Cayman Islands
General Registry

NPO Capacity Building
GUIDANCE MANUAL

Contents

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Section 1: Introduction

Goal of the Guidance Pack

This Guidance Pack provides practical guidance for NPO staff on best practices in the management of NPOs.

What topics are covered in this guidance?

This Guidance and the training programme associated with it cover five specific topics. Each is dealt with in a separate Section. These are:

- Governance
- Financial Management
- Project Management Cycle
- Risk Management; and
- Sector Cooperation (network building).

Please note that the numbering in this Manual follows the numbering in the associated training. However, this manual does not include a Section 3. Section 3 in the training is on Financial Management. Guidance on Financial Management is contained in a separate Finance Handbook. The Handbook, which is in three parts, can be obtained from the General Registry.

Why are these topics important?

Widespread research in a number of countries and feedback from similar development projects over a number of years has identified these topics as the most relevant. They address the most important areas to improve capacity building amongst NPOs.

Terminology and consistency

The term '*NPO*' is used throughout this Guidance to refer to any non-profit organization operating for a public benefit. '*Leadership*' or '*Leadership Team*' refers to those people with ultimate control of the organisation. They may be known as the board, the management committee, elders, senior management or something else.

Scope of this Guidance

The Manual provides general advice on NPO management and various templates which can be adapted by your NPO. The guidance can be read as a stand-alone document. However, it is recommended that, there is material contained within that needs further clarity, an NPO can either arrange for a representative to attend training with the Registrar or seek clarity from the Compliance Unit at General Registry.

The Guidance is also available in electronic format to allow for easy amendment and adoption of the Templates. All trainees will be provided with an electronic copy. If you have lost your copy or would like an additional copy, please contact the General Registry.

Each Section contains notes on how the Guidance should be used in connection with that topic. Whilst the Guidance contains some detailed information, it does not seek to summarise all of the available literature in the field, it cannot address every issue faced by an NPO in all circumstances. The models or advice will not be suitable for all NPOs in all circumstances. The ultimate decision on what to adopt if the responsibility of the Leadership Team. Where appropriate, NPOs should seek their own independent professional advice.

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Acknowledgements and Restrictions on Use

Section 2: Governance

2. Governance

Introduction

Governance within the NPO Sector is about agreeing the purpose of an organisation, developing strategies to carry out the organisations purposes effectively, being open, transparent and accountable regarding performance and ensuring that the organisation operates within the law.

The governance of an NPO is the exclusive responsibility of its leadership team.

The NPO sector in the Cayman Islands is diverse. There is a wide spectrum of organisations by size, by structure and by the services they provide for their beneficiaries. Nevertheless, there are certain overriding principles that all leadership teams can adopt to promote good governance and greater efficiency.

Good governance is most likely to happen if an NPO: –

- Is clear about its purpose and direction
- Has a strong board (leadership team)
- Is fit for purpose
- Learns and improves
- Is financially sound and prudent
- Is accountable and transparent

This section of the guidance deals with the first three elements of this list. The other elements are covered elsewhere in the guidance.

Every NPO must have a document which sets out the purposes of the organisation and how the organisation should be run. This document might be, for example, a constitution, a trust deed, memorandum and articles of association or a set of rules. Within this guidance that document will be referred to as "the governing document".

Every NPO should be run by a group of people appointed in accordance with rules and regulations laid down in the governing document. That group may be called, for example, the board or the management committee. Within this guidance that group will be called "the leadership team".

Clarity of purpose and direction

Good Governance is about an NPO being clear about its purposes, mission and values and applying these to direct all aspects of its work.

The leadership team is responsible for setting the purposes, mission and values of the organisation. It should ensure that these remain relevant and valid by reviewing them from time to time and considering what changes ought to be made.

The purpose of the organisation should be clearly expressed in the governing document.

Based on the stated purpose, the leadership team should state how the NPO will operate by:
- deciding and recording what they want the organisation to achieve *- the aims*
- determining and recording how the aims will be achieved - *the objectives or goals*
- setting out what they will actually do in order to deliver those objectives *– performance*
- creating a system of measurement and assessment – *key performance indicators and evaluation*
- assessing the difference they have made to the beneficiaries – *impact assessment*

These processes are normally recorded in a series of documents created, implemented and reviewed by the leadership team. They include the: –

- Governing Documents
- Mission Statements
- Strategic Plans
- Annual Plans
- System of Monitoring and Evaluation
- Impact assessment measures

Annex 2.1: A Flowchart of Planning contains a flowchart incorporating the main aspects of these documents.

What to include in a governing document

To a great extent the content of a governing document will be dependent upon the type of organisation created and the purposes for which it is established. However, there are some areas that should be included:-

- the name of the organisation
- your NPOs purposes (its 'objects')
- what it can do to meet its purposes (its 'powers'), such as borrowing money
- who runs the NPO and who can be a member
- how meetings will be held and members of the leadership team appointed
- any rules about paying members of the leadership team, investments and holding land
- whether the leadership team can change the governing document
- how to close the NPO

When a governing document is first written it may be appropriate to seek independent professional advice. When it is agreed it will almost certainly be legal, relevant and fits the purpose. However, circumstances may change and it is the responsibility of the leadership team to regularly review the content of the governing document and make any necessary changes. It may be that political, economic or cultural changes make the purposes of the NPO no longer appropriate. It may be that the NPO has been so effective that the purposes for which it was originally established no longer exist. It may be that funding has increased or decreased to an extent that the original purposes are no longer credible.

What to include in a mission statement

A mission statement answers the question, "Why do we exist?"

A NPOs mission (or mission statement) must be consistent with, and not wider than, its purposes.

Mission statements include the following information:

- The Aim(s) of the NPO
- The NPOs primary stakeholders: beneficiaries, donors, the public, etc.
- How the NPO provides value to these stakeholders, for example by offering specific types of benefits and/or services
- A declaration of an organization's sole core purpose (from the Governing Document).

The leadership team should use the mission statement to provide an explanation of the NPO's purpose in everyday language. It provides them with an opportunity to communicate the NPO's ethos and values to its stakeholders and the public. The statement provides a focus for strategic planning by defining the particular outcomes or goals that the NPO wants to achieve.

To create a mission statement the leadership team should be clear about what it wants to achieve. In determining its aims the leadership team should take into account the needs and wishes of its principal stakeholders. This is likely to include the people whom the NPO is set-up to benefit (beneficiaries) and those people or organisations who are willing to provide finance or other support (donors). Nevertheless, the final decisions relating to the mission statement should be independent and in the best interests of the NPO.

The process by which the leadership team collect all the relevant information to decide on their mission statement will of course be dependent upon the size and type of their organisation. There are some widely used techniques that may be helpful. These include the likes of SWOT and PEST analysis.

Annex 2.2: Developing a Mission Statement provides some suggestions as to what information the leadership team might include in the Mission Statement and how they might formulate ideas regarding its content. It also includes examples and templates of SWOT and PEST analysis.

What to include in a strategic plan

The purpose of a strategic plan is to set overall goals for your NPO and to develop a plan to achieve them. The process is about determining the direction in which you want to take your NPO. It includes a set of principles and assumptions about how your organisation will achieve its mission in the coming years.

The principles and processes involved in formulating the strategic plan are similar to those of the mission statement. The process involves stepping back from your day-to-day operations and asking where your business is headed and what its priorities should be. In effect the leadership team needs to consider:-

- Where is your NPO now?

- Where do you want to take it?

2. Governance

- What do you need to do to get there?

To some extent the answers to "where do you want to take it" should be found in the mission statement. However, the mission statement is likely to be more aspirational. The strategic plan should be more specific about objectives, goals and targets. It should include timescales. It is normal for strategic plans to have goals and objectives that relate to the short-term (1 – 2 years), medium-term (3 – 5 years) and long-term (5 – 10 years).

Annex 2.3: 10 Things about your Strategic Plan provides a summary of recommended considerations for inclusion in an NPO's strategic plan.

What to include in an annual plan

The Annual Plan provides the detailed route map that you and your NPO will take in order to meet the goals, objectives and targets outlined in the strategic plan. It will relate exclusively to the purpose stated in the governing document. The NPO should not, and must not, plan for or become involved in any activity or expense that is outside the purpose of the NPO.

The annual plan will include:-

- the aim as stated in the Mission Statement
- the organisation's objectives/goals as stated in the Strategic Plan
- a clear statement of all short-term goals
- details of specific projects
- reference to key resources and their availability
- a list of identified risks and how they will be managed
- detailed performance criteria and how and when performance will be measured

The leadership team would be expected to review the content of the annual plan on a regular basis. As a minimum it would be expected that management information reports regarding performance and finances would be made available to every member of the leadership team before each of their meetings. All members of the team would be expected to read these reports in advance of the meeting and engage in discussion. As a consequence, the annual plan should be under constant review. Any deviation from the plan should be noted and appropriate action taken.

Annex 2.4: 10 Things about your Annual Plan provides a summary of recommended considerations for inclusion in an NPO's annual plan.

Performance measurement

It is important that the leadership team of an NPO knows that it is applying the resources available to the organisation in the most effective way. They need to know that the activities they undertake and the money they spend are the most effective ways of achieving the objectives set out in the strategic plan.

The performance criteria that the NPO has in its annual plan should state clearly what is to be achieved, by when and to what standard - there should be key performance indicators.

A common practice amongst organisations when writing key performance indicators is to make them SMART. This acronym means that performance indicators will be: –

- **S**imple
- **M**easurable
- **A**chievable
- **R**elevant and
- **T**imely (or time banded)

Further information on performance measures is contained in ***Section 4: Project Management*** below.

Impact assessment

It is possible that an NPO may be meeting all of its performance indicators. It may even be achieving all of its objectives and goals. However, it may be that the NPO is not actually achieving the difference that it had originally hoped to make.

The NPO may be efficient (doing things well) without being effective (doing the right thing). In other words, the leadership team might be very good at doing the wrong thing.

Therefore, as well as monitoring its own internal performance, an NPO should regularly check to see that the service it provides is making the intended difference. It may well be that, when the NPO was first established and the purpose was set out in the governing document, beneficiaries had clearly defined needs. The leadership team may have created an appropriate mission statement with relevant objectives and goals. The strategic and annual plans may have been fit for purpose. But circumstances may have changed.

The leadership team should have in place a process that assesses the impact they make on the people the NPO was designed to benefit.

Further information on impact assessment is available in the Project Management Section of this Guidance.

Having a strong leadership team

Good Governance of an NPO requires a clearly identifiable Leadership Team that has the right balance of skills and experience, acts in the best interests of the NPO and its beneficiaries, understands its responsibilities and has systems in place to exercise them properly.

Good governance is about a leadership team:
- Understanding their role

- Ensuring delivery of organisational purpose
- Working effectively both as individuals and a team
- Exercising effective control
- Behaving with integrity
- Being open and accountable

Understanding their role

The leadership team have ultimate responsibility for the NPO and everything that it does. They should be aware of their legal responsibilities and carry them out with integrity. They must act in the best interests of the NPO and not in respect of any personal or economic benefit.

The leadership team sets the agenda for the NPO. They are responsible for the content of the governing document, including the stated purpose, and using this as the basis for the organisation's mission and strategy. They must ensure that the organisation delivers its stated purpose by implementing the strategy and making sure that it is always relevant and fit for purpose. This will mean that from time to time the leadership team must review the purpose, the mission statement, the strategies and plans.

They also set the tone for the NPO. The leadership team are responsible for establishing the values of the organisation which ultimately will determine its reputation.

All NPOs must be aware of the environment in which they operate. This means that the leadership team should be constantly aware of the external environment and the impact this has on their organisation.

Ensuring delivery of organisational purpose

The leadership team are also responsible for implementing the agenda of the NPO. This means that they must identify the resources needed to achieve their aims and objectives and subsequently acquire those resources from a variety of sources. This will include getting the necessary finance from donors, via grants or through general fundraising. If necessary, they should also employ staff to undertake the work of the NPO.

They must arrange for the production of management reports and financial statements that keep them fully informed about the organisation's performance and achievements. This will mean the leadership team must agree what activities will be undertaken and how performance will be measured. It may be that they delegate the implementation of their plans to staff but the leadership team remain responsible for everything that is carried out in the name of the NPO.

Working effectively both as individuals and a team

The leadership team will manage its own performance. The team should include a combination of the skills, knowledge and experience relevant to the size and type of their organisation. From time to time the

team should assess its own effectiveness and where appropriate recruit new members who possess relevant qualities.

Recruitment to the leadership team should be in accordance with the rules set out in the governing document. Additionally, it would be appropriate for the team to state in more detail the policies it adopts for making sure that the recruitment of new members is transparent and effective.

All members of the leadership team should have sufficient opportunity to learn and develop in order that they remain well-informed about all relevant aspects of their organisation. In respect of new members this will include appropriate induction.

Exercising effective control

Monitoring of performance is an ongoing process. In order that the NPO is effective the leadership team must ensure that the targets that it has set are being met. This will relate to both internal measures of performance and impact. Performance measurement and impact assessment are covered in more detail in the project management section of this guidance.

Behaving with integrity

The leadership team are responsible for safeguarding the reputation of the organisation. At the highest level this means that the organisation will at all times act within the law, will comply with any government regulation and, where appropriate, observe professional standards.

As importantly, the leadership team should ensure that it operates in a moral and ethical way. The decisions that the leadership team take and the behaviour of the members of the team should be in the best interests of the NPO and of the beneficiaries. They should not act on behalf of or for the benefit of themselves or any third party.

Typically, a member should declare to the leadership team if they have a conflict of interest: For example, if the team were discussing an issue that would benefit, directly or indirectly, a team member in their personal capacity. In such circumstances that member should not be involved in the discussion or the decision-making process.

In many cases the leadership team will also have a duty of care for employees or beneficiaries. Reference to policies that would cover these and similar circumstances are included in the "Fit for purpose" section below.

Being open and accountable

Most NPOs have a legal responsibility to produce annual reports and accounts. This is just one way in which an NPO might share information with stakeholders and the general public. The leadership team should also encourage two-way communication with any organisation or individuals that can contribute to improving the efficiency of their NPO.

In order to get the best possible feedback, the leadership team should be proactive in setting up channels of communication. This may involve direct contact with donors and beneficiaries. It may be that a formal process of "customer feedback" is available to beneficiaries. It may be appropriate to get feedback from people who do not receive any benefit from the organisation but feel that they should.

Having received feedback the leadership team should listen to what is being said and consider, what actions, if any; they should take to improve the efficiency and effectiveness of their NPO.
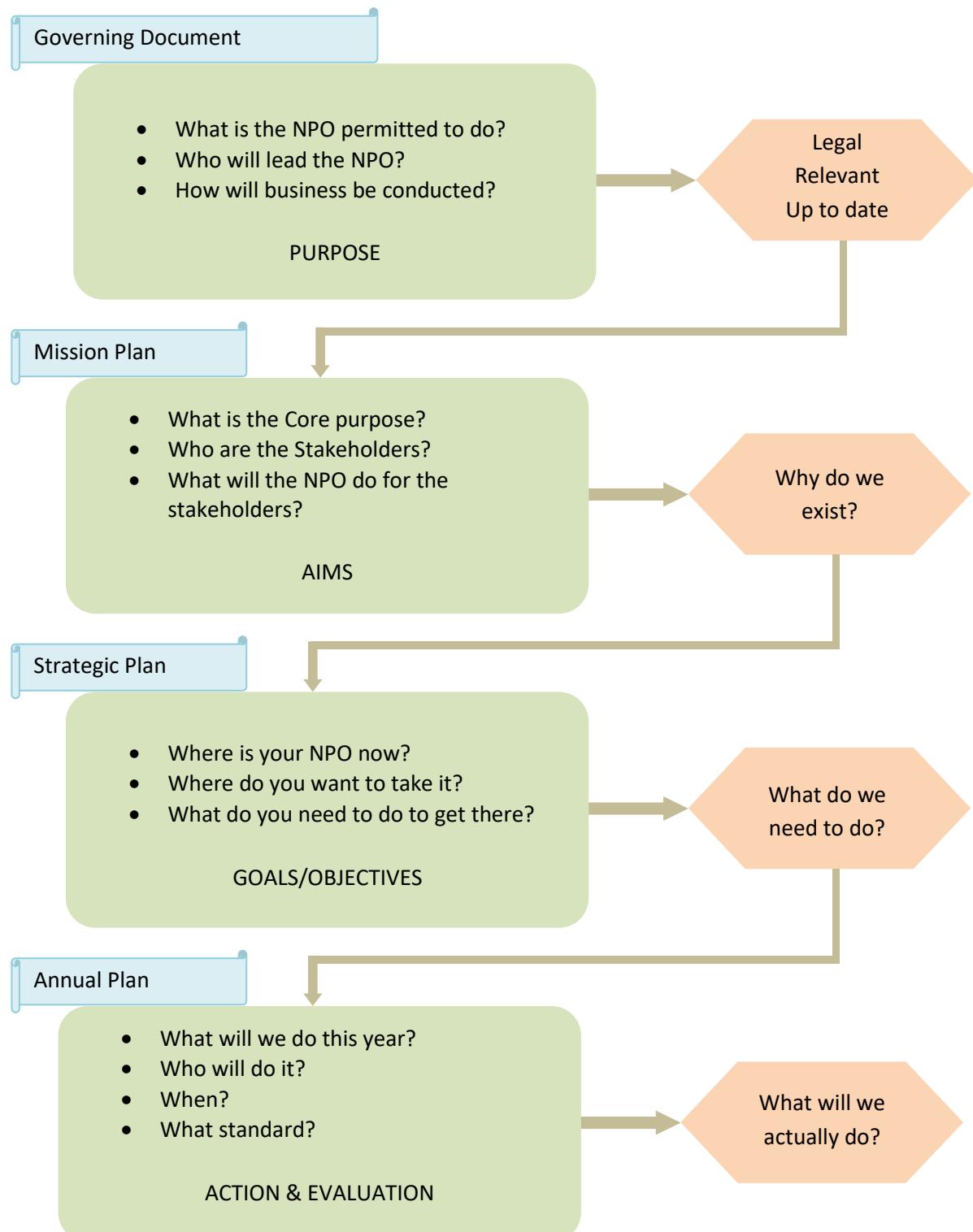
Fit for purpose

Good Governance in an NPO is dependent on structures, policies and procedures being in place for it to achieve its purposes and mission and deliver its services efficiently.

Being fit for purpose incorporates many of the issues mentioned above. The leadership team is responsible for making sure that the governing document and the purposes stated in it are up-to-date and relevant. They are responsible for monitoring the performance of the organisation and taking steps to improve effectiveness and efficiency. They are responsible for maintaining the reputation of the organisation.

It is also the responsibility of the leadership team to establish and implement policies that impact on the way that the organisation carries out its business.

Some policies will apply to all NPOs whilst others will be dependent upon the nature of activities that an NPO undertakes. For example, policies on reserves and risk management might apply to all NPOs. Policies relating to maintenance of buildings or safeguarding vulnerable beneficiaries will be NPO specific.

Annex 2.1: A Flow Chart of Planning

Governing Document

- What is the NPO permitted to do?
- Who will lead the NPO?
- How will business be conducted?

PURPOSE

→ Legal
Relevant
Up to date

Mission Plan

- What is the Core purpose?
- Who are the Stakeholders?
- What will the NPO do for the stakeholders?

AIMS

→ Why do we exist?

Strategic Plan

- Where is your NPO now?
- Where do you want to take it?
- What do you need to do to get there?

GOALS/OBJECTIVES

→ What do we need to do?

Annual Plan

- What will we do this year?
- Who will do it?
- When?
- What standard?

ACTION & EVALUATION

→ What will we actually do?

Good Governance is about an NPO being clear about its purposes, mission and values and applying these to direct all aspects of its work.

The leadership team is responsible for setting the purposes, mission and values of the organisation. It should ensure that these remain relevant and valid by reviewing them from time to time and considering what changes ought to be made.

Assuming that the purpose of your organisation has been clearly expressed in the governing document it is the responsibility of the leadership team to create a Mission Statement.

This is a document that will answer the question, "why does your NPO exist".

A leadership team will need to collate information, develop ideas and make decisions in order to formulate their mission statement. How they do this will depend, amongst other things, on the size and type of their NPO.

There are a number of ways that the Leadership Team could develop their mission statement. It is recommended that the process should involve all of the team and should include relevant input from other stakeholders.

Below are some suggestions that your team may wish to consider when formulating your NPO's Mission Statement and some suggested techniques for formulating ideas and influences.

10 things about your mission statement

It should include

- The Aim(s) of the NPO.
- Who the organisation will benefit
- How the organization will add value
- What level of service will be provided

It should:

- Distinguish the NPO from all others
- Serve as framework to evaluate current activities
- Be stated clearly so that it is understood by all
- No more than a few sentences

It should be:

- A declaration of an organization's sole core purpose. A mission statement answers the question, "Why do we exist?"
- A reflection of the management team's ideas and desired results

Brain Storming

Brainstorming is a process that can be established quickly and easily and at relatively little expense. It is a group activity and can generate a large number of ideas with minimal effort. Each member of the leadership team would be asked, in turn, to put forward ideas concerning the direction that the NPO should take. Innovative and creative ideas are welcome and there should be no criticism of any idea. When no more ideas are being generated the group should discuss.

A PEST Analysis

A PEST analysis is an organisational measurement tool.

PEST is an acronym for Political, Economic, Social and Technological factors. The analysis assesses the extent to which these external factors impact on an organization.

Like brainstorming it is a relatively simple process. Best results will be achieved if all the leadership team is present and each of them contribute to the process.

Whilst a facilitator might be an advantage the leadership team could undertake a pest analysis on their own. The team should record any issues in the four categories that they think will have, or may have, impact on what the NPO does, how it will perform and what it may achieve. Once the team have identified all the possible issues, they should use this information to help formulate their future thinking.

See next page for examples of a PEST analysis.

PEST Analysis	
Political	Economic
Social	Technological

PEST Analysis	
Political (example criteria) • New laws are being introduced • There is a change in the political party • Government policies are changing • Donors are changing their priorities	Economic (example criteria) • International financial crisis • Main international funding declining • Local donors have greater funding available • Inflation • Exchange rates (positive or negative) • Series of natural disasters (other countries) have diverted funding for long term
Social (example criteria) • Beneficiary class is changing (increasing/decreasing) • Donors expectations are changing • Similar organisations have had bad publicity • Our NPO has exceptional reputation for quality service • Media is positive towards our NPO • We are well respected by donors and other sponsors	Technological (example criteria) • Our computer system not compatible with new technology • Our computer system not compatible with new major donor • Our system is still very reliable • Replacement system very expensive • Computer programmer recently recruited to project team • New programme due on line in 6 month's time will improve efficiency of service

A SWOT Analysis

A SWOT analysis is another organisational measurement tool.

SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats.

The analysis assesses the extent to which both internal and external factors impact on an organization. It can be done on its own but some organisations may choose to carry out a PEST analysis (exclusively external) first.

The process is the same as with a PEST analysis. Best results will be achieved if all the leadership team are present and each of them contribute to the process.

SWOT Analysis	
Strengths	Weaknesses
Opportunities	Threats

SWOT Analysis	
Strengths • Clearly defined purpose • Enthusiastic Leadership Team • Full funding available for three current projects • Good relationship with donors • Excellent reputation for providing high quality service • Good networking contacts • Access to high quality volunteers • Stable workforce	**Weaknesses** • Limited funding for overheads • Poor relationships with contacted Agency • Computer system outdated • Recent flood caused damage to part of property (insured but unlikely to be useable for 6 months)
Opportunities • Two new donors interested in working with our NPO • Similar NPOs interested in working in partnership • 500 new potential beneficiaries identified • New Agency interested in entering in contract with us	**Threats** • Anticipated changes to legislation • Lease on property has two years left • Changes to Government regulations to be introduced in 6 months • Expectations of new donors outside purpose of NPO • Chief Executive due to retire in 10 months • 500 potential beneficiaries identified

Annex 2.3:
10 things about your Strategic Plan

It should state:

- where your NPO is going (in the short, medium and long term)
- how it's going to get there
- how it will know if it got there or not

It is based on:

- Your NPO's purpose, mission and values

It should contain:

- Actions
- Specific goals
- Performance measures
- A process of evaluation

It should set:

- Direction
- Priorities

It should state:

- The objectives and desired outcomes of your NPO for the next year
- The actions/activities required (specific) to achieve the objectives
- Who will be responsible for actions/activities
- Performance measures (including levels/standards of performance)
- The dates for specific actions/activities to be completed (and/or stage points)
- How performance will be measured and who will measure it

It will include:

- All projects (there should also be separate project plans for each one)
- The resources required
- Identified risks (and how they will be eliminated, mitigated or transferred)
- Details of when the plan will be reviewed, updated or amended and by whom

Section 3: Financial Management

3. Financial Management

Guidance on Financial Management, including draft policies and template spreadsheets, can be found in the *Financial* Handbook which accompanies this *Guidance Manual.*

Please contact the General Registry for a copy.
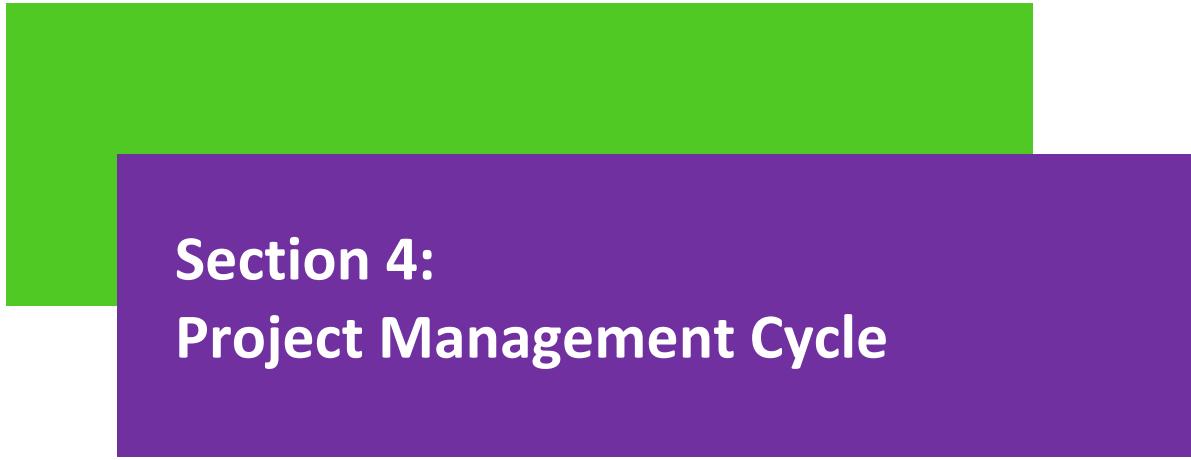
# Section 4:
Project Management Cycle

4. Project Management Cycle

Introduction

A project is a collaborative initiative that is carefully planned and executed to achieve particular objective(s). The way in which projects are planned and carried out follows a sequence of steps known as 'the project cycle'.

The project cycle consists of several phases: a) identification of a project idea, b) formulation of good project plan; c) financing and implementation of the project plan; d) monitoring achievements and evaluation of impact. This final stage often leads to the identification of new needs, which may be met by a new project. Hence, the process is a cycle.

Project Management is about the processes of planning and managing all of the above steps.
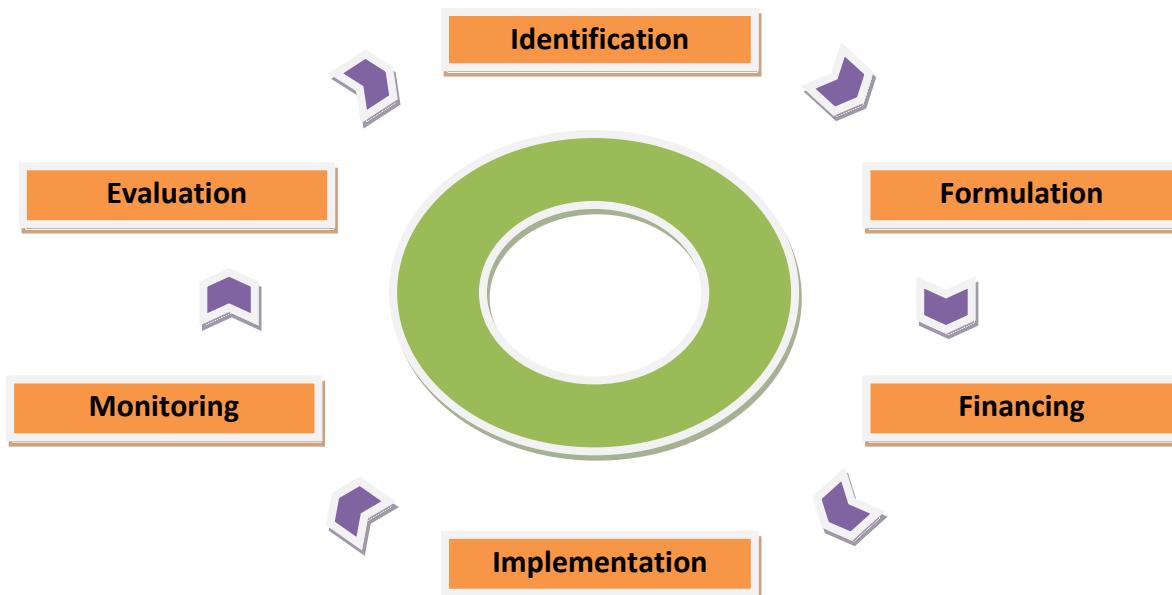
Annex 4.7: Project Management Policy (Template) includes a blank, template project management policy which you can adapt and use in your NPO.

Why is Project Management important?

There are several reasons why NPOs should have strong project management capabilities:

1. **It makes NPOs more responsive**: NPOs are established to serve and address the needs of specific groups of people or, in some cases, of the entire community. Project management helps better understand and assess needs, and provides tools to incorporate the views of beneficiaries. By doing this, the NPO will increase the impact and effectiveness of its actions and the level of support it garners from its beneficiaries. Project Management provides a structure for involving beneficiaries in planning and execution of actions, thus turning them into 'stakeholders' rather than mere aid recipients.

2. **It improves the NPO's impact:** NPOs which set clear, objective and measurable goals and objectives have more impact. Project Management enables the NPO to have evidence-based and measurable definition(s) of what constitutes a successful outcome from their actions. This enables

them both to identify underperforming projects early, and design more effective projects in the future.

3. **It attracts funding:** To achieve their mission, most NPOs use donor funding. This is normally a project-based agreement between the NPO and a donor. Having a strong Project Management approach will help increase NPO's ability to access these funds, as many donors deliver their funding in the form of project grants and want reassurance that the NPO is able to spend these funds well.

4. **It is the basis for a long-term legacy:** Most self-funded NPOs cease to exist without the active support and financing of the founder. Small organisations which master and embed project management skills are more likely to have the impact and drive to attract skilled, dedicated people and long-term financial support. This is necessary if the founder's vision for his community is to last, even once that founder is no longer able to oversee it himself.

Terminology

Scholars and aid agencies use differing project management terminology. Developing an internal language for each of the key elements of the project within the NPO, would be a good start in resolving the issue of proper navigation of project management terminology.

Programmes

Every NPO has a purpose to achieve (mission) and adopts an approach to reach that purpose (strategy). The NPO should have a good grasp of the situation at community and sectoral levels to identify problems, constraints and opportunities. Programme development involves a review of all the relevant contextual factors that that may affect a proposed project, with the purpose of identifying and agreeing the main objectives and sectoral priorities for action. These include political, social and economic factors, as well as governmental and donor priorities. However, by far the single most important contextual factor relates to beneficiaries: who they are, what needs they have, and how the project can meet those needs.

Successful NPOs adopt a mindset of constant programme development. New needs are constantly identified, and programmes developed to meet them. Existing programmes should provide a framework within which the NPO can identify and develop future projects. NPOs may have multiple programmes at the same time.

Below we set out a methodology for developing an effective project to meet an identified need.

Identification and Formulation of Projects

Define Beneficiaries

First, the NPO must define its *Beneficiaries.* Beneficiaries are a specifically defined group of people whom the project ultimately tries to help. For example:

- Children living in poverty (for a development NPO)

- Nurses in hospitals (for a nursing association)

- Mothers-to-be living in poverty (for a maternal health NPO)

- Law enforcement officials (for a police membership NPO)

Needs identification

The first concern of a good leadership team is to come to a good, evidence-based understanding of what is the core problem the project aims to solve.

To start with, your organisation may have a lot of knowledge and information[1] that give you a sense of direction.   However, this information might be less complete than you might realise, or may not be in line with what beneficiaries' perceptions about what their real needs are. To come to a common understanding on what the real needs and problems are, a key element of problem identification is **stakeholder consultation**. Proper Stakeholder Consultation is a vital component in the most successful projects.

Here, we will use the following list of questions to define stakeholder consultation topics:

- What are the needs in the community which are not met? Which one of them is the most important and/or urgent?

- Who is negatively affected? In what ways are these unmet human needs negatively affecting the lives of people?

- What are the key underlying reasons for these problems?

Below are a few methods commonly used to consult stakeholders:

- **Interview of past and prospective beneficiaries.** Speak to prospective beneficiaries to ensure that you have a common understanding of their problems, and/or what you are planning to offer is desired and needed.

- **Organise focus groups with stakeholders** to make sure that the people you need are willing and able to contribute to the understanding of problems.

- **Organize participatory workshops or forums.** Going beyond mere consultation, involving stakeholders at all stages of project development and implementation may ensure that the project is targeting the real problem and offering the optimal solution to the need of the beneficiaries.

The problem identification should produce a list of statements that describe specific problem(s) the project may try to solve, in order to 'make a case' for the project.

Annex 4.1: Stakeholder Questionnaire Template provides a basic list of questions for stakeholder consultation. It can be tailored and expanded based on context.

Problem Analysis

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[1] The information base that the NPOs use may include (but is not limited to): information from its own project database, survey statistics, quantitative and qualitative research documents, experts' opinions, policy papers, etc.

Once needs and problems are identified the next step is to analyse them. No problem exists by itself; they are always caused by others, and similarly influence other problems. Therefore, we must understand the cause-effect relationship of the problem(s) we want to solve.

A tool often used to analyse is the **problem tree**. It is a simple yet thorough study of one or more **core problems** identified during the assessment stage (e.g. 'Lack of sufficient water in community X'). The purpose of problem analysis is to structure and organize the initial findings of an assessment, in order to have a better understanding of the situation. The problem analysis should be coordinated by one person who leads the entire process (usually the Project Manager). An example of a completed problem tree analysis is provided in **Annex 4.2: Problem Tree (Example Completed)**. This template has been provided for you to use or adapt freely for the needs of your NPO.

Please refer to **Annex 4.2** as we explain how to use the Problem Tree**.**

1. Above we discussed beneficiary consultation and identification of needs. This process will have identified a number of issues. You should run a problem analysis on one, more or all of these until you are satisfied that you have identified the most appropriate project solution.

2. <u>What is the core problem we are analysing</u>? Start with one of the problems that you have identified during the beneficiary consultation and needs assessment, and enter it as the "**core problem"** in the second row of the document. In the example provided, this problem is stated as '*Lack of sufficient water in Community X*'.

3. <u>What causes the core problem</u>? Now consider what are the main factors that cause this problem. In this particular example, we ask 'What causes the lack of water?' Here, we could identify two distinct causes a) '*The existing water system is deteriorating*'; b) '*Too few water connections exist*'. These constitute the two **main causes** of the water supply problem of the community. Of course, there may be many more causes for your problem. You should use your judgement to decide which to include or leave out.

4. <u>What are the underlying causes</u>? Each 'Main Cause' is itself caused by a number of other, underlying causes. So, in this example we would ask the questions: a) '*What causes the deterioration of the existing water system?*' and b) '*What is the cause of there being so few water connections in the community?*' In our example, the answers for cause 1 are: a) '*lack of sufficient maintenance budget of the water company*' and b) '*lack of investment in improving water infrastructure*'. The answers to cause 2 are: '*The water company is too bureaucratic and slow to connect new households and businesses*'. In this example, these three statements form the **root causes** for the water supply problem.

    There are two important things to note about this process. First, you can if you wish repeat this process even further, finding the causes for your underlying causes, and finding the causes for *those* underlying causes and so on. Of course, the results of this analysis will eventually cease to be practically useful. As before, you should use your judgement about when to stop.

    Secondly, you will inevitably identify some causes which you are powerless to change. This need not prevent you from acting on those causes that you can change. Again, you should use your judgement to assess whether the change you feel you can make is worth the resources you would need to commit.

5. <u>In what way does the core problem negatively affect the community?</u> Finally, we complete the analysis with the question: '*What are negative effects of the water problem for the community?*' In this case, we identify three key negative effects. That the water shortage: a) '*causes bad health*' b) '*prevents business investment, which lowers resident's income*' and c) '*causes people to leave the community*'. These three are the **main effects** of poor water supply in the community.

The Example provided in **Annex 4.2: Problem Tree** is highly simplified. When you do a real problem analysis, you may identify dozens of causes and underlying causes, and many more than three 'effects'. One way of managing this surfeit of data is to write each problem, cause or effect on a piece of card. These can then be placed loosely placed in the problem tree format on a large, flat space. This can be a dynamic and creative process, allowing easy manipulation of the information and encouraging new ways of looking at the problem and the linkages between them. The result should be the sound analysis of one (or more) problem(s) which can be written up in preparation for the next stage of the process.

Possible objectives

While the problem analysis works with negative aspects of an existing situation, **analysis of objectives** should reveal the positive aspects of a desired future situation. Definition of objectives, involves the recasting of problems as objectives.
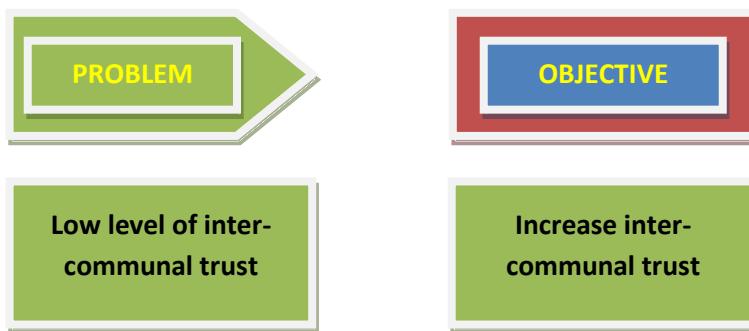
Problem statements can be easily converted into statements of objectives. Similarly, a Problem Tree can easily be converted into an '*Objective Tree*'. Each element of the Problem Tree is recast in terms of an improvement desired. Please now turn to **Annex 4.3: Objective Tree (Example Completed).** Here you can see how each element of the problem tree has been converted into a positive statement, as follows:

-   **The '*Problem Statement*' is now recast as a '*Goal Statement*'.** In our example, '*Poor water supply in Community "x"*' becomes '*Better water supply in Community "x"*'.

-   **The '*Main Causes*' and '*Root* Causes' are now recast as '*Main Outcomes*' and *'Outputs'*.** In the example, '*Poor quality of the existing water system*' becomes '*improve the existing water system*'.

-   **The '*Main Effects*' are recast as '*Main Impacts'.*** Hence, '*High rate of infectious diseases*' becomes '*lower rate of infectious diseases*'.

Objectives can be seen as the positive mirror image of problems. If you have used loose cards to undertake the Problem Analysis (above), you can write the positive mirror to these cards on the reverse sides. Turn all

the cards over, and you have an Objective Tree that you can use to design your project. The 'cause and effect' relationships of the Problem Tree become a 'means to end' relationship of the Objective Tree.

Of course, it may be found that there are gaps in the logic of the initial objective tree that were not apparent in the problem tree, therefore the 'means-ends' linkages between objectives should be reviewed and reorganised as necessary.

Implementation

Choose feasible objectives

The completed objective tree provides a picture of the **future desired situation** and a broad list of outputs which could help you achieve your goal. However, the objective tree is designed to be comprehensive and inclusive. Successful projects are necessarily limited and exclusive in their scope. You must turn this comprehensive list of possible outputs into a manageable and practical project.

First, you can easily discard outcomes for which there are few or no suggested outputs. This will help you focus on outcomes where you can have the biggest impact. Now, group similar outputs together in clusters. In our example (**Annex 4.3**), Outputs 1.a and 1.b both require more investment. This investment may come from the same source, so one activity may help achieve both outputs.

Now consider how, or if, the NPO can deliver the outputs. You may not be able to deliver on all of them because it may not be within the scope of its work, or within the reach of your capabilities, mission and/or mandate to accomplish certain objectives.

Finally, consider which of the objectives will lead to the biggest impact. The objective tree should help you identify that. Objectives which lead to low impacts on the objective tree should be discarded.

Once this is done, you should have a smaller list of practical, feasible, high impact outputs which your NPO can deliver. You now need to consider which of them you will focus your resources on. This final stage of the analysis phase is the **selection of strategies** (see **Annex 4.4: Strategic Choices (Example).**

In the example we use here, there are two apparent strategies to tackle water issues in the Village 'X': *Strategy 1*: '*To invest in maintenance and infrastructure*' and *Strategy 2*. '*To improve management systems of the Water Company'.* Based on the above discussed factors, the NPO may choose to pursue one or both of these strategies.

And that's it! If you have completed this process, you now have the outline of a project. Furthermore, your analysis will give you confidence and credibility when discussing your project proposals with stakeholders or potential funders. You will be able to clearly show how your proposed project outputs are the most effective way for achieving solving a clearly defined and genuine problem; and how that problem, if solved, will produce multiple beneficial impacts.

Action Planning

Having decided what objectives you wish to achieve, the next step is to turn the objectives into an *'Activity Plan'.* An activity plan consists of two main elements:

- *Activities:* Which activities need to be undertaken in order to reach the objectives? When, where, by whom?

- *Required input:* What do we need? Human resources? Financial, physical, material resources? Time?

The activity plan is a format frequently used to provide specific information and explanations of each of the planned project activities. The duration of the project should be clearly stated, with considerable detail on the beginning and the end of the project. **Annex 4.5: Activity Plan** presents a format for an activity plan, a simple table with columns, activities, sub-activities, tasks, timing and responsibility, in a clear, readily understandable format. The activity and resource plan will also form the basis for the project budget – see *Section 3: Financial Management* for more information.

Monitoring

Monitoring is the systematic and continuous measurement of a project. The aim is to make sure that the project is on track and will achieve its goals.

At its simplest, monitoring asks two questions of a project. 1) Where is it now? 2) Is this where it should be?

Analogies with journeys are often used for monitoring. The starting point of a journey is the Problem Statement; the destination is the Project Goal. The project implementation plan is the Route Map. The process of Monitoring plots where you are on the map compared with where your plan says you should be.

The analogy is a good one. However, planning your Route and measuring your progress against it is relatively easy when you are on a physical journey between two cities. Measuring your position and progress on projects is often much harder. It is therefore vitally important that even as you design your project goals and objectives, you consider *how* you are going to measure your progress on the project journey.

Input, output, outcome, impact and indicators

Before we start, we need to understand the terminology used in monitoring.

1. Impact (changes of behaviour or improvement of quality of life)

Impacts are the change that you want to achieve. In NPO projects it is related to longer-term changes in the quality of life in the community or society, for example, *'Improved economic opportunities for minorities.'* These changes may be set out in the NPO's mission statement. Impacts are measured through capturing a change from the original problem situation.

2. Outcomes (target group benefits)

Outcomes are the specific difference that your project has made. For example, '*more minority students complete primary school in Eastern Province'.*

3. Outputs (products or services delivered by the project)

Outputs are the products or parts of a service which the NPO provides. So, continuing the above example, it might include '*educating parents of minority children of their rights to a free education'*.

4. Inputs (resources)

Inputs are the **resources** which go into implementing activities. They can be:

- **Materials and equipment** (the project's hardware: e.g. use of a car for a month; brochures, three flipcharts, pen and paper for each participant).

- **Financial** (4 plane tickets from city A to city B; 15 nights in a hotel for the NPO staff; cost of a project audit; cost of external evaluator).

- **Human** (e.g. 3 days a week for 2 months of a project assistant; 3% of the Executive Director's time for one year; consultancy costs for developing a training package; 5 volunteers to work 16 evenings each).

Impact, Outcomes, Outputs and Inputs are the things that are measured in the Monitoring Process. However, we also need to know exactly what about them we are measuring, and what we are comparing those measurements against. The answers to those questions lie in *Indicators*.

Indicators

It is often not possible to directly measure Impact, Outcomes, Outputs and Inputs. Instead, we use Indicators. These are specific, measurable things about the Impact, Outcomes, Outputs and Inputs that can be measured. Indicators should be defined to provide details of quantity, quality, time and place.

In project management, indicators serve two main purposes:

- During project design they act as a check on the viability of the objectives. They tell you whether the proposed objective is really a practical way of achieving your Project Goal.

- During project implementation they form the basis for project monitoring.

Below is a presentation of a four- step process of to construct indicators:

Building an Indicator for Objective: '*Reduce Number of Election Irregularities'*

Step 1: Understand the Nature of the Indicator:

> '….**reduced number of election irregularities** …'

Step 2: Define Target Population:

> '…reduced number of election irregularities **caused by party officials** ….'

Step 3: Define Target Location:

> '… reduced number of election irregularities caused by party officials **in Eastern Province**….'

Step 4: Define Quantity and Time:

> 'Reduced number of election irregularities caused by party officials in Eastern Province **by 25% during 2021 elections**'

The NPO needs to set up realistic projected values for the indicators, that are neither too easy to achieve, nor are impossible to attain. Donor agencies pay attention to the right balance between feasibility and effectiveness of project's indicators. An example of a form to assess/monitor the change of the indicator set on a baseline value is given in **Annex 4.6: Monitoring and Assessing an Indicator**.

When gathering data for indicators, NPOs should always consider four important factors regarding the ability to collect and compare data:

> **Validity**: The extent to which a measurement or test accurately measures what is intended to be measured.

> **Reliability**: The consistency of the data when collected repeatedly using the same procedures and under the same conditions.

> **Bias**: Any effect during the collection or interpretation of information that leads to a systematic error in one direction.

> **Baseline**: The initial information against which your measurements are compared. You will need accurate and reliable baseline data in place before project activities start, so that the change that the project activities make can be clearly measured. You may need to start the project with a data collection exercise to ensure that you have reliable baseline data available.

Monitoring matrix

The monitoring plan can be presented in the form of a matrix. To develop a monitoring matrix, have a look at your activity plan, decide what you have to monitor, how and by whom. Use the indicators from your action plan to see if you're on the right road. Depending on the findings, you may have to re-visit your objectives and strategies and adapt your action plan. An example completed Monitoring Matrix is included in **Annex 4.7: Monitoring Matrix (Completed).**

Evaluation and Impact Assessment

Evaluation and Impact Assessment can be viewed both as the beginning of a new project cycle, and as the last part of an old project in a continuous project management cycle. Evaluation lends feedback to the new project from an old project.

Three evaluation moments can be distinguished:

- Mid-term: Evaluations undertaken whilst the project is still being implemented. It is often mixed with monitoring and sometimes called an assessment;

- End: Completed at the end of the project;

- Ex-post: An evaluation taken some time after the completion of the project to capture long term impacts and the sustainability of the project.

Staff of the organisation can do an **internal evaluation**. An independent outside agency can perform an **external evaluation**, often at the request of the donor. An evaluation can also be a joint one with staff from the organisation and personnel from the outside agency.

Evaluation will consider the following issues:

- Relevance: How much are the project outcomes in line with beneficiaries' needs? Did the project effectively address the 'core problem'?

- Effectiveness: To what extent have the objectives been achieved? And at what costs? If objectives were not met, then why?

- Strategies and action used: What were the strengths in the strategies/ actions? What were the weak points? Are objectives still valid, or do they need to be adapted? What changes need to be made in order to reach the objectives?

- Efficiency: Are the costs in proportion to the benefits?

Integration of Project Management into Management Practice

Project Management is NOT merely about mastering the skill of writing fancy-looking proposals. It should be integrated into the way the NPO is run by its leadership. Project planning and management tools and processes should be viewed as ways by which the NPO can achieve relevance, feasibility and sustainability.

By implementing a Project Management system, the NPO is developing an organizational culture where impact and managing change come to the forefront of NPO's priorities.

Planning, Monitoring and Evaluation (PME) procedures should be the three key parts of the project management system. The NPO should set standard practice and protocols to ensure that basic project management processes are run in a systematic way. Here's a basic list of processes necessary to run PME within the organization:

a) Project Management Policy

b) Stakeholder consultation process and template;

c) Project Planning process and templates (including problem analysis, setting objectives and indicators);

d) Monitoring and Evaluation plan process and templates (see sample in Annex 5);

e) Project and Organizational Reporting process and template.

f) Internal template for project reporting

In addition to PME systems, the NPO should determine a list of standard indicators by which the organisation's success can be measured.

Please see the below examples of related documents for consideration, which can be incorporated in respective NPO project plans. These are examples of options available. Where the project in question is more sophisticated, complex and involve higher risk there is an expectation that these best practices will be utilised.

Below we have provided examples of Stakeholder Questionnaire, Problem Tree, Objectives Tree, Strategic Choices, Activity Plan and Policy Document.

Annex 4.1: Stakeholder Questionnaire Template

No	Question	Answer
1	What issues does (*community or sector of group of people*) face today and in the future? If you could identify your five main issues what would they be?	
2	If money were no object, what recommendations would you have to plan for the future?	
3	What is currently going well with the work of (*insert NPO name*) and that you would want to see continued in the future?	
4	What would you like to change?	
5	What would you like to add?	
6	What do you suggest (*insert NPO name*) focuses on during the next five years?	

Annex 4.2: Problem Tree (Example Completed)

PROBLEM TREE

Main Effects

| Effect 1:
High rate of infective diseases | Effect 2:
Low level of business investment (lower incomes) | Effect 3:
High emigration |

Core Problem

Problem statement: POOR WATER SUPPLY IN COMMUNITY "X"

Main Causes

Cause 1:
Poor quality of the existing Water System

Cause 2:
Low number of new Water connections

Root Causes

Cause 1.a:
Insufficient funding of Maintenance Services

Cause 1.b:
Low investment in water infrastructure

Cause 2.a:
Slow bureaucracy in Water Administration

OBJECTIVE TREE (Example)

Main Impacts

Impact 1:	Impact 2:	Impact 3:
Lower rate of infective diseases	Improved level of business investment (higher incomes)	Decreased emigration

Main Goals

Goal statement: BETTER WATER SUPPLY IN COMMUNITY "X"

Main Outcome

Outcome 1:
Improve the existing Water System

Outcome 2:
Increase the number of new Water connections

Outputs

Output 1.a:
Increase Maintenance Funds

Output 1.b:
Increase investment in water infrastructure

Output 2.a:
Decrease bureaucracy in Water Administration

Annex 4.4: Strategic Choices (Example)

Annex 4.5: Activity Plan (Completed)

Objective	Action/Activity	Target dates	Lead	Status
1. Obtain accurate data on primary school enrolment in 12 sample districts of Eastern Province.	Action on objective approved by Leadership Team at meeting of May 10 2012.	01/10/12 – 30/02/14	J. Jones	Ongoing
1.1 Survey current research data on 12 priority districts	1.1.(i) Concept Note approved and survey started 1.1(iii) Survey results completed and signed off	1.1.(i) Approved 5/12/12 1.1.(ii) Signed off	I. Evans	1.1 Complete
1.2 Agree research plan.	1.2 (i) Concept note reviewed and approved	13/3/13	I. Evans	1.2 Complete
1.3 Phase 1 research	1.3. (i) Recruit research team 1.3.(ii) Identify and gather necessary resources 1.3.(iii) Start initial research and analysis 1.3.(iv) Interim results 1.3 (v) Approval for phase 2 plan.	1.2. (i) Approved 5/12/12 1.3. (i) 5/1/13 (ii) 31/1/13 (iii) 20/1/13	I. Evans	1.3. Complete
1.4 Phase 2 research	1.4.(i) Amend research priorities in light of Phase 2 plan. 1.4.(ii) Research 1.4.(iii) Final results and analysis 1.4. (iv) Final Report and sign off	(iv) 17/6/13 (v) 17/6/13 1.4.(i) 30/6/13 (ii) 31/12/13 (iii) 15/1/14 (iv) 25/2/14.	I. Evans	1.4.(i) Complete (ii) On target (iii) n/a (iv) n/a
2. 1450 parents of disadvantaged children aged 3-5 attend awareness raising events by March 2020	Action on objective approved by Leadership Team at meeting of May 10 2012.	01/01/13 – 31/12/15	J. Jones	Ongoing
2.1 Develop agenda and materials	2.1.(i) Identify topics to be covered 2.1.(ii) Commission materials from internal and external experts 2.1.(iii) Final edit and approval. 2.1.(iv) Publish	2.1.(i) 31/12/12 (ii) 31/1/13 (iii) 30/03/13 (iv) 28/04/13.	W. Allan	1.4.(i) Complete (ii) On target (iii) n/a (iv) n/a
2.2 Identify target group	2.2. (i) Obtain details from District offices on addresses of children 2.2 (ii) Initial contact and sift. 2.2. (iiI) Mop-up by local partners	2.2.(i) 15/01/13 (ii) 30/04/13 (iii) 15/05/13	W. Amis	1.4.(i) Complete (ii) Complete
2.3 Arrange schedule (continued....)	2.3.(i) Agree outline schedule 2.3.(ii)Identify and book venues 2.3.(iii) Issue invites 2.3.(iv) Arrange travel	2.3.(i) 15/3/13 (ii) 30/7/13 (iii) 15/8/14 (iv) 31/8/14.	I. Arthur	(iii) Overdue 1.4.(i) Complete (ii) On target

				(iii) On target
				(iv) On target

Project: Improving Minority Education in a school

Objective 1: 1450 parents of Disadvantaged children aged 3-5 attend awareness raising events by March 2020			
Baseline value	Current value	Progress	Status
0 [1]	786 [2]	52.4% of target [3] achieved by half way point [4]	On target

Mid-term evaluation: 750 attended awareness raising event by 31.12.2020			
Target	Current value	Progress	Status
750 [3]	786 [2]	Exceeded	Achieved

Goal 1: Enrolment of 6-year-old Disadvantaged children in primary school in reaches 85% by March 2020			
Baseline value	Current value	Progress	Status
63% [5]	69% [6]	71% of target achieved by half way point [7]	On target

Mid-term evaluation: 72% enrolment rate by 31.12.2020			
Target	Current value	Progress	Status
72% [3]	69% [6]	Performance was 3% below target	Missed

Explanatory notes and Sources:

(1) No awareness raising events had been held at project outset.

(2) Figures from *Project Quarterly Report*

(3) Target from *Project Agreement.*

(4) At halfway point, project had trained 52.4% of the total agreed for the objective.

(5) Goal requires a 35% increase on 2010/11 enrolment levels. At halfway point, project had achieved a 9% increase in enrolment levels, 25% of the target.

Annex 4.7: Monitoring Matrix (Template)

Objective	1. Awareness-raising for parents disadvantaged children aged 3-5.				
Indicators	1. 10 training events held 2. Parents of 1450 minority children attend training events 3. 90% of parents attending awareness-raising events understand their legal right to free primary education				
Method of data collection	**Lead**	**Frequency of data collection**	**Reporting system**		**Analysis by whom**
1. Internal NPO reporting	S. Ian	1. Monthly	1. Reports on completed events written by field officers and sent to central office weekly.		J Jones
2. Internal NPO reporting		2. Monthly	2. All attendees sign 'Attendance Log' with ID card number; all logs sent to central office by field officers weekly		
3. (i) Evaluation forms completed at event'; (ii) Independent interview of sample of attendees (at least 15%) 2-4 weeks after attending event.	S. Paul	3. (i) Evaluations forms completed at every event; (ii) Sample interviews ongoing. Reports sent weekly to Monitoring Officer.	3. (i) Evaluation forms aggregated onto 'Event Feedback Form' and forwarded to Monitoring Officer. (iii) Weekly reports aggregated onto 'Event Feedback Form'.		M Amos

Repeat for each objective.

PROJECT MANAGEMENT POLICY

[*Insert Name of NPO*]

Version:

Date Adopted:

Review Date:

Annex 4.8: Template Project Management Policy

1. General Principles

1.1 The stated objectives of *[Name of NPO]* are *[insert objectives here]*. *[Name of NPO]* is an Impact-Focussed organisation and all activities, resources and finances are dedicated to maximising its impact in meeting these objectives.

1.2 [*Name of NPO*] expects the highest standards of integrity and professionalism from all those associated with it.

1.3 The Leadership of [*Name of NPO*] recognises that adopting best practice standards in project management is vital to maximising its Impact. This Policy exists to help management, staff and volunteers of *[Name of NPO]* in that mission.

2. Stakeholder Consultation

2.1.1   *[Name of NPO]* exists to meet the needs of its beneficiaries.

2.1.2   All those associated with the NPO are expected to listen to beneficiary concerns and comments with sensitivity and attention. Action should be taken to report or remedy concerns or issues raised wherever possible.

2.1.3   The leadership of [*Name of NPO*] commit to consulting with beneficiaries prior to the development of any major project or as part of any strategic review.

2.1.4   Project-based consultations will use the template for a Stakeholder Questionnaire in Annex 1.

3. Identification and Formulation of Projects

3.1 Needs Identification and Problem Analysis

3.1.1   New projects will be based on an evidence-based understanding of what is the core problem the project aims to solve.

3.1.2   Project Managers will be expected to undertake a 'Problem Analysis' which clearly demonstrates that the proposed 'project goal' is an effective way of meeting the needs of the beneficiaries.

3.1.3   Suggested methodologies and templates for undertaking 'Needs Identifications' and 'Problem Analysis' can be found in Annex 2.

3.1.4   The Leadership will examine the 'Problem Analysis' before approving any project proposal.

3.2 Choosing Objectives

3.2.1   New projects will be based on an evidence-based understanding of how the proposed objectives address the core problem.

3.2.2   Project Managers will be expected to undertake an 'Objectives Analysis' which clearly demonstrates that the proposed 'objectives' are an effective way of achieving the project goal.

3.2.3   A suggested methodology and template for choosing objectives can be found in Annex 3.

3.2.4   The Leadership will examine the 'Objectives Analysis' before approving any project proposal.

4. Planning and Implementing Projects

4.1 Action Planning

4.1.1   Project Managers should develop an 'Action Plan' which clearly sets out how an approved project will be implemented.

4.1.2   A suggested methodology and template for an 'Action Plan' can be found in Annex 4.

4.1.3   The Leadership will approve the 'Action Plan' prior to implementation.

5. Monitoring, Evaluation and Impact Assessment

5.1 Monitoring

5.1.1 Every project shall be monitored. A named person will be designated as the Monitoring Officer for each project.

5.1.2 A monitoring plan will be adopted for each project which sets targets for each Impact, Outcome, Output and Input. The plan will specify what indicators will be used to measure progress against these targets; and who is responsible for collecting and reporting data on the indicators to the Monitoring Officer.

5.1.3 Projects of more than one year shall include interim targets for Outcomes, Outputs and Inputs which will not normally be longer than 6 months.

5.1.4 The Monitoring Officer will be responsible for ensuring that data is collected on all indicators.

5.1.5 The Monitoring Officer will be responsible for reporting to donors on progress against targets.

5.1.6 The Monitoring Officer will submit a report on progress against target for all indicators to the Leadership at least once a month.

5.1.7 The Monitoring Officer will immediately highlight any targets which have been, or are likely to be, missed.

5.1.8 A suggested methodology and templates for 'Monitoring' can be found in Annex 5.

5.2 Evaluation and Impact Assessment

5.2.1 A formal Internal Evaluation and Impact Assessment will be completed at the end of every project implemented by *[Name of NPO]*.

5.2.2 Mid-term, ex-post and external evaluations may also be commission at the Leadership's discretion.

5.2.3 For each project, a member of the Leadership Team will have overall responsibility for evaluation and impact assessment.

5.2.4 Evaluations will consider the following issues:

- **Impact:** What changes have there been in the community since the beginning of the project? Which of the changes are attributable to the project? What difference have these change made in people's lives?

- **Relevance**: Were the project outcomes in line with beneficiaries' needs? Did the project effectively address the 'core problem'?

- **Effectiveness**: To what extent have the objectives been achieved? And at what costs? If objectives were not met, then why?

- **Strategies and action used**: What were the strengths in the strategies/ actions? What were the weak points? How effective was the project management? Should any changes be made in the project management practices of *[Name of NPO]*.

- **Efficiency**: Were the costs in proportion to the benefits?

5.2.5   A suggested methodology for 'Evaluation and Impact Assessments' can be found in Annex 6.

Section 5: Risk Management

5. Risk Management

Introduction

The public and those donating to NPOs should have confidence that money donated is used for legitimate purposes and is reaching its intended beneficiaries. The NPOs controllers are legally responsible for ensuring that the NPO's funds are properly used, adequately protected, and not misused for financial crime, including terrorist financing, proliferation financing or other criminal purposes. The best way that controllers can ensure a NPO's funds are not abused is by putting in place good governance and ensuring there is strong financial management, including robust internal and financial controls and risk management procedures. They should also promote the transparency and accountability of NPOs and ensure that the public can have trust and confidence in NPOs and their work

What types of risk do NPOs face?

Risk is any factor which may impede or prevent an NPO from achieving its purpose or purposes and, as a result, from benefiting those at whom its activities are aimed.

Identifying and managing the possible and probable risks that an NPO may face over its working life is a key part of effective governance for NPOs of all sizes and complexity.

By managing risk effectively, you can help ensure that:

- significant risks are known and monitored, enabling you to make informed decisions and take timely action;

- the NPO makes the most of opportunities and develops them with the confidence that any risks will be managed;

- forward and strategic planning are improved; and

- the NPO's aims are achieved more successfully.

Risk Management also means being able to identify what level of risk is acceptable. It is not about avoiding all risk. Instead, it should help you make informed and deliberate decisions about when to pursue the benefits and thereby accept the possible consequences of risky activities.

NPOs will face some level of risk in most of the things they do. The diverse nature, activities and countries in which they operate, means that they face different types of risk, and various levels of exposure to those types of risks.

An essential question for NPOs, when considering risk, is whether or not they can continue to meet the needs of those whom they wish to help, now and in the future.

Generally, risk will need to be considered in terms of the wider environment in which the NPO operates. The financial climate, society and its attitudes, the natural environment and changes in the law, technology and knowledge will all affect the types and impact of the risks an NPO is exposed to.

A system of classification is helpful for ensuring key areas of risk arising from both internal and external factors are considered and identified. The following table divides the risks into various

5. Risk Management

categories, with each category containing examples of specific risks which can arise. The actual risks that affect your NPO may, of course, be quite different.

Risk category	Examples
Governance risks	• inappropriate organisational structure • the management structure lacks relevant skills or commitment • conflicts of interest
Operational risks	• lack of beneficiary welfare or safety • poor contract pricing • poor staff recruitment and training • doubt about security of assets
Financial risks	• inaccurate and/or insufficient financial information • inadequate reserves and cash flow • dependency on limited income sources • inadequate investment management policies • insufficient insurance cover
External risks	• poor public perception and reputation • demographic changes such as an increase in the size of beneficiary group • turbulent economic or political environment • changing government policy • Natural disasters such as hurricanes
Compliance with law and regulation	• acting in breach of the terms of the NPO's own governance document. • poor knowledge of the legal responsibilities of an employer

	• poor knowledge of regulatory requirements of particular activities

How can risk be managed?

Following identification of the risks that an NPO might face, a decision will need to be made about how they can be most effectively managed. There are four basic strategies that can be applied to manage an identified risk:

- Transferring the financial consequences to third parties or sharing it, usually through insurance or outsourcing;

- Avoiding the activity which gives rise to the risk completely, for example by not taking up a contract, or stopping a particular activity or service;

- Management or mitigation of the risk;

- Accepting or assessing it as a risk that cannot be avoided.

Who is responsible for risk management in your NPO?

Ultimately, risk management is a matter for those who are responsible for the overall management and administration of the NPO.

How do we create an appropriate Risk Management Framework?

You will need to decide how they are going to identify the risks which affect their NPO and what action they propose to take as a result. This process is known as creating a risk management framework.

It is, of course, for each individual NPO to establish a Risk Framework which is appropriate for itself. However, this next section sets out a model for risk management covering the typical stages in the process and will be of use to those actually carrying out, or involved in, the identification and management of the risks an NPO faces. A draft template to assist in this process is included in **Annex 5.4: Template Risk Management Log.** The Annexes also include other information which will help with the development of the Risk Management Framework.

There are five basic stages in the development of a Risk Management Framework. They are: –

- Stage 1: Establishing a risk policy.

- Stage 2: Identifying and categorising the risks.

- Stage 3: Assessing the risks.

- Stage 4: Evaluating what action needs to be taken.

- Stage 5: Logging actions and monitoring.

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Stage 1: Establishing a risk policy

An effective NPO regularly reviews and assesses the risks it faces in all areas of its work and plans for the management of those risks. The implementation of an effective risk management policy is a key part of ensuring that an NPO is fit for purpose.

There are risks associated with all activities - they can arise through things that are not done, as well as through ongoing and new initiatives. NPOs will have differing exposures to risk, arising from their activities and will have different capacities to tolerate or absorb risk. For example, an NPO with plenty of financial reserves could embark on a new project with a higher risk profile than, say, one which is facing financial difficulties. Risk tolerance may also be a factor in what activities are undertaken to achieve objectives. For example, a relief NPO operating in a war zone may need to tolerate a higher level of risk to its staff than one in a stable political environment.

You should consider what risks are likely to impact on the performance of your NPO and the extent to which they will affect the NPO's performance. These considerations will help you decide the levels of risk you are willing to accept, and may provide a benchmark against which the initial risk assessment is undertaken. The risk assessment and evaluation in turn will inform you of the NPO's overall risk profile and the steps taken to manage the major risks identified. This will help you to define policies on risk. The results of these considerations are best recorded on a Risk Management Log.

See **Annex 5.4**: **Template Risk Management Log** which will help set out your policy.

Stage 2: Identifying and categorising the risks

Although there are various tools and checklists generally available, the identification of risks is best done by involving all those with a detailed knowledge of the way your NPO operates.

Examples of what an NPO will need to consider as part of this process include:

- the NPO's objectives, mission and strategy;

- the nature and scale of the NPO's activities;

- the outcomes that need to be achieved;

- external factors that might affect the NPO such as legislation and regulation;

- the NPO's reputation with its major funders and supporters;

- past mistakes and problems that the NPO has faced;

- the operating structure - for example collaborating with another NPO or other organisations in a joint venture;

- comparison with other NPOs working in the same area or of similar size; and

- examples of risk management prepared by other NPOs or other organisations.

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For this process to work, all management, staff and volunteers need to understand the part they should play in risk management. Ideas are likely to come from all levels of the organisation, and solutions should be agreed by all.

Stage 3: Assessing risk

Risks which you have identified need to be put into perspective in terms of the potential severity of their impact and likelihood of their occurrence. Assessing risks helps you to prioritise and filter them, and establish whether any further action is required.

The simplest method is to score the Impact and Likelihood of any particular risk, and then multiply the two scores to produce an overall risk score (see **Annex 5.2: Scoring** and **Annex 5.3: Risk Map**). This approach will enable you to quickly identify those risks that fall into the major risk category.

Stage 4: Evaluating what action needs to be taken.

Where major risks are identified, you will need to make sure that appropriate action is being taken to manage them. Actions should reduce the likelihood of the event occurring, reduce the impact if it does, or both. The following are examples of possible actions:

- the risk is avoided by ending that activity (e.g. stopping work in a particular region or a particular project);

- the risk is transferred to a third party (e.g. outsourcing or other contractual arrangements with third parties);

- the risk is shared with others (e.g. a joint venture project);

- exposure to the risk is limited (e.g. establishment of reserves against loss of income, or a phased commitment to specific projects);

- the risk is reduced or eliminated by establishing or improving control procedures (e.g. internal financial controls, controls on recruitment, personnel policies);

- the risk is insured against (this often happens for residual risk, e.g. third-party liability, theft, fire).

In assessing action to be taken, you should balance the cost of the proposed action against the level and impact of the potential risk. Not all actions to reduce or mitigate risk will be worth the time of effort. You will need to assess this on a case-by-case basis.

Indeed, on some occasions, there may be a risky activity for which little can be done to reduce the impact or likelihood, but which you feel must be undertaken because the benefit of that activity is so

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significant. This is fine. Risk Management is **not** risk avoidance. Sometimes you will need to *accept* the risk.

Finally, good risk management is also about enabling organisations to take opportunities and to meet urgent need. In other words, it is about enabling organisations to take calculated risks. A project may be risky, but if the need or potential rewards are great, it may be a risk worth taking.

All of these issues need to be considered when evaluating risk. Once each risk has been evaluated, you can draw up a plan for any steps that need to be taken to address or mitigate significant or major risks. These should be recorded on the risk management log (see **Annex 5.4).**

Stage 5: Logging actions and monitoring

Risk management is a dynamic process. It has to be actively implemented and monitored.

Successful implementation requires you to decide who takes responsibility for implementation of a particular task, and ensure that everybody who has a role understands what they are supposed to do. Secondly, it requires periodic monitoring to ensure that the interventions are being applied, are working, and remain relevant.

The **Risk Management Log (Annex 5.4)** provides a system for doing this. It requires you to nominate a named individual to take responsibility for each risk, and sets dates for review. Depending on the nature of the risk and the type of activity, for some NPOs this may be an annual review for others it may be much shorter timescales.

Annex 5.1: Scoring

Impact

Descriptor	Score	Impact on service and reputation
Insignificant	1	• no impact on service • no impact on reputation • complaint unlikely • litigation risk remote
Minor	2	• slight impact on service • slight impact on reputation • complaint possible • litigation possible
Moderate	3	• some service disruption • potential for adverse publicity - avoidable with careful handling • complaint probable • litigation probable
Major	4	• service disrupted • adverse publicity not avoidable (national media) • complaint probable • litigation probable
Extreme/Catastrophic	5	• service interrupted for significant time • major adverse publicity not avoidable (international media) • major litigation expected • resignation of senior management and board • loss of beneficiary confidence

Likelihood

Descriptor	Score	Impact on service and reputation
Remote	1	may only occur in exceptional circumstances
Unlikely	2	expected to occur in a few circumstances
Possible	3	expected to occur in some circumstances
Probable	4	expected to occur in many circumstances
Highly probable	5	expected to occur frequently and in most circumstances

Annex 5.2: Example Risk Map

The 'heat map' below shows a simple way to assess risk using a scoring system of 'Impact x Likelihood'. In interpreting the risk heat map below, likelihood is x and impact is y. The colour codes are:

Red - major or extreme/catastrophic risks that score 16 or more
Orange - moderate or major risks that score between 10 and 15
Yellow or peach - minor or insignificant risks scoring 10 or less

Risk Map

IMPACT						
Extreme / Catastrophic	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5
		1	2	3	4	5
		Remote	Unlikely	Possible	Probable	Highly Probable

LIKELIHOOD

Annex 5.3: Example Risk Register

Example 1

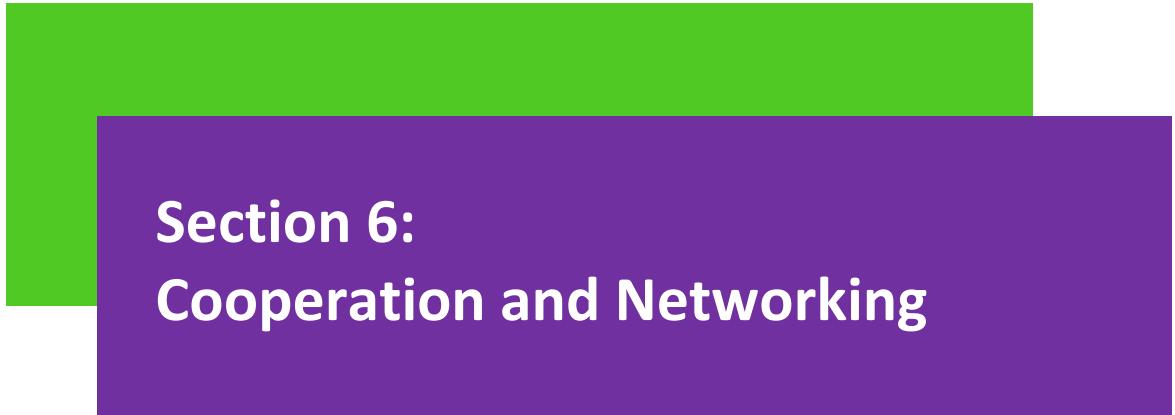| Risk area/risk identified	Unauthorized use of NPO resources
Likelihood of occurrence (score)	Probable (4)
Severity of impact (score)	Major (4)
Overall or 'gross' risk	High (20)
Control procedure	• accessing material policy set by management • written instructions on how authorisation is to acquired • dual signatures when above a particular threshold • quarterly reviews of resources or fund reserve by Senior Managers
Retained or 'net' risk	Medium
Monitoring process	Performance reports reviewed quarterly by Senior Managers
Responsibility	Senior Managers and treasurer (or equivalent)
Further action required	Agenda item for regular Senior Management meetings
Date of review	Quarterly

Example 2

Risk area/risk identified	Unsatisfactory fundraising
Likelihood of occurrence (score)	Probable (4)
Severity of impact (score)	Major (4)
Overall or 'gross' risk	High (20)
Control procedure	• financial appraisal of new projects • benchmarking of returns achieved • budget reporting by fundraising activity
Retained or 'net' risk	Medium
Monitoring process	• financial reporting by fundraising activity • quarterly reporting by fundraising manager to Senior Managers/CEO
Responsibility	Fundraising manager/CEO
Further action required	• new initiatives to be approved by senior managers unless included in current business plan • review of regulatory compliance of current methods
Date of review	• next Senior Managers' meeting

Annex 5.4: Template Risk Management Log

RISK MANAGEMENT LOG						
Name of Organisation						
Date				**Review**		

Potential risk	Likelihood	Impact	Score	Prevention	Mitigation	Lead

Potential risk	Likelihood	Impact	Score	Prevention	Mitigation	Lead

Section 6:
Cooperation and Networking

6. Co-operation and Networking

Introduction

Co-operation - is the action or process of working together for the same end.

Networking - is a process resulting from conscious efforts to build relationships.

There are many ways of co-operating. More specifically, co-operation:
- can be in many different shapes and forms - associations, umbrellas, platforms, partnerships, coalitions, alliances, and forums, as well as 'networks';
- may be more or less formal or informal;
- ranges from quite temporary to long term;
- can be organisational, local, district/provincial, national, regional, international, or multi-layered integrating various levels;
- can be sectoral / thematic, for social change or advocacy, service and/or project delivery.

One way of co-operating is through a network. Networks introduce a degree of structure to relationships and co-operation. A broad definition of a network is:
- groups of individuals and/or organizations;
- with a shared concern or interest;
- who voluntarily contribute knowledge, experience and/or resources for shared learning, joint action and/or to achieve a shared purpose or goal;
- who rely on the network to support their own objectives.

Why co-operate / collaborate?

Why is co-operation and networking important? What can it offer you? Why should you get involved?

There are a number of reasons why organisations may want to work together to address a specific issue or issues. Organisations working in partnership - sometimes referred to as 'co-operative' or 'collaborative' working - might want to achieve one or more of the following benefits for their own organisation and the partnership as a whole:
- Increased benefit for end users and beneficiaries;
- Solidarity and support;
- Increased access to information, expertise and financial resources;
- Increased reach, impact and credibility for their organizations;
- Increased visibility of issues, best practices, and under-represented groups;
- Strengthened influencing and negotiating power;
- Better ways of doing things and increased capacity to deliver;
- Shared costs of common functions;
- Reduced risks.

What networks can do:

6. Co-operation and Networking

The capacity of partnerships and networks is greater than the sum of their parts. There is considerable evidence to suggest that partnerships and networks can mobilize or generate capacity, and have an impact on change processes, which is greater than that which could be achieved by individuals or organizations acting alone. Specifically, networks can:

• promote dialogue;
• provide a route to share results and lessons, and identify trends and issues;
• facilitate collaboration and coordinate among members;
• build capacity of members;
• advocate and manage partnerships with government and donors;
• broker funding (and/or manage grants) for members;
• develop strong leadership within the network and its member organizations.

Although there are many ways NPOs can co-operate, geographically-focused networks are popular options as they can:

• facilitate collective buy-in for those in, and with a commitment to, the area;
• bring people together who have familiarity with issues and challenges of their area, and possibly with each other;
• bring people together who may not know each other already;
• allow relatively easy face-to-face interaction and physically accessible resources in a centralised but local way;
• overlap their remits with local government and other stakeholder structures and activities.

Alternatively, thematic / sector-focused networks, coalitions and alliances can:

• facilitate collective buy-in for those in, and with a commitment to, the subject;
• bring people together who have familiarity with the issues and challenges of the theme / subject;
• bring in people who are not very familiar with the theme / subject, but still care about it and/or can support relevant positive change;
• bring together people who may have different but complimentary experiences and approaches;
• link globally to share best practice and learning, and explore priorities as they arise within their particular area of interest (i.e. they are not bound by focus on location).

How to Achieve Successful Co-operation

Successful cooperation is achieved through careful planning. This section will take you through some of the issues you need to consider. Some tools to help with planning are included in **Annex 6.1: Action Planning**, and more detail on the issues to consider in **Annex 6.2: Collaborative Working - Options, Pros and Cons.**

(i) How can individual NPOs make a success of it?

What you need to think about first
You need to be clear about:
• what you're trying to achieve

6. Co-operation and Networking

- identifying who you can co-operate successfully with;
- what they've got to offer, and what they're seeking from others;
- who needs to be involved, and when (e.g. board / management committee, beneficiaries, etc).

<u>Key principles</u> of successful co-operation and networking are:
- a need to be clear from the outset how it will make things better for 'beneficiaries' and deliver better development outcomes;
- that it must be for public benefit, not for private interest or for the benefit of an individual NPO.

<u>Options for who you co-operate / collaborate / partner with</u> - Include those:
- who have similar objectives and values to your NPO;
- are involved in activities that could complement your activities;
- who operate in the same or neighbouring locations.

Some examples of different types of cooperation:

Example 1: Two NPOs both work to help a minority group claims its rights. One is an advocacy NPO raising awareness, undertaking policy research and campaigning for better legislation and implementation of the law. The other is a service provider NPO providing support and advice to members of the minority group. The advocacy NPO produces policy and best practice advice and materials, which it gives to the service provider NPO for free. The Service provider NPO generates evidence for the advocacy work from its experience in the local community. The partnership helps both NPOs assist the vulnerable communities to claim its rights.

Example 2: Two NPOs promote participation in elections on remote islands. The two NPOs co-fund a liaison and development officer who can visit the Islands and whose job it is to liaise with government, potential funders and other stakeholders on behalf of both organisations.

Example 3: Three NPOs work to promote trade development. They form a consortium to share information and materials and to provide training on cross-cutting issues for smaller NPOs to increase the impact of all.

What you've got to offer, and what might you seek from others?

Each NPO is a product of its own history and context, with its own goals, experiences, opportunities and challenges. Each also has its own strengths, capacities, specializations and geographic reach, and the potential to benefit through collaboration from those of others. So, each NPO needs to think clearly about what would add value and help both it and other NPOs achieve their aims. Examples on your lists of things to share might include:

- access (e.g. to influencers / decision-makers, resources, information, locations, etc);
- local / thematic knowledge;
- service or project delivery experience;
- policy understanding and advice;

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- community, government, funder and/or media contacts and links;
- volunteers;
- management systems and services;
- transport, computer time, office / desk space;
- translation and interpretation;
- (joint) negotiating power to assist beneficiaries to claim their rights;
- (joint) buying power for goods and services;
- (shared) content, production and distribution capacity, for awareness-raising materials.

There are no doubt many other things you can think of…?

Developing mechanisms for networking and co-operating.

Networking involves building and maintaining contacts and relationships with other people. The personal networks which you accumulate over time, both socially and professionally, can be an invaluable resource. Additionally, the following mechanisms are examples of how NPOs might develop co-operative and collaborative working:

- Attend and participate in workshops, conferences, community meetings, etc where you can talk with other NPOs with similar or complimentary organisational interests to yours;
- Produce some small flyers or a short brochure about your NPO, and perhaps a business card, that you / colleagues / board members can distribute to tell others about your organisation (including up to date contact details);
- Exchange information, newsletters, annual reports, policy briefs, project evaluations etc;
- Participate in existing networks, help revive inactive networks, and/or build new networks (however, the latter needs care to avoid duplication and rivalry);
- Hold exploratory meetings with NPOs that may have a 'fit' with yours;
- Participate in peer support groups, exchange visits, mentoring (including intergenerational), and work 'shadowing' activities;
- Host and/or join 'drop-in' (informal, flexible get-together) sessions, including creating 'marketplace' opportunities where individual NPOs set out their wares for others to stop by and learn about for possible future collaboration;
- Use internet-based sharing / discussion;
- Develop partnerships with other NPOs. Partnerships may be based anywhere along a spectrum ranging from merely sharing planning and learning, through to subcontracting, to formal / legal partnerships (though, given the relatively high costs involved, the latter is much less attractive).

(ii) Success factors for Networks

Successful networks focus on delivering relationships, relevance and resources. To do this, they need to provide space, opportunities, and materials, for dialogue, exchange of experience and joint activity.

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Establishing a network can begin by providing a means to meet, follow-up, and achieve specific objectives that may initially have an undefined vision and mission. Time and flexibility are needed for networking to move to more developed stages, especially during the process of formulating the values and general principles. This requires widespread recognition of the importance of public interest over private interests, or the interest of any single NPO. Moving from one stage to the next also needs an effective and transparent mechanism of sharing information and experiences between all stakeholders.

Effective networks:

- have a clear vision, agreed principles, and a specific mission / task;
- have a clearly defined role that shows how they are distinct from their member organisations;
- have a clear sense of what they don't do;
- address NPO members' own specific needs and add value for them;
- are managed in ways in which control is shared and management coordinates activities so that all members are represented and have influence;
- provide opportunities for joint learning and mutually beneficial partnerships for members with key stakeholders such as government, donors, and the media;
- know how change happens, and how they can bring about change in the most strategic manner;
- build on existing capabilities and support the development of others.

(iii) What challenges are there?

Challenges for individual NPOs:

- Competition among NPOs - because of this, it's important to try to understand existing relationships and learn about each other's areas of interest and activities, so as not to increase competition and rivalries;
- Practical barriers to collaboration and network participation - include time and resource commitments required;
- Risks associated with network membership - such as reputation and potential diversion away from your own organisation's principal aims;
- Independence versus partnership - the 'price' of any partnership may range from the need to make strategic compromises, to being co-opted by a larger partner with its own agenda. Partnerships need to be based on equality and mutual self-respect.

Challenges for Networks:

- Managing all stakeholders' expectations is sometime difficult.
- Networks need to be able to offer sufficient added-value to overcome potential dis-benefits (e.g. the time commitments involved);
- Difficulty and slowness in decision-making. (Despite the slowness of collective decision-making mechanisms, they help to guarantee participation and communication, and encourage the sharing of experiences and information);

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- If a network no longer meets the needs of its members, participation will drop off, and the network will naturally cease to exist. So, sustainability of benefits is probably a more crucial issue than the sustainability of the network structure;
- Managing relationships and linkages with government and other local stakeholders' in as constructive a way as possible, at the same time as strengthening the voices and participation of its members, can be a significant challenge for any network.

Different forms of collaboration (e.g. networks, consortia, and partnerships) have varying challenges (and rewards) - see **Annex 6.2: Collaborative Working - Options, Pros and Cons** for more detail.

Annex 6.1: Action Planning

Action Research Exercises

Questions	Think about and write down **Ideas / Answers**
What networks / co-operation opportunities do you know that already exist?	
What networks / co-operation opportunities do you think might be useful?	

Exercise 2:

Questions	Think about and write down **Ideas / Answers**
If you've had experience of working co-operatively, note down: what was good about it? what worked well? what made it a success?	
If you haven't had experience of working co-operatively, write a note of what has constrained you, and what barriers you face.	

The results of both of these exercises should help you consider and identify appropriate and effective co-operation and networking action plans. Having learned about co-operation and networking, and the value that can be gained from them, how are you going to develop this type of collaborative working

Annex 6.1: Action Planning

with fellow NPOs? The questions contained in the following checklist can be used to help you to be clear about and agree everything from the start.

Questions for your own NPO's consideration	Ideas / Answers
What's important to consider?	
What do you think you've got to offer that other NPOs might find useful?	
What might you want to seek from them?	
Who / which organisations might you want to co-operate with? (Do you know already and, if not, how are you going to identify them?)	
What approaches / mechanisms would you prefer or suit you best?	

Annex 6.1: Action Planning

What assistance, if any, might you need to progress your plans to work co-operatively?	

Questions for you and potential NPO partners to ask, discuss and agree:	Ideas / Answers
What does each of us mean by co-operative working?	
What are the pros and cons of a partnership / consortium?	
What are our worries and fears about consortium working?	
What would be the purpose of our consortium?	
What do we want to do, and what don't we want to do?	
How will it make things better for our beneficiaries / end users?	
What's the added value we bring as a consortium?	
How will the consortium work?	
Who can and cannot join the consortium?	
How do we stop things going wrong?	

How much will it cost and where can we get the money from?	

Always start from 'where have we got common ground' rather than questioning or trying to covert other member organisations to your thinking or ways of working.

Always involve your Chair person and Management Committees in the discussions and decisions: it won't work unless they are signed up too!

Annex 6.2: Collaborative Working - Options, Pros and Cons

Partnerships are about sharing resources, experience and skills to achieve outcomes that benefit partner organisations and the communities that they serve. It takes time and planning to ensure that the contribution of each organisation is both effective and realistic within the limits of available resources. Whatever the trigger for forming a short term or longer-term arrangement, it is essential to establish the right form of partnership for the right reasons.

Partnership needs to be:
- Focused on achieving shared objectives;
- Be aligned to individual partners' aims and objectives;
- Add value to each of the organisations involved in the partnership;
- Reflect the needs of all stakeholders who might have an interest in the partnership outcomes;
- Have planned activity that is managed effectively;
- Have sufficient financial and human resource to ensure that agreed deliverables and aims are achieved.

<u>What does a consortium mean?</u>

'Consortium' means 'partnership with more than one organisation working together'.

There are different types of consortiums and consortium working. They include:

1. Organisations or groups informally coming together to work on issues e.g. campaigns / lobbying.
2. Organisations working together as a formal group/association but not forming a new legal entity. This type of consortium involves agreeing what the consortium can and cannot do, who can join the consortium, what the consortium will do. Members of this type of consortium can bid and deliver work together using lead/sub-contractor arrangements detailed below – but they must bid /deliver as their own organisations, not as the consortium as a whole
3. Organisations bidding and delivering work and services together. The most common way of doing this is by using a lead organisation that is responsible for delivering the work and they then sub contract parts of the work to other organisations; this is called lead contractor/sub-contractor model.

<u>What type of consortium is best?</u>

What type of consortium you choose depends on the organisations or groups working together and what they want to do. What is clear at the moment is that funders like consortium working and consortium bids/applications. Some benefits and problems of each type of consortium are given in the table below.

Model 1: Organisations or groups informally coming together to work on issues

Benefits	Problems
• No costs apart from arranging meetings, taking notes etc. • Organisations can share information, learn from each other. • Stronger, more effective voice on issues.	• Cannot fund raise or run services as a consortium because just an informal group of organisations. • Just a talking shop? • If no money in it, will it last?

Model 2: NPOs working together as a formal group/association but bidding/delivering as their own organisations.

Benefits	Problems
• Costs kept to a minimum (i.e. no cost of forming a new legal entity / organisation). • Consortium members can fundraise / bid and deliver services but only in their own organisations name using a lead contractor / sub-contractor arrangement. • Because consortium is not an organisation itself it is not competing with member organisations. • Formal agreement, including membership criteria, gives consortium status and quality control. • Formal consortium can bring most benefits of partnership working • Funders like consortium / partnerships bids.	• Carrying out work and making decisions as a group of organisations takes more time and money. Can full costs of consortium working be identified and covered? • Some set up and running costs including getting a consortium legal agreement, servicing the consortium. • Because it's not a legal entity commitment to maintain / develop consortium could be weak. • How to decide which consortium members bid for work using lead contractor / sub-contractor model. • Could be seen as a 'closed shop' by other organisations.

Model 3: Organisations bidding and delivering work and services together using lead /sub-contractor arrangements.

Benefits	Problems
• Can pull in specific expertise and reach that strengthens bid / fundraising applications. • Can use track record of organisations involved. • More likely to deliver joined up services that don't duplicate activity or costs. • Promotes better understanding between organisations. • Can be an effective way of developing smaller organisations (who could not bid as a single organisation) and helping them build a track record by sub-contracting to them.	• Lead contractor takes most / all the risks if contract is not delivered properly. • Legal advice is essential to ensure best lead contractor /sub-contractor arrangements. • Working with sub-contractors takes more time and requires strong monitoring and performance arrangements. Lead contractor needs to ensure their costs in this are fully covered. • Managing relations between contractors is a skilled job.

Section 7: Forward Planning

7. Forward Planning

Introduction

Forward planning for NPOs is about developing a strategy or a plan that will enable the organisation to achieve its objectives.

Every organisation will have a purpose, a reason for existing, something they want to achieve. A government will be expected to provide an appropriate range of services for its citizens, its neighbours and its visitors. A company will be expected to make a profit for its shareholders or owners by selling goods or services. An NPO will be expected to utilise its resources for the good of its beneficiaries.

None of these expectations can be met unless the organisation concerned has a clear understanding of what they want to achieve. They will need to have an appreciation of what success looks like. Invariably they will have to tell someone else about their vision, their aims and their intentions.

A government would normally need to persuade the voters that what they intend is best for their country. A company may have to persuade customers or shareholders that their goods or services are worth investment. NPOs must persuade donors to fund their projects.

Successful NPOs will have a comprehensive process for ensuring that short, medium and long-term goals are clearly identified. They will also have detailed and comprehensive plans as to how they will achieve those goals.

The leadership team of an NPO should ensure that appropriate consideration is given to all aspects of the planning process. This process should include a long term, medium term and short-term plan.

A long term plan

This may be referred to as the mission, vision or aim. It is likely to address questions like "What are we here for?" and "Who are we here for" and "What do we want to achieve?"

The governing document should clearly state the objectives of an NPO making it clear what the NPO was established to achieve and who are the beneficiaries. The leadership team has an obligation to review these objectives from time to time, certainly at least once a year, to ensure that they remain appropriate and fit for purpose. Most of the time there will be no change to the objectives and the governing document will not need to be amended. But most importantly the team will have a clear vision of what they're trying to achieve.

Following on from this the board should have a clear understanding of how they are going to get to where they want to go. They should discuss their strategy, know what resources they would need to meet their goals, plan how they would acquire those resources and have a programme of activities that would utilise those resources in order that they might achieve the goals.

7. Forward Planning

A medium-term plan

This may be referred to as the strategy or strategic plan. Other names might include an operational plan, a corporate plan or a business plan. It could cover any period from 1 to 10 years but most commonly it is likely to cover a period of 3 to 5 years. It will contain more detail about actions that are to be taken.

The plan would be prepared in the knowledge of how much funding would be available over the period, where or from whom that funding was coming and when the NPO could expect to receive it. The leadership team should have a clear understanding of how they intend spending that money and utilising other resources available to them. They should set out what additional resources they would need.

A medium-term plan would include targets of what the NPO intended to achieve by the end of the period, some form of performance measurement and the process by which progress would be monitored and reported back to the leadership team.

The strategic plan may have several strands or themes all of which are directly related to the long-term plan – the mission.

Short term plans

These may be referred to as annual plans, project plans or action plans. They may cover periods as short as three months up to 12 months and sometimes beyond. Alternatively, they might cover the lifespan of a particular project.

The content of these plans will be directly related to activities identified in the strategic and corporate plans. They will contain a clear definition of targets and what is to be achieved, specific reference to what resources will be expended or utilised, precise allocation of how these resources will be financed, measurements relating to performance, a statement indicating who has overall responsibility for action and a process for monitoring and reporting progress to the board.

There may be several short-term plans running simultaneously.

All this planning might appear daunting to leadership teams but if an NPO is to be run effectively appropriate planning is essential. An NPO that embraces efficient forward planning as part of its normal way of behaving is more likely to achieve its goals. In the long-term the efforts of the leadership team, staff and volunteers will provide a better service to the beneficiaries.

There are a number of steps that the leadership of an NPO can take to make the process of forward planning much easier. These steps are covered in more detail elsewhere in these Guidance notes.

Forward Planning - Improvement

An effective NPO is always seeking to improve its performance and efficiency, and to learn new and better ways of delivering its purposes. An NPO assessment of its performance, and of the impact and outcomes of its work, will help to inform the leadership team of the effectiveness of its planning processes. It will also influence its future direction.

7. Forward Planning

In order to demonstrate this, the NPO:

- has considered how to identify, measure and learn from the charity's achievements, impacts and outcomes, including the positive and negative effects that it has on beneficiaries, others with an interest in the charity and the wider community;
- sets achievable targets and indicators against which success and improvement is measured and evaluated based on the purposes of the NPO, the needs of its beneficiaries, the quality of its services and the resources available;
- welcomes and acts upon feedback (positive as well as challenging) from its beneficiaries and other people with an interest in the NPO about the services it provides and the areas where improvements could be made;
- looks at and assesses innovative and imaginative ways of working towards achieving its purpose and aims;
- identifies emerging trends in the environment in which it operates and uses this information as part of its planning processes;
- identifies and uses opportunities to influence the environment in which it works to be more conducive to its mission and purposes, following the law and good practice when campaigning or lobbying;
- is not complacent but is engaged in a process of continual improvement, using techniques and tools best suited to its size and activities, such as recognised quality systems and benchmarking, in order to improve its own future performance;
- is ready to share good practice with others

Forward Planning – Development

The leadership team of an effective NPO ensures that all the people that contribute to the work of the organisation have the necessary skills, knowledge and behaviour to carry out their duties properly.

The team should identify the learning and development needs of staff and volunteers and provide the necessary resources and support to ensure efficient performance. But the team should also look at their own performance this should ensure that they have the necessary skills, knowledge and behaviour to carry out the business of the leadership team.