, procurement, sustainability, supplier development, human resources and local hiring (recruitment).			
<b>Multi-stakeholder-driven</b>			
We position ourselves as a partner in multi-stakeholder processes rather than being the principal actor in promoting local development.			
We support communities and local government in defining and meeting their own development goals and aspirations through participatory planning and decision-making.			
<b>Sustainable</b>			
We do not commence activities without a clear exit or handover strategy.			
The projects we support are designed to avoid dependency, encourage self-reliance and create long-term benefits that can outlast company support.			
We take a long-term view when engaging with communities (although short-term results may be needed to meet business objectives at various stages of our business life cycle).			

Company self-assessment			
Criteria	Yes	No	Partial
Our support requires matching contributions (financial or in-kind) or fee-for-service arrangements and partnerships.			
We invest in capacity-building, participatory processes and organisational development to enable local partners or actors to take progressively greater roles and responsibilities.			
We try to reinforce rather than replace local institutions and processes.			
Measurable			
We track progress systematically over time against an established baseline (and use outcome and impact indicators to measure the quality and quantity of change).			
We are able to communicate the value generated by our community investments to internal as well as external audiences.			
We use shared definitions of success and participatory methods of monitoring and evaluation to build trust and local ownership of results.			
We track changes in community perceptions to gain real-time feedback on performance.			

**Tool 8: Partnership assessment worksheet**

This tool can be used to consider collaborations and partnerships on a development project.

Partnership assessment worksheet						
Elements of assessment	High				Low	Comments
<b>1. Which programme areas would be serviced by the partnership?</b> List relevant community development programme areas.						
1.1						
1.2						
1.3						
<b>2. What is the partnership’s likely impact on our core interests?</b>						
2.1 Financial resources						
2.2 Mandate						
2.3 Operational effectiveness						
2.4 Operational efficiency						

Partnership assessment worksheet						
Elements of assessment	High				Low	Comments
2.5 Outreach						
2.6 Capacity						
2.7 Human resources						
2.8 Legitimacy						
2.9 Sustainability						
2.10 Any negative impacts						
<b>3. How do you assess the following critical elements internally?</b>						
3.1 Support of key internal stakeholders						
3.2 Internal opposition to partner proposal						
3.3 Financial resources available for partnership						
3.4 Support and availability of key staff						
3.5 Availability of technical resources						
3.6 Level of agreement on purpose and outcomes						
3.7 Level of agreement on how to proceed						
3.8 Level of understanding of required partnership planning effort						
<b>4. How do you assess the availability of the following aspects of the partner organisation externally?</b>						
4.1 Financial resources for community or social development						
4.2 Technical resources for social development						
4.3 Human resources for social development						
4.4 External development resources						
4.5 Common development goals among partners, e.g. government, civil society and business						
4.6 Willingness to participate in partnerships						
4.7 Strategic planning resources for social development						
4.8 Operational capacity for social development						

**Partnership assessment worksheet**

Elements of assessment	High				Low	Comments
4.9 Community development performance						
4.10 Participation in community development						
4.11 Legitimacy of community development actors or partners						
<b>5. What are the potential strengths of your principal development partners?</b>						
5.1 Government						
5.1.1 Financial resources						
5.1.2 Mandate						
5.1.3 Operational effectiveness						
5.1.4 Operational efficiency						
5.1.5 Outreach						
5.1.6 Capacity						
5.1.7 Human resources						
5.1.8 Legitimacy						
5.1.9 Sustainability						
5.2 Business						
5.2.1 Financial resources						
5.2.2 Mandate						
5.2.3 Operational effectiveness						
5.2.4 Operational efficiency						
5.2.5 Outreach						
5.2.6 Capacity						
5.2.7 Human resources						
5.2.8 Legitimacy						
5.2.9 Sustainability						
5.3 Civil society						
5.3.1 Financial resources						
5.3.2 Mandate						
5.3.3 Operational effectiveness						
5.3.4 Operational efficiency						
5.3.5 Outreach						



**Partnership assessment worksheet**

Elements of assessment	High				Low	Comments
5.3.6 Capacity						
5.3.7 Human resources						
5.3.8 Legitimacy						
5.3.9 Sustainability						

**Once you have completed your internal assessment, assign responsibilities and deadlines for consultation with stakeholders to assess the likelihood that suitable partner organisations will be available and willing to work with you.**

Action	Responsibility	Deadline
6.1 Establish communication with potential partners		
6.2 Validate, with external stakeholders, assumptions in your internal assessment		
6.3 Explore possible roles and resource commitments of prospective partners		
6.4 Assess potential partners' capacity to contribute and maintain support for the partnership		
6.5 Develop processes through which partners can negotiate the terms of the partnership (see key references)		



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