

CBOs need corporate support for grassroots success

Company support for community-based organisations (CBOs) has yielded mixed results and is a hotly debated development approach. But Marcus Coetzee argues that CBOs play a crucial role on the development landscape and points to several strategies that will help ensure an appropriate social return on the investment.

BY MARCUS COETZEE

THE ISSUE OF CORPORATE FUNDING FOR CBOs is a widely debated one, with some CSI departments having burnt their fingers while others have pioneered successful approaches. Before exploring some of the concerns around funding for CBOs, let's start with a definition: CBOs, like most developmental organisations, are non-profit bodies, but with the distinction that they are based in and staffed by the communities they serve. Indeed, they are the means by which community members mobilise themselves to address some of the pressing issues affecting their communities.

An essential cog in the development wheel

Because they are embedded in the communities they serve, CBOs offer unique developmental insights and opportunities:

- They are a direct way to reach the 'poorest of the poor' and to address critical priority development areas.
- They strengthen the building blocks of society at local and neighbourhood level and

promote active citizenship in communities.

- They can be key development partners for NGOs and government and can effectively facilitate and mobilise local participation in the development agenda.
- They contribute to skills development, since many community leaders whose roots are in CBOs later move on to work in the private or public sector.

Operating against the odds

Most CBOs operate with minimal resources and are sustained by the personal contributions of their pioneers and the community leaders who drive them (the majority of whom are unemployed). Unfortunately this means that many lack organisational and administrative capacity.

Some struggle with governance, others to implement the required systems, and almost all to develop skilled staff and procure desperately needed resources. Their administration tends to be informal, hampering their ability to deal with many donor requirements, such as financial statements and a documented track record. Furthermore, CBO managers tend to spend much of their time dealing with short-term emergencies and consequently have little time to think and plan ahead.

These difficulties are compounded by the stress that results from poor recognition and limited support. Because many CBOs are not registered as non-profit organisations (NPOs) with the Directorate of Non-profit Organisations or as Public Benefit Organisations (PBOs) with the South African Revenue Services, their capacity to attract donor funding is limited.

Strategies for success

Given the challenges they face, there is a broad perception that CBOs are a high-risk investment when compared with established NGOs. But because they can play such an important role in fighting poverty and developing a healthy South African society, I would urge CSI departments to set aside some funding for CBOs as part of their overall portfolio of support for non-profit organisations.

In doing so, three clear strategies emerge that will contribute to success and help maximise the social return on investment. Firstly, CSI departments and other donors should consider the grant size carefully. Secondly, you should work through organisations that have a track record for implementing small-grants programmes successfully. Thirdly, you should ensure that a capacity-building programme is put in place to support these CBOs. Each of these is discussed in more detail below.

Deciding on grant size and focus

There are no strict rules for deciding on the size of grants to CBOs, but I suggest that donors should link grant size to the organisational capacity of the beneficiary CBO. For emerging CBOs that have not established many of the systems needed to manage risk, grants should therefore range between R30,000 and R50,000 per annum. Contrary to expectations, large amounts and once-off donations to emerging CBOs can actually be detrimental to these organisations in the long term, since they raise false expectations, stimulate dysfunctional politics, and demoralise staff if this level of funding is not repeated in subsequent years. Grants should also be committed over an initial three- to five-year period in order to build organisational momentum and help secure their sustainable future (many CBOs close down once short-term funding has ended).

It is equally important for grants to cover both core and project costs in addition to costs associated with capacity-building. Often, donors prescribe that their small grants are for project activities only, ignoring those who run and support the project. This perpetuates frustration and mismanagement. CBOs also urgently need infrastructure, equipment (IT and communications) and skills for their programmes, and companies should therefore consider donating under-used equipment and providing staff expertise to them.

Outsourcing the management of small grants

Outsourcing of 'small grants' can work in two ways: either you should select a third-party NGO that specialises in managing small grants, or you might consider teaming up with other donors to create an 'in-house' donor consortium operating from one of the member companies. Both options enable more efficient micro-management of funding, and ensure that CBOs are held to greater account on project deliverables and subsequent reporting. Such an in-house organisation must have specialist skills and insights into the problems experienced by CBOs, which will ultimately reduce long-term administrative overheads and many other headaches.

A number of NGOs that specialise in managing small-grants programmes are being used successfully by various company CSI programmes. On the other hand, in-house donor consortiums are a fairly new concept and worth illustrating by way of example. Breadline Africa and HIVOS are international NGOs, operating locally, that have chosen to establish a donor consortium, which other donors are invited to join. With pooled resources, they have set up a small-grants programme that enables them to more efficiently serve both their needs and those of their selected CBOs. They have also partnered with Community Connections, a non-profit organisation that specialises in building CBO capacity.

Building CBO capacity

My third recommendation is to ensure that a capacity-building programme is in place to assist the CBOs receiving these grants. Providing grants without additional support is a potential recipe for failure, because many CBOs don't have the requisite management skills at the outset. They therefore need intensive and ongoing support to establish themselves and meet donors' delivery and reporting requirements.

The majority of capacity-building programmes for CBOs are offered by specialised NGOs (hereafter referred to as NGO consultancies). Experienced in working with CBOs, these organisations are able to service and assess CBO performance through a range of tools at their disposal, including training and mentoring programmes.

NGO consultancies tend to specialise in a particular area or sector. For example, the Rural Development Support Programme and DOCKDA Rural Development Agency specialise in working with rural CBOs in the Western and Northern Cape; and the Western Cape Networking Aids Community of South Africa (WC-NACOSA) specialises in CBOs working in the field of HIV and Aids. Such organisations are likely to be able to provide a better service to CBOs since they are familiar with both the geographical and sector dynamics that these CBOs experience.

CSI departments, or the organisations managing their small-grants programmes, will therefore need to do their homework properly and ensure that the right mix of NGO consultancies are involved in supporting the CBOs being funded. Although there is a tendency for some to combine small grants and capacity-building programmes, there is some debate as to whether this constitutes best practice due to the particular power dynamics involved. I therefore recommend that these two functions remain operationally separate.

Beefing up skills and infrastructure

No two CBOs are the same and I don't suggest generic capacity-building programmes. But what is very clear is that most CBOs need support in the areas of:

- *Governance* – A skilled and objective governance structure with minimal conflict of interest and the ability to oversee the functioning of the CBO.
- *Financial systems* – Appropriate systems and controls to keep track of funding, make sensible financial decisions, record financial information accurately, prevent mismanagement of funds, and provide appropriate financial reports.
- *Staff* – An appropriate complement of staff members who are properly recruited, are managed correctly, and continue to work with the CBO.
- *Technical skills* – Relevant technical skills to deliver the CBO's projects effectively.

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Properly assessing CBO needs

CBOs have a good understanding of their community dynamics and are therefore often best placed to identify what they need in order to offer a particular service to their communities.

Exact requirements should be determined through an assessment process conducted by the specialist NGO consultancy. This must take into account a number of factors, including the CBO's objectives in the community, the environment in which it is functioning, the capabilities of its staff and volunteers, and its existing systems. This needs analysis should form the basis of a service contract between the NGO consultancy and the CBO in question, and should detail the exact nature of the relationship between these two parties. Service contracts should extend for two to three years and should define specific milestones, such as the achievement of registered NPO status. It is a common but incorrect assumption that CBOs can develop their capacity in a very short time: building CBO capacity is a tricky and challenging process that cannot be achieved overnight.

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Training and mentoring

In addition, the assumption that CBOs only require initial training to become fully operational is misguided. According to the NGO consultancies interviewed for this article, training provides 10-20% of the difference to a CBO's capacity, whereas ongoing mentoring (over a two to three year period) accounts for the other 80-90% of the difference. Whereas training focuses on the group and creates an initial knowledge base, mentoring assists and empowers individuals to implement the lessons learnt and to deal with the ongoing dynamics in their communities and organisations. Furthermore, training that is irrelevant given a CBO's level of maturity is wasteful, because it won't be applied and will simply be forgotten. Training must therefore be relevant and customised, as far as possible, to the needs of each CBO. It should also be experiential, using their own CBO as a case study for their learning. A decent mentoring programme should include monthly on-site visits of at least half a day, as well as weekly telephone sessions for the duration of the service contract.

Getting involved over the long term

Many good CBOs with the best intentions and a passion for making a real difference in their communities are failing because, on the one hand, they do not have appropriate capacity, and on the other, they do not meet donor requirements.

Yet there is little doubt that CBOs can add incredible value to the social development landscape. In many ways they are the only medium for highlighting particular community-based needs; needs that external agencies cannot hope to unearth. In this sense, CBOs complement the work of NGOs, rather than replace it. The trick is to provide appropriate support for these organisations, and I have suggested how CSI departments can do so by setting the right grant size, using appropriate implementation partners, and ensuring that grantmaking is accompanied by capacity-building components.

I therefore urge grantmakers and CSI departments to include CBOs in their social investment portfolios; but that they do so in the knowledge that this must be a long-term investment underpinned by equal commitment to the organisation in question and the needs it serves. With the appropriate support and the opportunity to build momentum, these organisations may well surprise you.

Marcus Coetzee is a partner of Business Sculptors, a consulting company working throughout Africa, that specialises in revitalising businesses and non-profit organisations, talent search and leadership development. Contact: Marcus on 082 879 9131 or visit www.BusinessSculptors.com

Key recommendations

To ensure that a chosen CBO is able to meet its commitments, both to the community it serves and the funding body, it is advisable that CSI departments and other donor bodies follow two routes: the first is to employ an NGO with a track record in successfully implementing small-grants programmes; the second is to provide appropriate support for the CBO through a capacity-building programme. Community Connections is in the process of engaging donors, government and other non-profit organisations in order to develop standards for CBO/donor relationships. See www.connectionsafrica.org.za